THE SERIOUS BUSINESS OF **HEALTH**

THOUGHTS ON...

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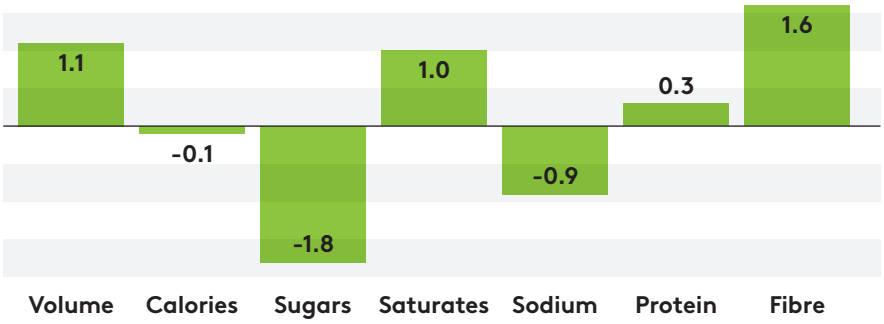
Health is big news. Almost two-thirds of the UK adult population is overweight and the indirect cost of obesity to the UK economy is estimated at £27 billion. The importance of health is clear: to Government, to consumers, and increasingly, to retailers.

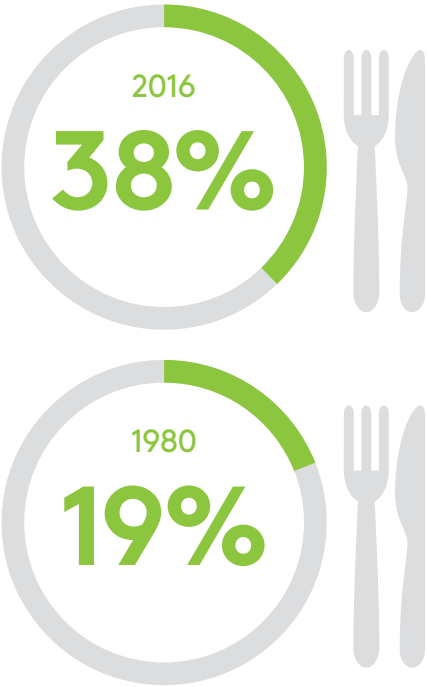
High-profile social marketing campaigns such as Change 4 Life and the Five a Day initiative, launched in 1994, have been followed more recently by the introduction of a soft drinks tax and the Department of Health's Childhood Obesity Strategy.

Sugars are in actual decline in the latest year

Total nutrient % change – GB total take home food and drink year to June 2016 vs 2015



Proportion of meals featuring an ingredient specifically chosen for health reasons



Among consumers, health is growing as a reason for purchase – 38% of meals now feature an ingredient specifically chosen for health reasons, a figure which has doubled since 1980.

Meanwhile, retailers are taking a stronger stance on health, removing sweets from checkout lanes and reformulating their products. Some British retailers are closely watching Albert Heijn, the Netherland's largest supermarket, which has removed cartoons on its private label children's products high in fat, salt or sugar (HFSS); implemented labelling and ranging changes throughout its soft drinks aisles; and reduced sugar by between 10% and 40% in 100 key lines.

The decline of sugar

After years of focusing on salt and fat the UK Government has now committed to reducing consumers' sugar intake. The investment is partly paying off: almost two thirds of households (62%) say they are very or fairly concerned about sugar consumption, higher than any other nutrient and up 41% on last year.

However, according to Government guidelines, we are still buying too much. Sugar bought in take-home baskets alone amounts to 110g per person per day, against a recommended daily intake of only 90 grams. Add in what we consume on the go, and the total is considerably higher.

Yet consumer behaviour is changing. Among those most worried about their sugar intake, purchase levels of sugar-heavy products have fallen over the past year: regular carbonated drinks, for example, have seen purchase frequency fall by 12.7%, versus an 8.6% decline among total consumers. Overall, consumers are buying less sugar in their take-home shopping, down 1.8% in the past year.

There are three key factors driving this decline. First, there has been a long-term fall in volume sales of packet sugar. Second, consumer concern about sugar has impacted sales of categories like biscuits and chocolate.

Finally, average sugar content has declined in markets including soft drinks, where 'diet' and low-fat options are taking a higher share of sales. These categories have seen an array of product reformulation as manufacturers seek to mitigate the sugar backlash, resulting in positive nutritional change among consumers.

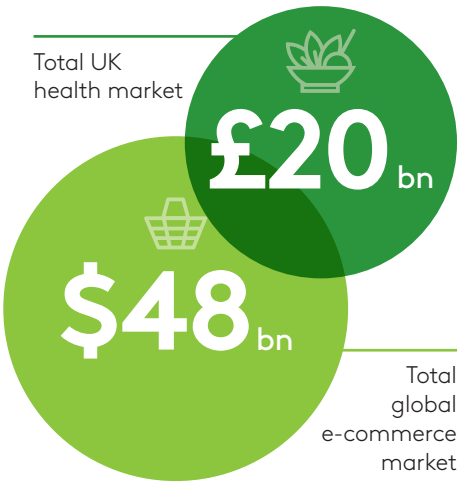
Despite this overall decline in sugar consumption and falling sales of sugary goods, those consumers most concerned about their sugar intake spend £5 more per week on their groceries than the average shopper.

The key to capturing this spend is simplicity. Consumers stay at a fixture for just seconds, so if merchandising or labelling about health benefits or improvements is not straightforward it will fail to have the desired impact.

Breaking down the market

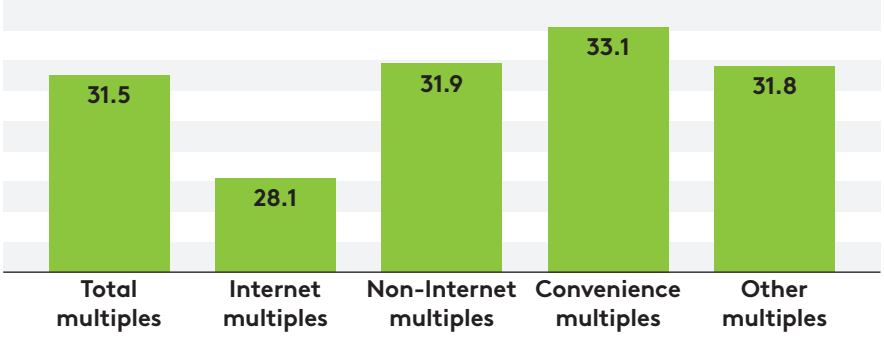
The main challenge for the grocers is to establish how to operate in a landscape increasingly focused on accessible health while remaining ahead of the competition. For a head start, retailers need better awareness of how health choices vary by channel and line.

The overall UK market of groceries consumed specifically for health reasons is worth in excess of £20 billion a year. It is growing at over four times the rate of the total grocery sector and is more than half the value of the total global grocery e-commerce market.



What can Great Britain learn from Mexico, where in 2014 a 13% tax was levied on 'sugared' products? The Mexican tax – which in total affected categories comprising 30% of household grocery spend – resulted in a 1.9% volume decline of foods taxed year on year. While the UK Government currently lacks the appetite to take a comparative tax forward, if applied it would inevitably mean a reduction in household spend on food and drink.

Health as a reason for choice by channel, %



However, unlike the overall grocery market, growth in health products is not being driven by online shopping but by convenience stores, where nutrition is more frequently a reason behind a purchase. This is partly down to the kind of consumer visiting convenience outlets – namely time-rich older shoppers and more affluent younger shoppers in urban areas. However, it is also because convenience shopping is typically focused on breakfast and that evening's dinner, both of which are seen as particularly important for health.

Meanwhile, across all channels, it is the market's most and least expensive stores which perform best for health, with Waitrose, Aldi and Lidl the strongest retailers for consumers making health-based purchase decisions. So while health-conscious consumers are spending more than average, retailers need to understand that they are a mixed demographic, not a homogenous group.

A balanced diet of options

While health as a reason for purchase is growing, consumers are moving away from products traditionally marketed to the health-conscious such as low calorie and diet options. While still of sizeable value (£2.7 billion) this 'diet' market has registered year-on-year decline of 4.2%, reflected in the poor performance of retailers' private label health ranges. These lines are losing relevance, seen by shoppers as being too focused on processed foods rather than primary protein, fruit and vegetables where health is a key driver.

Yet following a specific diet is more popular than ever, with a number of healthy eating fads exploding in popularity to become culinary trends in themselves. In part this has been propelled by the media – seven of the top ten cookery books in 2016 were health-focused, with Instagram stars Deliciously Ella and Joe Wicks leading the way.

Reflecting this change further is the strong growth in markets including meat-free and 'free-from'. More than a third of evening meals are now vegetarian while products such as gluten-free bread have helped the 'free-from' category grow by over a third in the past year.

More than ever consumers are interested in having a balanced diet, but many no longer think it can be achieved through a ready meal, whatever its nutritional credentials. Instead, they are seeking out more basic, healthier options in the form of raw products. To capitalise on these new dietary trends, retailers must make everyday products work harder, positioning them overtly as health ingredients.

41% of all fat we buy is on deal

Promotions have a role to play here. The proportion of HFSS categories on deal is typically twice the level of fresh produce, so changing promotional strategy in favour of healthier options would have a positive effect on public health. Currently, 41% of all fat we buy is on deal in contrast to 34% for protein. This imbalance is shaping consumers' behaviour and, in turn, their wellbeing.

What does the future hold?

While positive attitudes to health are on the rise, it is harder to change consumer habits than implement product reformulation, and this complex challenge needs to be tackled head on by retailers, manufacturers and legislators.

Technology may be a key weapon in the industry's armoury. Using existing data from loyalty cards and purchasing habits coupled with the potential offered by the Internet of Things opens a whole new world of opportunity. In the future, consumers may be able to track the nutritional profiles of their purchases and immediately know the impact on their health, while mass customisation could offer fresh ready meals to suit individual dietary needs.

We demand convenience in every aspect of our lives – not just in how we shop. Average meal preparation times have been steadily declining for over 20 years and it is unlikely that even a Government-backed campaign could reverse the trend.

It is imperative that retailers and brands understand this rapidly evolving nutritional landscape and the changing needs and behaviours of consumers if they want to make the most of the massive health movement.

METHODOLOGY

The primary data in this report comes from our grocery consumption and shopper panels.

Our consumption panel consists of 4,000 households recording what they eat and drink, how and with whom this was consumed and reasons for choosing a particular item. Our shopper panel continually measures the purchasing behaviour of 30,000 households.

Both panels are demographically representative of Great Britain and record SKU-level information linked to the nutritional content of the product. The potential level of detail available from the panels goes well beyond that used in this report to help manufacturers and retailers really understand their performance at a granular consumer and shopper level.

33 mins

Average dinner preparation time, 2016

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