

RDA Food & Entertaining's "Setting the Table" Consumer Food Symposium

On September 24, 2008 in New York City, RDA Food & Entertaining brought together leaders in the industry from major consumer packaged goods and food-related companies and the agencies that represent them to engage in a discussion on consumer trends as they relate to food and entertaining. The day consisted of:

- **Katie Lee Joel**, author of *The Comfort Table*, discussing her passion for food, the ultimate comfort in today's hectic world, and how it connects people together
- **Phil Lempert**, the leading authority in consumer trends in the food industry, revealed the results of a proprietary consumer study and discussed the mindset of today's food shopper
- **A consumer panel discussion** with modern food consumers chosen from the RDA Food & Entertaining community who spoke to their experience in store, selecting brands and working to feed themselves and their families day to day
- **Jim Carroll**, a leader in innovation, offered a fresh perspective on the rapidly changing marketplace and discussed how marketers can keep up with the pace
- **An industry panel** consisting of experts leading innovation at retail focused on the changing landscape and provided insight to marketers on how to better reach consumers at the point of purchase

RDA Food & Entertaining recognizes the challenges facing marketers today as they work to balance the needs and desires of shoppers with operational demands affected by outside economic forces. The day was shaped with this in mind, focusing on:

- The present mindset of the food consumer
- What trends influence consumer behavior?
- How daily priorities and technology are changing brand decisions
- How to develop effective messaging to engage "today's food consumer"

Understanding the modern consumer – being able to separate their needs from the perceptions of what is believed they want – is the challenge we all face today. RDA Food & Entertaining partnered with leaders in the food industry and tapped into consumers closely connected to the Food & Entertaining brands, *Every Day with Rachael Ray*, *Taste of Home* and Allrecipes.com to engage marketers in a conversation and bring solutions to the marketplace. The following is a summary of the discussion at the Symposium and the proprietary research results that were revealed.

Are You Ready for Tomorrow's Customers? Challenges and Opportunities Presented by Phil Lempert

Phil Lempert is a consumer trends tracker, the Food Trends Editor on NBC's Today, an author and columnist, and is known as the Supermarket Guru®. For more than 25 years, Lempert has identified and explained impending trends to consumers and some of the most prestigious companies worldwide.

In order to help both retailers and CPG companies get a snapshot of what shoppers were thinking in the early Fall of 2008, RDA Food & Entertaining partnered with SupermarketGuru.com to conduct an online survey of 748 shoppers (72% female) which was presented for the first time at the RDA Food & Entertaining Setting the Table Symposium.

1. The Holistic Shopper

Historically, no one would question the basics of why someone selects a particular supermarket to shop: location, price and cleanliness. Today's shopper however is more complex and truly buys food for more than just sustenance. Shoppers purchase their foods holistically – looking at the package design, reading the nutritional labels and ingredients and even understanding more and more about the company that produces the products and what it stands for in the world at large.

Marketing Implication: Brands must appeal to consumers on all levels through package design, nutritional information and awareness of corporate initiatives.

2. Revving Up the Retail Experience

Our consumer panel reported the number one factor that translates to a great shopping experience is a store offering “high quality produce,” which is no surprise and consistent with other industry surveys. Most supermarkets use the produce department to set the stage for the shopping experience by forcing shoppers to enter the store through this department full of color, aroma and freshness. After all, the happier the shopper, the more time they spend in store – which translates directly to their market basket size and value. During the consumer panel discussion, one woman noted that she travels for better-quality stores, which illustrates just how important it is to keep shoppers happy:

“I like different experiences at different stores. I'll travel about 20-30 minutes to do bigger shopping at better stores.” – Dawn

Other factors in a great food shopping experience were “High Quality Meats” and “High Quality Seafood” tied at number three, with 75% of the panel citing these in the top 5 attributes of a great shopping experience. This finding underscores the opportunity for retailers and brands to work together more in concert and bring the same theater to these departments as they do to produce. While it is true that the products in both of these departments are basically red or white, more attention to design would certainly increase the color palate and evoke more of a connection to the shopper. Some retailers, including Wegman's and Whole Foods, have already successfully incorporated this strategy through signage, color of display cases, color hue and warmth of lighting with terrific results.

What makes a great food shopping experience?

High quality produce	98%
Clean, neat store	94%
High quality meats / seafood	75%
Fresh food deli	58%
High quality bakery	58%
Large selection of ethnic food	58%

Marketing Implication: Meat and seafood brands have an opportunity to strengthen their brand presence at retail through more appealing package design.

3. Variety and Convenience is Key

One of the most important findings of the consumer panel survey reinforced a trend that we have been observing over the past 12-18 months – people are bored with the foods they are buying and consuming. This was apparent in the live consumer panel discussion when they gave their top requests for food companies:

“Give me ideas! I have my staples and it gets boring after a short time. I like new ideas because I’m drained at the end of the day and I don’t want to think for myself.” - Danielle

77% of the panel said that a “desire to vary their menu” was the number one influence on food selection and purchase, followed closely by “finding a new recipe” at 63%. These two influences ranked significantly above the influence of “health concerns” which over the past 5 years had been the number one influencer for our consumer panel members. While no one would suggest or recommend that the connection between the foods we eat and the impact on our health is no longer a leading trend, it would be safe to say that as people have made their personal nutritional corrections, they are now moving beyond and seeking out a more varied and tasty menu.

What influences your food purchases?

Desire to vary menu	77%
Found new recipe	63%
Health concerns	58%
Diet concerns	54%
Brand advertising	29%
Friend recommendation	29%

Convenience is also a key factor for these time-pressed women who need to pull together meals for their families quickly:

“My favorite recipe is anything quick that can be made in under 15 minutes.” - Tanya

“I have a variety of things on hand because I need to get things together quickly.” - Dawn

Marketing Implication: Consumers want variety in their daily menus and often find inspiration in quick and easy new recipes. Therefore brands must educate consumers on different uses for their products and recipe integration is a popular way to do so.

4. Trusted Brands Deliver Quality – Key for Entertaining

Our panel is food involved, health focused, Internet savvy and have a higher income and education than the average American. As a result there was no surprise to find that this group is extremely brand sensitive. Not only did almost half of the group (46%) report that they always “buy only best-known brands,” an additional 24% stated that they buy better-known brands for entertaining than for everyday usage.

Which ONE statement describes you?

Buy only best-known brands	46%
Buy best-known brands for entertaining, less \$ for family	41%
Only buy less expensive brands	19%
Buy best-known for family, less \$ for entertaining	8%

Brand success is critical for the food world – it’s the CPG brands that foster innovation in taste, recipes, nutrition and packaging. It is also critical for consumers that brands deliver on their promise and invest in educating them:

“I think [a brand] should invest in educating me about their products if they want me to buy them.” - Danielle

When asked whether price or ingredients factored more into their brand choices, the panelists agreed unanimously that they buy brands based on ingredients over price. When it comes to entertaining, they spend more on their menu and look to brand name products for better quality:

“When I’m entertaining I go to cookbooks and I change it up...I will spend more money on the menu and will get a better cut of meat or a more special food.” -Cathie

Marketing Implication: Brand equity is important and must deliver the quality and value consumers demand. Heavy entertainers are a key market to tap into because they are spending more on brand names for entertaining.

5. Discovering New Foods

What motivates a consumer to buy a new food product? When we asked our panel, the number one answer once again reinforced our finding that the biggest consumer trend in food is “boredom.” Although it is important to note that with the substantial increases in raw material, packaging and transportation costs – many shoppers are refocusing their efforts to also include the search for more value-oriented alternatives. We are also seeing, through our panel as well as the latest sales data, a move away from dining out, to more in home and brown-bagging as a way to save money.

While boredom might not be a sexy-sounding trend, it offers the food world – both brands and retailers – a unique opportunity to strengthen their relationships with shoppers by offering more variety and more easy and exotic recipes; especially for dinner and for brown bag lunches for both adults and kids.

What motivates you to buy a new food product?

Like to try new foods	75%
Brand I trust has new product	69%
Searching for healthier item	67%
Free sample	58%
Search for more flavor	54%
Recommendation (Friends & Family)	50%
Bored with my menu	48%

Children also impact food choices, which the moms on the consumer panel discussed:

“My daughter is a vegetarian now so it changes what my family eats.” – Cathie

“When I give my daughter a little chocolate it puts her in a better mood. I always have some around the house.” - Dawn

Marketing Implication: Consumers constantly look for new food innovations and will look to the brands they trust to provide new products, which they are eager to try.

6. Recipe-Seeking Consumers Turn to Print and Online Sources

The printed page still seems to be the number one resource for the “best” recipes; although specific branded websites like Allrecipes.com and Kraft.com are growing quickly and with more easy-to-use online tools, should continue to grow. As technology allows for faster and more customized searches, more nutritional choices, more food allergy friendly recipes and creating shopping lists, we also expect this medium to empower the younger web-based generations to become the cooks of tomorrow. These younger cooks will live and cook by four words: quick, exciting, healthy and fun!

It is important to note, that across our panel, the less food-focused media – the general-interest television shows (*Today, Good Morning America*, etc), radio and newspaper websites scored at the bottom. The more food focused, the more credible!

Where do you always find the BEST recipes?

Cookbooks	77%
Magazines	73%
Specific websites: Allrecipes, Kraft	60%
TV cooking program	50%
Magazine website	44%
Newspaper	31%
Food retailer website	21%
General websites: AOL, Yahoo	21%
Newspaper websites	15%
Radio	8%
TV talk show	4%

Marketing Implication: Brands must be present where consumers are seeking recipes in order to provide new solutions for consumers who need menu inspiration.

7. Consumers Seek Quality Food Choices

Since we began surveying consumers over 25 years ago, “taste” has always been the number one reason that people select certain foods, and we have no reason to believe that will change. However, it is important to note those factors in the number two through five positions, which do vary from year to year. We predict that as the current financial crisis and the rising cost of food continue that “value” will rise in importance as will people buying the best-known brands in each category as they will offer the shopper a known quality and safety of purchase.

When selecting and choosing foods...what is MOST important?

Taste	88%
Nutritional information	79%
Ingredients	75%
Health attributes	65%
Brand name	46%

“I spend a lot of time in the store. I like to read the ingredients. Is it organic or not? This one has hydrogenated oils, this one doesn't.” - Tanya

These food product comparisons are common among consumers who are more knowledgeable today with more information at their fingertips.

Marketing Implication: Brand names alone do not sell the consumer, but are often associated with key attributes – taste, nutrition and health – which ultimately influence consumer’s food choices. Value will also become increasingly important, but will be reflective of both cost and quality.

8. Consumers Seek Local Foods at Their Neighborhood Retailers

Since the now infamous TIME magazine cover that explored the rise of Local vs. Organic food, sales have proven that shoppers continue to purchase more local foods (of all kinds) over those that may have traveled halfway across the world. The combination of an increased awareness of the sustainability efforts of corporations and retailers, price of transportation and the awareness that locally grown produce in particular has increased nutrients and flavor, is fueling the growth of this subcategory. We expect this trend to grow considerably as costs across the board increase. The next generation of local is coming: new controlled-temperature farms and fields within 100 miles of every major metropolis!

How important is it for your primary store to offer “local” foods?

Very important	36%
Somewhat important	42%
Not too important	16%
Not at all important	6%

Marketing Implication: Consumers want more information about where their food comes from in order to choose local providers who insure value, nutrition and flavor.

Participate, Elevate, Innovate! Survival Skills in a Rapidly Changing Environment Presented by Jim Carroll

Jim Carroll is a strategic thinker and "thought leader" with deep insight into trends, the future, creativity and innovation. For the last 15 years, he has provided high-energy keynotes for clients such as Nestlé, Motorola and Verizon. He was recently named by Business Week as one of four leading sources for insight on innovation and creativity, and was a featured expert on the prime time CNBC series, "The Business of Innovation."

Jim Carroll provides in-depth analyses for companies across industries on how to progress at the rapid pace of the marketplace and stay ahead of the trends. He examines innovation from every angle, and has applied his learning from all industries to the food industry to challenge marketers to think differently and better understand how and why consumer demand shifts so quickly.

9. The New Consumer Is Shifting Their Attention Faster than Ever

Consumers suffer from "continuous partial attention" with more stimuli around them than ever before:

- The number of text messages sent each day exceeds the population of the earth
- There are 62.6 million videogame households (up 11.4%) and the average age of a video game consumer is 41
- By 2009 consumers will spend about 10 hours per day and \$1,000 per year with various media – primarily wireless devices, iPods, in store displays, in-auto media content and the Internet
- 93% of American teens are online, proving that the Internet will become ubiquitous

Consumers across demographic segments are immersed in this new interactive world forcing brands to engage them across all mediums to stay connected.

This new shopper is not only more scattered and more connected, but also faster – scanning 12 feet of shelf space on average per second. In-store influencers will now evolve at the pace of the iPhone and the Blackberry, challenging marketers to keep up with the pace. Faster is the new innovation and innovation isn't just about new product design – it's about responding to fast-paced consumer change.

Marketing Implication: Marketers must work harder than ever to capture the attention of the consumer and make a connection. Brands must keep up with the pace of consumer change in order to stay relevant.

10. The New Consumer Is No Longer Nuclear

The nuclear family is no longer the norm as Americans find new definitions for 'family' in today's world. The following headlines touch on the variety of different ways families are structured today:

"...only 1 in 4 of the population live in heterosexual, two-parent families... one in three people now live alone...." - ABC

"...urban Americans remain single for more than half of their adult lives, a radical shift...." - NBC

"Between the ages of 18 and 59.... Chicagoans spend... 18 years married..

4 years co-habiting....19 years alone or casually dating" - Associated Press

"LAT tourism living apart togethertwo out of five marriages end in divorce" - Reuters

Brands must acknowledge these new trends as they develop products and create marketing messages to resonate with today's consumer.

Marketing Implication: Hyper-nicheing is the new brand reality as the market becomes more specialized and fragmented. Marketers can no longer rely on preconceived segmentation strategies, but rather need to think differently about who they are trying to reach and how to reach them.

11. The New Consumer Is Influenced Differently

We're in the era of the "Celebrity Baby Blog" where purchases are influenced heavily by what others are doing. And it is not just celebrities that consumers are watching – they are also looking to their peers for advice and brand recommendations. For example, in travel, 79% of travelers trust peer reviews more than ads. The same thing is happening with consumer products – peer reviews are the new influencers, with 83% trusting the opinion of a friend or acquaintance who has used the product or service.

Marketing Implication: Social networks are the new brand influencers and marketers must find ways to connect with consumers who are highly influential in their peer groups.

12. The New Consumer Is Shifting Their Focus

Socio-economic shifts are affecting consumer behavior at an increasingly fast pace. For example, the downturn in the economy has quickly had a significant impact on consumers' eating habits. 71% of consumers are choosing to prepare meals at home instead of eating out and restaurant trips have decreased from 1.5 times a week in 2006, to 1.2 times today. (Food Marketing Institute US Grocery Shopper Trends 2008)

Another prime example of trends reaching mainstream quickly is the health trend. Even the most active consumers shopping at delis are health-conscious. 80% of deli-buyers are making changes to their diets and 90% are now reading deli labels (International Dairy-Deli-Bakery Association)

New markets are constantly emerging, whether it's fresh-cut snack food, growing from a \$6.8 billion industry to \$10.5 billion (International Fresh-Cut Produce Association) or rapidly changing tastes – flavors are now moving from upscale kitchens to chain restaurants in 12 months, compared to 36 months 5 years ago.

Marketing Implication: Faster-paced preference change is the new reality and brands must be nimble to keep up with consumer demand.

13. The New Product Is Rapidly Redefined

New products are brought to market faster, redefining the industry quickly and forcing products to keep up. As scientific knowledge is being shared in real time, ethical packaging innovations are emerging and driving product design. For example, wax paper infused with cinnamon oil (antibacterial) inhibits 96% of mold for up to 10 days (Investor's Business Daily, Sept. 2008). This new discovery allows CPG companies to produce new products with a naturally longer shelf life. Major manufacturers and retailers must respond to these new trends, especially as consumers jump onboard and demand these innovations. Most notably, Walmart has vowed to have zero private label packaging waste by 2010, and to eliminate all packaging waste by 2025 (Modern Plastics Worldwide, Sep 2008)

Another example of a new product being redefined at a rapid pace is the "nutri-cosmetic" market – already at \$1.5 billion worldwide (only 3% of that is in the U.S.) and predicted to grow at 4.7% a year in the U.S. to \$10.6 billion by 2012 (Household & Personal Products Industry, Jul 2008). Consumers are embracing new products that can offer positive effects on their appearance, while easily being integrated into their lifestyle.

Marketing Implication: Time to market and corporate agility are the new capabilities to focus on.

14. The New Product Is Upside Down

The way companies are innovating is also changing. The process used to be to get the assortment right, figure out the merchandising, go to stores and create a marketing campaign around it all. The new innovation model turns that upside down: as large companies are more connected to consumer demand, they can use that insight to come up with the marketing, then determine the merchandising and get the assortment right.

Partnership with retailers and packaging companies in the design of the product is the key trend because these partners are closer to consumer demands and can often guide development of new products through their unique insight. Smart manufacturers are turning to packaging designers to ask for help lowering expenses as oil and raw material prices rise. (Bangkok Post, August 2008). 73% of packaging machine builders collaborate with customer-packaging engineers. (Control Engineering, August 2008).

Marketing Implication: Partnership with retailers and packaging companies is the key method to speed up product innovation and efficiently introduce new products to the marketplace.

15. The New Marketing Is Shifting

Consumers are being increasingly influenced by their time spent online. Therefore, online advertising spending is increasing and is predicted to rise to \$51 billion in 2012 – up from \$21 billion in 2007. (eMarketer, March 2008)

Consumers are looking across all media and being influenced by different sources of inspiration. Different media serves different purposes for consumers and reaches them in different mindsets. For example, certain magazines are set aside for leisure comfort reading, while online media can quickly provide relevant information at the touch of a button.

Marketing Implication: A "healthy mix" is the new advertising recipe for success reaching consumers at different touchpoints.

Bottom line: *"The world is changing very fast. Big will not beat small anymore. It will be the fast beating the slow."* - Rupert Murdoch

Industry Executive Panel: The Changing Landscape at Retail Moderated by Phil Lempert

Panelists:

- David Orgel, editor-in-chief, *Supermarket News*
- Frank Beurskens, CEO, ShoptoCook
- Tony Stallone, vice president of merchandising for online grocer Peapod

16. The Value Quotient

The day concluded with industry experts discussing how shifts in consumer demand are affecting both retailers and CPG companies. Despite today's economic conditions, these executives were optimistic about the future of the food and retail industry, noting that there are shifts towards an increased emphasis on value. Value did not just mean price cuts and coupons, but rather was a combination of price, quality and service.

Marketing Implication: CPG companies must address the growing emphasis on value, which is not solely based on cost, but rather takes into account the ratio of price to quality.

17. Convenience Is Increasingly Important in a Time-pressed Society

Convenience is also key for consumers who are more time-pressed. Shoppers are looking for quick and easy ways to make meals in the store and value brands that deliver them simple ideas and solutions. Consumers look for recipes from trusted sources, giving brands the opportunity to reach them at more touch points, engage them with inspirational content and then drive them to purchase in store.

Marketing Implication: Quick and easy solutions satisfy a major demand in the marketplace and brands must provide these through product innovations, recipes and inspirational content.

18. Focus on the Customer

The panel also discussed how retailers could offer smarter solutions to help better serve the customer. As retailers shift their focus from products to the consumer experience, they will better engage the consumer and develop a loyal customer base. As the marketplace shifts to smaller-footprint stores, brands will need to work with key retailers who reach their target market and collectively work to meet the needs of their customer base. A loyal, engaged shopper will boost sales for both the retailers and the brands.

Brands also must create a connection with consumers strong enough that retailers cannot afford *not* to carry their products. Consumer demand trumps all other factors when deciding what products to carry. This customer can be reached and engaged through various methods, including differentiating your brand from others so there are no substitutes, building a connection through promotions and marketing messages and offering solutions that are practical and resonate with today's consumer.

Marketing Implication: Retailers and brands must work as a team to bring the consumer an engaging experience in store that captures their attention and provides them with a solution. This combination delivers on impact and will increase sales.

18. The Future of In-store Promotions

In-store promotions will increasingly become more high-tech, but must also still be accessible, quick and easy to understand. They will become more scientific as more data becomes available and brands are able to target shoppers with different messages that are tailored to the person shopping, the time of day, their location in the store and their shopping history. The metrics used to determine the effect of these promotions are shifting to focus on depth and relevance, rather than reach and frequency, as it becomes more important to reach the right customer in the right place at the right time.

Marketing Implication: Brands must keep up with the innovations at retail to use new tools to reach consumers in increasingly relevant ways.

Conclusion

RDA Food & Entertaining's first annual consumer food symposium proved to be successful in bringing marketers together to create a stimulating dialogue about the state of the food industry and to better understand modern food consumers in order to serve them better and impact their brand decisions.

Key Findings

1. **Consumers get bored quickly with the meal-planning process** in today's fast-paced society and are looking to trusted brands and retailers to offer them fresh new ideas, quick and easy recipe solutions and product innovations.
2. **Consumers have more information** at their fingertips than ever before which means brands must work to educate consumers on their products, break through the clutter and deliver messaging that resonates with their target consumer.
3. **Value is increasingly important** in today's economy, but is not solely based on cost. Consumers want more for their money and look holistically at the quality of product delivered at a given price point.
4. **Technology is changing the way brands can connect with the consumers** and brands must keep up to reach them at all touch points. New channels, such as social networks and in-store technology, become necessary tools for brands to use in order to stay relevant.
5. **Speed is key** and companies must be nimble to keep up with consumer demand and innovation in the marketplace
6. **Partnerships are imperative** to stay up to date with consumer trends, bring new products to the market and better serve the customer.

RDA Food & Entertaining is dedicated to bringing timely information to the marketplace based on our close ties to a large scale and highly involved community. Next year, we will embark on a proprietary study to be presented at the annual consumer food symposium in 2009. In order to make this more relevant for our marketing partners, we want to hear *your* input and better understand what you want to know.

For further information and to provide input on next year's study, please call:

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