

Consumer Trends: Analyzing Health and Wellness 'Superusers'

NEW YORK (AlixPartners) — Though they constitute just 26 percent of the population, Americans who spend over 40 percent of their food and beverage budgets on health and wellness-related products account for an outsized 61 percent of all spending in that lucrative sector, or more than \$161 billion annually. That's according to a new study, which includes a survey of 2,642 consumers, by AlixPartners, the global business advisory firm. However, says the study, winning over these health and wellness "superusers" will be extremely challenging as these consumers display a widely-varying willingness to pay more for some products, are often confused by product claims and labeling, and often shop in unexpected channels.

"This study addresses a very hot topic in food and beverage today - the dramatic growth in demand for health and wellness products - and it zeros in on the superusers in that market," said David Garfield, managing director at AlixPartners and head of the firm's Consumer Products Practice. "Health and wellness has become a key battleground for consumer products companies and retailers, and companies that can win over the market-making superusers will have a strong advantage."

Superusers, by the Numbers

At the highest level, the AlixPartners study finds that, compared with other consumers, superusers:

- Spend four times as much per month on health and wellness products (\$236 vs. \$52)
- Are 19% more likely to be female
- Are 31% more likely to have household incomes over \$100,000
- Are 57% more likely to possess post-graduate degrees
- Are 23% more likely to live west of the Rocky Mountains
- Are 43% more likely to identify themselves as health-conscious consumers
- Are 19% less likely to identify themselves as budget-conscious consumers
- Are 35% less likely to identify themselves as time-crunched consumers who don't have time to prepare meals

Perhaps predictably, the AlixPartners study finds that superusers spend more on fresh products than do other consumers. Specifically, it finds that on average they allocate more than four times as much of their monthly health and wellness-related expenditures on fresh fruits and vegetables (\$81.93 vs. \$19.12), more than three-and-a-half times as much on fresh meat and seafood (\$56.01 vs. \$15.58) and more than five times as much on dairy products (\$31.15 vs. \$5.65). However, it also finds

that superusers on average spend almost seven times as much on prepackaged foods (\$18.70 vs. just \$2.70); over five times as much on frozen foods (\$16.34 vs. \$2.90); almost five times as much on non-alcoholic beverages (\$12.99 vs. \$2.75); almost five times as much on prepared/ready-to-eat foods (\$10.50 vs. \$2.11) and over five times as much on snack foods (\$8.50 vs. \$1.61).

What Superusers Are Willing to Pay For

In terms of the health and wellness product characteristics that superusers say are important to them, a litany of attributes – from trans-fat-free to gluten-free – were cited. However, when polled on their willingness to pay more for those same attributes, the results varied widely.

For instance, while gluten-free is a growing category and one very much in the news these days, and while 17% of superusers in the survey indicate that gluten-free characteristics are “important” or “very important” to them, only 2% say they are willing to pay greater than 10% more for gluten-free products. That compares with 15% of superusers who say they are willing to pay greater than 10% more for locally-sourced products (with 65% indicating that locally-sourced products are “important” or “very important” to them).

“Certain product features are critically important in the health and wellness space and can often command a significant price premium, but the trick is knowing which features for which group of consumers,” said Garfield. “At the same time, of course, universal attributes such as taste, value and convenience will remain critical – as they are to the vast majority of consumers.”

Product Labels - Important, Confusing

One area of both opportunity and risk for consumer products companies in reaching food and beverage consumers of all kinds is in labeling, finds the study. Among other things, it finds that consumers don't seem to be impressed by claims on product labels based on either scientific studies or consumer studies. In the AlixPartners survey, just 16% and 11%, respectively, of consumers cited such label-claims as being “important” or “very important.”

Meanwhile, the survey also finds that 57% of consumers at large list the ingredient list as “very influential” or “extremely influential” in their food and beverage purchase decisions – highest of any option offered. However, at the same time, other results in the survey reveal that consumers are often confused about which ingredients are “good for you” or “bad for you,” and that there is considerable consumer confusion over what a lot of health and wellness product labeling information actually means.

This confusion is especially acute around “organic” and “non-GMO” (genetically-modified-organism) products. For instance, although genetically-modified products have been front-page news many times in recent years and although 53% of those in the AlixPartners survey said “free of GMO ingredients” fits their definition of a “natural” product, almost a third (31%) of those surveyed were unable to accurately

define the meaning of the term “GMO.”

Meanwhile, the survey finds that consumers are also confused by scientific names on ingredient lists mandated by government labeling guidelines. For example, almost all (94%) of consumers in the AlixPartners survey say that vitamin B12 is “good for you,” but only 9% have the same view of cyanocobalamin, even though they are the same thing.

According to the AlixPartners study, consumer products firms also face consumer confusion, and therefore labeling risks, around ingredients that are predominantly viewed by consumers as “bad for you.” The AlixPartners survey identified 11 key ingredients that consumers felt were bad for them, led by high-fructose corn syrup (picked by 85% of those surveyed), trans fats (85%), MSG (85%) and saturated fats (84%).

“Increasing emphasis is being placed on product label transparency, and consumers are saying they want more information,” said Jonathan Greenway, a director in AlixPartners’ Consumer Products Practice. “At the same time, many consumers remain confused by unclear standards for product attributes such as GMO, by scientific ingredient names and by the health impact of everyday ingredients.”

Preferred Channels - Not Just Health Food Stores

While superusers, perhaps also not surprisingly, are far less likely to spend on health and wellness products in the dollar-, drug- and convenience-store channels, the AlixPartners survey finds that traditional grocery stores are capturing no less than 43% of that spending. That’s a higher percentage than mass retailers (such as Walmart and Target), at 17%; club stores (such as Costco and Sam’s Club), at 12%; and large health food stores (such as Whole Foods or Trader Joe’s), at 16%. In dollar terms, that equates to superuser spending on health and wellness products of \$101.94 per month at traditional grocers, \$39.37 at mass retailers, \$38.51 at large health food stores and \$29.04 at club stores.

The AlixPartners survey shows that older consumers, in particular, tend to buy their health and wellness-related food and beverage products at traditional grocery stores, with shoppers 48 to 66 years old spending 47% of their health and wellness budget in that channel. By comparison, shoppers aged 18-24 purchase only 31% of their health and wellness products from traditional grocers. Meanwhile, the survey also shows that consumers whose households earn more than \$250,000 annually tend to shop more heavily in club and large health food stores (14% and 21% of their monthly budgets, respectively). And it finds that customers with annual household incomes of less than \$29,999 buy their health and wellness-related food and beverage products more heavily from the mass channel (31% of their monthly budgets).

“These trends point to continued pressure on traditional grocers and highlight the channel diversification of health and wellness spending,” said Richard Vitaro, a director in AlixPartners’ Consumer Products Practice. “At the same time, large

health food stores are attracting more than their overall market share of superusers as well as Millennials.”

What Companies Can Do

With food and beverage accounting for roughly three-quarters of all spending in health and wellness today, the AlixPartners study concludes with a list of recommendations for companies seeking to capture a larger share of spending in this space. Chief among them:

- Be keenly aware of consumers’ willingness to pay more for certain product features, and of exactly how much they’re willing to pay – because that amount can vary widely
- With cost parameters in mind dictated by what consumers are actually willing to pay, be intensely aware of what ingredient formularies will generate optimal consumer pull, and integrate those insights into the product development pipeline as well into packaging innovations
- Use product labels to highlight those attributes for which consumers are willing to pay more – but be wary that especially with today’s lack of regulatory clarity in this area comes litigation risk (and that consumers are increasingly taking companies’ health and wellness claims to task through lawsuits and other means)
- Be aware of which channels health and wellness consumers are using today and which they may use in the future – and fine-tune packaging, distribution and marketing to those distinct channels.

“Consumer products companies in general and food and beverage companies in particular have a game-changing opportunity with today’s growing interest in health and wellness,” said Garfield. “But to take full advantage of it, companies are going to need to be very granular in their understanding of what these consumers really want and are willing to pay for, how to attract their attention and win their trust, and how best to reach them when and where they want to shop.”

About the Study

Eat Well, Drink Well: Capturing the Health and Wellness Superuser in the Food and Beverage Sector includes a survey of 2,642 adult (age 18 and older) Americans. Respondents were representative of the U.S. population across key demographics and income ranges. The study also included an in-depth analysis of the survey results, plus other analysis and input by AlixPartners.

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