CONSUMER INSIGHTS

June 2017

AHDB
AGRICULTURE & HORTICULTURE DEVELOPMENT BOARD

CONSUMER FOCUS: HEALTH

AHDB's consumer insight team actively tracks, monitors and evaluates consumer behaviour, reporting on the latest consumer trends and picking out what they mean for the industry and agriculture. Health is one segment which is rising in importance for consumers and Mintel report that 25.3% of all new product launches in 2016 had a health claim.

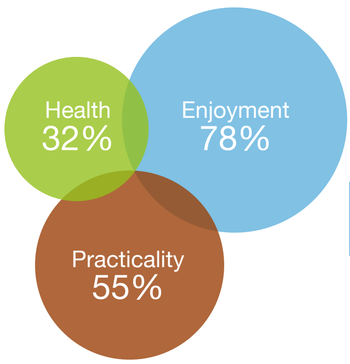
Consumers' search for 'fresh' and 'natural' emerges in the backdrop of health. Looking at product synergies with those that have a stronger fresh and natural association could help raise additional usage. Health is also the perfect platform to talk to consumers about freshness and product benefits, giving consumers reasons to buy. The industry can further build on the desire to eat healthily with clear and concise messaging, educating and informing the consumer of associated health benefits. This report examines health through the eyes of the consumer and picks out the challenges and opportunities in meeting the health needs of the modern consumer.

UNDERSTANDING OF HEALTH THROUGH THE EYES OF CONSUMERS

How important is health to consumers?

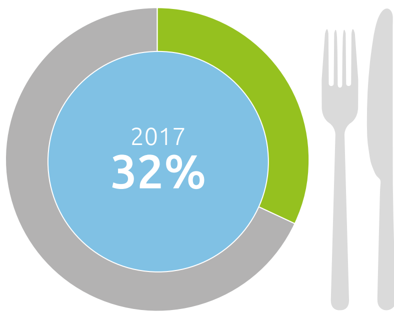
Enjoyment and practicality remain a key linchpin of the majority of meal choices made by the consumer –but research from Kantar Worldpanel points towards a growth in health as a reason for choice. This movement is happening at the same time as Britain continues to face high levels of obesity. Over the past year, health as a reason for consumption has grown at a faster rate than that of taste and practicality. Currently, retail food sales associated with health are valued at £22.7bn by Kantar Worldpanel.

Food needs states*



*Proportion higher than 100% due to multi select option available.

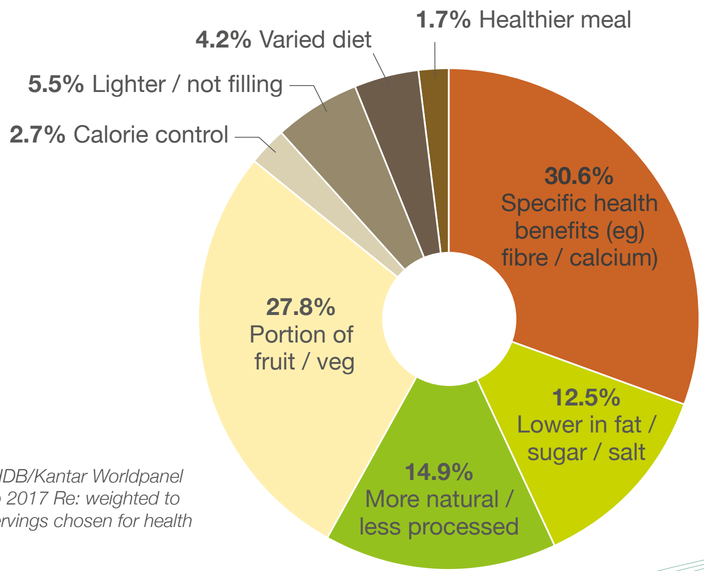
Proportion of food servings in the home chosen for health reasons



+ 14% versus 5 years ago

Source: AHDB/Kantar Worldpanel 52 week March 2017

Breakdown of servings chosen for health



Source: AHDB/Kantar Worldpanel 52 w/e Feb 2017 Re: weighted to 100% of servings chosen for health

Health can mean different things to consumers and subsequent behaviour can depend on the perspective taken. When prompted, consumers most often stated their reasons for a healthy choice were the clear health benefits, such as fibre/calcium content. The strongest rise in the last 12 months came from those looking for 'more natural/less processed' products, providing an indication that consumers desire greater control in what's going into meals.

Where does Health lie in context of wider consumer trends?

Kantar Worldpanel's 'State of Britain' survey highlights a greater level of consumers who state they 'try to lead a healthy lifestyle' and those who state 'diet is very important'. But is important to remember consumers are juggling what they say on health alongside wider purchase behaviours which all have an influence on what and why we buy things. There is the continued drive for quick and easy, alongside the balance of consumers' aspiration to eating healthily vs the desire to treat and indulge.

There has been a wider desire from consumers to be in control of their own health agenda – with movement towards more consumers taking responsibility for their personal well-being. Technology has aided this through the ability to track and monitor diets, for instance through apps and wearable technology such as the FitBit.

Consumer exposure to endorsed diets, recipes and food trends through guides, cookbooks, web and social media has never been greater. Joe Wicks Lean in 15 and Jamie Oliver 'Super Food' cookbooks are good examples. There is also raised appreciation of mental health, with more importance placed on this aspect of well-being.

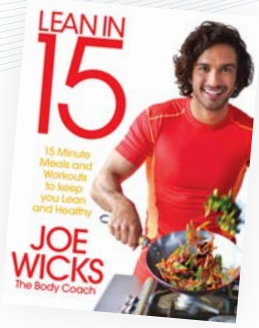
Future success in meeting the health needs of consumers may lie in the synergy between wider lifestyle habits and consumer association with the health benefits of products, with the critical path lying in the clear communication of health benefits to consumers.

What Health Challenges are emerging?

The evolving health agenda can place pressures on products which have questions raised on their health benefits. One category which has high level media coverage and is often cited in the nation's challenge to tackle adult and childhood obesity is sugar. The category has experienced a long-term decline. The impact has been seen not only in the primary product ie packets of sugar but also wider processed products which, on the flip side, has experienced a number of healthy variants launched.

Factors influencing consumers health agenda

Wearable technology and online access to diets/meal inspiration



Endorsed diets, recipes, chefs and celebrities.

Jamie Oliver

GREAT BRITISH CHEFS

Retailer recipe inspiration / meal ideas

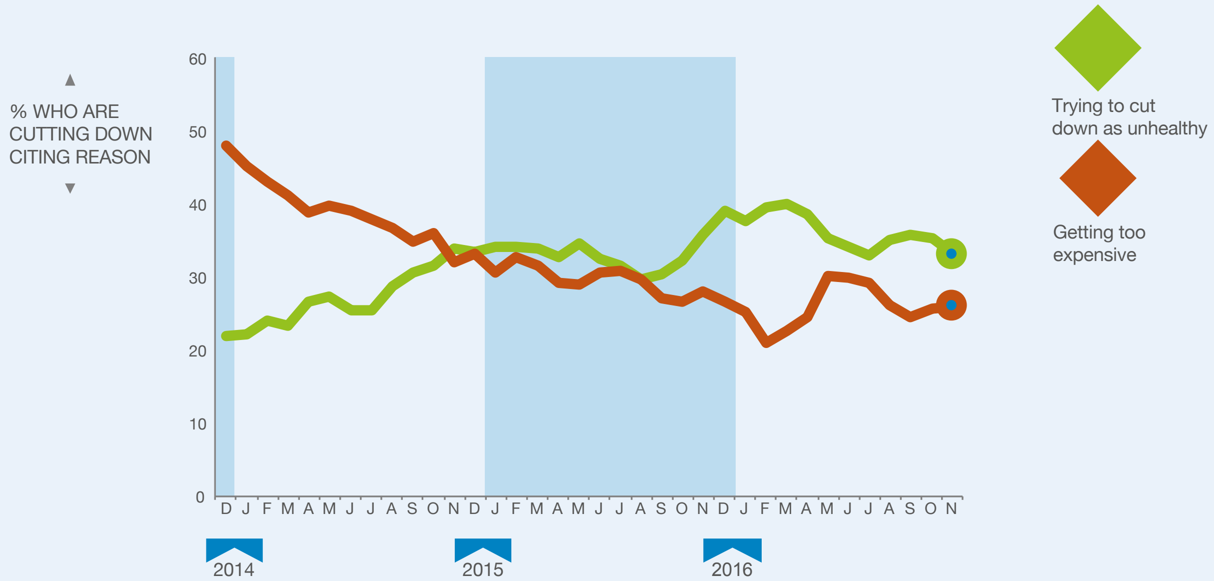
TESCO

COOK WITH M&S

Waitrose

There are signs that consumers' views on health and well-being are starting to impact wider categories which may have previously been unaffected. While findings from the AHDB Consumer Tracker point towards the majority of people eating about the same level of red meat (74%), there are some who are eating less (19%). Both the tracker and data from Kantar Worldpanel points towards health concerns as the primary motivation. Previously, the most common reason for a reduction had been centred on price, with consumers facing notable price rises over the past five to ten years. But, over the last two years, health has taken centre stage. More recently the industry has become more familiar with the term 'flexitarian', which can have differing definitions associated. One way Kantar Worldpanel identify this group is measuring those who are eating less red meat for health reasons. This currently stands at 7% of the GB population, placing further pressure on meat consumption. An example can be seen in foodservice where Pret a Manger has announced it has opened a second vegetarian-only branch in London following the success of its first "veggie only" outlet in Soho. A report from Caterlyst picked out that 52% of Veggie Pret customers were meat-eaters looking to cut down.

Health replacing cost as the main reason for cutting down on red meat

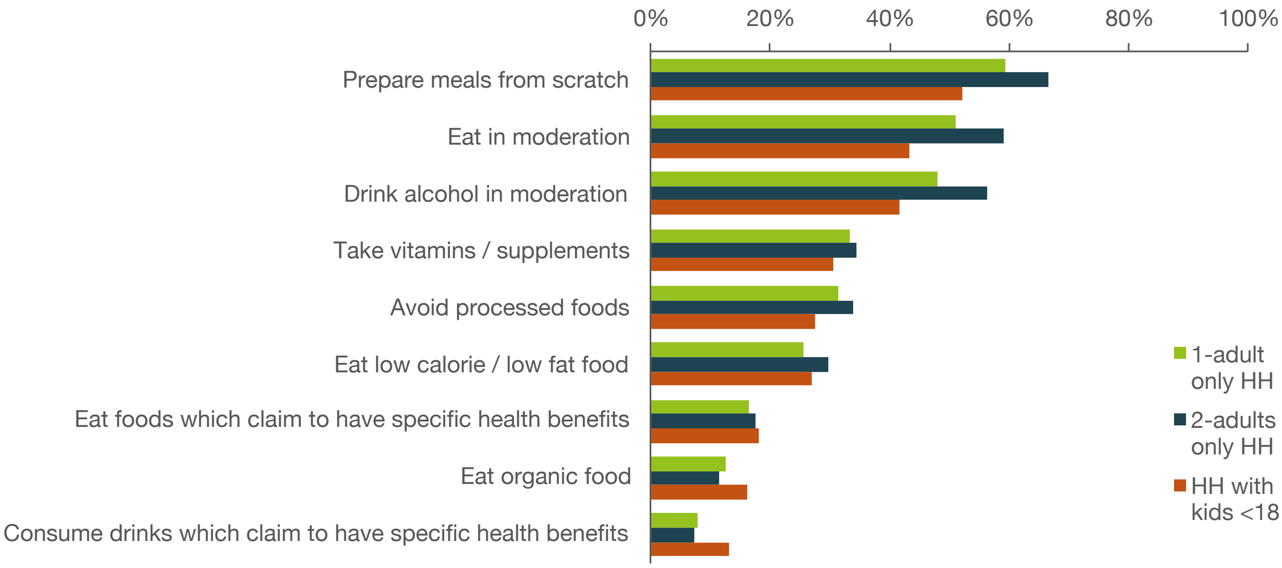


Source: Kantar Worldpanel: 12 w/e Nov 2016

How do consumers satisfy their desire to eat healthily?

Research from the Foresight Factory highlighted key steps people believe they should make to eat healthily. The top response here was preparing meals from scratch linked to consumers' desire for control over ingredients. This provides a good opportunity for the fresh and chilled category – especially those who can clearly communicate their health messaging to consumers. Eating in moderation also proved popular, signalling that consumers may have stronger views on products which need 'moderating'.

Eating Related Steps taken to live healthily

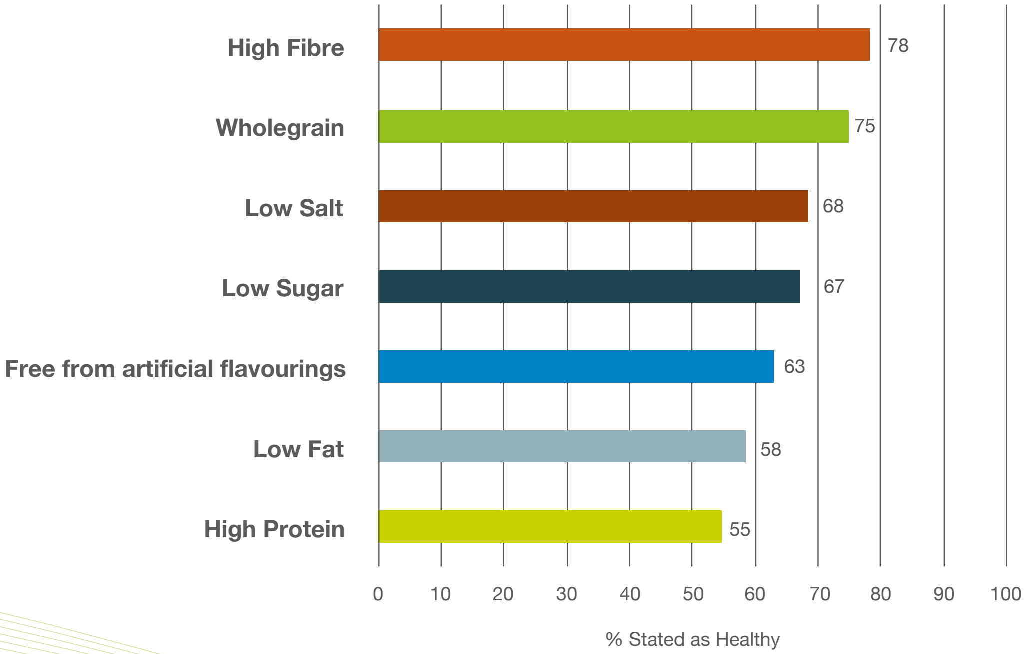


Source: Foresight Factory | Base: 5005 online respondents aged 16+, GB, 2016 February

What are consumer reactions to health claims?

Findings from YouGov's Everyday Health Tracker picks out consumers' reactions to a range of health claims. It provides a clear signal on the messages that consumers link to being healthy and are often used as primary health message on products. How 'health' messaging is communicated to consumers is vital, shoppers are faced with a multitude of decisions when shopping and their time at fixtures is limited. Labelling and packaging need to be clear and quickly communicate the health benefits. AHDB will be undertaking further research into health claims during 2017, in particular exploring a range of health statements for sector-related products and gauge how responsive consumers are to messaging.

Food claims considered healthy



Source: YouGov Health Tracker January 2017
2,049 nationally representative adults aged 18+

Are consumers spending more where their health is concerned?

Studies released by Kantar Worldpanel at the end of 2016 highlighted that consumers' often state more than one health benefit behind a meal/product choice. This suggests consumers are expecting more from health choices, often looking beyond some of the traditional lead messaging. Retail data from Kantar Worldpanel also shows, on average, consumers spend 5% more when health is the reason for choice. This mirrors a wider trend outside 'health', where the more needs a product fulfils, the more consumers typically are prepared to pay.

With healthy food choices on the rise and consumers spending more in this area, you would be forgiven for assuming that specialist health ranges in supermarkets are doing well. However, Kantar Worldpanel's health report points to sales on these lines struggling (-4.2% in 2016) – perhaps because of their large emphasis on processed foods rather than protein, fruit and vegetables. It would suggest consumers are looking at the products' nutritional attributes rather than just picking the healthier alternative in the category they have always shopped. It highlights that is not necessarily easy to keep shoppers in a category using solely healthy ranges.

Source: Kantar Worldpanel

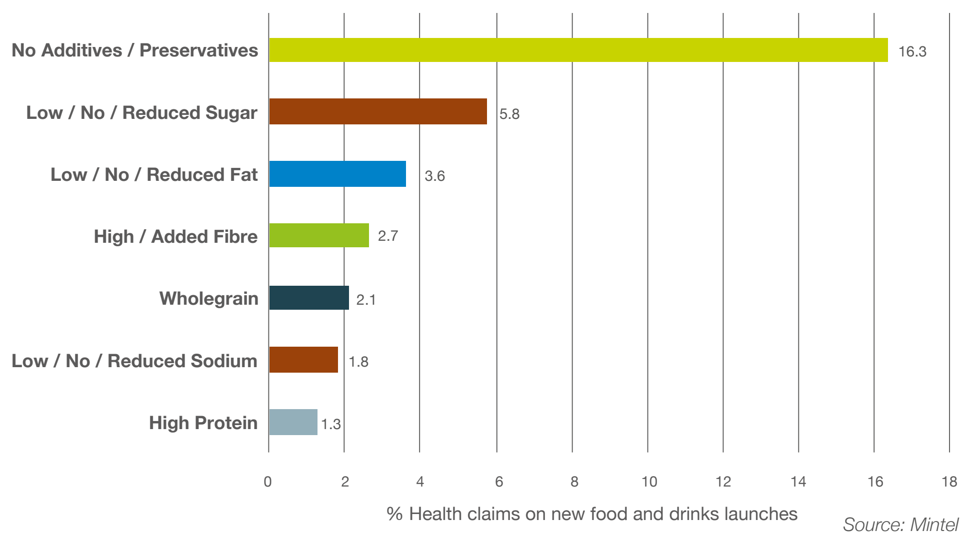
OPPORTUNITIES IN MEETING THE HEALTH NEEDS OF THE MODERN CONSUMER

Opportunities linked to consumer desire for ‘fresh’ and ‘natural’

There has been positive movement from consumers towards fresh and natural products, with consumers also stating the desire to cook from scratch. Knowing exactly what is going into the dishes they are preparing is a key attraction. Suppliers of fresh raw ingredients have a great opportunity in clearly communicating their health benefits to consumers, especially if there is a large emphasis on what’s not contained.

Exposure to products with health claims are not new to consumers, according to Mintel 25.3% of all new food and drink launches in 2016 had a health claim. No additives / preservatives was the largest segment with the claim featuring on 16.3% of new products.

Share of New Product Health Claims in 2016

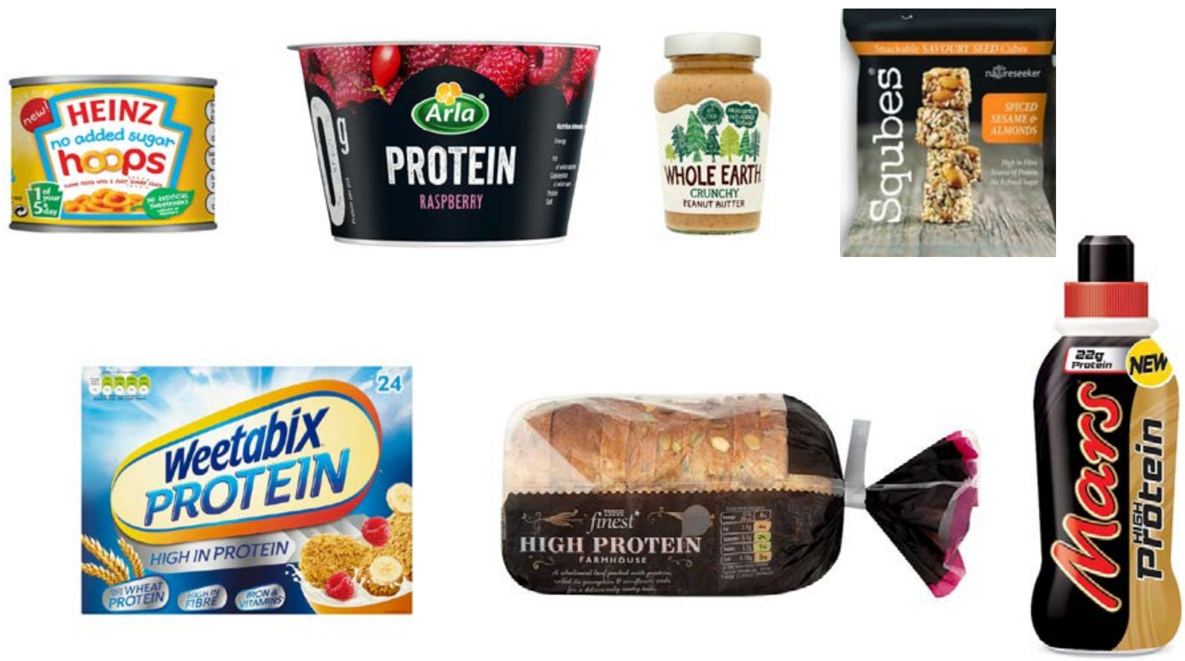


Source: Mintel

Its vital products shout hard about the health credentials they offer, regardless, of whether they are new innovations or variations on traditional products. For example, Weetabix packaging clearly references it is high in protein and Arla’s protein range notes its natural ingredients. The Grocer also reports that Heinz is planning a roll-out in July on a ‘no added sugar’ variant of spaghetti hoops, this labelling also references ‘no artificial sweeteners’. This follows the launch of Heinz’s ‘no added sugar beanz’ earlier this year. It is big brands and not just specialist food producers that are responding to health needs.

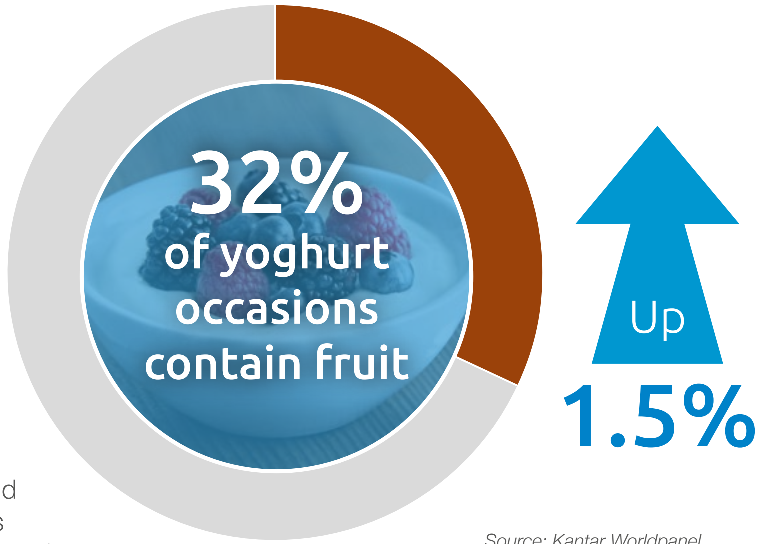
Retailers are also responding, many undertaking range reviews with strong consideration of their healthy product offerings. In May, Tesco launched a campaign called ‘little helps to healthier living’, announcing the lowering of prices on selected fruit and vegetables. This followed the re-formulation of their own-label products which, was quoted on Tescos website as removing “8,000 tonnes of sugar, fat and salt across a range of 2,000 products”.

Health positioning: product examples



Looking at product synergies with those that have a stronger fresh and natural association could help raise occasions. For instance, just under a third of yoghurt occasions feature alongside fruit. Opportunities also lie in clear health messaging to consumers. Results from AHDB's Consumer Tracker (Jan17) run by YouGov showed 43% of consumers picked out butter's natural credentials. While the proportion thinking 'it's not good for you' was less than half of that (21%). Cheese also scores well for calcium (59%) and being a good source of protein (52%) indicating a good platform to drive home the positives where the category can raise consumption on the health benefits beyond taste.

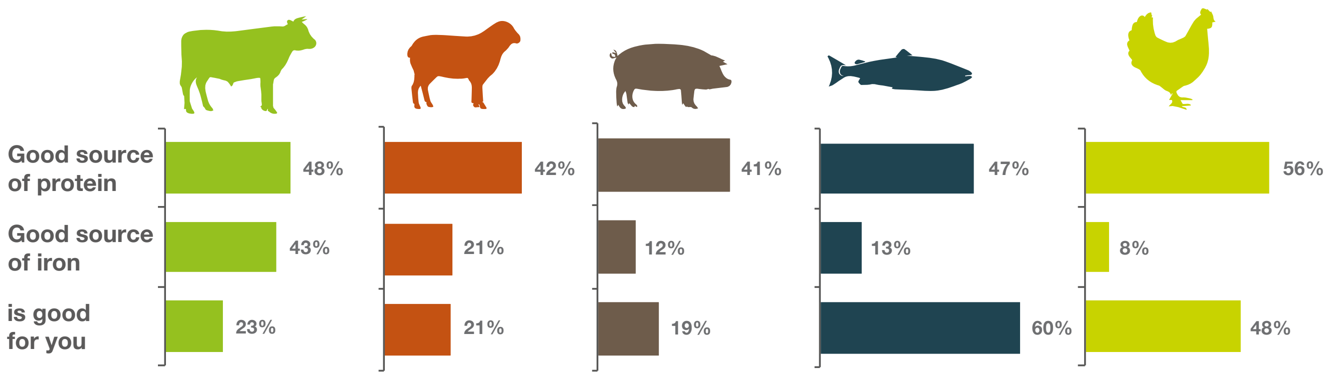
And some Dairy sectors fit with healthy host foods



Source: Kantar Worldpanel 52 w/e February 2017

Red meat health opportunities could be aided by the fact it is naturally rich in protein and in the majority sold as a fresh product. Whilst appreciating the challenges highlighted earlier, red meat does have a strong opportunity on the health agenda. Findings from AHDB's Consumer Tracker point towards red meat standing behind chicken and fish in consumers' stating it's 'good for you'. Ensuring consumers are aware of the vitamins and minerals red meat can provide alongside any 'protein' messaging may assist health motivated purchases.

Consumer perceptions relating to meat types



Source: AHDB/YouGov Consumer Tracker Jan 17 - Which, if any, of these statements do you feel apply to each of the meat or fish options listed?

Talking to consumers about freshness and product benefits could create strong opportunities for the agricultural industry. They are likely to appeal to the rising numbers who are actively seeking out fresh raw ingredients as part of their diets and lifestyles. For farmers and producers, it provides a perfect opportunity to talk about not only quality but product benefits too as well as gaining alignment to clearly meet the health needs of consumers. Fresh products need to give consumers reasons to want to buy that move beyond origin, to being more focused on health attributes where possible or, at the very least, avoid being positioned as unhealthy.

Mass market appeal needs to leverage food as a source of fun and comfort without compromising on health. The Foresight Factory places future growth around products and experiences rooted in traditional culture combined with those which can clearly demonstrate and communicate their 'natural' credentials to consumers.

Consumer Health Outlook

Careful monitoring of consumer confidence would be advisable, as past data suggests healthy food choices withstands confidence dips until it gets very low. This was the case at the end of 2008 where food chosen for health reduced. Looking ahead at inflation and the subsequent impact on consumers' real earnings will also be vital as this is often strongly linked to consumer confidence. Future success around this topic is likely to come from further understanding of consumers' health motivations across categories. Building on health motivations with clear and concise health messaging allows consumers to make quick decisions at fixture and meal planning. Any new product development around health needs to place careful consideration alongside wider consumer trends and it would be the fusion of these which may help achieve the holy grail of the mass market in being enjoyable, easy and healthy.

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Steven works within the Consumer Insight team at AHDB and has over 10 years of experience looking at consumer behaviour and shopping habits. His current role at AHDB focuses on consumer attitudes and food consumption patterns. Looking at the influence factors such as 'health' can have on food choices made by consumers.

Steven has also worked at Lloydspharmacy, which is part of the global Celesio group, providing services to the pharmaceutical and healthcare sector. Within that role Steven coordinated a number of projects focusing on consumer behaviour towards healthcare in the UK.

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