

THE TRANSPARENCY IMPERATIVE

Product Labeling from
the Consumer Perspective



THE VOICE OF FOOD RETAIL



LABELINSIGHT.



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Food Marketing Institute proudly advocates on behalf of the food retail industry, which employs nearly 5 million workers and represents a combined annual sales volume of almost \$800 billion. FMI member companies operate nearly 33,000 retail food stores and 12,000 pharmacies. FMI membership includes the entire spectrum of food retail venues; single owner grocery stores, large multi-store supermarket chains, pharmacies, online and mixed retail stores. Through programs in public affairs, food safety, research, education, health and wellness and industry relations, FMI offers resources and provides valuable benefits to almost 1,000 food retail and wholesale member companies and serves 85 international retail member companies. In addition, FMI has almost 500 associate member companies that provide products and services to the food retail industry. For more information, visit www.fmi.org and for information regarding the FMI Foundation, visit www.fmifoundation.org.

Label Insight is creating transparency at the intersection of retailers, brands, and consumers, with an industry-leading platform for CPG product attribute data covering more than 80 percent of top selling food, pet, and personal care items in the U.S. The company's technology combines supply chain and on-package product information and employs patented data science and machine learning capabilities to create more than 22,000 high order attributes per product. This solution set delivers transparency to consumers and powers digital transformation through analytics, marketing, merchandising and e-commerce solutions for leading organizations across the Retail, Brand Manufacturer, Government and Technology industries. For more information, visit <http://www.labelinsight.com>.

Table of Contents

Key Findings..... 2

Making Use of the Findings 6

Introduction and Methodology 7

The State of Transparency

 Importance and Role of Transparency 8

 Understanding Consumer Transparency Preferences 16

 Product Claims..... 23

A Deeper Dive

 Special Challenges for Health Conscious Shoppers 27

 Online Shopping Boosts Transparency Expectations 32

Appendix 37

 Additional Resources on Transparency 38

 Respondent/Shopper Profile..... 39

Key Findings

This report on transparency examines many aspects of the topic and provides guidance for industry next steps. Those steps include the need to further embrace transparency; relay information beyond just ingredients; understand the specific needs of key shopper groups; meet the increased expectations of online shoppers; and track changing consumer preferences as this trend progresses. Here are key findings of the report:

What is the Shopper's Mindset?

- **Transparency Valued:** Almost all consumers (93 percent) continue to say it is important for brands and manufacturers to provide detailed information about what is in food and how it's made, compared to 94 percent in the 2016 Label Insight study. In addition, the vast majority of shoppers in 2018 (74 percent compared to 39 percent) say they would switch from the brand they usually buy to another brand that provides more in-depth product information, beyond what is on the physical label.
- **Consumer Confusion:** About two-thirds of shoppers sometimes or always find themselves confused about the ingredients listed on a package, despite saying they are informed after reading a product label.

What Does Transparency Mean to Shoppers?

- **Ingredients and More:** Having a complete list of easy-to-read, in plain English ingredients is the clearest indicator for consumers that a brand or manufacturer is being transparent, followed by in-depth nutritional information. In addition, roughly a third of consumers also value other indicators, including allergen information, details on how products are produced, and information on how ingredients are sourced.
- **Looking Beyond Package Information:** The great majority of shoppers want more information than appears on product packages. Many feel they know where to look for this additional information, such as by making use of websites or apps.
- **Smartphones Support Transparency:** Shoppers were asked their likelihood to access more information about a product on their smartphone or other device. More than three in four shoppers say they are very or somewhat likely to take advantage of this method to access more product information, with more than a third saying they are very likely to do so.

Why Should The Industry Care?

- **Impact on Business:** The research findings make a direct connection between transparency and commercial benefit for brands. More than three quarters of shoppers say they are more likely to buy food products that make available information beyond what appears on a physical label. Moreover, more than seven in 10 shoppers say they are willing to switch from their usual brand to one that provides more in-depth information beyond what appears on the label.
- **Trust and Loyalty Impacted:** Transparency from brands has a direct impact on building consumer trust and boosting loyalty, according to shopper feedback. About half of shoppers are even willing to pay more for a product that offers more in-depth product information beyond what is on the physical label.

How Do Diets and Health Consciousness Impact Transparency?

- **Americans Diet:** Almost one-half of American households have someone who is dieting or are on a health related program. In addition, about one-third of American households have a family member who is dealing with allergies, intolerances or sensitivities.
- **Healthy Shoppers, Robust Shoppers:** Shoppers focused on diets and health-related needs are more likely than others to shop online, while more than half also visit at least three brick-and-mortar stores in a month. This translates to them typically spending more on groceries than general shoppers; averaging \$136 per week.
- **Paying More for Transparency:** Shoppers focused on diets and health-related needs are more likely than others to say they'll pay more for products that provide in-depth information. These shoppers are more likely to say not knowing an ingredient makes them less likely to buy a product.
- **Information Seekers:** The vast majority of these shoppers focused on diets and health-related needs say they are always or sometimes searching a product label to make sure that it meets their diet or health-related needs or goals. When the label is not sufficient, almost all say they will seek out information elsewhere. So, it is not surprising that almost nine in 10 of these shoppers are likely to say they would take advantage of the ability to access more information about a product in store on their smartphone, with almost one-half very likely to do so.
- **Information Deep Dive:** Like the general shopper, ingredients and general nutrition facts are most important to shoppers focused on diets and health-related needs. But, these shoppers are more likely than general shoppers to say product claims (such as organic, grass fed, fair trade, etc.), dietary claims (such as fat free, high fiber, low sugar, etc.) and information about how a product was manufactured or grown are important to them. They also tend to express greater interest in information about sourcing of ingredients, production of ingredients and, not surprisingly, the diets a product may comply with.
- **The Challenge:** Nine in 10 of these shoppers focused on diets and health-related needs say they are always or sometimes searching product labels to check conformity to diet or health-related needs. A similar proportion say it is challenging to use labels to confirm that food products meet their dietary needs or goals.
- **Ranking Biggest Drivers:** The product package descriptions that have the biggest impacts on purchase behaviors include no preservatives, high protein, no added hormones, low sugar, low sodium, free-from artificial flavors and whole grains.

What is the Future of Transparency in an Omnichannel World?

- **Who Shops Online:** This study found that just over one-fourth of shoppers have purchased groceries online in the past 30 days. These online shoppers represent a unique and valuable demographic profile in that they have a higher level of professional education, higher household incomes and are more likely to have children. While Millennials are disproportionately shopping online, they do not even make up one-half of all the online shoppers (39 percent). GenX (30 percent) and Boomers (23 percent) also make up a good portion of online shoppers.
- **Big Spenders:** The shopping profile of these online shoppers is also a unique and robust one. These online shoppers spend much more on groceries than the typical shopper, \$149 per week. Even with their online purchases, almost two-thirds make two or more trips to the brick-and-mortar grocery store each week. They shop around too, as a majority have visited three or more brick-and-mortar stores in the past 30 days to supplement their online grocery purchases.
- **Transparency Valued:** More so than shoppers in general, online shoppers say it is important for the brands and manufacturers from whom they buy to be transparent. They are also more likely to say their buying behavior is influenced by transparency in that they are willing to pay more, switch brands or not buy products based the product information provided.
- **Digital Information Seekers:** When the label is not sufficient, online shoppers will look further for help. The most common way these shoppers do this is by doing research online. So, it is not surprising that almost nine in 10 of these shoppers are likely to say they would take advantage of the ability to access more information about a product in store on their smartphone, with almost one-half very likely to do so.
- **Information Deep Dive:** Most important to these shoppers are ingredients and general nutrition facts. In addition, these shoppers are more likely than general shoppers to say a whole range of other types of information are important to them, such as the health benefits the product offers, source of ingredients, dietary claims, how and where a product was manufactured or grown, possible allergens and product claims. Clearly online shoppers are seekers of a range of in-depth product information, whether on the package or elsewhere.
- **Transparency Easier Online:** About one-half of online shoppers say that various aspects of transparency are easier online than in a physical store, including learning about a product's story, shopping for a specific diet or allergy, knowing what ingredients are in a product, and knowing a product's nutritional information.
- **Higher Expectations Online:** Most online shoppers have higher expectations of transparency when shopping online. Three-fourths of online shoppers agree they want more product information when shopping online than if they were shopping in a physical store. Further, less than three in 10 online shoppers say they completely trust information from online retailers.

How Does Transparency Differ Across Demographic/Generational Segments?

- **Generational Differences:** When asked on an overall basis, there were minimal differences across the generations – Boomers (73 percent), GenX (70 percent) and Millennials (67 percent) – in how important transparency is to them. However, Boomers and GenXers are most likely to focus on ingredients lists and nutritional information. Millennials, while also paying attention to those factors, tend to give more weight than older generations to allergen information, certifications and claims, animal welfare, fair trade and labor practices. As might be expected, Millennials are the age group most likely to use their smartphone or other device to access more product information (92 percent). But, GenXers are almost as likely to do so (84 percent). And, don't totally dismiss the Baby Boomers, as 63 percent say they are very or somewhat likely to use their smartphones or other devices to get product information.
- **Demographics Matter:** Consumers placing greatest importance on transparency include those with children, college graduates and higher grocery spenders.
- **Shop More Want More:** The more money we spend on groceries, the more we think about what it is we are buying. It is not surprising that those who spend more on their groceries (\$125+/week) place more importance (75 percent) on the transparency of the brands and manufacturers from whom they buy and are more likely than those who spend less to determine if a brand is being transparent based on the information about ingredients, nutrition, health benefits and other product information. As might be expected these shoppers are particularly likely to find value in being able to get detailed product information in store on their smartphone (87 percent) and to say they are likely to use this method to access product information (85 percent).
- **The Kid Factor:** The presence of children in the household often generates a desire to know and understand more about the food we are serving our families. Thus, those shoppers with children are more likely to place greater importance on knowing more information about ingredients, nutrition, health benefits and other product information when deciding what products to buy. Smartphones are seen as a very valuable way to get product information to these shoppers (89 percent) and they are in fact almost universally likely to use this method (89 percent).
- **The Educated Shopper:** Those shoppers with a college degree (76 percent) are particularly likely to say that transparency is important for brands and manufacturers from whom they buy to be transparent. College-educated shoppers are more likely than less educated shoppers to consider information about ingredients, nutrition, health benefits and other product information when deciding what products to buy and to assess if a brand is being transparent. However, they do not differ from general shoppers in the value they place on or their likelihood to use a smartphone to look up product information.

Making Use of the Findings

This transparency report points to a number of possible next steps for brand owners. Here are five that are worthy of serious consideration:

1. **Embrace Transparency:** The findings show that transparency from brands has a direct impact on building consumer trust and boosting loyalty, particularly among those coveted shoppers who spend more, are more educated and have larger families/children. Companies should recognize this direct connection and communicate the importance of transparency throughout their organization and to stakeholders.
2. **Go Beyond Ingredients:** Ingredient information is essential for transparency. However, brands and manufacturers need to commit to providing even more information to meet the increased expectations of consumers. This includes information on allergens, how products are produced, and how ingredients are sourced.
3. **Play to multiple audiences:** Transparency is not one-size-fits-all. It plays out differently by consumer generation, and based on demographics that include education and the presence of children. Brands have a responsibility to better understand the needs of their audiences and develop suitable strategies.
4. **Ensure a good online experience:** Consumers highly value the opportunity to get transparency information online, including through smartphones. However, they also have higher product information expectations online than in a physical store. Brands and manufacturers should make sure they are meeting these expectations, rather than frustrating consumers who are seeking robust levels of information.
5. **Track Changing Consumers:** Shoppers will continue to change and the transparency bar is likely to be raised. Brands should monitor consumer behavior shifts and make quick adjustments and strategic shifts as needed.

Introduction and Methodology

Transparency is a concept that was not on the front burner until recently. While some brands and retailers have been on the leading edge or forefront of the transparency movement for many years, the past five years have seen a movement from early adopters to major changes from established brands as a result of the success of early adopters. Seemingly all of a sudden, consumers began to demand more information about their food products. This has caught the attention of food retailers, suppliers and other stakeholders.

A recent white paper about transparency, from FMI and The Center for Food Integrity, entitled **Transparency Roadmap for Food Retailers** explored the link between transparency and consumer trust. It positioned the transparency challenge this way:

“Stakeholders across the food supply chain – from farmers to manufacturers to retailers -- have faced a barrage of questions and skepticism from a new breed of customers, about everything from ingredients to food safety. The focus of inquiries has increasingly extended beyond ingredients to include areas such as animal welfare, business practices, and environmental impact. “

FMI and Label Insight, in this current report, aim to take a deep dive into how transparency is playing out on multiple levels. This includes the role of consumer preferences and shopper confusion, special cases such as specialty diets and allergies, and the impact of omnichannel shopping. This report was built on an update of previous surveys conducted separately by FMI and Label Insight (see Additional Resources section). This research is based on a online survey of a random sample of 2,022 U.S. grocery shoppers who are 18 years of age or older. The research was conducted via an online nationally representative sample from May 15 to 22, 2018. Quotas were established to insure that survey respondents were representative of the U.S. population by age, region and gender. Details of key demographics and a shopping profile can be found in the Appendix of this report. NOTE: Data may not total 100% due to rounding.

This report's findings underscore the importance of transparency and point to how it links directly to business success. That success is more likely to be achieved when industry stakeholders understand the fine points, including shopper motivations and behaviors. The food industry has already taken important steps to boost transparency, including with initiatives such as SmartLabel®. This report points to additional next steps and key resources.

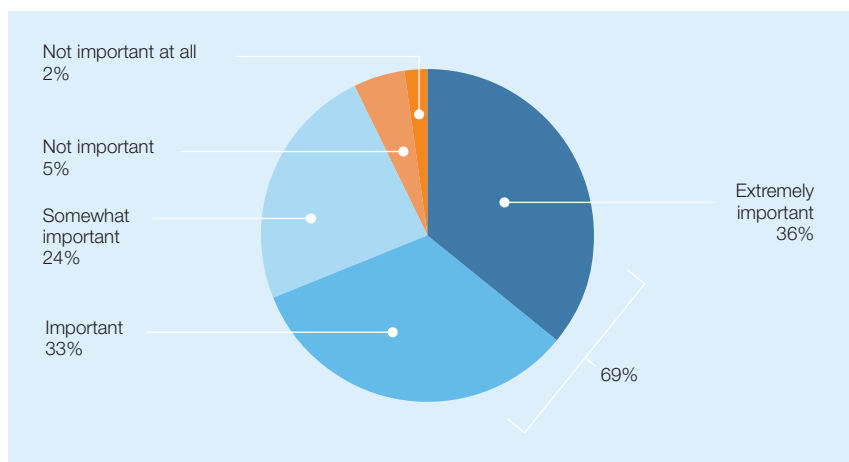
IMPORTANCE AND ROLE OF TRANSPARENCY

Consumers Emphasize Transparency's Importance

As was found in separate research previously conducted separately by FMI and Label Insight, transparency by brands and manufacturers is valued and seen as important by consumers.

Shoppers taking part in this survey were given a definition of transparency to keep in mind. That definition is *providing detailed information, such as for what is in food items, and how it is made*. Based on this definition, shoppers place a high level on the importance on transparency.

- The vast majority of consumers (69 percent) say it is extremely important or important that brands and manufacturers provide detailed information such as what is in their food and how it is made.
- Only 7 percent of consumers say this detailed product information is not important to them.

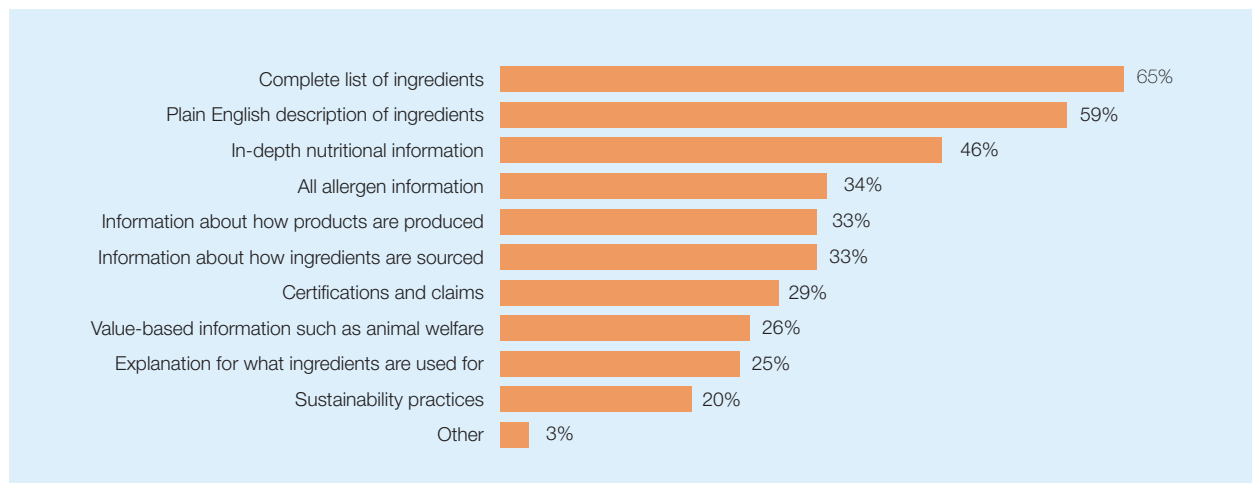


DEMOGRAPHICS DEEP DIVE

Those who place greater importance on transparency include:

- Online shoppers (80 percent)
- College graduates (76 percent)
- Higher grocery spenders - \$125+/week (75 percent)
- Residents in the West (74 percent) vs. those in the Midwest (62 percent)
- Interestingly, there were minimal differences across the generations – Boomers (73 percent), GenX (70 percent) and Millennials (67 percent) – in how important transparency is to them.

How Shoppers Determine Transparency



How do shoppers define transparency? What determines to them whether a brand or manufacturer is being transparent? Knowing what ingredients are in a product with a plain English description are key indicators for shoppers that a brand or manufacturer is being transparent.

- **Ingredients:** A majority of shoppers determine if a brand is being transparent based on the brand providing a complete list of ingredients (65 percent) and/or a description of ingredients in plain English (59 percent).
- **Nutritional Information:** Providing in-depth nutritional information is a key indicator to almost one-half of shoppers (46 percent) of a brand or manufacturer being transparent.
- **Allergens:** Some shoppers determine transparency based on the brand or manufacturer providing information about allergens (34 percent), how products are produced (33 percent) and how ingredients are sourced (33 percent).

DEMOGRAPHICS DEEP DIVE

There are some interesting differences by key subgroups:

- Older generations (Boomers and GenX) are more likely than Millennials to focus on a complete list of ingredients, ingredient descriptions, and nutritional information. Millennials also focus on these indicators, but they are more likely than older generations to look at allergen information, certifications and claims, explanations of ingredient usage information, and other details such as animal welfare, fair trade and labor practices.
- Shoppers who are higher grocery spenders (\$125+/week) are more likely than lower spenders to cite each of these as an indication of being transparent.

Considerations When Buying Products

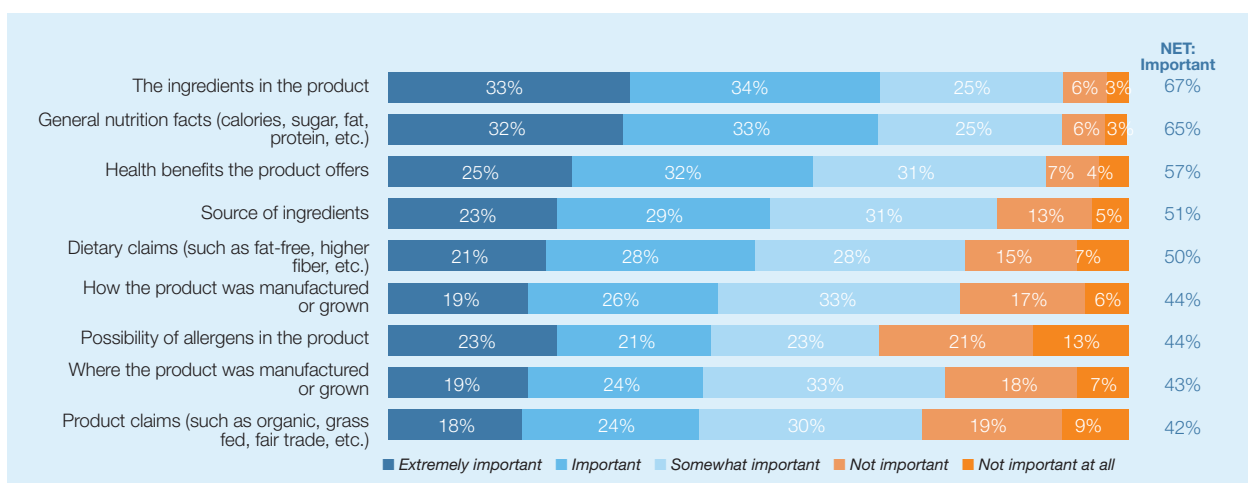
As shoppers evaluate products for purchase, they can be faced with discerning an abundance of information. How do they prioritize the important information they want to consider? Ingredients and general nutrition information are cited most frequently as key considerations for shoppers when deciding which products to purchase. But, many other dimensions of transparency are important in the shopper's buying decision. In fact, shoppers list an average of more than four of these categories of information as being important in their buying decision.

- **Ingredients and Nutrition:** The most important considerations when deciding which products to buy are the ingredients (67 percent extremely important or important) and the general nutrition facts (65 percent).
- **Health Benefits:** Many shoppers also claim that it is important to consider the health benefits the product offers (57 percent), source of ingredients (51 percent) and dietary claims, such as fat-free, high fiber, etc. (50 percent).
- **Other Product Information:** While less likely to be considered important, some shoppers do consider how a product was manufactured or grown (44 percent), possibility of allergens (44 percent), where the product was manufactured or grown (43 percent) or product claims, such as organic, grass-fed, fair trade, etc. (42 percent).

DEMOGRAPHICS DEEP DIVE

Several groups of shoppers place greater importance on most if not all of these considerations. These include:

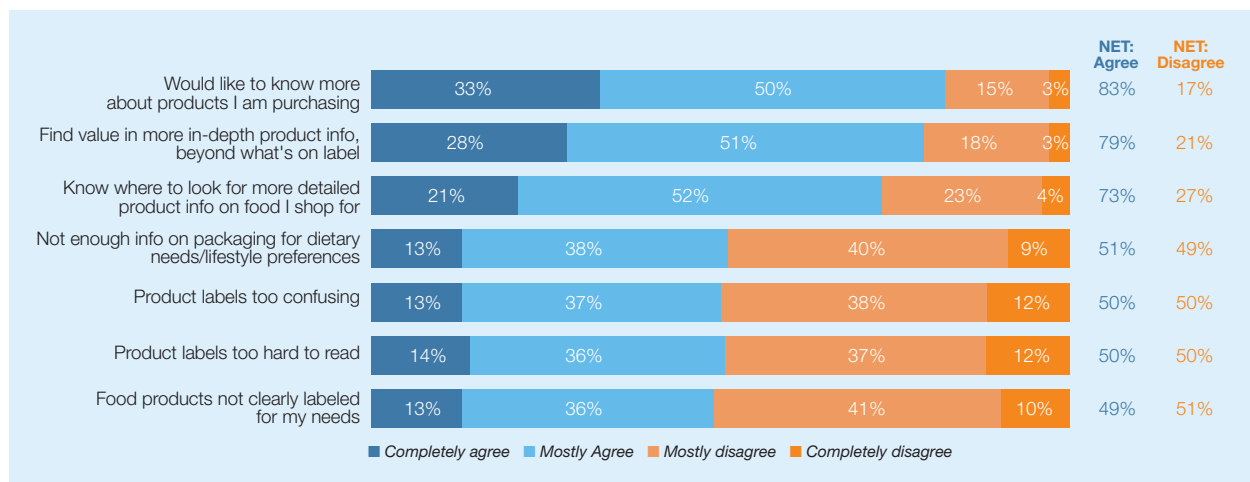
- Shoppers with children compared to those with no children.
- Shoppers who are higher grocery spenders (\$125+/week) compared to lower spenders.
- Shoppers who visit the store more frequently (2+/times per week) compared to those who visit less frequently.
- Residents of the West compared to those in the Midwest.
- Shoppers with a college degree compared to those who have lesser education.
- Shoppers whose shopping is impacted by allergies, intolerances or sensitivities.
- Shoppers who themselves or those who they shop for are on a diet or health-related program.



Perspectives on Product Labels – Being Informed

When shoppers speak of transparency, they use words such as “open,” “honest” and “clear.” The vast majority of shoppers are seeking more information than what appears on product labels. They would like to know more about the products they are purchasing (83 percent) and say they find value in more product information, beyond what is on the label (79 percent). These desires may explain why so many come to the grocery store aisles with their smartphone in hand as a tool to gain more information (85 percent) and use grocery-related apps (35%, cite 2018 Trends).

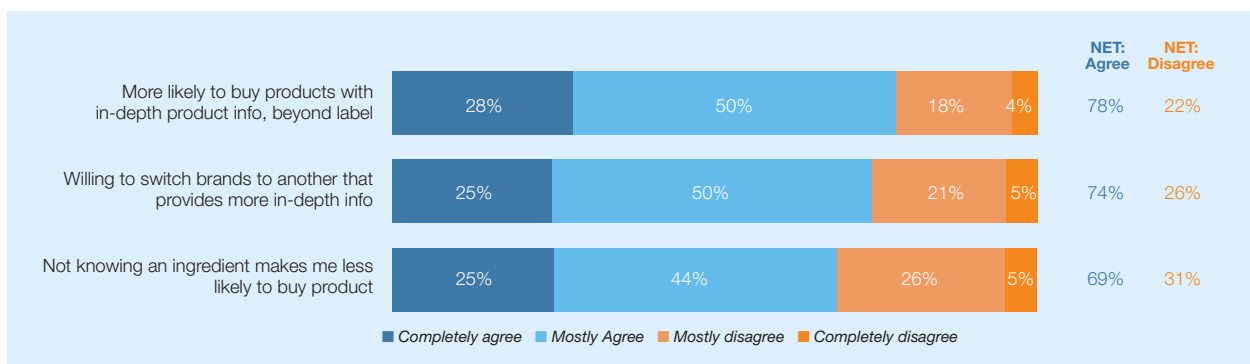
- **Search Strategies:** While many shoppers (73 percent) say that they know where to look for more detailed product information on the food they shop for, such as by going to specific web sites on their smartphone or by using grocery apps, only one in five (21 percent) completely agree they know where to look for this information.
- **Adequacy of Information:** Shoppers are divided as to whether there is enough information on the packaging to help them meet their dietary needs or lifestyle preferences (51 percent agree, 49 percent disagree). Those seeking more information are more likely to include consumers using smartphones to access information, or those shopping for someone with allergies, intolerances, sensitivities, or are on a diet or health-related program.
- **Label Clarity:** When it comes to assessing product labels, consumers are truly divided as to whether they are too hard to read (50 percent agree, 50 percent disagree), too confusing (50 percent agree, 50 percent disagree) or not clearly labeled for their needs (49 percent agree, 51 percent disagree).



Linking Transparency to Purchase Behavior

While many shoppers talk about the need for more transparency, an important question is what impact does transparency have on the bottom line? Are shoppers' purchase behaviors impacted by the degree of transparency offered to them? For many the answer is indeed "yes."

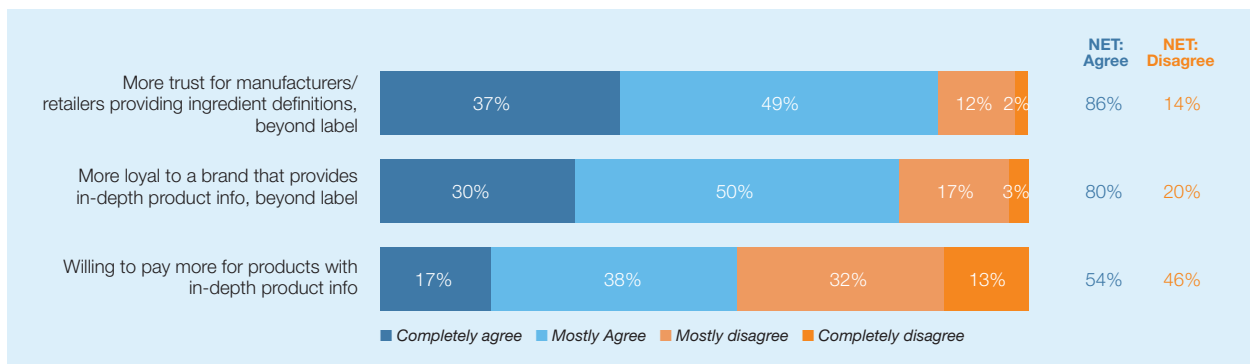
- **Information Imperative:** Most shoppers (78 percent) say they are more likely to buy food products that provide more in-depth product information, beyond what is on the physical label.
- **Brand Switching:** More than seven in 10 shoppers (74 percent) say that they would be willing to switch from the brand they usually buy to a brand that provides more product information, beyond what is provided on the physical label.
- **Ingredients Crucial:** Not knowing the ingredients makes many shoppers (69 percent) less likely to buy a food product.



Transparency Boosts Trust and Loyalty

Building trust and loyalty among shoppers is critical to the survival and growth of a brand. Transparency is a fundamental consumer demand that serves as the foundation on which brand trust and loyalty are built. Providing product information can generate shopper trust and loyalty, along with producing a willingness among some shoppers to pay more.

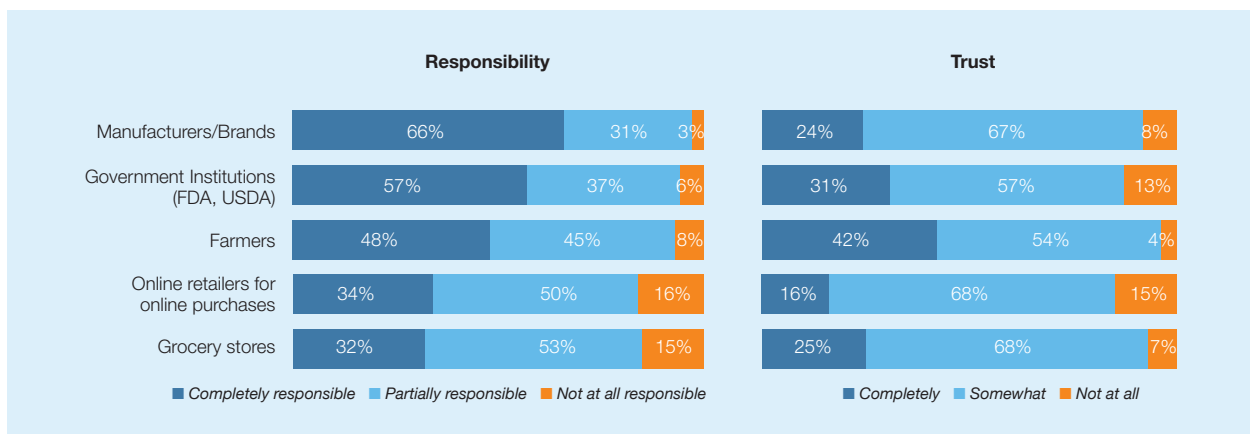
- **Building Trust:** The statement that generated the highest level of agreement focuses on the role that transparency has in building trust. Some 86 percent of shoppers said, if food manufacturers or retailers provided access to complete and easy to understand definitions for all the ingredients, it would result in more trust.
- **Boosting Loyalty:** Almost as many shoppers (80 percent) agree that they are more likely to be loyal to a brand that provides more in-depth information, beyond what is provided on the physical label.
- **Impact on Price:** Shoppers were almost equally divided (54 percent agree, 46 percent disagree) on their willingness to pay more for a product that offers more in-depth product information, beyond what is provided on the physical label.



Who is Responsible for Transparency?

Ultimately, there is the question of who is responsible -- and who is a trusted source -- for information about what is in our food, where it is from and how it was produced. Shoppers place the most responsibility for providing this product information on the manufacturers/brands and government institutions. But, in contrast, few completely trust the information provided by either of these sources, or any sources queried for that matter.

- **Manufacturers, Government in Spotlight:** Virtually all shoppers believe the manufacturers/brands (97 percent) and government institutions like the FDA and USDA (94 percent) are at least partially responsible for providing information about what is in our food, where it is from and how it was produced. However, most only somewhat trust the information from the manufacturers/brands (67 percent) or these government institutions (57 percent) and few completely trust them (24 percent and 31 percent, respectively).
- **Farmers Generate Trust:** Many shoppers also see farmers as being at least partially responsible for providing product information (92 percent), but not completely responsible (48 percent). However, farmers are almost universally trusted as providers of product information (96 percent).
- **Grocers Avoid Hot Seat:** Grocery stores and online retailers for online purchases are the least likely to be seen as completely responsible, but many say they are at least partially responsible (50 percent and 53 percent, respectively). Trust in grocery stores to provide product information is comparable to that of the manufacturers/brands (93 percent completely or partially).
- **Trust Lower for Online Retailers:** Trust of online retailers is the lowest among those measured, with only 16 percent completely trusting the product information online retailers provide.

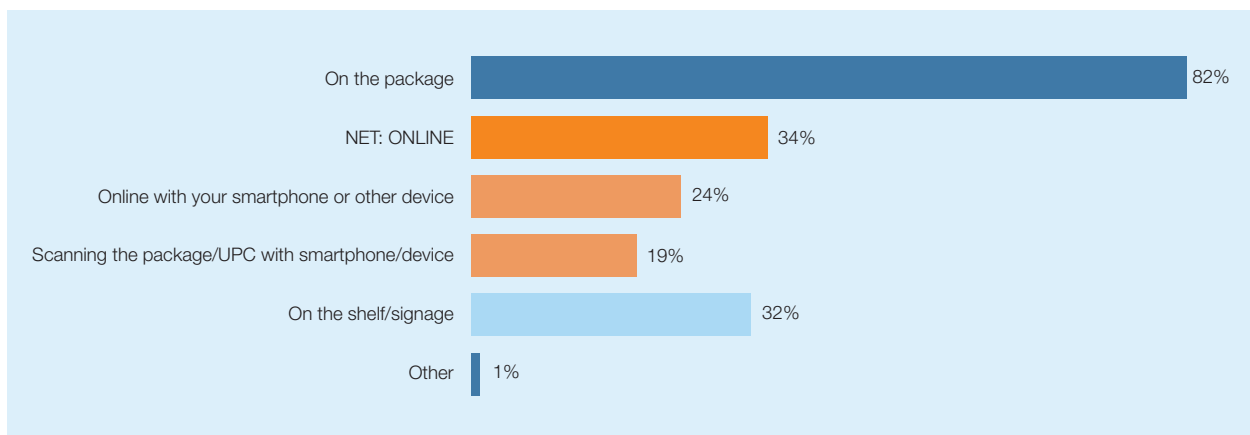


UNDERSTANDING CONSUMER TRANSPARENCY PREFERENCES

Preferred method for getting product information

It's crucial to realize that transparency is essential and has an impact on consumer behavior and a brand's bottom-line. As previously discussed, transparency is seen by consumers as the responsibility of all involved in the supply chain, from manufacturers to retailers. However, knowing how to deliver transparency to consumers—in the way they want and value—is the critical next step. As might be expected, right on the package is the easy answer for where to get product information, but some like the option to go online.

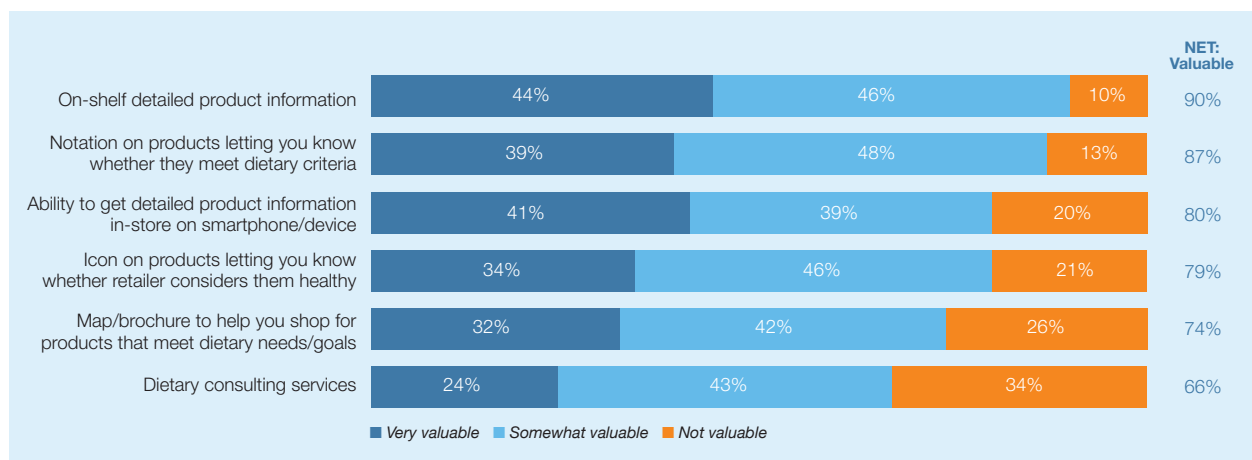
- **On Pack is Top Choice:** When shoppers are asked how they would prefer to get information about products, the easy answer for many, but not all, is right on the package (82 percent).
- **Online is Runner Up:** One-third of shoppers (34 percent) prefer to go online either with their smartphone or other device, or by scanning the package or UPC with their smartphone or other device.
- **On Shelf is Also Important:** A similar proportion (32 percent) prefer to get information about products from on the shelf or other signage.



Choosing the Most Valuable Transparency Platforms

On-package, on-shelf or via smartphones are ways that manufacturers and brands can provide needed product information. But where do shoppers find the most valuable information? It turns out shoppers found value, though to varying degrees, in a variety of options.

- **On-Shelf Top Choice:** On-shelf detailed product information is seen as offering shoppers the most value, as nine in 10 shoppers (90 percent) say this approach is valuable to them. This is an opportunity for retailers to provide value to shoppers.
- **On-Product Important:** Almost as many shoppers (87 percent) find notations right on products letting shoppers know whether the product meets certain dietary criteria to be valuable.
- **Devices Play Big Roles:** The vast majority of shoppers (80 percent) find value in being able to get detailed product information in-store on their smartphone or other device. Those who particularly find value in this method include those shopping for a household member with allergies (91 percent) shoppers with children (89 percent), those who shop online (89 percent), those shopping for someone following a diet or health-related program (88 percent) and those who spend \$125+/week (87 percent). Millennials (90 percent) and GenX (87 percent) shoppers also react very favorably to this method. However, Baby Boomers also find value in this method of providing information, as 67 percent say it is somewhat or very valuable to them.
- **Icons Make a Difference:** Icons on products letting shoppers know whether retailers consider them healthy are also considered somewhat or very valuable to the vast majority of shoppers (80 percent).
- **Maps, Brochures Also Used:** While still considered valuable to most shoppers, maps or brochures to help shoppers shop for products that meet their dietary needs or goals (74 percent) and dietary consulting services (66 percent) are not considered as valuable as the other methods of providing information.

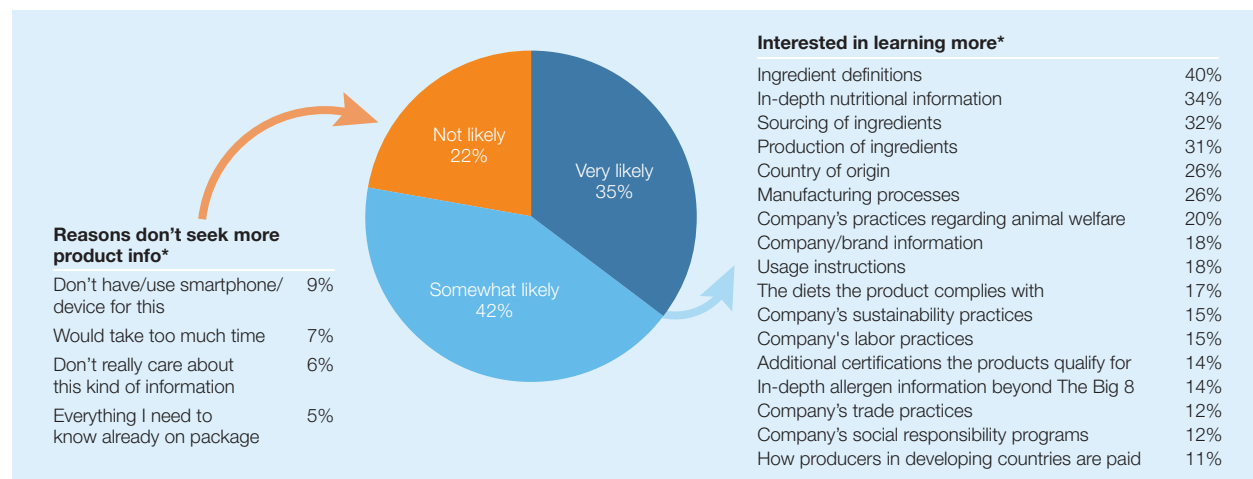


Smartphones Help Support Transparency

The food industry has been stepping up to shopper demands for transparency. SmartLabel® is a prime example of this. The initiative was created by the Grocery Manufacturers Association and FMI under the industry's Trading Partner Alliance. SmartLabel® provides information to consumers on hundreds of attributes that could never fit on a package label. SmartLabel® covers ingredients and nutrition information, but also much more. While the initiative currently covers about 40,000 products, it is expected to grow substantially in the coming years.

With this in mind, shoppers were asked how likely they would be to access more information about a product on their smartphone or other device. More than three in four shoppers (77 percent) say they are very or somewhat likely to take advantage of this method to access more product information, with 35 percent saying they are very likely to do so.

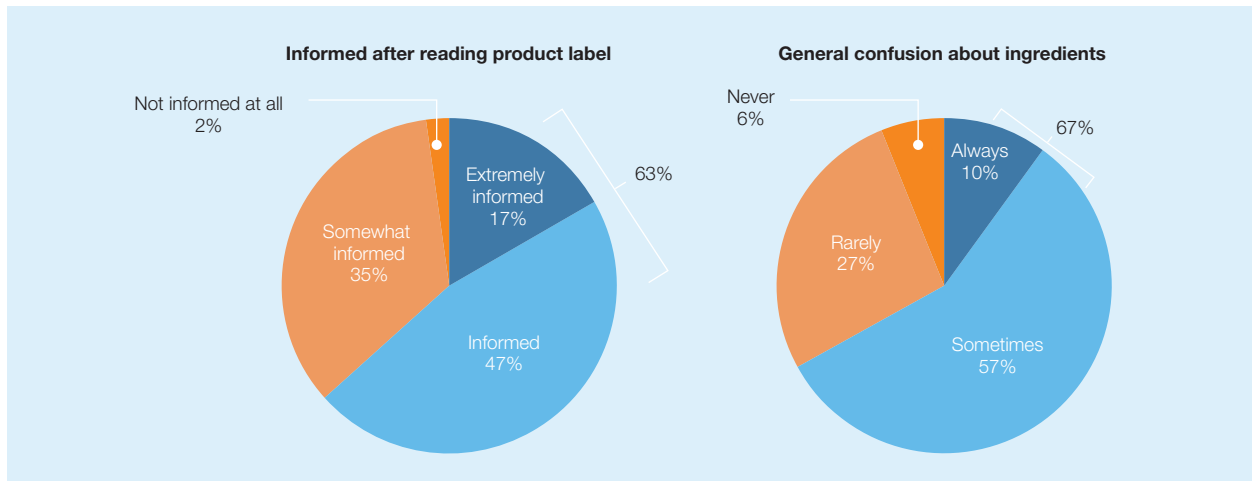
- **Biggest Proponents:** Those more likely to use this method include consumers who shop for household members with allergies (92 percent), with children (89 percent), online shoppers (89 percent, 52 percent very likely), shoppers for someone following a diet or health-related program (87 percent), and those who spend \$125 or more a week on groceries (85 percent).
- **Generational Impacts:** As might be expected, Millennials are the age group most likely to use their smartphone or other device to access more product information (92 percent). But, GenXers are almost as likely to do so (84 percent). And, don't totally dismiss the Baby Boomers, as 63 percent say they are very or somewhat likely to use their smartphones or other devices to get product information.
- **Types of Information:** Those likely to seek more product information cite myriad types of information they are interested in learning about. The most frequently mentioned is ingredient definitions (40 percent). Other frequently mentioned areas of interest include in-depth nutritional information (34 percent), sourcing of ingredients (32 percent), production of ingredients (31 percent), country of origin (26 percent) and manufacturing processes (26 percent).
- **Reasons for Avoiding:** Those who are not likely to seek more product information via their smartphone, often either do not have a smartphone or do not use it for this type of task (9 percent of total respondents). Other frequent reasons for not doing so include that it would take too long (7 percent), don't really care about this kind of information (6 percent), or everything they need to know is on the package (5 percent).



Shoppers Confused About Ingredients

As the food industry has learned, physical product labels have their limitations. As such, shoppers often find themselves both informed and confused when reading product labels. But, will new online options like SmartLabel® or other information sources simply provide more information or help serve to eliminate shopper confusion.

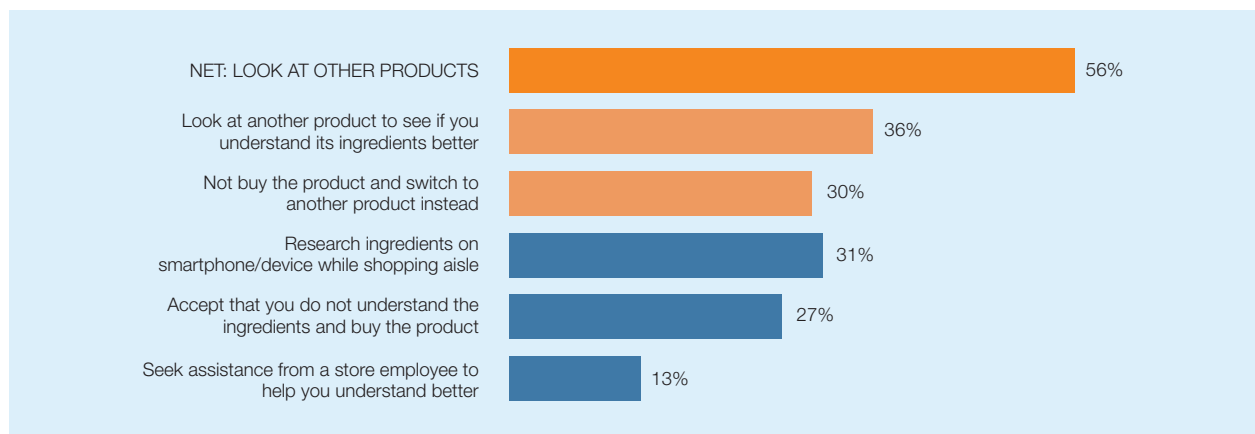
- While a majority of shoppers (63 percent) consider themselves informed after reading a product's label, though not necessarily completely informed (only 17 percent), more than one-third (37 percent) consider themselves only somewhat or not informed at all.
- In contrast, two-thirds (67 percent) of shoppers sometimes or always find themselves confused about the ingredients lists on the package. Only one-third (33 percent) are rarely or never confused about the ingredients listed on the package label.



Responses to Ingredients Confusion

As noted, shoppers often find themselves confused. When faced with confusion, the most common response is to look to other products.

- **View Alternatives:** If shoppers find ingredients on the label confusing, a majority of them will look to other products (56 percent) either to see if they understand their ingredients better (36 percent) or simply not buy that product and buy another product instead (30 percent).
- **Research Ingredients:** Some (31 percent) say they will research the ingredients on their smartphone while shopping.
- **Buy Anyway:** A similar proportion (27 percent) say they accept that they do not understand the ingredients and buy the product.
- **Seek In-Store Assistance:** A limited number of shoppers say they seek assistance from a store employee to help better understand the ingredients.

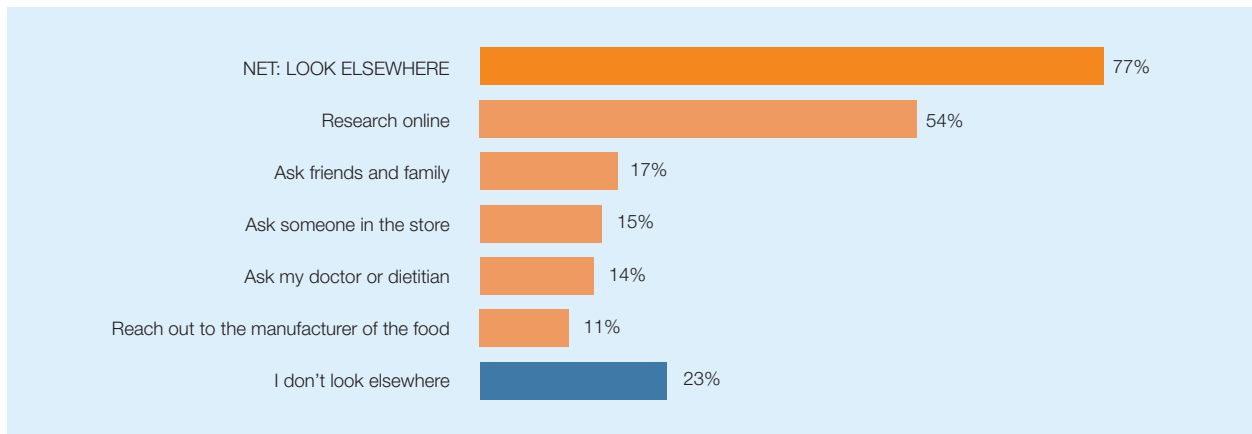


Where Else Shoppers Seek Information

When the label is not enough, shoppers do seek answers elsewhere.

■ **Look Elsewhere:** Three-fourths of shoppers (76 percent) say that when the information of the product packaging is not enough to be sure if it meets their dietary needs, they look elsewhere. The most common source of information is online (54 percent), while other will ask family or friends (17 percent), someone in the store (15 percent), or their doctor or physician (14 percent). A small proportion (11 percent) will reach out to the manufacturer.

■ **Do Nothing:** Less than one-fourth (23 percent) do not look elsewhere for information.

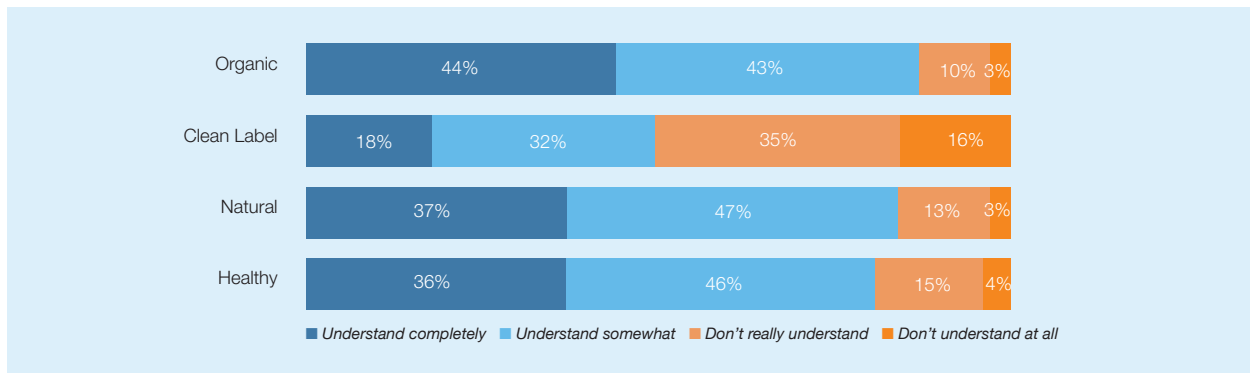


PRODUCT CLAIMS

Which Claims Shoppers Understand

Shoppers are not only confused about ingredients, they are also lacking understanding about product claims. Most shoppers acknowledge that they do not have a complete understanding of product claims. When asked how well they feel they understand claims such as organic, natural, healthy, or clean label, less than one-half of shoppers say they completely understand or know what is meant by these claims. This should not be surprising, as organic is the only claim presented that has a generally agreed upon definition.

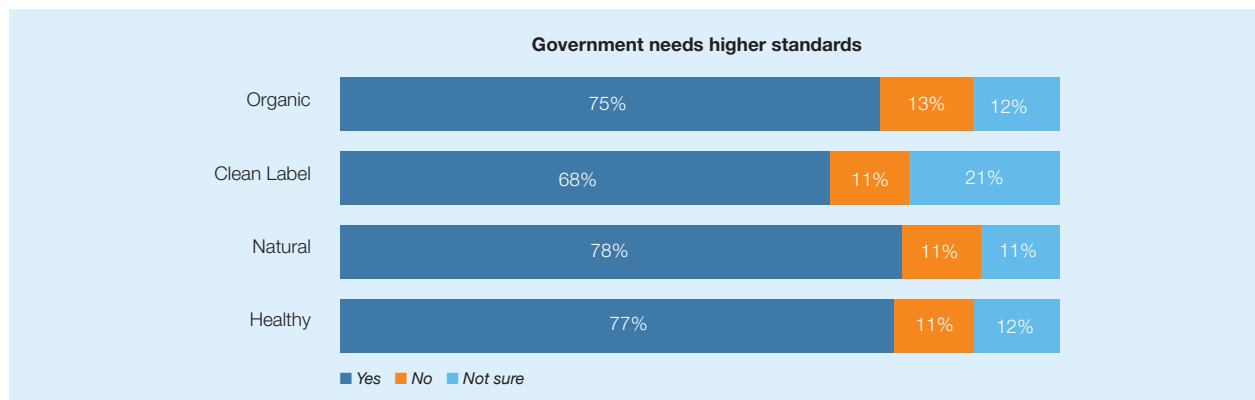
- **Organic is Most Understood:** Shoppers are most likely to say they completely understand or know what is meant by a claim that a product is organic (44%), but most shoppers don't or only somewhat understand what is meant by a food product claiming to be organic (56 percent).
- **Natural, Healthy More Confusing:** Shoppers are even less likely to completely understand what is meant by claims that a product is natural (37 percent) or healthy (36 percent).
- **'Clean' is Very Confusing:** Shoppers are least likely to completely understand (18 percent) what is meant by a claim that a product has a clean label. In fact, more than one-half of shoppers (51 percent) say that they don't really or do not at all understand what is meant by clean label.



Government's Standards for product claims

Given the confusion over product claims, many shoppers believe the federal government should focus on higher standards and more consistency.

- **Most Support Bigger Role:** In fact, the vast majority of shoppers (68 to 78 percent) believe the government needs to have higher standards and more consistency associated with products claiming to be natural, healthy, organic, or clean label.
- **A Minority Want Status Quo:** Only about one in 10 shoppers (11 to 13 percent) say that there is no need for the government to have higher standards or consistency associated with any of these product claims.
- **Others Not Sure:** Similar proportions (11 to 21 percent) are not sure if there is a need for higher standards or more consistency from the federal government.



Packaging Descriptions That Impact Purchases

Shoppers were asked what descriptions that appear on product packaging influence their purchase decisions. As outlined below, there are many descriptions that shoppers claim to impact their purchase behavior.

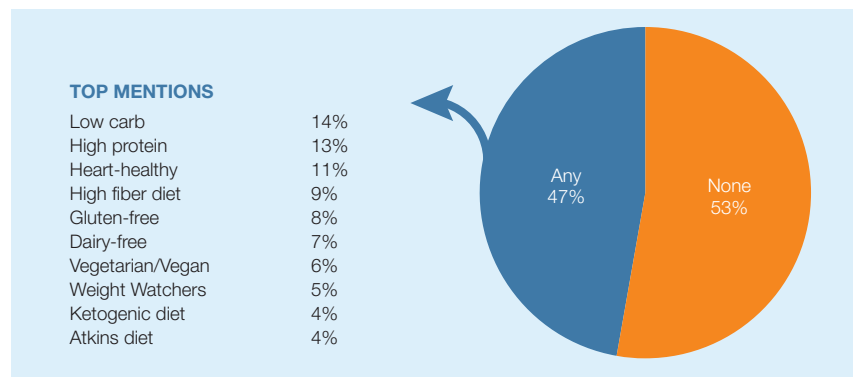
TOP TIER		MID TIER		BOTTOM TIER	
No preservatives	42%	Organic/Certified organic	27%	No allergens	19%
High protein	39%	Low carbs	27%	Delicious taste/Experience	18%
No added hormones	39%	No/Low fat	26%	Gluten-free	18%
Low sugar	38%	Vitamin-enriched	25%	Pasture-raised	17%
Low sodium	38%	Cage-free	24%	Certified Humane	16%
Free from artificial flavors	37%	Local	24%	Fair Trade	15%
Whole grains	35%	Grass-fed	24%	Calcium-fortified	14%
No trans fats	34%	Free-range	23%	Sustainable	14%
Non-GMO	34%	No HFCS (high fructose corn syrup)	23%	Clean label	12%
Free from artificial colors	34%	Reduces risk of heart disease/Heart healthy	23%	Contains dairy	12%
High fiber	34%	Low/Lowers cholesterol	22%	Contains nuts	11%
Antibiotic-free	33%	Antioxidant-rich	21%	New and improved	10%
Natural	31%			Kosher	9%
Healthy	31%			Vegan	8%
Low calorie	30%			Halal	3%

SPECIAL CHALLENGES FOR HEALTH CONSCIOUS SHOPPERS

Specialty Diets Popular With Consumers

Americans always seem to be on a diet or trying the latest health-related programs.

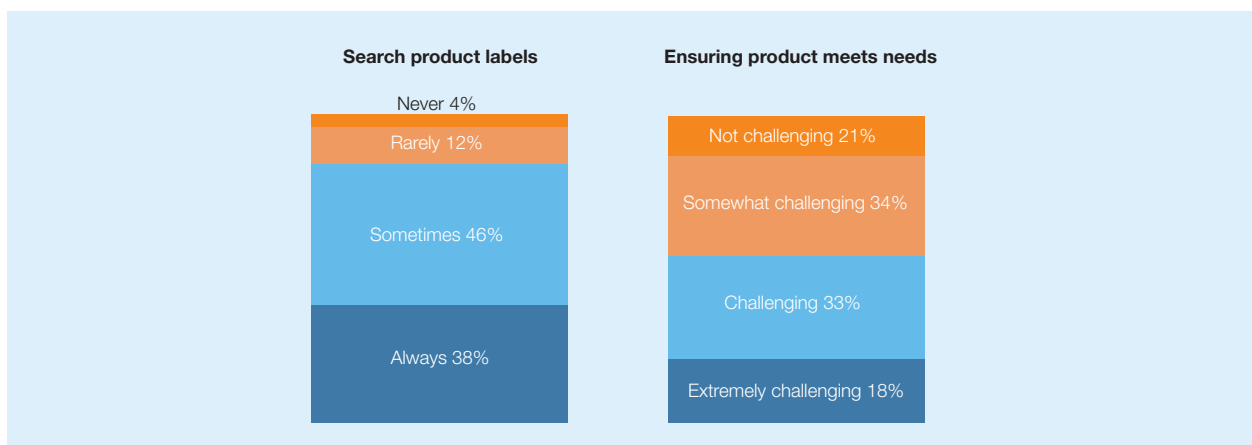
- When surveyed, roughly one-half of shoppers (47 percent) said they or someone they shop for is following a diet or health-related program.
- Among the list of 30 diets presented, the most commonly followed were low carb (14 percent), high protein (13 percent), heart-healthy (11 percent) and high fiber diet (9 percent). Each of the 30 diets or programs were cited by at least 1% of the shoppers.



Specialty Diet Shoppers Feel Challenged

Transparency is more important to consumers shopping with diets and health-related needs in mind. These shoppers often find themselves searching product labels for specific needs, an activity they often find challenging.

- **Frequently Searching:** The vast majority of shoppers (84 percent) say they are always or sometimes searching a product label to make sure that it meets their diet or health-related needs or goals.
- **Often Challenged:** A similar proportion (79 percent) say that it is challenging (ranging from extremely to somewhat) to make sure that the food products they buy meet their dietary needs or goals by looking at the product's label.



Challenged Shoppers Willing to Pay More

- **Transparency Drives Purchases:** This focus on transparency among this group of shoppers translates to their purchase behavior. Shoppers focused on specialty diets or health-related programs are more likely than general shoppers to say they are willing to pay more for products that offer in-depth product information (61 percent). They are also more likely to say that not knowing an ingredient makes them less likely to buy a product (76 percent).
- **Seeking Information By All Means:** In their quest for product information, these shoppers are like all other shoppers in placing great value on product information on shelf (92 percent), on package with notations (93 percent) and on package with icons (85 percent). Most of these shoppers also place great value on the ability to get detailed product information in store on their smartphone (88 percent). In addition, many of them welcome retailers assistance by providing maps to help shoppers shop for products that meet their dietary needs and/or goals (82 percent) or dietary consulting services (79 percent).

Strategies for Getting Answers

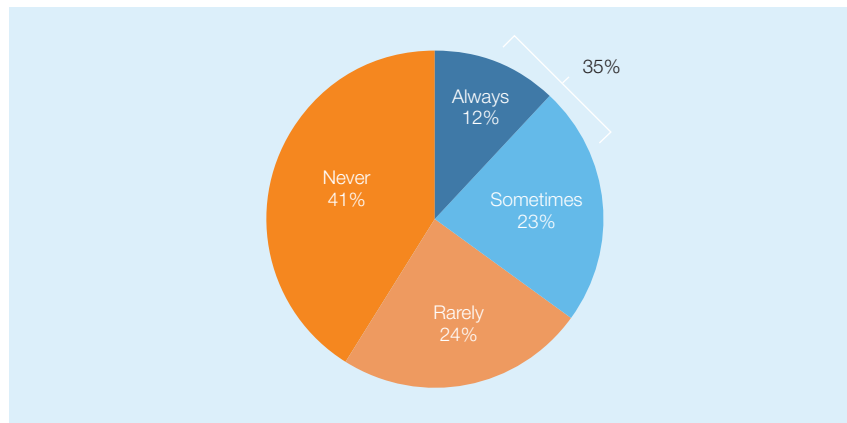
When a label is not sufficient, shoppers focused on specialty diets seek out information elsewhere (89 percent).

- **Finding Information Elsewhere:** Elsewhere may include friends and family (20 percent), someone in the store (20 percent), a doctor or dietitian (21 percent) or the manufacturer (15 percent), but most commonly includes research online (59 percent). The vast majority (87 percent) of these shoppers are likely to say they would take advantage of the ability to access more information about a product in store on their smartphone, with almost one-half very likely to do so (47 percent).
- **Types of Information Sought:** What additional information are these shoppers seeking? Like the general shopper, ingredients and general nutrition facts are most important. But, these shoppers are more likely than general shoppers to say product claims (such as organic, grass fed, fair trade, etc.), dietary claims (such as fat free, high fiber, etc.) and information about how a product was manufactured or grown are important to them. They also tend to express greater interest in information about sourcing of ingredients, production of ingredients and, not surprisingly, the diets a product may comply with.

Food Allergies Impact Shopping

Food allergies, intolerances or sensitivities impact the way many consumers approach shopping.

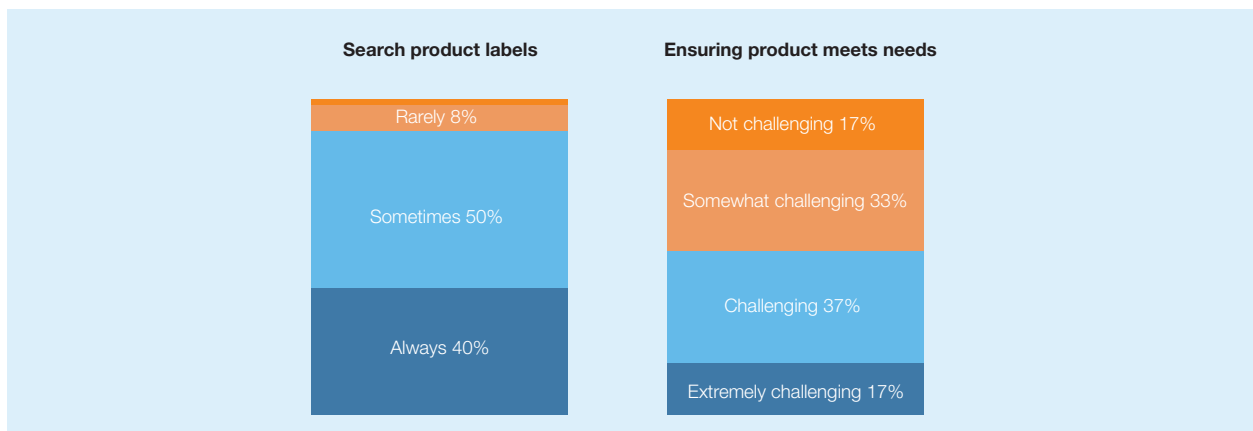
- More than one-third of shoppers (35 percent) always or sometimes say their shopping is impacted by food allergies, intolerances or sensitivities.
- Those most likely to be impacted include online shoppers (46 percent), Millennials (46 percent), shoppers with children (43 percent) and those who reside in the West (40 percent).



The Special Case of Allergy-Focused Shoppers

Transparency is very important to consumers whose shopping is impacted by allergies, intolerances or sensitivities. However, much of the time these shoppers face hurdles in finding information.

- **Frequently Searching:** The great majority of these shoppers (90 percent) say they are always or sometimes searching product labels to check conformity to diet or health-related needs.
- **Often Challenged:** A similar proportion (83 percent) say it is challenging (ranging from extremely to somewhat) to use labels to confirm that food products meet their dietary needs or goals.



More Insights on Allergy-Focused Shoppers:

- **Transparency Critical In Purchase Decisions:** With the challenges noted by those who themselves are on or are shopping for someone with an allergy, intolerance or sensitivity, it should not be surprising these shoppers place just as much importance on a product or brand providing clear details about what is in the food and how it is made (78 percent important) as they do on a product's price (78 percent important) or quality (82 percent important). This focus on transparency among this group of shoppers translates to their purchase behavior. These allergy-concerned shoppers are more likely than general shoppers to agree that they are willing to pay more for products that offer in-depth product information (66 percent). They are also more likely to agree that not knowing an ingredient makes them less likely to buy a product (79 percent).
- **Value All Information:** In their quest for product information, these shoppers are like all other shoppers in placing great value on product information on shelf (94 percent), on package with notations (94 percent) and on package with icons (86 percent). Most of these shoppers also place great value on the ability to get detailed product information in store on their smartphone (91 percent). In addition, many of them welcome retailers assistance by providing maps to help shoppers shop for products that meet their dietary needs and/or goals (86 percent) or dietary consulting services (82 percent).
- **Information Seekers:** When the label is not sufficient, these shoppers seek out information elsewhere (89 percent). Elsewhere may include friend and family (23 percent), someone in the store (22 percent), a doctor or dietitian (21 percent) or the manufacturer (16 percent), but most commonly includes research online (57 percent). So it is not surprising that the vast majority (92 percent) of these shoppers are likely to say they would take advantage of the ability to access more information about a product in store on their smartphone, with almost one-half very likely to do so (49 percent).
- **Want It All:** So, the logical next question for food retailers is what additional information are these shoppers seeking? Like the general shopper, ingredients and general nutrition facts are most important. These shoppers are more likely than general shoppers to say a whole range of other types of information are important to them. But, not surprisingly, information about the possibility of allergens particularly stood out (66 percent). These shoppers are likely to cite providing allergens as an indication of transparency. They also tend to express greater interest in in-depth allergy information beyond The Big 8 (milk, eggs, fish, crustacean shellfish, tree nuts, peanuts, wheat, and soybeans).

ONLINE SHOPPING BOOSTS TRANSPARENCY EXPECTATIONS

Understanding Online Shoppers

Online shopping is a trend that is changing the industry. Relative to other industries, consumers have been slow to transition to the online purchases of food. But that is quickly changing. By 2022, Nielsen and FMI anticipate that consumers could be spending \$100 billion a year on online groceries. Thus, it is important to understand how transparency translates to an online shopping world.

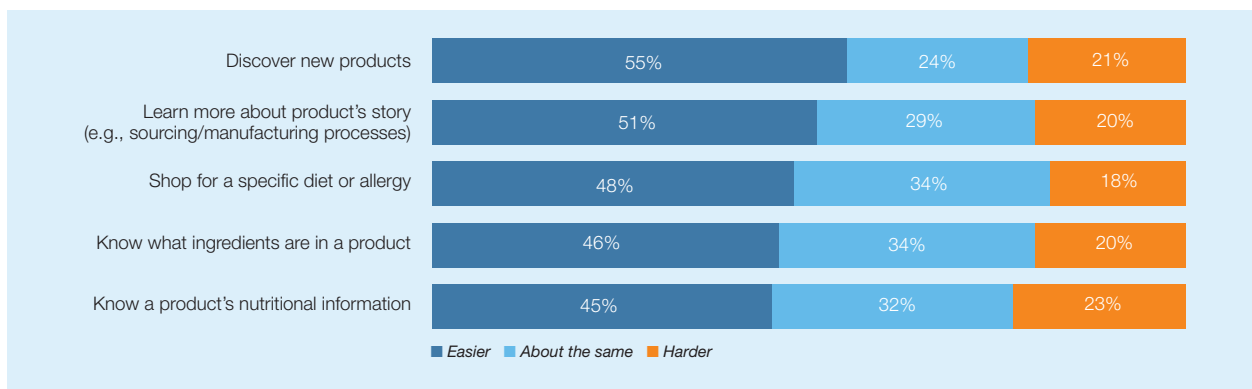


- **Who Shops Online:** This study found that just over one-fourth of shoppers (26 percent) have purchased groceries online in the past 30 days. These online shoppers represent a unique and valuable demographic profile in that they are more educated (51 percent have a college degree), have higher household incomes (20 percent \$100,000+) and are more likely to have children under 18 years old (43 percent). Online shoppers are equally likely to be male or female. While Millennials are disproportionally shopping online, they do not even make up one-half of all the online shoppers (39 percent). GenX (30 percent) and Boomers (23 percent) also make up a good portion of online shoppers.
- **How They Shop Online:** The shopping profile of these online shoppers is also a unique and robust one. While having shopped online, two-thirds of these shoppers (66 percent) spend less than 25 percent of the grocery shopping dollars online. And, roughly one-half of these online shoppers spend more than \$125 per week. Even with their online purchases, almost two-thirds (64 percent) make two or more trips to brick-and-mortar grocery stores each week and roughly one-half (51 percent) spend two or more hours each week grocery shopping. They shop around too, as a majority (60 percent) have visited three or more different brick-and-mortar stores in the past 30 days in addition to their online grocery purchases.
- **What They Shop For:** These online shoppers are much more likely than general shoppers to report they themselves or someone they shop for is following a diet or health-related program (65 percent vs. 47 percent overall). Some of the diets or programs that are most common with online shoppers include high protein (20 percent), low carb (18 percent), heart-healthy (14 percent) and high fiber (14 percent). They are also more likely than general shoppers say their shopping is always or sometimes impacted by allergies, intolerances or sensitivities (46 percent vs. 35 percent overall).

Transparency Eyed as Easier Online

Most online shoppers find discovery and transparency much easier online compared to in physical, brick and mortar stores.

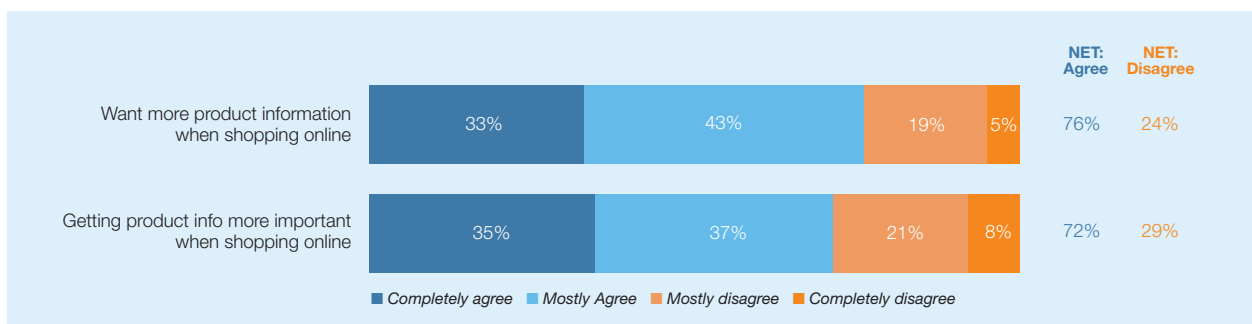
- **Discovery Online:** More than one-half of online shoppers (55 percent) say discovering new products is easier online compared to when they are in a physical store.
- **Learning Online:** About one-half of online shoppers (45 to 51 percent) say that various aspects of transparency are easier online than in a physical store, including learning about a product's story, shopping for a specific diet or allergy, knowing what ingredients are in a product, and knowing a product's nutritional information.
- **Harder For Some Online:** For each of these, about two in 10 online shoppers (18 to 23 percent) say that the online experience is harder than being in the physical store.



Expectations of Transparency Online

Do shoppers hold online merchants/commerce to different standards of transparency than they do for their physical store experience? In fact, most online shoppers do have higher expectations of transparency when shopping online.

- **Want More:** Three-fourths of online shoppers (76 percent) want more product information when shopping online than if they were shopping a physical store.
- **More Important:** A similar proportion (72 percent) say that being able to get information about a product is more important when shopping online than if shopping in the physical store.



Online Shoppers Highly Value Transparency

With their preference for additional information, it should not be surprising that online shoppers are more likely than shoppers in general to say it is important for the brands and manufacturers from whom they buy to be transparent (80 percent vs. 69 percent).

- **Link to Purchases:** This focus on transparency among this group of shoppers translates to their purchase behavior. These online shoppers are more likely than general shoppers to agree that they are willing to pay more for products that offer in-depth product information (67 percent). They are also more likely to agree that they are willing to switch to a brand that provides more in-depth product information (81 percent) and not knowing an ingredient makes them less likely to buy a product (77 percent). Online shoppers are almost universally likely (91 percent) to find value in more in-depth information beyond what is in the label.
- **Types of Transparency Valued:** In their quest for product information, online shoppers place great value on product information on shelf (93 percent), on-package with notations (92 percent) and on-package with icons (86 percent). Most of these shoppers also place great value on the ability to get detailed product information in-store on their smartphone (89 percent). In addition, many of them welcome retailers assistance by providing maps to help find products that meet dietary needs and/or goals (83 percent), or by providing dietary consulting services (77 percent).

Online Shoppers Grapple With Labels

- **Informed But Confused:** While most online shoppers (78 percent) consider themselves informed after reading a product's label, though not necessarily completely informed (only 29 percent), about one-fourth (22 percent) consider themselves only somewhat or not informed at all. In contrast, almost seven in 10 (69 percent) online shoppers sometimes or always find themselves confused about the ingredients lists on the package.
- **Information Resources:** When the label is not sufficient, online shoppers look further for help (88 percent). This may include someone in the store (25 percent) friend and family (20 percent), a doctor or dietitian (20 percent) or the manufacturer (18 percent), but most commonly includes research online (59 percent). So it is not surprising that the vast majority (89 percent) of these shoppers are likely to say they would take advantage of the ability to access more information about a product in store on their smartphone, with just over one-half very likely to do so (52 percent).
- **They Want It All:** Most important to these shoppers are ingredients and general nutrition facts. These shoppers are more likely than general shoppers to say a whole range of other types of information are important to them. These include the health benefits the product offers, source of ingredients, dietary claims, how and where a product was manufactured or grown, possible allergens and product claims. They also tend to express greater interest in in-depth allergy information beyond The Big 8. Clearly online shoppers are seekers of a range of in-depth product information, whether on the package or elsewhere.

APPENDIX

ADDITIONAL RESOURCES ON TRANSPARENCY

- U.S. Grocery Shopper Trends (FMI)
- The Clean Label Phenomenon for Food Retailers (FMI)
- The SmartLabel® Imperative for the Food Industry (GMA)
- Transparency Roadmap for Food Retailers (FMI and Center for Food Integrity)
- Transparency ROI - Driving Long-Term Trust and Loyalty Through Transparency (Label Insight)
- Food Revolution - How Consumer Demand for Transparency is Shaping the Food Industry (Label Insight)

Respondent/Shopper profile

Total Shoppers (N=2022)		Total Shoppers (N=2022)		Total Shoppers (N=2022)	
Male	43%	Some college or less	58%	<\$125 weekly grocery spend	63%
Female	57%	College graduate or more	42%	\$125 weekly grocery spend	37%
Gen Z	6%	<\$50K annual household income	57%	1 or less grocery trips per week	44%
Millennials	29%	\$50K-\$99K annual household income	31%	2+ grocery trips per week	56%
Gen X	27%	\$100K+ annual household income	12%	1-2 different stores past 30 days	50%
Boomers	32%	Hispanic	8%	3+ different stores past 30 days	50%
Silent	5%	White	83%	Less than 2 hours grocery shopping/week	64%
Midwest	23%	Black/African American	10%	2+ hours grocery shopping/week	36%
Northeast	20%	Asian/Pacific Islander	5%	Online shopper	26%
South	39%	Native American/Alaskan native	2%	<10% grocery dollars spent online	9%
West	18%	Other	2%	10-24% grocery dollars spent online	8%
1-2 in household	57%			25%+ grocery dollars spent online	9%
3+ in household	43%			Shop same stores online - all/most time	17%
Children <18 in household	33%			Shop same stores online - sometime/never	9%