



hartman
GROUP

RESEARCH CONSULTING : CUSTOMIZED



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Trade Symposium
Organic Today

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Consumer Culture and Tomorrow's Marketplace

FEBRUARY 2010



Who We Are

Culture Matters

Learnings From The Culture ...

- The Trend of the Decade—Redefining Quality
- More than Everyday
- (Beyond) Organic
- Sustainability

Final Thoughts—A Cultural Approach to Strategy & Innovation



Who We Are

The Hartman Group and A New Kind of Research



Founded in 1989, we are a full-service consulting and consumer insights firm **specializing in Food and Beverage research**. Our experienced staff has doctorates in anthropology, sociology and psychology as well as extensive backgrounds in ethnography, marketing, market research and consulting.

Hartman Group **blends leading-edge research with strategic consulting** to uncover and make sense of the subtle nuances in consumer and shopper behavior that matter most to innovation, brands, strategy, marketing and business development.



Our analysis builds from a platform of **quantitative and qualitative ethnographic information** to understand the most current lifestyle and purchasing patterns of consumers and shoppers.

Where we work

Consumer packaged goods
Retail/shopper marketing
Restaurant/food service
Personal care
Pharmaceutical
Entertainment
Telecom/Wellness

The Hartman Group is immersed in consumers' lives and lifestyles



We listen loudly to:

- What consumers say they do...
- What they actually do...
- Understand the difference, and most importantly tell you...
- ...Why they do it!



Culture Matters



Just because someone can make it or envision it, does not mean anyone will want it

Innovation without a clear grounding in consumer culture explains many failed products, services and marketing platforms

- New Coke
- Uncle Ben's Calcium Plus Instant Rice
- Meal assembly retail
- Low carb





Does it resonate with consumer culture?

Ground your business in consumer culture, not in just what your company, brand, product or service can do, wants to do, or what you *think* your consumer wants



Our perspective, the intersection of how consumers...



Live



Shop



**Use
Products/Brands**





Live



Understand the influences of culture

- Utilitarian needs and soul needs—cultural legitimacy
- Food is a part of the social fabric—food culture
- Consumer culture—consumption patterns
- Relevance—consumer trends



Shop



Understand consumers' changing behavior

- Cultural Occasions
- Other-Directed / Self-Directed
- Retail Experience
- Home Experience



Use Products/Brands



Understand consumers' relationship with products

- How products/brands integrate into lifestyle
- User experience
- Products as cultural artifacts

Market leaders need to understand major cultural shifts affecting the U.S. marketplace



Traditional Culture → Consumer Culture → Reimagined Culture

Peaked in the 1980s

Status Quo: Utilitarian

Strong parental & intergenerational authority

Clear societal roles (i.e., dad, worker)

Belief in rules, hierarchies

Top-down authority

Class-based lifestyles

Focus on basic needs

Production drives economy

Sober and serious



Today's Dominant Orientation

Distinction: Experiential

Families are democracies

Societal roles are malleable

Multiple, transient value systems

Skeptical of authority systems

Lifestyle identities replace class identity

Focus on experiences and desires rather than needs

Consumption drives economy



Beginning to emerge

Creative Consumption: Imagination

Playful

Entertainment

Indulgence

Ironic, cynical

Co-design



What reimagined culture might look like



| ORIENTING CONSUMER QUESTIONS | Traditional Culture (early 1970s) <i>Acceptance of Status Quo</i> | Consumer Culture (present–2009) <i>Distinction</i> | Reimagined Culture (2010–beyond) <i>Creative Consumption</i> |
|----------------------------------|---|--|--|
| What is my goal? | Avoidance/management of specific conditions | Quality life experiences | Higher state of being |
| Who should I trust? | Experts/infrastructure | Self (intuition) social networks | Self (devout belief) intimate networks |
| Where is my focus? | Internal | External | Global |
| How do I navigate Wellness? | Individually | Collectively, communally | Interdependently |
| What do I expect from solutions? | Processed, packaged, scientific, standardized | Authentic, contemporary brands | Co-design (consumers <i>with</i> companies) |
| Where do I look for solutions? | RX, VMHS | Food and beverage | Ritual experience |
| How do I decide among solutions? | Price driven | Price and experience driven | Experience (premium) driven |



What a cultural perspective
reveals ...



The Trend of the Decade: Quality = High level experiences

- Includes connections to ingredients, origin narratives, processing, product use, etc.
- Is understood differently across categories
- Evaluations are a function of interaction with the product at retail, and expert opinion (both independent professional publications as well as peers' "first hand" accounts)
- Is increasingly differentiated by complex authenticity or design narratives spread among social networks

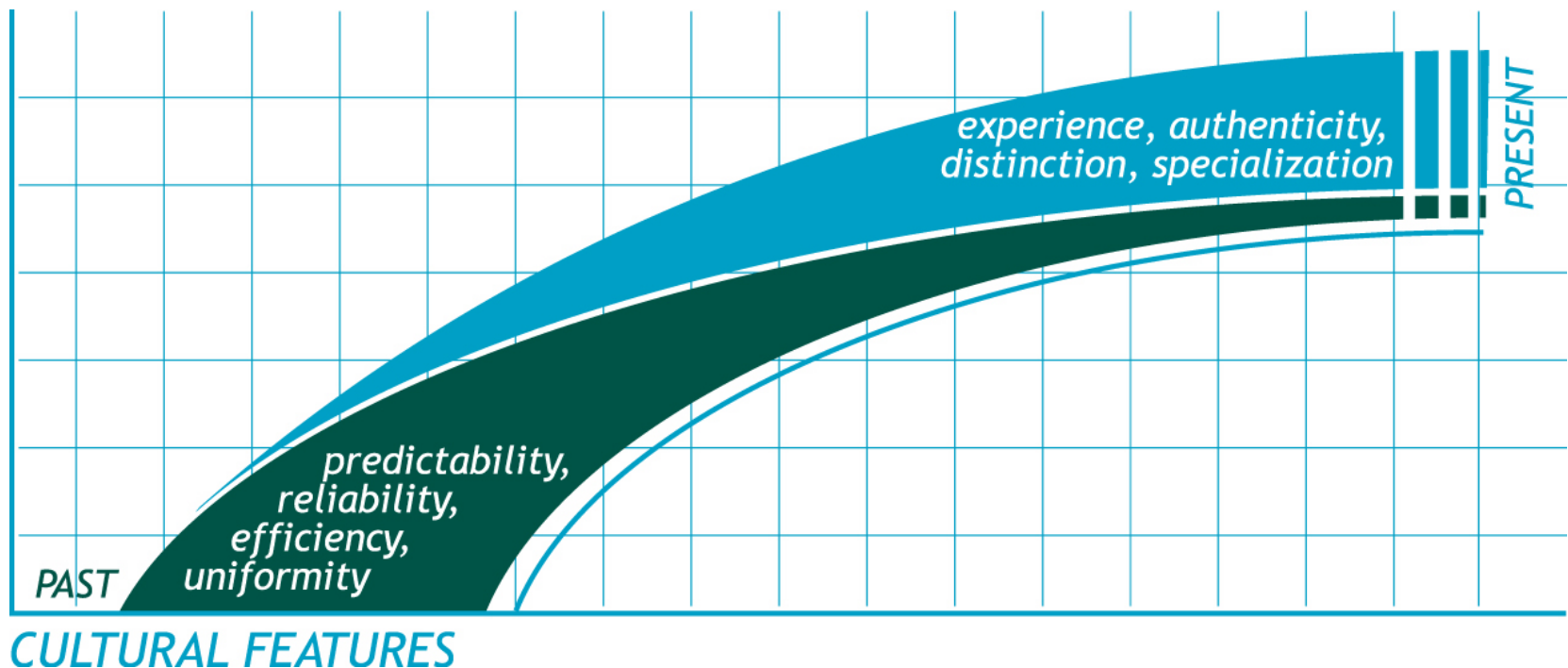


IMPLICATIONS | OPPORTUNITIES

Consumers are willing to pay more for products that are perceived to be higher quality and deliver an enhanced experience



Redefinition of “QUALITY” away from packaged and processed towards fresh



“**Fresh**” implies the gradual replacement of traditional CPG products with “fresh” counterparts, category by category.

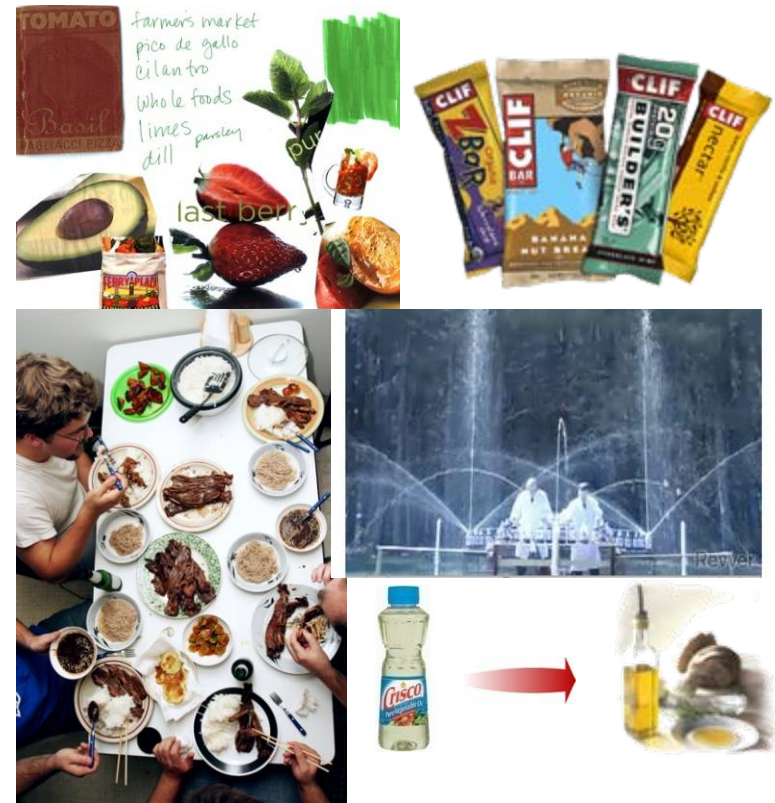
Fresh(er) is multi-faceted



Fresh is not always an objective distinction (e.g., fresh fruit v. canned fruit)

Fresh is a multi-faceted **symbol** that consumers use to make distinctions between things (i.e. good vs. bad, healthy vs. unhealthy, modern vs. outdated, etc). Key domains of fresh(er) include:

- Product level attributes
- Packaging attributes
- Usage ideas
- Information and communication
- Experience cues



How is this changing consumer culture being played out?



1. Consumers are upgrading on a regular basis



We all know that many consumers change the kinds of foods they eat on special occasions.

Many of these changes entail choosing higher quality, premium foods:

- Seeking distinctive flavors
- Seeking less processed foods
- Interest in locally produced foods
- Seeking craft or artisan produced foods
- Clearly willing to spend more

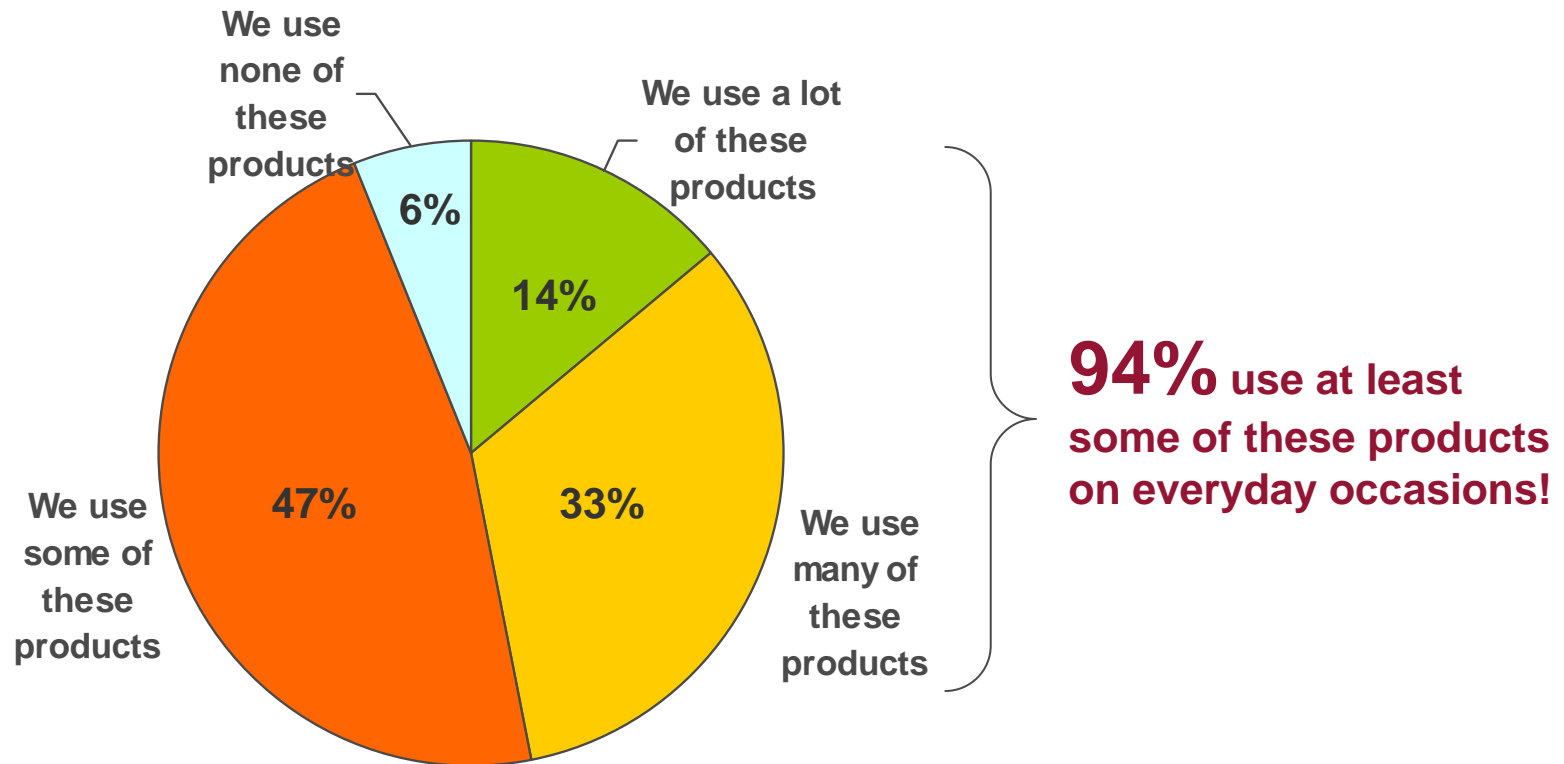
Importantly, virtually all consumers are now eating many of the same foods everyday that they formerly reserved for special occasions:

- The drivers of food choices on special occasions are now becoming drivers of everyday food choices on routine eating occasions

Consumers are upgrading: We are witnessing real change in behavior



Are any of the brands and products you use on special eating occasions also used on everyday occasions?



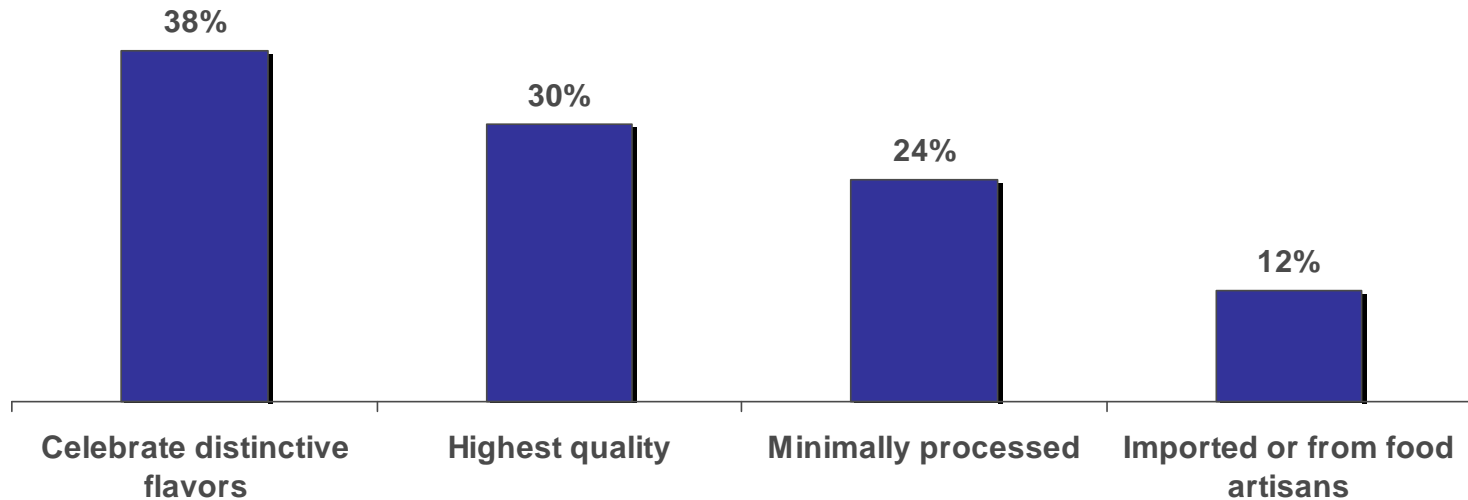
Source: Hartman Group 2007 Food Preferences Survey (n = 1,142 respondents).

Consumers are upgrading: Special occasions brands are becoming *everyday* brands



- **38% of Households routinely select brands that offer distinctive flavors**
- **30% of Households are intentionally selecting higher quality brands/products**

How would you describe the brands or products you use on everyday, routine eating occasions?



Source: Hartman Group 2007 Food Preferences Survey – Those using the same products for special and everyday occasions (n = 1,075 respondents).

2. The Organic trend



The organic trend actually signaled a massive cultural shift toward fresh, minimally processed real food.

What Others Saw:

a niche trend



"The Natural Foods Channel"



"The Natural Foods Section"

"The Natural/Organic Consumer"

What We Saw:

a large scale consumer trend *"Fresh Food Retailers"*



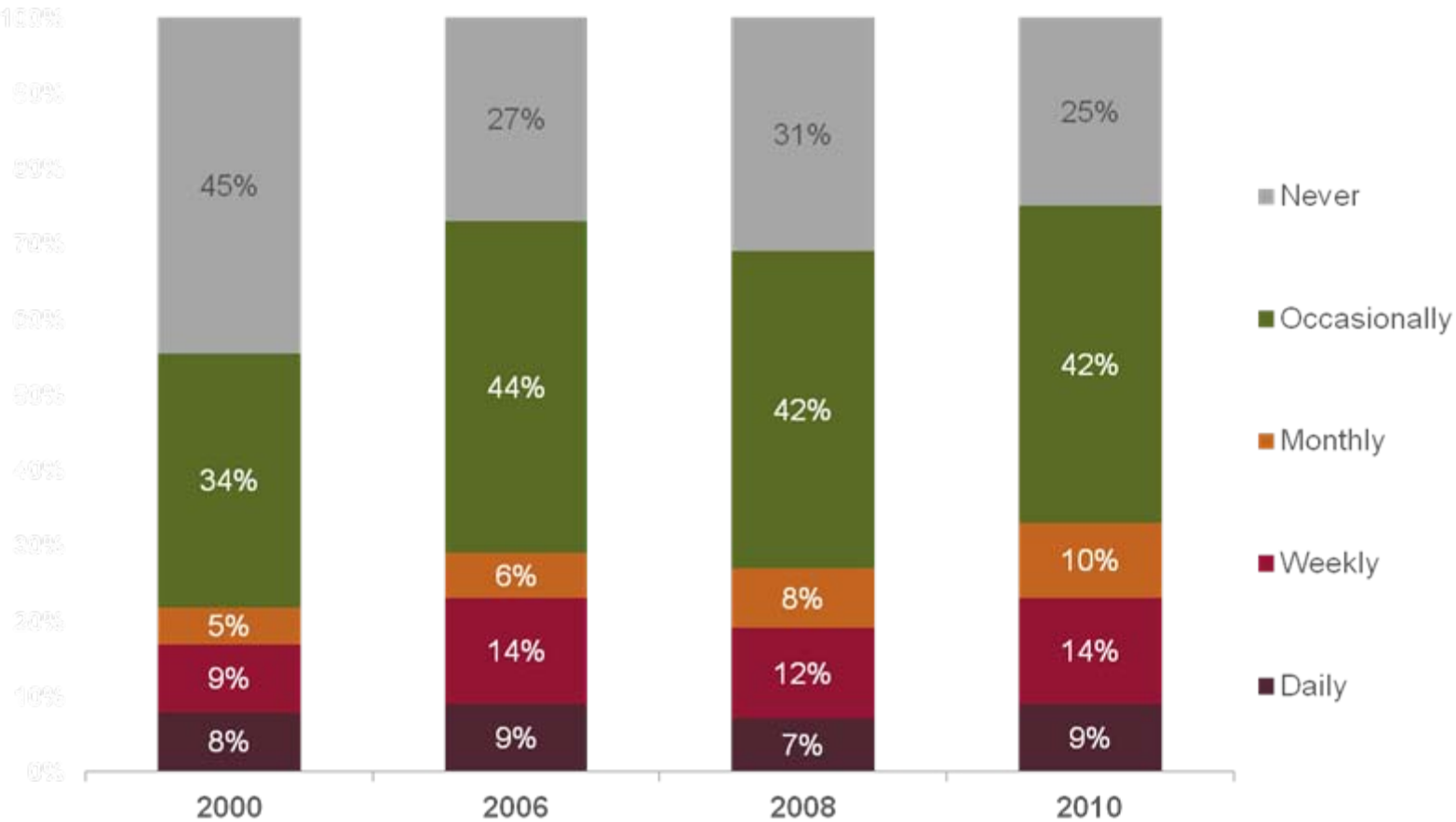
explosion of farmers' markets

Growing demand for food that is real, not full of junk

Grocery store perimeter

Organic Trend:

Three Quarters of U.S. Consumers Purchase Organic and One Third of US Consumers Now Use Organic at Least Monthly

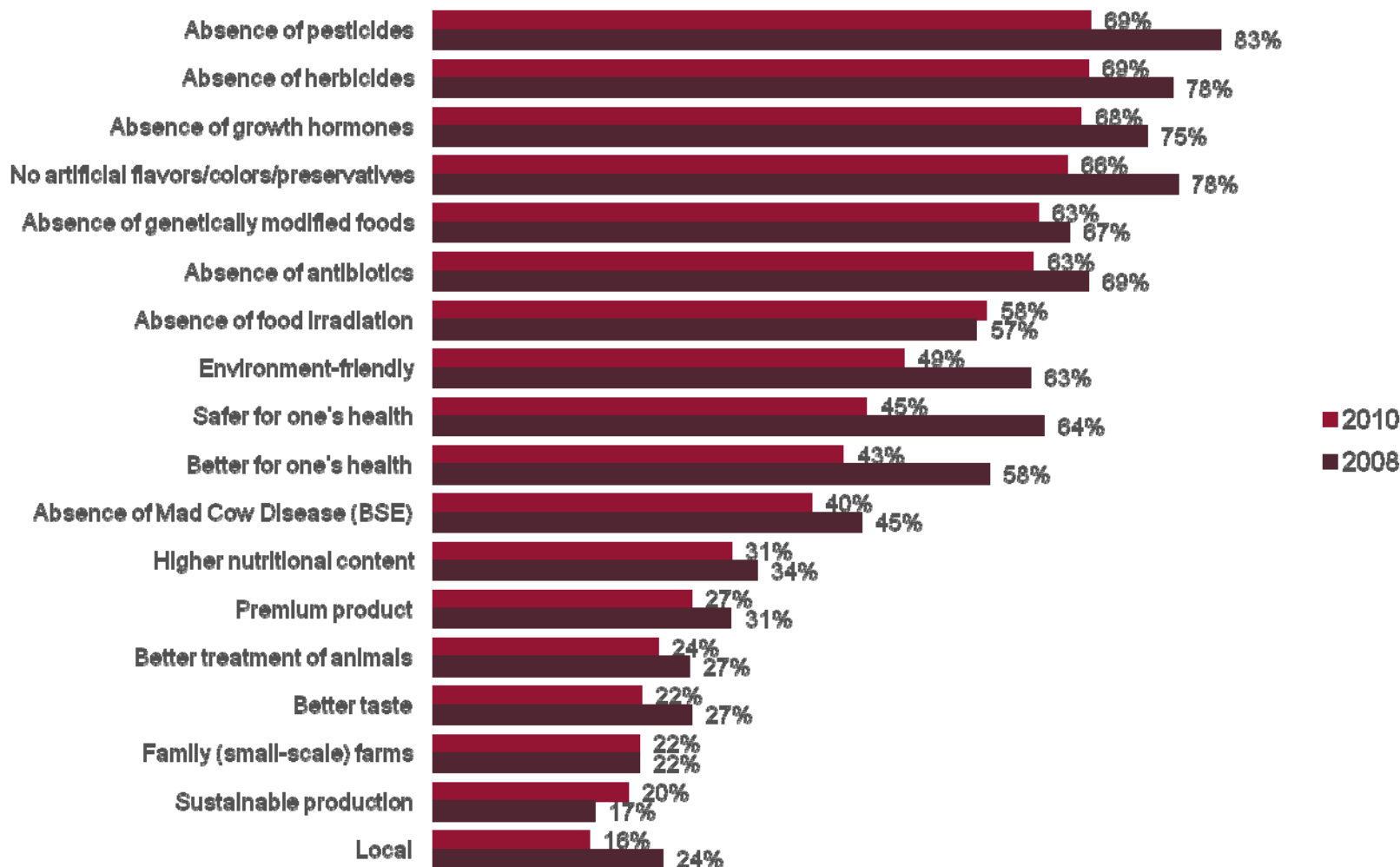


Sources: Healthy Living, August 2000 (n=4,942); Organic 2006 Survey, December 2005 (n=2,109); Organic 2008, March 2008 (n=2,161), Beyond Natural & Organic 2010 n=1,679

Note: Percentages may not sum up to 100% due to rounding.

Organic Trend:

Associations with Organic Decline as Meaning Becomes More Diluted



Q11. From the following list, what properties do you think are implied or suggested by the term "ORGANIC"?

Source: Beyond Natural and Organic 2010; Total n=1,679.

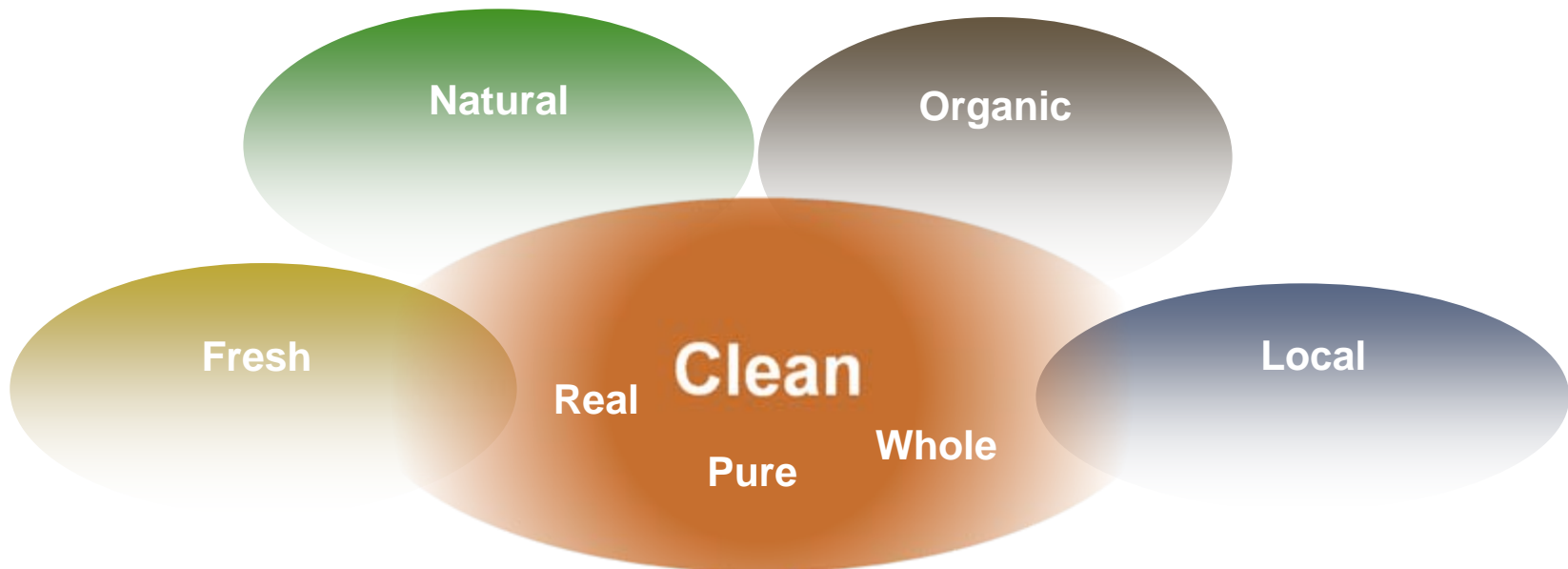
Source: Organic 2008; Total n=2,161

Organic Trend: “Clean” Food Goes Beyond Natural and Organic



While natural and organic are still sought by consumers as positive attributes, as natural and organic become more and more diluted in meaning, they are **seeking more specific information regarding the foods and beverages they buy**

The notion of “Clean” encompasses a wide variety of attributes that communicate quality to consumers including farming, production, processing and ingredients



To Consumers Clean Has Both Symbolic and Objective Associations

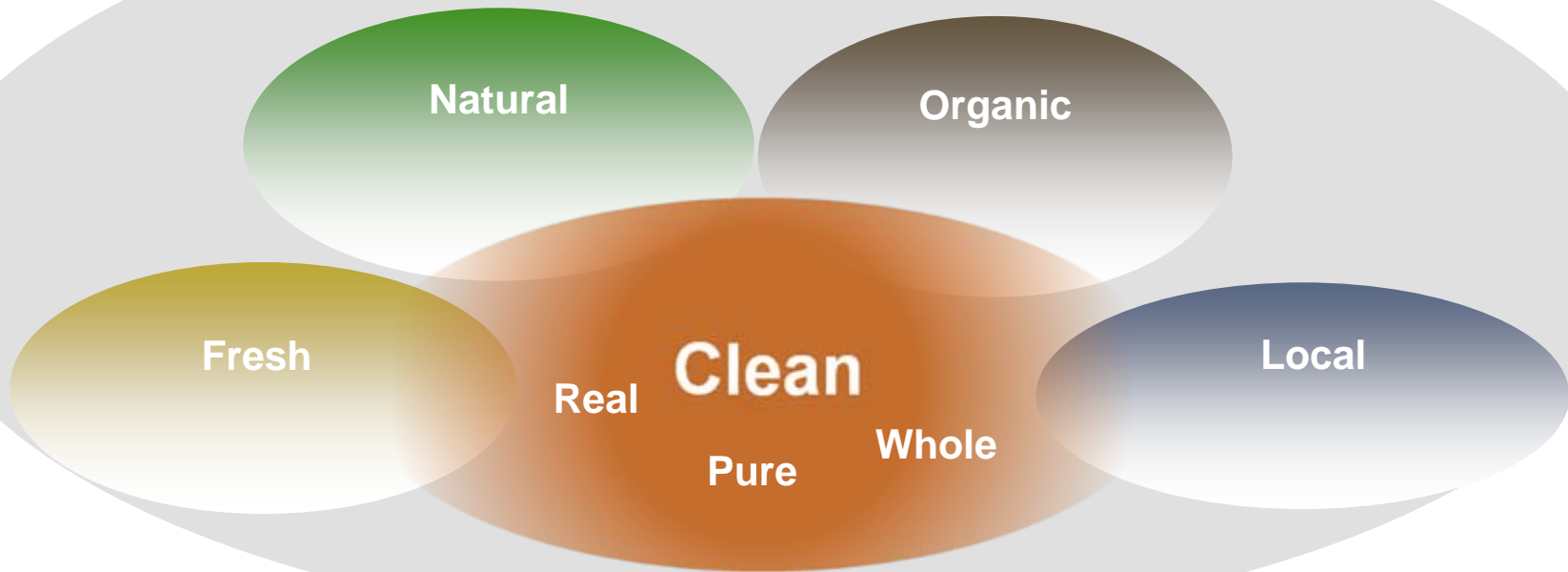


| Symbolic | Objective |
|----------------|--------------------------|
| Fresh | Less Processed |
| Safe | No Chemicals |
| Local | Nothing Artificial |
| Healthy | Few Ingredients |
| Responsible | Whole Ingredients |
| Real | Recognizable Ingredients |
| Simple | Certified |
| Sustainable | |
| Higher Quality | |

3. Sustainability is becoming a part of consumers' constellation of values used to determine quality in a variety of product categories



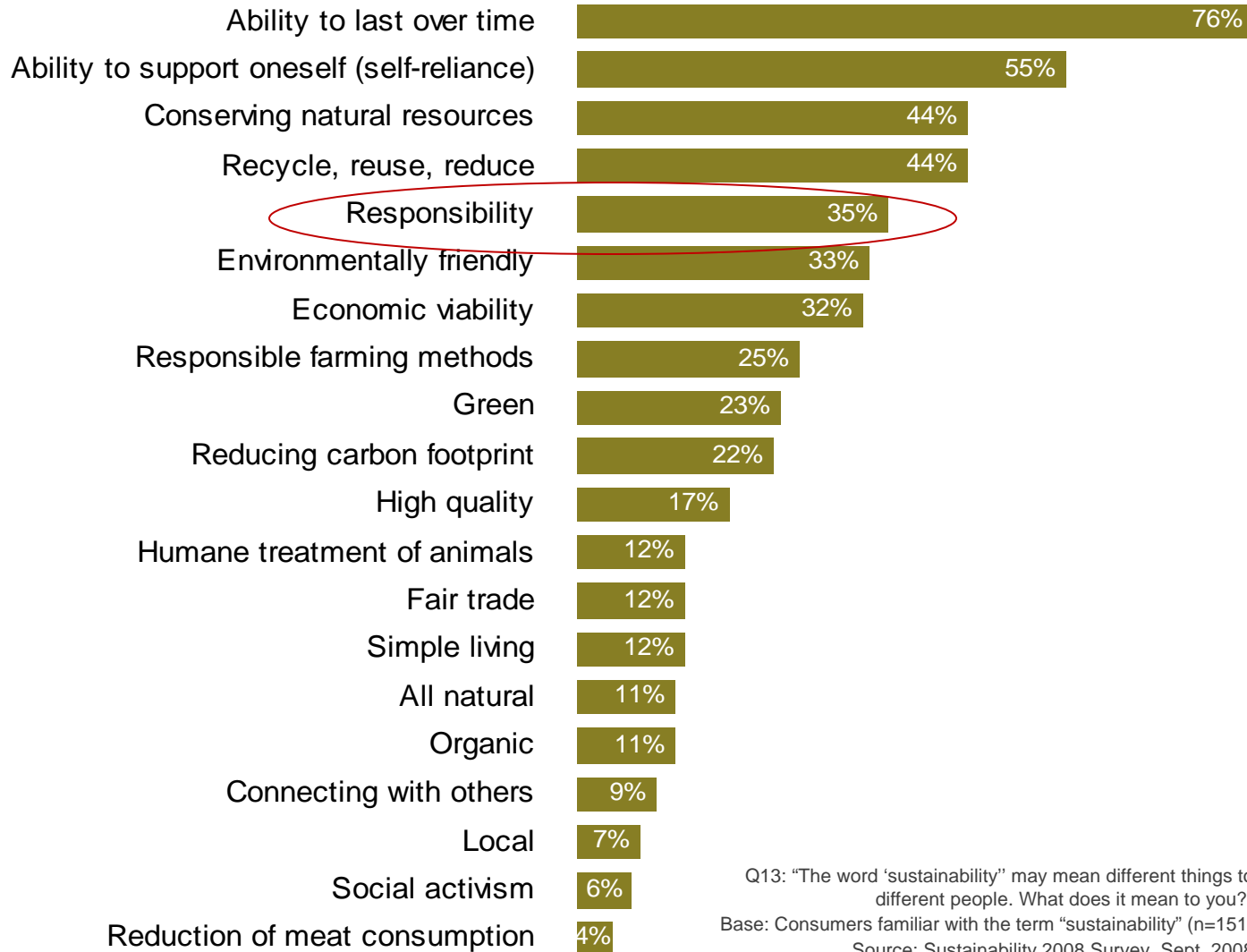
SUSTAINABILITY



Sustainability has become a powerful marker of quality for its ability to holistically **link many economic, social, and environmental attributes that in themselves cue quality** under one coherent rubric.

Implication: Products that intersect with the broader notion of sustainability have potential to fit within the redefined notion of value to the extent that they indicate higher quality and enhanced experience.

Sustainability Trend: Consumers Define Sustainability in a Multitude of Ways



Q13: "The word 'sustainability' may mean different things to different people. What does it mean to you?"
Base: Consumers familiar with the term "sustainability" (n=151)
Source: Sustainability 2008 Survey, Sept. 2008

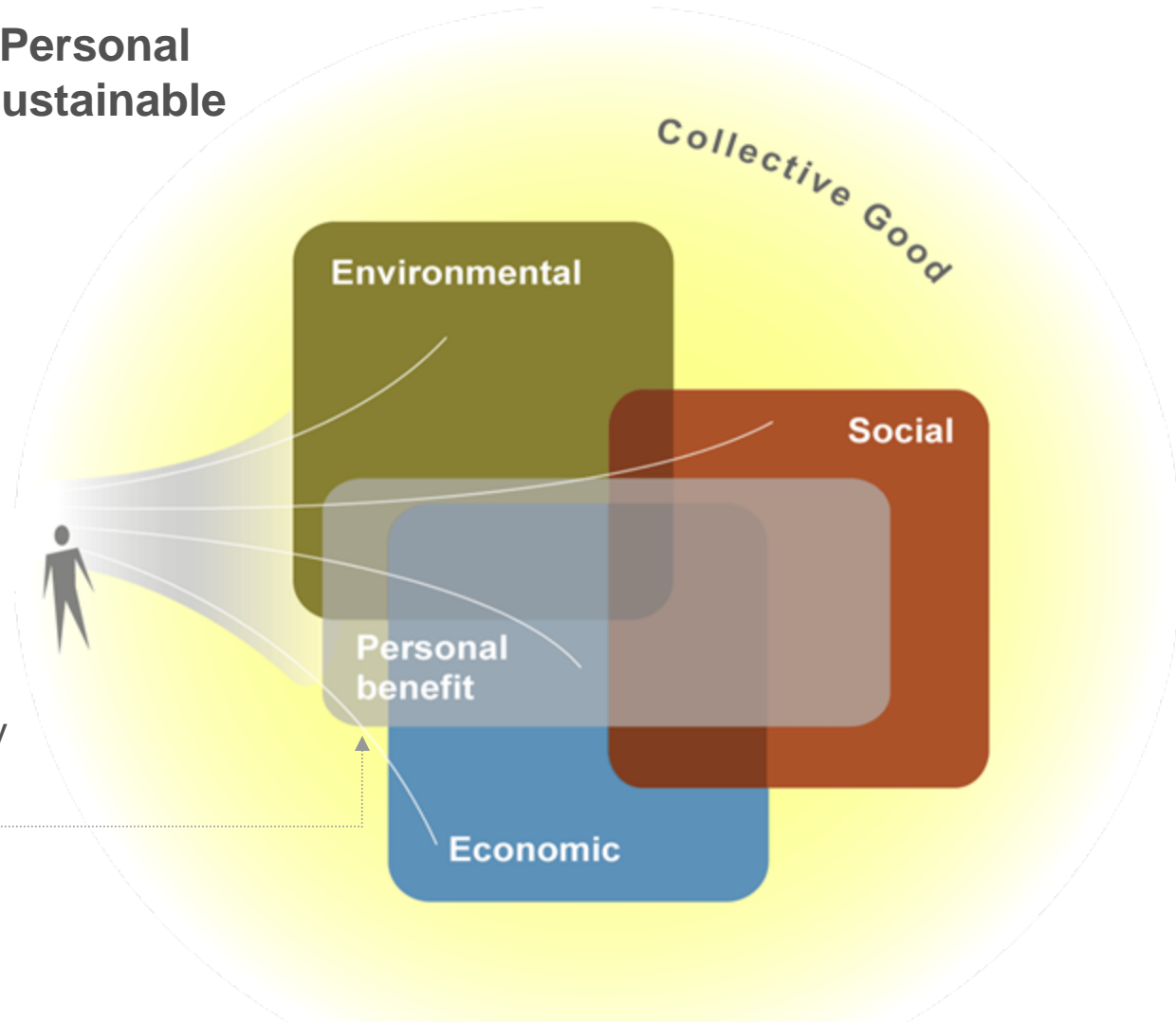
Sustainability Trend:

Sustainability is reflected in four interrelated zones



Consumers Need to See a Personal Benefit to Initially Act on Sustainable Aspirations

Products must meet a baseline measure of quality—as determined by its category—in order to be adopted



Sustainability Trend: Product Narratives Heighten Food Quality Cues



2007 Sustainability Survey (n=1600). Shows respondents who "agree".

Sustainability Trend: Packaging is the First Sustainability Cue Consumers Notice

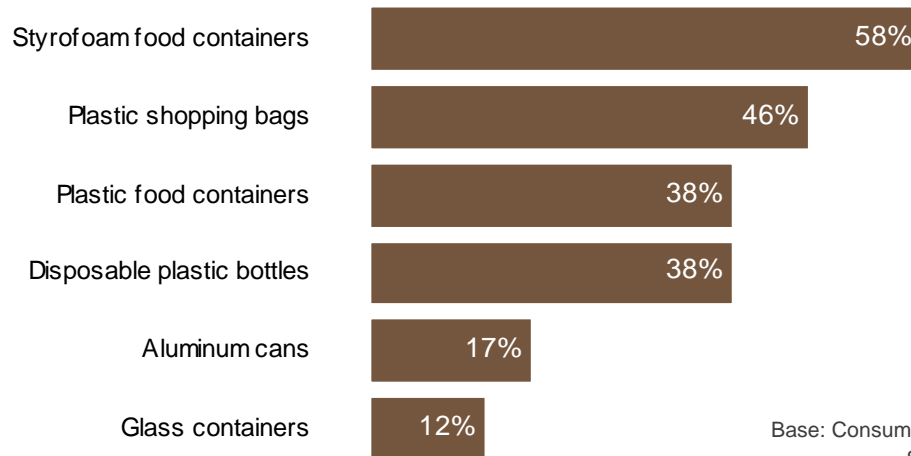


Importance of Packaging Materials

Top 2 Box*



Packaging Materials That Consumers View Most Negatively



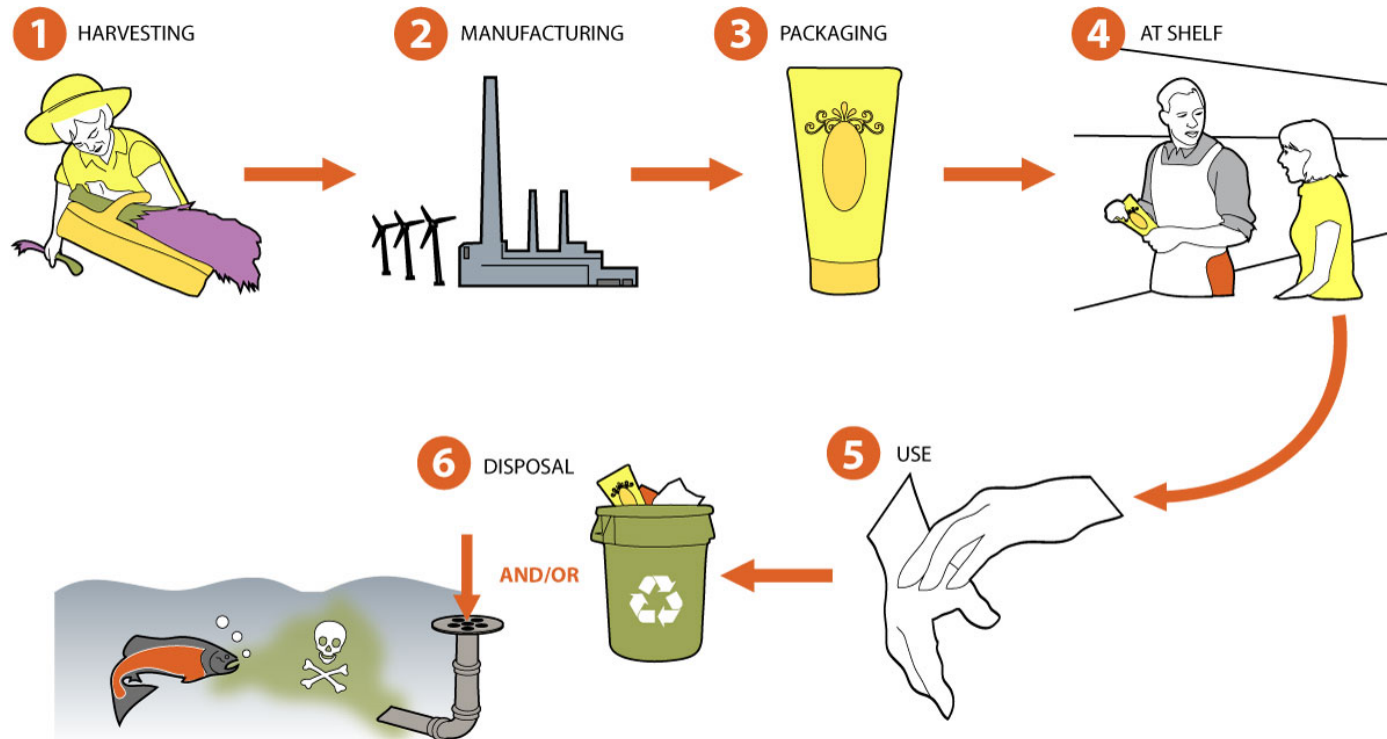
Base: Consumers inside the World of Sustainability (n=1,662)
Source: Sustainability 2008 Survey, Sept. 2008

Sustainability Trend:

There is a Growing Awareness of the “Social Life” of Products



Consumers are considering product distinctions based on production, consumption, and beyond





Final Thoughts—A Cultural
Approach to Strategy &
Innovation

Who really defines your categories?



Manufacturers and retailers no longer have exclusive control over the definition of product categories

The **broader consumer culture** defines how the category evolves



Key Take-Away: Strategies for growth require constant attention to how the broader consumer culture is continually re-defining your categories



Product categories live within broader cultural categories that continually re-define what quality means:

- **Cheese** is a category in the **Culture of Food**
- **Pants** is a category in the **Culture of Fashion**
- **Massage** is a category in the **Culture of Spas**

Our strategic analysis for clients always starts with Culture:



REIMAGINATION IS IN THE AIR

CAN YOU HEAR IT?

LISTEN LOUDLY.



ABOUT THE HARTMAN GROUP

The Hartman Group, located in Bellevue, Washington, blends leading-edge customized research and consulting to understand the subtle complexities of consumer and shopper behavior. Since 1989, Hartman Group has been listening loudly to the underlying motivations and behaviors that move the needle for our clients. To learn more about how Hartman Group stays sharply focused on how people live, shop and use brands and products visit:

www.hartman-group.com

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