hartman GROUP
RESEARCH CONSULTING : CUSTOMIZED

The Evolving Health and Wellness Consumer

Presented by Laurie Demeritt, CEO, The Hartman Group

Who we are is changing

Household Composition

- Only 28% of U. S. households have children under the age of 18, down 25% since 1960. As a result, only 22% of primary shoppers are moms.
- 47% of all primary shoppers are male.
- 28% of U.S. households are single-person households.
- 16% of U.S. households are multi-generational (2+ generations of adults living in the home)

Demographic Changes

- In 1960, 75% of the foreign-born population was from Europe. Now, 53% of the foreign-born population is from Latin America (inc. Mexico), and 28% is from Asia.
- Over a quarter of Millennials are non-Caucasian, compared to 14% for the Silent Generation .
- For the first time ever, the majority of babies born in the U.S. are non-Caucasian.

How we procure groceries today is changing

"My phone is an easy button. I can order food, get service, give feedback… because companies can track me. I can pay with my phone."

More democratically within the household

- Many households now have both adults buying groceries regularly
- Within households with children, children are becoming "co-shoppers"

More democratically outside the household

- More than 50% of grocery shopping "trips" involve going to 2+ stores
- 71% of consumers visit 5+ retail channels at least once a month for food
- We utilize the roadside or online "pantry" rather than stocking up the home pantry
- The lines between food retail and food service are blurred in the minds of consumers and are likely to entirely disappear in the near future

How we eat today is changing

"My roommates and I, we don't share food…we've had family meals together maybe three times in the last six years that we've been rooming together."

Occasion-based meals and snacks

- Eating alone (47% of eating occasions)
- 50% meals/50% snacks
- New occasions: pre-breakfast snack, late night meal

On-demand, planned spontaneity

- 63% of eating occasion food choices are decided within an hour of consumption
- 30% of the top 25 supermarket growth categories are in the chilled or perishable categories (fresh "fast" food)

Variety and customization (by dietary concerns, cuisines)

- 55% of families cook multiple meals/dishes to cater to individual taste preferences
- 13% of all eating occasions include an emerging global food

Cook less or cook more, depending on the occasion

- 77% of all eating occasion involve at least some prepared food

Culture has shifted from a *reactive* HEALTH paradigm to a *proactive* WELLNESS culture

Then…

REACTIVE HEALTH

"Do as I say!"

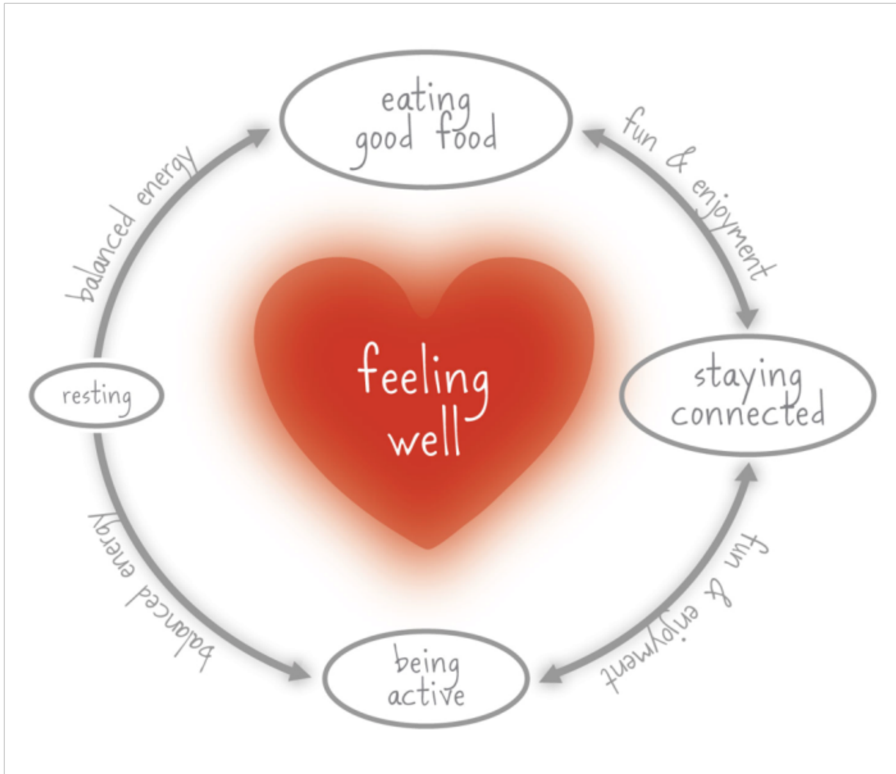
Condition management • Externally measured • Authoritative • Compliance • Crisis • Quick fixes • Control • Asceticism

Now…

PROACTIVE WELLNESS

"Know thyself"

Preventative • Internally validated • Self-assessed • Common sense • Holistic • Integrated • Balanced energy • Fun and enjoyment



The Hartman Group's Health and Wellness World Model

The World of H+W is divided into segments with varying intensity of involvement

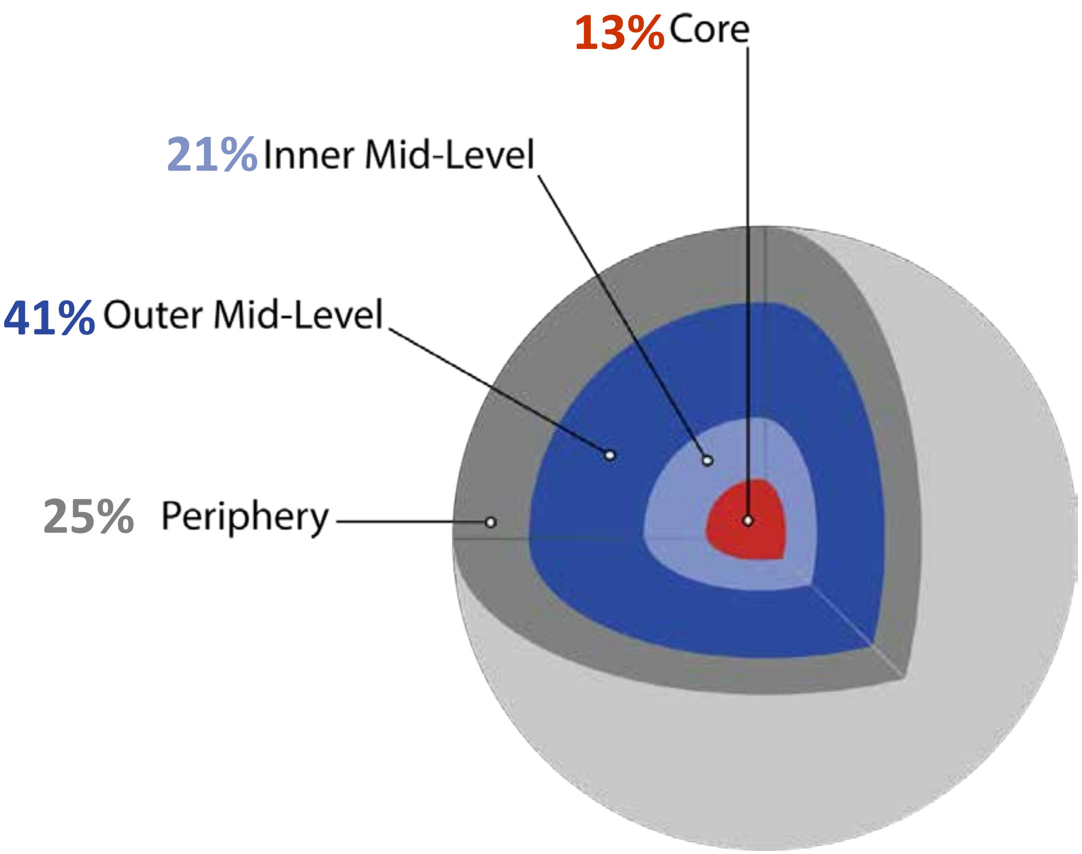
The gap between aspirations and behavior narrows as consumers become more engaged with H+W

Core is the most intensely involved in H+W

Inner Mid-level adopt Core attitudes and behaviors but with less consistency and reach

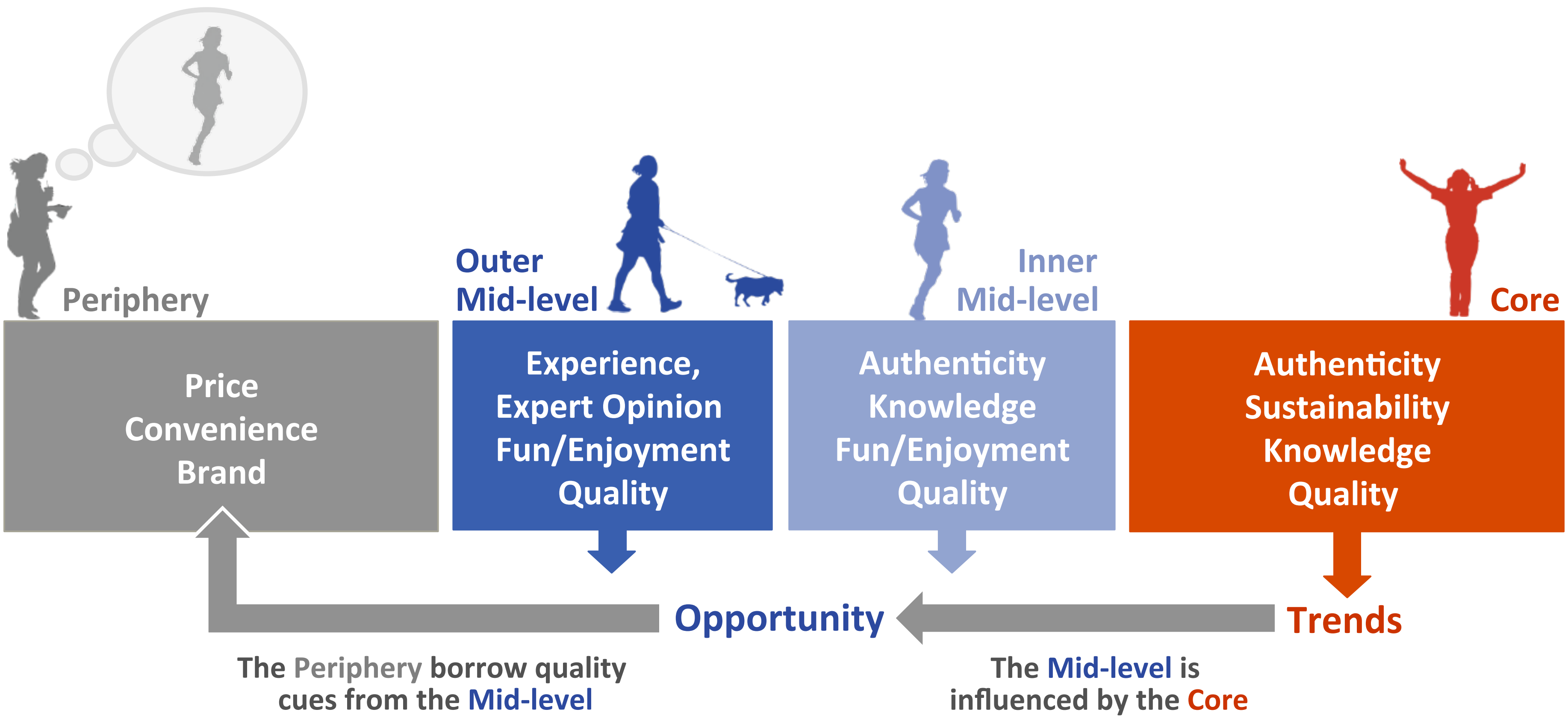
Outer Mid-level experiment with H+W but tends to prioritize other concerns

Periphery is the least involved in H+W

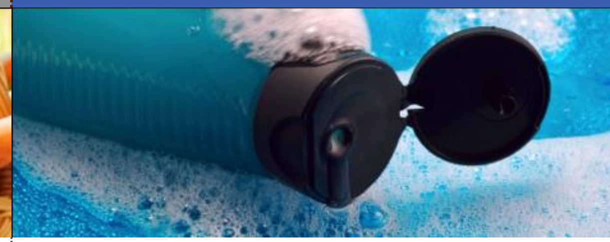


The Hartman Group's World of Wellness Segmentation

Core create and lead H+W trends; Mid-level adopt these trends pragmatically



Adoption pathway

IN BODY	ON BODY	AROUND BODY
		
Food and Beverages	Personal care	Household products

Increasing engagement with H+W

Avoiding negatives:
Sugar, fats, salt, HFCS, trans fats, hormones

Adding positives (natural/ organic):
Meat
Dairy
Dirty dozen produce
Other produce
Bakery
Deli
Packaged/processed

Baby products
Lotions and creams
Lipstick
Other cosmetics
Body soap
Shampoo
More "natural" OTC products
Supplements

Laundry detergent
Dish soap
Kitchen surface cleaner
Bathroom cleaner
Window cleaner
Garden products

Consumers: Periphery to Core

Michelle PERIPHERY	*Mia* OUTER ML	*Madison* INNER ML	*Renee* CORE
			
"I'm trying to lose weight, but I don't take enough time for myself. Eating well and exercise would help with health, but I'm not sure how to do it."	*"Organic tastes good and makes me feel better."*	*"I avoid the chemicals in processed food because you don't know how the effects will accumulate over time."*	*"I research all the anti-inflammatory foods online so I can prevent future conditions."*
H+W… is eating right, exercising and happiness	**H+W…** is living, laughing, loving, having your body in balance	**H+W…** is being appreciative and conscious of the choices you make and what's going on around you	**H+W…** is being proactive and mindful in body, mind and spirit
Shops at: Walmart, Kroger, Publix, Dollar Stores, Walgreens, CVS	**Shops at:** Publix, Target, Walmart, Whole Foods, GNC	**Shops at:** Whole Foods Market, Trader Joe's, QFC, Walgreens, Bartell Drugs, Safeway	**Shops at:** Natural Foods Warehouse, Good Nut, farmers market, Publix, Costco, Trader Joe's, online

Consumer involvement in the World does not always evolve, but when it does the adoption pathway for consumers is similar

PHYSICAL

MENTAL

EMOTIONAL

SPIRITUAL

BALANCE	HOLISTIC	INTEGRATED	HARMONY
• First steps focus on physical wellness • Some exercise • Absence of negatives in food • OTC, Rx use more common	• Increasing attention to food and beverage choices • Experimentation with organic • Incorporate commonly-known vitamin supplements • Practices for mental and emotional wellness not fully incorporated	• Predominantly organic in fresh categories • Use of alternative, integrative medicine • Practices for emotional and spiritual health more intentional • Some use of natural personal care and household products	• Emphasis on clean food, positive nutrition • Naturopathic medicine is primary • Physical exercise for emotional and physical balance • Homemade personal care and household products

PERIPHERY → CORE

REACTIVE — PROACTIVE

Personal care product adoption pathway

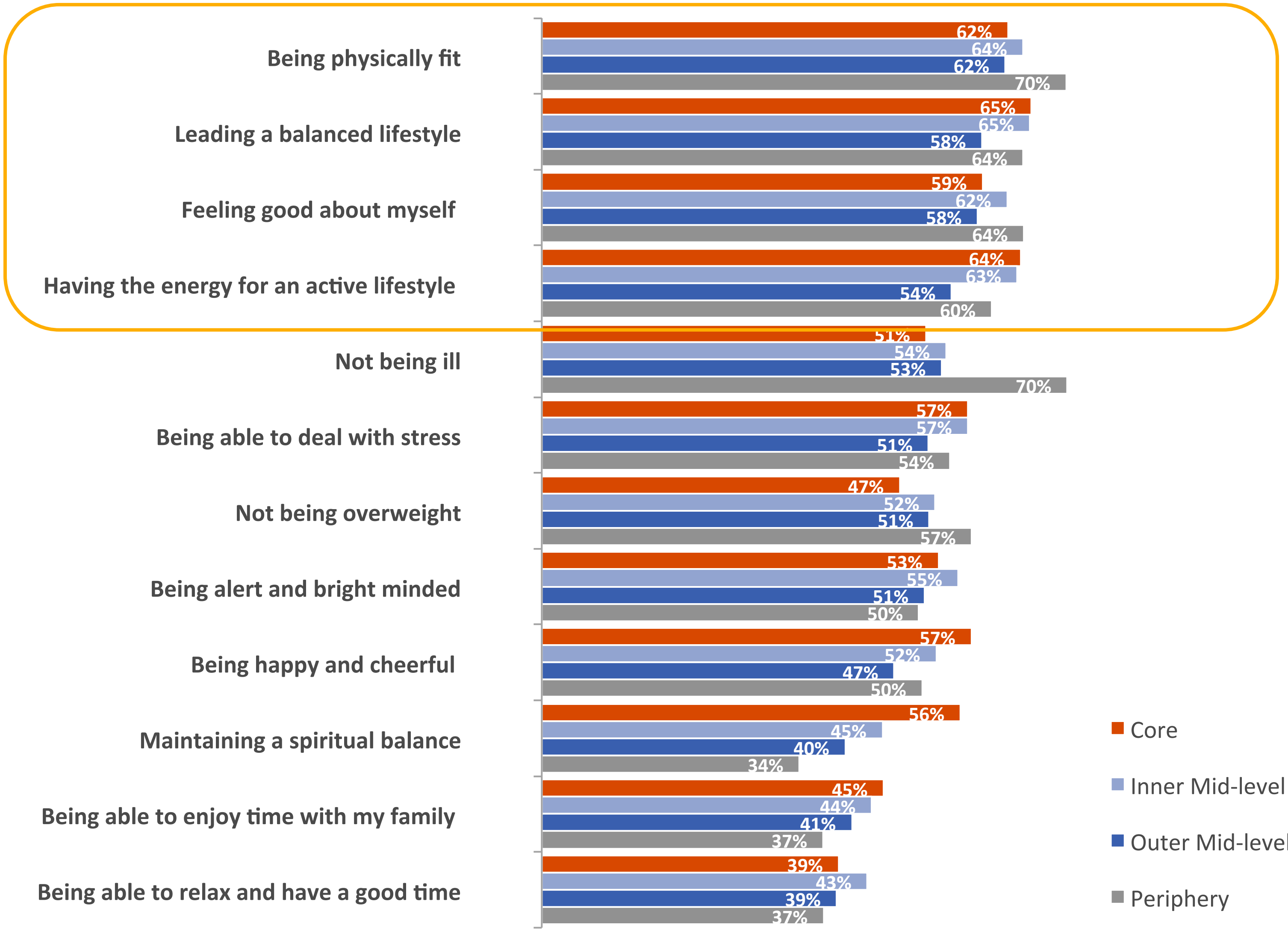
Periphery	Outer Mid-Level	Inner Mid-Level	Core
 	 	 	 
"That's just the one I get. It works for my hair."	*"Others have made me itchy…this one's made from natural elements and there's no dyes or anything bad for you."*	*"It's tough to find ones without sulfates, but I make the effort."*	*"They use only natural ingredients and list them on their website. Packaging is environmentally friendly, and I like their business model."*
Seeking… products that 'work' and do not irritate	**Seeking…** products with "natural" or non-toxic cues that still do the job	**Seeking…** natural products with short ingredient list, and without specific chemicals regarded as unsafe (parabens, sulfates)	**Seeking…** products that work in harmony with body and planet; food-grade ingredients, essential oils, vegan, organic

Cleaning product adoption pathway

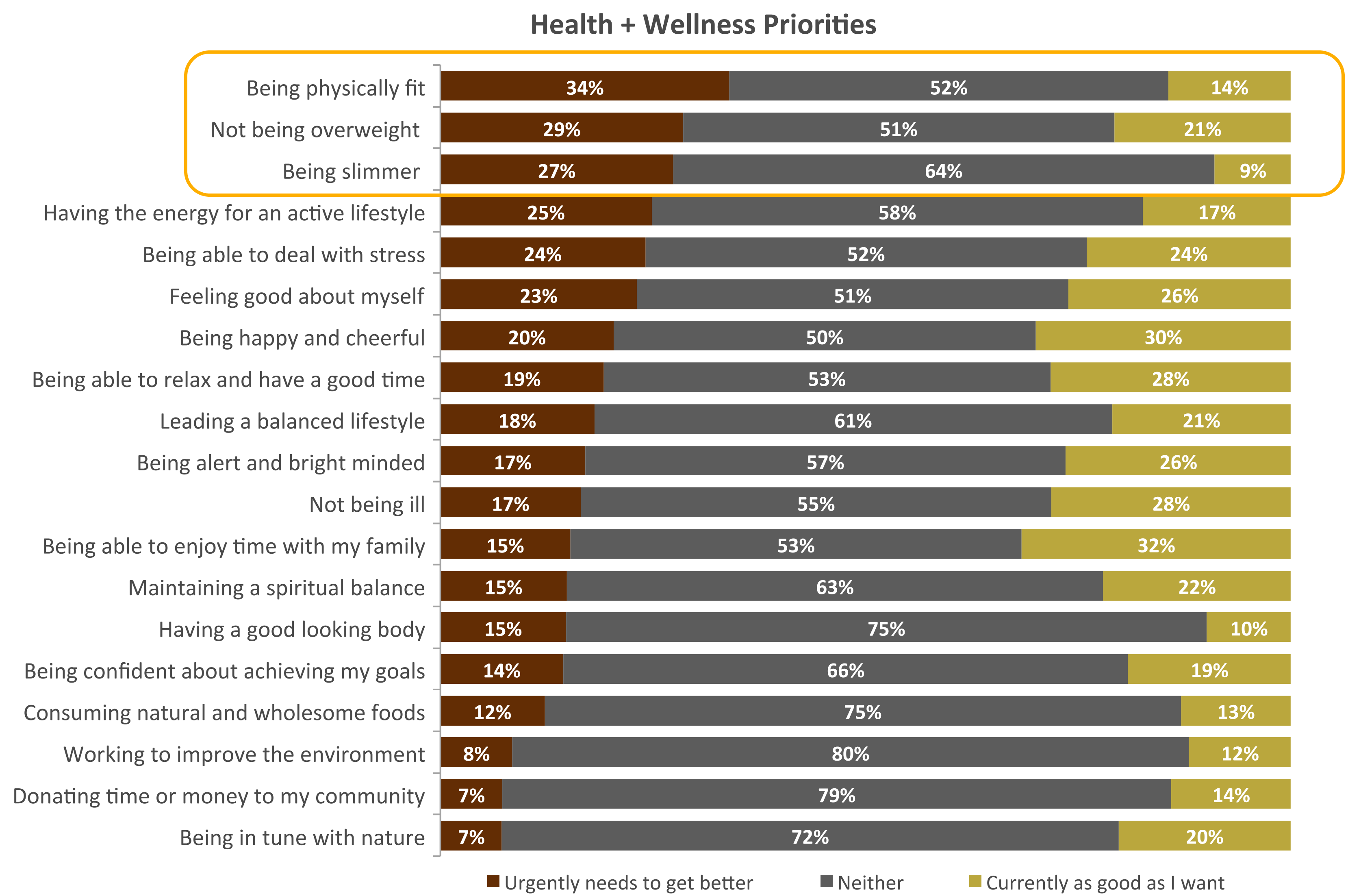
Periphery	Outer Mid-Level	Inner Mid-Level	Core
	 	 	 
“It kills germs, and that keeps me healthy.”	*“It's made out of mostly natural ingredients and is Clorox, so you can trust it to kill germs.”*	*“It cleans dishes well, smells good and I don’t worry about harsh chemicals.”*	*“There's an environmental aspect and a personal aspect to being more cognizant of how I clean my home.”*
Seeking… products that can guarantee effectively killing germs	**Seeking…** mainstream brands with potency but some with natural cues	**Seeking…** natural brands that work but keep people and pets in the house safe	**Seeking…** products from nature with inherent cleaning properties; safe and non-polluting

Health + Wellness encompasses the physical and the emotional, the tangible and the intangible

To Me Health and Wellness Means…

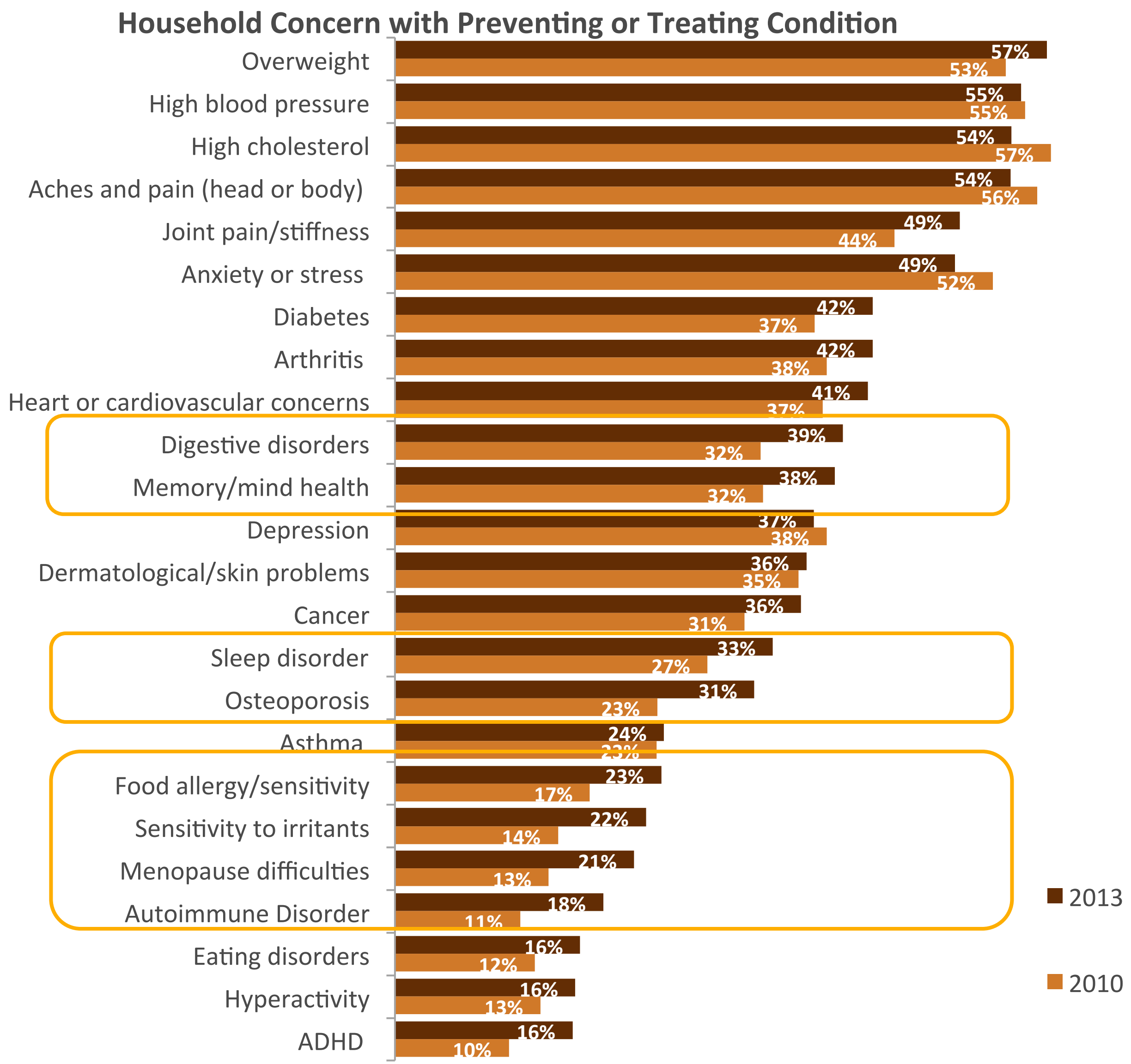


Being physically fit and not overweight are top priorities for consumers



C5/C6. Which of these areas of your life would you say URGENTLY NEEDS TO GET BETTER and which is CURRENTLY AS GOOD AS YOU WANT? Base: n=2551-Total

While weight, heart and pain remain constant concerns, digestion and cognitive health are gaining attention



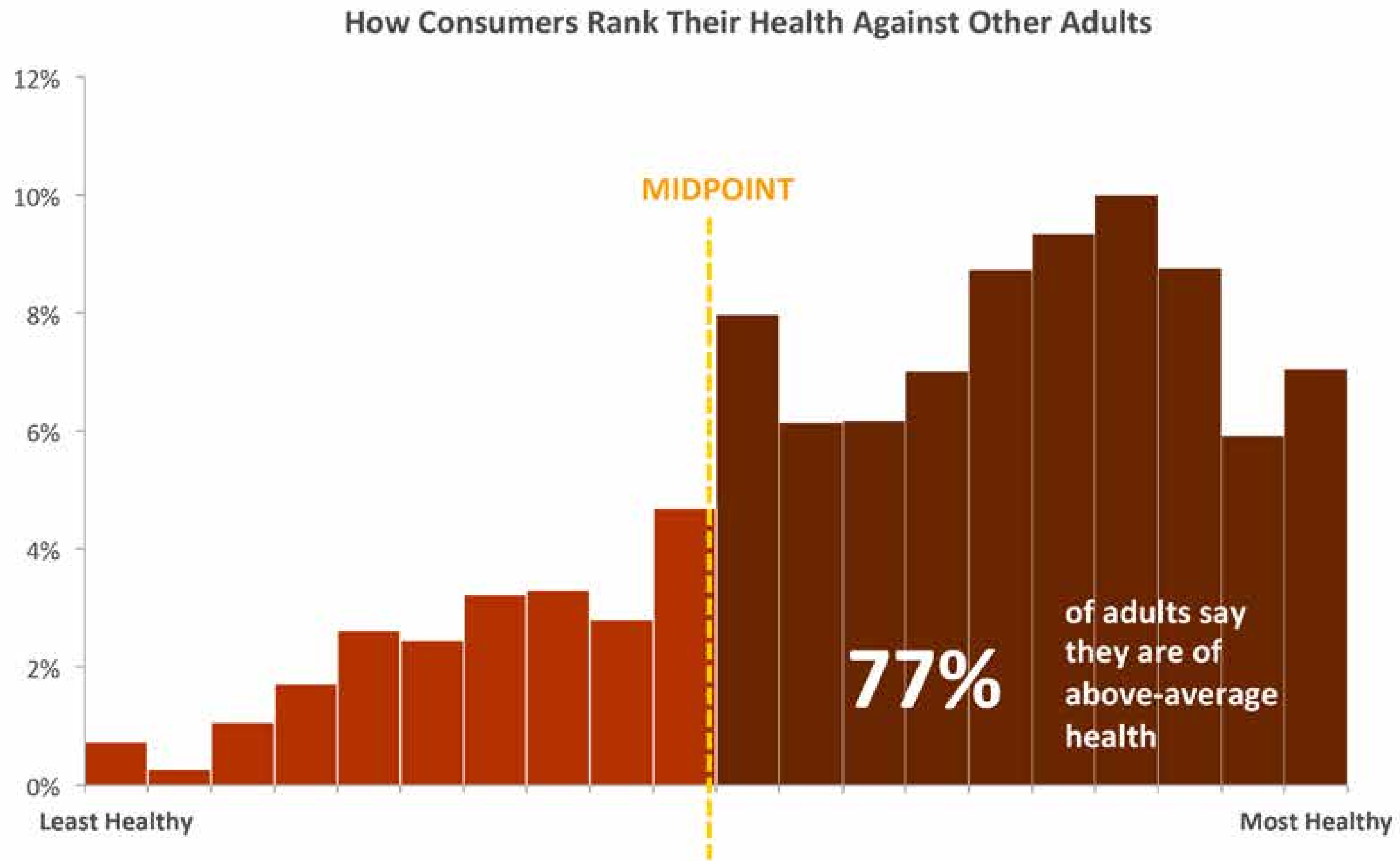
A7. Are you or anyone in the household concerned with or treating any of the following health conditions? Base: n=2551-2013; n=2744-2010

Core and Inner Mid-level are proactively thinking about more health issues

		Total	Periphery	Outer Mid-level	Inner Mid-level	Core
Number of Conditions Managing…	Preventing	5.4	3.1	5.8	6.3	7.1
	Treating	3.7	3.6	3.4	4.1	4.0
Health Conditions Managing…	**Overweight**	57%	53%	55%	63%	59%
	High blood pressure	55%	50%	54%	58%	61%
	High cholesterol	54%	48%	54%	56%	60%
	Aches and pain (head or body)	54%	47%	53%	59%	62%
	Joint pain/stiffness	49%	41%	48%	58%	56%
	Anxiety or stress	49%	42%	49%	54%	55%
	Fatigue	44%	33%	44%	50%	52%
	Diabetes	42%	36%	41%	44%	51%
	Arthritis	42%	32%	42%	47%	49%
	Heart or cardiovascular concerns	41%	33%	41%	48%	46%
	Digestive disorders	39%	29%	39%	46%	49%
	Memory/mind health	38%	27%	39%	44%	49%
	Depression	37%	30%	37%	42%	40%
	Dermatological/skin problems	36%	27%	35%	42%	45%
	Cancer	36%	22%	36%	44%	45%
	Sleep disorder	33%	25%	33%	39%	37%
	Osteoporosis	31%	18%	32%	40%	39%
	Asthma	24%	15%	23%	30%	30%
	Food allergy/sensitivity	23%	11%	25%	27%	35%
	Sensitivity to irritants	22%	8%	22%	30%	33%
	Menopause difficulties	21%	11%	22%	25%	30%
	Autoimmune Disorder	18%	7%	19%	22%	30%
	Sexual disorder	18%	11%	19%	20%	24%
	Eating disorders	16%	5%	17%	23%	22%

A7. Are you or anyone in the household concerned with or treating any of the following health conditions? Base: n=2551-Total; n=247-Core; n=551-Inner Mid-level; n=1094-Outer Mid-level; n=659 Periphery. Highlighted segments indicate significantly higher results than all un-highlighted segments, @95% C.L.

Consumers are generally optimistic about their own health as compared to others



C3. How would you compare your overall health to that of other adults in the US? Imagine that every adult in the U.S. were lined up from MOST healthy (on the left) to LEAST health (on the right). Approximately where do you think you would be in this line of all U.S. adults? Base: n=2551-Total

Changes in one's own body are the most common motivator for evolution in wellness views and practice

69% **PERSONAL HEALTH ISSUES often serve as a wake-up call.**

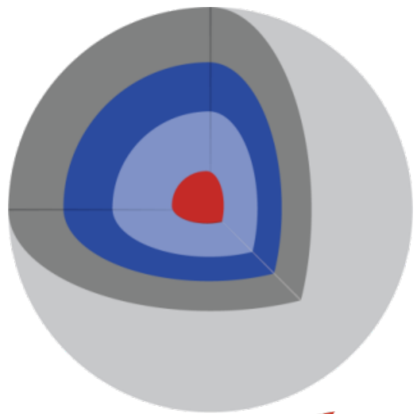
My health condition has changed

Having too much stress

Having too little energy

8% **PREGNANCY and having kids often forces people to take a closer look at their health now and in the future.**

47% AMONG PARENTS OF CHILDREN YOUNGER THAN 3 YEARS



43% **AGING can present a range of physical and emotional changes that prompt increased participation.**

22% **THE MEDIA can provide cultural momentum around Health & Wellness issues.**

Something I read.

A TV or radio program.

29% **VICARIOUS HEALTH ISSUES are also a wake-up call.**

The health condition of a family member worsened.

The health condition of a friend worsened.

Someone I know died from poor health.

A4. What caused you to change your views on health and wellness? (Select all that apply) Net of relevant items for each trigger type. Base: consumers that changed their views on what health & wellness means n=1104-Total; N=131-Parents of 0-2 year olds whose views had changed.

Wellness is having the energy to "live the life I want"

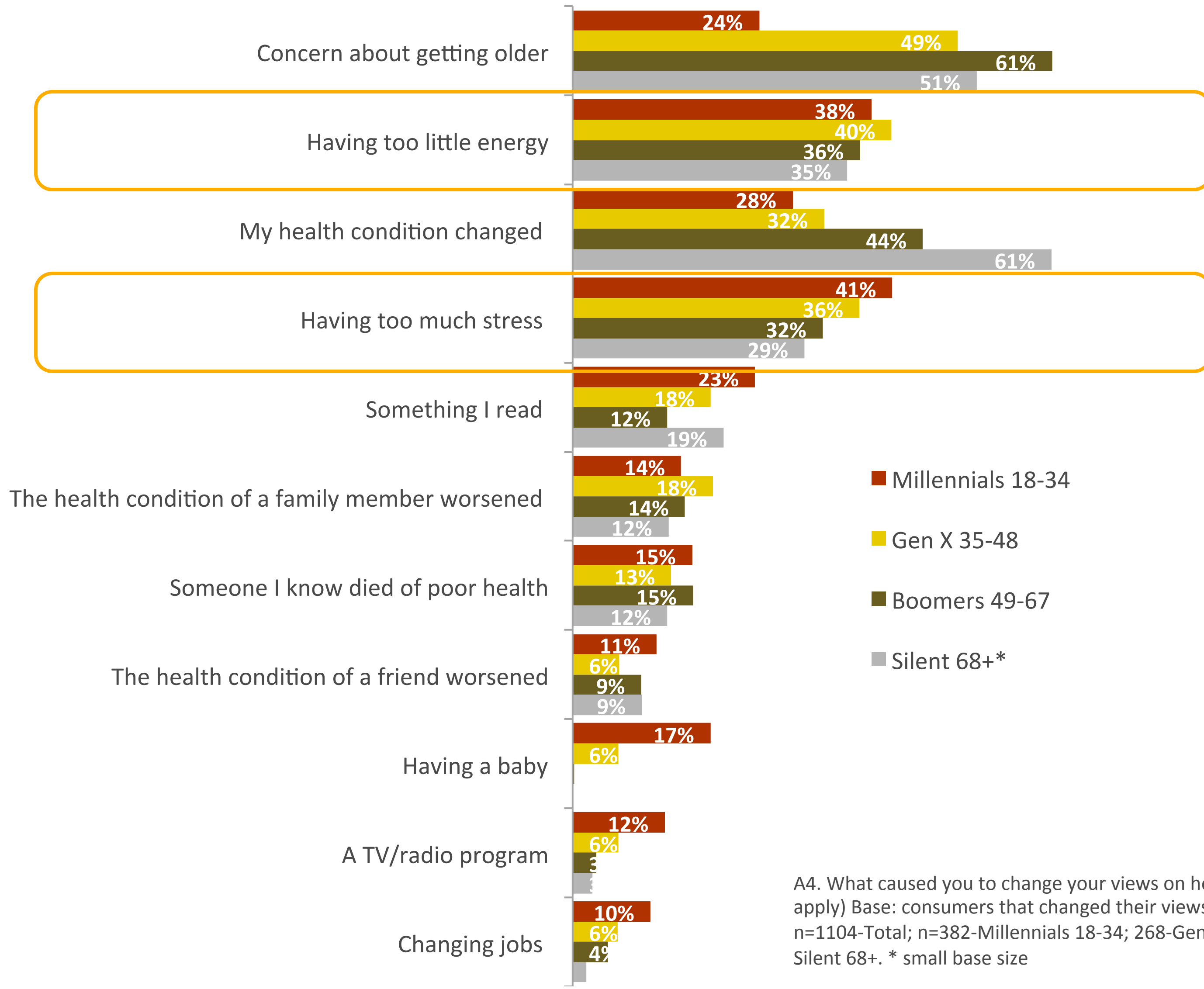
In the absence of acute illness, "lack of energy" and the resulting lack of motivation undermine consumers' ability to live their life as they wish they could and to take pleasure from daily activities such as:

Being productive • Staying fit • Being an active parent • Having fun experiences • Collecting new adventures • Developing skills • Accomplishing goals

Inner Mid-level consumer, *Wellness is having the energy to live the good life*

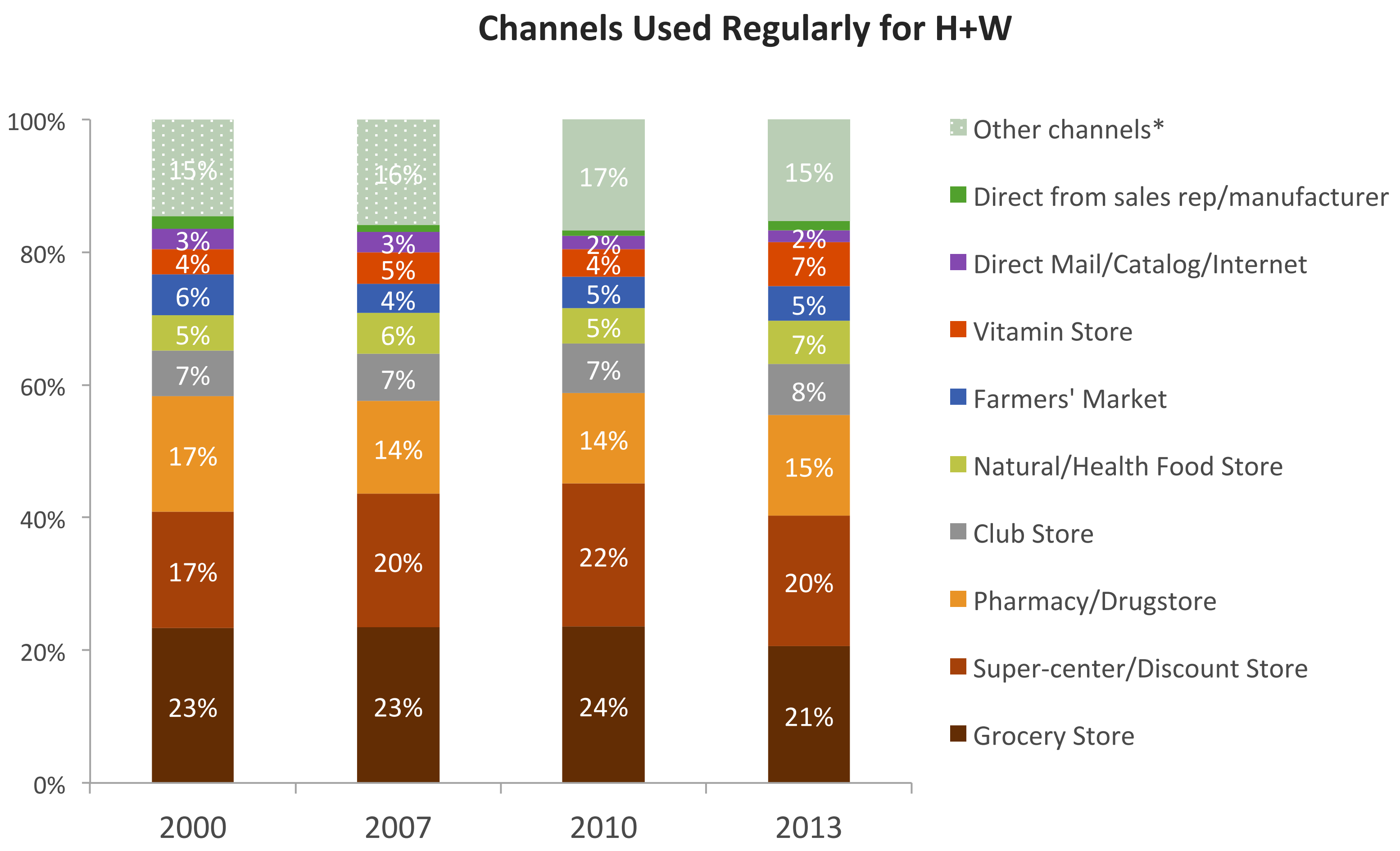
For younger cohorts, engagement with H+W is driven by stress and the need for energy

Key Triggers for Changing H+W Views



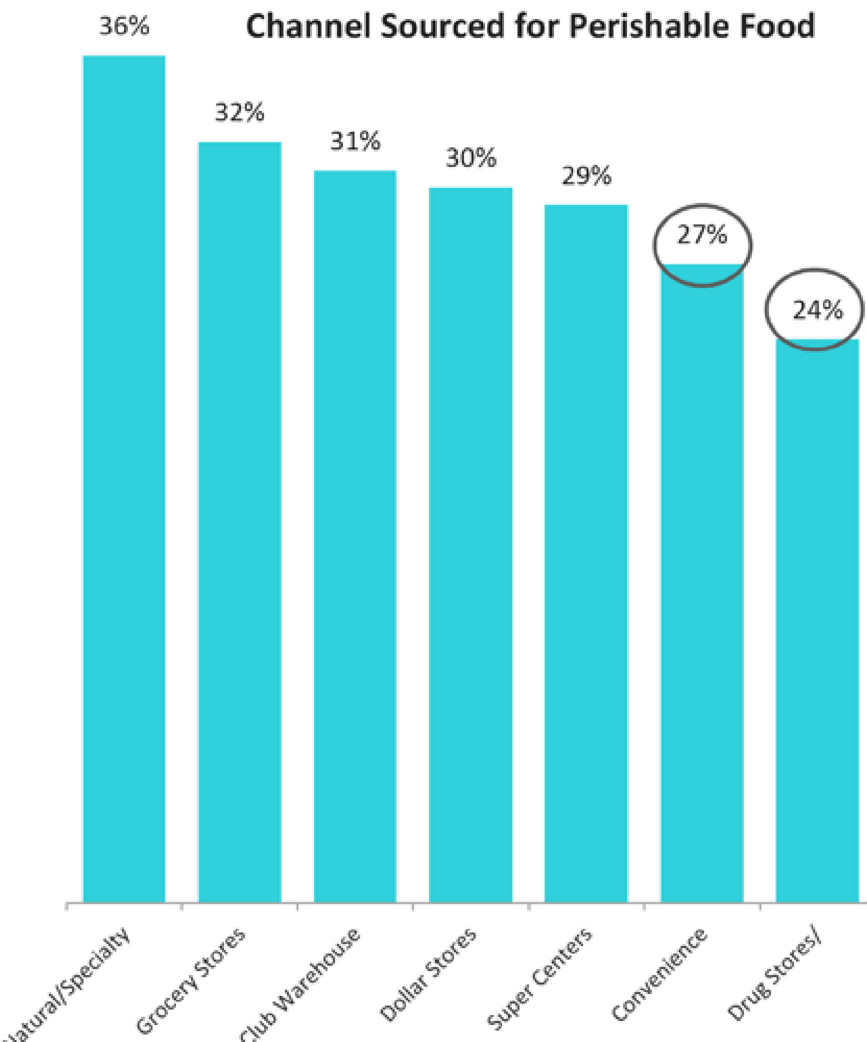
A4. What caused you to change your views on health and wellness? (Select all that apply) Base: consumers that changed their views on what health & wellness means n=1104-Total; n=382-Millennials 18-34; 268-Gen X 35-48; 393-Baby Boomers 49-67; 61-Silent 68+. * small base size

Consumers continue to source H+W products from a wide variety of channels



B26. Which of the following kinds of stores do you regularly shop for health and wellness products? In 2000-1010, regularly defined as "at least 4 times a month." Base: n=2617-2000; n=2901-2007; n=2744-2010; n=2551-2013. Calculated as share of all channels mentioned. *Channels not asked in 2007 and 2000 assumed to receive same mention as when first asked in 2010 and 2007; includes C-store, Specialty, Dollar, Co-op and CSA.

Perishable food is infiltrating all channels



Source: Hartman Eating Occasions Compass, 2010-2012, n=22,850 Adult Eating occasions; Base: Food sourced from a food retailer n=12,522-Grocery stores; n=848-Convenience stores; n-1,978-Supercenters; n=572-Natural/Specialty food stores; n=1,060 Club Warehouse stores; n-436-Dollar stores; n=302-Drug stores.

Convenience stores and drugstores are starting to embrace fresh/less processed (FLP) as today's consumers have come to expect and demand this attribute.

Key attributes sought by consumers looking for quick and convenient foods from c-stores and drug include:

Protein: benefits include perceived energy, satiety and weight management

Fiber: benefits include weight management and digestive health

Low sugar: benefits include blood sugar and weight management

Energy: benefits include physical and mental endurance, weight management

Under 250 calories: benefits include weight management

Culture has shifted from a *reactive* HEALTH paradigm to a *proactive* WELLNESS culture

Then…

REACTIVE HEALTH

"Do as I say!"

Condition management • Externally measured • Authoritative • Compliance • Crisis • Quick fixes • Control • Asceticism

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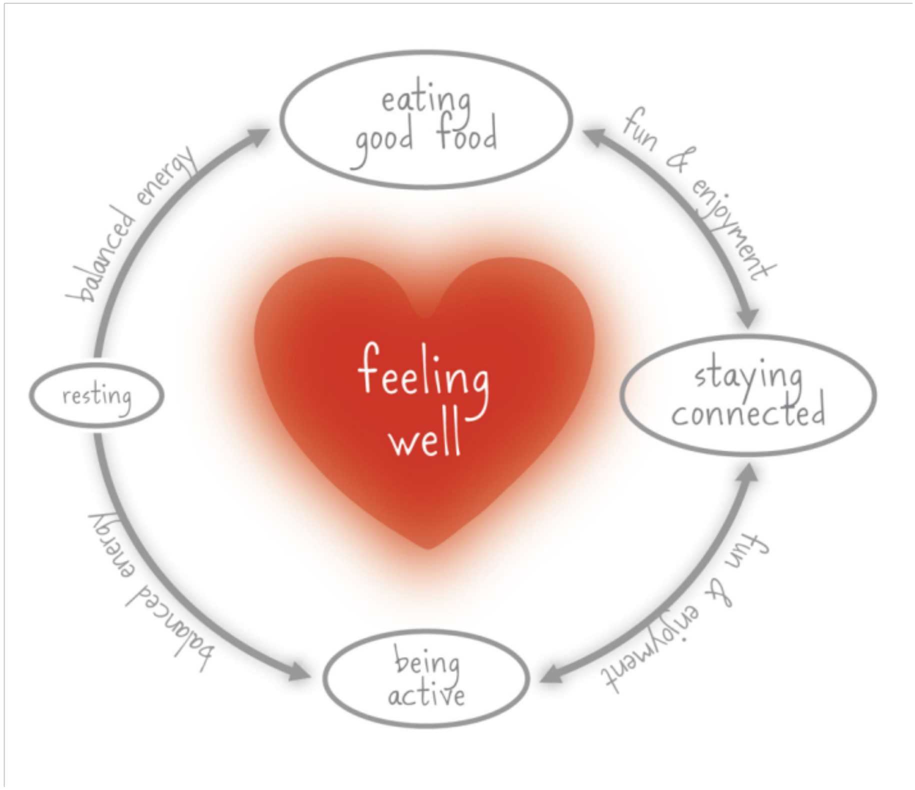
"Know thyself"

Preventative • Internally validated • Self-assessed • Common sense • Holistic • Integrated • Balanced energy • Fun and enjoyment



Living a full and active life is the key to balanced energy, fun and enjoyment

Once cardio-heavy regimes, fitness activities now focus on:

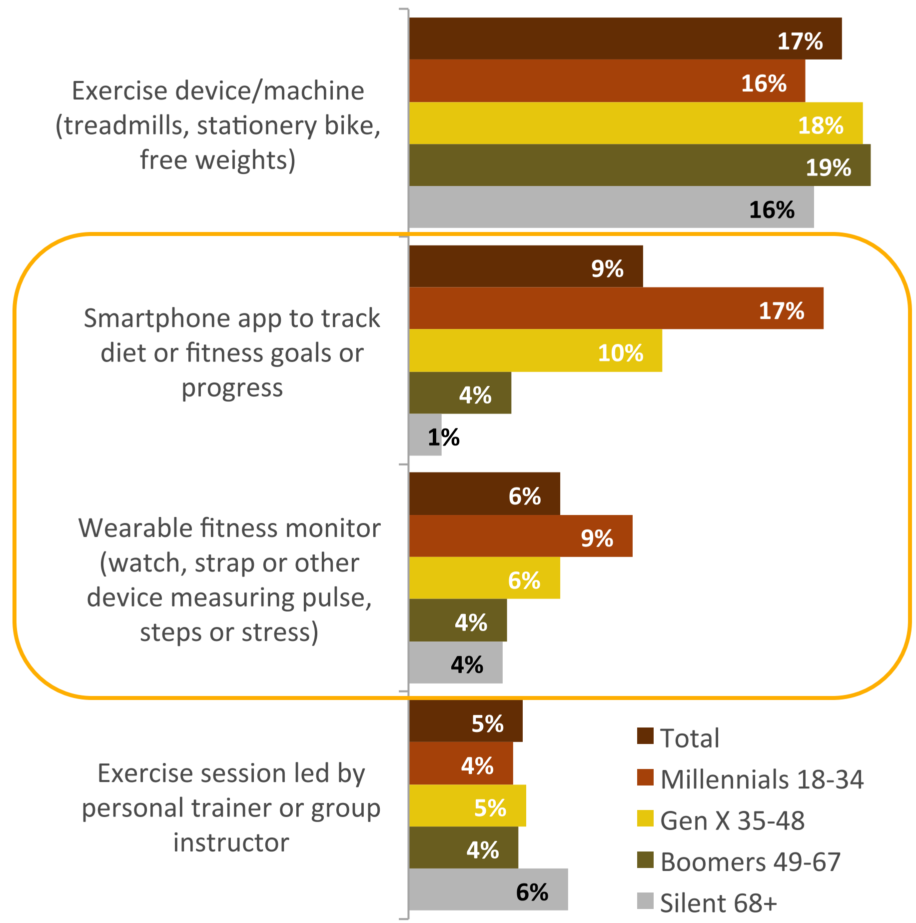
Strengthening core • Increasing flexibility • Balancing stress • Managing energy level • Building community • Meditating • Enjoying nature • Supporting long-term fitness

Consumers are trying out:

Hiking • Cycling tours • Yoga teacher training • Paddleboarding • CrossFit • Triathlons • Parkour • Salsa • Capoeira • Spin class

Consumers are adopting the benefits of multiple technological platforms to track (Fitbit, apps)…share (Meetup, Facebook)…and experiment (Groupon, LivingSocial) with new kinds of physical activities

Exercise Items Used Past 30 Days



B27. For the following list of wellness products, please indicate whether you or anyone in your household has USED the product or service in the PAST 30 DAYS. (Select all that apply). Base: n=2551-Total; n=741-Millennials 18-34; n=627-Gen X 35-48; n=1000-Baby Boomers 49-67; n=183-Silent 68+

Creating habits and rituals to slow down supports balanced energy, fun and enjoyment

In a society that privileges constant productivity and "doing," consumers are mindful and intentional about taking a break from living-a-full-and-active-life in order to maintain balanced energy, reduce stress and replenish.

Strategies to wind down include:

Turning off screens • Reducing PM caffeine • Cutting out PM sugar • Aromatherapy • Sleepytime tea • Melatonin • Valerian • OTC and prescription medication

> *"Resting is as important as being active. Your body needs both to work well. I take time to shed the weight of the day off. It helps me rest, de-stress, relax and get to a good sleep.* - Inner Mid-level consumer

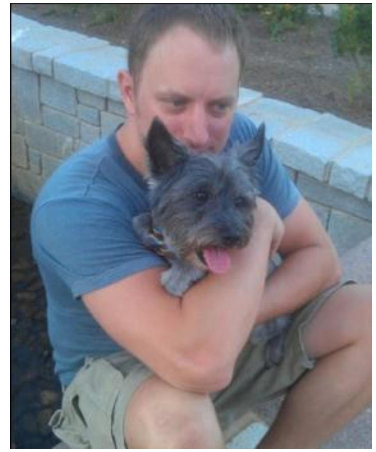
Core consumer, *Wellness is turning off my phone and scheduling some deprivation time*

Wellness is staying connected with people, places and pets

Consumers are aware of the role their social networks (friends, family AND pets) and their neighborhood and homes play in their wellness

Wellness place-making includes the people and places with which consumers have a connection

"As much as anything else, my habitat contributes to my overall health and wellness. I have lived in this part of the world all my life."
- Core consumer



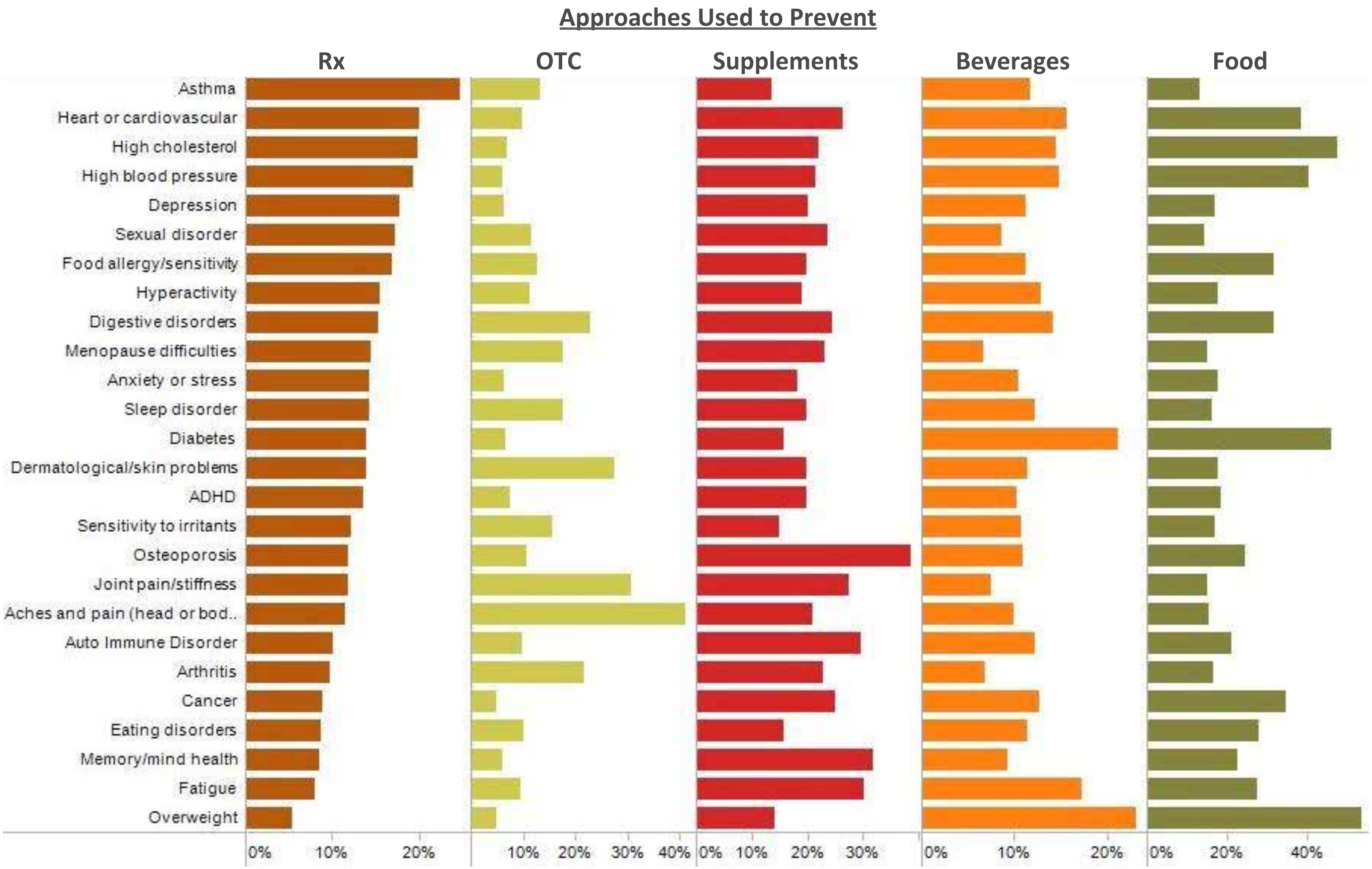
My boyfriend and our dog, Loopy: They both play a huge role in my life and give so much happiness and warmth. I don't know what I'd do without these guys!

My best friend, Jenn. We shop together, cook and work out together, play together. Laughter and friends are what feeds my spirit!

DeKalb Farmers Market: Shopping here encourages healthy eating. I appreciate that everyone who shops there probably shares my values.

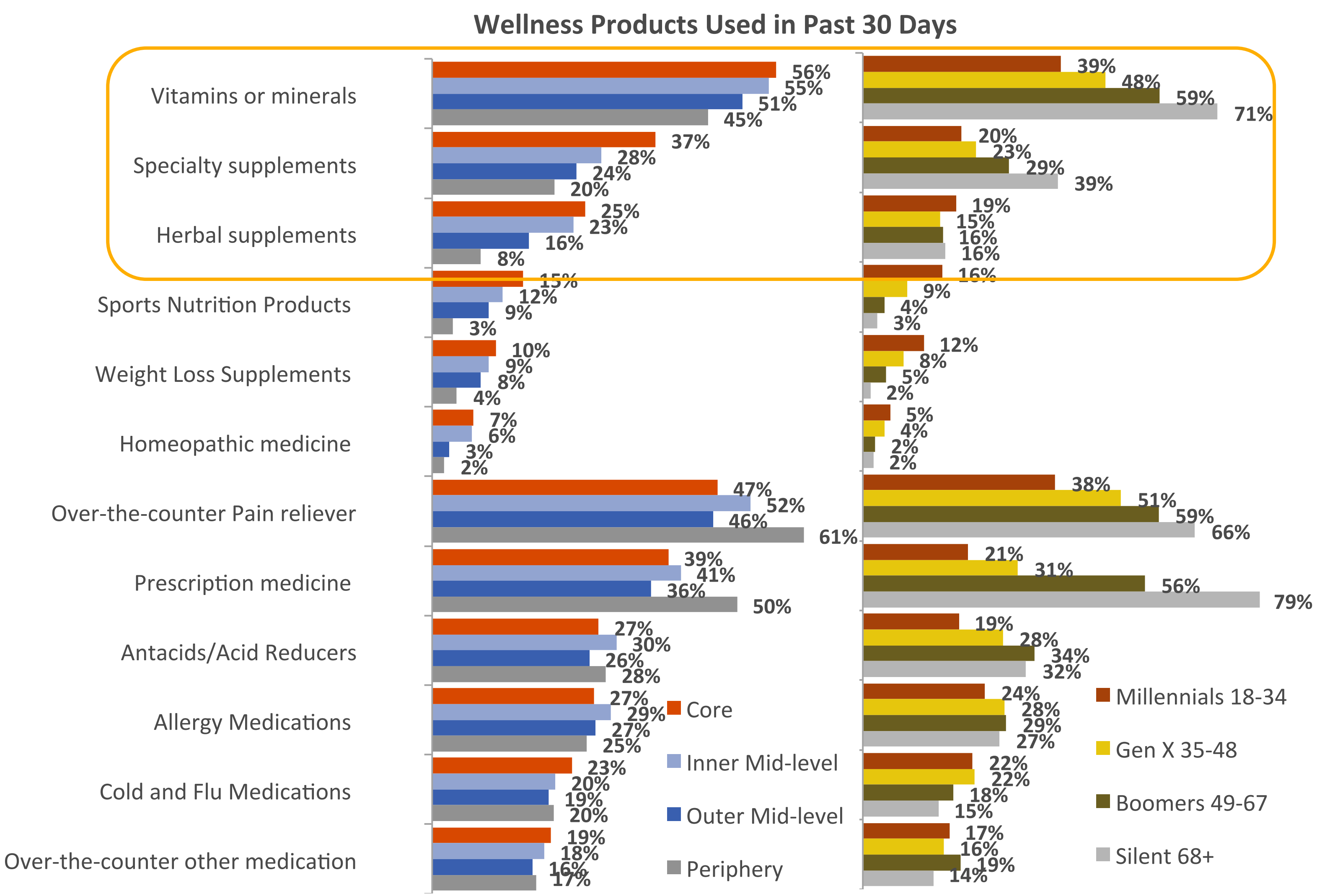
Rawesome Juicery: The food is incredibly fresh, fairly priced, and is some of the tastiest around. I feel satisfied and healthy when I eat here, and I feel good about supporting a local business.

A wide variety of modalities are viewed as preventative tools



A9. Which remedies are you using in your household to treat or prevent condition? (Select all that apply). Base: n varies from 237 to 809 for each condition PREVENTED.

Core and older consumers are more likely to embrace vitamins and supplements



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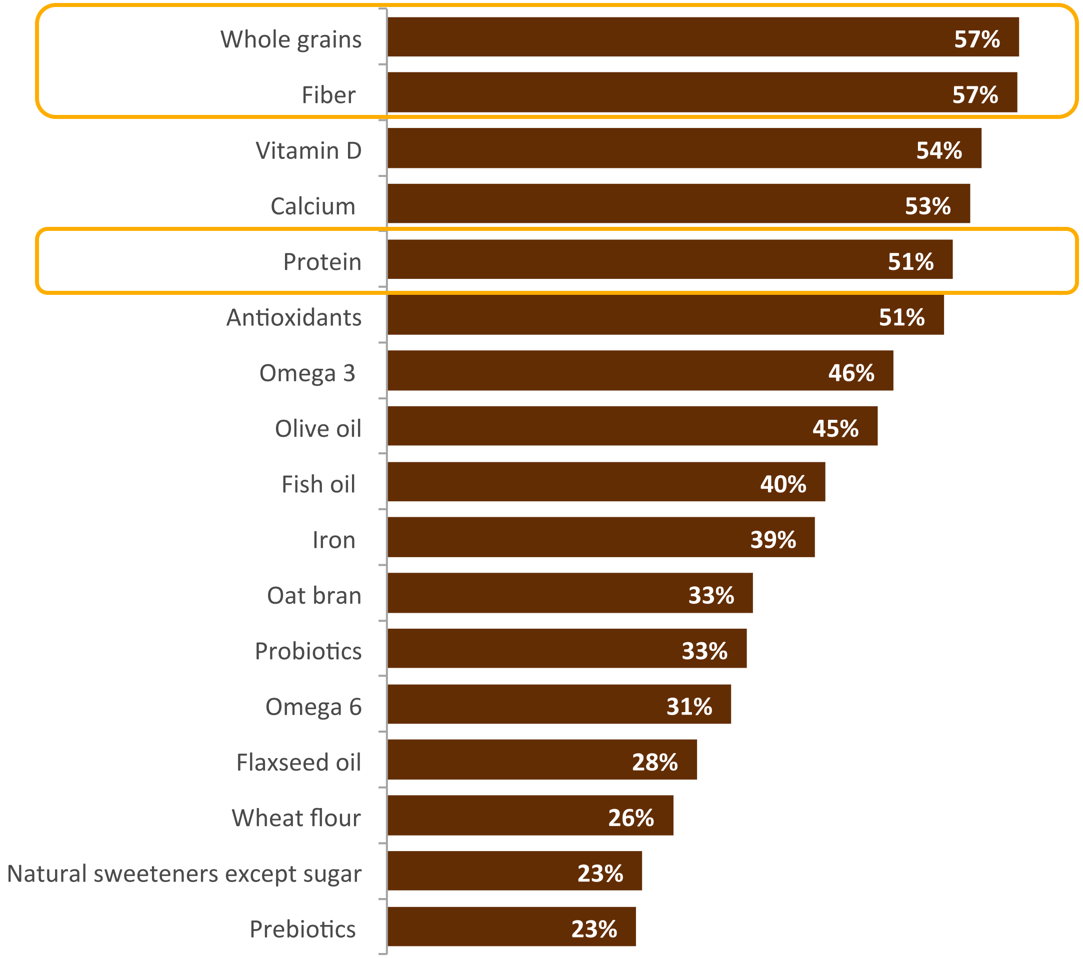
Consumers choose protein and complex carbs for sustained energy

Whole grains + fiber + protein=

- Satiety
- Healthy digestion
- Weight management
- Blood sugar regulation
- Sustained energy
- Muscle strength

Ingredients Sought by Consumers



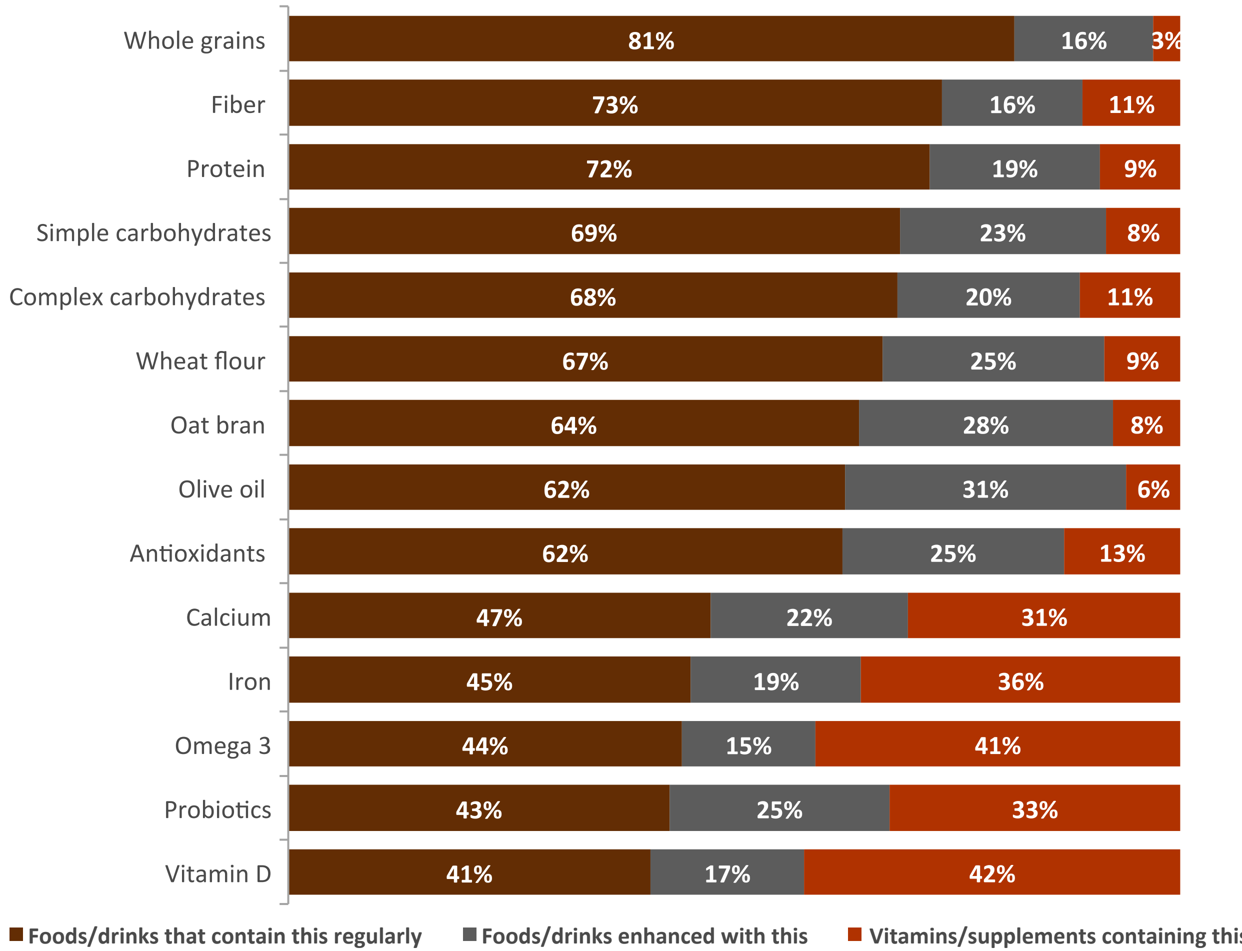
V3. Please indicate whether you DELIBERATELY avoid/reduce or add/increase any of the following ingredients or nutrients in your daily diet. – Add/Increase. Base: n varies from 1281-1313

Consumers seek nutritionally well-rounded foods

Foods with nutritional integrity from whole foods are replacing supplements and functional foods.

Consumers are seeking nutritionally well-rounded foods sources for even the most important macronutrients such as fiber and protein.

Ingredients Format Preferences – I Prefer to get More of this Ingredient From…



V5. For each ingredient below that you indicated you deliberately seek to ADD/INCREASE to your diet, please indicate HOW YOU PREFER TO ADD it. I prefer to get more of this from… Base: n varies from 159-306

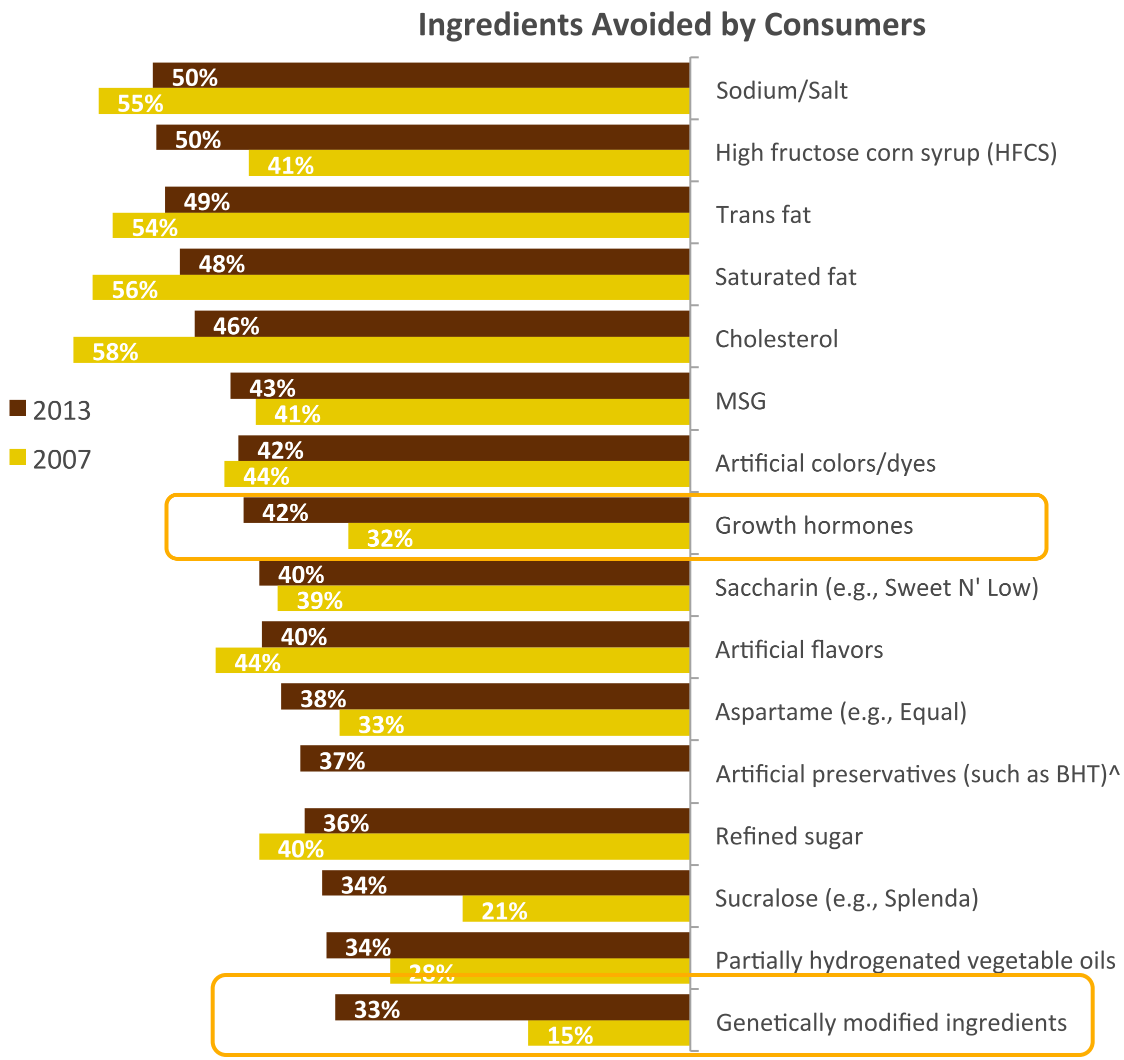
Consumers are avoiding markers of industrial foods

HFCS is now avoided as much as sodium.

There is now less intense avoidance of fats.

Avoidance of most artificial sweeteners has increased.

Dramatic increase in avoidance of growth hormones and GMOs.



V3. Please indicate whether you DELIBERATELY avoid/reduce or add/increase any of the following ingredients or nutrients in your daily diet. Base: n=2978-2007; n varies from 1281-1313:2013. "Preservatives" assessed in 2007 (47%) now assessed separately as "Natural" versus "Artificial". ^Not asked in 2007.

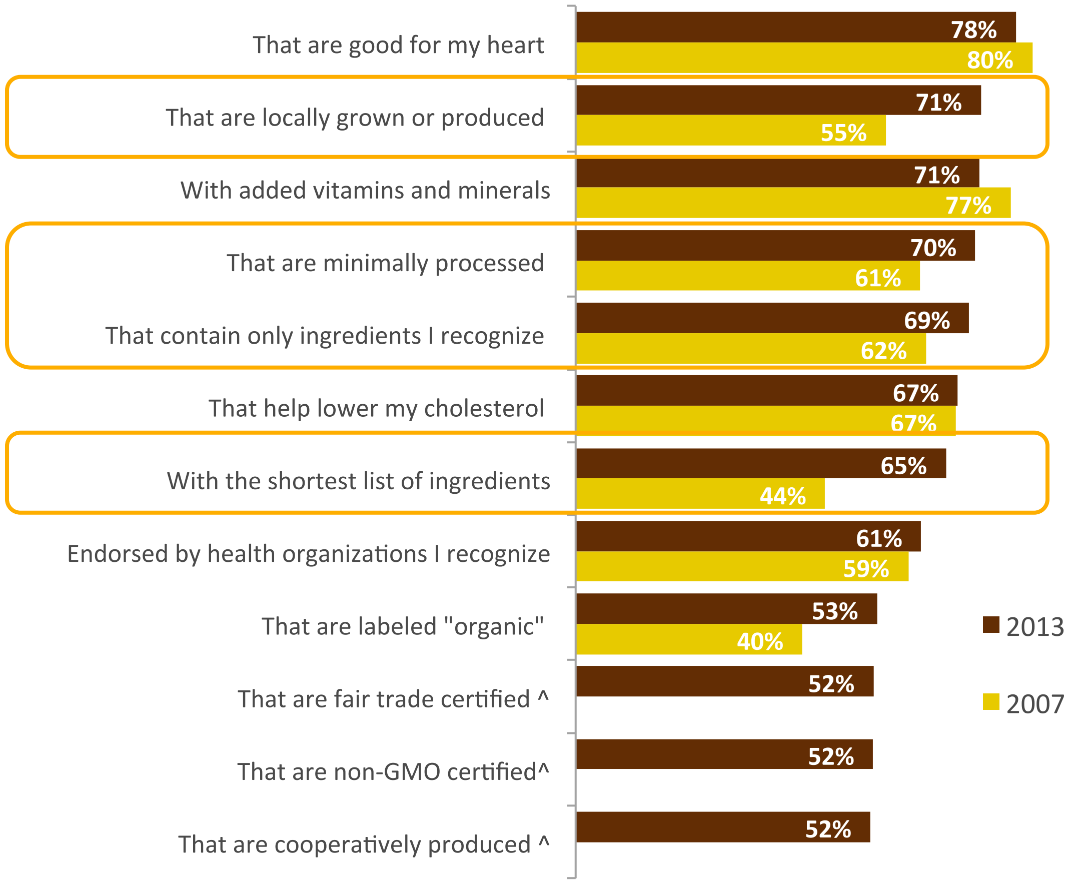
Consumers are making “fresh” judgments at the shelf

Locally grown, minimally processed, recognizable ingredients, and short ingredient lists are cues that consumers use to determine higher-quality foods.

Foods inherently containing nutritional content are sought. Consumers are placing less importance on foods *enhanced* or *fortified* with vitamins and minerals over the years.

Non-GMO certified is almost on par with organic.

Shopping Behavior – I look for food and beverages…



V1. Please read each statement and indicate how well it describes your own behavior regarding shopping for food and beverages. – Net-Describes me well/Somewhat. Base: n=2551-2013; n=2978-2007.
^Not asked in 2007

Consumers look to a range of cues to determine "processed" from "fresh" food

WHAT'S IN IT?

- **Inherent positives:** rich in fiber, protein
- **No negatives:** preservatives, HFCS, hormones, antibiotics
- **Short ingredient list**
- **New and interesting:** ethnic flavors, unique ingredients

HOW WAS IT MADE?

- **Preparation:** baked, uncoated, not deep fried, made from scratch, fresh prepared, sprouted, fermented, sun-dried
- **Scale:** small batch, local, artisanal
- **Production:** organic, pasture-raised, grass-fed, wild-caught, foraged, non-GMO
- **Unique distinctions:** heirloom, heritage, terrior, ancient, traditional

WHO MADE IT?

- **Real people:** passionate growers, producers or manufacturers
- **Real source:** Local, regional authentic, transparent
- **Direct:** farmers market, community-supported agriculture, buying clubs, group buys, food hubs
- **Sustainable:** fair supply chain, stewardship of land

Periphery → Core

Next “Big Bets” in Wellness

Quantified Self at Pharmacy and at Home- Labs will be performing blood tests on samples from a single drop. Current at-home users tend to already be the most health engaged and healthy.

Modern “Farmacy”- Bridge between general and complementary medicine with a focus on time-honored remedies. The Modern Farmacy points to opportunities in the growing sector where general and complementary medicine are currently underutilized.

Food to Address Daily Health Concerns – Millennials especially see daily issues such as insomnia, stress and energy as being detrimental to their wellness and are looking to food and beverage for solutions.

Interactive Producer Narratives- Transparency becomes more prominent from grocery to HBA as consumers seek more info on sourcing and ethics.

Fresh Expectations – Consumers anticipate and expect that fresh foods will be available at all types of retail channels. Quality and breadth of fresh offerings are the key consumer indicator of how authentic a “wellness” retailer is.

Social Wellness Projects - Core consumers are now starting to experiment with new ways to learn, create, share, expand and change wellness through projects that transform communities (companies, neighborhoods, cities, populations, online, world) to create higher quality of life, for longer, for all.

ABOUT THE HARTMAN GROUP

The Hartman Group, located in Bellevue, Washington, blends leading-edge customized research and consulting to understand the subtle complexities of consumer and shopper behavior. Since 1989, Hartman Group has provided unique perspectives on the underlying motivations and behaviors that move the needle for our clients. To learn more about how Hartman Group stays sharply focused on how consumers live, shop and use brands and products visit:

www.hartman-group.com

Sign up for our consumer insights briefing:
www.hartman-group.com/hartbeat

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Overview of methodology

Data Mining

We mined The Hartman Group's Intellectual capital on Food Culture, Health + Wellness and Sustainability, including:

- Health & Wellness 2000, 2005, 2007, 2010, 2011
- Organic 2006, 2008, 2010, 2012
- Sustainability 2007, 2008, 2010, 2013
- Healthy Eating 2009
- Private Label 2010
- New Value Paradigm 2010

Qualitative

We interviewed 25 participants in Seattle and Atlanta, August 2013, using mixed qualitative methodologies, including:

- One-on-one interviews
- Dyad interviews with couples and friendship pairs
- Combination interview and shop and talks in the grocery channel

Survey

We fielded a national, online 25-minute survey among 2,551 U.S. adult consumers (ages 18-79) in September 2013

- Sampling error less than ±1.9% at 95% confidence level
- Results are weighted to reflect the U.S. adult population accurately, with unweighted base sizes reported in footnotes