



LABELINSIGHT



# How Consumer Demand for Transparency is Shaping the Food Industry

The 2016 Label Insight Food Revolution Study



# Executive Summary

If brand loyalty of consumers toward food products is not officially dead, it may indeed be on life support. Gone are the days of loyalty to food brands based on name recognition or marketing dominance. As mobile technology and ubiquitous connectivity have created an expectation among consumers for on-demand, specific information about everything from medicine, to sports, to child psychology, their ability to access and curate detailed food product information has not kept pace. And yet, consumers' awareness of, desire and need for this exact information has only increased as technology has advanced this expectation. This is the new landscape of loyalty, where brands that can meet consumer expectations for product information, delivered instantly via digital channels, will create a new dynamic of trust, convenience and long term value.

What, then, do we know about consumer preferences and expectations for product transparency, and how important is it exactly for brands to provide?

To explore this, Label Insight surveyed more than 1,500 consumers to determine how they make food choices, shop and what they expect from brands when it comes to product information. The survey results indicate that the vast majority of consumers value product transparency and consider a wide array of information about a particular product before making purchase decisions. The study also found that, for the most part, consumers today do not trust the way brands are currently providing them with this crucial information.

In fact, consumers value and expect this transparency so much so that more than a third (37 percent) say they are willing to switch brands if their current brand

does not provide them with the product information they seek. In an industry where growth depends heavily on fostering loyalty and acquiring market share, this finding presents a significant opportunity for food and beverage brands to create a competitive advantage.

By prioritizing full product transparency, brands have an opportunity to acquire new customers and more importantly, keep them.

The 2016 Label Insight Food Revolution Study confirms that we truly are in the midst of a food revolution. It reveals key insights into consumer preferences for information about the food they're consuming, as well as their openness to using innovative digital channels to access this information. This report discusses the key findings from our research, appended below, and offers concrete advice for brands looking to improve product transparency and foster long-term customer loyalty.

# Key Findings



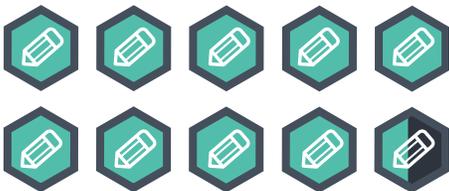
## Consumers do not trust the way brands are currently providing product information

75 percent of respondents say they do not trust the accuracy of food labels.



## Consumers are confused about the ingredients in the food products they purchase

35 percent of respondents admit they are sometimes confused by what the labels on food packages are actually saying.



## Consumers want more product information in order to make informed purchase decisions

Nearly all respondents (94 percent) say it is important to them that the brands and manufacturers they buy from are transparent about what is in their food and how it is made.



## Consumers expect brands to provide complete and accurate product information

67 percent of consumers believe it is the brand or manufacturer's responsibility to provide them with complete product information.



## Most consumers grocery shop with specific diets in mind

More than half of the survey respondents (53 percent) say they shop according to a specific diet.



## Product transparency influences purchasing decisions

71 percent of consumers consider whether they have access to the full list of ingredient information for a product when making food purchase decisions.



## Brands have an opportunity to gain market share by providing increased transparency

More than a third of those surveyed (37 percent) said they would be willing to switch brands if another brand shared more detailed product information that they could understand.



## Consumers are open to using digital channels to find the information they need

The 37 percent of consumers who say they would switch brands in favor of ones providing more detailed product information are nearly twice as likely to value access to this information through digital labels.

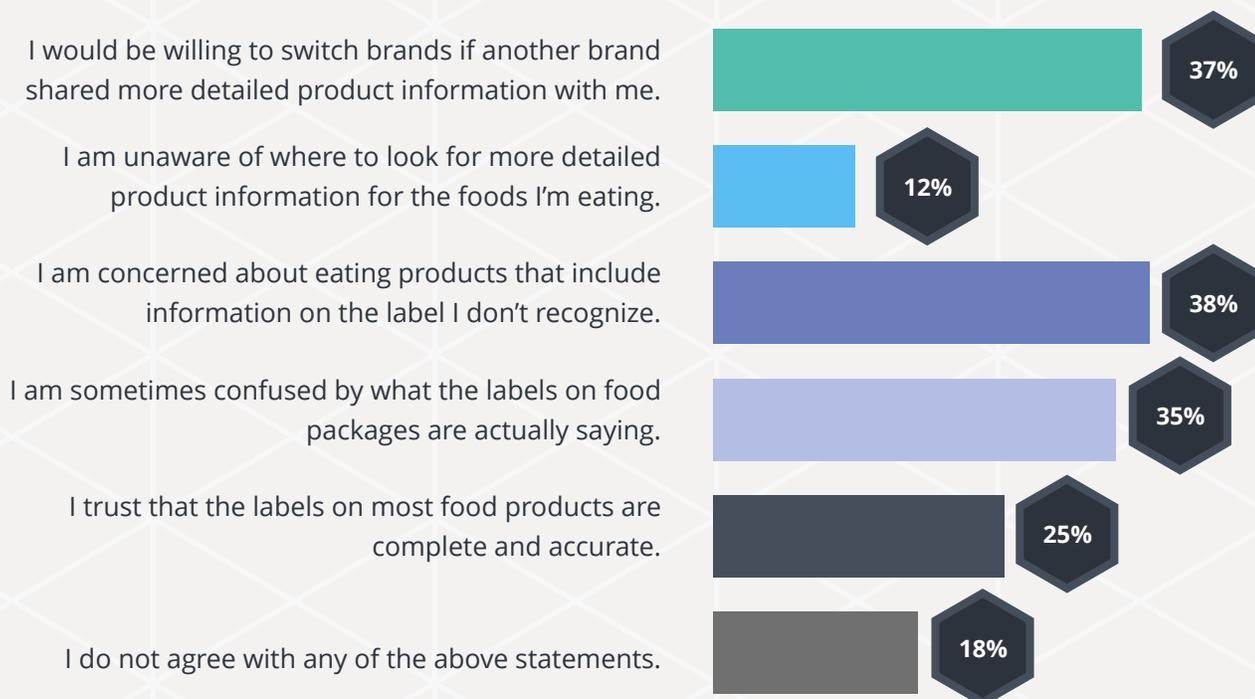
# Lack of product information creates distrust and confusion amongst consumers

The study finds that consumers lack access to the complete set of information they're looking for in order to make informed purchase decisions when shopping for groceries. Even when the information is provided, they don't fully understand what it means due to inconsistency, information overload and misinformation. As a result, they typically do not know what is in the food they consume on a daily basis and have lost significant trust in brands to provide the right information.

More than a third of respondents (35 percent) admit they are sometimes confused by what the labels on food packages are actually saying, and nearly two in five (38 percent) say they are concerned about eating products that contain information on the label they do not recognize.

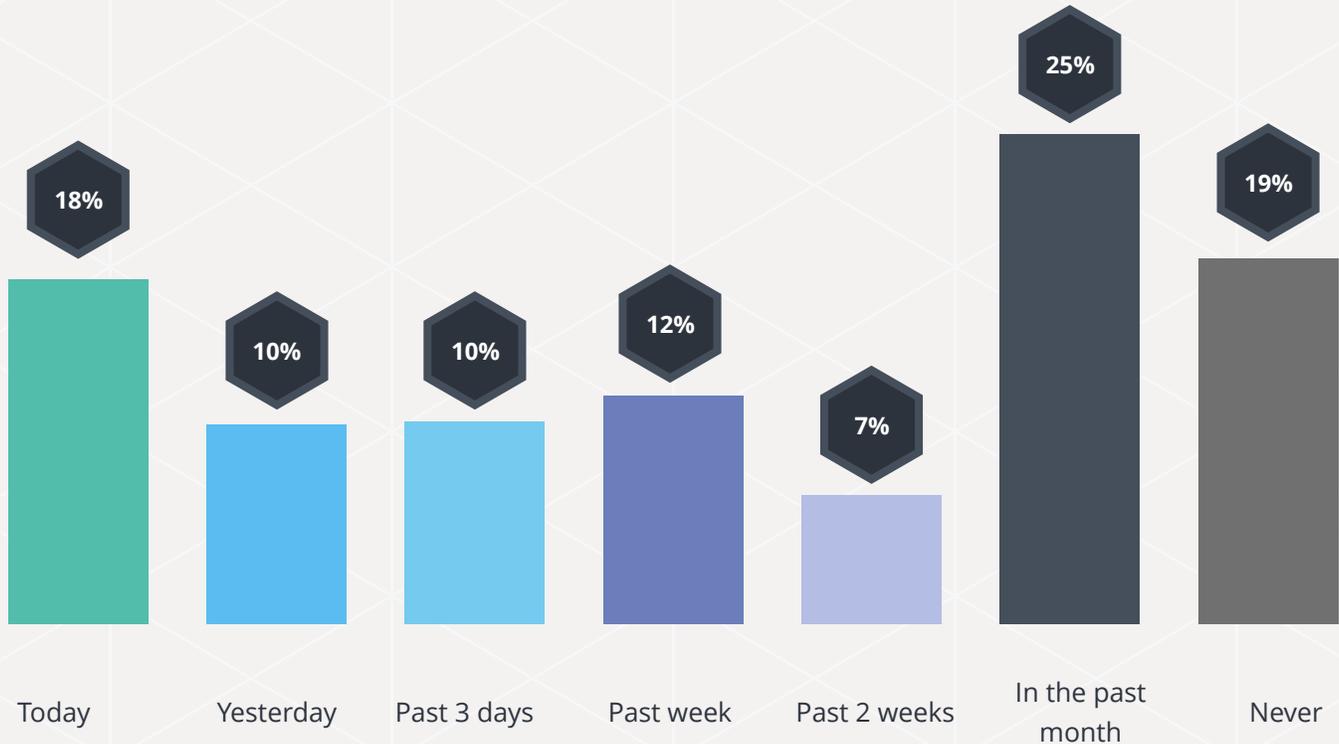
Perhaps most shockingly, only a quarter of consumers say they trust the accuracy of food labels. This means that a majority of respondents (75 percent) have no choice but to consume food from brands they do not trust, and nearly two-thirds are consuming ingredients they find confusing to understand.

## Which of the following statements do you agree with? Please select all that apply.



Due to a general lack of information and confusion, most respondents also reported having recently consumed products containing unfamiliar ingredients. The majority of consumers (81 percent) have consumed a packaged product with an ingredient they didn't recognize at some point in the past month and nearly one in five (18 percent) consume products with ingredients they don't recognize daily.

### When was the last time you ate packaged product with an ingredient you didn't recognize?



With the prominence of internet-connected devices, we live in a world where consumers expect to immediately access any and all information they may need. A consumer can find information about the weather, directions or even make major purchases with the click of a button.

So, why is it that shoppers still feel in the dark about the food they purchase and consume? The answer is not a simple one, and it is incumbent on food makers to solve it. The gap between consumer expectations for the quality and availability of all information, and the availability and access to food related information, has damaged the trust relationship between consumers and the brands they buy from. Repairing that trust by increasing available information through transparency initiatives, and improving access to that information through efforts such as SmartLabel, sets the stage for a new era of brand loyalty and long term value.

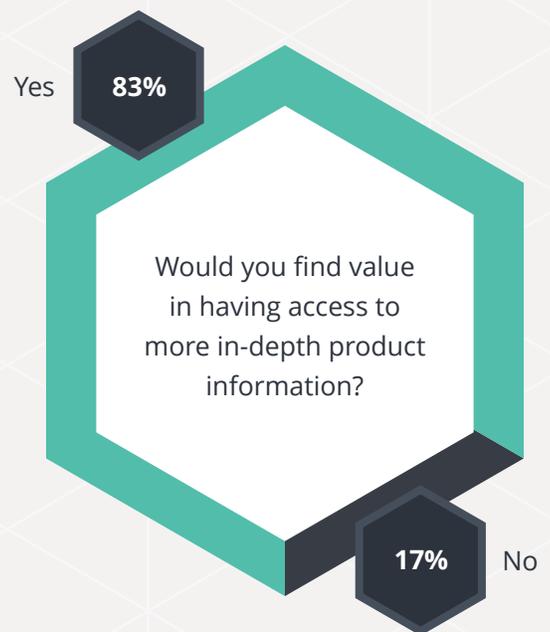
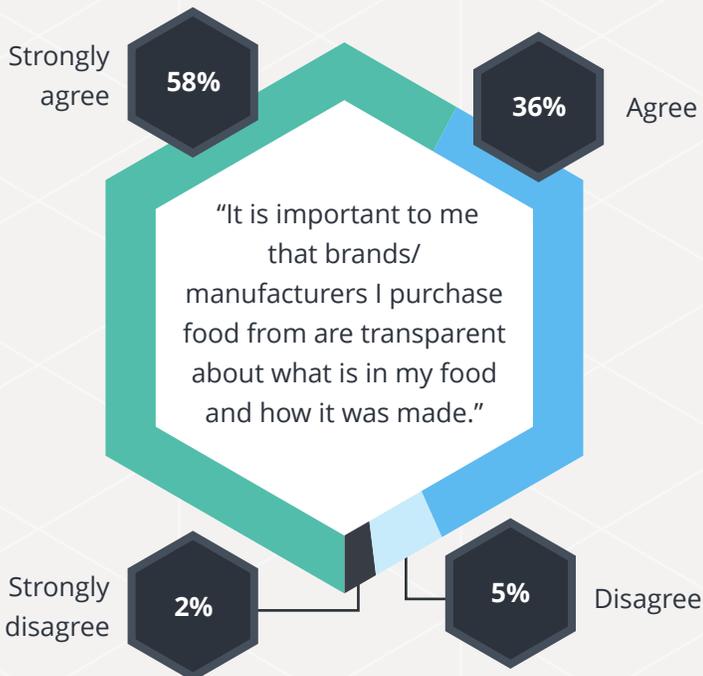
# Consumer expectations in transparency

94%

Nearly all respondents (94 percent) say it is important to them that the brands and manufacturers they buy from are transparent about what is in their food and how it is made.

83%

More than two-thirds (83 percent) say they would find value in having access to more in-depth product information.

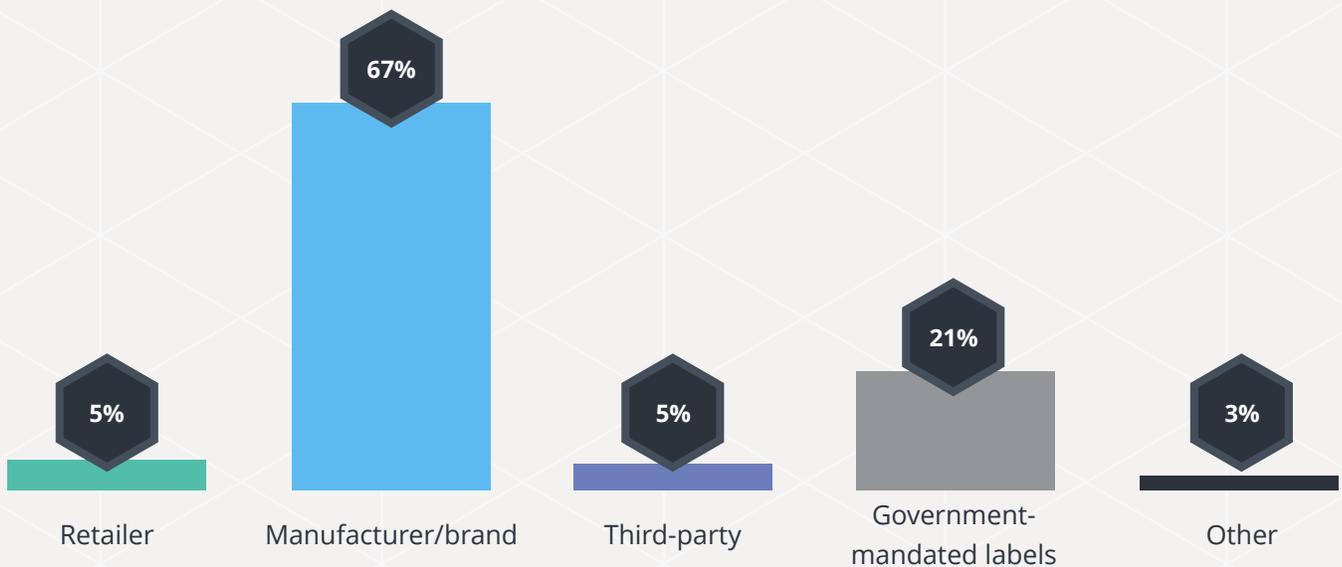




Despite consumers valuing transparency, a mere 12 percent ranked brands as their most trusted resource for information about what is in their own food, ranking them nearly 10 percent lower than the government (20 percent). Still, 67 percent of consumers believe it is the brand or manufacturer’s responsibility to provide them with this information.

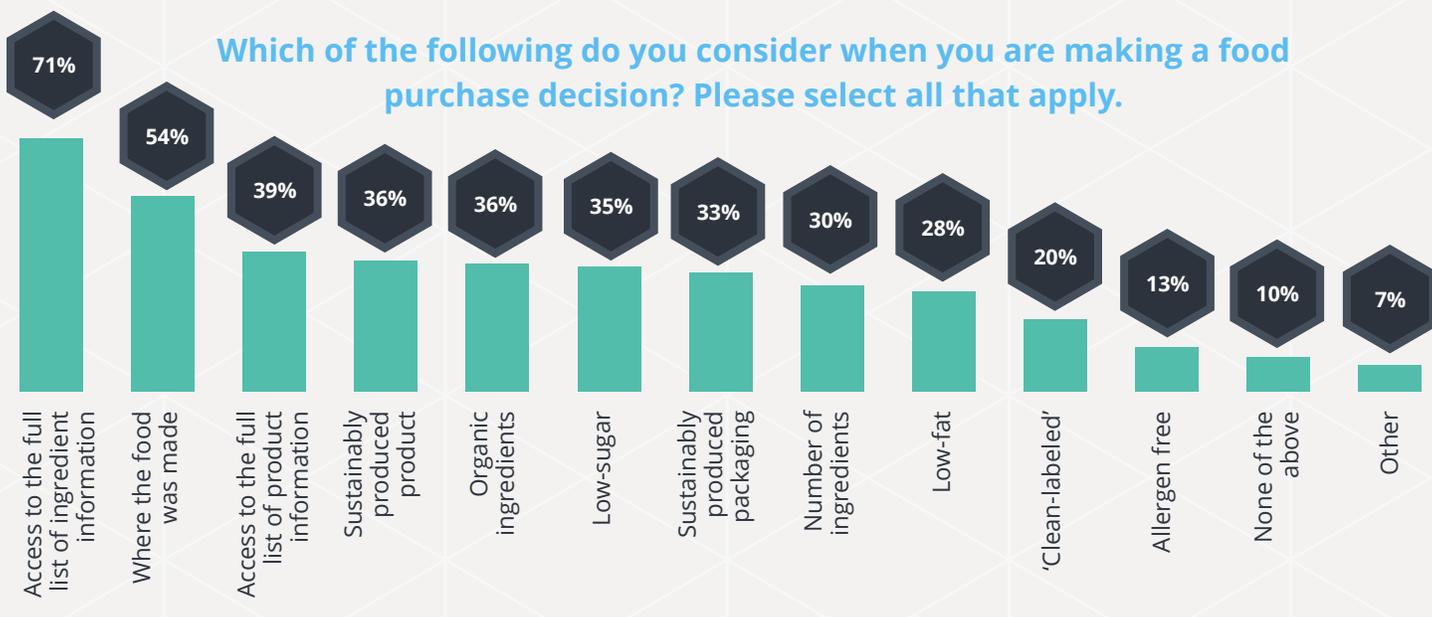
Product transparency presents an opportunity for brands to emerge as the trusted resource consumers expect, and to take back control of their messaging.

### Who do you feel should be responsible for providing you the information about the food you’re eating?

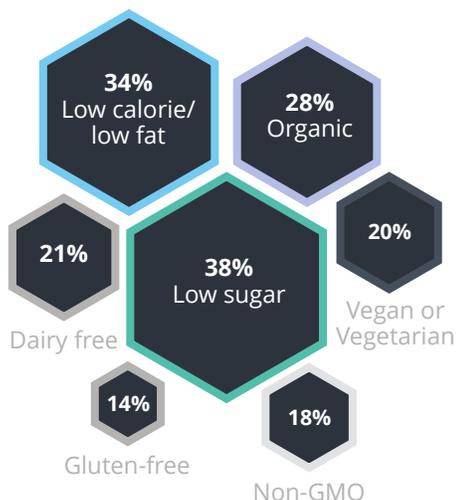


# Transparency plays a key role in shopper decision making

The study finds that more than seven in 10 consumers (71 percent) consider whether they have access to the full list of ingredient information for a product when making food purchase decisions, and more than half (54 percent) consider where the product was made. Consumers also value factors such as sustainability, or attributes such as low-sugar or organic.



According to the survey, consumers shop according to the following diets for themselves or someone in their household



Additionally, more than half of the survey respondents (53 percent) reported that they shop according to a specific diet, indicating that there is a need among a significant portion of consumers to have access to complete product information (rather than only whatever brands choose to provide) in order to make decisions about the foods that meet their unique needs. Today, even when information is provided, consumers don't always trust that brands are representing it accurately.

How can brands and manufacturers bridge this disconnect and provide consumers the information they need in order to make educated purchase decisions?

Consumer values vary drastically, and the definition of healthy can change from consumer to consumer. By providing complete and accurate product information, brands allow consumers to make decisions that truly meet their personal dietary and health needs.

# Transparency fosters loyalty

# 4X

Consumers value healthy ingredients four times as much as brand recognition

Given consumer demand for more in-depth product information, there is an opportunity for brands to foster loyalty and capture market share. The study finds that customer loyalty depends on more than just brand recognition, and the companies that are able to provide complete transparency are poised for growth.

When asked what factors influence their loyalty to a brand, healthy ingredients topped the list. In fact, consumers value healthy ingredients four times as much as brand recognition (24 percent vs. 6 percent). Price ranked second on the list of loyalty factors, with more than one in five (22 percent) listing it as their top factor when debating a purchase.

Offering information about healthy ingredients provides a significant opportunity for brands to drive long-term loyalty by providing consumers — one in four of whom choose products based on healthy ingredients — with the information they're seeking about the food products they're purchasing. The definition of healthy varies from one consumer to the next, so brands that offer complete transparency about their products in order to accommodate each consumer's definition of healthy will be poised to win their favor.

Access to more in-depth product information is so important to consumers that more than a third of those surveyed (37 percent) said they would be willing to switch brands if another brand shared more detailed product information. More than a third (36.9 percent) of respondents also said they have chosen not to purchase a product because they were unable to understand specific food ingredients.

In the CPG industry, companies driving the most revenue are the ones that motivate repeat purchases and foster long-term loyalty. The fact that more than a third of customers will not stay loyal to brands that do not provide them with detailed product information (or, provide them with information that is confusing) presents a significant opportunity for brands to foster loyalty through product transparency.

What's more, CPG brands also stand to grow market share by attracting new customers who were previously loyal to competition. Brands that are able to offer the transparency customers demand have an opportunity to gain significant market share.



of consumers would be willing to switch brands if another brand shared more detailed product information

Which of the following factors most strongly influences your loyalty to a brand? Please rank from 1-9, with 1 being the most important.



Healthy ingredients (low fat, low sugar, etc.)



Price



Availability



Trustworthiness



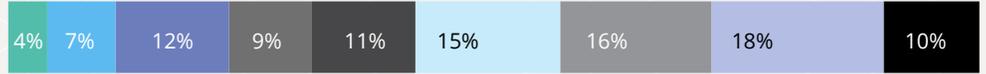
Labeling that clearly states where products are sourced



Sustainable practices (cage-free egg, grass fed beef, etc.)



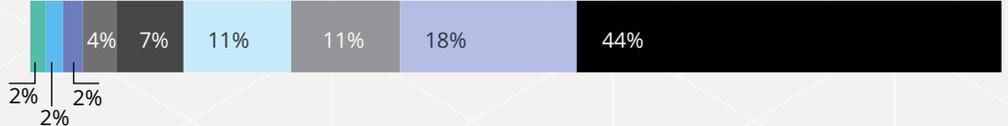
Labeling that clearly states specific dietary restrictions



Brand recognition



Suggested recipes for using the product

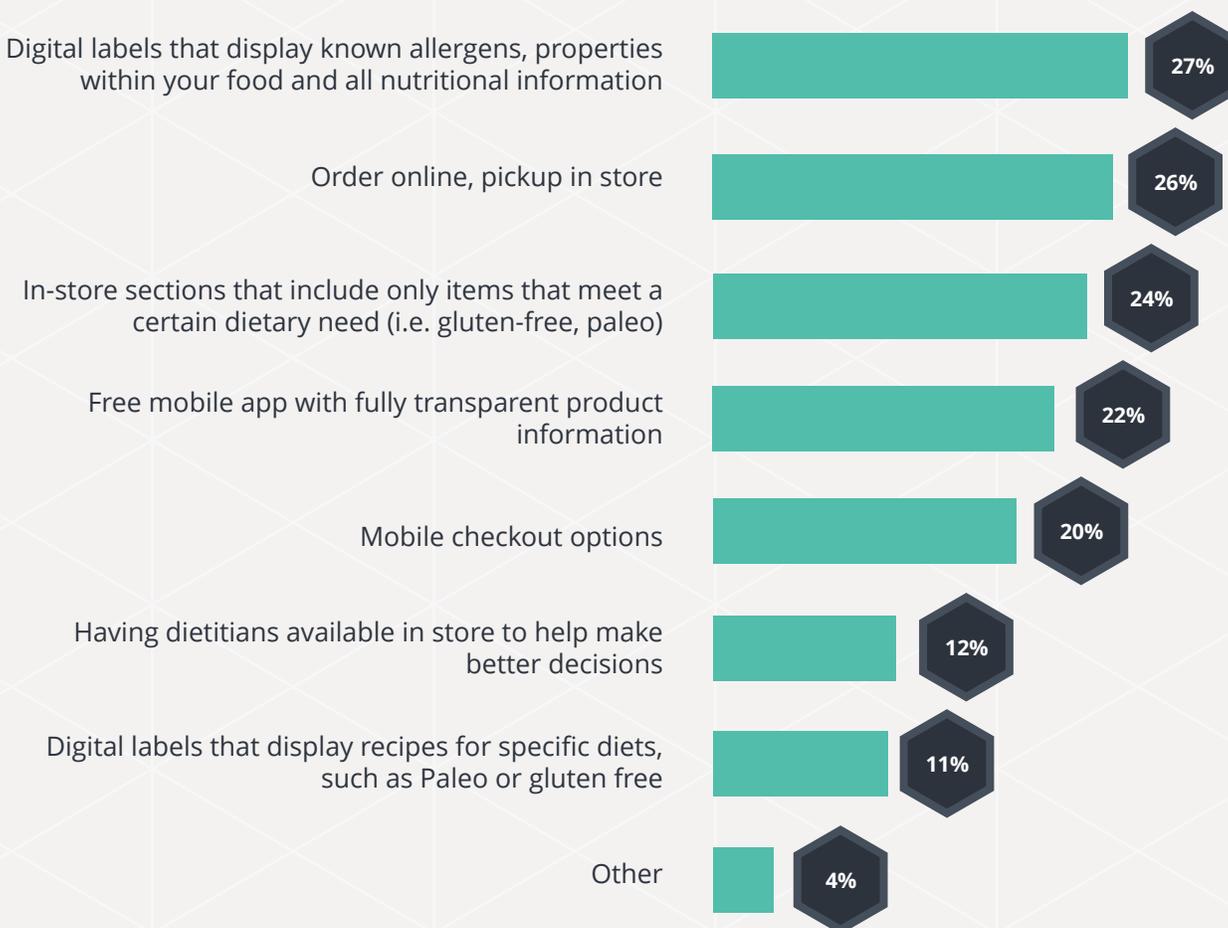


# The digital demand

Product transparency goes beyond providing all ingredient information on a physical label. In the age of constant connectivity, there is an opportunity for brands to go beyond the product label and offer more information digitally to engage with consumers across multiple channels.

When asked what would make grocery shopping easier, consumers ranked digital labels that display known allergens and all nutritional information highest, followed by click-and-collect offerings. More than two in five indicated that they'd be interested in a mobile app that offered extended product information.

**Which of the following do you feel would make the in-store grocery shopping process better? Please select all that apply.**



Respondents who place a **higher value** on label transparency

Respondents who place a **lower value** on label transparency



Digital labels with nutritional information

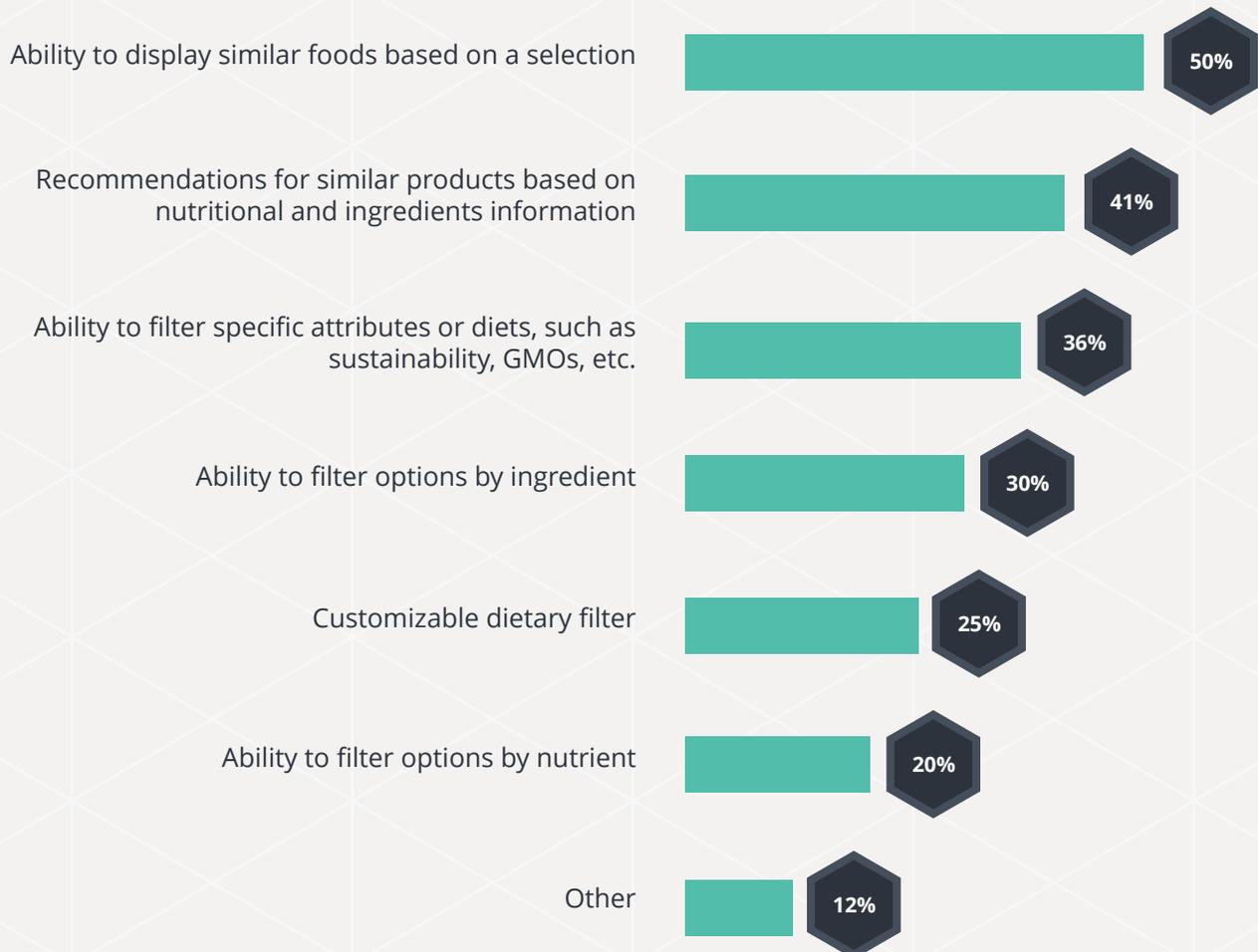


Digital labels with recipes

The digital medium may offer an answer for brands looking to capture a greater share of the market. The respondents who place a higher value on label transparency (those who said they would switch brands if not provided with the information they needed) are nearly twice as likely to find value in digital labels that display all nutritional information (39 percent vs. 20 percent) and digital labels that contain recipes (16 percent vs. 8 percent).

Grocery e-commerce also offers an opportunity for brands and retailers to offer additional product information and foster long-term loyalty. Of those surveyed who have previously shopped online for their groceries, four in five would like to see recommendations for similar products based on nutritional and ingredient information and more than a third (36 percent) would like the ability to filter by specific attributes or diets (ie. sustainability, GMOs, etc.).

### What would make the online grocery-shopping experience easier? Please select all that apply.



# Who is leading the change?

## Age and gender breakdown

Grocery shopping is a universal need — reaching essentially anyone who is of age to make purchase decisions. This means brands can't really ignore anyone, even if consumers of different ages and genders have drastically different needs and expectations when it comes to labeling transparency.

### Age

The study finds that older consumers value label transparency more, but younger consumers are more digitally savvy and have higher expectations for information in general. So, over time, when they have increased purchase power, food transparency will become more important.



Seventy-nine percent of consumers over the age of 60 consider a full list of ingredients when making purchase decisions, compared with 65 percent of 18-29 year olds.



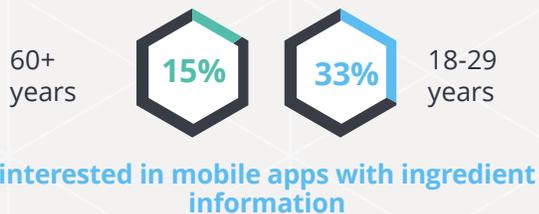
When it comes to brand loyalty, 29 percent of consumers over the age of 60 listed healthy ingredients as their top factor compared with only 17 percent of younger consumers, who say they weigh price more heavily.



Perhaps due to a lesser concern for labeling transparency, consumers aged 18-29 are twice as likely to not know where to look for product information (19 percent vs. 11 percent) and to have eaten an ingredient they didn't recognize in the past day (24 percent vs. 11 percent).



While more in-depth information on labels may help brands to win over older consumers, they may well need to explore different channels — such as the SmartLabel initiative — to get through to millennials and generations that will come after them.

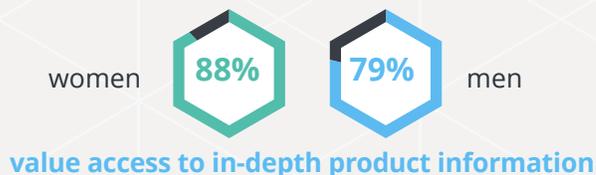


Younger consumers are much more likely to be interested in digital labels that show ingredients (34 percent vs. 22 percent), digital labels that show recipes (31 percent vs. 21 percent) and mobile apps with ingredient information (33 percent vs. 15 percent).

It's important to also note that there isn't one generation that is more important to reach than others. All generations reported the same likelihood of choosing not to purchase a product if not provided with the information they need. Rather than focusing on one or the other, it's important for brands to meet the unique needs of each generation.

## Gender

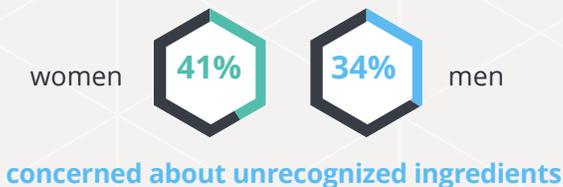
When broken down by gender, the study finds that women are more likely to value label transparency. When asked whether or not they value having access to in-depth product information, 88 percent of women said yes, compared with 79 percent of men.



When it comes to loyalty, women are more likely to consider the full list of ingredient information before purchasing a brand's product (76 percent vs. 65 percent) and ranked healthy ingredients as the top factor influencing loyalty, while men ranked price.



Women are also more likely to be following specific diets (particularly GMO-free, low-carb, vegetarian, organic and low-calorie), and are more concerned about eating products with ingredients on the label they do not recognize (41 percent vs. 34 percent).



# Conclusion: The food revolution is upon us

Brands are in a position to develop long-term relationships with current customers while also capturing market share from competition by offering complete product transparency. This study reveals that consumers will remain loyal to brands that provide easy access to trustworthy product information.

However, offering data at a granular level is often easier said than done for brands. Many companies do not possess information to this extent; or, if they do, they find it difficult to change the operational status quo.

One answer for brands lies with third-party service providers that transform basic product information — such as the Nutrition Facts Panel and on package Marketing Claims — into smart attributes such as detailed nutrients and allergens. These attributes come together to create a deeper understanding of a product set and can be easily customized to meet any retailer, industry or government initiative. Once a brand transforms its data by breaking it down into its most basic elements, the ability to customize data sets is infinite.

With complete and granular product data, brands can achieve the following:



## Go beyond the package label with transparency initiatives such as SmartLabel

Working with SmartLabel is a great opportunity for brands to provide the transparency consumers seek. The launch of the SmartLabel transparency initiative by the Grocery Manufacturers Association and Food Marketing Institute, gives consumers easy, instant access to detailed product information.

Through online landing pages that are accessible by smartphones, tablets and desktops, consumers can find product information organized in a consistent manner, including: allergens, ingredient sourcing practices, third-party certifications, social compliance and sustainability programs, usage instructions, advisories and safe handling instructions, and company and brand information.

Going beyond the product label makes sharing additional product information with consumers more attainable and sustainable for brands and retailers. The result is more information and, consequently, more transparency.



## Provide ingredient definitions

Many consumers are confused by the ingredients in the products they use and consume. Providing ingredient definitions online goes a long way to ease confusion and frustration with consumers. Ingredient definitions are a voluntary component of SmartLabel pages, however, many brands feel that ingredient descriptions add a high level of transparency and a more engaging customer experience. Label Insight's Data Transformation team has created a dictionary of ingredient descriptions that brands can easily use if they choose to. Brands also have the opportunity to provide their own custom ingredient definitions for SmartLabel implementations that have been approved by their regulatory and legal teams.



## Provide a better online shopping experience

As more and more consumers take their grocery shopping online, deep product attribution enhances the online shopping experience, allowing consumers to shop as effectively online as they do in-store.

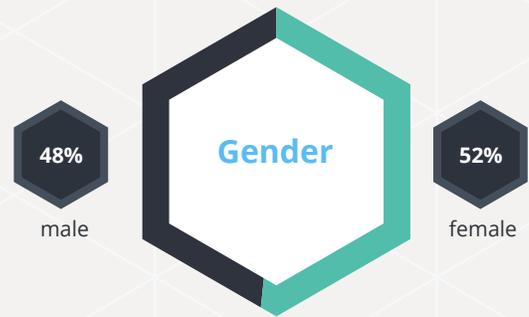
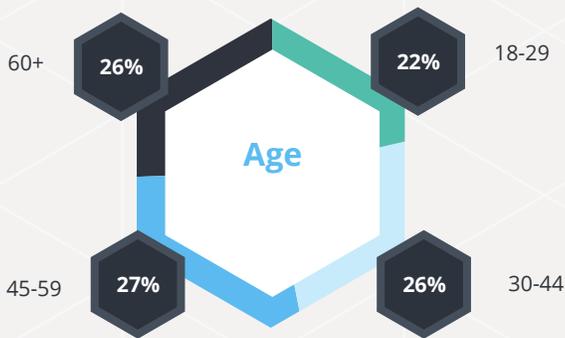
Deep product attribution allows retailers to provide shoppers with answers to any product search queries they seek. For instance shoppers could easily filter their product searches to meet dietary requirements and preferences such as nut-free, gluten-free, low-sodium or paleo.

It also allows online retailers to provide online shoppers with recommendations based on their favorite products. If an online shopper searches for dairy-free cheese, a customized recommendation engine fueled by granular product data can recommend other dairy-free products — whether by marketing claims, ingredients or nutrient content — driving purchases and building trust along the way.

Deep product attribution provides an incredible opportunity for brands and retailers to enhance the online shopping experience, gain market share and create long term loyalty.

# Methodology

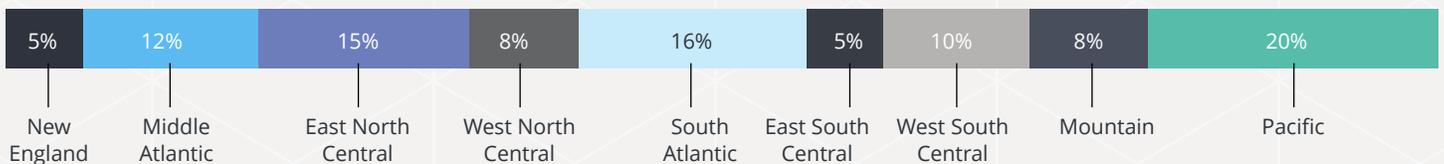
Label Insight surveyed 1,522 consumers in April of 2016 to determine their preferences and values when it comes to consumer packaged goods labeling. The breakdown of survey respondent demographics is as follows:



## How much total combined money did all members in your household earn last year?



## US Region





# LABELINSIGHT



## About

Label Insight is the leading provider of SaaS data solutions, powering transparency between CPG brands, retailers and consumers. The company's cloud-based data engine enables CPG brands and retailers to transform basic product data into smart attributes, creating a deep understanding of their product set. Label Insight offers an unmatched level of data, generating 15,000 attributes - such as nutrients and allergens - per product. These attributes serve as building blocks for a live view of data for hundreds of thousands of products across 17,000 brands, totaling over 80 percent of the top selling U.S. food and beverage market. Label Insight customers use this deep level of product data to enable greater transparency to consumers; maximize category growth potential; easily participate in industry and government initiatives, such as SmartLabel™; and create more connected omni-channel experiences.

To learn more about Label Insight, visit

[www.labelinsight.com](http://www.labelinsight.com).

