

HEALTH & WELLNESS

U.S. consumer attitudes and trends and their implications for the food/beverage industry

White paper by (r)evolution partners

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State of Health 2007: How Healthy Are We?

Roughly 2/3 of Americans consider themselves to be in excellent or very good healthⁱ and by traditional measures, the overall health in the U.S. continues a long-term trend of improvement. We're living longer than ever before, with a record-high life expectancy of 77.9 years. Mortality rates for heart disease and cancer have significantly dropped thanks to new drugs and advances in medical technology. Moreover, scientific research is helping Americans get smarter about preventative health; for example, by uncovering predictive factors of genetics, high blood pressure and cholesterol, we have been able to identify the potential risk for heart disease much earlier and prevent many heart attacks before they happen.

Nevertheless, several trends in the health and wellness landscape of America are cause for concern. Despite investment in education and an increasing awareness among Americans of the link between diet, exercise and physical health, we are more overweight than ever before, most of us do not exercise on a regular basis, and the decrease in the number of smokers is slowing after decades of rapid decline. We may be living longer, but, thanks in large part to our own behavior, an increasing number of us are living with chronic health conditions that require more medical care and prescription drugs...and we're paying the price. The U.S. spends more on health per capita than any other country, and health spending continues to increase rapidly. Health care expenditures totaled \$1.9 trillion in 2004, a 7.9% increase over 2003.ⁱⁱ

Key Health Issues

Of the six leading causes of death in the U.S., diet is implicated in four: heart disease, some cancers, stroke, and type 2 diabetes. As many as three out of four deaths are attributed to diseases linked to diet and lifestyle.

Obesity

Though the percentage of adults who are overweight (Body Mass Index between 25 and 29.9%) has remained steady at 33% over the past 40 years, the number of obese adults (BMI > 30%) has drastically increased from 13% to 34% during that time period.ⁱⁱⁱ The rising incidence of obese Americans has been termed an "epidemic" by the CDC. Obesity is linked to at least 5 of the 10 leading causes of death, including heart disease and cancer, and claims over 300,000 lives a year.

Obesity affects all demographic segments, with slightly higher rates among older generations and African-Americans. Childhood obesity is a particularly serious problem grabbing the attention of many food and beverage companies. Over the past 25 years the number of overweight children (age 6-11) has doubled from 7% to 19% and the number of overweight adolescents (age 12-19) has tripled from 5% to 17%.^{iv}

Cardiovascular Disease

Though mortality rates have sharply declined, heart disease remains the leading cause of death in the U.S., claiming over 36% (500,000) of the people who die each year. 79.4

million Americans have some form of cardiovascular disease, including heart disease, stroke, high blood pressure and congestive heart failure among others.^v

Diabetes

20.8 million Americans, or 7% of the U.S. population, have diabetes. Nearly 1/3 of these people are unaware that they have the disease. Diabetes is the sixth leading cause of death and is likely to be underreported on death certificates. Diabetes doubles the risk for death as compared to diabetes-free people of the same age. Diabetes is also associated with numerous health complications including heart disease, stroke, blindness, kidney problems, and dental disease. One out of every 10 health care dollars spent in the U.S. is spent on diabetes and related complications, with a total estimated *annual* economic cost of \$132 billion.^{vi}

Cancer

Cancer is the second leading cause of death in the U.S., claiming about 30% of people who die each year. Fortunately, between 1990 and 2003 the overall death rates for cancer declined 12%. Smoking is generally considered the greatest risk factor. However, scientific evidence suggests that about 1/3 of cancer deaths are related to being overweight or obese, physical inactivity, and nutrition, and could be prevented with diet and exercise. This is more than 3x the number of cancer deaths that are caused by cigarette smoking.^{vii}

Stress & Depression

Stress in America is on the rise. The link between chronic stress and reduced immune function is well established. It is one of the leading risk factors for most diseases and has been shown to prolong healing time, decrease our ability to respond to vaccination, and increase our susceptibility to viral infections like the common cold.

Major depression is the leading cause of disability in the U.S. and worldwide. Depressive disorders affect about 10% of Americans over the age of 18 each year. Nearly twice as many women are affected by depression. Stress, obesity, poor nutrition have all been linked to various forms of depression and mental disorders.^{viii}

American Consumers: Health Attitudes and Behaviors

Despite significant government investment to promote a balanced diet, numerous best-selling diet books and commercial programs, and the rise in fitness options, the U.S. population, as a whole, is still eating an unbalanced, high-calorie diet that leads to weight gain and its associated health problems. Moreover, despite the overwhelming evidence linking diet and exercise to health, *neither diet nor exercise* is among the top 10 ways to maintain health listed by consumers!^{ix}

General Health & Eating Habits

On the one hand, Americans are now more educated and aware of what constitutes healthy nutrition than ever. However, we don't walk the talk. 2/3 of us say we try to eat healthier foods these days but the same number also say we continue to eat the foods we like regardless of calories^x. 90% of households say they are concerned with obesity becoming a family issue^{xi}, and yet the typical American diet looks like anything *but* the recommended Food Pyramid. Though fruits and vegetables are considered by consumers to be the #1 element of a healthy diet, half say they consume too few vegetables, and 60% say they consume too few fruits.^{xii} In fact, 39% of our daily caloric intake comes from nutrient-poor foods including sweets/desserts, soft drinks, alcohol and salty snacks.^{xiii}

Men and women differ significantly in their opinions and behavior when it comes to diet and nutrition. Women are more dedicated to working at eating well (e.g. attention to fiber content, well-balanced food choices) and more likely to consider their diet to be very healthy. Over half of women think that nutritional value is the most important factor in deciding what foods to eat compared to only 28% of men.^{xiv} Clearly women remain the primary target for marketing healthy food options.

There is also greater receptivity for healthy food products among older generations. Over 2/3 of consumers 65 and over consider their diet to be very healthy compared with only 29% of consumers between 18 and 24.

Exercise

Half of Americans often feel they overeat and consume more calories than they should on a daily basis, but we are not exercising enough to offset our increased caloric intake. Slightly less than half of people 18 and over have engaged in a regular exercise program in the last 12 months and 4 out of 10 don't even break a sweat over the course of a week.^{xv} In addition, those who are exercising aren't doing so frequently enough – 32% of Americans exercise less than 2x a week.^{xvi}

Dieting & Weight Control

Only 25% of Americans say they are currently dieting, but sales of weight control products continue to rise, increasing from \$1.8 billion in 2000 to \$2.3 billion in 2002^{xvii} Women are almost twice as likely to be dieting, counting calories, or willing to try any new diet thanks largely to greater social and cultural pressures on women to be thin.^{xviii}

Indulgence is still very much alive. The majority of men and women across all age groups (avg = 59%) agree that there is nothing wrong with indulging in eating fattening foods from time to time.

Nutritious Supplements

Almost $\frac{3}{4}$ of consumers use some kind of vitamin and mineral on a fairly regular basis and half of consumers use other special or herbal supplements (e.g. omega-3, ginseng, Echinacea, etc.). 70% agree that they use them in order to support our body's own internal systems. It also appears that the source of the nutrients isn't critical to consumers with half of people agreeing that getting them is more important than where they came from.^{xix}

Drivers of food choices

Taste: The top driver continues to be taste, followed by convenience, ease of preparation, price & freshness. 72% of us say that if food doesn't taste good, I won't eat it no matter how healthy and nutritious it is and 79% of consumers want food companies to develop healthier foods that taste better.^{xx}

Convenience, convenience, convenience: We want healthy and tasty, but we need it fast and are generally unwilling to forego convenience. In fact, 25% of consumers say that they are *never* willing to give up convenience for health!^{xxi} Not only are we cooking less often (if we can cook at all), but we are also crunched for time when we do prepare meals. In the 60's and 70's, meal preparation averaged 2 to 3 hours. Today, it's only 30-40 minutes. We're eating out and purchasing prepared foods more often than ever before. 30% of Americans have eaten at a fast food/restaurant and 43% have used only heat or ready-to-eat meals at least 3x in the past week.^{xxii}

Price: Most of us (63%) are willing to pay up to 10% more for good tasting, healthy and nutritious food. Yet price remains the biggest barrier to trying healthier foods.^{xxiii}

Nutritional Content: More and more Americans are reading nutritional labels in the store when deciding what to buy. Over 50% of consumers note the calorie and total fat content of prepackaged foods in purchase consideration. Other nutritional concerns include saturated fat, sodium and sugar content.^{xxiv}

Who's Responsible?

When asked who is the most responsible for the obesity epidemic, consumers overwhelmingly (87%) cite individuals themselves as #1 or #2. However, 56% believe that food companies and restaurants share the responsibility, and when it comes to kids this number rises. 71% of consumers believe that marketing foods of poor nutritional quality to young children is unfair and that cartoon characters should not be used.^{xxv}

Interestingly, however, the majority of consumers are *against* legislating responsibility or legally making it more difficult for food companies to market junk foods using cartoon characters or via vending machines in schools.^{xxvi} Instead we want regulations that help us make wiser decisions. For example, 62% of consumers want the government to

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provide subsidies for fruits and vegetables so that they are more affordable, 57% want food companies to be required to make labeling easier to understand, and 50% support requiring students to take courses on health and nutrition.^{xxvii}

Food & Beverage Trends Related to Health & Wellness

An increasing awareness of the role of nutrition in health has increased demand for food and beverage options that are healthier. It has also created new opportunities for companies who recognize not only their responsibility to provide better nutritional content and information, but also that good health can be good business.

Organic / All Natural

3 in 5 shoppers agree that organic foods are better for them than non-organic food and half of consumers currently buy organic. Moreover, organic shoppers are consuming more organic foods each year.^{xxviii} High prices remain the primary reason that some consumers have not tried organic foods. In 2003, the total organic products marketplace amounted to \$10.4 billion - \$6.4 from food and beverage and the remainder from organic produce or non-food items.^{xxix}

Several reasons account for the rise in popularity of organic foods, including increasing concern about the environment and integrity of the food supply, and an increase in the incidence of allergies (e.g. lactose intolerance). Once limited to natural food stores, organic products now have a high profile in mainstream grocery stores. In addition, the federal government developed consistent standards for certifying products as organic in 2002 and this assurance has made it easier for consumer to overcome skepticism and buy organic products. To be certified organic, a food must be grown without conventional pesticides, synthetic or sewage sludge fertilizers, bioengineering, or radiation. In the case of processed foods, the certified seal indicates that at least 95% of the ingredients are organic. Mintel predicts the market to grow by 16.5% between 2004 and 2009.

A major factor in the growth of organic foods in the future will be Wal-Mart's involvement. Wal-Mart plans to sell organic options at just 10% above the cost of conventionally grown products. Since price remains a significant barrier to purchasing organic foods, this alone is likely to move organic products beyond niche status.

Vegetarian

Increasing concerns about a meat-heavy diet have led to an increase in the sales of vegetarian products thanks to increasing appeal beyond strict vegetarians. The vegetarian food market has grown rapidly from \$646 million in 1998 to \$1.6 billion in 2003.^{xxx} Though only 3% of Americans are strict vegetarians, the Vegetarian Resource Group estimates that 20-25% of the population are intentionally reducing the amount of meat in their diet. 22% of Americans regularly consume meatless meat products and 19% regularly prepare vegetarian meals. Vegetarians are much more health conscious and more likely to pay higher prices for healthier food options.

Dieting / Weight Control

During the 1980s and 90s, low fat guidelines and diet programs led to hundreds of low fat food product introductions. In many cases, fat was replaced with carbohydrates (usually sugar) to maintain taste and texture. By the late 90s, people realized that low fat

alone was not sufficient and the percentage of adults eating less fat decreased by almost 12% between 1996 and 2000.

Over the past decade, research support, the popularity of diets like the Atkin's diet and South Beach diet, and extensive media coverage have changed how consumers think about carbohydrates. In 2004, while only 7% of Americans said they were currently on a low carb diet, a third said that although not officially on a low carb diet, they have cut down on sugar and carbs. Generally low in sugar, low carb diets are also popular with many diabetics.^{xxxix} In response, food manufacturers and retailers have rapidly increased their offerings of low carb products: compared with 382 low carb products introduced in all of 2003, there were 367 released in the first 7 weeks of 2004.^{xxxix}

As a dieting fad, however, many Americans are now turning from "low carb" to a more sensible "right carb" approach (e.g. fruits, vegetables, and whole grains). Absent a large dieting trend, consumers are entering a phase of "do it yourself" weight maintenance, according to Mintel Reports. They seek sensible and realistic solutions that walk the line between indulgence and restriction.

Functional / Fortified

Functional food and beverages are those that make distinct, written health claims and have added ingredients to support those claims. For foods, these ingredients may include antioxidants, calcium, fiber, beneficial bacteria, soy, and plant sterols among others. For beverages, vitamins and plant extracts are particularly popular. If a food has naturally occurring ingredients that have health benefits, it is not considered functional.

According to Mintel, the functional food and beverage market was predicted to reach \$15.4 billion by 2006, a 19% increase over 2001.^{xxxix} Mintel also predicts that further expansion over the next five years will be a challenge for two reasons. First, the perception that they are overpriced (43% of consumers). Second, skepticism that they can deliver on their claims (35%). A majority of consumers believe that these products should be tested (73%) and/or regulated (62%) by the government. A large group of consumers also say they don't need these products because they are either taking dietary supplements or already maintaining a healthy diet and lifestyle. Growth is more likely then to come from getting existing users to use more frequently than they do. In fact, few consumers use these products regularly enough to realize the health benefits they claim; for example, cholesterol-reducing spreads are meant to be used at least once a day.^{xxxix}

Women and younger consumers are more likely to purchase functional food and drinks. Though older consumers have the most resistance to purchasing them, once they do they purchase them more frequently.^{xxxix}

Functional foods appear to be more successful when the products are a regular part of diet. For example, fortifying cereal with calcium makes more sense than rice since people don't eat rice every day. The largest segments of today's functional market by a wide margin are fortified cereals, juices and drinks, all of which combine convenience, taste and affordability.^{xxxix}

Nutritional Labeling

Despite the fact that consumers generally don't trust food companies as a source of nutritional information, nutritional labels have become one of the primary sources of information about food healthiness. More than half of us say we always read nutrition labels on the products they purchase^{xxxvii} and 74% want food companies to improve food labeling so that it is easier to understand.^{xxxviii}

In response to this consumer demand, the rise of functional claims, and emerging FDA regulations, an increasing number of top manufacturers are clearly labeling prepackaged foods with ingredients and health benefits. The American Heart Association also has a Food Certification Program to help consumers identify foods low in fat and cholesterol (e.g. wholegrain products).

Portion control

Almost half of consumers are interested in portion control as a diet strategy.^{xxxix} Rather than giving up the indulgent foods we love, we prefer eating them in a limited amount. This approach has been particularly successful for snack foods as a way to appeal simultaneously to our guilty and health consciousness. Nabisco, Frito Lay, and Coca-Cola are all selling portion-controlled versions of their products.

Market-Specific Trends and Implications

Quick-service restaurants

- **We say we want healthier options when eating out.** The triple-decker indulgences offered by fast food restaurants are a daily temptation at odds with maintaining a balanced diet. Nevertheless, according to the National Restaurant Association, 72% of people say they are making more of a conscious choice to eat healthier at restaurants. A third of consumers want more healthy menu options at fast food restaurants and for time-pressed single parents, this number increases to 44%.^{xi}
- **But we continue to make indulgent choices.** Eliminating indulgent options altogether is probably not a great idea. As many failed health launches in the fast-food industry demonstrate, consumers say they want one thing but when it is offered, they continue to choose unhealthy, indulgent options. For example, Wendy's spent \$20 million marketing a fruit bowl that did not sell in the restaurant, and both Burger King and Wendy's have begun encouraging customers to enjoy what taste goods on the heel of health flops. Burger King's Enormous Omelet Breakfast Sandwich immediately became its bestselling breakfast sandwich ever.^{xii}
- **Health-conscious consumers represent a significant opportunity for growth.** The success of indulgent options is not surprising since QSRs tend to be visited by those less concerned with healthy eating. The real opportunity is not in promoting healthy options to the same crowd, but in attracting a broader more health-conscious base. Growth in the QSR segment over the past five years has been at least partially driven by the explosive expansion of Subway and Quiznos, which are perceived to be healthier options.^{xiii} Moreover, the health-conscious older population is currently ignored by QSRs. Targeting boomers may be another opportunity to capitalize on the health consciousness wave and achieve growth.^{xliii}
- **Innovative convenient offerings could help QSRs penetrate the health conscious market.** As reviewed above, Americans are unwilling to forego convenience, the main reason that QSR chains continue to grow. A third of consumers do not have time to prepare healthy meals and end up eating unhealthy fast food instead. There may be an opportunity in offering healthier food choices that can be picked up at the drive thru but prepared at home – still all about convenience, but this way the consumer prepares it in their own kitchen, something that 83% of us like to do and that we associate with healthier eating.^{xliiv}
- **We want to know what we're eating.** 71% of consumers want to see restaurant menus labeled with nutritional information^{xliv} and 40% of us believe that fast food is all junk.^{xlvi} Of the nation's top 300 chain restaurants, only half provide nutritional information and most of these do it only on their websites. None provide it on the menu where customers can see it before they order.^{xlvii} The demand for nutritional information on restaurant menus is both a challenge and opportunity for quick service restaurants. Comparing available healthy menu options to common at home prepared foods may help consumers begin to genuinely believe that fast food can also be good for (or at least not bad for you) and isn't that different from what we might conveniently prepare at home.

- **The sandwich will continue to grow.** Based on dollars spent on fast food from 2003 to 2005, the burger is losing ground to the fresh sandwich. Capitalizing on both low-carb and health conscious trends, many QSRs have introduced wrapped sandwich options in the last few years. Allowing customers the option of carrying their sandwich on a tortilla has proved to be a great alternative to consumers looking to jump on the Atkins bandwagon. The wraps are equally as portable and utilize generally the same ingredients, making it a great fit for the QSR segment.
- **Fast food is acceptable for children as an occasional treat but needs an overhaul.** Dining out continues to be a large component of many children's diets. 64% of kids aged 6-17 eat a restaurant either once or twice a week and people with children are more likely to go to a fast food restaurant because their children want to go. Unfortunately menu options tend toward finger foods that are generally higher in fat and calories. The majority of parents agree that fast food is bad for children, but are okay with providing it from time to time. On the other hand we don't want fast food marketed to our kids. One of the largest opportunities in the restaurant industry, whether quick service or not, is to innovate the children's menu and whole dining experience.
- **Premium ingredients and other cues help attract a health-conscious consumer.** The major challenge to attracting a health-conscious consumer is the pre-existing expectation that fast food equals junk food. Fast food restaurants need to create new contextual cues to overcome this perceptual barrier. Many have begun offering premium ingredients (e.g. ciabatta bread), which are perceived as better tasting and more nutritious and healthier by consumers, in addition to allowing a higher price point. Some chains, like Arby's are also trying a dramatically different environment with a healthier feel (e.g. foregoing the classic red & yellow for green, displaying fresh ingredients when they are used, ensuring that condiments are displayed hygienically, offering wet hand wipes, etc.), which goes a long way to overcoming preset expectations about the quality or healthfulness of the food.
- **Portion control is an untapped opportunity.** No QSRs are currently promoting portion control. The opposite of "super size me", smaller portions promoted by total calorie content would help consumers think about fast food differently. This might be especially successful for breakfast since it's the first meal of the day ("This breakfast may be 500 calories, but I'm in a hurry and that still leaves me 1500 calories for lunch and dinner").
- **There is an increasing demand for corporate social responsibility.** Another reason to find ways to get healthier is the increasing consumer belief that fast food companies are at least partially responsible for the obesity epidemic. Many companies like McDonald's are focusing on nutritional awareness and a balanced diet positioning to combat negative publicity.

Examples

Getting the health and wellness trend right in the QSR space is not as simplistic as introducing 'health food'. Consumers will look for menu items that feature the core attributes that brought them there in the first place; convenience, value and taste. A few notable examples of healthy menu offerings introduced by the likes of McDonalds,

Wendy's and Burger King have been discontinued, and now Burger King has introduced some high-calorie indulgence items that have become best sellers.

- **Burger King – missing the target**
Burger King's young adult target is less concerned with healthy menu offerings. Sales declined from 2000 to 2004 in response to BK's attempt to bill itself as the "health conscious" choice with the introduction of baguette sandwiches and Fire-Grilled salads. Realizing it's mistake, BK has dropped some of the health food items and introduced tastier, more decadent offerings such as the BK Chicken Fries and Enormous Omelet Sandwich.
- **Arby's Market Fresh**
In 2001, Arby's introduced the Market Fresh line of deli-style sandwiches, soon adding salads and wraps under the brand name. The Market Fresh sandwiches still deliver convenience and taste like Arby's core roast beef sandwich, yet are perceived to move away from calorie dense and fat laden roast beef sandwiches
- **Arby's Chicken Naturals**
In early 2006, Arby's also replaced all chicken on the menu with their new line of all-natural chicken products, branded as the Chicken Naturals. Citing the fact that up to "29% of the chicken you find at another quick service restaurant might not be chicken at all," Arby's promoted Chicken Naturals primarily as better tasting, though there are clear health connotations with "all-natural"
- **McDonald's Snack Wrap**
First introduced in August 2006 with fried chicken, then with grilled chicken in February 2007, the Snack Wrap is a convenient, eat on-the-go solution for consumers. Positioned as a slightly premium item, the Snack Wrap also gives rushed customers the opportunity for something nicer. First quarter earnings for 2007 were higher than expected, thanks in part to the strong performance of Snack Wrap.

Packaged/Processed Foods

Americans have a love/hate relationship with packaged/processed foods. We are increasingly wary of the chemicals necessary to preserve shelf life, as well as the sodium, sugar, and other artificial flavors required to maintain good taste. 85% of people believe that it is important to limit the amount of sugar and processed foods they eat^{xlviii} and over half of Americans say they care about avoiding processed or chemically treated foods^{xlix}.

Here we review trends, attitudes and implications for five categories of packaged and/or processed foods. General implications for packaged/processed foods are also discussed at the end.

1. canned and frozen fruits & vegetables
2. baked beans
3. snack foods
4. frozen desserts
5. baby/toddler foods

Canned & Frozen F/V

- **Spending on canned and frozen F/V has remained steady.** With a relatively low price point, canned and frozen fruit and vegetables are kitchen staples. Overall spending on fruits and vegetables has remained steady, accounting for 17% of the home food bill.ⁱ Canned fruits and vegetables are suffering a slight loss in consumption thanks to the increasingly convenient packaging of fresh fruit and vegetables and the addition of more frozen varieties.
- **Consumers are aware of the nutritional differences between canned and fresh F/V.** A major challenge for producers of canned fruits and vegetables is the perception that the health benefits of F/V are diminished in a canned format. Consumers are increasingly wary of high sodium, and have taken note of the fact that one cup of canned vegetables can have 350-680mg of sodium, as compared to zero for fresh vegetables.ⁱⁱ Concern over carbohydrates in packaged food and losses of vitamin C during processing also represent perceptual challenges to marketing canned F/V. Despite the fact that the industry has begun to offer healthier options, marketing efforts must continue to change consumer perception.
- **Frozen F/V provide a perfect confluence of benefits for the time-pressed parent.** Barriers to making healthier choices for children include the lack of options and the fact that fruits and vegetables aren't as convenient as other foods. This is a significant opportunity for Birds Eye who can offer both convenience and healthy fruits and vegetables by creating and launching a branded-line specially targeted for kids.
- **Families with children consume more canned F/V.** Households with children eat more cans per month and are more likely to eat canned fruit as snacks.ⁱⁱⁱ Moreover, families with children show a greater interest in cooking, for which canned and frozen F/V are often purchased.
- **Ageing boomers are also more likely to consume canned F/V.** In addition they are more likely to see them as nutritious as fresh F/V. As this age group is also more likely than any other group, fortified products with specific health benefits may represent a significant opportunity for this market.
- **Recent trends/innovations include:**
 - Fortified reinventions - Most of the new launches in the canned F/V category are existing products that have been reformulated with added calcium or vitamin C or, in other cases, simple labeling changes.
 - Preservative-free and all-natural product lines
 - Individual serving size portions
 - Easier to use packaging like pop up lids
 - Regional flavors and produce (e.g. Goya)

Examples

- Birds Eye Steamfresh™
Launched in 2006, Birds Eye Steamfresh™ frozen vegetables steam perfectly right in the bag. A perfect blend of convenience and health, Steamfresh delivers the #1

element of a healthy diet (vegetables), cooked in the healthiest way (66% of consumers consider steaming the healthiest cooking method), in just a few minutes.

- **Chef's Harvest Vegetables**
Luna Rossa's Chef's Harvest brand offers gourmet vegetable products hand-cut and packed within 8 hours of harvest to combat perception that canned foods are unhealthy. In addition these are displayed in the produce section, rather than the canned food aisle.
- **Del Monte Carb Clever**
Launched in 2004, Carb Clever is a low-carbohydrate canned fruit line with 50-70% fewer carbohydrates than regular canned fruit.

Baked Beans

- **Side dishes liked baked beans are suffering a decline**, thanks to a lower-carb mindset, awareness of the poorer nutritional content of processed and especially canned foods, and the rise of fresh prepared salads. Also challenging the market is the fact that preparing formal meals that include a main course and side dishes is now an occasional occurrence.^{liii}
- **Functional products represent a potential opportunity for growth.** Though many canned vegetables have begun fortifying, this trend does not appear to have been adopted by the side dish market. Since baked beans are not far from canned vegetables, finding ways to fortify them or develop other functional forms (e.g. for diabetics) may help to break into the health conscious market.
- **Clearly labeling the health benefits** may also help baked beans capture consumers wary of canned foods. For example Bush's baked beans are completely "meat free" which would appeal to the growing number of consumers who are reducing meat in their diet. Many of their products are also gluten-free.
- **Promoting all natural ingredients** will also appeal to health-conscious consumers.
- **Successful innovations include:**
 - Individual serving sizes
 - Ready-to-serve or heat-and-eat options (e.g. microwavable rice in a pouch)
 - New flavors, especially regional flavors

Examples

- **Bush Brothers' single-serve**
Introduced in 2004, Bush Brothers' single-serve microwavable baked beans appeal to younger consumers who have fewer cooking skills.

Snack Foods

- **Americans are snacking and eating sweets on a regular basis**, and the majority of snacking options are not healthy. 66% of people often snack between meals but only 25% agree that they usually snack on healthy foods. People are looking for healthier snacking options.

- **Younger people are more likely to snack** (73%) with snacking in between meals gradually decreasing as we get older. This decrease is likely due to dietary restrictions or just a decreasing appetite with age. Older consumers are also more likely to snack on healthy foods and feel guiltier when they don't.^{liv}
- **Women are more likely to eat sweets and respond to a healthier message.** Not only are women more likely than men to frequently eat sweets; they are significantly more likely to feel guilty. Women prefer snack-related comfort foods like candy and chocolate while men prefer pizza, pasta, or steak. But regardless of what they eat women always tend to feel guiltier.
- **Canned fruit is a popular snack.** 64% of consumers buy canned and jarred fruit primarily for snacks and many parents say this is the way their kids get their daily fruit requirement.
- **Recent trends/innovations include:**
 - Portion-controlled sizes
 - Functional products designed for people with certain health conditions

Examples

- **Crunch Pak apple slices**
Individual apple slices rinsed in a special wash that retains freshness and appearance for up to 21 days. To better appeal to kids, Crunch Pak and Disney teamed up to put the Disney characters The Incredibles on individual serving packs designed to be included in school lunches (www.crunchpak.com)
- **Nabisco's 100-Calorie Packs**
Viewed as a solution to the rapidly growing serving size, the 100 Calorie Pack allows consumers to eat Nabisco products without feeling the guilt of over-indulgence. Products featured in the 100 Calorie Pack include Oreos, Jello pudding, Chips Ahoy and other non-nutritious snack food that consumers might need assistance limiting
- **Eat Well Be Well**
In 2006, Eat Well Be Well Foods, Inc. began offering sugar-free breakfast and snack foods for diabetics and people trying to lose weight. The Eat Well Be Well line offers nine products, including cereal bars, cereal, and chocolate bars.
- **Gak's Snacks**
Another example of functional snack food, Gak's Snacks are a new line of ready-to-eat baked treats geared toward children with food allergies. The treats, including chocolate chip cookies, brownie chip cookies, and apple coffee cake are free of peanuts, tree nuts, wheat, eggs and dairy. (www.gaksnacks.com)

Frozen Desserts

- **Frozen pies and cakes are struggling to find avenues for growth.** Just under 40% of households use frozen desserts (excluding ice cream). The wide range of other quicker dessert options, including cookies, brownies and ice cream and in-store bakery pies/cakes make it difficult to achieve growth. As a result, many manufacturers have tried to grow their customer base by launching diet-conscious products. On the whole, since 2000, sales in constant prices have declined 6.4%.

However, frozen pies, the largest segment accounting for a third of sales, was the only segment to show an increase in sales between 2003 and 2005.^{lv}

- **Healthier options are starting to penetrate the frozen desserts market.** In the aftermath of the low-carb dieting craze, consumers are generally diet fatigued. Yet they remain wary of calorie-laden desserts thanks to continued reports of the obesity epidemic. Regular desserts are still more popular. However, among consumers who bought at least one frozen dessert in the past six months, 44% opted for low-fat items, 33% chose low-sugar, 32% low-calorie, and 31% natural or organic frozen desserts.^{lvi}
- **Portion control is the easiest way to appeal to the health conscious consumer.** Measured portions of pies and cakes will enable consumers to enjoy their treat without feeling too guilty. Both Mrs. Smith's and Edwards have launched pies in single-serve portions.
- **Single serve portions may appeal to aging boomers and households without children.** Only 22% of consumers say they are interested in single-serve options, suggesting that, for most, frozen desserts are a social food meant to be shared. However, the aging population may be a good target for single-serve portions.
- **Smaller manufacturers have begun introducing organic and natural alternatives,** including options to meet the growing desire for products free from lactose, sugar, gluten, or other ingredients. The growing prevalence of diabetes and people with special dietary requirements is likely to increase this market in the coming years.
- **Recent innovations/trends include:**
 - Thaw-and-eat
 - Portion control
 - Natural/organic

Examples

- **Skinny Cow Ice Cream Sandwiches, Cones, and Fudge Pops**
Ice cream sandwiches, cones and fudge pops have an inherent advantage over ice cream gallons or frozen pies because of their built in portion control. Skinny Cow frozen desserts have a lower calorie and fat content but retain a great taste. Skinny Cow has successfully marketed their ice cream sandwiches by positioning them against a comparably sized glazed donut, shocking consumers with the relative health benefits of choosing Skinny Cow.
- **Sara Lee Bites**
Sara Lee has also capitalized on the single-serve trend with its Cake, Brownie, and Cheesecake Bites specially formulated to be eaten right from the freezer.
- **Luigi's Frozen Custard**
Trans fat and gluten free, Luigi's Frozen Custard is formulated to meet the needs of long-term care and nursing home residents.
- **Wholly Wholesome**
Wholly Wholesome makes a line of all natural desserts that are preservative free, use no artificial colors or flavors, use whole fruits and natural flavors/spices. They also offer organic pie shells.

Baby/Toddler/Kid Foods

Perhaps more than any other industry, the baby food and drink market is strongly tied to general health and wellness issues. Two of the major players in the arena are pharmaceutical companies and success has come to brands that have made 'breakthroughs' on the health front.

- **An increasing number of parents believe good eating habits start early.** The alarming rise in childhood obesity has many parents mindful of starting good eating habits early. 68% of parents *disagree* that children outgrow poor eating habits. Three quarters of parents agree that there is too much junk food available for preschool kids and half of parents say that trying to serve their preschoolers healthy meals is a source of stress in their lives.
- **Parents are more likely to hold food manufacturers responsible for the availability of healthy options.** Parents are more likely to assign part of the blame to food manufacturers, restaurants, schools and marketing. They are looking for food manufacturers both to be more honest about the health content of their food and to offer more healthy *and* convenient alternatives.^{lvii}
- **Health plus convenience is the key to success.** Half of moms with kids under 3 use toddler foods because they are more convenient to prepare or easier for kids to eat. But 71% also say they use foods designed for kids because they are fortified with vitamins especially for toddlers.
- **All natural and organic is on the rise and a significant opportunity for future growth.** Despite the fact that sales of baby food and drink are declining in constant terms, natural options are on the rise, up 64% over the past few years. 61% of moms agree that all natural is very important when selecting a food/drink for children under 3.^{lviii} Other brands who combine healthy and all natural (e.g. frozen vegetables like Birds Eye) may find success by positioning their products as a healthy alternative for young kids. In fact, baby food and drink purchases are often a household's first exposure to the natural and organic market.
- **Baby juice is on the decline.** Once a popular choice, pediatricians now caution parents against providing too much juice because of weight concerns and a rise in tooth decay. There is an opportunity for beverage companies to produce special tooth-friendly fruit juice or fortified waters.
- **Wal-Mart is bringing organic options to the mainstream.** Wal-Mart is the leading supplier of baby food. In June 2006, Gerber announced it would sample its line of Gerber Organic in 1,700 Wal-Mart stores. This will make organic baby foods more mainstream and visible.
- **Food companies are changing the way they market to kids.** Food companies are increasingly cognizant of the sensitivity around marketing to children and beginning to change old habits. For example, Kraft does not advertise in media to an audience under age 6 and has set nutrition standards for the foods it advertises in the media viewed primarily by children aged 6-11.

Examples

- **NutriPals**
In September 2006, Abbott Laboratories, makers of Pediacare, launched NutriPals Balanced Nutrition Bards and Drinks for children. Available in a variety of flavors (S'mores, peanut butter & jelly, vanilla, and strawberry), they were developed in response to the alarming rise in childhood obesity.
- **Whole Foods "Whole Baby"**
This line of organic baby food comes with educational guides, product coupons and free sample kits to help moms make healthier nutrition choices for their babies and toddlers.

Beverages

- **The market for organic beverages has doubled over the past five years.** Though still accounting for only 2% of overall beverage sales, organic beverage sales totaled \$1.3 billion in 2006 and will likely to continue to rise as Wal-Mart gets in the game. The popularity of organic milk is the main driver of this dramatic increase but sales of organic non-dairy beverages also rose 69% between 2001 and 2006.^{lix} Mintel predicts that the sales of organic beverages will reach \$2.01 billion by 2011.
- **Concerns over food safety are a major driver of organic beverages.** 78% of consumers are concerned about the safety of food supplied in supermarkets.^{lx} This is probably due to media coverage of mad-cow disease and recent E. coli outbreaks. These concerns are not likely to go away any time soon as threats to the earth's clean water supply are increasing. Just as farms are certified organic now, it is not inconceivable that water sources will be certified as clean in the years to come. This represents both a challenge but also a tremendous marketing opportunity for beverage manufacturers.
- **Functional beverages are also on the rise.** Sales of functional beverages increased by 14.6% between 2004 and 2006 with juice and juice drinks the largest segment.^{lxi} Enhanced water and sports drinks are also increasingly adding vitamins or other nutrients to make health claims that go beyond simple hydration.

Fruit Juice

Over 1/3 of Americans consume pure fruit juice at least one a day with juice blends less common (11%), and 1/4 of us drink diet or regular soft drinks daily making these the most popular beverage options behind water, coffee and milk.

- **Orange juice is the top organic drink.** 55% of consumers who purchased organic drinks in the past year bought orange juice.^{lxii}
- **Juices are a natural option for fortification.** They are consumed every day, already associated with health, and don't require a leap of faith on behalf of consumers to believe they can deliver on their healthy promise the that other fortified products might. 62% of consumers agree that if there were more nutritious beverages it would be easier to get the vitamins and minerals we need.^{lxiii}

- **Growth will be challenged by the high sugar and carbohydrate content.** The American Academy of Pediatrics has implicated juice in childhood obesity and an increasing number of consumers, especially parents, are limiting juice intake. A one-time lunchbox essential, juice boxes have seen sales cut in half.^{lxiv} Many functional beverage consumers are turning to low-calorie options such as enhanced water and wellness teas, both growing segments.

Examples

- **Crystal Light On The Go**
Packets that consumers can mix with their bottled water, allowing them to enjoy a light, refreshing beverage anytime and anywhere.
- **Minute Maid Premium Heart Wise Orange Juice**
Launched in October 2003, Minute Maid sought to own heart health and cholesterol-lowering benefits. The only orange juice clinically proven to help reduce cholesterol, one 8-oz serving contains 1g of Cargill's CoroWise™ plant sterols.
- **Aquafina Essentials**
In 2002, Pepsi introduced a line of fortified waters that includes Daily C, B-Power, Multi-V, and Calcium+ waters that all offer vitamin/mineral fortification and light flavor.

Conclusion

Although most American consumers hold themselves responsible for poor diet and nutrition, companies that help consumers make better choices and offer healthy choices that also meet our need for convenience, will win a loyal following. In short, we are demanding products that meet many needs at the same time. A growing number of us are willing to pay a premium for healthy foods, and the biggest barrier for many is simply a lack of healthy *and* convenient options. Though food companies are starting to deliver on this promise, there is still a huge opportunity.

Nearly all segments of the food and beverage market are being penetrated by organic and all natural options, which will likely become an increasingly popular market as Wal-Mart brings the price down. Large food and beverage manufacturers have also been quick to fortify existing products or provide functional alternatives and market specific health claims.

There is a significant opportunity to target specific age groups (aging boomers, kids) by specially fortifying with appropriate vitamins and minerals similar to what has been done recently by targeting women's health. There is also a significant opportunity to target specific health conditions on the rise like diabetes.

Concern for the safety of the food and beverages will continue to play a role, especially as some environmental issues (e.g. fresh water supply) are predicted to get more serious in the years ahead. Food and beverage manufacturers and service providers who fail to maintain and promote the integrity of their ingredients may find themselves quickly losing market share as these attitudes begin to become more mainstream and additional outbreaks (which seem inevitable) occur.

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- ⁱ National *Health Interview Survey 2006*. Centers for Disease Control.
- ⁱⁱ *Health, United States, 2006*. National Center for Health Statistics.
- ⁱⁱⁱ *ibid.* Overweight is defined as BMI (body mass index) between 25 and 29.9%.
Obese is BMI over 30%.
- ^{iv} *ibid.*
- ^v American Heart Association
- ^{vi} American Diabetes Association
- ^{vii} American Cancer Society
- ^{viii} National Institute of Mental Health
- ^{ix} *Food for Life: Mar 2006*. Yankelovich perspective.
- ^x *Eating Habits: July 2004*. Mintel report.
- ^{xi} AC Nielsen's Homescan Viewers Panel Survey
- ^{xii} *Food for Life: Mar 2006*. Yankelovich perspective.
- ^{xiii} National Health and Nutrition Examination Survey. UC Berkeley Analysis.
- ^{xiv} *Eating Habits: July 2004*. Mintel report.
- ^{xv} *Hiving for Health*. Yankelovich Monitor Minute. September, 19, 2005.
- ^{xvi} *Health & Fitness Clubs: January 2004*. Mintel report.
- ^{xvii} *Weight Control: May 2003*. Mintel report.
- ^{xviii} *Eating Habits: July 2004*. Mintel report.
- ^{xix} Nutrition & Supplement Market Opportunity Assessment, Jan 2007. Created for
The Coca-Cola Company by the Harrison Group.
- ^{xx} *Food for Life: Mar 2006*. Yankelovich perspective.
- ^{xxi} *2003 Trend Report*, Health Focus International.
- ^{xxii} *Eating Habits: July 2004*. Mintel report.
- ^{xxiii} *Food for Life: Mar 2006*. Yankelovich perspective.
- ^{xxiv} *Eating Habits: July 2004*. Mintel report.
- ^{xxv} *Food for Life: Mar 2006*. Yankelovich perspective.
- ^{xxvi} *ibid.*
- ^{xxvii} *ibid.*
- ^{xxviii} Whole Foods Market Organic Foods Trend Tracker, 2003.
- ^{xxix} *Natural Products Marketplace: Oct 2004*. Mintel report.
- ^{xxx} *Vegetarian Foods: Nov 2003*. Mintel report.
- ^{xxxi} *Eating Habits: July 2004*. Mintel report.
- ^{xxxii} *ibid.*
- ^{xxxiii} *Functional Foods and Beverages: Nov 2006*. Mintel report.
- ^{xxxiv} *ibid.*
- ^{xxxv} *ibid.*
- ^{xxxvi} *ibid.*
- ^{xxxvii} *Eating Habits: July 2004*. Mintel report.
- ^{xxxviii} *Food for Life: Mar 2006*. Yankelovich perspective.
- ^{xxxix} *Diet Trends: July 2006*. Mintel report.
- ^{xl} *Eating Habits: July 2004*. Mintel report.
- ^{xli} *Dining Out Review – Quick Service Restaurants: Jan 2006*. Mintel report.
- ^{xlii} *ibid.*
- ^{xliii} *ibid.*
- ^{xliv} *Eating Habits: July 2004*. Mintel report.
- ^{xlv} *Food for Life: Mar 2006*. Yankelovich perspective.
- ^{xlvi} *Eating Habits: July 2004*. Mintel report.
- ^{xlvii} "U.S. restaurant chains find there is no too much." *The New York Times*.
July 28, 2006.
- ^{xlviii} *Eating Habits: July 2004*. Mintel report.

^{xlix} Yankelovich

ⁱ *Canned Fruits & Vegetables: Sep 2005*. Mintel report.

ⁱⁱ *ibid.*

ⁱⁱⁱ *ibid.*

ⁱⁱⁱⁱ *Side Dishes: June 2006*. Mintel report.

^{iv} *Eating Habits: July 2004*. Mintel report.

^v *Frozen Desserts: Jan 2006*. Mintel report.

^{vi} *ibid.*

^{vii} *Helping Healthy Eating Habits*. Yankelovich Monitor Minute. July 25, 2005.

^{viii} *Baby Food and Drink: Oct 2006*. Mintel report.

^{lix} *Organic Beverages: Oct 2006*. Mintel report.

^{ix} *ibid.*

^{xi} *Functional Food and Beverages: Nov 2006*. Mintel report.

^{xii} *Organic Beverages: Oct 2006*. Mintel report.

^{xiii} Nutrition & Supplement Market Opportunity Assessment, Jan 2007. Created for
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^{xiv} *Functional Food and Beverages: Nov 2006*. Mintel report.