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ORGANIC AND BEYOND 2020

Methodologies

Quantitative

Nationally representative online survey:

- n=2,289 U.S. adults (aged 18–74), primary household grocery shoppers
- Conducted January 2020
- Topics: Associations with “organic” and “natural”; purchasing and key attributes by category; barriers to purchase; related topics such as GMOs, glyphosate; shopping channels; restaurants; future of organic and emerging trends

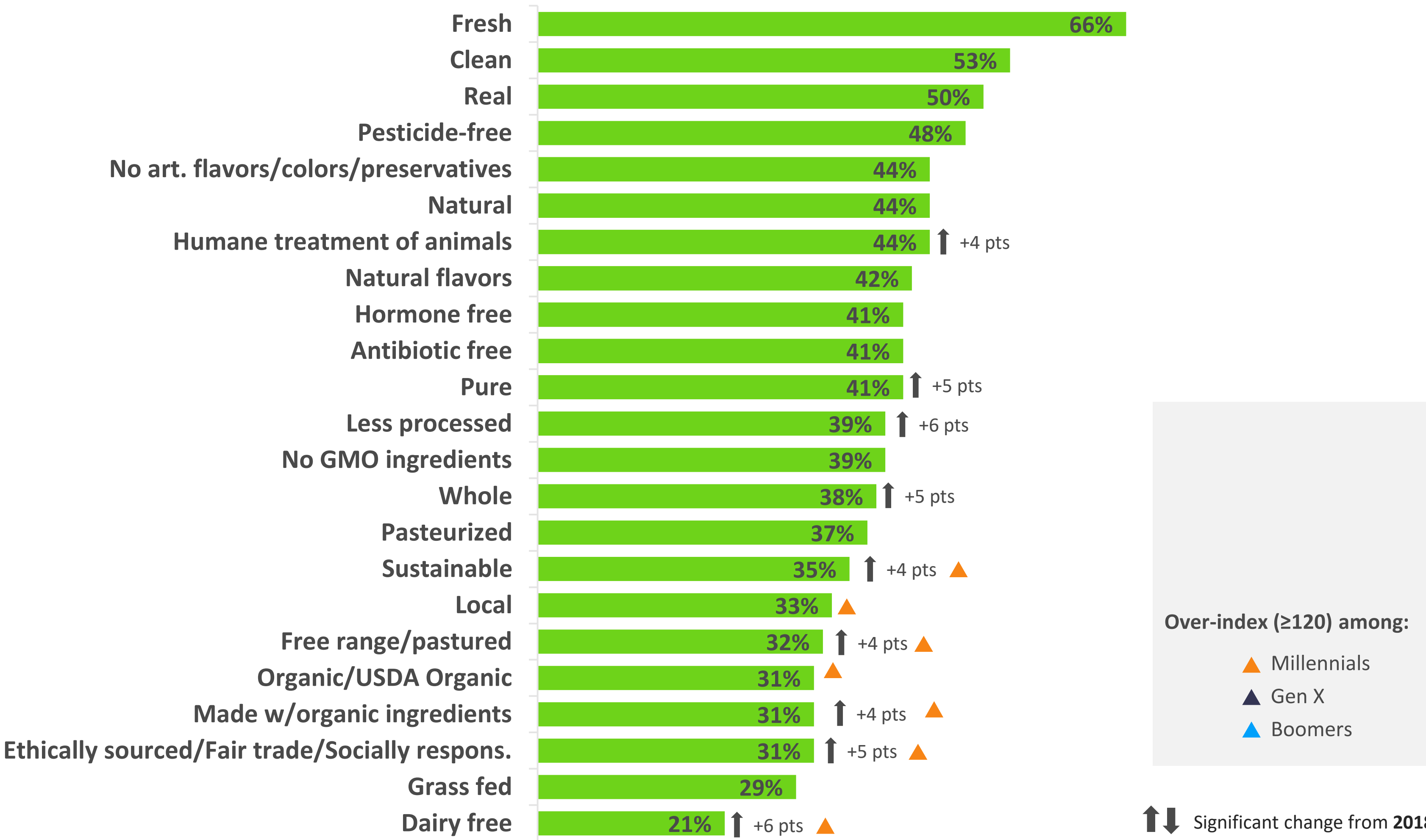
Qualitative

In-depth methodologies:

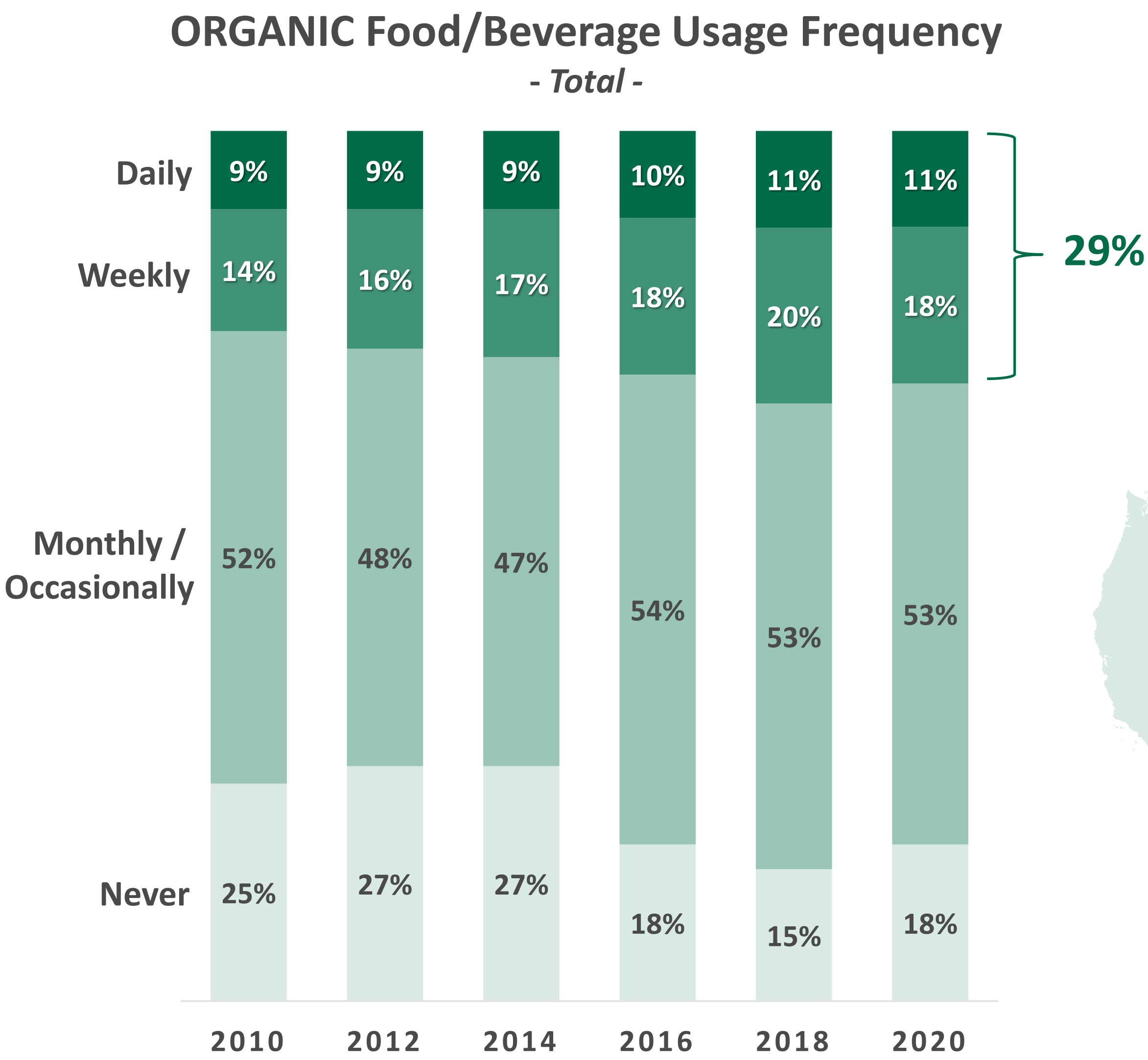
- Mobile ethnographies: 5-day immersive engagement via a virtual platform
- In-home ethnographies/homework on organic shopping/products
- Participants represent mix of engagement levels with organic and natural products
- Mix of age (Millennial, Gen X, Boomer), gender, ethnicity, income, presence of kids and geographic region

Consumers seek implicit and explicit signifiers of fresh, real food

Which Labels are Important When Shopping?
- Total -



Consumer use of organics holds steady with over a quarter of consumers reporting using organics at least weekly



Americans spent

$47.9 billion

on organic food and beverages in 2018—over double the $21.3 billion spent in 2009.

Hartman's World of Organic segmentation helps explain consumer variation in attitudes and behaviors surrounding organic

Core

Organic Purchases	36%
Natural	33%
Conventional	31%

Inner

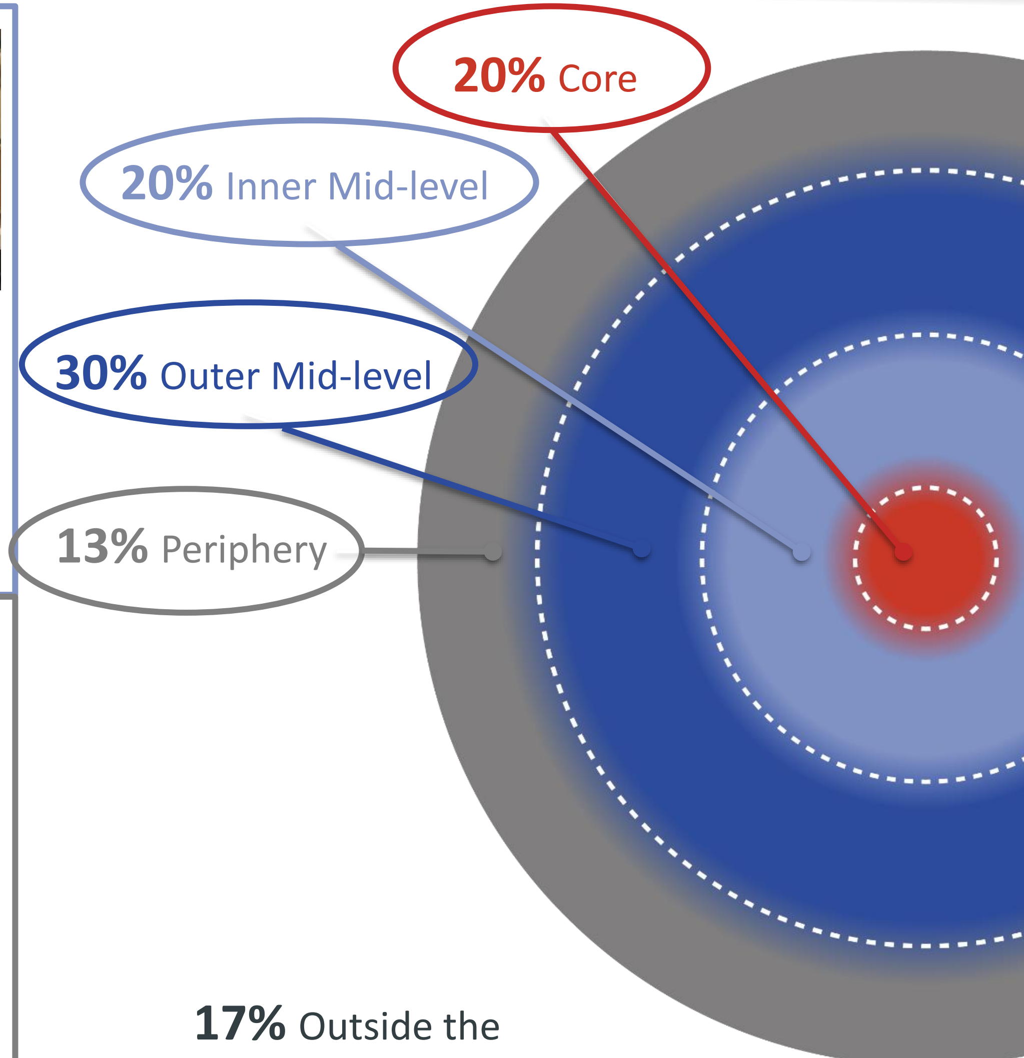
Organic Purchases	27%
Natural	29%
Conventional	44%

Outer

Organic Purchases	20%
Natural	26%
Conventional	54%

Periphery

Organic	10%
Natural	17%
Conventional Purchases	72%



17% Outside the World of Organic

Understanding the key consumer drivers of organic is the tool to reinforcing consumer trust

Key Consumer Drivers of Organic

Health & Wellness

Quality

Sustainability

Contributing factors:

Health & Wellness

- Avoid “chemicals”
- Perception of greater nutritional value
- Holistic view of diet
- Connect personal health to greater good

Quality

- Culinary and freshness associations
- More care and thought has gone into production
- It “just tastes better”
- Availability and access

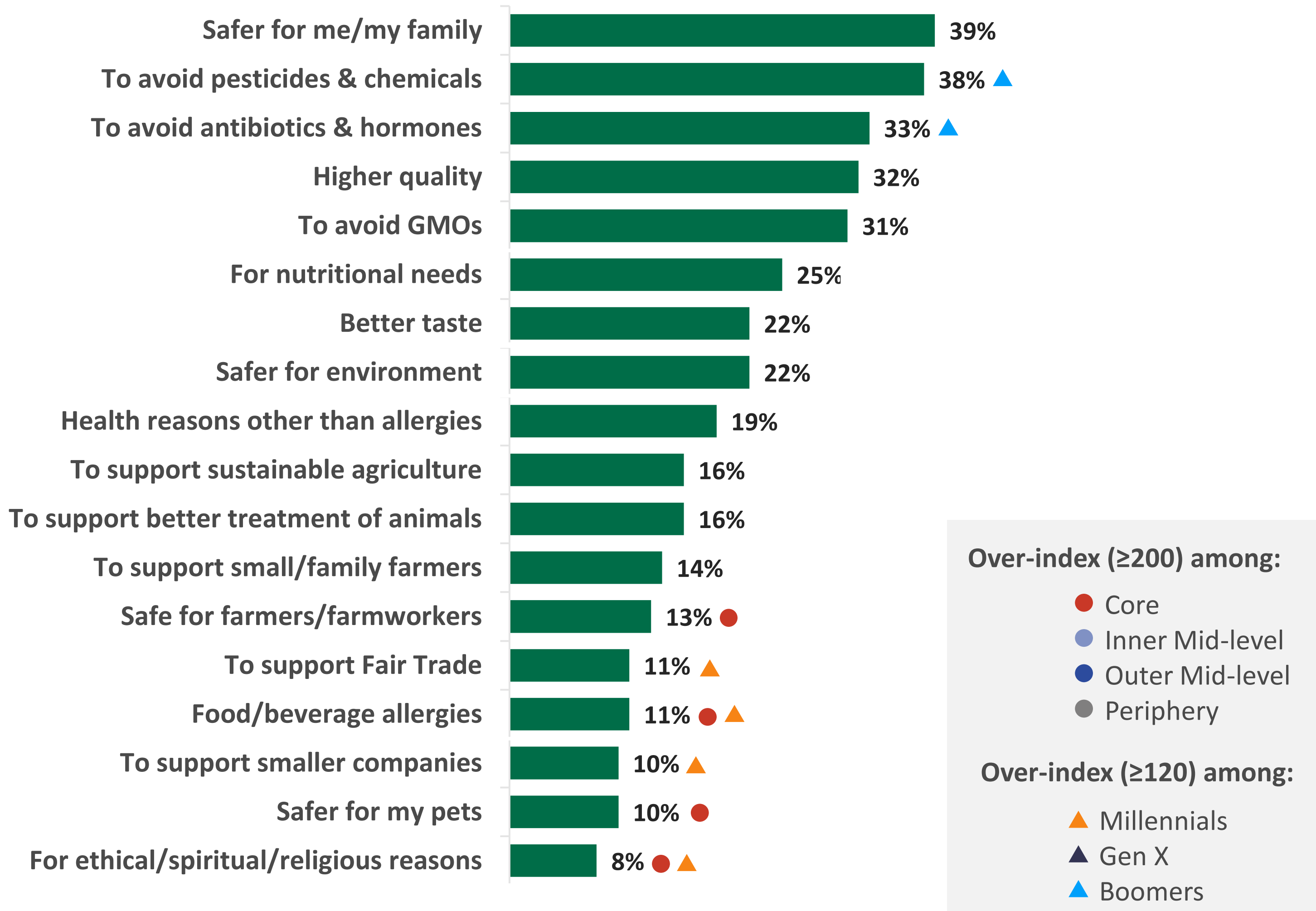
Sustainability

- Mitigate global warming
- Reconnect with local food system
- Improve animal and worker welfare
- Increasingly mainstream

The free-from health and safety associations consumers have with organic continue to be compelling purchase motivations

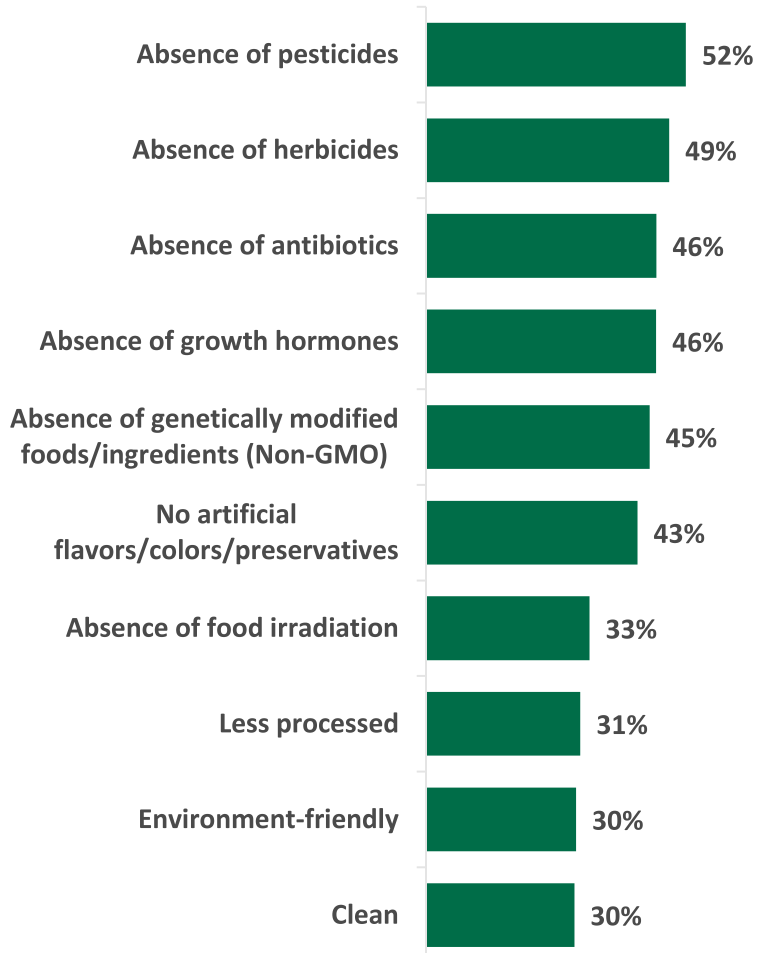
Reasons to Buy ORGANIC Food & Beverages

- Organic Purchasers -

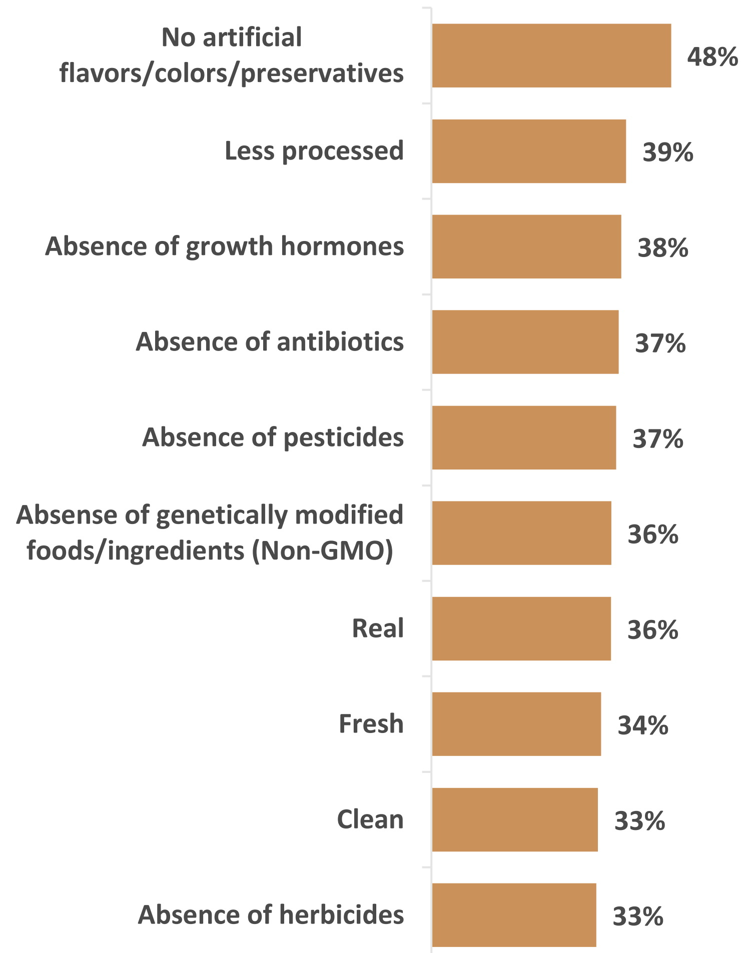


Organic is most associated with growing methods while natural is more aligned with processing/production methods

Top 10 Associations With Term ORGANIC
- Total -



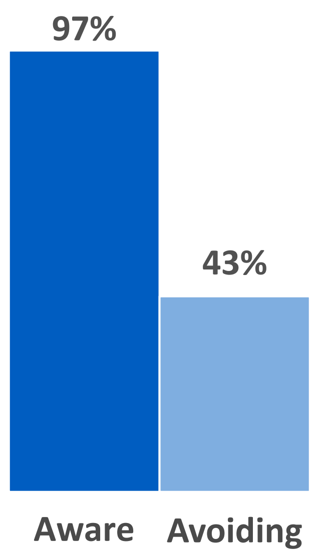
Top 10 Associations With Term NATURAL
- Total -



In addition to organic, consumers continue to consider GMO status, and familiarity with the Non-GMO Project Verified Seal is growing

Awareness and Avoidance of GMOs

- Total -

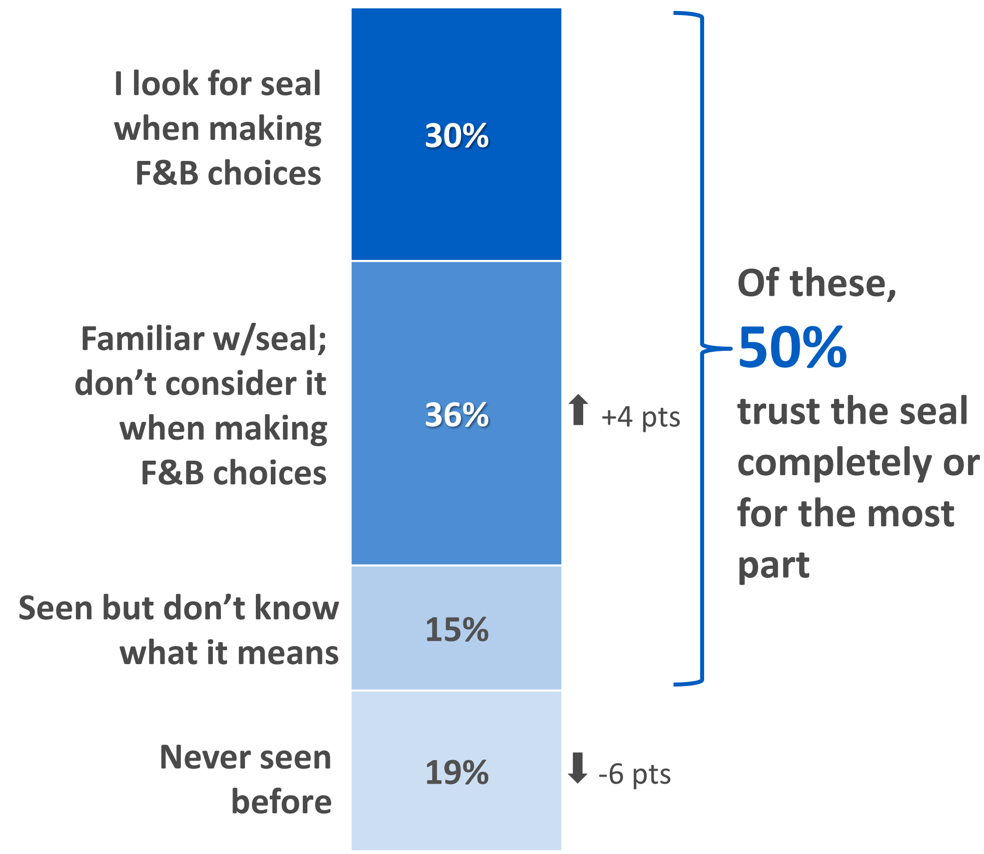


I **understand the science behind GMOs** but would rather not be a **test subject** for GMO agriculture.

– Millennial, Female

Familiarity W/Non-GMO Project Verified Seal

- Total -

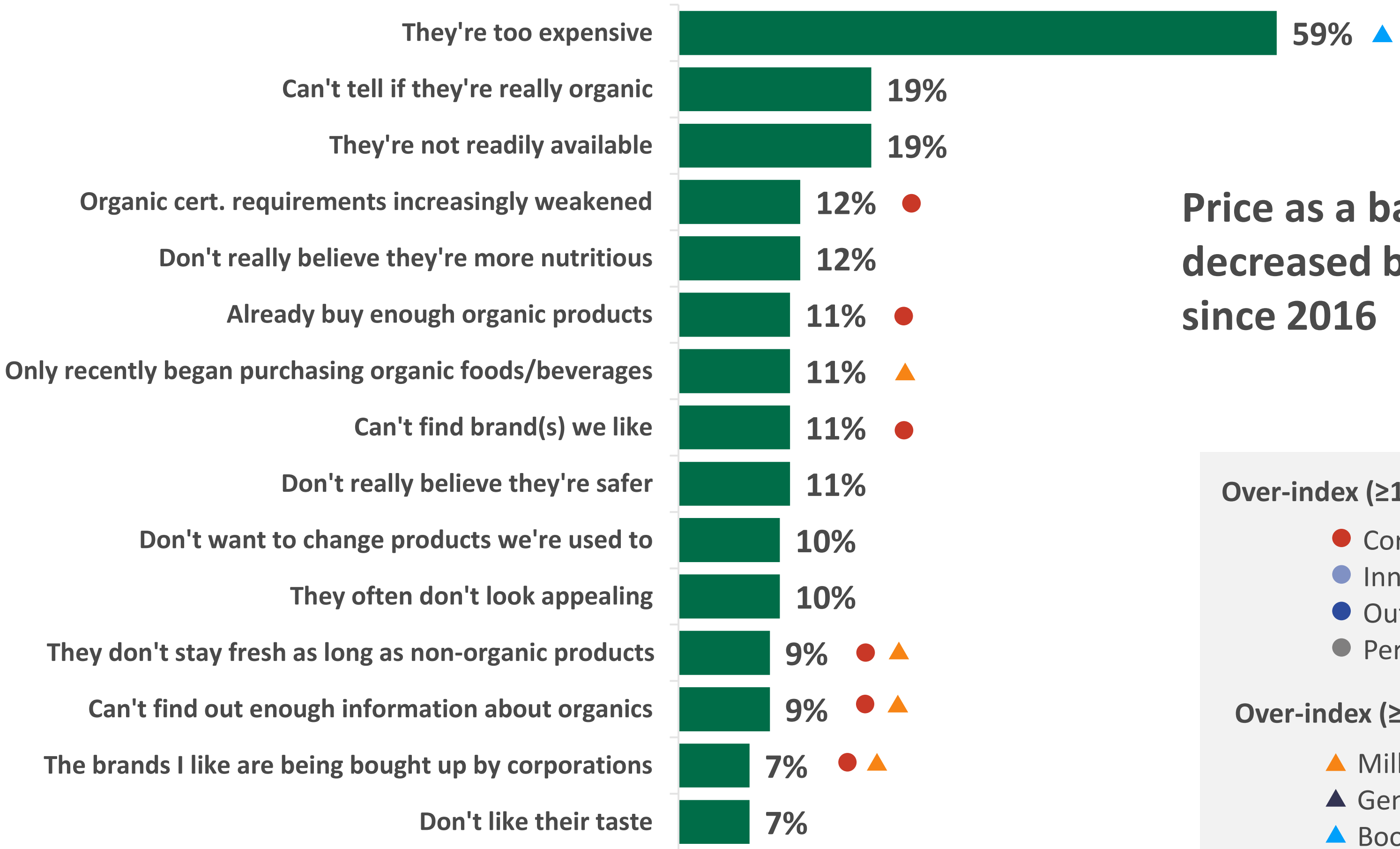


Significant change from **2018**

While quality cues associated with organic and similar distinctions are important, these still must be balanced with pragmatic considerations

BARRIERS To Buying MORE ORGANIC Food/Beverages

- Organic Purchasers -



Price as a barrier has decreased by 11 pp since 2016

Over-index (≥150) among:

- Core
- Inner Mid-level
- Outer Mid-level
- Periphery

Over-index (≥120) among:

- Millennials
- Gen X
- Boomers

Most consumers wish that organic regulations were more stringent when it comes to animal welfare

78%

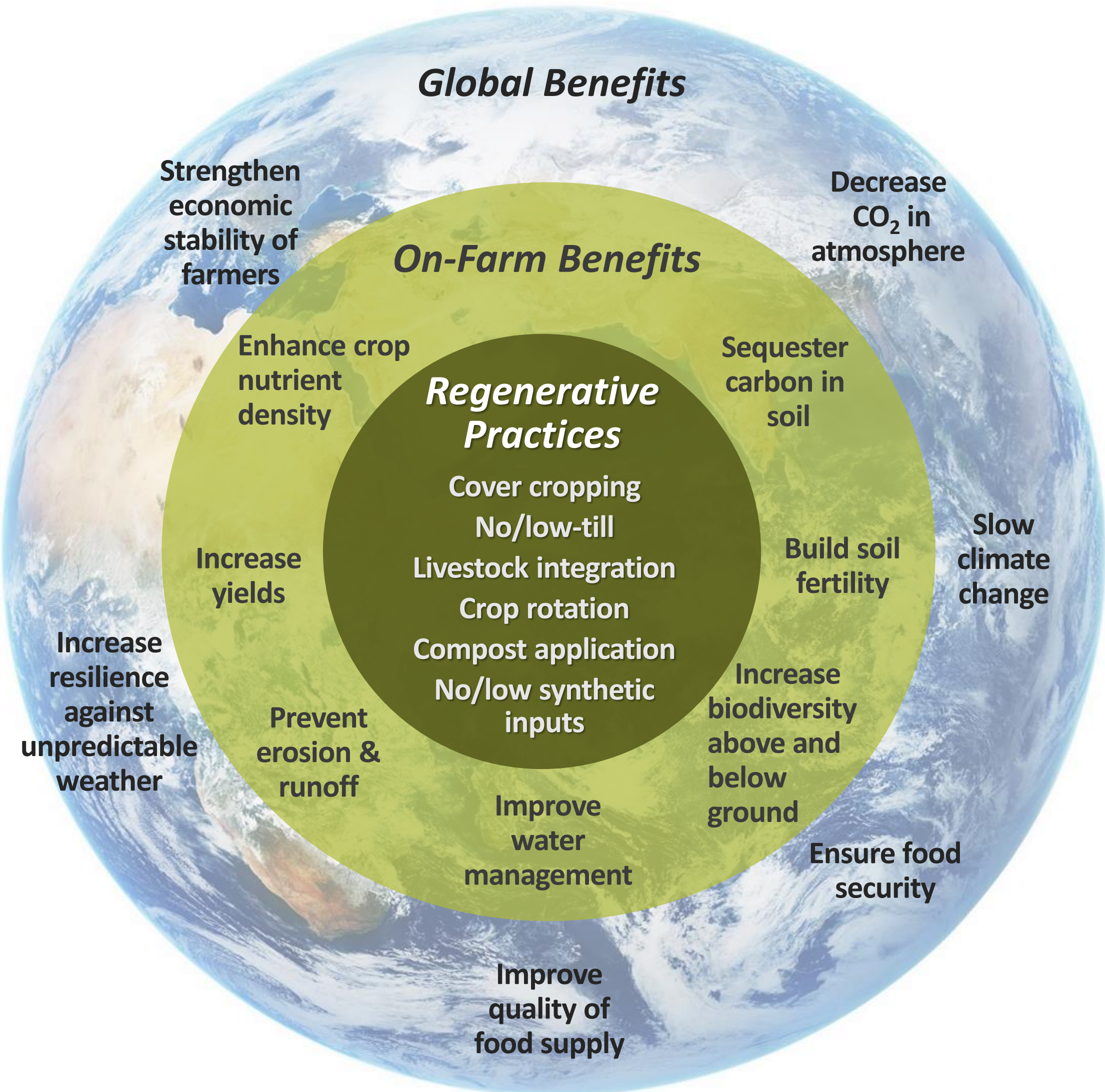
would prefer more stringent ***animal welfare*** requirements for USDA organic certification

What's important when shopping?

- **44%** humane treatment of animals ⬆ (+4 pts)
- **41%** antibiotic-free
- **41%** hormone-free
- **32%** Free range ⬆ (+4 pts)

⬆⬇ Significant change from **2018**

As consumers look "beyond organic", regenerative agriculture is on the horizon



Regenerative Certifications

Regenerative Organic Certification:

- Soil health & land management
- Animal welfare
- Social fairness

Regenerative Organic Certified™

Soil Carbon Initiative

- Soil health & climate change
- Conventional or organic

SOIL CARBON INITIATIVE

The language and practices of regenerative agriculture make it accessible to a broader range of consumers than its predecessors

	Biodynamics and permaculture	Regenerative agriculture
Characteristics	• Esoteric language • Abstract goals: create a vibrant ecosystem • Holistic approach: system adopted as a whole	• Scientific language • Concrete goals: build soil and sequester carbon • Modular approach: individual practices can be implemented
Likely consumer resonance	• Accessible mainly to the most engaged Core consumers • Weak among other segments	• Growing interest among Core and Mid-Levels
Consumer reactions	I've been to a biodynamic farm and it's so impressive what they do… the concept of how they do everything was **so difficult and so interesting**. ***– Boomer, Female***	The idea is there—it's **easy for people to grasp**. And it seems to be something that has a bit of a bite at the moment, and in a way that is moving things a bit beyond organics. ***– Gen X, Male***

As consumers increase their share of organic purchases beyond fresh items, they expand into more convenience-oriented and packaged foods

Why start buying organic?

Limit exposure to pesticides

I started with things that I consume **most, in the largest portions**… especially those on that **Dirty Dozen** list.
– Gen X, Male

Caring for others

Organic is equally or more important when feeding my son; his young body is developing, growing.
– Millennial, Female

Taste

I was told by store employees that [organic fruit and eggs] are **better quality** and **tasted better**. I found that to be true.
– Gen X, Female

Fewer Categories Purchased → **More Categories Purchased**

FIELD & FARM

Produce, meat & dairy

FRESHER EATING

Fresh perimeter, home meal prep, "better" snacks, "fresher" beverages

EVERYDAY PACKAGED

Beverages, processed meats/produce, dinner components, traditional snacks & treats

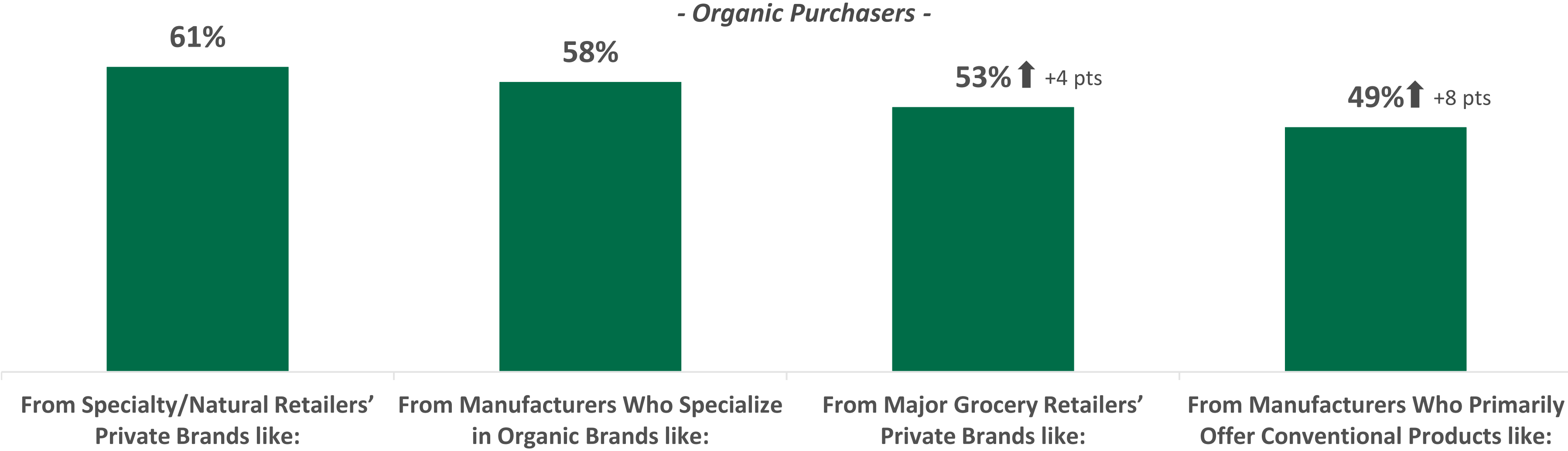
CONVENIENCE & INDULGENCE

Frozen convenience, indulgent items

Consumer trust in organic brands is already high for specialty retailers and manufacturers, and rising for others

Trust in Organic-Brand Types
(Completely/For the Most Part)
- Organic Purchasers -

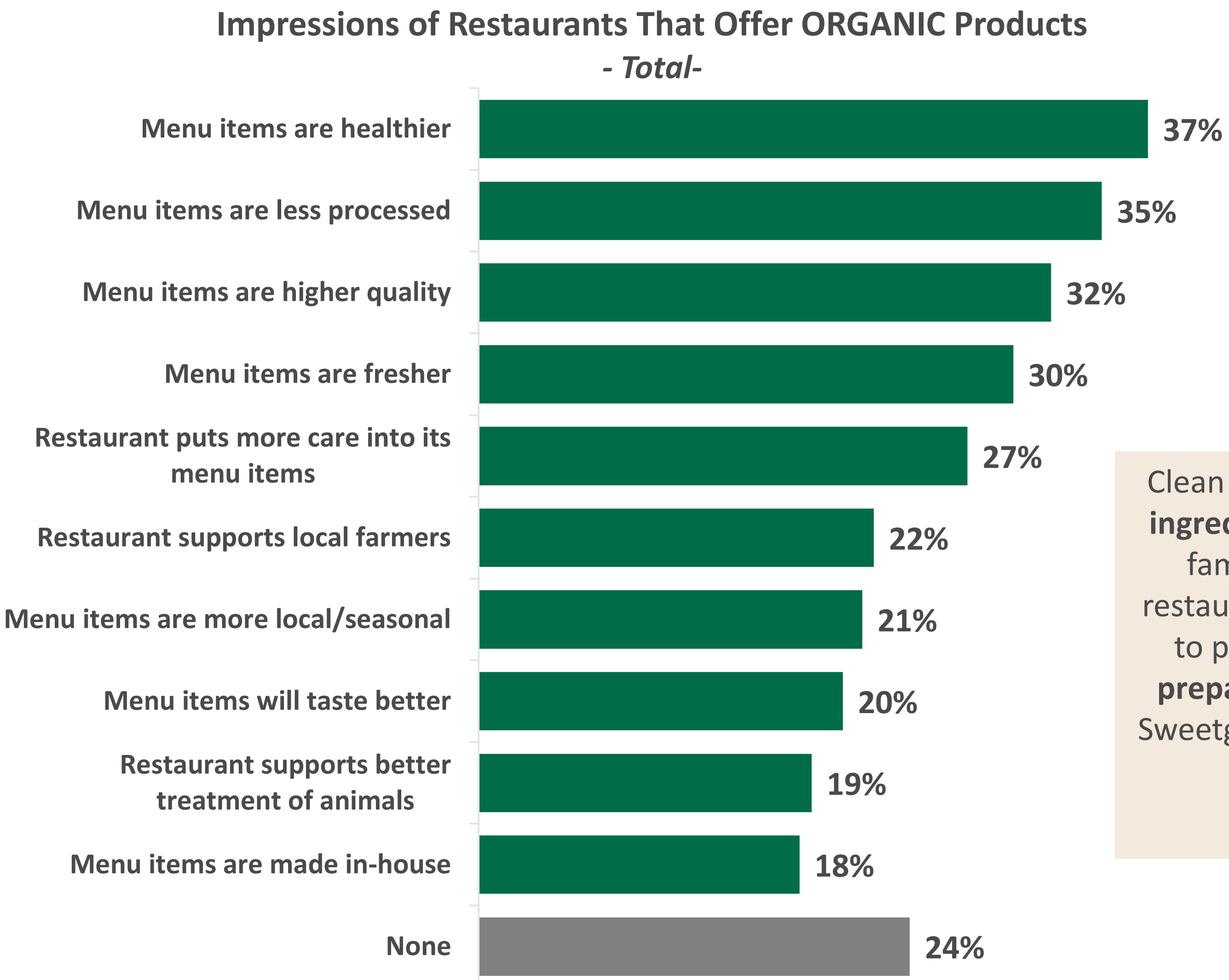
⬆⬇ Significant change from **2018**



From Specialty/Natural Retailers' Private Brands like:	From Manufacturers Who Specialize in Organic Brands like:	From Major Grocery Retailers' Private Brands like:	From Manufacturers Who Primarily Offer Conventional Products like:
Whole Foods *365 Organic*, Thrive Market	Organic Valley, Amy's Kitchen	Safeway's *O*, Kroger's *Simple Truth*	Gerber, Mission
Trader Joe's, Sprouts Farmers Market	Annie's, Arrowhead Mills	Target's *Simply Balanced*, HEB's *Organics*	Quaker, Dole

Online purveyors of organic are also rapidly gaining momentum

Organic items or ingredients at restaurants can heighten impressions of health, quality, and freshness



> Clean food, for me, is using **whole ingredients** and knowing or being familiar with the **source**. For restaurants, it often requires going to places where you **see them preparing your food** for you, like Sweetgreen or a restaurant with an open kitchen.
>
> ***– Gen X, Female***

Implications

Continued Strength

The organic market remains strong and continues to grow, albeit at declining rates.

H+W and Sustainability Converge

Health & Wellness continues to be a central driver of organic purchasing, but Sustainability is quickly emerging as another key driver—particularly in terms of forward-looking trends.

Pushing Beyond Organic

Some consumers express doubts about organic certification and are looking for additional assurances. A genuine commitment to improving soil health, animal welfare and worker rights are starting to resonate more strongly and regenerative agriculture may be the answer.

Context Matters

Not all categories and types of products are equally important when it comes to organic; occasion and frequency of use figure prominently into consumers' considerations around when organic is important.

Retailer as Curator

With retailers playing an important role in how consumers access and interpret organic and natural products, their position is a strong one, especially in the arena of private label offerings.

Thank You!

For more information about purchasing the full Organic and Beyond report, please contact me at:

laurie@hartman-group.com

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ABOUT THE HARTMAN GROUP

The Hartman Group is the premier food and beverage consultancy in the world. Companies and brands across all segments of the food and beverage industry benefit from our unparalleled depth of knowledge on consumers, culture, trends and demand-side market strategy. We listen closely to understand our clients' business challenges and tailor solutions that deliver transformative results. Through a unique suite of integrated custom, primary research capabilities, market analytics, and business strategy services, we uncover opportunity spaces and avenues for growth. We deliver more compelling insights that fuel inspiration and ideas for innovation.