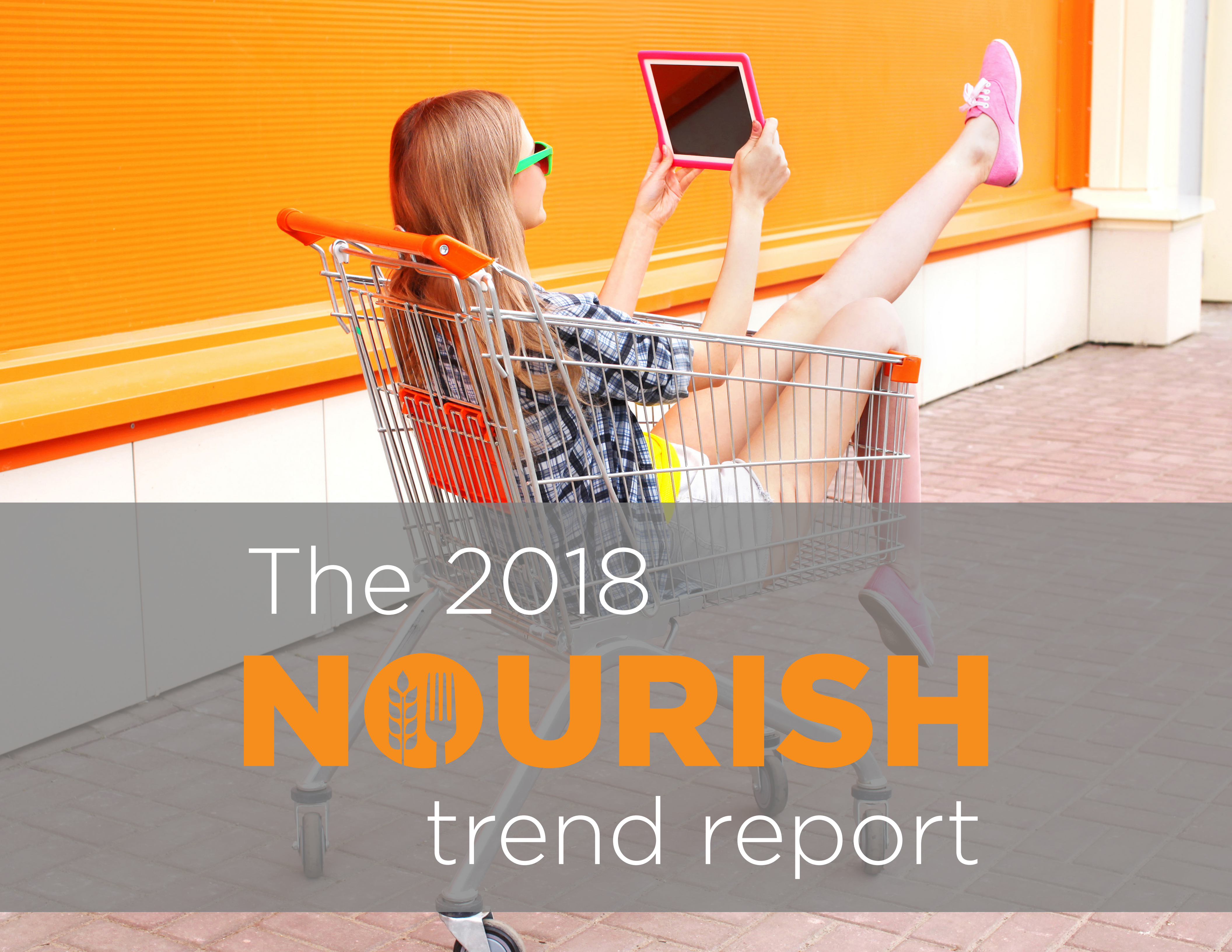

# The 2018 NOURISH trend report

# Why we all need to look at macro forces to unlock future opportunities in the age of disruption.

Wayne Gretzky said: "skate to where the puck is going to be, not where it has been."

Disruption is everywhere we look, and the pressure to identify opportunities is more urgent than ever in a rapidly evolving market. Traditionally, market research was the standard tool for discovering trends. However, because it's based on what the consumer said and did yesterday, it's inherently backward-looking – it looks to where the puck has been.

**Where will the puck be going? Study the macro forces.**

In order to unearth future opportunities, we study the numerous macro forces in society that affect everyone; from consumer, to producer, from processor to retailer, from young to old, rural to urban.


Here are some predictions that we made at the tail end of 2016, all of which became big in 2017.

- **Food with a Function, Naturally Occurring**
- **From Protein to Protein+Fibre**
- **Simply Made, Real Ingredients**
- **Take Me Halfway There**
- **Portability**
- **Made for Me**
- **Narrowing the Farm Gate to Dinner Plate Journey**
- **Mindful Consumption**
- **Food is Food, Across Borders**

Those trends continue to reshape the face of food, and you can read about them in the 2017 Nourish Food Trend Report

## The Word of the Year in the food industry is “disruption”.

Our 2018 Trend Report is broken down into 8 disruption categories, with many of the trends we’ve identified driven by the Millennial consumer. Now outnumbering boomers, they behave significantly different from previous generations. They are also becoming parents, with increasing and diversifying spending power.

How will this fascinating group change the world of food? Read on to find out.

### 1. Disruption in the way we source and purchase food

The generations of digital natives have a myriad of ways to get food - especially as urban populations get denser and kitchen and pantry sizes shrink.

Grocery stores are changing how shoppers can get their groceries, with in-store or curbside pickup or, more recently, with Instacart delivery, now in partnership with Loblaws. In the US, Walmart will even visit your home while you’re at work and stock your fridge.

### E-Commerce will be everywhere

While e-commerce is estimated to only comprise 2% of grocery sales today, it’s forecast to grow to 20% by 2025. While consumers, so far, have been slow to adopt digital grocery shopping, we predict that the marriage of Amazon and Whole Foods will launch the drive that will propel grocery e-commerce to similar levels as other retail categories.

### Grocery 2.0: E-Commerce will be augmented by Experiences

One of the biggest barriers to the growth of online grocery shopping is that consumers enjoy shopping in person, with some seeing it as an act of love rather than a chore.

These strong emotional connections create an opportunity for retailers to turn the shopping journey into a better experience, creating loyalty and a higher basket ring.

To achieve this, stores need to be destinations in their own right and offer an experience beyond pure retailing to fulfil the consumer’s emotional needs. Examples are Eataly, about to open in Toronto, and Sak’s Food Halls.

**Meal-kits and Grocerants - two words that didn't exist five years ago are now shaping the future.**

A further blurring of the lines is already happening with retail sections at the front of restaurants and restaurants at the front of grocery stores.

Subscription boxes and meal kits continue to grow, with Amazon filing for a trademark for a prepared food kit and established grocers like Kroger entering the market. In addition, Kroger is further innovating across the food-to-go spectrum, with its entry into the restaurant business.

Closer to home, drug stores are adding major food sections to serve their urban clientele from smaller, centrally located stores.

**The way consumers shop for food is changing and there's no going back. Now what?**

Ask yourself: if you were building a grocery store in 2018, should you improve on what exists or should you start over with a green field?

> In order to address shopper demand, retailers need to move from selling products to becoming solution providers.

Something we predict we'll see is that stores will offer more easy meal solutions. Already, 39% 1 of Canadian grocery shoppers believe that supermarkets should organize food by meal occasion. Currently, the solution to this consumer pain point is meal kits, which operate like an efficient sous chef, taking care of everything from recipe
selection to measuring to prep work.

36% [2] of consumers say planning meals consumes more time and energy than they would prefer. Could a meal-planning service help online grocery defend against meal kit providers?

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1 Mintel
2 Mintel USA

# Disruption in the way we prepare food

Grocery shopping and home cooking are in a long-term decline[3]. While we continue to love watching cooking shows on Gusto, and have developed very sophisticated palates thanks to travel and multiculturalism, only 10% of adults love to cook from scratch.

Home Economics is no longer taught in schools and working parents have not passed on their skills to their children. As a result, consumers now spend more money eating out than on groceries.

### The rise of the 30 minute dinner and the indecisive cook

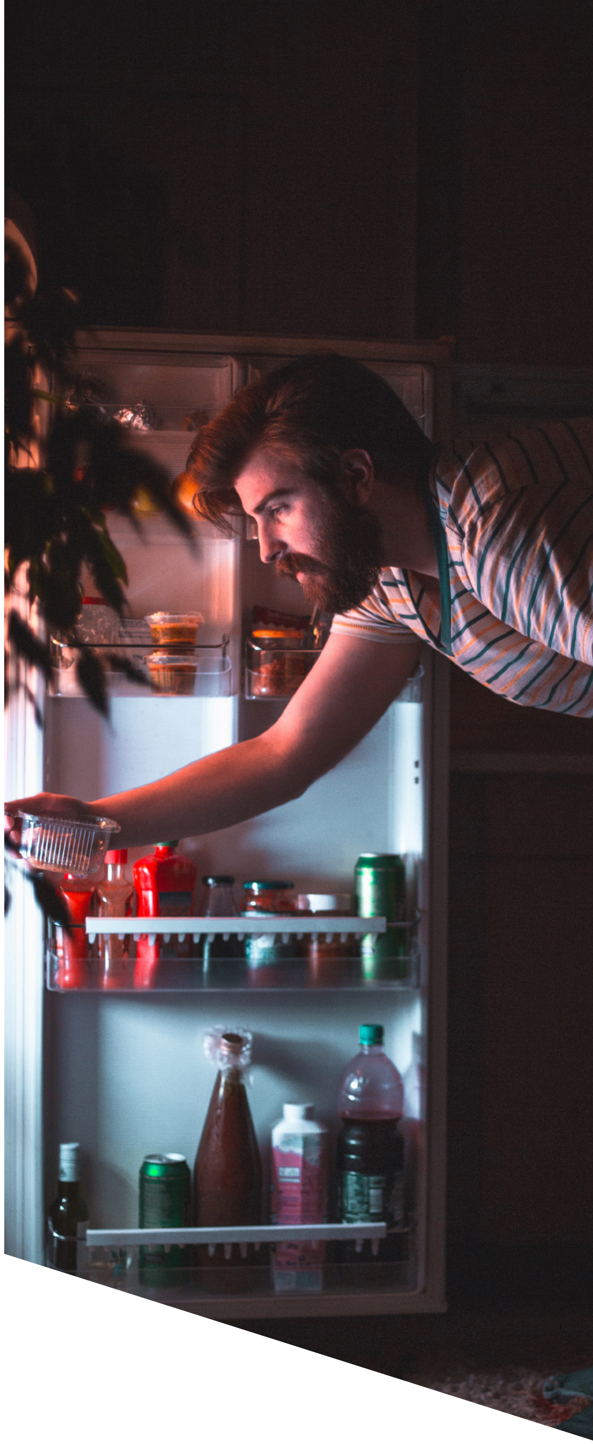
For today's consumer, dinner on a weekday must be under 30 minutes to prepare and cook, a number that will continue to shrink. And dinners are less planned than most marketers think with 56% of dinner decisions made on the day of consumption and 20% when opening the fridge[4].

> Consumer buying patterns also are continuing to shift away from meal ingredients to meal solutions.

In 2015, fewer than 60% of dinners served at home were actually cooked there and one in four U.S. adults has purchased a meal kit in the last year[5]. As a result, the US meal kit delivery services market has ballooned to $5 billion in sales[6], with continued growth expected as more consumers seek easy and convenient ways to get dinner on the table.

There is a real potential that we are moving to a time when cooking from scratch is a hobby that's only practiced on weekends, rather than being an everyday occurrence.

3 Harvard Business Review September 2017
4 Ipsos
5 Nielsen
6 Packaged Facts

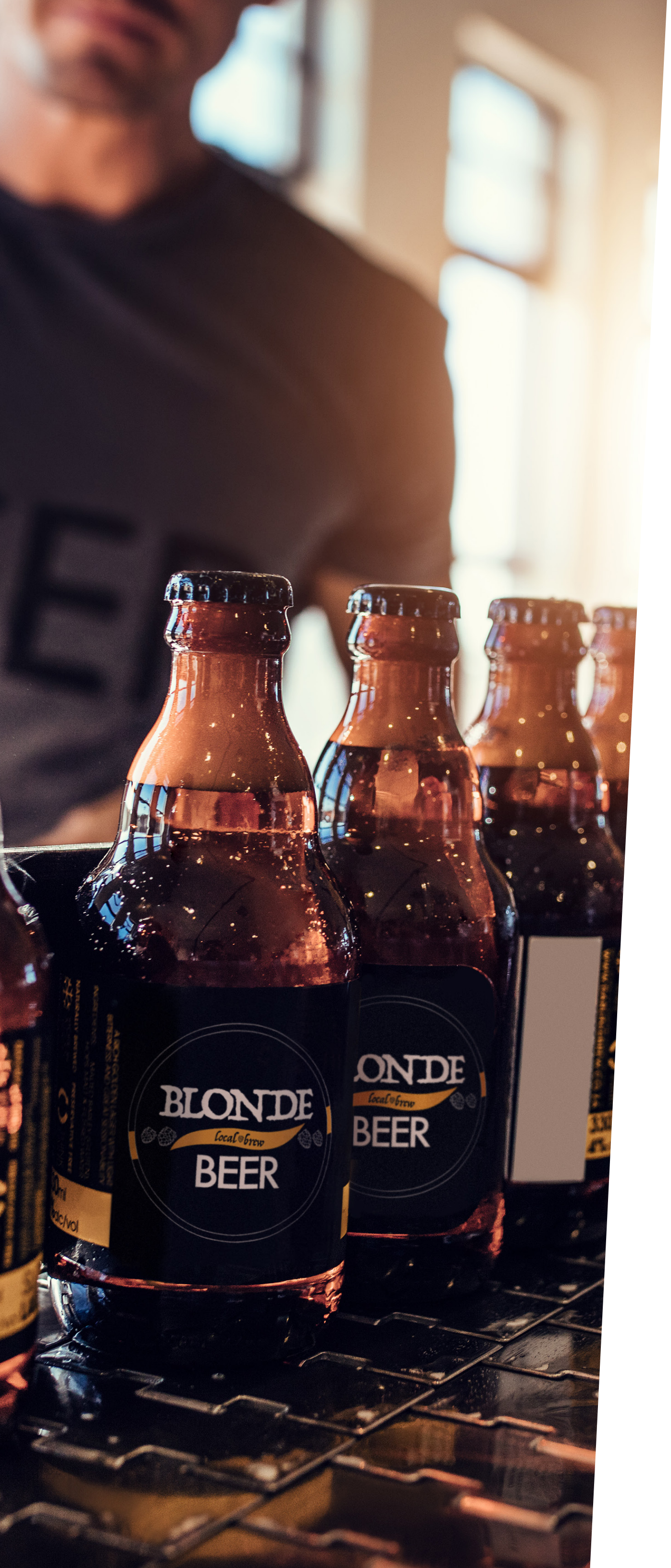


# Disruption with Radical Transparency & Food with a Story

Mindful consumption is now moving to the concept of radical transparency, which we'll see more of in 2018. Thanks to technology, consumers now have access to smart labels that allow them to trace the entire journey of products, then check them against their personal values.

An example of this force in action is Whole Foods with the "Transparency 2.0" challenge. Food companies are being asked to increase transparency on product labels, going beyond just ingredient lists, nutritionals, and free-from status.

All this is driven by the consumer's ever-increasing demand to understand the product's backstory – from where and how the ingredients were sourced, how animals and workers were treated, and how they were produced. While the SmartLabel initiative in Canada is lagging behind US adoption rates, more and more consumers will start demanding this kind of disclosure.




## David is chipping away at Goliath

Big brands continue to decline while small brands are rising, driven by Millennial consumers. They want origin stories, small craft production, local and authentic products. Millennials are a more aspirational generation than previous GenXers and Boomers.

They want food with a story and a company with values that is purpose-driven.

## Food fraud continues to erode consumer trust

Only one in five Canadian adults trust the health claims on food and beverage packaging[7]. Additionally, a recent study out of Dalhousie University found that 63% of consumers are worried about food fraud - that what they're buying isn't actually what they're eating.

7 Mintel

As a result, foodservice retailers, manufacturers, and distributors at all levels will see an increased call for transparency and accountability from consumers. This will inspire further changes in the way companies produce, package and label their products.

## Omnivores are driving the growth of plant-based products

While the rate of vegetarianism/veganism remains steady, non-vegetarians who are concerned about animal welfare are driving the continuing growth of plant-based products.

Can radical transparency or labels like Certified Humane turn that trend around?

# Disruption with plant-based products mainstreaming - and not just vegetarian or plant protein companies

While levels of vegetarianism/veganism remain at about 5% for the general population, it's double that for Millennials[8]. Already, a third of the population classifies themselves as [9] flexitarians, and of those, almost half say they plan to eat more plant-based food in the year ahead.

**Vegetables move increasingly to the centre of the plate, flexitarianism will continue to grow**

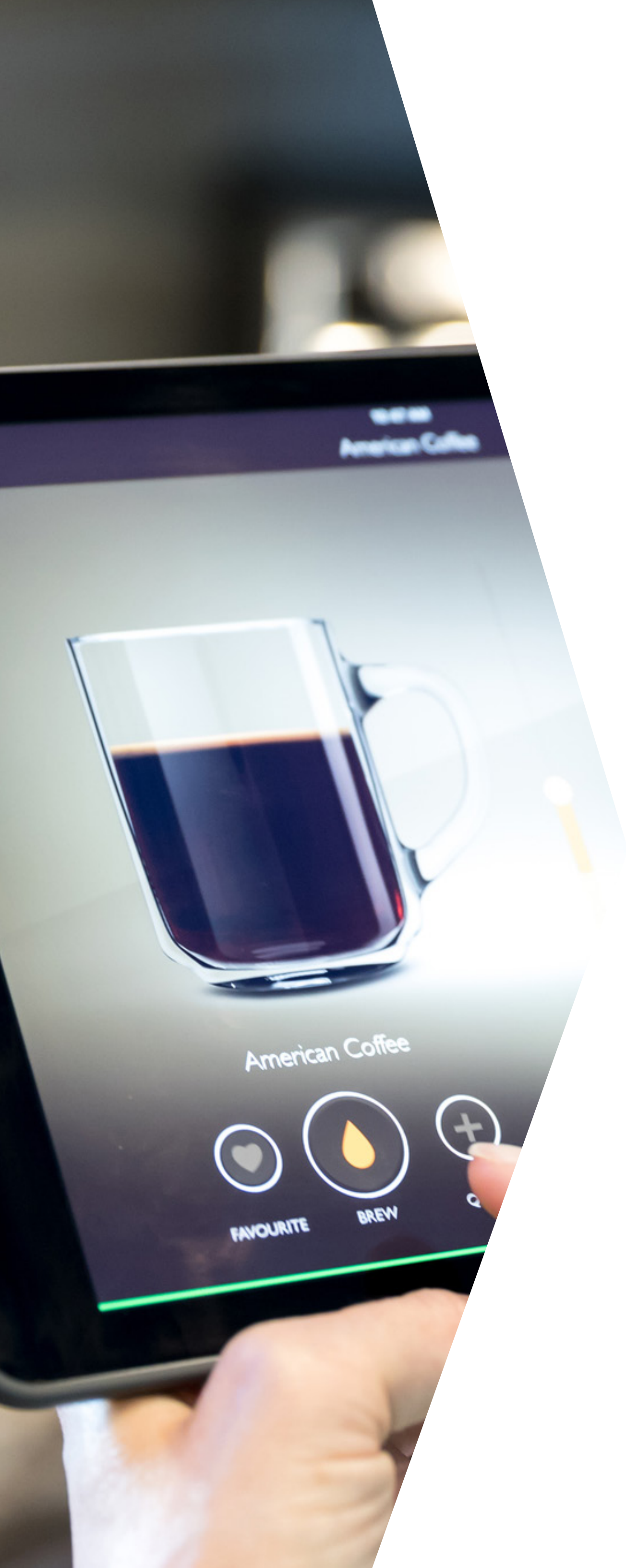
Reacting to these developments, "Big Meat" will be stepping up its involvement in the vegetable protein market. Maple Leaf Foods recently purchased plant-based protein companies Field Roast and Lightlife Food, broadening and future-proofing its status as a leading consumer protein company.

Tyson Foods has raised its stake in Beyond Meat. Cargill and Nestle are also investing in plant-based and/or cultured proteins.

Flexitarianism, meaning meat protein reduction, is now taking many forms - Meatless Mondays, or switching one animal-based product out of the diet. Sonic Burger takes an interesting approach with its new Slinger Burger that blends vegetables and meat - another way to do flexitarian. And science is now getting involved to take this industry "next level" with Beyond Meat's "bleeding" vegan burger.

> In a world of declining meat consumption, how can you make your product more flexitarian relevant?

8 Ipsos
9 Mattson US




# Disruption by the intersection of technology and food

Technology is helping to make shopping as effortless as possible with intelligent assistants like Amazon Alexa or Google Home as well as connected appliances. Voice commands can be used to order food, and smart appliances can order groceries autonomously – useful, especially for items that are seen as commodities (toilet paper) or frequently ordered categories like milk.

Walmart announced a partnership with Google in the US in August to offer items for voice shopping via Google Assistant. This will cause concern for brands – when the consumer shouts "order milk" across the kitchen, the retailer will decide which brand to choose.

**Welcome to the connected, digital kitchen**

51% of consumers now watch videos related to food & drink ideas, how-tos, and recipes[10]. And, Millennials are now using mobile phones during every step of the cooking process. According to Google, the vast majority of all Google Home units sold are installed in people's kitchens[11].

While people over 35 are more likely to print out a recipe, 59% of 25- to 34-year-olds cook with either their smartphones or tablets handy (the "spark" phase).

10 Ipsos
11 Think with google

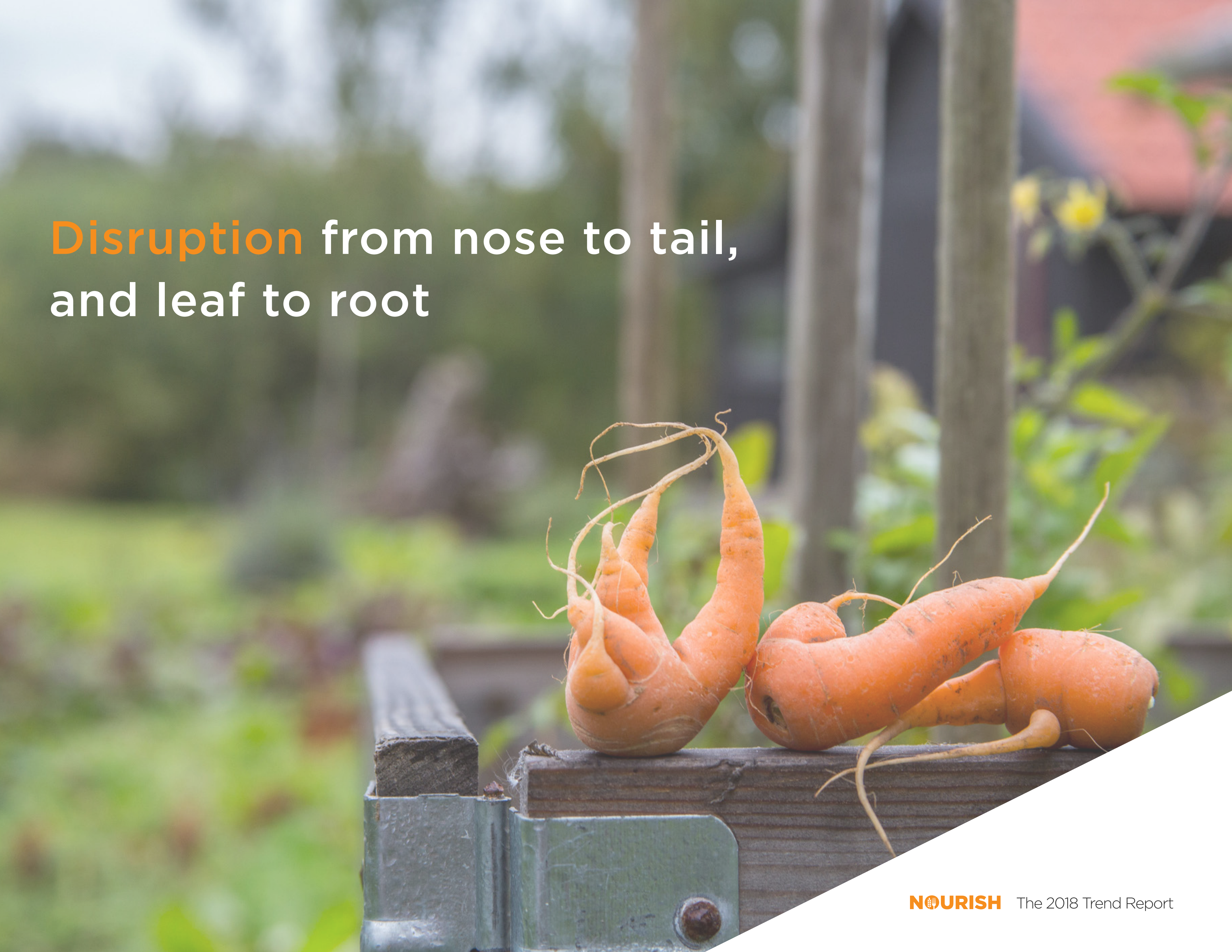
Once the evening's menu is set, the how-do-I-actually-make-it moment strikes, and millennials look for help on Google Search or YouTube. They will have subscribed en masse to food channels on YouTube, with 75% of the growth in viewership coming from mobile devices (the "prep" phase).

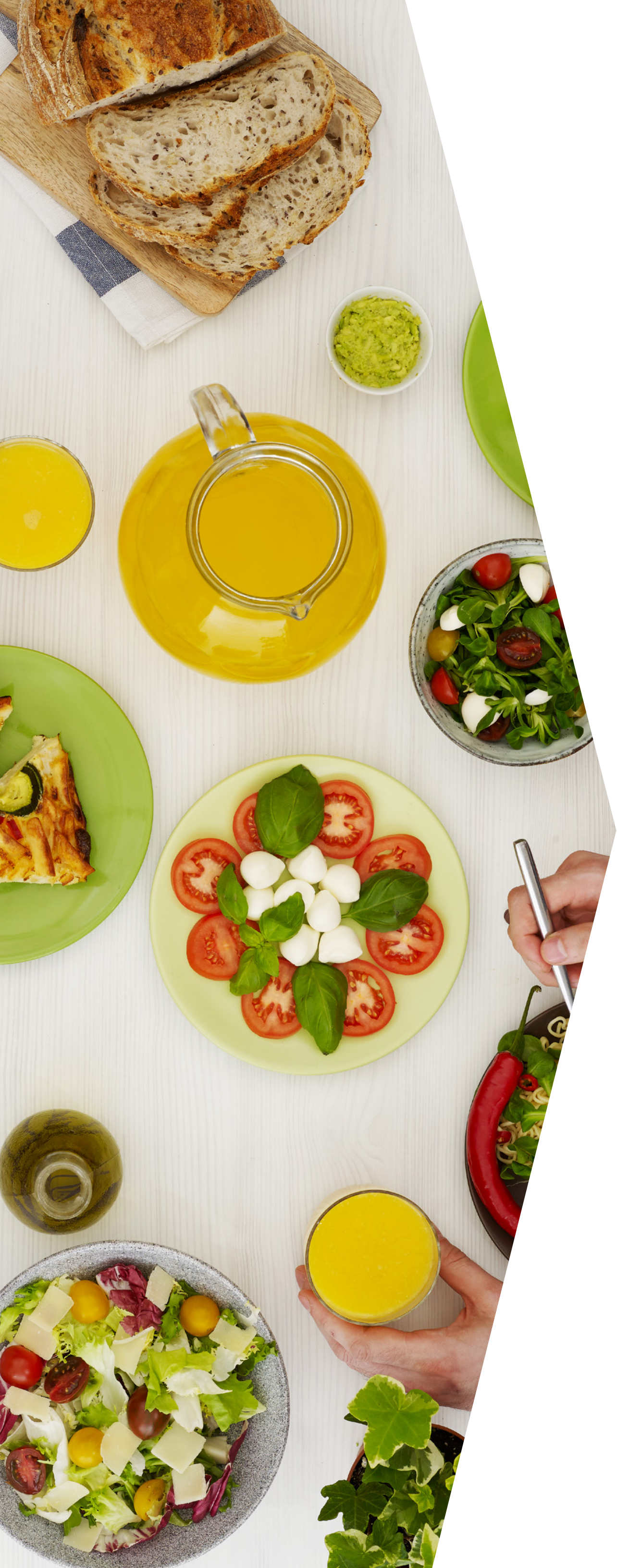
68% of Millennial moms said that they also watch videos while cooking. And, if hands are occupied, voice search becomes indispensable: 23% of adults use it while cooking (the "cooking" phase).

## The rise of the smart appliance

Additionally, kitchen appliances will continue to be both connected and smart. Google Assistant and Amazon Alexa are already powering home appliances such as thermostats. The Instant Pot pressure cooker, sous vide machines, thermometers, and even full-size appliances will continue to build on existing connectivity solutions to provide consumers with usage examples and recipes.

# Disruption from nose to tail, and leaf to root





Upcycling takes food waste streams and turns them into new products. Roughly 20-40% of all produce is being wasted before it reaches retail. Reacting to this, many retailers are now relaxing their standards and are instead branding, celebrating, and selling imperfect produce.

Waste byproducts from kimchi and sauerkraut are becoming "gut shots". Spent grain from beer brewing that used to go to animal feed is now going into making bread and granola bars. Beet trimmings and leftover fruit are appearing in cocktails. Vegetable leftovers are being bagged and used by chefs for stocks, or as animal feed.

And two Ontario grocers, Longo's and Farm Boy, are using the Flashfood app to notify customers when food nearing its "best before" date goes on sale.

## From leftovers to lunch

The average Canadian consumer wastes 3.5 lbs of food/week. 23% of that is leftovers.

Can you design a product that helps consumers love their leftovers again? Young adults may be the easiest target, as leftovers for lunch is trending steeply[12].

12 Ipsos

# Disruption in Health & Wellness

Regardless of generation, consumers are increasingly seeing food and beverage as a primary path to health and wellness.

Almost half of all food choices are motivated by health and nutrition[13]. Add an aging population to the mix and this will continue to be a driving force going forward. But as a continuation of last year's "Made for Me" trend consumers have a very personalized definition of what health & wellness means for them. Pro-active wellness incorporates digestion, energy, and mental focus.

## Food as self-care

With our technology-connected lives, anxiety and stress have never been higher.

Food is now seen as part of a self-care ritual. Relaxation drinks with chamomile, lavender or lemon balm, the rise of healthier comfort food are all being used as ways to combat that stress.

But, treats also play a part in a balanced diet. Two-thirds of Canadians who eat sweet baked goods agree that it is acceptable to occasionally indulge regardless of nutrition[14]. It's all about balance! 39% of women ages 18 to 34 say that a cheat day helps them stick to an otherwise balanced diet[15].

> How can you give the consumer permission to use your treat or comfort food?

13 Ipsos
14 Mintel
15 Mintel

# Disruption in when and how we eat

We no longer eat "3 squares" a day, yet that seems to be how a lot of marketers still plan. Traditional meal times are beginning to be cast-off in favour of all-day snacking. The meal daypart has structurally changed with Breakfast equalling 11% of eating occasions, Lunch 10%, and Dinner 11%. Snacks (including beverages) make up the balance of eating occasions[16].

Types of food are also becoming daypart agnostic. Eggs are for anytime, and anything can be snackified and made portable - including eggs! Burnbrae EGGS2go! is a great example of this trend.

Speaking of which, snacking has moved from "guilty pleasure" to "meal replacer." We know that portability has become crucial to consumers, and this is a trend that will continue. The trend to snackify products is growing not only because of the emphasis on snacking, but also because consumers crave more practicality from what they are snacking on.

And finally, remember the declining C-store channel? No more. The snacking trend is driving convenience stores to new sales heights.

16 Ipsos