

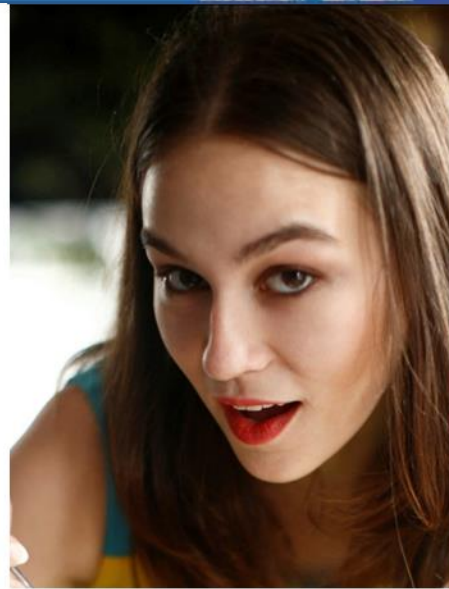
Energy & Store Development Conference

E+Scd 2014

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St. Louis, MO



THE VOICE OF FOOD RETAIL 



Destination Consumer: Understanding the Culturally Driven Marketplace of Today for Tomorrow

Presented by Harvey Hartman, The Hartman Group



The Hartman Group



Research

Our human-centric approach to primary research dissects consumer and shopper culture to reveal breakthrough insights.

Strategy



Our strategic consulting services helps food and beverage clients align their food portfolios to real consumer demand, both existing and emerging.



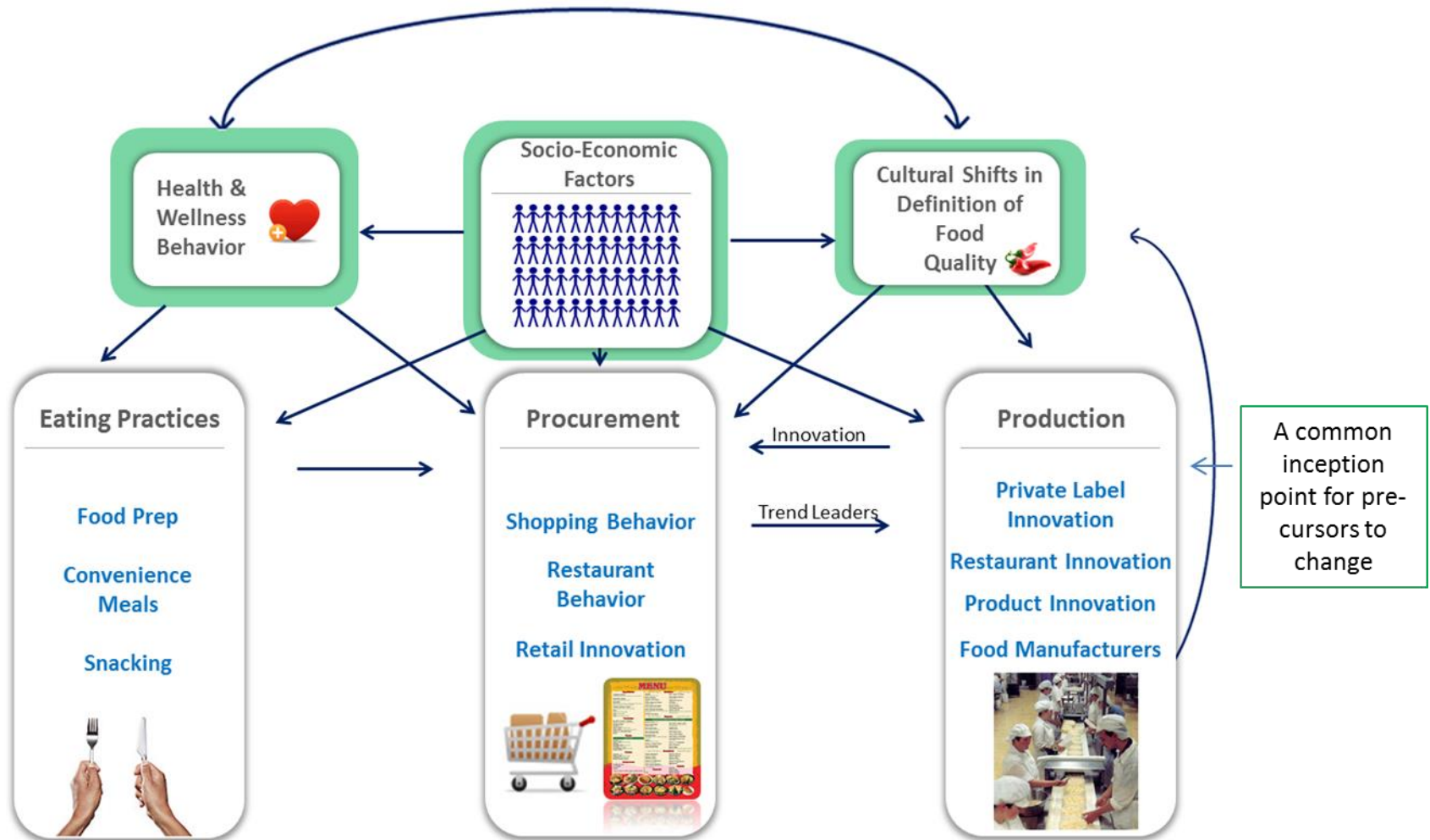
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Hartman Partner Advantage is a customized subscription program where we become an extension of your team. Through access to all of Hartman Group's non-proprietary reports and publications, plus access to our analytics team for consultations we connect you to a deep well of data, insights, and strategy.



Long-term trends: Hartman Forces in Food™

A model of the forces of change in food culture





Macro-trends in food culture: Expected five-year food industry shifts

Socio-Economic Dynamics

Growth of the
Upmarket
Consumer Base

How We Eat

The Continued
Erosion of Food
Ritual

Quality of Food

The Re-Definition
of Quality

How We Procure Food

Retail Specialists
Growing Market
Share

Producer Dynamics

Younger Brands
Outperforming the
Market



Culture is made of the social forces shaping our world

Food Culture represents the sum total of values, ideas, practices, preparations, techniques, actors, and everything else that allows us to make sense of food

"I was inspired to buy kale and try it because everyone's talking about it."

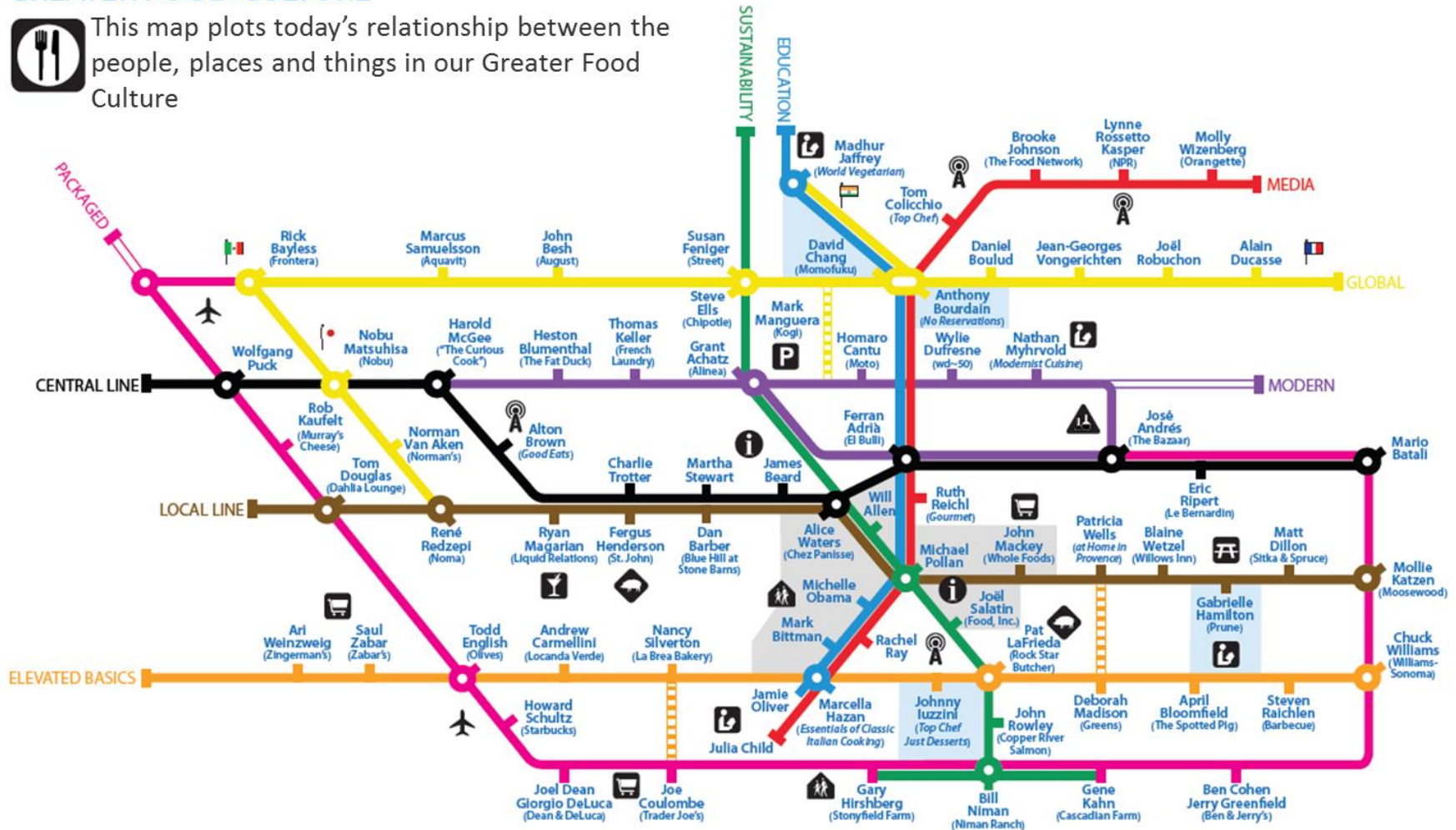


The Cultural Apparatus of Food: Influences how we think about food and who has a say in what is good to eat

GREATER FOOD CULTURE



This map plots today's relationship between the people, places and things in our Greater Food Culture





Culture has influenced not only *what* we eat,
but *how* we eat



Who we Are



What we Do



Where we Live



What we Value



a MODERN eating culture





Macro dynamic shifts: Forces on culture and forces of *culture*

Who we live with, how we spend our time, where we live, and the things we value are morphing. Acknowledging these macro dynamic shifts is essential to understanding eating culture and eating occasions today.



WHO WE ARE

Demographic changes in the size, structure and “complexion” of American households:

- Rise of single-person households
- Rise of non-traditional family structures
- Ethnic diversification



WHAT WE DO

Economic shifts in the type and amount of work we do and its perceived impact:

- Shift from manufacturing to service sector
- Rise of women in workplace
- Rising work demands and perceptions of harried-ness



WHERE WE LIVE

Environmental shift in where we live and the retail and technical landscape around us:

- Return to city centers
- Diversification of food retail and food service
- Increasing digital connection



WHAT WE VALUE

Cultural shifts in how we define a high quality of life and perceive high-quality food:

- Evolving culture of health and wellness
- Fresh revolution as the symbol of quality in food
- Appreciation for personal, customized and global foods



Food Culture Today: From Cooking to Eating



Our modern, experiential consumer culture has given way to a dynamic modern eating culture

Traditional Culture

clear societal roles | hierarchy | class-based identity |
focus on basic needs | production-driven economy

uniformity



Traditional Eating Culture

product = predictable
cooking = chore
brand interaction = transactional
engagement = low

Modern Culture

social networks | values in flux | malleable identity | creation
| co-design | customization | self-expression | design



Modern Eating Culture

product = distinct
cooking = discovery
brand interaction = playful
engagement = YOU CHOOSE



A new eating culture: Fragmentation of WHO

"It's different how I grew up. The role of mothers, women and aunties was different in the previous generation. I hate to say the term 'women's work' but men wouldn't do it... And we all ate together. It was a different culture then and now—family was the basis of unity." ~John, 56, Seattle

THEN ...



***There was a single locus of control
Meals were taken together***

Now ...

planning, shopping and cooking has become decentralized

everyone has a say in food choices

men participate in food management

who is present at the proverbial dinner table is up for grabs

more and more we eat alone, even for those in multi-person households



Fragmentation of WHAT

"I feel like snacking's more important for me than for my parents. My days are longer. And if it's a day when I'm going to go and work out, I need to have those snacks in between." ~Priyanka, 29, San Francisco

THEN ...



Now ...

there are fewer rules about what to eat and drink

food decisions driven by availability, wants and whims, aspirations and ethics

desire for cultural discovery, health, global

we often idealize having 3 balanced meals but rarely actually eat that way

the snacking "between moments" have become as culturally prominent as meals, and the definition of snacking is also evolving



Fragmentation of WHEN

"I'm the queen of chaos—but it's an organized chaos. When we need 5 to 10 items, my husband or I just stop by the store ... It's fabulous and spontaneous and gives you freedom. I'm not good with rules." ~Nektaria, 42, San Francisco

THEN ...



Eating was regimented, and planning and cooking of meals was highly structured

Now ...

today's planning, eating and shopping happens much more fluidly

meal times often stretch or shift beyond their "appointed time" or can be skipped altogether

we're much more comfortable with eating on the fly—based on whim and/or craving

we have less discipline, or desire, to make plans in far advance and go on large stock-up grocery trips



Fragmentation of WHERE

"I think I eat out a lot more than my parents do. I have a demanding job that I love, that I'm good at, so I'm not willing to give that up. And I like to eat so I do eat out quite a bit. My meals are just as often outside the home—at work, in the car—as they are at home." ~Michael, 43, Chicago

THEN ...



***Eating occurred in socially sanctioned spaces
The grocery store was the de facto source for food***

Now ...

eating can happen anywhere and everywhere

food and beverages of all kinds are consumed at home, at the office and on-the-go

traditional grocery is just one of many places from which to procure food

we have developed strategies and systems for keeping food around us at all times

we regularly patronize food service establishments and utilize other emerging channels to fulfill planned and unplanned food desires



Fragmentation of HOW

"I just look in my fridge and eat it ... My mother would be appalled! She was the Martha Stewart of her day. She cooked. She baked. Everything was homemade. She'd think I wasn't eating properly. But this way works for me right now in my life. Maybe I'm a little burned out on all that cooking." ~Susan, 58, Seattle

THEN ...



Now ...

few individuals do scratch cooking on a regular basis

many individuals bemoan their overstretched schedules and/or underdeveloped cooking skills ...

cooking responsibilities are regularly outsourced to food manufacturers, restaurants and food purveyors



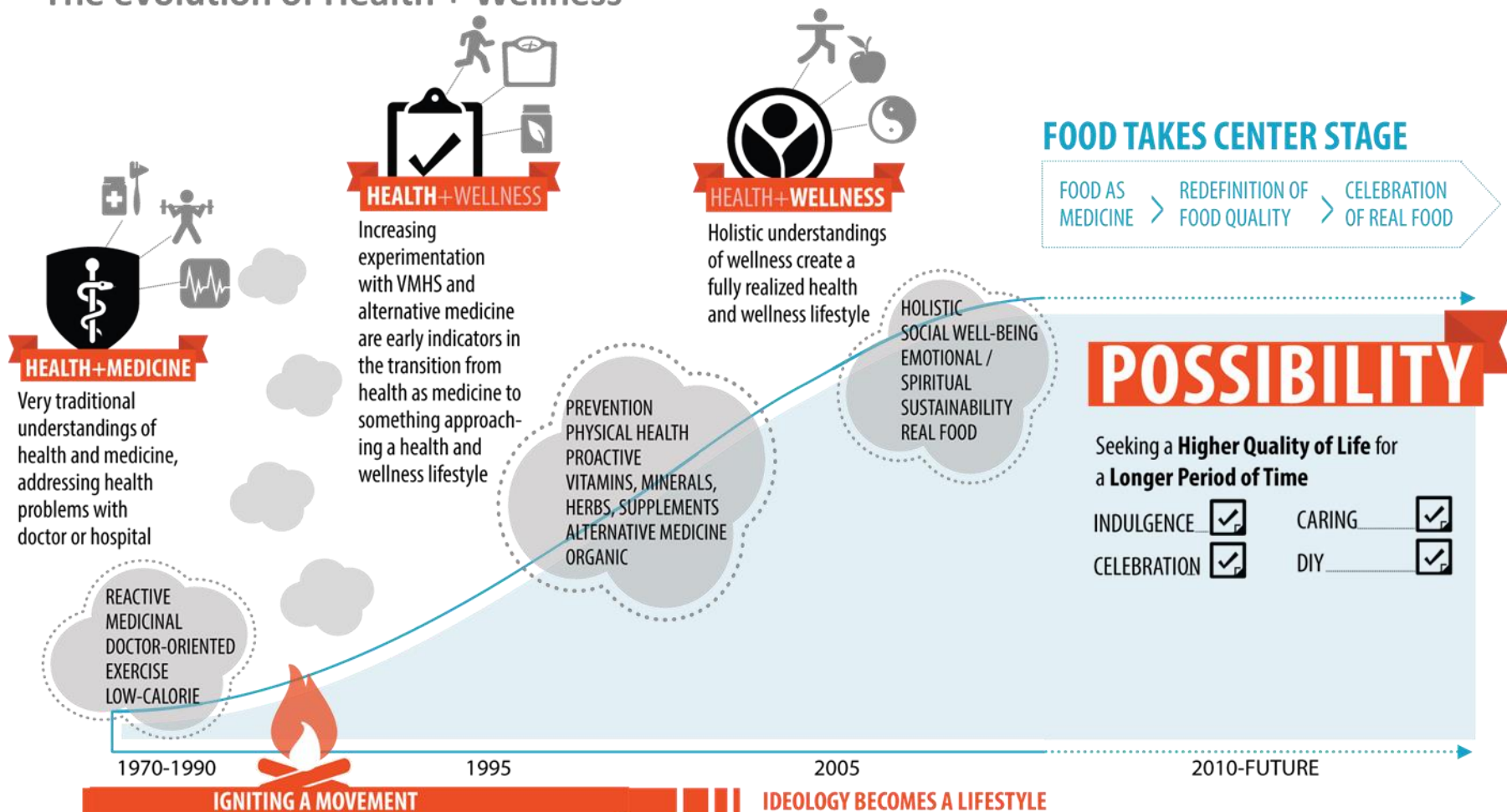
Food is the foundation of wellness: Seeking higher quality, fresh and customizable





Health and wellness is *evolving*

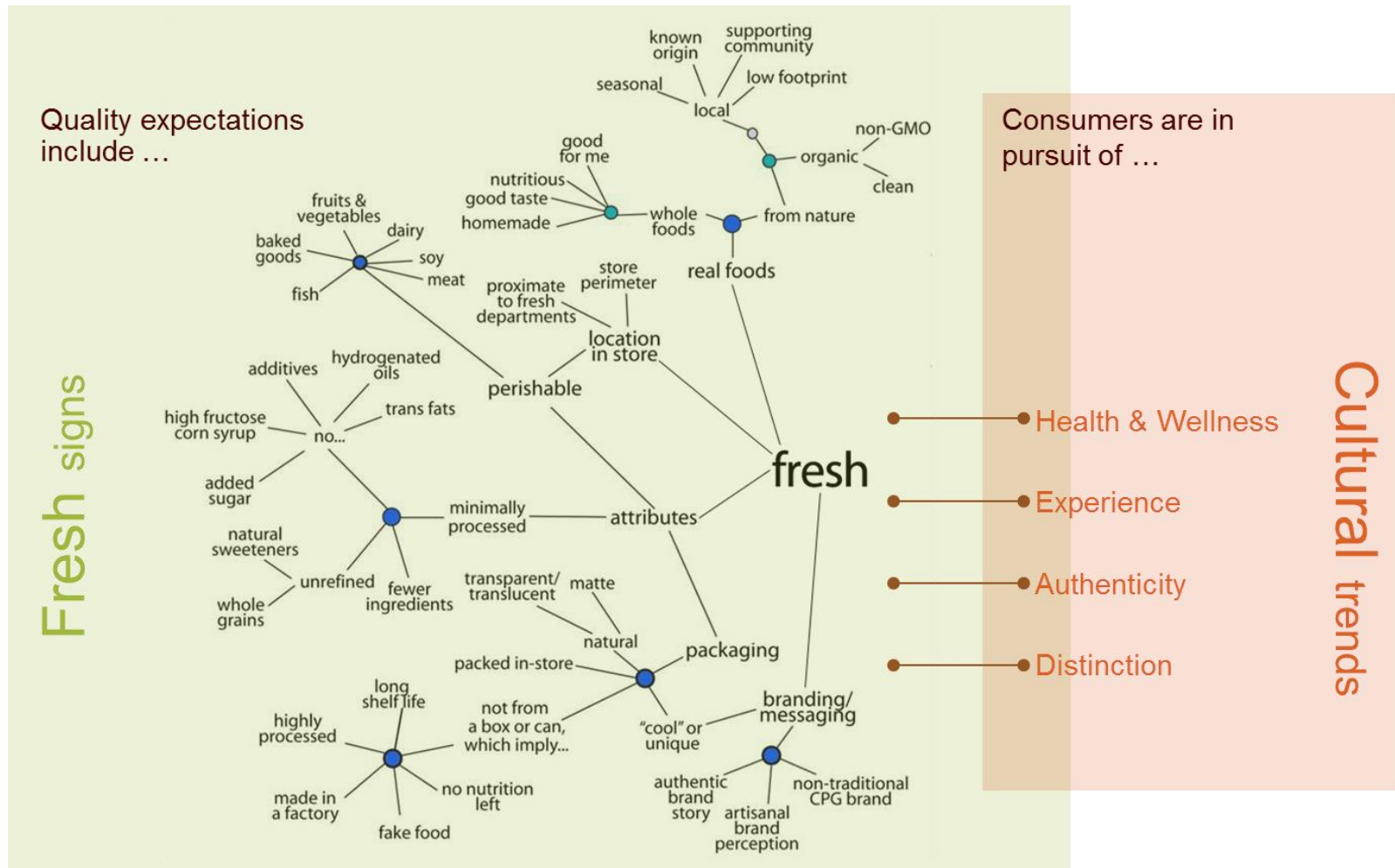
The evolution of Health + Wellness





Toward higher quality: Signs of fresh in food ladder up to cultural trends shaping how consumers think about quality.

Appeal of fresh vs. less processed



The Redefinition of Quality: Health and wellness

High Dose Protein



Fresh/Less Processed Packaged Anything



Free-from replacement foods (gluten, dairy, soy)



Snackable nutrient density



Health Neutral, rapid-hand-to-mouth snacks



Digestive super-foods



Alternative Slow Carbs



Lower-sugar content energy foods



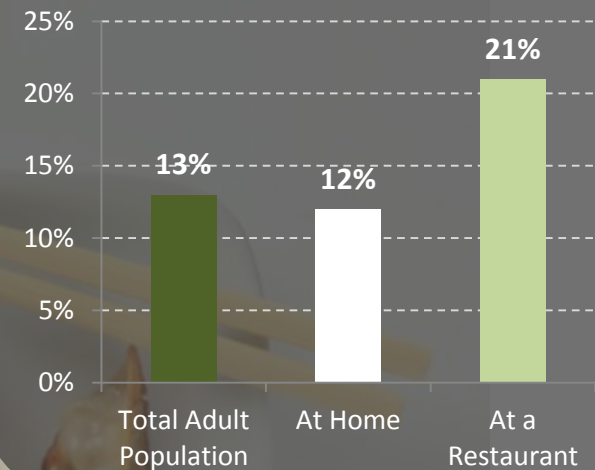


The Redefinition of Quality: Culinary and foodie values through eating emerging global foods



From a total market perspective, experiencing new global flavors is no longer a rare occasion

% of U.S. Eatings that Involve Emerging Global Foods (2012)



Source: Hartman Eating Occasions Compass, 2012. n=13,698. Note: Adult eatings only, including French, Contemporary Italian, Fusion, Indian, Japanese, Mexican, Middle Eastern, Spanish and Thai



Food Expresses Ethnic Diversity: Seeking new, bold and flavorful





The Redefinition of Quality: High involvement from the restaurant world, premium brands, and entrepreneurial activity

Cultural Heat measures the amount of energy and excitement around a category.

Top 10 Highest Scoring Cultural Heat Categories



Yogurt



Coffee Beans & Grounds



Chocolate Bars



**Nut Butters
(not peanut)**



**Alternative Base
Chips**



Honey



Crackers



RFG Sausage



Spaghetti Sauce

Source: Hartman Analysis of Category-Specific Restaurant Relevance, Entrepreneurial Activity, Quality Bandwidth



a new eating culture: Eating Occasions: Express today's modern eating culture



Who we Are



What we Do

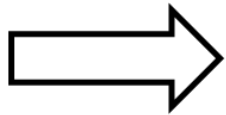


Where we Live



What we Value

a MODERN eating culture



MODERN eating occasions



snacking



alone



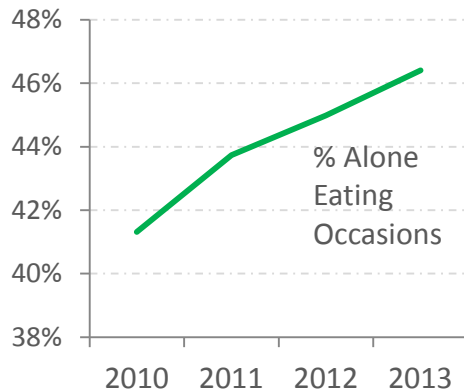
immediate
consumption (IC)



How We Eat: The continued erosion of ritual

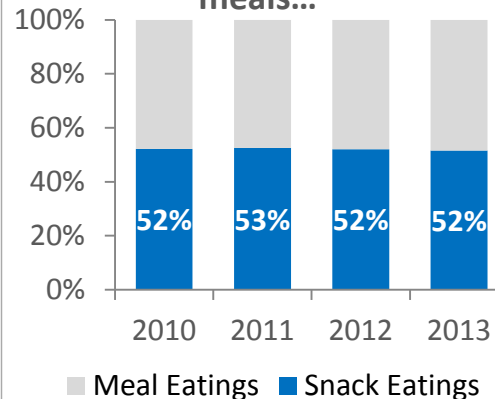
The pace of food trends will accelerate under normal economic conditions, since the retardant effect of ritual/tradition is weakening...food is becoming fashionable with fewer barriers to change

We are eating more and more alone....



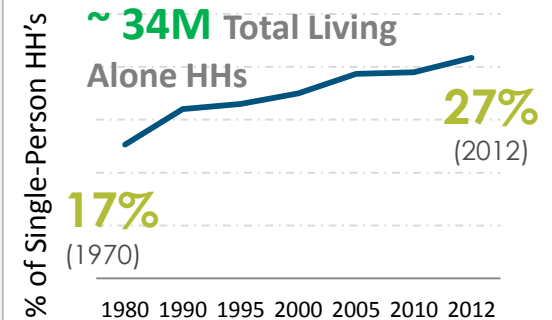
Source: Hartman Eating Occasions Compass, Total Pop., 2013

...and we are prioritizing non-ritualized snacking over meals...



Source: Hartman Eating Occasions Compass, Total Pop. 2013

...and as HH sizes are getting smaller, meal time ritual is harder to sustain interest in...



Source: U.S. Census Bureau, CPS Survey, Annual Social and Economic Supplement, 2013



Immediate Consumption (IC) Occasions: No longer atypical occasions; it's a normal way to manage food preferences



IC back then ...

departure from regular, routine meal management; infrequent behavior : only when it really mattered and typically away from home

IC today ...

normal part of food management; use retailers and food service alike as an extension of our personal pantries; embraced more spontaneity in planning



IC: When we don't have the time and energy on planning and cooking

15%

Immediate Consumption:

Eating occasions in which at least *some* items for that occasion were purchased within an hour of eating/drinking (includes eating out/restaurant occasions)



Top Need States for IC*

Not needing time or energy to think about cooking/preparing something	52%
Having foods with better flavor than their ordinary counterparts	46%
Having foods or beverages that were made with simple, real ingredients	42%
Just 'gotta have my ____ (Oreos, Cheetos, Pepsi, etc.)'	33%
Enjoying local or seasonal foods	30%
Having something that offered a special health benefit	24%



The emergence of IC occasions demands a refreshed understanding of the path to purchase

TRADITIONAL PATH TO PURCHASE

Shopping behavior is divided into clearly, delineated and linear phases.



IMMEDIATE CONSUMPTION AND THE NEW PATH TO PURCHASE

By virtue of its definition, IC compresses the time between each of the 3 phases, and favors immediacy in the fulfillment of desire, rather than planning and stock-up routines.



NEW PATH TO PURCHASE: CONSTANT CONSUMERS*

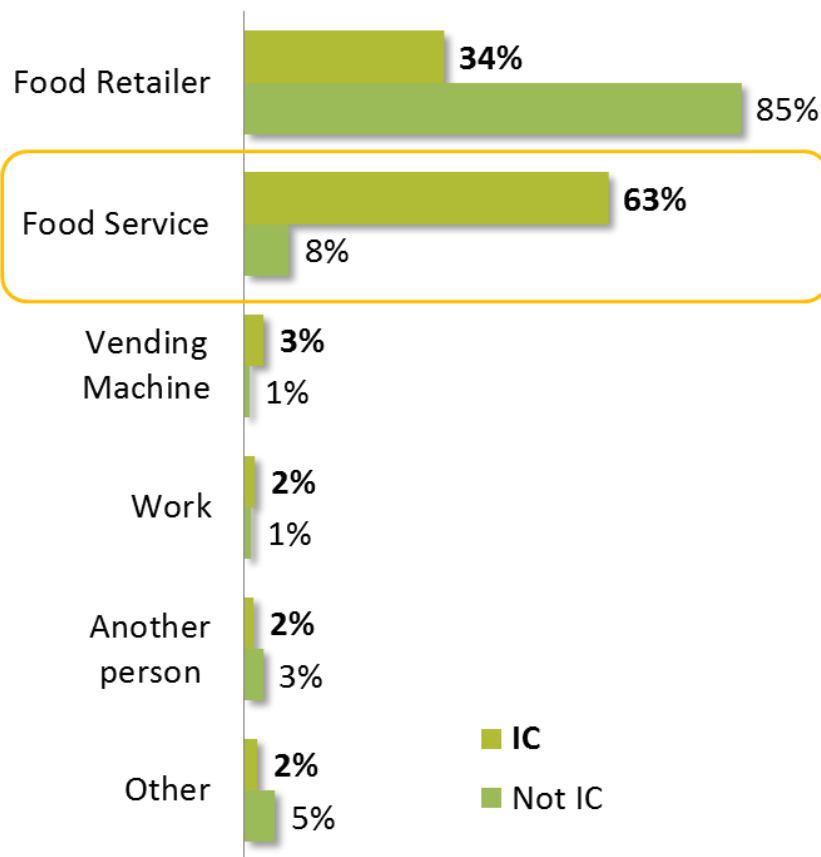


Consumers now find themselves in multiple, simultaneous stages of purchase. And what once appeared to be a direct purchase path has become an asynchronous series of events that is managed by the consumer, *not* providers.*



Close to two thirds of IC occasions are sourced from food service

Sourcing for IC Occasions



Immediate Consumption

reverses the usual dominance of food retailers over food service

Food service = cafés, food trucks, cafeterias, restaurants ... **anything that doesn't qualify as a food retailer**

Sourcing from **Food Service** is more likely to happen when ...

81% eating **away from home**

73% purchasing **meals**

71% eating **with others**



How We Eat: Erosion of ritual through tailored dietary interventions for enhanced longevity and quality of Life

The erosion of ritual aligns well to spread of individually tailored, preventative H&W purchasing and eating practices.

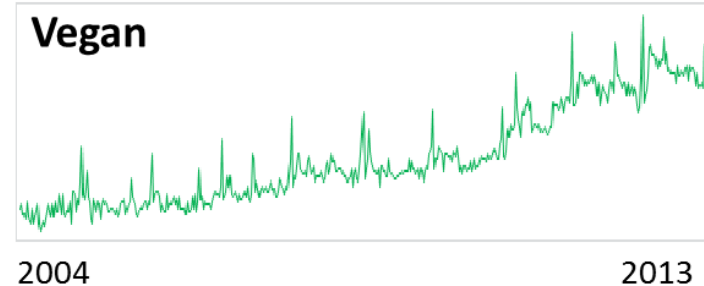
Individualized Health and Wellness Preferences Taking Hold While Dieting Fads Decline (Online Search)

Individualized
H&W
Preferences
Continue

Gluten Free



Vegan

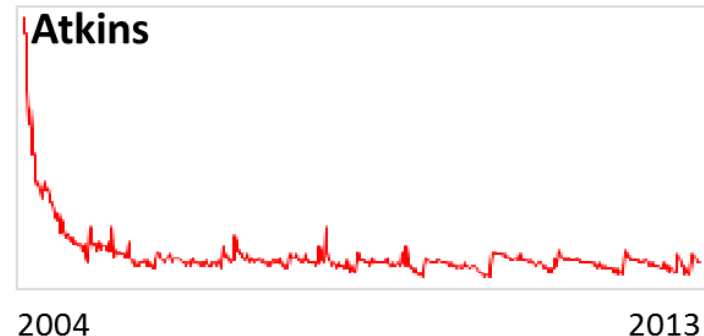


Diet Fads Lose
Interest

Low Fat Diet



Atkins



Source: Google Trends, Google Adwords as of January 2014, Hartman Analysis, 2014. Gluten Free and Vegan also have a higher # of monthly searches in the us: ~90,500, whereas 'low fat diet' and 'atkins' have 12,100 and 40,500 searches respectively.



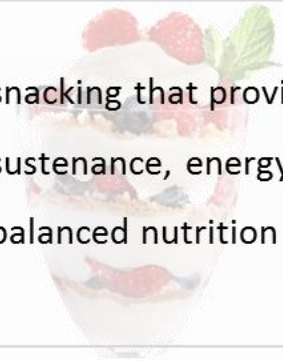
Snacking has evolved from an incidental eating behavior to a purposeful, rich cultural practice

As a result, snacks are serving more intentional, specific roles in our food lives and food culture more broadly.

73%

physical

snacking that provides sustenance, energy, balanced nutrition



emotional

snacking that fulfills desire for variety, comfort, distraction



36%

8%

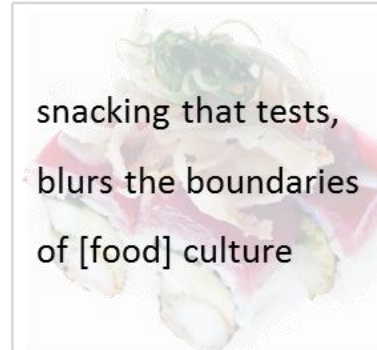
social

snacking that facilitates gathering, building relationships



cultural

snacking that tests, blurs the boundaries of [food] culture



23%

Source: Hartman Compass 2013, n=6,741. "Which of the following statements do a good job of representing your feelings while you were deciding what to have on this occasion?" (note: drivers are not mutually exclusive)



Snack occasions: Reflecting consumers' more flexible approach to eating in general



Meals ...

have culturally defined rules ... they help structure the day; nourishment is provided; relationships are built; decisions are made

Snacks ...

exist outside these boundaries; more fluid; rules bend and shift according to the needs of the individual, the context and the social space

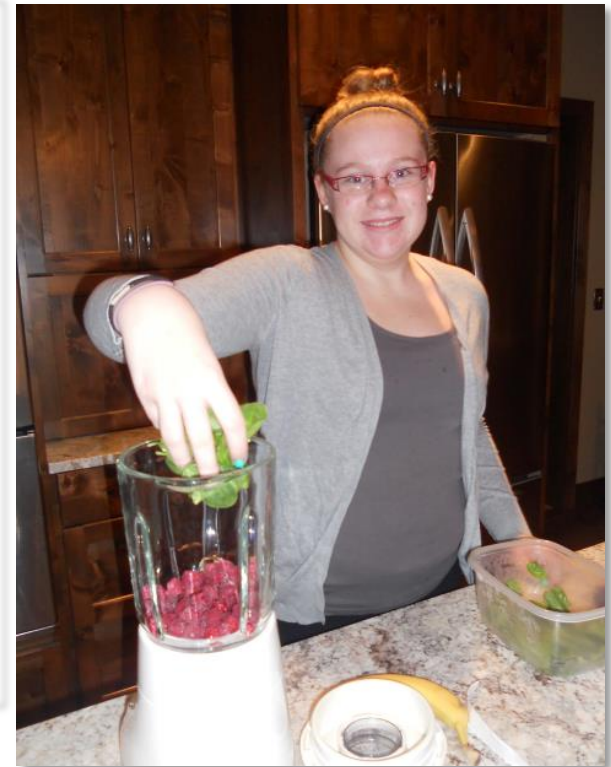
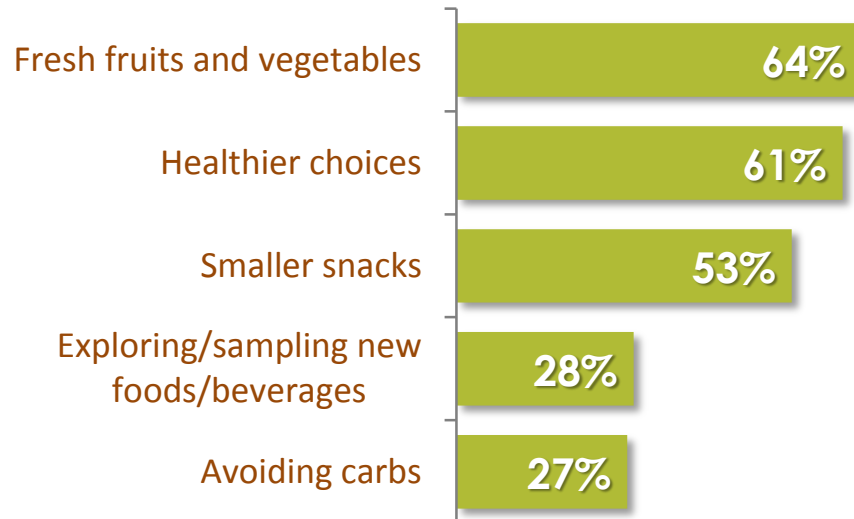




Snacking is shaped by health and wellness and foodie aspirations

"It used to be really bad: Always cookies, licorice, sweets in the house. Now I try and have some thing more responsible. Lara bar is as bad as I let it get and it's actually really healthy. It's got dried fruit, and they're absolutely incredibly healthy bars, I think it's got 5 ingredients." ~Debbie, 50, New York City

How my snacking has changed in the past 5 years (Doing MORE of ...)





Alone Occasions: No longer connotes physical and social isolation; it's a normal part of modern life

Alone back then ...

meals were the social and nutritional focal points in the day; Alone was symbolic of profound separation: Physically ... Emotionally ... Behaviorally

Alone today ...

includes reimagined ways of connecting with people, ourselves and food: truly alone and semi-alone; we choose/enjoy alone as a chance to explore food, have “me time”

“Nobody in our house eats the same things at breakfast or lunch. It used to be that way for dinner too until about 2 years ago. The kids’ palates weren’t mature yet.” ~Rifka, 31, Charlotte



Eating alone has shaped our food choices and strategies for cooking

"I've figured out how to cook for multiple days at a time. If I'm making chicken breast, I will defrost and cook a whole bag at a time. It will serve for multiple lunches and dinners, and I can mix and match how I use the chicken." ~Javier, 25, Phoenix

Product Solution

- 1 (pre-)Portioned**
items whose units are pre-measured, easily divided, or ideal for piecemeal use
- 2 Customizable**
items whose ingredients, flavor, serving size can be tailored to individualized needs
- 3 Simple/supported**
items that remove some of the labor, complicated ingredients or technical steps from cooking





Fragmentation of desires and distractions has resulted in a second kind of eating alone: Semi-alone

Semi-alone involves a disconnect between the people present or the food consumed

Alone in **time**

household members staggering their eating

Alone in **focus**

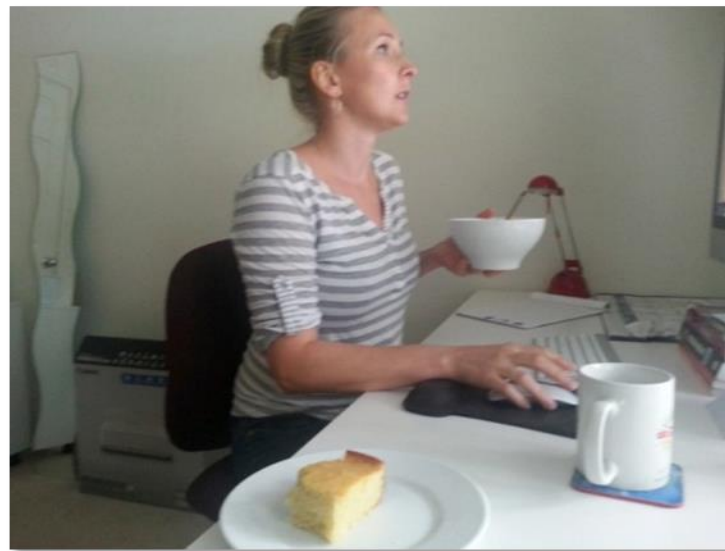
spontaneous eating of individuals in the same space, but not eating together

Alone in **choices**

eating at the same time, at the same table, but eating different dishes

Alone in **space**

virtually connecting through digital platforms *while eating*



66% We eat breakfast together less often

37% I eat alone because everyone else is going in different directions

43% When I eat alone, I can catchup on reading or watching TV programs



Big-picture implications for food retailers

- Consumers are expecting more from their food — and from the retailers providing it
- Consumers will increasingly look for quality in variety and adventure, rather than in the comfort of traditional foods
- Consumers are becoming more involved with the food they're eating, but less involved in cooking it:
 - Consumers are eating on the go and under greater time constraints than ever before
 - Consumers will not have the culinary preparation skills to prepare the new and exciting foods they are most attracted to
 - They will continue to turn to retailers for ready-to-eat, prepared meal solutions, or “meal components” for support



RESEARCH CONSULTING : CUSTOMIZED

THE HARTMAN GROUP, INC
3150 RICHARDS ROAD, STE 200 BELLEVUE, WA 98005
TEL (425) 452 0818 FAX (425) 452 9092

www.hartman-group.com