Understanding the consumer

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Topics

- Review of consumer insights
  - Demographics
  - Meal occasions
  - Expectations
  - Macro trends
- Challenges with new product development
- Why new products fail?
- Linking sensory information with consumer behaviour
- Discussion

Understanding the consumer is integral to succeed within the food and beverage landscape

Consumers feel less and less constrained in their behaviour by traditional norms of time, place and social status..

Consumers are increasingly expecting service delivered on their individual terms

Consumers are ubiquitous critics and social sharers

It requires knowing.....

Who is your target consumer

No two groups are the same

What it takes to measure their behaviour

Understanding Demographic Shifts is key to predicting the future of food and beverage

The squeezed

European middle classes will **shrink** from 50 percent of the total to **just 22%** by 2050.

Value and Premium offerings

Ageing population

By 2050, More than **1 in every 5** people in the world will be aged 60+.

Supporting an ageing population

Millennial Watch outs

In Sharp contrast to the US, Millennials are the European Union's **minority** population

Whilst appealing to the next generation

Urban centres

70% of the world's population will live in towns and cities by **2050**

Serving the 'urban poor'

Single households

The **highest proportion** of single-person households is in Europe

Single serve, no fuss, no waste

Multicultural

Last year 3.8 million immigrated to one of the EU-28 Member States

Broadening taste buds

Source: Insights derived from Various Secondary Data (including Ingredion, Datamonitor)

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Consumers read and share label declarations

- Consumers when given a chance opt for foods that are as close to nature as possible, whole/real foods wherever possible, and those with short, transparent ingredient lists, limited processing, limited to no artificial additives
- Many modern "diets" support Clean Label eating including the Paleo Diet, Whole-9/30, cleanses, raw food diets.
- Consumers have been mobilized by social media. Manufacturers who do not remove "villainous" ingredients anger and alienate consumers.

75% of Western European Consumers pay attention to the ingredients in the food and drinks they consumer

29% of global consumers find products with the lowest number of ingredients very appealing

68% of global consumers want to recognise all of the ingredients on food labels

Source: Insights derived from Various Secondary Data (including Ingredion, Datamonitor)

Guilt free pleasure is key

- The majority of consumers believe in a balanced diet and that unhealthy indulgences need to be moderated or replaced with guilt-free options.
- Salt & fat reduction has for a long time been top of mind for consumers, now the focus is on Sugar due to heightened media coverage.
- It is important to note, for many consumers: low, no, reduced equates to lower taste* We must therefore balance this platform with taste credentials to appeal to this cohort.

51% of global consumers believe sugar has a negative impact on health

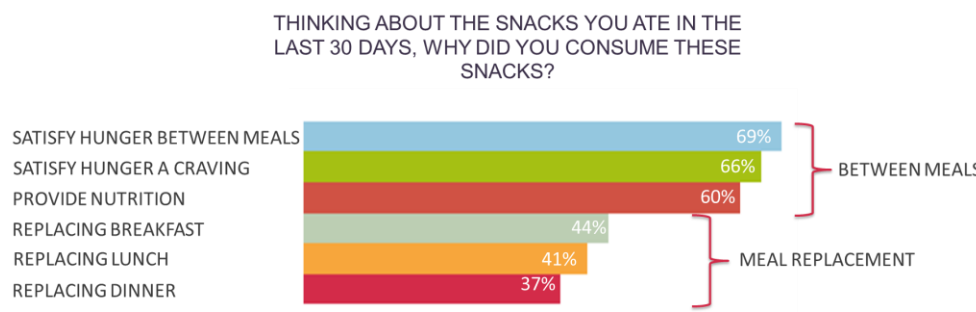
42% of global consumers believe salt has a negative impact on health

47% of global consumers believe fats has a negative impact on health

Source: Kerry.com, http://www.wsj.com/articles/consumers-low-expectations-for-low-fat-foods-1476670200

Meal occasions are changing

- Globally, we are seeing a gradual erosion of 3 set meals a day due to busy lifestyles and consumers viewing snacking as an integral part of their daily habit
- Demographics and geography impacts snacking behaviour. Broadly speaking:
  - Younger consumers snack more frequently than older consumers.
  - Males snack more for satiety reasons
  - Females snack more for emotional reasons
  - Snacking frequency varies across Europe



Source: Canadean Interactive Data: Snacking Frequency & Motivations, Candean Interactive Data: Meal location preferences when out of the home

Consumers demand new experiences

- Consumers are demanding greater experiences from the foods and beverages they consume.
- Travel, migration and the search for adventure with food has fuelled the demand for new and different experiences.
- Texture is the new Taste. There has been a growth in food manufactures recognising this trend and on pack texture claims are on the rise.

63% of UK consumers say that their taste in food has changed as a result of exposure to foods from other cultures

23% agree that the specific color of a food/drink is an important indicator of its nutritional value

2 in 3 UK consumers sometimes or often experiment with new and unusual flavors

Source: UK Canadian Consumer Survey Data 2015, Candean Global Survey Oct 2016, Mintel UK Prepared Meals Overview 2105

Macro Trends impacting the European food and beverage landscape

By 2050, More than **1 in every 5** people in the world will be aged 60+.

Over **50%** of consumers are overweight, over 20% are obese

37% of European consumers are replacing meals with snacks

50% of global consumers pay high attention to ingredient lists

Last year 3.8 million immigrated to one of the EU-28 Member States

Around 88 million tonnes of food are wasted annually in the EU

In all OECD countries '***middle class***' occupations appear to be ***shrinking***

53% of global consumers have increased the time they spend researching health online

Source: Bord Bia http://www.strategyand.pwc.com/perspectives/2015-consumer-goods-trends Mintel 2015, Nielsen 2014, Datamonitor Ingredients Study 2015

Challenges with product innovation

- According to Nielsen, 76% of new products launched in the United Kingdom failed during their first year.

- Between 2011 – 2014, from 12,000 products analysed in the UK, just 7 managed to:
  - generate a minimum of £10m in first year sales
  - maintain at least 85 per cent of those sales in the second year
  - be deemed distinctive in the category.

Source: Nielsen breakthrough innovation report 2014

If new products go through sensory testing why do they still fail?

Creating a new product that has the potential to succeed in a mature market, is very challenging.

Most consumers will not increase their total consumption to accommodate a new product so they obviously need to substitute an existing product, either in whole or in part.

Consumers may try new products, but affecting long-term substitution is quite a different matter. To succeed, a new product must achieve the same end either to a greater extent or to the same extent but differently or cheaper.

The primary reason for failure is because too few consumers have adopted it into their longer-term consumption.

Consumer testing should not only consider **hedonic responses** but also feedback from **repeated usage**.

Thompson. 2015. Expedited procedures for conceptual profiling of brands, products and packaging. In Rapid Sensory Profiling Techniques

If new products go through sensory testing why do they still fail?

Product purchase is a reward-triggering behaviour.

New products fail to gain initial trial when consumers predict that they will be less rewarding than their current products.

Post-trial, products fail to achieve repeat purchasing when consumers consider that their usual product is more rewarding than the new one.

Products and brands that form an established part of consumers' choices must consistently deliver sufficient reward to allow them to retain this position.

- ✓ Familiarity brings certainty of reward at a known cost.
- ✓ Unfamiliarity generally diminishes the certainty of reward and increases risk.

It is fundamentally difficult for new products to displace the familiarity of a consumer's current brand.

It is important to consider the effect of the **brand** when testing new products

Thompson. 2015. Expedited procedures for conceptual profiling of brands, products and packaging. In Rapid Sensory Profiling Techniques

Consumers do not consider the formulation alone

Having a good tasting product doesn't guarantee success.

Packaging shape and colour hue can make a product taste different.

Becker *et al*., conducted a study in which the participants had to evaluate a yogurt presented in a range of different packaging formats. It was found that the taste of the yogurt was rated as being more intense after the participants had viewed an angular, rather than more rounded, package.

Consumer research should as much as possible consider testing **finished products**, rather than a blind tasting test.

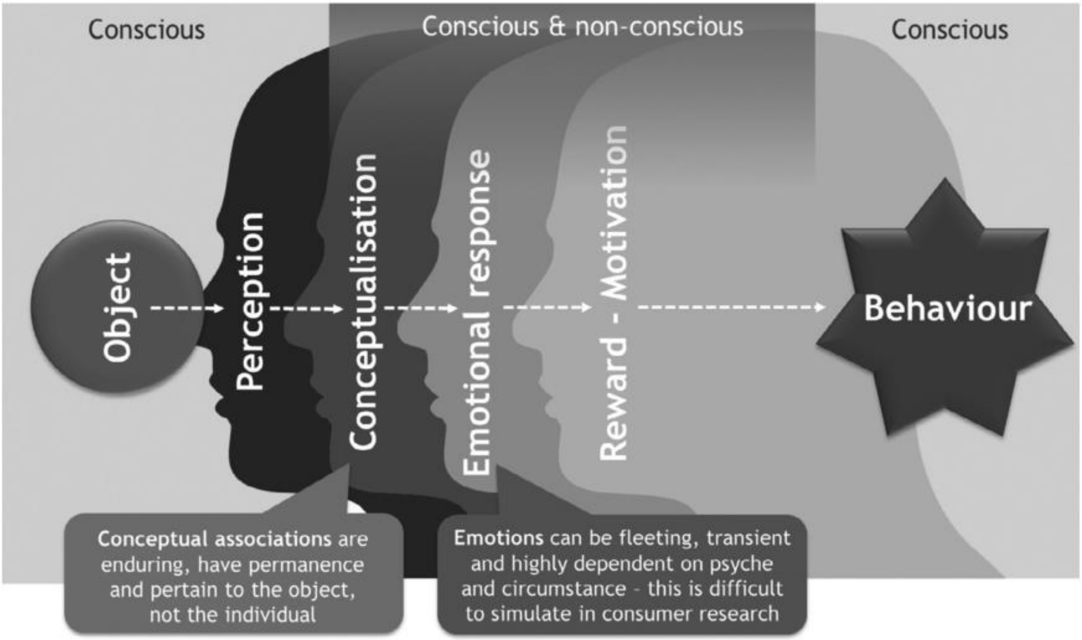
Becker et al. 2011. Tough package, strong taste: The influence of packaging design on taste impressions and product evaluations. Food Quality and Preference 22, 17–23

Linking sensory information to consequent behaviour

The human mind does not respond linearly to the stimuli, but it works with several thought processes occurring in parallel.

Acceptance of a product can change with perspective

Measures of consumer response should consider both conscious and non conscious thought processes.



Thompson and Crocker. 2015. Application of conceptual profiling in brand, packaging and product development. Food Quality and Preference. 40, 343-353

Wrapping up

- Consumer understanding requires review of the market, emerging trends and consumer behaviours
- Understanding the consumers and predicting their behaviours requires use of the right tools
- Consumer understanding should move from hedonic measurement alone, but also consider:
  - Repeated purchase
  - Impact of brand, packaging, information etc.
  - Emotional connection between consumer and product

Any Questions?

Thank you!