



A FOOD COMPANY'S GUIDE TO

What Consumers Care About

IN THE **Age of Transparency**



FoodLogiQ[®]



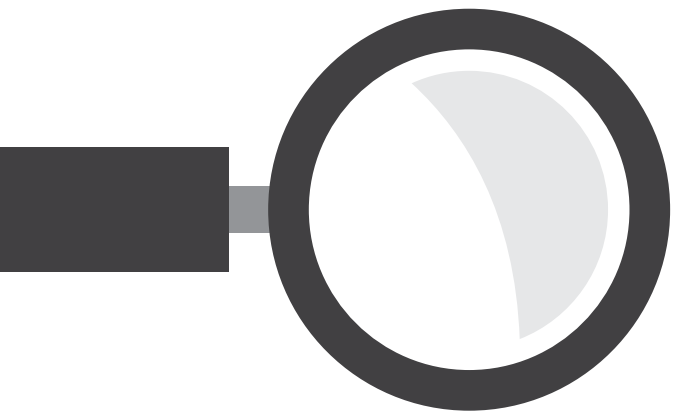
EXECUTIVE Summary

The consumer mindset has changed about food. While diet fads come and go, the interest in healthy ingredients and the concern about where the food comes from has graduated from a passing trend to a full shift in public consciousness. We are now living in the age of transparency.

Consumer interest in where their food originates from doesn't stop with borders. With globalization and increased imports from foreign suppliers, regulations as well as consumer expectations for food quality and safety has dramatically risen in the past few years. Supplier verification is now a critical component of the Food Safety Modernization Act (FSMA). The FDA has mandatory recall authority for all food products along with more flexible standards for detaining products and halting operations that are potentially violating the law.

There are several things that consumers want to know that will gain their trust, loyalty and their purchasing power. There are also consumer deal breakers to be aware of and with careful planning, can be avoided. To help shed additional light, FoodLogiQ conducted a national survey to tap how U.S. consumers feel about issues related to transparency.

To meet these rising consumer demands, food companies need full end-to-end supply chain visibility. Speed and reaction time to identify any issues, resolve them and/or let the public know will be paramount. Modernizing the supply chain and optimizing processes will give you the ability to protect your brand image and keep your customer base intact.



GAINING THE INFORMED CONSUMER'S TRUST AND LOYALTY

Consumers are more informed about the foods they eat than ever before. With just a few taps of a screen, consumers can learn nearly anything they would ever want to know about a food company's ethical practices, animal treatment and labor practices, often coming from media or a third party source. And if your brand has ever been under fire for false information, low-quality ingredients or a major recall, they know. With in-store mobile search on the rise, you'd better believe customers are researching your products.

Because of this instant access to information, consumers also have more questions and are demanding more visibility into the food they are choosing to eat. From lifestyle choices, like vegetarianism or veganism, to allergies and

diseases, like lactose intolerance, gluten-free and Celiac's disease, people have lots of questions about the ingredients used in food processing and production. But it's not just those with special dietary restrictions who care about what's in their food.

Consumers are also seeking out companies that are sourcing foods from local, organic farms that have dropped GMOs and those that avoid preservatives and chemicals. They are gravitating to companies who are including this information in their marketing through labeling, advertising, blogging and through the media. By exercising greater traceability, and sharing this information, you can cultivate better consumer relationships, strengthen trust in your brand and increase your market share.

NOW THAT WE KNOW WHAT GAINS CONSUMER TRUST, WHAT ARE THE DEAL BREAKERS?

To gain greater insight into what consumers are expecting from food companies, FoodLogiQ polled over 2,000 U.S. consumers to gauge their sentiment around food traceability and expectations for food companies regarding recalls and foodborne illness. Additionally, the survey posed questions around consumer preference for the identification of food sources with regard to labeling and menus.

WHAT WILL A RECALL REALLY COST YOU?

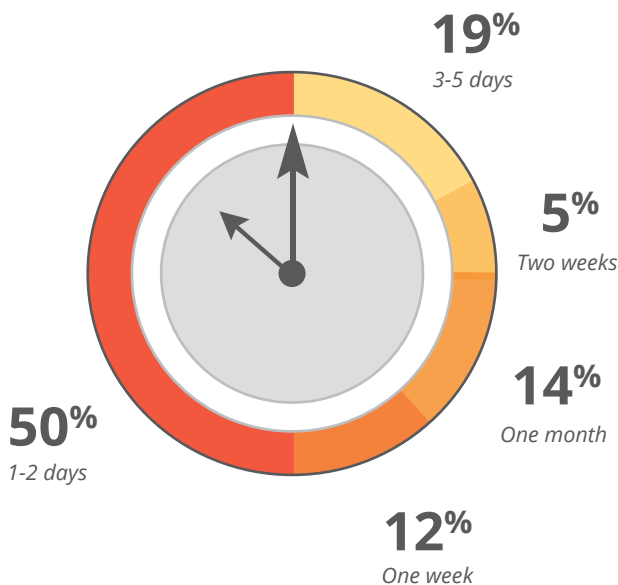
Recalls are on the rise, jumping four-fold in number from just 5 years ago. The average cost of a recall¹ to a food company is \$10 million in direct costs in addition to brand damage and lost sales. With this recall reporting spike and a possible financial knockout to most, we wanted to know what effect this had on consumer loyalty and how they perceived brands faced with this challenge.

If a brand/restaurant that consumers like experiences a recall leading to consumer sickness,

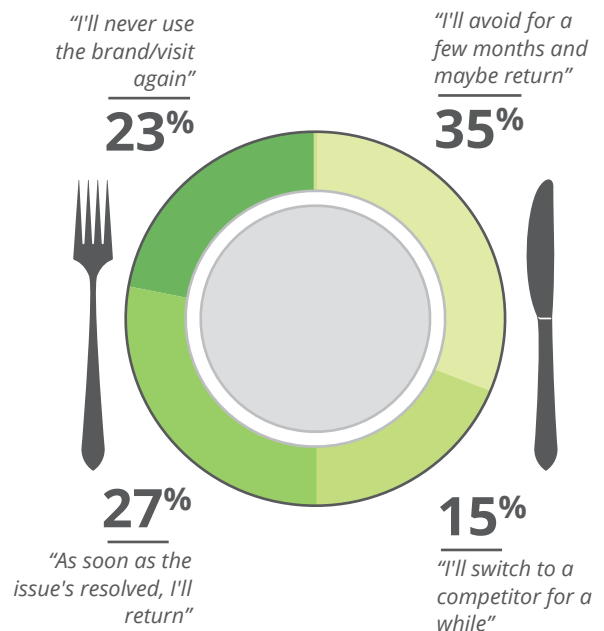
35% of the FoodLogiQ survey respondents will avoid this company for a few months and only maybe return after the issue has been resolved. While nearly one-quarter of respondents admitted they would never to use the brand or visit the restaurant again!

Digging deeper into the data – of the respondents who identified themselves as “caring deeply about the quality of food that I eat,” **44%** claimed that if a brand or restaurant that they liked experienced a recall or contamination leading to consumer sickness – they would avoid the brand/restaurant for a few months and only maybe return once the problem is resolved, while nearly **20%** said that they would never use the brand/or visit the restaurant again.

[1] In your opinion, what is an acceptable amount of time for a food company to fully address a recall or foodborne illness?



[2] If a food brand or restaurant that you like has a recall or contamination leading to consumer sickness, when/how likely will you give them your business again?

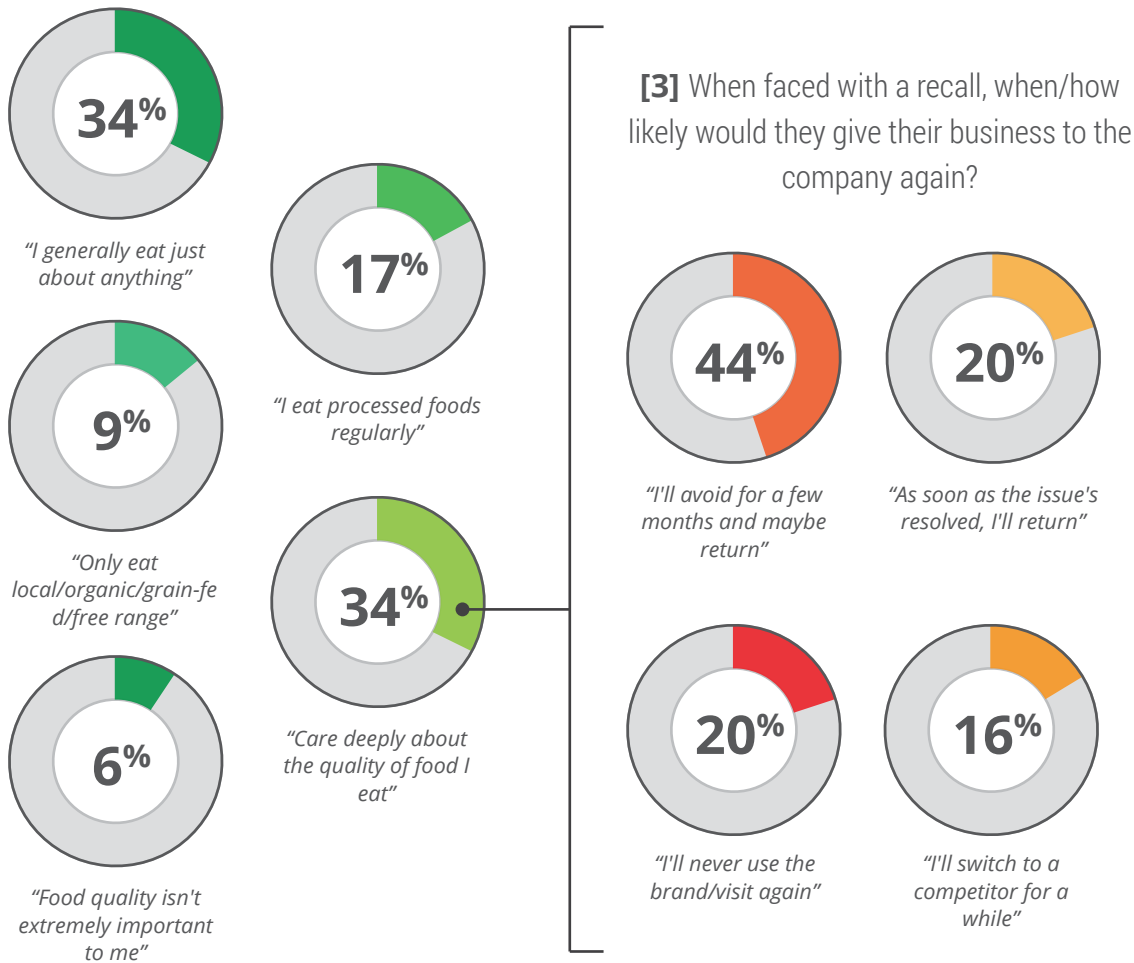


Additionally, respondents who care about food quality also placed a great deal of value in the rate of response to recalls, with **55%** citing 1-2 days as the acceptable amount of time in which a food company should be fully addressing a recall or foodborne illness. Interestingly, participants who identified on the other side of the spectrum as “generally eating just about anything” placed similar value in the importance of speed with regard to recalls, with **45%** still expecting the response rate to be 1-2 days.

When faced with a food recall, the faster you can address the recall and return to business as usual, the faster your customers will come back to you.

By continuously monitoring your supply chain, you can greatly improve the speed of resolving a recall. Supply chain visibility where you have traceability up and down your supply chain will provide you the accuracy to make swift and decisive decisions during this time of crisis.

In fact, with a robust end-to-end traceability program and technology implemented that provides real time data and visibility, companies facing a recall can isolate and surgically withdraw the tainted product out of the the supply chain without recalling more than necessary. Therefore limiting the disruption, the waste of good food and saving the company money.



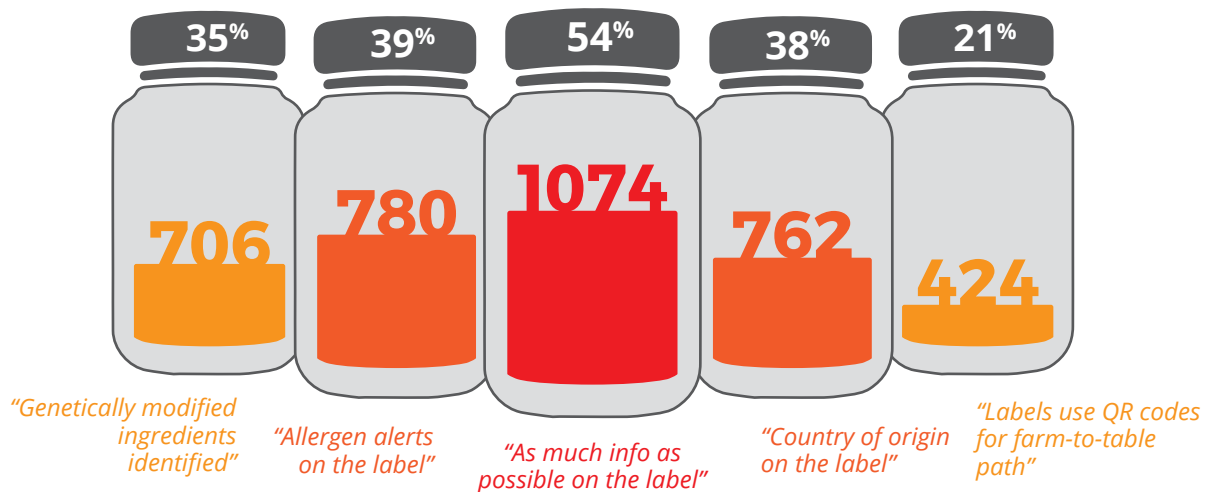
VAGUE OR MISLEADING LABELING WILL NOT WIN CUSTOMERS

With regard to transparency in labeling, **54%** of respondents from this same FoodLogiQ study want as much information as possible on the label, and nearly **40%** want country of origin, allergen alerts and GMOs all identified on the label.

This food quality conscious consumer audience (referred to in Graphic 3) was also overwhelmingly in favor of more transparent labeling, with **86%** of that demographic expecting country of origin, allergen alerts, and genetically modified ingredients to be noted and asking that “as much information as possible” be included on the label (or menu) itself.

The survey reveals the majority of the total respondents that require food companies to fully address a recall or foodborne illness within 1-2 days (as mentioned in the above section) were just as passionate about seeing transparency around food labeling. With **57%** stating that they want to see as much information as possible on the label or menu.

[4] In terms of transparency in labeling, what do you expect of your food providers?



Of the 2000 survey respondees, 1074 (over half) selected they expect to have as much info on the label with nearly 40% also selected they would want the country of origin, allergen information and GMO ingredients listed on labels.



This data supports that now more than ever consumers want to know more information about their food. And it starts with food supply chain transparency. Consumers demand to know more than the current one-forward, one-back approach and insist that food companies demonstrate visibility into their entire supply chain. Whole chain transparency matches consumer expectations and companies need to implement food safety management and risk mitigation.

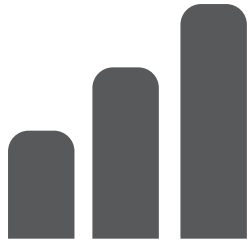
To offer this transparency to consumers, it begins with supplier onboarding and communication,

and continued engagement. Open, constant and transparent communication with your suppliers is a must for addressing these issues. After all, you can't offer consumers the information they crave about your product and processes if you aren't getting that information from your suppliers and brokers. And you cannot expect a supplier to fulfill your requirements around safety and brand promise if you aren't open about your expectations. It's a two-way relationship that can make a huge difference in your business.

CONSUMER PURCHASING POWER

The data suggests that consumers are setting a precedent for food companies to continue to be more and more transparent with the path that their food takes from farm to table. In the case of recalls, consumers are speaking up and acting with their wallets, with high numbers vowing to take their business elsewhere should their expectations not be met.

Not only has the consumer mindset about healthy foods shifted, but they are ready to pay more for products that claim to boost health and weight loss. When surveyed, **88%** of respondents - from all demographics, Millennials to Boomers - were willing to pay more for healthier foods including those that are GMO-free, have no artificial coloring/flavors and are deemed all natural.



HOW TO BUILD CUSTOMER LOYALTY WHILE PROTECTING YOUR BRAND

Transparency is no longer a “nice to have” quality for food companies—it really is mandatory. Not only because of regulations like FSMA, but also in the eyes of the consumer. Today’s consumers want to know as much as possible about what they’re eating. They want to understand how their food is produced. They want clear and accurate food labeling as well as clear information on the ingredients in their food and where and how it was sourced.

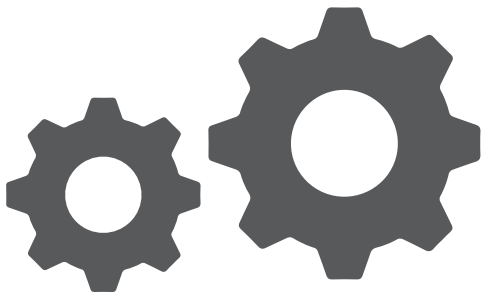
It’s also critical to build a consensus for transparency from the top down. For example, an executive can be transparent when addressing recall issues with the public on social media or the company blog. Building a culture of transparency focused on safety and quality is critical for food companies.

Transparency in food marketing can be driven by the data that is assembled when implementing a traceability program. Imagine being able to tweet with real-time data about the food you produce. It can be an incredible marketing advantage in the food industry for gaining an edge over your competitors.

By making it easier for your customers to obtain the information they want, you can foster stronger, more authentic relationships, build brand loyalty and gain an edge over your competitors.

THERE ARE MANY WAYS YOU CAN GROW AND RETAIN YOUR CONSUMERS:

- Offering transparency into your supply chain, such as naming the specific farms where you sourced your produce.
- Make information easy to find through your website or app.
- Clearly list all ingredients, especially common allergens and animal products.
- Always communicate mislabeling, contamination or recalls openly and honestly.
- Publish the specifics of your food safety program.
- Create a recall plan and act swiftly.



FOODLOGIQ IS HERE TO HELP

Consumers are demanding transparency and patronizing food companies who provide it. Adapting to the shifting landscape and incorporating best practices and technologies is critical for food companies in optimizing their supply chain, eliminating inefficiencies, and



protecting their brand. By doing this, food companies will provide tremendous business value, gain visibility, improve transparency and increase traceability all while providing the consumer the best quality food and experience.

Our product, FoodLogiQ Connect, was built for the food industry, with input from food safety and supply chain experts and is specifically geared towards the unique needs of the food supply chain. We have shaped policy at the national level, helping to define the Produce Traceability Initiative standards and were one of just 10 participants in the FDA's traceability pilots.

As the leading SaaS provider in food safety, supplier management and traceability, we are on a mission to map the world's food chain, make it as safe as possible and empower people to make informed decisions about the food they eat.

We help restaurant operators, food retailers and other food companies achieve end-to-end traceability while supporting safe and high quality food products across the supply chain. With FoodLogiQ's platform, food companies can build an online supplier community, onboard suppliers all at once and stay on top of supplier audits and assessments. Manage quality incidents, report them directly to suppliers and recoup the costs of stock withdrawals. And with lot-level traceability, see exactly where your product is at all times, especially when it matters most-- during an investigation.



FOODLOGIQ CONNECT HELPS YOU TRACE FROM FARM-TO-FORK AT THE CLICK OF A BUTTON ON YOUR DESKTOP COMPUTER OR MOBILE DEVICE, ACHIEVING END-TO-END TRACEABILITY FOR YOUR SUPPLY CHAIN.

- Know at all times, in real-time, the location and status of your products.
- Instant record availability to remain FSMA compliant and cut the time it takes to pull documentation from days to hours.
- Manage corrective and preventive actions.
- Easily see products come in, get stored or processed, and go out.
- And when you face an issue in your supply chain, easily trace back and forward, reducing the time and costs associated with investigations, stock withdrawals and supplier communications.
- Identify quality and safety issues, and address them quickly.
- Manage second and third party audits in a single platform.

¹ Recall Execution Effectiveness: Collaborative Approaches to Improving Consumer Safety and Confidence,” Deloitte on behalf of the Food Marketing Institute (“FMI”), the Grocery Manufacturers Association (“GMA”), and GS1 U.S., June 2010, page 2

² Nielsen Global Health and Wellness Report, “We Are What We Eat: Healthy Eating Trends Around The World, January 2015, page 11

Food safety

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FOODLOGIQ.COM/DEMO

