

CONSUMER EVOLUTION

The Emotions Behind Eating

Capitalizing on the shifting consumer food value equation. BY MARK BAUM



The consumer food value equation has profoundly changed. Traditional value drivers — taste, price and convenience — have historically been the dominant and reliable drivers of consumer behavior, and were the fundamental drivers of the path to purchase and value equation. They continue to be important drivers, and may today be thought of as “fundamental” components.

However, other emerging factors — health and wellness, safety, social impact, and experience — are newer drivers, evolving in meaning and becoming increasingly important considerations, and all are wrapped in a layer of required transparency. Combined, these evolving drivers are fundamentally changing the value equation for retailers and manufacturers.

This shift is bigger than one might think. First, more than half of consumers weigh the new/emerging drivers more heavily than traditional preferences. Further, these “evolving” preferences are pervasive, representing more than 50 percent in every age bracket, from 18 to 80 years old, and span every geography — just less than half (49 percent) in the Midwest, but more than 50 percent in the Northeast, South and West.

Similarly, these emerging drivers represent 44 percent of preferences in under-\$25K-income households, but again, more than 50 percent from those with \$25K-\$100K incomes and above. In other words, the emphasis on these emerging factors is ubiquitous — not limited to Millennials or wealthy coastal Baby Boomers, as commonly believed — and these drivers are nuanced.

For example, the way consumers define food safety is changing, from “If I eat this, will I get sick?” to “Are these products free of harmful elements? Is there clear information and labeling? If I feed this to my child, what are the long-term impacts on his/her future health?”

Aligning Values and Strategies

Our findings suggest that companies must change to thrive in this environment of shifting consumer food values. They must understand the intersection of these new consumer food values and their own growth strategies. They need to reinvigorate their product portfolios with a “product plus” mindset. They must engage consumers in a genuine, open dialogue to build trust. Finally, retailers and manufacturers must evolve their business models to support these new and revised priorities.

We know the consumer value equation is changing, and while we’ve been witnessing the shifts in shopper behavior, we’re just beginning to measure the impact on our businesses. Shoppers’ changing relationship with food (and related products) is well reflected at grocery checkouts, as evidenced by the top 25 CPG companies reporting 1 percent growth over four years, and conversely, small and private brands’ 4 percent growth, according to Credit Suisse research.

When I facilitated a conversation inspired by this research (sponsored by Food Marketing Institute and Grocery Manufacturers Association, and conducted by Deloitte Consulting) at the GMA Leadership Conference this past summer, I had the opportunity to engage a diverse panel of food industry leaders on their viewpoints regarding how consumers are redefining the path to purchase.

The panel noted that the biggest surprise from the research was the immediacy of all of these influencers on all areas of their respective businesses — from research and development to marketing to IT.

Land O’Lakes EVP and Chief Supply Chain and Operations Officer Beth Ford explained how these shifting behaviors are redefining her company’s relationship with the consumer. She emphasized a need for a cultural commitment to change at the corporate level — from analytics to R&D to all ways of listening to the customer.

Carolyn Sakstrup, VP of Target’s Guest Center of Excellence, explained that companies should recognize nuances in the changing consumer, noting in her comments that it’s not just “healthy” categories that matter to them, but also products with recognizable, simple ingredients and a clear label. Sakstrup attributed these merchandising trends to the fact that 97 percent of Target customers are already buying at least some natural, organic or sustainable products at its stores.

Supply chain partners are increasingly posi-



tioning themselves as resources and having a lens on the consumer food conversation. Rob Auerman, Elanco Animal Health’s president of North American commercial operations, stressed that his company has broadened its stakeholder dialogue with CPGs in the last five years, including an investment in a state-of-the-art social media command center and global research tracking perceptions on antibiotics in food.

The New Normal

Food is both personal and emotional, and panel participants acknowledged that delivering on the demand for transparency is a constant challenge. DuPont EVP Jim Borel recognized the need for more ways to be open and responsive, and ultimately build trust in their products. Borel shared that earning trust is as simple as telling the amazing stories behind products in ways that resonate with shoppers. The entire value chain will need to work together to think about new products, new processes and new messaging to meet consumers’ evolving needs.

A resounding theme of the panel, and the biggest takeaway from the overall research initiative, was that companies need to evolve alongside the customer and work across the supply chain to meet this “new normal.” At FMI, we continue to invest in new resources to help our members keep pace with the shopper during this evolution — arguably, revolution — of the food retail industry. **PG**

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