



The 2018

NOURISH

trend report: **update**

Reviewing the Year of Disruption

It's hard to believe we're three-quarters of the way through 2018! We thought this would be an ideal time to revisit our 2018 Trend Report. If you haven't already read it, you can download the 2018 Trend Report from our website: **www.nourish.marketing**.









Why should you care? Imagine you're a surfer and these trends are waves. You don't want to stand there looking at them; you want to get ahead of the one that has your name on it, and then ride it as far as you can.

To help you catch your wave, we'll briefly review each trend and highlight examples and data gathered through the year. Plus, we'll pose the questions you should be asking yourself, whether you're in foodservice, manufacturing, or retail.

Our word of the year for 2018 was 'disruption'. We broke our 2018 Trend Report down into eight disruption categories, with many of the trends we'd identified driven by the millennial consumer. Why?

Now outnumbering boomers, they behave significantly different from previous generations. They are also becoming parents, with increasing and diversifying spending power.

The eight disruption categories we highlighted were:

-  **Disruption in the Way We Source and Purchase Food**
-  **Disruption in the Way We Prepare Food**
-  **Disruption with Radical Transparency and Food With a Story**
-  **Disruption with Plant-based Products Mainstreaming**
-  **Disruption by the Intersection of Technology and Food**
-  **Disruption from Nose to Tail, and Leaf to Root**
-  **Disruption in Health & Wellness**
-  **Disruption in When and How We Eat**



Disruption in the way we source and purchase food

E-Commerce

Millennials are digital natives and perfectly comfortable ordering online. Pair that with an ageing population who will increasingly need things delivered, as well as disruption with the purchase of Whole Foods by Amazon, and it becomes clear that disruption in how groceries get into our fridge and pantry will continue.

In the United States, Nielsen forecasts online grocery sales will grow to 20% by 2025. New 2018 U.S. shopper research from advisory firm Brick Meets Click backs that prediction up. They reported that online grocery spending is growing at a rapid pace, now making up 5.5% of total grocery spending.

Costco has just announced its grocery delivery service for Canada, launching first in southern Ontario. Its focus on perimeter non-perishable goods, rather than fresh foods, seems like a winning strategy.

Loblaws announced its PC Express expansion this spring beyond its Click and Collect model. The new program allows commuters to order groceries online and pick them up the next day on their homebound route at 5 GO stations.

And we're starting to see Amazon, already the number one choice in Canada for online grocery shopping, begin to leverage Prime membership benefits through Whole Foods. A good move, considering Prime membership in Canada grew by 80% year-over-year from 2016 to 2017. We expect this to drive more adoption, both by shoppers as well as other retailers trying to keep up with Amazon.

Currently testing in California, the Prime Now app lets customers notify Whole Foods when they are coming to pick up their groceries. Prime Now customers have dedicated parking spaces where they can wait for an employee to bring the order to their car.

Things to consider:

- If you're a Manufacturer: As online shoppers get the reorder button, how do you break into their online baskets?
- If you're a Retailer: How do you encourage the purchase of impulse items that are often lost in an online ordering environment?

- If you're in Food Service: Millennials, and even more so Gen Z, are used to anything, anytime with no line-up. How can you incorporate technology, like order kiosks now in use at some QSRs, to also create a frictionless ordering experience?

Meal-kits

The meal-kit space, accounting for approximately \$1.5 billion in the U.S. and \$200 million in Canada, continues to disrupt and be disrupted. Both Chef'd and Blue Apron, big meal-kit delivery services in the States, are struggling. Grocery may ultimately be better positioned to "deliver" on the

meal kit front. We suspect that we're moving from the era of Meal-kit 1.0 to Meal-kit 2.0, where retailers will play a much bigger role with assistance from meal kit companies.

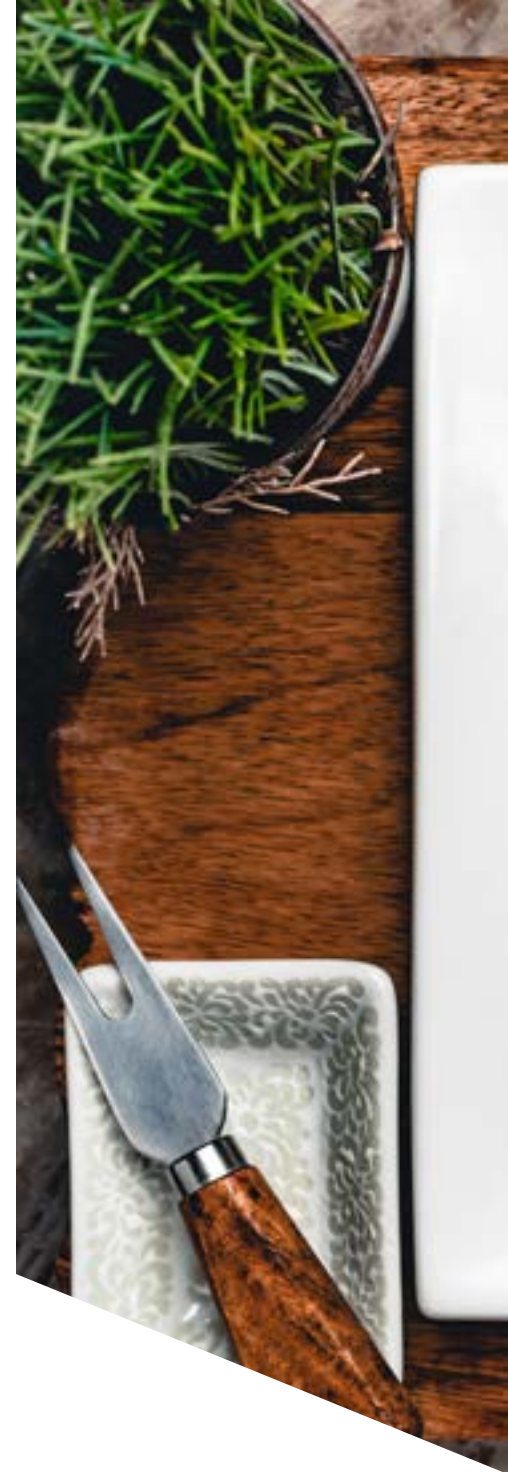
We're already seeing alliances in the U.S. between Blue Apron and Costco, Kroger purchasing Home Chef for US\$200M, and Albertsons purchasing Plated. Retailers see meal kits as traffic drivers.

In April, Longo's announced its own branded meal kits, based on recipes created by Longo's Kitchen chefs. They can be purchased in-store or through their Grocery Gateway online delivery service and no subscription is required.

Where stand-alone meal-kit companies can win is in specialized offerings that mass market Grocery cannot address, like specific dietary needs such as keto, paleo, vegan, and halal. Of course, they still need to solve the waste issue. While meal-kits should have a compelling story to tell on the food-waste side (pre-measured and only what you need), they struggle with the necessary food safety and freshness packaging; even a clove of garlic arrives in its own plastic container.

Things to consider:

- If you're a Manufacturer: Shoppers are looking for meal solutions. Can you create one, even if you're not the manufacturer of every item?
- If you're a Retailer: Is your brand strong enough to have its own line of meal kits, or would you benefit from building an alliance with an existing player?
- If you're in Food Service: Can you create your own restaurant meal kits that take advantage of your kitchen's slow time and expand your sales outside of your physical location?



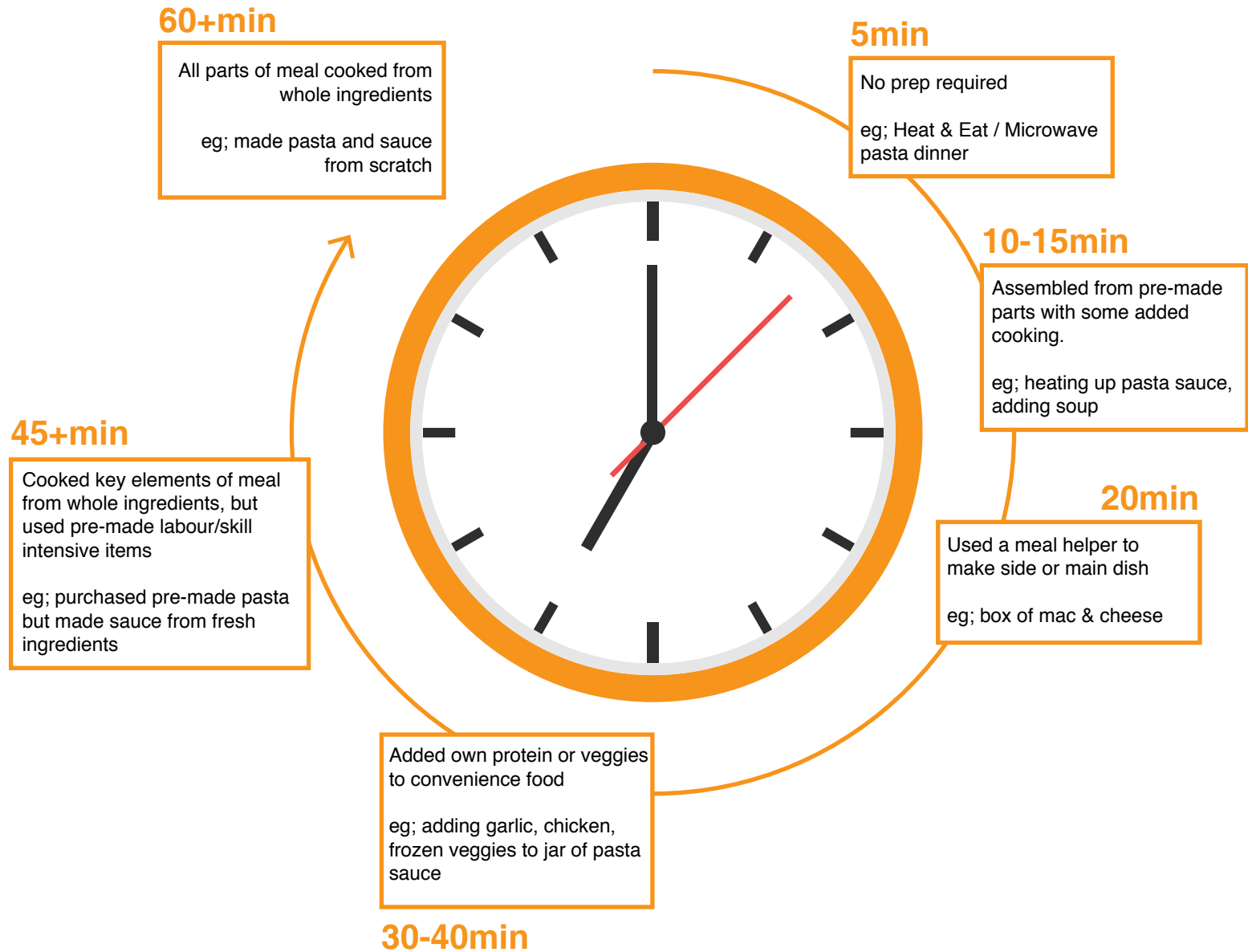


Disruption in the Way We Prepare Food

Consumers continue to spend more money on prepared meals (HMR, restaurants) than on groceries. But take note: most of those prepared meals are still eaten in the home. Because of our increasingly busy lives, scratch cooking continues to decline, accounting for only 28% of meals.

And, data released this year by The Hartman Group reveals that just over half of dinners are now decided within an hour of eating. It's not just the active time of cooking that marketers need to consider, but also the passive time of planning. Both activities take energy, whether physical or mental.

THE MEAL SCRATCH TIMELINE





Things to consider:

- If you're a Manufacturer: How can your marketing be useful and help the meal preparer answer that exhausting question of "What's for dinner?"
- If you're a Retailer: Consumers still perceive to-go options as less healthy than fresh-from-scratch options. How can you build those fresh cues within your HMR section?
- If you're in Food Service: Consumers still perceive to-go options as less healthy than fresh-from-scratch options. How can you build those fresh cues within your food offerings?



Disruption with Radical Transparency and Food With a Story

Radical Transparency

Ethical claims on new food and beverage launches continue to rise. This comes in response to increased consumer interest in products made via environmentally sound practices. A survey showed one in two U.S. consumers favour sustainable products (US Innova). Have millennials and ageing hippies found common ground at last?

Starbucks CEO Kevin Johnson announced in March, "We're taking traceability and trust to the next level." The company revealed plans at their annual

shareholders' meeting in March, to use blockchain technology in a pilot program with farmers to develop a new way to track the "bean-to-cup" journey.

Food with a Story - David continues to chip away at Goliath

According to IRI data, approximately US\$15 billion in food and beverage industry sales has shifted away from large companies to smaller players since 2012. With new product launches it's no longer about the traditional CPG marketing and sales push. Instead, it's about building relationships, especially with younger generations.

Just five years ago, 90% of new product pacesetters were extensions of existing product lines. Today, 40% of food and beverage pacesetters are entirely new brands to the marketplace. This speaks to millennials' love of smaller, "discovery" brands, and looking for exciting and unique experiences. Remember, this generation is the best educated, the most travelled, and the most connected ever, making them a very worldly consumer.

Things to consider:

- If you're a Manufacturer: Is your packaging telling your story in the best possible way? Are you taking some of your good practices for granted and not getting credit from the consumer?
- If you're a Retailer: Can you build more storytelling and experiences into your store? Feature more founders sampling their new products and telling their story? Can you highlight your sourcing practices and values?
- If you're in Food Service: Can you show consumers where your ingredients come from and tell your suppliers' stories?



Disruption with Plant-based Products Mainstreaming

This trend seems to be continually gathering steam. A recent Dalhousie University study reported that vegetarians and vegans now account for nearly 10% of Canada's population; that's more than 2.3 million vegetarians and over 850,000 vegans. Dalhousie University professor Sylvain Charlebois says the scientific survey, believed to be the first-of-its-kind in Canada, also shows people under the age of 35 are 3x more likely to consider themselves vegetarians or vegans than people 49 or older.

There certainly has been more buzz around plant-based protein alternatives. If you haven't yet tried A&W's **Beyond Meat Burger** you really need to. It doesn't seem like you're giving that much up in terms of taste and experience. Following their lead, KFC will be testing a vegetarian version of its iconic "chicken" in the UK this fall.

In the U.S., the FDA has just approved the key ingredient in the Impossible Burger. There had been some industry controversy over whether soy leghemoglobin, which makes the burger "bleed", was safe to eat in large quantities. The FDA

seal of approval may help this Bill Gates-backed product go mainstream.

Thanks to "fur parents" who are as serious about their pets' health as their own, this trend is also starting to make its way into pet food. A recent U.S. study found that if American pets were to establish a sovereign nation, it would rank fifth in global meat consumption. That's because while pets consume only about 19% as many calories as humans, their diets are high in animal-derived protein. Expect more insect and lab-grown protein to start showing up in Fido and Fifi's kibble and treats. Check out **Wild Earth** who hopes to be the first pet food brand based on cellular agriculture.

There's a new way of eating emerging that is values led, rather than defined by labels. For example, one might choose a vegan diet, but forego the label and define oneself as "pro-animal welfare", or "pro-sustainability". This will extend into blended diets, where consumers reduce their meat consumption but don't strike it entirely from their shopping list. It's a logical extension of conscious consumerism.



Things to consider:

- If you're a Manufacturer: Can you make it easier for your consumers to add more plants into their routine? If you are in animal protein, can you offer a blended option like the beef and mushrooms Sonic Slinger Burger?
- If you're a Retailer: Can you make it easier for shoppers to find and try these new products?
- If you're in Food Service: Can you design a menu that gives some plant-forward options that are interesting enough that everyone will want to try them?



Disruption by the Intersection of Technology and Food

Technology is helping to make shopping as effortless as possible with intelligent assistants, like Amazon Alexa and Google Home, as well as connected appliances. Voice commands can be used to order food, and smart appliances can order groceries autonomously.

Amazon snapped up Bake Off sponsorship in its biggest UK TV deal ever, estimated at £5 million or approximately CAN\$9 million. Bake Off is the renamed Great British Bake Off after another channel poached the property. It attracted the largest audience of 16- to 34-year-old viewers of any TV show last year. Expect the show to provide a showcase for its Echo speakers and the capabilities of Alexa virtual assistant - both useful when your hands are busy baking!

Things to consider:

- If you're a Manufacturer: Are your website and recipes voice-optimized? Can you make your brand the "default" choice for autonomous replenishment?
- If you're a Retailer: Is your online ordering system, whether the delivery model or click and collect, optimized for voice commands?
- If you're in Food Service: The Google assistant will soon be able to call and make reservations. Are you ready?

Disruption from Nose to Tail, and Leaf to Root

Food Waste

Here we highlighted how food waste is becoming a hot-button issue. The average Canadian wastes 3.5 lbs of food/week, of which 23% of is leftovers.

British supermarket chain Tesco recently announced that it is removing its 'best before' guidance dates off fruit and vegetable packaging in a bid to help reduce food waste. Norwegian dairy brand TINE changed its date labels to read 'best before, but not bad after'.

Ovie, a manufacturer of food storage systems, has launched Smarterware on Kickstarter, featuring glowing smart tags that change colour to indicate when something is getting close to spoiling and also sends the user a push notification to their phone. They reached half of their campaign target in the first week.

Costco is now piloting a new plant-based spray that prolongs shelf life; they say treated avocados will last twice as long. Apeel Sciences claims its plant-based spray doubles shelf life, saving money and reducing waste. It's interesting to see the Melinda and Bill Gates foundation providing some funding for Apeel Sciences. This is solid confirmation that food waste is an issue that transcends the industry. You can **watch the remarkable video** to see the spray in action. (Saving the bananas, which seem to go spotty the exact second you decide to eat one, would be enough ROI to keep many consumers happy!)

Following the adage "one man's trash is another man's treasure", some entrepreneurs are seeing food waste as a potential asset, not a liability to be disposed of. **Misfit Juicery** uses and celebrates the misfit produce and bits that go into making their juices.

Coffee flour is becoming an emerging 'superfood' ingredient, combining sustainability, food waste reduction, and nutrition. It uses the **discarded outer fruit** of the coffee bean that usually ends up dumped into rivers or left to rot in a pile. Like coconut flour, it is high in fibre but has more nutritional benefits and a better sustainability story.

Things to consider:

- If you're a Manufacturer: Even indulgences can be positioned as a healthy, balanced choice. How can you make your consumer feel better about choosing your product? What ingredients have a health halo that you can call out?
- If you're a Retailer: Stores are still planogrammed based on historical categories. What about a "Netflix & Chill" end aisle? "Healthy indulgences"? "Mood busters"?
- If you're in Food Service: Can you call out brain and energy boosting foods? Could you take a page out of the smoothie bar playbook and apply it to your menu?



Disruption in Health and Wellness

At the start of 2018, we saw that almost half of all food choices were motivated by health and nutrition. This will grow with an ageing population; more than two-thirds of older adults manage more than one chronic disease.

Food is also seen as a self-care ritual to cope with our stress and anxiety-filled lives. A recent study found that heart and muscle health are the top two things adults over 50 are paying attention to, at 80% and 75% respectively, followed by brain health and energy at 74%. (US IFIC June 2018)

We also talked about rewarding yourself having a place in self-care. We're now seeing a growing wave of healthier-for-you treats at retail.

Brands like Halo Top combine the indulgence of ice cream with the high-protein message. It's interesting to note that this brand wasn't built using high-profile influencers. It was mostly user-generated content of photos posted on Instagram by low influence (unpaid) people. Check out the hashtag "#halotop" on Instagram

to see what we mean.

The next frontier? Cannabis-derived foods and beverages will promise to boost your mood, help you sleep, reduce your inflammation, and pretty much let you order up the mood of your choosing.

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Disruption in When and How We Eat



We've seen an evolution from "three squares a day" to snacking throughout the day. Snacking itself has moved from "guilty pleasure" to "meal replacer". And it's starting to evolve again, with snacks moving from the conventional pantry fare to the fridge.


Research is revealing that freshness of food is becoming a top purchase-driver for both millennials (ages 23-40) and Gen Z (ages 11-22), with "fresh snacking" emerging as a category of its own. Fresh snack offerings are up 8% in dollar growth while the conventional snacking category has declined by 2% over the same period. This will also put pressure on the traditional Grocery perimeter. It will need to accommodate this growth and also plan for those impulse purchases that traditionally occurred elsewhere in the store. (US Mintel SPINS data April 2018).

We talked about having your product available when and where consumers want you, with the previously declining Convenience store channel becoming a key conduit for consumers' all-day snacking behaviour. C-store sales do indeed

continue to rise thanks to their new focus on healthy food & drink. The "alternative snacks" category, driven by protein and energy-rich items, is one of the fastest-growing categories in the convenience retailing industry.

Things to consider:

- If you're a Manufacturer: How can you get your product into the store perimeter? Where could your product be available to be more convenient for your target consumer?
- If you're a Retailer: Can you make it easier for the shopper to build a bag of convenient and nutritionally balanced mini meals for themselves and their family?
- If you're in Food Service: Rather than offering the three traditional meal occasions, should you offer mini meals throughout the day?



Nourish is Canada's only field to fork marketing agency. We only work with clients in the food and beverage sector. Our expertise starts on the farmer's field, extends through production/manufacturing, includes processing and retail, and then finally ends with the consumer. Nourish has offices in Toronto, Guelph, and Montreal. Want to know more?

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www.nourish.marketing