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.

Ageing population
By 2050, more than 1 in every 5 people in the world will be aged 60+.

Millennial Watch outs
In sharp contrast to the US, Millennials are the European Union’s minority population.

Urban centres
70% of the world’s population will live in towns and cities by 2050.

Single households
The highest proportion of single-person households is in Europe.

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

Value and Premium offerings
Supporting an ageing population

Whilst appealing to the next generation

Serving the ‘urban poor’

Single serve, no fuss, no waste

Broadening taste buds

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

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

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, Canadean 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.

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**.
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.
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.
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.
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!