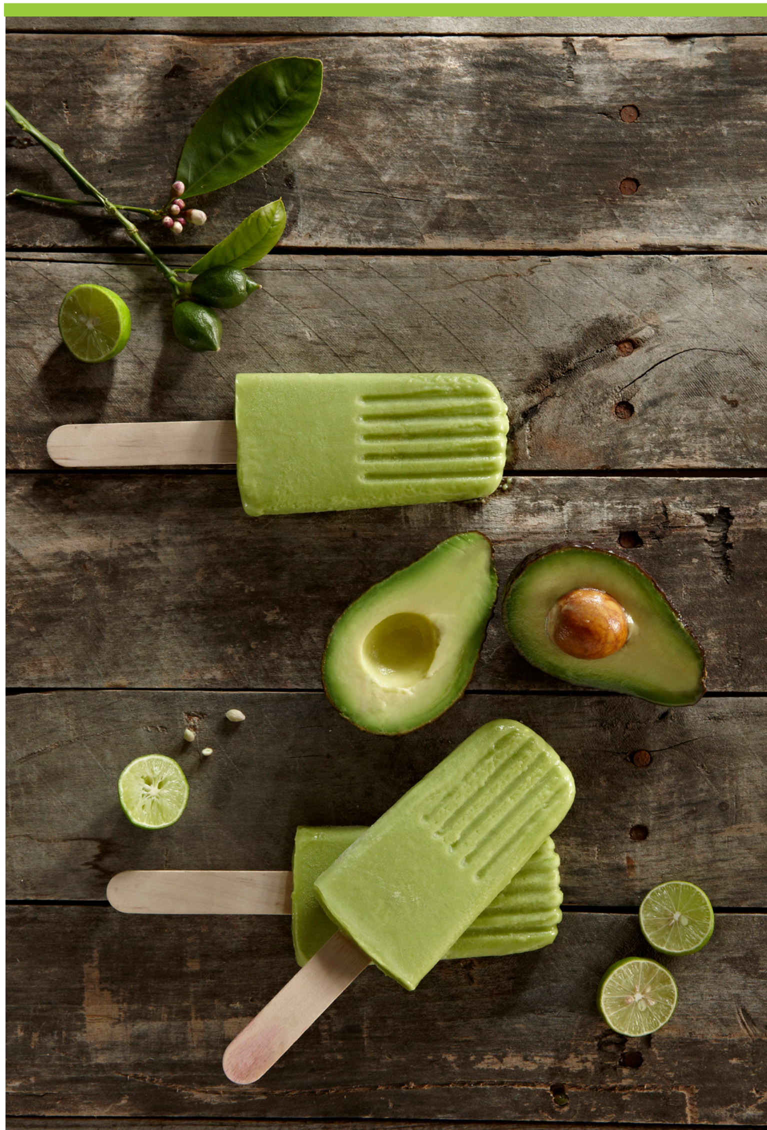
2017 TREND INSIGHT REPORT



7 CONSUMER TRENDS FOR CLEAN IN 2017

You've probably noticed—food and beverage product development is experiencing a time of great change. At the heart of much of it are two words that you've heard numerous times: clean label. But what does "clean label" mean for you, or more importantly, for your consumer? We might all have a different perception, and that gives clean label a life of its own as definitions span the spectrum for each individual company, product and brand.

Clean label has transitioned from an industry-only term to one that consumers are learning more about daily. Consumers feel passionate and confident. They believe they are educated about food issues yet they're concerned about what is left unknown. On the whole, consumers are looking to fit clean into the ultimate life goal: how to live longer while staying independent long-term. Just like us, consumers have individual, personal definitions of clean label. And we've identified seven key consumer trends for clean label that we believe reflect consumers' feelings and actions.

Throughout 2017, we'll be highlighting each of these seven trends in-depth and providing actionable insights to assist in your product development. At FONA, we believe change can be positive, especially when you know what to expect. Read on for a glimpse at what to look for this year.

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1900 Averill Road, Geneva, IL 60134
630.578.8600 | www.fona.com

1. POWER TO THE PEOPLE

More than ever, consumers feel empowered to take control of their health driven by a strong desire to live a long life and live it independently. Consumers are taking control of their food choices by reading labels and understanding ingredients. They are motivated and driven to make healthy choices.

- 76% of consumers indicate it is extremely/very important to lead a healthy/balanced lifestyle.[1]
- 77% of consumers indicate "eating healthy helps me feel in control of my life"[2]
- 54% of consumers completely/somewhat agree with the statement "I select foods based on the nutritional facts panel on the package.[3]
- 33% of consumers indicate that the package label has a lot of influence on their purchase/ usage of healthy and natural products. This is higher than sales/reduced pricing which was indicated by 29% of consumers.[4]

In this report, we'll take a deeper look at this trend to understand:

- What does leading a healthy/ balanced lifestyle mean to consumers?
- How are consumers choosing to eat healthy?
- What things are consumers considering when selecting foods based on the nutritional facts panel?

Critical questions for manufacturers to consider:

- Does my package label provide enough information or the right information for consumers to feel in control when determining whether or not to purchase?
- Does my product align with consumers' goals for leading a healthy lifestyle?
- What does my product's nutrition facts panel convey?

2. REBALANCING THE RATIO

Consumers are rebalancing the ratio of ultra-processed foods vs. less processed foods that they consume. They are often choosing to shop the perimeter, seeking fresh foods as a way to maintain a healthy and balanced diet. At the same time, consumers are choosing organic products because they perceive them to be safer, more nutritious and fresher than non-organic products.

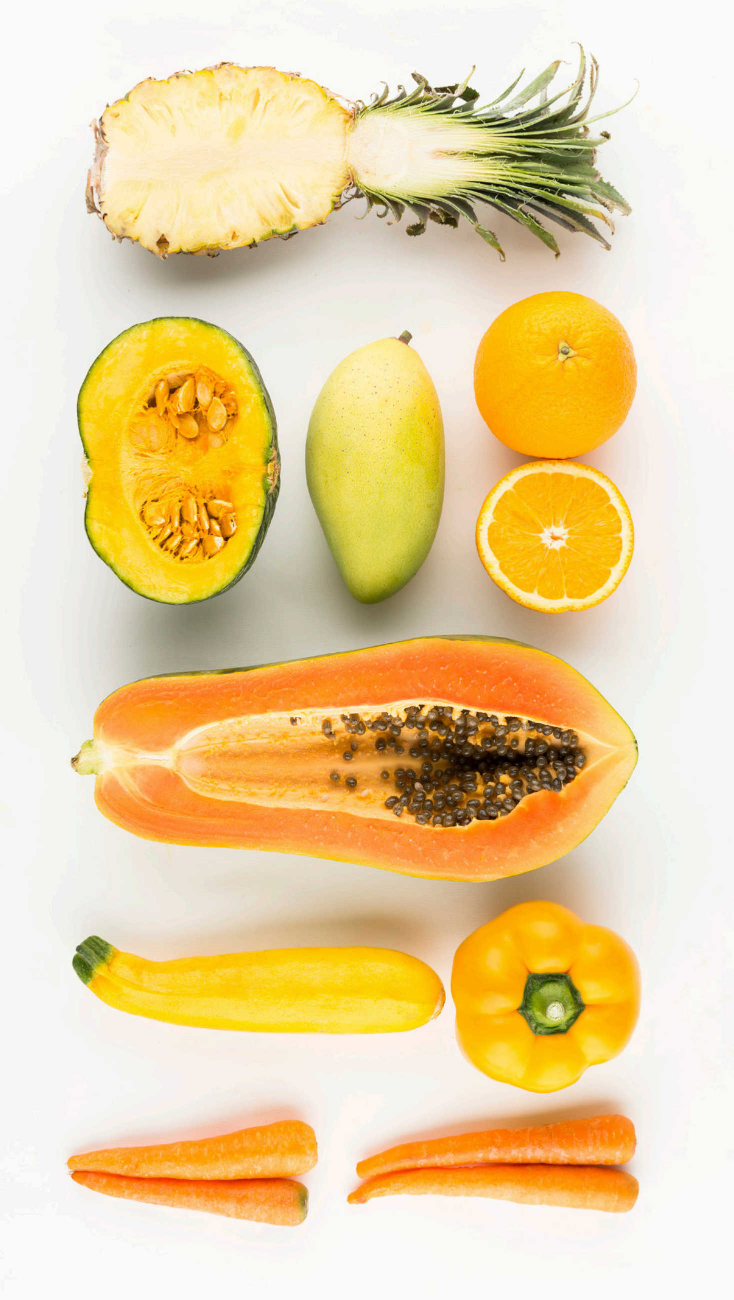
- 64% of consumers prefer foods that are minimally processed.[5]
- In 2014, perimeter food sales were approximately $296 billion. Mintel estimates sales will reach $346 billion by 2019.[6]
- Supermarket fresh prepared foods grew by an annual rate of 10.4 percent between 2006 and 2014, making it one of the highest performing segments in the entire food industry.[7]
- Organic food sales grew 11% from 2014 to reach $39.7 billion in 2015. [8]

In this report, we'll take a deeper look at this trend to understand:

- What are consumers choosing when it comes to organic?
- What does "minimally processed" mean to consumers?

Critical questions for manufacturers to consider:

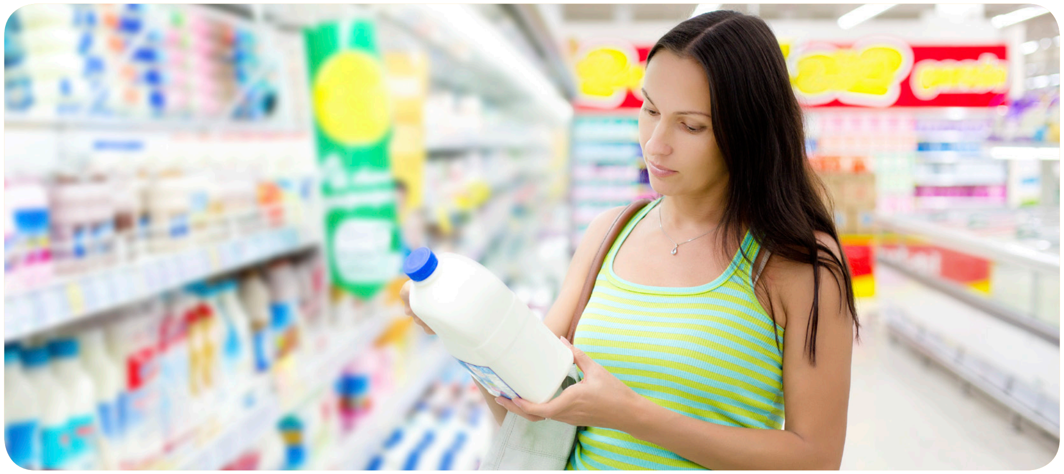
- What is my product portfolio mix between perimeter vs center of store?
- If not already in organic, is organic a potential area for expansion?
- How "processed" is my product?



3. SEEK & AVOID IS THE NEW M.O.

Consumers heightened food knowledge has resulted in a new M.O. when it comes to food and beverage choices. Consumers are seeking out particular ingredients such as fiber, protein, vitamins/minerals, omega-3s, whole grains and good fats. They are also avoiding ingredients they perceive as negative such as pesticides, HFCS, added sugar, and artificial sweeteners, colors or flavors. Consumers are flipping over the package and truly understanding the makeup of a product.

- 54% of consumers look for food/beverages with a short list of recognizable ingredients.[9]
- 54% of consumers select foods based on the ingredient list on the package.[10]
- 46% of consumers indicated they are trying to get more fiber in their diet, followed by protein (42%), and vitamins/minerals (40%).[11]
- 48% of consumers indicated they are would like to get less pesticides in their diet, followed by HFCS (45%), and Sodium (42%).[12]



In this report, we'll take a deeper look at this trend to understand:

- What ingredients are on consumers' watch list currently?
- What up-and-coming ingredients are consumers clamoring for?
- What information sources do consumers turn to when researching ingredients?

Critical questions for manufacturers to consider:

- Do my ingredients stand up to consumer scrutiny?
- Could my products benefit from inclusion of positive ingredients that consumers are seeking?

4. IT'S ALL ABOUT TRUST

The desire to control their destiny has driven the consumer's need for transparency around the food they eat and the companies who provide it. Many consumers have lost trust in the food industry. As a result, they are demanding more information and transparency. And overwhelming, they hold food companies most responsible for transparency.

- 34% of consumers perceive food companies to be transparent, and 37% perceive the agriculture community as transparent.[13]
- 37% of the general population indicated that they believe most food/beverage manufacturers are interested in promoting healthy food choices.[14]
- Physician, Nutritionist, and Pharmacist are the top 3 sources consumers find most trustworthy when researching health-related information.[15]

In this report, we'll take a deeper look at this trend to understand:

- Beyond the top 3, what other sources of information do consumers turn to for information on how their food is produced?
- Do different demographic groups perceive the transparency of food companies differently?
- Are certain consumer groups more concerned about understanding food production than others?

Critical questions for manufacturers to consider:

- Am I providing enough information about my products ingredients and processes?
- Am I listening to consumers' concerns about my products?

5. ONE SIZE DOES NOT FIT ALL

Consumers' food philosophies are personal. They may follow a strict plan or seek to balance their day between conscious and informed choices with some indulgences. Whether Paleo, Gluten-free, Vegan, Detox/Elimination or Dosha, many consumers' eating choices are fluid, and driven by a vast array of desires that may seem contradictory but are just a result of consumers' personal choices.

- Habit and DNAFit use consumers' DNA or genetics to suggest optimized eating plans for the epitome of personalized nutrition.
- 9% of U.S. adults indicate they are strictly/mostly vegan or vegetarian. When broken down further, this rings true for 12% of 18-29 year olds, and 12% of 30-49 year olds.[16]

In this report, we'll take a deeper look at this trend to understand:

- What are some up-and-coming diet principles that consumers are following?
- How are consumers generally executing personalized nutrition?

Critical questions for manufacturers to consider:

- Do my products offer the consumers the opportunity to exercise personalized nutrition?
- Is there opportunity within my product portfolio to capitalize on consumers' current eating trends?

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6. PURCHASED ON PRINCIPLE

Consumers feel compelled to purchase from companies to which they feel connected. Relating to a company's values and philosophies inspire consumer loyalty. Consumers are not only taking a holistic view of their health in general but also with their food and beverage choices. They desire to purchase and consume products that align with their personal ethos.

- 45% of consumers indicate they usually buy products from companies whose values are most like my own. This is true for 57% of Millennials.[17]
- Up from 32% in 2006, 43% of consumers make purchase decisions with an understanding of the effect they will have on the health and sustainability of the world, its environment, and people.[18]

In this report, we'll take a deeper look at this trend to understand:

- What values are most consumers looking for from companies?
- Where are consumers looking for from companies when it comes to sustainability?

Critical questions for manufacturers to consider:

- Do my company values align with those of my consumer base?
- Is there more I should be doing from a value perspective?

7. TASTE REIGNS SUPREME

For consumers, taste and health can't be mutually exclusive. They desire and expect healthy and nutritious foods to taste good. While this has remained constant, consumers' palettes have certainly progressed. One needs to only look at the growth in Greek yogurt, kombucha, and kimchi to see this evolution. To satisfy the modern consumer, industry must continue to innovate to deliver health & great taste.

- 58% of consumers indicate healthy food should taste good and are not willing to give up taste for health.[19]
- 69% of consumers are concerned about providing meals that not only taste good, but are also nutritious.[20]
- Taste leads the trifecta of important attributes to consumers when deciding to purchase food and beverages. Value and Nutrition round it out.

In this report, we'll take a deeper look at this trend to understand:

- What up and coming flavors consumers are looking for when it comes to clean products?
- How are consumers' tastes evolving?

Critical questions for manufacturers to consider:

- Is my flavor partner providing keeping me up to date on consumers' flavor preferences?
- Could my product portfolio benefit from a flavor review & refresh?

FONA & YOU: CONFIDENT IN CLEAN

At FONA, we know that clean is a continuum, *not* a checkbox. Consumers have diverse needs, and your product and its ingredients should align with those needs, no matter where they land. FONA is the answer to "what's next?" in clean. From concept to manufacturing, we'll be at your side the whole way.

Interested in organic flavors? Need to dive deep into clean without losing that signature taste? Contact us today to uncover new insights and solutions for clean.

Your priorities are our priorities. Let's talk.

FUTURE OPPORTUNITIES – FONA CAN HELP!

Let FONA's market insight and research experts translate these trends into product category ideas for your brand. They can help you with concept and flavor pipeline development, ideation, consumer studies and white space analysis to pinpoint opportunities in the market. Our flavor and product development experts are also at your service to help meet the labeling and flavor profile needs for your products to capitalize on this consumer trend. We understand how to mesh the complexities of flavor with your brand development, technical requirements and regulatory needs to deliver a complete taste solution.

Contact our Sales Service Department at 630.578.8600 to request a flavor sample or visit www.fona.com.

SOURCES

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4 Ibid

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