84.51°

THE WHO, WHAT AND WHY OF FOOD TRENDS 2016

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"REPLY HAZY, TRY AGAIN." YOU WON'T GET THIS MESSAGE ON OUR MAGIC 8-BALL

Inside the dome of our Magic 8-Ball® is a magic blue elixir that has been infused and saturated with data, research, industry knowledge and customer insight. And, when shaken, reveals an answer on a plastic die. Yes, it's a very magical blue liquid, and this is just a sample of the questions to which we needed some answers when uncovering 2016's food trend themes:

Will 2016 see more attention paid to health and nutrition? *Signs point to yes.*

What about the environment? Will consumers choose foods based on concerns for the environment or social and ethical beliefs? *Without a doubt.*

Can consumers look forward to even more ways to incorporate healthier ingredients into their diets without sacrificing taste? *It is certain.*

We also couldn't help ourselves and had to consult the ball one more time to determine if our 2015 predictions turned out to be on point. So, Magic 8-Ball, did our 2015 trends perform as well as we predicted?

"Outlook good."

96%

OUR 2015 PREDICTION SUCCESS RATE

Okay, so the Magic 8-Ball isn't a predictable way to try to forecast the future, and while we'd love if it were easily possible to glean statistics from it, it's time to get serious.

At 84.51°, we add behaviorally grounded science into what is historically a field that is intuitive and art-driven—and we challenge ourselves to view it through its impact on the customer. That's why we take the best of what we've learned from research, industry journals, the news and customer insights, and apply a rigorous model to understand the future potential of trends—no magic ball or blue elixir needed.

Last year, we selected five mega themes to talk about, and we'll revisit those more in depth later to understand how they're performing today and what their expected growth is for tomorrow, but we do need to stop for a minute and tout some statistics about last year's predictions before unveiling the 2016 trend themes:

- 96 percent of the 2015 predictions, or 24 out of 25 trends we selected within our five themes, are showing positive growth.
- The average year-over-year growth rate of the 2015 trends is 24 percent, significantly outpacing the total store, which is around five percent.

Based on these numbers, we're confident that our data-driven approach is working.

Okay, now it's time to scoot back from the edge of your seat and get more comfortable. Here are the 2016 food themes and trends.

2016 – THE YEAR OF LIVING HEALTHFULLY

By uncovering this (and every) year's trend themes, it's always our intent to provide a new depth of understanding and a higher level of insight to help you embed a customer-first behavior deeply throughout your organization. After all, knowing and providing what your customers will engage with and love, year after year, is how you show them you care and put them first, which in turn drives growth and loyalty. So, without further ado, we present the 2016 themes and trends that we predict will be on consumers' minds during their shopping trips next year:

: NUT MILKS

: COCONUT: GOING BEYOND WATER

: ALTERNATIVE GRAINS: THE NEXT GENERATION

: PLANT-BASED PROTEINS

In 2016, it will be all about what the product can provide nutritionally and/or ethically that will determine how consumers shop and choose products. Three of the four of the trend themes are heavily based on consumer's concern with nutrition and a more healthful lifestyle. The exception being plant-based proteins—consumers engaged in this trend are mostly motivated by concerns for the environment or social and ethical beliefs, so it's all about the impact they believe they're having on the environment when it comes down to it.

But how did we determine these four trend themes? A lot of investigation, science and methodology.

2016 FOOD TREND SCIENCE & METHODOLOGY

We maintain a bank full of 200 different food and culinary trends within the grocery retail sector—everything from ingredients and flavors to claims on the packaging—to help us understand how consumers are engaging with different trends. We also investigated hundreds of variables to understand which are most predictive of future growth – things like distribution, customer engagement, demographics, macroeconomic factors, pricing and promotions. And we looked at five years of behavioral data to understand, based on current and past performance, what the likely future potential of the trend is. Specifically, we looked at measures of breadth and depth of consumer engagement and found they were the most holistic drivers of potential:

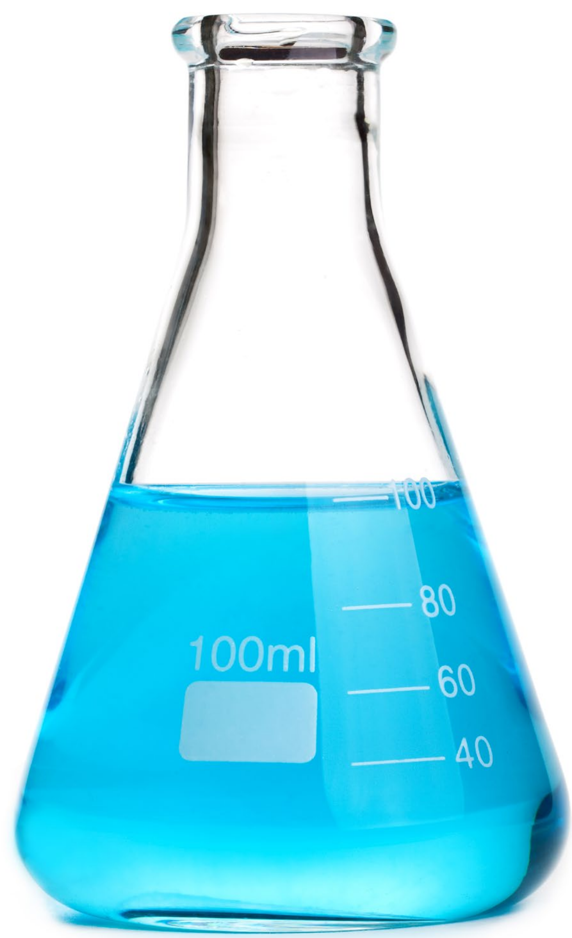
BREADTH

- Are more consumers engaging and discovering the trend?
- Does it appear to be spreading to other households?

DEPTH

- Is the trend becoming more significant to consumers?
- Are the already-engaged consumers engaging more or just as much?

Measuring these may seem obvious, but it's important to remember that when looking closely at repeat purchase rates at a very granular shopper level, we can identify where the big trends and growth will emerge.



THE CONSUMER TELLS ALL

Once we narrowed down where the trend was growing, the next question to answer was why. Why is it gaining traction, and once it does, is it sustainable? To better understand consumer motivations, we spoke with consumers that were already engaged in the trend and were regular or heavy users to find out their motivations and beliefs around the trends. Specifically, their awareness of the trend, how they discovered it, whether or not they'll tell others about it and if they plan to purchase these items in the future. When speaking with consumers about these four areas, we uncovered a few general learnings about the 2016 trend themes:

AWARENESS

Were consumers purchasing products because they like them or because they wanted to try a product they just learned about? Were they seeking out the products and aligning themselves with the idea that they are the type of people that buy these products?

100 percent of consumers that were purchasing products across all the 2016 mainstream trends were aware they were engaging in the trends they were asked about. Keep in mind that while we do behaviorally target consumers that are purchasing the trend items, sometimes there can be a disconnect and shoppers aren't aware of their purchase behavior.

DISCOVERY

How were consumers learning about the trends?

In 2015, we found that the most common vehicle of discovery took place at the store and shelf (33 percent). This year, the most common way consumers heard about the four themes was through someone else (33 percent); at the store came in at second (27 percent); doing research was third (22 percent)*

** The sum of percentages is greater than 100 percent because respondents could select multiple ways to learn about a trend.*

ADVOCACY

Will consumers share their product experiences with friends, relatives or through online outlets?

A little more than two-thirds of consumers plan to tell others about their experiences with this year's trendy products, so open up your ears at family dinners—you might just hear grandma talk about those crazy kids and their wacky nut milks and alternative grains.

FUTURE PURCHASE INTENT

Are the consumers engaged in the trends interested in purchasing these items again in the future?

Nearly 89 percent of consumers engaging across the four trend themes felt they would likely purchase again in the next year; 75 percent felt the trend themes would continue to grow in popularity; and nearly 79 percent of consumers think these products have long-term appeal.

By talking to these trend advocates, we were able to bring the final pieces of the puzzle together to get a full dimensional view. While talking to consumers helped provide context, it was our overall methodology that helped us achieve a 96 percent accuracy rate with the big themes in 2015. Because of this, we have even more reason to believe that adding the behavioral data to the art of predicting themes and trends can provide valuable insights to leverage in 2016.

"So, what's a nut milk, and will I like it?" *Most likely.*

"Are coconut products something I should consider buying next time I'm at the grocery store?" *Signs point to yes.*

Step away from the Magic 8-Ball! We have all the answers. Here's the lowdown on each trend.

DEEP DIVE INTO **THE 2016 TRENDS**

NUT MILKS

Milks made with nuts like almonds and cashews are replacing cow's milk in some consumers' diets for a few reasons. They're a healthier alternative due to no hormones, lower calories and higher amounts of calcium, plus they have a longer refrigerator life. And for some lactose intolerant consumers, they tried soy milk but found nut milks more palatable. Overall, 85 percent consumers view the products as a way for them to be proactive about their health in an innovative, trustworthy way.

AWARENESS

About 72 percent of consumers view nut milks as part of a larger trend, and they're not really thought of as part of a larger lifestyle, but they're still actively seeking out these products. So if you're a retailer that doesn't carry nut milks? You might consider changing that—82 percent of consumers will look elsewhere if they don't find it at their preferred retailer, which is the highest amount of consumers on a mission among all the trends we studied.

DISCOVERY

The newspaper industry might be suffering through a rough patch, but at least the coupons are still proving useful. That's how a lot consumers are likely learning about this trend (20 percent versus average of three percent for other trends). They're also finding out about it from other people and at the shelf, but they're not researching it as much as other trends (9 percent versus average of 27 percent).

ADVOCACY

About half of consumers spend a lot of time researching these products relative to other products they buy, which was the lowest among all the trends. Additionally, just over half of the consumers spend a lot of time talking about the products, and more consumers (65 percent) plan to incorporate these products into as many areas of their life relative to the average across the other trends studied (61 percent).

FUTURE PURCHASE INTENT

Some dairy cows could get a little vacation in 2016, since 94 percent of consumers foresee themselves purchasing nut milk products within the next year. And nearly 80 percent think the trend will continue to gain popularity.

82% OF CONSUMERS WILL LOOK ELSEWHERE IF THEY DON'T FIND IT AT THEIR PREFERRED RETAILER

OH, NUT MILKS. HOW CONSUMERS LOVE THEE.

"I wanted to eat healthier and take small, easy steps to do so. Transitioning from dairy milk to nut-based milk was one of those steps."

"I thought it tasted great, especially in stuff like coffee, and the unsweetened version has fewer calories than cow's milk."

"I was looking for an alternative to milk or other products with a very sweet taste. I have digestive issues and the cashew milk is great."

COCONUT:
GOING BEYOND WATER

Some consumers are ditching traditional butters, flours and oils for coconut sugar, flour and oil as alternative ingredients in recipes, and they're also purchasing products that use a coconut-based ingredient as an alternative. The reasons are plenty—90 percent of consumers feel that the products are healthier options and 86 percent believe they're full of unique flavors that the whole family can enjoy.

71% OF CONSUMERS PLAN TO INCORPORATE THEM INTO THEIR LIVES AS MUCH AS POSSIBLE—THE HIGHEST ACROSS ALL THE TRENDS

AWARENESS

About 76 percent of consumers felt that this trend theme was part of a larger lifestyle, and 62 percent of consumers are seeking these products out over other similar products. And if a retailer doesn't carry one of these items, more than half will shop elsewhere until they find it.

DISCOVERY

As Emeril Lagasse would say, "Bam!" Of all the trends that were researched, this is the one most likely discovered on a cooking show. Most learned about it from someone else, but the rest found it through research, online while searching for recipes and while combing the shelves

ADVOCACY

Consumers love coconut products. Across all trends, these shoppers plan to spend most time researching and talking about them, with 65 percent of them spending more time researching these products than any other products they purchase regularly.

FUTURE PURCHASE INTENT

Coconut products probably aren't going anywhere anytime soon—80 percent think the trend theme will grow in popularity, and 91 percent plan to purchase within the next year. And when compared to all the other products a particular consumer purchases regularly, 71 percent of consumers plan to incorporate them into their lives as much as possible—the highest across all the trends. But for every excited coconut-crazed person, there has to be a few negative Nancys—11 percent thought these products were just a fad, which was double the average across other trends. Can't be worse than acid-washed jeans though, right?

OH, COCONUT PRODUCTS. HOW CONSUMERS LOVE THEE.

"My son and daughter-in-law have been cooking with coconut oil for a few years and encouraged us and informed us about the health benefits."

"It's a good, healthy alternative to some of the other products I'd normally use like oils and sugar."

"A friend of mine ... informed me on the primal/paleo diets, so I read a book about them that discussed the benefits of coconut oil and coconut products. I also really like the taste."

ALTERNATIVE GRAINS:

THE NEXT GENERATION

We've heard a lot about alternative grains like quinoa, millet, amaranth and sorghum, but there are a couple new ones gaining some time in the spotlight—spelt and sprouted grains. Spelt is a large grain that can be eaten whole or ground into flour. Sprouted grains are produced when they're soaked in water until they sprout, then they're drained and typically ground into flour. Start scouring the shelves at the store, and you'll likely start noticing these alternative grains being used to make bread, tortillas, cereal, chips and more.

AWARENESS

These products are seen as part of a larger lifestyle, more so than other trends (88 percent). People are more likely to actively seek them out and will choose them over alternatives. If retailers don't carry them, 69 percent will venture to other places to find them. And they'll even consider paying more.

DISCOVERY

Most consumers learned about the trend from someone else. Researchers came in second while the rest saw it at the store or read about it online

ADVOCACY

Compared to all the other trends, these consumers were the least engaged. Fifty-nine percent plan to research more, and 49 percent plan to spend more time talking about these products relative to other products they regularly purchase. Only half of consumers plan to incorporate alternative grains into as many areas of their lives as possible, which is the lowest amongst the trends studied.

FUTURE PURCHASE INTENT

The future looks bright for alternative grains. Ninety-one percent plan to purchase these products in the next year and 66 percent think they'll continue to gain popularity.

88% VIEW THESE PRODUCTS AS PART OF A LARGER LIFESTYLE, MORE SO THAN OTHER TRENDS

OH, ALTERNATIVE GRAINS. HOW CONSUMERS LOVE THEE.

"As I read more about processed foods, I learned to eat whole foods and make healthier choices."

"My husband is wheat intolerant and he did research on what kind of bread would be good for him."

"Health benefits! Weight loss benefits!"

PLANT-BASED PROTEINS

Plant-based proteins like peas, chickpeas, lentils and plant-based flours might start appearing more on dinner plates this year—but not too many. This trend has the lowest preference of all the others—over half of consumers seek them over other similar products, and less than half would choose them over similar products. Interestingly though, consumers were less involved in this trend because of health—half viewed it as supporting their environmental concerns or social and ethical beliefs. Similar to the coconut trend, 90 percent of consumers feel these products are healthier options, and 87 percent believe it helps them be proactive about their health.

OVER HALF OF CONSUMERS SEEK THESE PRODUCTS OUT OVER OTHER SIMILAR PRODUCTS

AWARENESS

About 74 percent of consumers see these products as part of a specific lifestyle, but overall, it had the lowest preference across all the trends we researched. Over half of consumers seek these products out over other similar products, and less than half (46 percent) would choose them over similar products.

DISCOVERY

People aren't very likely hear about this trend theme from others—17 percent versus the average 33 percent. They're mostly discovering it at the store through the retailer or at the shelf or online; four percent tried it at a restaurant, which is the highest among all the trends studied. These products are most likely, of all the trend products, to be things the consumer were dropping in their carts all along (12 percent versus average of six percent for other trends).

ADVOCACY

Consumers don't really plan to spend a lot of time talking about plant proteins, which is kind of understandable since it's not the most riveting conversation topic, but they're definitely researching it (59 percent), and 56 percent plan to incorporate these products into as many areas of their lives as possible.

FUTURE PURCHASE INTENT

These consumers had the lowest future purchase intent across all the trends, with only 81 percent of consumers planning to buy these sorts of products within the next year. As a quick review, this is compared to: coconut products (91 percent), nut milks (94 percent) and alternative grains (91 percent).

OH, PLANT-BASED PROTEINS HOW CONSUMERS LOVE THEE.

"I like the idea of having a non-whey protein powder."

"I use it to substitute for meat in several meals per week."

"I believe I feel better when I eat a plant-based diet."

"The motivation comes from the fact that they are good for you, and ultimately, good for the environment since they are totally renewable."

2016 HONORABLE MENTIONS

So you're all caught up on what to look out for in 2016. Or so you thought. We couldn't stop digging and uncovered a handful of other trends with really strong growth predicted for next year. They're emerging trends, which means we didn't have a large enough sample size of consumers to accurately assess as robust of an understanding as the more established trends in the pages before this, but we still think these are worthy of mentioning. Keep your eyes peeled when traipsing up and down the grocery store aisles for these gems:

GOCHUJANG

Pronounced go-shoo-jang, this spicy fermented Korean condiment is made from red chilies, sticky rice, soybeans and salt, and it's being used to flavor everything from broccoli and collard greens to burgers, chicken and steak. It's not to be confused with condiments like sriracha or traditional hot sauce—it's spicier and typically offset with ingredients like garlic, oils or soy sauce.

"It adds interest to my cooking. It helps to add variety without taking a lot of time to prepare something different."

"We like international flavors, spicy foods and trying new things. I thought the flavor profile would spice up some of the meats and veggies I prepare at home."

MATCHA

We've all heard that steeping green tea bags in hot water results in a beverage that can produce some healthful benefits. Now it's a new era, and there's a new green tea product in town—enter matcha. It's a finely stone-ground powder of processed green tea from Japan, and it can be used to make drinks or flavor other foods like ice cream, lattes, candy, soy milk and more. It's bright green and when used in recipes, is said to have a natural sweet taste and a slightly vegetal aroma.

"I eat healthy and am interested in products that promote health. It's been proven that green tea has healthy benefits."

"I want the positive health effects."

COLD-PRESSED JUICE

The process of cold-pressing is applied to fruits and vegetables to make juices. There's no heat involved, which means a lot of nutrients and vitamins (that are typically lost when a heated process is used) are retained. Cold-pressing involves a two-step method. First the produce is crushed into a pulp, then a hydraulic press squeezes the juice from it, resulting in a fresh, nutrient-dense product.

"It's a healthy way to get all your nutrients."

"I read an article about juices and how they can be unhealthy from the heating process."

"I try to live a pretty healthy lifestyle, so reading about the process intrigued me about the products."

"Costs a little more, but it does have a fresher

COLD-BREWED COFFEE

Start investigating your local coffee shop menus to see if cold-pressed coffee is offered. It's different than iced coffee, where hot-brewed coffee is served over ice. This process is a little more intricate—coffee grounds are steeped in room temperature or cold water for an extended period of time. Since the grounds never come into contact with hot water, the flavor profile is chemically different, resulting in lower acidity and caffeine content. The end result is a concentrate that can be diluted with water or milk, then served hot, over ice or blended with other ingredients.

"Refreshing beverage year round. An alternative to soda."

"Smoother taste and less acidic."

"I wanted iced coffee and heard cold-brewed coffee was better tasting."

WHERE ARE THEY NOW:
2015 THEMES & TRENDS RECAP*

*Analysis was pulled in Oct. 2015

We said we'd revisit last year's trend themes—and we stay true to our word. But first, a quick recap of the stats mentioned earlier—96 percent of the 2015 trends, or 24 out of 25 trends, we selected within the five themes are up in year-on-year sales growth. The average year-on-year growth rate is 24 percent, significantly outpacing the total store, which is around five percent. And here is the specific lowdown on each to understand how they're performing and what their expected growth will be:

NATURAL SWEETENERS

These natural sugar options—think monk fruit, stevia and agave—saw an average of well over 20 percent year-on-year sales growth, and we expect it to continue growing with ingredients like monk fruit, agave and real-sugar claims.

RESPONSIBLY PRODUCED

Items that claim sustainable or natural production processes—like fair trade, free range, grass fed, certified organic, recycled—saw over 20 percent growth in year-on-year sales. We expect to see even more growth, especially with fair trade, free range and grass-fed claims.

FERMENTED FOODS

Foods that use fermentation as part of their pickling process—kimchi, kombucha, kefir, leben, sauerkraut and tempeh—saw just under double-digit growth in year-on-year sales, but we expect to see some growth coming from kimchi, kefir and kombucha.

SMALL BATCH

Homemade or artisan goods saw double digit growth in year-on-year sales, and we expect more growth, especially from goods like artisan ice cream and beverages.

RELIGIOUS STANDARDS

Products that are prepared in line with religious and ethical standards, with special focus on the humane slaughter of animals, saw just over double-digit growth in year-on-year sales across the trends within religious standards, and we expect to see slight growth in the trend next year.

WHAT SHOULD YOU DO WITH ALL THIS INFORMATION?

So, you might be thinking, "How can I leverage these insights for my customers?" Obviously it would be great if you could digest this information and then make quick and straightforward decisions that will impact consumers effectively. Unfortunately, it's not black and white, and what works for one group might not work for another, as you're well aware. We always believe in taking it back to what your core consumers need and want versus simply chasing the next hot topic.

The 84.51° team understands that making lives easier is a simple idea, but achieving real customer understanding and implementing those learnings can be extremely challenging. That's why we're devoted to helping you develop, nurture and embrace the relationships you have with your customers. By researching and detailing these trends, it's our goal to help you optimize your effectiveness and build long-term loyalty with them.

By staying on top of trends that impact consumers, you create deeper, more meaningful relationships to achieve extraordinary success. Explore every decision by keeping the impact on the customer in the forefront of your mind. If you want to investigate ways to do this even better than you already are (we see you reading this report to learn about what makes your customers tick!), then contact us. We can help you create more meaningful relationships—year over year.

> We're devoted to helping you develop, nurture and embrace the relationships you have with your customers.

WE BELIEVE IN MAKING **PEOPLE'S LIVES EASIER**

We help companies create sustainable growth by putting the customer at the center of everything. 84.51° works with some of the world's leading CPG manufacturers and partners to help activate and measure retailer and national media. Using a sophisticated suite of tools, insights and technology, 84.51° creates a complete view of customer behavior over time. By helping clients activate on the most granular verified shopping behavior and measure across retail and national media channels for single or cross channel accountability, 84.51° reduces the degrees of separation between customers and media. 84.51° is a wholly owned subsidiary of The Kroger Co.
For more information, please visit us at **www.8451.com**.

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