Transparency and simplicity

THE NEW NORMAL IN PRODUCT DEVELOPMENT

Staying ahead of the curve in the drive for “clean label” products

Proprietary Research
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About the white paper

This White Paper is part of Cargill’s ongoing effort to help its customers gauge consumer sentiment about the foods and beverages they buy. To shed light on the “clean label” trend, Cargill, in partnership with Decision Analyst, conducted a proprietary quantitative survey of 302 U.S. grocery shoppers to gain insight on their perception of clean label products. The objective was to determine what ingredients they are seeking to avoid, to understand the language they use in talking about clean label products, and determine the degree to which they pay attention to ingredient lists and nutritional information on products. In this paper, we offer new insights on these consumers with context and substantive takeaways to help brands understand how these trends are shaping product development, packaging and labeling, and consumer buying decisions.

Research participant background

**Gender**

- Male: 45%
- Female: 55%

Average age: **47.1**

**Household size**

- 1: 40%
- 2: 30%
- 3: 20%
- 4+: 10%

Average size: **2.4**

**Children in household**

- 0: 31%

**Age**

- 18–29: 31%
- 30–39: 36%
- 40–49: 17%
- 50–59: 45%
- 60+: 55%

**Household size**

- 1: 31%
- 2: 40%
- 3: 10%
- 4+: 20%

**Dietary goals**

- Balanced nutrition: 57%
- Reducing sugar intake: 42%
- Weight loss management: 46%
- Consuming fewer calories: 36%
- None above: 17%
Executive summary

There is a lot of clamor about “clean label” these days. It has become a sweeping term encompassing a convergence of trends surrounding health, diet and sustainability of products that influence how some consumers think about and decide on the products they purchase. Because “clean label” has no agreed upon definition, it is difficult for manufacturers to determine how these various trends translate to the development of food and beverage products. The concept has gained so much relevance that many consumers are actually seeking out products positioned as “clean label” without having a strong idea of what the term means. Preferences are changing quickly, but there is now little doubt “clean label” is here to stay.

The market for products viewed as “clean label” has seen a substantial rise in recent years, with research firm Euromonitor estimating that global food sales will jump from $165 billion in 2015 to $180 billion by 2020.1 But despite the positive outlook, companies have been caught off guard, and are struggling to interpret the meaning of the confluence of trends. The list of concepts that consumers associate with “clean label” now encompasses everything from transparency and USDA organic to free-from artificial ingredients, non-GMO and even locally grown. What resonates depends on specific individuals. But the crux of “clean label” is that consumers are becoming more discriminating about the products they buy. Discerning shoppers are seeking out foods and beverages that meet their specific criteria, and they are willing to switch brands for products that do. Understanding where your product fits in the mix is critical.

“A SNAPSHOT OF THE FINDINGS

“Clean label” understanding is broad, not deep

Nearly 60% of the respondents say they are aware of “clean label” products but far fewer have a deep understanding of what the term means. But it doesn’t seem to matter. Nearly 8 in 10 say they are at least somewhat likely to seek out these products even though they aren’t certain what the term means. When prompted to define “clean label” products in their own language, respondents most often associate the term with ingredients, especially those that they perceive as “natural.” Smaller segments connected “clean label” with
products containing ingredients that they are familiar with and labels they can easily read and understand.

**Knowledge and awareness breeds more scrutiny**
Respondents who say they are aware of the “clean label” trend are more likely to look at labels to evaluate product ingredients. The category also typically means more to consumers who are nutritionally aware; seek to avoid certain ingredients; or say they have good to excellent eating habits.

**“Clean label” equals organic, fresh and familiar**
Organic certification is one of the qualities that consumers most frequently associate with “clean label.” Consumers also often connect the concept with products in the fresh-food section and those that contain familiar ingredients.

**Parents want “clean label” products for their kids, but price remains a factor**
Consumers often place an emphasis on “clean label” when it comes to products that are consumed by children. Other important product categories include dairy, nutrition bars/beverages, yogurt and cereal. Price premiums are still a sticking point for some, but nearly half of respondents now say they would pay a premium price for products made with familiar ingredients.

**An important brand opportunity . . .**
“Clean label” as an umbrella trend, has growing momentum so brands are wise to open a dialogue with consumers to better understand what the concept means to them. Consumers’ growing interest in ingredients and their origins will influence new product purchases. More than half of respondents said they are analyzing a product for its nutrition facts, front-of-package nutrition summary, ingredients and claims on the front of the package. That said, consumers are generally more interested in avoiding ingredients they do not like than seeking out those that bring a health halo, nutritional value or a “clean label” perception.
What makes a product “clean label”? 

Even though many shoppers have only a vague notion of what “clean label” means, the majority state they are seeking products with a “clean label.” Certain categories are particularly important, especially those products geared toward children and families. 

More than half of respondents have now heard the term but only one in ten is confident of its meaning. Younger respondents, age 18-49, are more likely to be confident in their definition of “clean label” than those over age 50. 

When prompted to define “clean label,” respondents focus on ingredients, especially those they view as natural and not artificial. Labels that are easy to understand are also important. 

Consumers most often define “clean label” as organic, but other closely associated factors include products found in the fresh food section and those made with familiar sounding ingredients. 

Among respondents who claim to know what “clean label” means, a combined 70% are either “extremely likely” or “likely” to seek out products that meet their definition of “clean label.” 

When asked about what “clean label” means to them, respondents most associated organic (68%) with having a very clean label. More than half of respondents also linked products that “contain familiar ingredients” with “clean label.” 

27% have heard of “clean label” and have a rough idea what it means while 43% have never heard of it.

48% define “clean label” as simple/natural ingredients.

Categories of interest 

Certain product categories are very important. High-attention products include foods consumed by children, dairy products, nutrition bars/beverages, yogurt and cereal.
Defining “clean label”

- 68% Organic
- 61% Found in the part of the store where I expect to find fresh foods
- 58% Contains only familiar ingredients
- 51% Made with ingredients that come from plants or animals
- 50% Found in a store where I expect products to have a clean label
- 48% Is a brand that I expect to have a clean label

Attributes *not* associated with “clean label”

- 55% Made with ingredients that sound like a chemical
- 52% Seems highly processed
- 45% Contains artificial ingredients
- 44% Contains GMOs
- 43% Contains artificial sweeteners
Consumers seek natural and fresh foods
Consumers in general have a growing negative perception of processed foods. In addition, they tend to feel strongly that some foods are more processed than others. These tendencies are prompting more than half of respondents to try to buy minimally processed foods. The penchant to do this is even more common among the respondents who say they are “clean label” aware.

Respondents most often associate chemical-sounding ingredients with processed foods, but long ingredient lists, and foods with artificial ingredients are also highly linked to processing. Ingredients with familiar sounding ingredients are least associated with processed foods.

Ingredients with nutritional value
Consumers are paying attention to “clean label” in . . .

- Foods consumed by children: 37%
- Dairy products: 29%
- Nutrition bars or drinks: 28%
- Yogurt: 27%
- Ready to eat cereals: 27%

Consumers are paying attention to “clean label” in . . .

- Candy: 24%
- Carbonated soft drinks: 22%
- Condiments: 17%
- Non-carbonated beverages: 15%
- Sweet baked goods: 15%

Pesticides, chemicals and artificial sweeteners prompt consistent avoidance of products, with more than half of respondents saying they tend to avoid products with such ingredients. Interestingly, sugar ranks lowest at only 32%, while it was noted as the most avoided ingredient in the open-ended responses.

69% seek out ingredients with nutritional value.
What we already know about “clean label” consumers

The “clean label” landscape is evolving, but overall data suggests that consumers are becoming more discerning about products they buy. For many shoppers, this means they avoid ingredients they perceive as undesirable. They are scrutinizing labels and making it clear that they will switch from brands they currently buy to those they perceive as having more transparency. Consumers overall want to place their trust in the brands they engage with, but there is a current lack of trust in brands.

“Clean label” awareness and knowledge

However, the overall picture of “clean label” consumers has not changed very much in the last couple of years. Their interest is growing but understanding is still vague.

“Clean label” evolution

While the picture hasn’t shifted dramatically, it is notable that 57% of respondents in this Cargill study said they now have some knowledge and awareness of the trend.

But what may be more historically intriguing is the confluence of trends around health and sustainability that are helping to bolster clean label attributes. The move toward health and taking a proactive approach to diet and wellness has been an important driver behind clean label. As consumers seek out preventive measures and change their diets for overall health, they have become

Importance of claim by income

<table>
<thead>
<tr>
<th>Income</th>
<th>Organic</th>
<th>GMO free</th>
<th>Hormone/AB free</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$20K</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;$100K</td>
<td></td>
<td></td>
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</tbody>
</table>

Importance of claim by generation

<table>
<thead>
<tr>
<th>Generation</th>
<th>Organic</th>
<th>GMO free</th>
<th>Hormone/AB free</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millennials</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gen X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baby Boomers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greatest Gen</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Clean label products are winning across the store
Categories seeing the highest dollar growth

<table>
<thead>
<tr>
<th>Category</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salty snacks</td>
<td>+1.9%</td>
</tr>
<tr>
<td>Candy</td>
<td>+11.7%</td>
</tr>
<tr>
<td>New Age beverage</td>
<td>+10.4%</td>
</tr>
<tr>
<td>Liquid coffee</td>
<td>+19.5%</td>
</tr>
<tr>
<td>Ice cream</td>
<td>+26.5%</td>
</tr>
<tr>
<td>Baked bread</td>
<td>+9.9%</td>
</tr>
<tr>
<td>Frozen entrées</td>
<td>+3.8%</td>
</tr>
<tr>
<td>Wholesome snacks</td>
<td>+3.4%</td>
</tr>
<tr>
<td>Yogurt</td>
<td>+3.7%</td>
</tr>
<tr>
<td>Cookies</td>
<td>+7.4%</td>
</tr>
</tbody>
</table>


much more aware and knowledgeable about how diet impacts wellness, the way products are made and how foods are processed. This has triggered the clean eating revolution.

There is also significant data suggesting that “clean label” as an overall trend means different things to different consumers, and especially among varying age demographics. Consumers under the age of 35 have been key in propelling the “clean label” movement. As a whole, young adults are well informed consumers who are starting their families and leading the way in buying products that are more healthful for them, better for their families and more sustainable for the planet. These consumers care more about transparency and clean label than their parents do and their spending power is on the rise.4

What’s more, younger consumers, especially those that are age 18–24 are most willing to support products that they perceive as “clean label” by paying a premium, even though they may have less disposable income.3

The momentum behind these lifestyle changes is becoming clear as sales of products that consumers perceive to be “clean label” expand to the mainstream consumer. (The Nielsen/Label Insights study groups “clean label” products into four segments “free-from, Clean [no artificial or undesirable ingredients] Simple and Sustainable). Sales of such products are no longer limited to natural food stores and specialty retailers.

93% of households have now purchased what they perceive to be “clean label” product at grocery stores.4
Simplicity and transparency are key

“Clean label” attributes are now of growing importance to product purchase, especially when consumers are considering products they have never purchased before.

The bad stuff trumps the good
The tendency to check an ingredient list is more often driven by the desire to avoid an ingredient than to seek one out. This pattern is true across all demographic groups and was especially high among those seeking to reduce sugar.

Front-of-package messaging is critical
Front-of-package messaging is more important than average for label-conscious shoppers, including those with good eating habits, respondents seeking to avoid certain ingredients as well as higher income shoppers.

Seven in 10 respondents are very likely to check the nutrition facts panel and the front-of-package nutrition summary.

Six in 10 respondents say they are extremely likely to check an ingredient list to avoid a certain ingredient.

Two-thirds of respondents are likely to review the front-of-package nutrition summary about an ingredient they are seeking to avoid.

Packaging matters
Using product claims like natural and organic, where appropriate, will be attractive to many label-conscious consumers. But be specific.
The reality at retail

Interest in “clean label” and ingredient avoidance is also prompting stronger tendencies among respondents in deciding where to shop. However, nearly two-thirds of respondents don’t realize that many stores, such as health food stores, natural grocers and even Whole Foods Markets, prescreen or vet product ingredients for “clean label” attributes as a service to their customers.

In-store product placement is another factor in product perception. Sixty percent of respondents indicate that they have a high “clean-label” association with items in the fresh-food section. That said, consumer perceptions aren’t fixed on specific types of food as being “clean label” or not. Refrigerated food has a greater association with “clean label” than frozen foods and foods that are found in the store interior.

But price is still a sticking point. Less than half of consumers say they are willing to pay a 10% price premium for items they deem to be “clean label”.

Most shoppers don’t realize that some stores screen ingredients lists for them to offer product with a cleaner label.

Agreement is much higher among those who know what clean label means and among those likely to check for a clean label (56% for both groups).

Willingness to pay more (extremely likely/very likely)

<table>
<thead>
<tr>
<th>Feature</th>
<th>Likely to pay more %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Made with familiar ingredients</td>
<td>46%</td>
</tr>
<tr>
<td>Less processed</td>
<td>42%</td>
</tr>
<tr>
<td>No preservatives</td>
<td>42%</td>
</tr>
<tr>
<td>No artificial sweeteners</td>
<td>41%</td>
</tr>
<tr>
<td>No artificial ingredients</td>
<td>41%</td>
</tr>
<tr>
<td>No GMOs</td>
<td>38%</td>
</tr>
</tbody>
</table>

While many seek out products with specific attributes, fewer are willing to pay a 10% premium for them. Products with zero calories were least likely to warrant a price premium.

Nearly half of shoppers say the desire to avoid an ingredient will impact their shopping location decision.

TAKEAWAY

GMOs hold a slight advantage.

Consumers do not show a high preference for No-GMO claims versus Non-GMO Verified Products. However, some shoppers do seek out—and will pay a premium for—products claiming they have No-GMOS.
The future of “clean label”

All signs indicate that the “clean label” trend will continue to grow and the food and beverage industry will have to evolve with it. Brands that have a strong understanding of their product’s niche and that open a dialogue to understand their customers’ “clean label” demand will maximize the success of their products.

Trust is paramount

As the “clean label” trend gains traction, building consumer trust will be paramount. In the search for foods and beverages that meet their “clean label” needs, many American shoppers will delve deeper into product labels, looking further down the ingredient list and researching how products are made with an expectation of transparency from the products and companies they support. Brands that take the opportunity to start the conversation to inform and educate consumers can maximize the success of their products as they reformulate or introduce products with label-friendly ingredients.

The future looks bright

Young consumers are the most likely to buy into and pay attention to terms like “organic” and “minimal processing.” As more of these shoppers start families, these attributes that are already important to them will reach a tipping point. Companies that offer transparency and a strong sustainability story and that view “clean label” as an important part of doing business will be ahead of the game.

To learn more about Cargill’s growing portfolio of label-friendly sweetener and texturizing solutions visit Cargill.com/labelfriendly.
Cargill developed a questionnaire with input from research firm Decision Analyst, which was responsible for overseeing the online, self-administered quantitative survey of 302 consumers, fielded in August 2017. The survey took 15 minutes and was fielded to a nationally representative sample of U.S. grocery shoppers.

After screening, participants were asked general questions about their likelihood of checking nutritional information on different parts of the package. Other topics included what foods and ingredients were avoided or sought out and the likelihood to pay more for foods with certain attributes.

Respondents were also asked in an open-ended fashion what “clean label” meant to them. They also answered rating questions about how much certain factors impacted their perceptions of a product having a clean label.

**Ethnicity**
- Caucasian/white 74%
- African American/black 17%
- Hispanic origin 11%
- Asian/Pacific Islander 5%
- Other 5%

### Where are they from
- Northeast 18%
- South 39%
- Midwest 21%
- West 23%

### Income
- $150,000 OR MORE 8%
- $100,000–$149,999 11%
- $75,000–$99,999 14%
- $50,000–$74,999 22%
- $35,000–$49,999 17%
- <$35,000 29%

### Education
- ADVANCED DEGREE 15%
- ATTENDED GRADUATE SCHOOL 5%
- GRADUATED COLLEGE/BACHELORS DEGREE 31%
- SOME COLLEGE OR ASSOCIATES DEGREE 24%
- TRADE/TECHNICAL 6%
- HIGH SCHOOL OR LESS 19%
References


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