U.S. Healthy Eating Trends Part 4: Store Brands Expand Healthy Offerings

February 2, 2010

Part 4 of 5 on Healthy Eating Trends and Myths

Tom Pirovano, Director of Industry Insights

U.S. retailers continue to make progress in offering store brand products with health claims relevant to shoppers looking for healthier food choices. Store brands flexed their marketing muscle in the health claims arena putting impressive growth numbers on the leader board in emerging, albeit smaller, trend areas such as ***genetically modified organism (GMO) free***, gluten free and absence of a specific fat. Store brands now comprise almost 40% of products with preservative claims, one-fourth of organic product sales, and nearly one-fifth of all products with natural and fat claims in food/drug/mass merchandise retailers.

Supermarkets have been quick to launch certified organic products with their own store brands. And in the natural food channel, research from SPINS shows that the natural food consumer will migrate to items that deliver natural product benefits and full flavor under a familiar retail banner.

The success of Topco’s Full Circle line encompassing more than 1,000 products in 90 categories, the 300 “O” Organics products and 200 Eating Right items speak to the potential of retailer brands throughout the store. More categories are soon to follow, based on the recent announcement that Sam’s Club plans on launching a private label Rue 33 premium French vodka, likely inspired by the success of rival Costco’s Kirkland label of vodka, scotch, tequila, wines and beer.

Conversely, store brand development lags with respect to the products with newer claims such as high fructose corn syrup free, with many retailers adopting a wait-and-see attitude to determine if a claim has “legs” or is merely the latest blip on the consumer trend screen.

Top Fastest Growing Health & Wellness Claims Among Store Brands 2009			
RANK	**Wellness Claim**	**Store Brand $ Sales**	**% Change vs. Year Ago**
1	***GMO free***	***$60.2 million***	***+67%***
2	Gluten free	$279 million	+62%
3	Absence of specific fat	$561 million	+53%
4	Lowers cholesterol	$3.7 million	+45%
5	Probiotics	$79.4 million	+39%
6	Calcium claim	$1.0 billion	+29%
7	Carb conscious	$60.7 million	+29%
8	No msg	$105 million	+29%
9	Omega claim	$153 million	+29%
10	High fructose corn syrup free	$13 million	+28%
11	Hormone/antibiotic free	$186 million	+27%
Source: The Nielsen Company			

Healthy Eating Trends

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- Part 2: Organic Enthusiasts Remain Loyal
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Tags: healthy eating, organic trends, organics, store brands, Tom Pirovano, value pricing

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U.S. Healthy Eating Trends Part 1: Commitment Trumps the Economic Pinch

January 26, 2010

Part 1 of 5 on Healthy Eating Trends and Myths

Tom Pirovano, Director of Industry Insights

Consumers in the U.S. might be trimming the fat from their budgets and diets, but contrary to predictions, they continue to demonstrate a healthy appetite for foods featuring health and wellness claims. From alpha (antioxidants) to omega (omega 3 fatty acids), foods touting the kind of heart-healthy, joint-buffering, free radical-extinguishing properties that appeal to aging Baby Boomers dominate the rapid growth list.

The big winners on the healthy eating front, each posting double digit growth, were products with label claims for omega, high fructose corn syrup free, antioxidants, gluten-free, probiotic, calcium, fiber and low glycemic and no salt/sodium added.

Health Claim	% $ Sales Growth From Year Ago
Omega Claim	+42%
Antioxidant	+29%
Gluten Free	+16%
Probiotic	+13%
Calcium Claim	+13%
Fiber Claim	+13%
Low Glycemic	+12%
No Salt/Sodium	+10%
Source: The Nielsen Company, Nielsen Strategic Planner, 52 Weeks ending 12/27/09 Total U.S. Grocery/Drug/Mass excluding Walmart	

Still champions

Many longstanding health claims maintained their popularity even as upstart health and wellness claims debuted on the healthy eating scene. Chief among them: products with fat claims—generating 2009 sales of $46.1 billion—slid a modest 3% vs. 2008 results. This dip was attributable in large part to milk, which contributes $11.5 billion to all fat-claim product sales. Even though milk unit sales remained relatively flat (-0.5%), lower prices dried up milk dollar sales, which ended the year down 16.7%.

Other popular claims holding their own included products labeled "natural," with $22.8 billion in annual sales representing 4% growth vs. 2008. The natural claim demonstrated real star power, outselling organics by more than a 4:1 margin in food, drug and mass merchandise retailers. Sodium claims—a $14.9 billion category dominated by soda products—kept its effervescence, recording no change in dollar sales over the last 12 months.

The "better-for-you" health movement to reduce saturated and trans fats resulted in a slender 1% uptick in products with an absence of a specific fat label claim—a $14.8 billion category. Products with a preservative claim still resonated with shoppers, resulting in a 1% sales gain to $14.5 billion. And that perennial favorite claim of "reduced calories" sold $11.7 billion in 2009, up 6% as consumers pursued the elusive goal of weight loss.

Category	$ Sales Growth From Year Ago	% Change YOY
All fat claims	$46.1 billion	-3%
Natural	$22.8 billion	4%
Sodium	$14.9 billion	0%
Absence of specific fat	$14.8 billion	1%
Preservative claim	$14.5 billion	1%
Reduced calories	$11.7 billion	6%

Source: The Nielsen Company, Nielsen Strategic Planner, 52 Weeks ending 12/27/09
Total U.S. Grocery/Drug/Mass excluding Walmart

Losing favor
"Lowers cholesterol"—one of the established knockouts among widespread health claims—lost ground in 2009. Dollar sales for all products featuring cholesterol claims dropped 5% to $10.6 billion. The uptick in effective statin drugs used to lower cholesterol may be a primary contributor to the decline in popularity—a trend to watch. If an equally effective weight-loss drug is ever developed, it may have a similar impact on "low-fat," low calorie and sugar-free products.

Hormone/antibiotic-free food claims—a $2.2 billion category—declined 2%, but with milk representing the largest contributor of hormone-free products, this finding is more a reflection of milk pricing than a shift in consumer preference. The low-carb movement was put on a diet, with sales dropping 5% in the $1.8 billion category as the popularity of the Atkins Diet continues to wane. And soy claim popularity dipped in both traditional food/drug/mass merchandise outlets (down 6% per Nielsen) and natural food channels (down 4.1% per SPINS).

Other claims that failed to gain traction included products with flax or hemp seed—a comparatively small category generating only $137million in traditional channels—showing a sales decline of 8%.

The pattern was reversed in the natural food channel, where flax seed sprouted a 1.2% sales increase and hemp products roped in 9.0% more sales than the prior year, according to SPINS. Although sales trends in the natural food channel may differ from mainstream retail channels, natural outlets may help marketers identify the newest trends in healthy eating. One such trend is Stevia, which has recently found its way onto the food/drug/mass sweetener aisle and into major brands. Can Kombucha—a fermented beverage made of tea and bacteria cultures—(up 18% / $6.7 million) in natural food stores be far behind?

Healthy impact
Savvy marketers understand that being part of a healthy lifestyle solution reflects positively on almost any brand—or retailer. Retailers can further leverage and deepen their relationship with

shoppers through programs ranging from Wii Fit exhibitions on-site to light cooking demonstrations and product tastings. With no shortage of news stories on child obesity, families will continue to seek out brands and retailers offering healthy alternatives.

Healthy Eating Trends

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- Part 2: Organic Enthusiasts Remain Loyal
- Part 3: Eating Healthy Doesn't Have To Cost More
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Tags: consumer trends, grocery, healthy eating, natural foods, organic food, organics, reduced fat, shopper management, shopping, Tom Pirovano

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U.S. Healthy Eating Trends Part 2: Organic Enthusiasts Remain Loyal

January 27, 2010

Part 2 of 5 on Healthy Eating Trends and Myths

Tom Pirovano, Director of Industry Insights, The Nielsen Company

It's the economy! Organics enjoyed stratospheric growth in four of the last five years, but the economic crunch took a bite out of that trajectory in 2009. U.S. dollar sales surged 132% between 2004-2008, building the organics category to more than $4.0 billion in food/drug/mass merchandise retailers, according to Nielsen. In 2008, organic dollar sales decelerated to 16% annual growth, expanding to $4.6 billion. That rate fell to the single digits in 2009, with organics sprouting a modest 2.1% gain for total sales of $4.7 billion in the food/drug/mass merchandiser channels.

The 2009 U.S. organic market size expands by an additional $1.5 billion when natural channel sales captured by SPINS are added to the equation, bringing the all-channel total to $6.2 billion. Mirroring the mainstream channel slowdown, organic sales lost pace in the natural channel as well, albeit to a lesser degree at 4.3%. This is thanks in large part to core loyalists who represent 20% of organic consumers and 80% of organic UPC-coded dollar volume in the natural channel.

Dedicated organic buyers will cross channel shop and purchase private label organics to sustain their lifestyle commitment. In another nod to the economy, organics fared better as house brands such as the Topco Full Circle and Safeway O Organics lines than branded offerings at higher price points. Increased availability and consumer acceptance of private label has expanded its share of organic sales to 24%.

In a survey by *The Packer*, a produce industry publication, almost 50% of consumers said they would buy organic fruits and vegetables if price was not an issue. The global nature of the economic crisis was underscored in a Nielsen study from Great Britain, where the percent of people who felt "it was worth paying extra for organic food" plunged from 27% to 18% between 2006 and 2009.

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U.S. Healthy Eating Trends Part 3: Eating Healthy Doesn't Have to Cost More

January 28, 2010

Part 3 of 5 on Healthy Eating Trends and Myths

Tom Pirovano, Director of Industry Insights

One common misconception heard frequently is that healthy eating has become too expensive—that the struggling economy has driven U.S. families to make poor nutritional choices. Using a wealth of scanned checkout data from food, drug and mass merchandise retailers, Nielsen monitors food sales trends to separate the truth from perceptions.

While the economy can be blamed for sales declines of some foods, there is overwhelming evidence to support that healthy eating doesn't have to cost more. In fact, the packaged food industry has made great strides on multiple fronts by adding more healthy nutrients, and removing saturated fats, calories and sodium from foods wherever possible, all while holding the line on costs.

Consider these facts:

- **Low-cost healthy alternatives are readily available.** Although organic foods often cost more than non-organic, supermarkets offer several healthy alternatives for a given food item at the same price. Consider diet sodas, low-fat dairy, light beer, low-sodium crackers, low-sugar cereals and oatmeal. Even the higher-priced natural food channel managed to hold overall price increases to just 1.4% for the year end 2009, according to SPINS.
- **Fast food "value" meals can't compete with supermarket pricing.** What you really get from a quick-serve restaurant is quick service. Convenience will save time, but not save money. Supermarket alternatives are often cheaper and healthier, but they take more time to prepare. For example, a $1 sausage biscuit from a drive-thru has 31% more calories and nearly 7 times more fat than TWO bowls of instant oatmeal with an average retail price of 31 cents per packet.
- **The lowest cost beverage solution is the most healthful.** With zero calories and 24/7 availability, water is still the least expense beverage in most homes. Sales of packaged beverages in U.S. food/drug/mass retailers exceeded $85 billion in 2009. Just think; the money saved by drinking tap water could bail out a bank.
- **It's not what we eat, it's how much.** Contrary to popular opinion, less is not always more—especially when it comes to counting calories. Eating less is always less expensive than eating more. And although no one ever likes to hear this, the most successful diets are the ones that involve less food.
- **Eating poorly almost always costs more.** Forget about the long-term medical costs of obesity. Healthy eating costs less right now and despite the economy, consumers are actively taking steps to improve their diets as evidenced by the double-digit growth rates for products with label claims for omega (+42%), high fructose corn syrup free (+29%), antioxidants (+16%), gluten free / probiotic / calcium claim (+13%), fiber claim (+12%), and low

glycemic / no salt or sodium added (+10%).

The real opportunity cost of healthy eating is convenience (and sometimes taste), not the dollars spent. Although preparing meals at home may take more time, it enables families to eat well without breaking their budgets, and afford the chance to spend quality time together at meals. And consumers are eager to make it work. According to Nielsen, amateur chefs drove cooking/health and healing book sales into the stratosphere with a 31% annual growth rate during a year when total book sales were down 3%. A hunger for knowledge had more than one million viewers tuning in to The Food Network during prime time and 11% of Internet surfers visiting food web sites.

Sometimes the benefits of healthy eating are more intangible, but equally important to physical and mental development and the family. Multiple independent studies drew a direct correlation between family meal time attendance, better nutrition and improved children's grades.

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U.S. Healthy Eating Trends Part 5: Nielsen Healthy Eating Index Debuts

February 2, 2010

Part 5 of 5 on Healthy Eating Trends and Myths

Tom Pirovano, Director of Industry Insights

For years, retailers, manufacturers and marketers have been clamoring for a single benchmark that would facilitate comparisons of healthy eating patterns by key regions and time periods. Although The Nielsen Company has frequently reported on healthy eating trends, most insights have been focused on individual characteristics or product claims like “organic” or “fat free.” The missing piece of the puzzle has been a single measure that includes a combination of several key healthy eating indicators across multiple categories.

By combining the sales of 13 healthy eating components relative to total (UPC-coded food sales), the Nielsen Healthy Eating Index can track healthy eating choices over time and monitor the impact of industry health and wellness initiatives. The index is calculated by adding supermarket sales for products with health claims on their label, like “natural” or “reduced calorie.” Sales are also added from some inherently healthy categories like fresh produce.

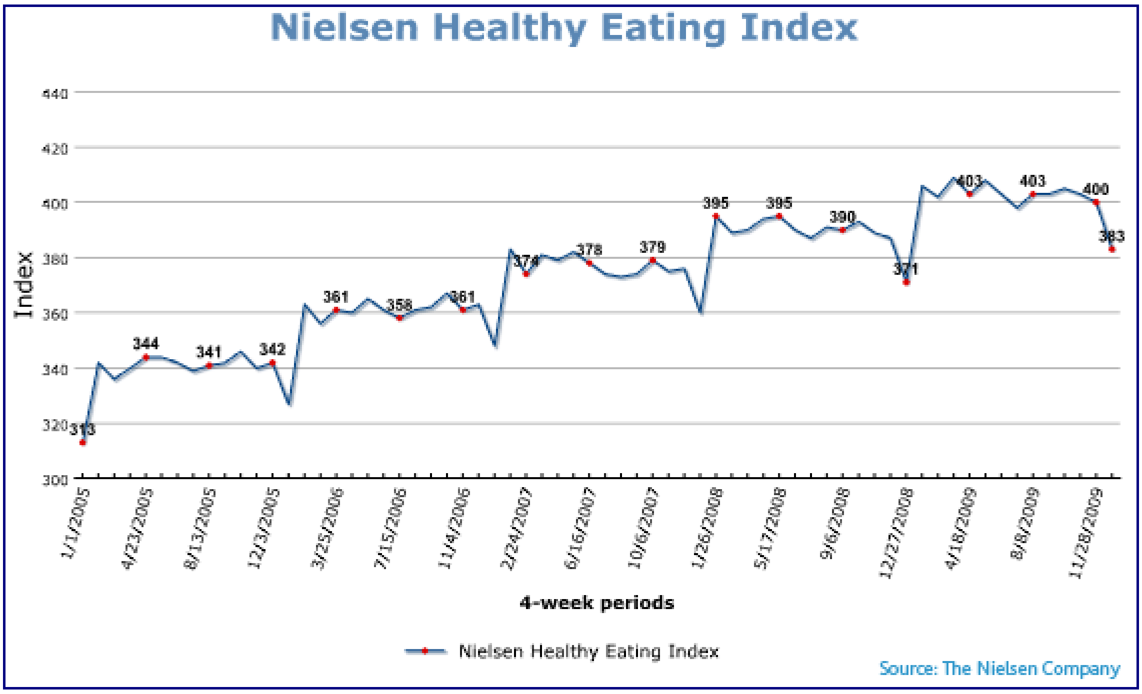
Adjustments are made to give more weight to key healthy eating indicators with relatively low sales like omega and antioxidant claims. Other health claims with strong sales like “reduced fat” and “natural” are given less weight to avoid having fluctuations in commodity prices adding volatility to the Index.

Some products with multiple health claims like bread labeled “organic,” “whole wheat” and “high fiber” are counted in each group. The total dollar volume of these products is then divided by total UPC-coded food sales to make sure the Index is not disrupted by severe changes in total food volume or pricing.

For example, the data below shows that dollar sales of foods making an “antioxidant” claim represent 4.1% of the Index based on dollars and a weighting factor of 200%. Products with “Fat” claims make the largest contribution to the Index – even when excluding milk sales and factoring by 50%.

Category or Claim	Contribution To Nielsen Healthy Eating Index
Fat Content Claim (Excludes Milk)	19.5%
Category: UPC-Coded Fresh Produce	14.9%
“Natural” Claim	11.3%
“Reduced Calorie” Claim	11.2%
“Whole Grain” Claim	9.7%
Sodium Content (Excludes Sodas)	7.4%
“Organic” Claim	4.8%
“Fiber” Claim	4.4%
“Antioxidant” Claim	4.1%
Category: Canned Vegetables	3.9%
Category: Frozen Vegetables	3.9%
“Omega” Claim	3.8%
Category: Dried Vegetables/Grains	1.1%
Source: The Nielsen Company, Calendar year 2009	

According to the Nielsen Healthy Eating Index, the U.S. is making progress on the healthy eating front, scoring 402 in 2009 vs. 389 in 2008. The chart below shows the seasonal nature of healthy eating habits across the U.S. You’ll notice that every year, consumers make unhealthy food choices over the holidays. Then in January, diets get back on track and healthy eating is a priority again. Another observation is that January seems to set the tone for healthy eating throughout the year. The month of September (back-to-school) is another time when Americans tend to make healthier food decisions.



The Nielsen Healthy Eating Index is a subjective approach to measuring healthy eating trends including better-for-you alternatives. It will allow both retailers and manufacturers to measure their efforts to promote healthier food choices. For more information on food and nutrition, visit the

American Dietetic Association at www.eatright.org. For information on USDA's dietary guidance and recommendations, visit www.mypyramid.gov.

Over time we expect to fine-tune the Nielsen Index based on the latest nutritional research available. Stay tuned to Nielsen Wire for more on this new metric. In the coming weeks, we will look at January healthy eating trends setting the pace for 2010. We'll also compare major U.S. markets using the Nielsen Healthy Eating Index.

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