



PLAY

connecting with your consumers: it's only natural

SYNOPSIS

The global health and wellness movement is here to stay and it's disrupting the consumer packaged goods industry in Australia.

Consumers are increasingly seeking out products which they perceive as “natural”, but, in food, demand continues to outstrip supply.

We know that Australian grocery growth is at its lowest in 20 years. However, some categories and brands are winning despite challenging market conditions.

We're seeing an explosion in niche natural products. Take drinks - whilst soft drink consumption tanks in the wake of the low sugar trend, healthy options are all seeing growth, with Kombucha drinks growing seven times in the past 2 years (Nielsen).

The Australian organic industry is estimated to have grown to \$2.4 billion this year - that's an 88% increase from 2012. Two thirds of Aussie households are already buying organic and growth should continue aggressively due to a range of factors.

In this paper, we'll be exploring the rapidly growing “naturals” market, as well as getting to the bottom of exactly what “natural” means to Australian consumers.

Discover key driving factors at the heart of this lifestyle shift like the increase in collective “mindfulness”, and find out how the food industry can adapt to succeed.

We'll leave you with a summary of where we believe consumer trends are headed, as the Australian “naturals” market firmly cements itself in the mainstream.



A PERSONAL ANECDOTE

I moved to Sydney three years ago (one of those working holiday turned I-love-Australia-and-I'm-never-leaving situations!).

When I first arrived, I didn't give one bit of thought to the term "natural food". Then, a couple of things happened...

Firstly, I discovered that I have an autoimmune condition, and this opened my eyes to the world of personalised nutrition. Secondly, I joined an office who did obscure things like submit hair tests to check for intolerances... and this is the crazy world we live in!

Our GM, Becky, drinks kombucha by the bucket-load, I'm eating a "gut-healing" diet and we've also got a coeliac, a vegan and an incredibly picky eater on the team!

Whilst I'm not saying that the whole of Australia is a bunch of yoga-loving, smoothie-drinking, eco-warrior types (although there do seem to be quite a lot of those in Sydney!) there has been a lot of movement in this direction.

This movement hinges around an increase in collective "mindfulness" for ourselves, society and the planet. It breeds a desire for more natural products.

In this paper, we'll be honing in on what "natural" means to Australian consumers, and taking you through the state of the exploding "naturals" market.

We will then reveal the key lifestyle shifts which have catapulted natural products into the mainstream. Finally, we'll be asking:

"where to next?"

"how can businesses adapt?"

"where are consumer trends heading?"

We hope you enjoy this!

Sarah Kneebone
Marketing Manager



what does “natural” really mean?



CONSUMERS ON “NATURAL”

The term “natural” seems quite vague, doesn’t it? When faced with the question: “what does natural mean to you?”, people tend to respond with slightly different answers.

Technically speaking, natural foods are those without any synthetic, artificial or fake ingredients and additives. No hidden nasties. “Au naturale”. Mother nature’s children.

However, the reality is that the technical answer doesn’t matter. A corporation’s answer doesn’t matter either, really. What matters is consumers’ perceptions... tapping into those is what gets a product from shelf to basket.

So, if “natural” is desirable to consumers and “natural” happens to mean “soaked in the nectar of a wild Amazonian flower, poisonous to humans unless blessed by a sun goddess”, then that’s what needs to be delivered!

We spoke to our community of Australian shoppers (Shopper Social) to find out exactly what all of this means to them before we penned this white paper.

It’s something that we love to harp on about here at PLAY, but it’s vital: the consumer should be at the heart of ALL decision-making.

A little word cloud from our exploration can be found at the top of this page... have a quick look before we get into the juicy stuff!





THE “NATURALS” REVOLUTION

Australian grocery growth is at its lowest in twenty years. However, some categories and brands are winning despite challenging market conditions.

Natural food products are experiencing epic growth right now.

The organic industry is estimated to have grown to \$2.4 billion this year – an 88% increase from 2012 (Australian Organic).

Two thirds of Aussie households are already buying organic, and growth should continue aggressively due to:

- > building consumer consciousness
- > an ageing population
- > increasing rates of chronic disease
- > a strong Chinese export market for “clean” Australian produce

We’re seeing an explosion in niche natural products.

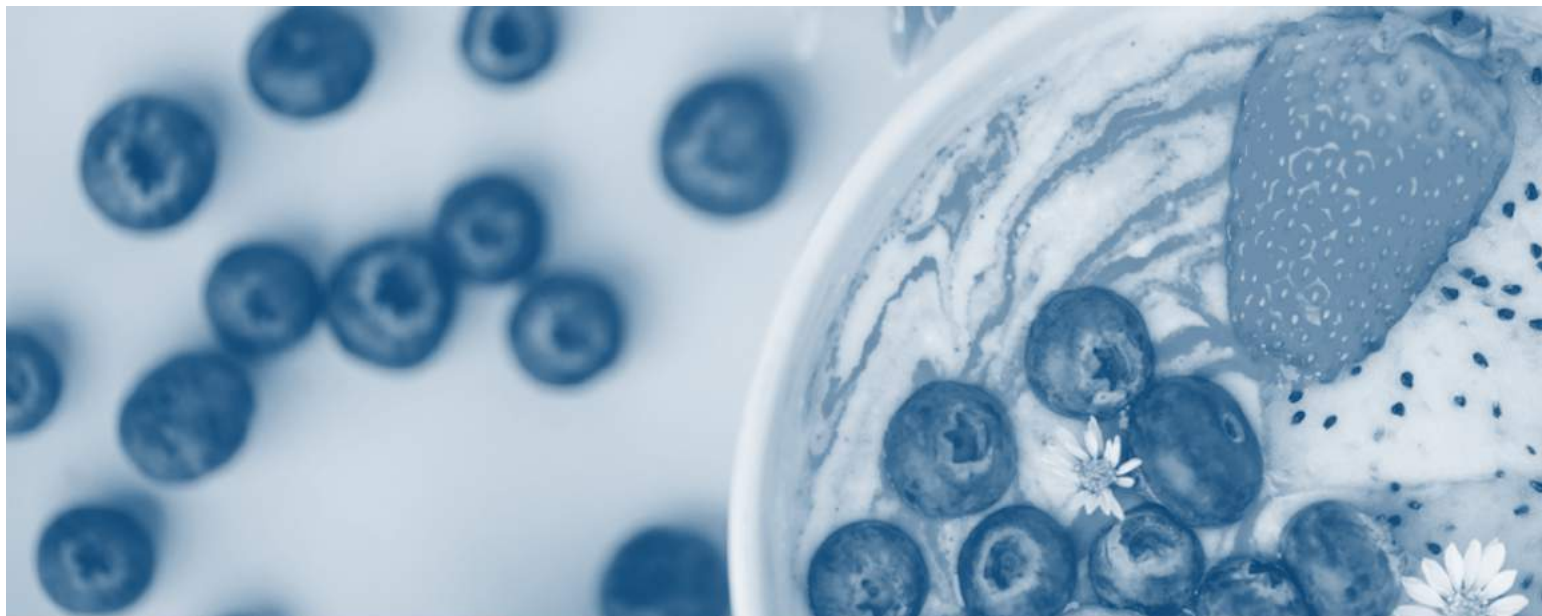
Take drinks - whilst soft drink consumption tanks in the wake of the low sugar trend, healthy options are all seeing growth with Kombucha drinks growing seven times in the past 2 years (Nielsen).

The same story applies to many new all natural products hitting the mainstream such as “bliss balls”, new-age snack bars and plant-based protein, superfood options.

When we spoke to our online community of Australian shoppers (and asked what they look for in food and drink products), out of 11 options ranging from statements like “good for gut health” and “increases my mental performance” to “wholefood” and “environmentally-friendly” it was “ingredients I recognise as natural” alongside “sugar-free” that came out on top.

51% of respondents expressed that they’re willing to pay more for a product that is made from all-natural ingredients.





Tightly woven to this trend is the shift towards free-from products, in particular, naturally free-from rather than the traditional processed options.

More than 7% of Australians believe they are gluten intolerant - seven times the number believed to suffer from Coeliac disease (Medical Journal of Australia).

The same sort of story is playing out in other categories such as dairy and soy-free. Many consumers are now adopting a diet that, whilst historically was largely followed for ethical or spiritual reasons, is now being sought out for the perceived health benefits.

Amongst our online community, 62% indicated that they “pay attention to the free-from information on food and drinks packaging”.

Many Australians are also losing faith in big brands and large retailers when it comes to providing convenient, natural and healthy options:

- > 59% of our respondents indicated they think natural products are much better at meeting their dietary requirements than regular supermarket products
- > 45% feel that there isn't a very good range of natural food and drink products available in the supermarket
- > 43% expressed a belief that supermarket food is less nutritious now-a-days

It's clear that there is big gap between supply and demand for today's mindful consumers... those who are searching for healthy products without sacrificing taste and convenience.

THE LIFESTYLE SHIFT

Let's dive into four of the key drivers that explain this lifestyle shift towards more natural products. These factors centre around the pillar concept of mindfulness:

- > Millennials
- > Food as medicine
- > Personalised nutrition
- > Social consciousness





DRIVER 1 | MILLENNIALS

In 2018, the world reached “peak Millennial”: the last of this generation have now officially reached age 18, and they will be the reigning economic powerhouse for the coming decades.

This bunch are the largest healthy eating consumer group in Australia and are amongst those most invested in this lifestyle.

The NPD Key Foodservice Trends Report found that these consumers place primary importance in transparency around ingredients.

36% of Millennials want to know if products are Australian-owned and grown, followed by whether they are locally grown (at 31%) and whether products have no additives or preservatives (at 24%).

DRIVER 2 | FOOD AS MEDICINE

As we move away from a time of restriction, calorie reduction and exclusion; we move towards a time of nourishment, nutrient density and inclusion.

61% of our survey respondents expressed that they care less about counting calories, and more about the nutrient content of their food and drink.

Consumers are taking their health into their own hands:

44% of respondents also admitted to using food to “prevent, cure or manage a medical condition”, demonstrating that the term ‘food as medicine’ rings particularly true for consumers today.

People are searching for wholesome, functional and fortified foods to help optimise their health.





DRIVER 3 | PERSONALISED NUTRITION

Consumers are looking to personalise their diet and nutrition to fit their individual needs. Food is becoming less of a commodity and more of a personalised decision.

The endless stream of new tools available to help people gain insight into their health is also generating huge shifts in consumer behaviour and decision-making.

Today's consumers have access to everything from health apps to DNA testing kits and emerging companies like ph360 Australia - a customised lifestyle program which collects data from the body and uses complex algorithms to deliver personalised health recommendations.

DRIVER 4 | SOCIAL CONSCIOUSNESS

Today's consumers care about a business' integrity and values.

People want to leave a positive impact on the world and, as a result, they are making more conscious purchasing decisions:

- > 83% our respondents prefer brands that are honest about how they process food and drink products
- > 61% indicated that they are paying more attention to local brands and small manufacturers now-a-days

Evidence of this sustainability push is clear to see in Australia amidst the Coles plastic bag scandal as well as the 'straw-free' movement.

Now, with these drivers in mind, let's get into how businesses can adapt...





ADAPTING FOR SUCCESS

Moving forward, meeting and exceeding consumer expectations will require a complete shift in processes, products, communications and more.

Whilst Australian SMEs are known to be amongst the most innovative in the world, Food Innovation Australia (FIAL) found that “only 5% of employing food and agribusinesses are what they would call ‘businesses of tomorrow’.”

Australia boasts more than half of the world’s certified organic farmland and has great shipping routes to Asia. Other countries also widely respect the solid regulatory standards and educational stance that Australia takes to this topic (for example organic production requirements).

All of this puts local businesses in a strong position both globally and domestically.

Further, the overwhelming community and government response to Australia’s drought demonstrates just how important the security of the food supply is to this country.

Focusing on innovative methods of producing naturally healthy, authentic and premium products makes for an incredibly lucrative opportunity.

For example, a recent report by CSIRO announced that the construction of three dams in far north Queensland could make the region a “giant food bowl” or major food production centre, bringing with it significant economic benefits.

So, once you’ve built your dam(!), what can you do to connect with Australian shoppers? How can you signal to consumers that your product is natural, and align your business with this trend in order to boost sales?

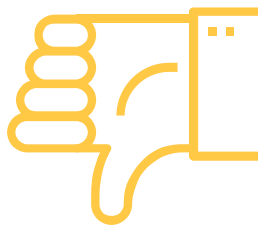




We asked our community: “when you look at packs of food and drink, what tells you that a product is natural?”. Here’s what we heard:



- > Short ingredients list
- > Simple packaging
- > Environmentally-friendly cues



- > Artificially bright colours
- > Misleading statements
- > Unrecognisable ingredients

A short ingredient list was mentioned by nearly every single respondent. They also expressed the desire for a clean label with no artificial, chemical, preservative or colour additives.

It was clear that consumers want to be able to understand exactly what is in the product – they’re turned off by complicated words and confusing messaging. They’re looking for simple imagery and packaging with environmentally-friendly cues.

Our respondents’ biggest “no-nos” were artificially bright colours, seemingly misleading statements, unrecognisable ingredients, excessive packaging and false-looking imagery.

Ultimately, what was clear from these responses was the significant lack of trust. Consumers are asking for the industry to step up and give them a helping hand to be healthy.

One respondent even commented that a product feels natural “if it still has dirt on it”. Doesn’t this speak to the ‘back to basics’ approach that today’s consumers are looking for?





Now onto the juicy stuff - what does the future of “naturals” look like? Here are our predictions...

PREDICTION 1 | FROM FREAKY TO FUNDAMENTAL

What we think of as niche and “alternative” today, will become the mainstream of the future.

Plant-based protein and sustainable meat alternatives will go from strength to strength.

According to CSIRO, the global edible insect market is expected to grow from 34 million USD in 2014 to over 520 million USD by 2023.

Products with added benefits will go one step further than collagen smoothies, with things like Ayurvedic body tonics appearing on supermarket shelves.

As disease prevention and management moves into the hands of the individual and towards functional, eastern medicine approaches, anti-inflammatory foods like “adaptogenic herbs” and diets like “Ketotarian” and “Pegan” will become increasingly commonplace.

Look out for interesting things like medicinal mushrooms for gut health, people eating for mitochondrial health and blood-sugar-balancing, brain-function-boosting products.

Personalised diets based on genetic testing will become the norm and probiotics will move from food to homecare. Well actually, that’s already happened - yep, probiotic cleaning fluid is a real thing!





PREDICTION 2 | HEALTHY, NATURAL CONVENIENCE

The *natural* next step is for natural options to become increasingly “ready-to-go”. Healthy ready meals and convenience products have already gone from strength to strength in places like the UK.

Moving forward, Australian manufacturers and retailers will be heading in the direction of locally produced, high quality, fresh and nutritious convenience food in order to satisfy growing demand.

This also extends to food delivery with lots of conscious, gourmet companies popping up like Burnley’s Serotonin Eatery in Melbourne: an up-and-coming plant-based eatery which delivers options like superfood birchers, vegan tacos and medicinal waffles.

The implications are not only about product but also the packaging. This must extend the shelf life without losing freshness, sacrificing the environment or leading to food waste. Not much to ask, right?

PREDICTION 3 | SHORTER INNOVATION CYCLES

At present, niche organic and natural food businesses like Proud and Punch (100% natural Australian fruit and vegetable ice-lollies) and Loving Earth (functional snacks and cereals) are coming out of nowhere, creating growth, innovating at pace and quickly establishing strong positions in the market.

This influx of new brands is shaking the confidence of large manufacturers and rapidly fragmenting the market; a market which will only become more fragmented amidst the personalised nutrition movement.

Moving forward, large companies will strive to adopt the business models of innovative smaller competitors and enter into more strategic partnerships with grass-roots brands.

Successful businesses will make the move towards a “fail fast, learn lots, win big” approach and focus on embedding an intrapreneurial mindset.

They will also invest in sustainable technology, logistics and supply such as working with regenerative agriculture suppliers and using blockchain technology to increase the transparency of processes.





So, that's the future, but what about right now?

KEEPING CONSUMERS AT THE HEART **Here's what you can take away...**

Big business is already making moves to satisfy the increasingly mindful consumer.

Unilever, for example, has committed to running its Australian manufacturing plants entirely on clean energy within the next two years and having 100% recyclable plastic packaging by 2025.

Before reading this paper, you may have been skeptical about all of this natural, mindful nonsense, but we're here to challenge you... can you afford to be skeptical?

Consumers are becoming more conscious in their decision-making, but trust levels are low. They're asking the industry to:

- > Commit to becoming more transparent
- > Support consumers in making responsible decisions
- > Prove consumers can trust what's on the labels

The bottom line is that we need to be constantly asking:

- > How can we keep consumers at the heart of decision-making?
- > How can we truly connect with consumers?

Remember - it's only natural!



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