

'Shoppers Now Willing to Spend a Little Bit More on Nutrition and Better Eating'

NBJ chats with Thom Blischok, IRI's consumer trends expert

As president of consulting and innovation at **Information Resources Inc.** (IRI) and the company's consumer trends expert, Thom Blischok has a front-line view to how the economy is affecting consumer purchasing patterns—and how retailers and manufacturers can adapt to the changes. In a recent interview with *Nutrition Business Journal*, Blischok shared his insights and offered some advice for how companies selling “better for you” products can compete during these turbulent times.

NBJ: How is the economic downturn affecting consumer buying habits in the United States?

Thom Blischok: As the shopper continues to go through this troubled economy and is exposed to increased stress, we are seeing a genuine turning toward the issue of health and wellness. However, what we are seeing with regard to this increased focus on health and wellness is a little different than we might have seen in the past. For example, according to information we gathered for IRI's *Competing in a Transformation Economy* report, about 25% of shoppers today say they are reducing their visits to the doctor, and 38% of people are strategizing about when they should or should not go to the doctor. People are moving their healthcare decision making into the home, and they are probably doing that pretty much via the Internet. Also, the cost of nutrition and healthy eating is actually, in many cases, cheaper than a doctor visit, and our attitude survey data shows that people would rather spend money on nutrition than on a \$50 or \$60 doctor visit. As this shows, there is a real strategy among shoppers today to try to maintain some degree of affordable—and we have to

highlight the word affordable—health and wellness.

NBJ: Affordability seems to be the mantra for 2009.

TB: Absolutely. In fact, shoppers are looking through the lens of affordability for all of their purchases—and I literally mean all of their purchases.

Beyond this, we saw two stages of development in shopper behavior in 2008 that are really important to note. From January to about October of last year, the shopper was pretty heavily focused on the short-term impact of consumption, or the price of consumption. They spent more time worrying about the cost of food, gas and living in general and were focused on survival through the short term. But as the economic situation worsened and we saw the need for the financial system bailout, people became more concerned about long-term survival.

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—Thom Blischok,

Information Resources Inc.

At about the end of Q3 and the beginning of Q4, we saw a dramatic shift in shopper behavior and in the internal psyche of the shopper. The shopper at that point was not as worried about, ‘How do I eat day today?’ but rather, ‘How do I survive in the long term given rising unemployment and decreased access to credit?’

NBJ: How is this affecting what shoppers actually buy today?

TB: As the cost of living rose through the first three quarters of 2008, we saw that there was actually a decline in the shopper's focus on nutrition because there was a belief that nutritional eating was more expensive. However, when we

surveyed shoppers in Q4 of last year, we asked, ‘How do you spend your dollars on health and wellness?’ We found that shoppers were willing to invest more on products associated with health and wellness, even at a slightly premium price, because they were beginning to rethink how they should be spending their dollars through this transformational period. Shoppers now are willing to spend a little bit more on better eating and nutritional products than they did over the summertime.

NBJ: What does this mean for the nutrition industry?

TB: For supplement and nutrition companies, the most important strategy that manufacturers can pursue is to make their products affordable and integrate them into a wellness strategy that is affordable for all of the consumers in America—and most importantly for the 60% of American households that make under \$55,000 a year.

NBJ: Are you seeing a slowdown in organic food sales?

TB: Organics continue to have mixed results with the shopper. There is, of course, a strong following of people who believe that organic is core to their lives. But, in fact, 60% of America really views organic as being expensive. So, one of the great strategies that the organic manufacturers and retailers can put in place is the sense of affordability around organics, or organics at an improved price. In this economy, shoppers may be making tradeoffs between organic and health and wellness, so organics have to be packaged underneath the umbrella of health and wellness. Private label is also playing a big role in organics right now.

NBJ: What food categories have benefitted from the economic downturn?

TB: In Q1 through Q3 of last year, most of the growth in the market was in meal ingredients and components. Shoppers are turning the lights back on in the dining room and eating more at home, so there is a lot more focus now on purchasing meal ingredients and compo-

nents than prepared foods. When we talk about meal ingredients and components, we are talking about the items that are needed to make a healthy meal at home—for under \$10 for a family of four and in 20 minutes or less. So things such as frozen chicken, frozen meat or frozen vegetables are doing well—items that enable a shopper to make a meal for the family at an affordable price.

If you are a healthy food company, one very important strategy in this economy is to ask, ‘Can I offer to the market nutrition for a family of four for under \$50 a month?’ People are trying to determine what affordability is in health and wellness, and I think there is a tremendous opportunity for the repositioning of health and wellness around affordability. For example, **Healthy Choice’s Café Steamers**, which introduced a new delivery system for steamed vegetables and steamed foods, was the No. 1 product in the first half of 2008. This delivery system makes food look fresher and appear and actually be healthier for the shopper, compared to heavy, fried foods. These types of products will continue to do well as shoppers become more focused on health and wellness. As another example, **Kellogg’s** has launched a marketing campaign around the idea that their cereals cost less than 50 cents a serving, even when you add in the milk. The concept of talking to people about affordability on a portion or serving level is absolutely excellent. It is a great strategy, and one that is playing well with the shopper. I think it is a strategy that can work well in the nutrition space.

Frozen foods are also faring better in this economy because frozen is becoming an acceptable health and wellness alternative to fresh.

NBJ: As the U.S. economy comes out of the recession, which categories do you believe will recover first?


TB: I think we will see personal care products be a leading indicator of recovery. As people move through this recession, they may still pamper themselves a little bit with affordable personal care indulgences. But I think that as we come out of this recession and as we begin to

feel better, we will spend more on ourselves.

NBJ: Do you have any other advice for nutrition companies on how they can best weather this turbulent time?

TB: One strategy that I think will become more important in the next five years is content disclosure and really using that as a way to help America get healthy. In addition, manufacturers really need to think through how they can adapt to changing shopper behavior and best position their products in the eyes of today’s shoppers. More and more of the shopping decisions are being driven by a list, as shoppers try to stretch their dollars. So one of the things that manufacturers might want to consider is how they educate and remind the shopper that the product they are buying is affordable and is oriented toward health and wellness and toward a better quality of life. Nutrition plays a major role in helping people stay healthy, so this is a very powerful time for this industry and for the nutritional and supplement providers to rally around the idea that healthy people have a better quality of life.

NBJ: How long do you think this economic downturn will last?

TB: We think it will be at least the end of 2009, if not until the middle of 2010, before we see a lot of true economic recovery. I do think there will be some wonderful news from Obama in Q1 regarding an economic recovery package that is focused not on unemployment claims but on job creation. I also think that in Q2 and Q3, we will have an increased risk of a continued tightening of consumer credit. Then in about Q4 of 2009, I see a stabilizing. We will have stabilized consumption and there will be a stabilization of the economy, to some degree. The initial signs of positive change will be a slight increase in jobs and a loosening of credit, both of which will help to put some steam back into the economy. But that is just one potential scenario. There are a lot of things that occur between now and then. 

Burke: Comfort Foods, Goat Milk Ice Cream and Halal All Hot Product Trends for 2009

NBJ checks in with NPCI founder and nutrition industry trend spotter

Bob Burke is principal and founder of the **Natural Products Consulting Institute** (NPCI) in Andover, Massachusetts. NPCI helps companies profitably bring new natural, organic and specialty products to market. It also hosts seminars and publishes *The Natural Products Field Manual*, a how-to guide and reference book for bringing new natural, organic and specialty products to market. A former sales and marketing executive for **Stonyfield Farm**, Burke is known for his ability to identify—and help capitalize on—product trends within the nutrition industry. *Nutrition Business Journal* spoke with Burke in December about the economy, pricing trends and which products he thinks will be hot in 2009.

NBJ: How do you foresee the economy impacting the nutrition industry in 2009, and how should companies respond?

BB: Everyone is wondering about the economy. A lot of companies that I have talked to are looking at having a flat year next year or only single digit growth—after years of 20%-plus growth. A lot of it depends on the category a company is in. Companies that sell more indulgent or discretionary-type products are going to suffer more. Despite this, I think companies need to be careful not to pull back too much. If anything, this is a time for confident, bold strokes. I’m not advocating companies being reckless, but they should look at this as an opportunity to invest more in brand building and acquiring more distribution. Companies could benefit by being a bit more aggressive when others are hunkering down. Also, private label is coming on pretty strong now because of its value proposition. And so, if you sell a branded product, you really need to