



PREMIUMIZATION: CONSUMERS' SEARCH FOR THE GOODNESS OF FOOD

One of the rising trends in modern consumer food choices is in the premiumization of food and beverage. Within the last 5 years, grocery stores have seen a drastic shift with aisles giving rise to more products with a focus on high-quality and unique flavor innovation. Let's look at the drivers of the premiumization trend, including Millennial influence, their interest in "the next big thing"; a focus on new experiences; and the tendency of consumers to view premium products as inherently healthy.

THE GOODNESS OF FOOD: A PILLAR OF PREMIUM

According to *Food Business News*, the premiumization trend has its roots in the notion of nutrient density. It's connected inherently to health, to the interest in clean label – that movement of consumers away from ingredients perceived as artificial.

CONSIDER THIS:

Much like clean label, the idea of “premium” is difficult for a consumer to define – but they “know it when they see it.” Some consumers consider sustainable claims as a sign of higher

quality. The Hartman Group defines premium as those products built on uncommon attributes that reshape the definition of quality.



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“CONSUMERS BELIEVE ALL SYMBOLS OF FRESH, LESS PROCESSED ADD UP TO THIS FOOD-DRIVEN EXPERIENCE OF WELLNESS, AND NUTRIENT DENSITY BECOMES THE ASPIRATION OUT OF THAT FOOD-DRIVEN EXPERIENCE OF WELLNESS, THAT YOU’RE GETTING THE MOST FROM THE INHERENT GOODNESS OF FOODS,”

- Tamara Barnett of the Hartman Group

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MILLENNIALS LEAD THE WAY

Much of the responsibility for the interest in premium food and beverage lies with time-strapped Millennials. On average, they are much more willing to pay a premium for high-quality food. At the same time, they're playing an ever-growing role in the purchasing food for their families. In fact, according to a report from Iconoculture, "in 2017, more Millennials bought products from the frozen food aisles than they did the previous year."

Millennials are purchasing higher quality products.

Take it as a stand-in for the rest of packaged foods — Millennials aren't buying just any frozen food or snack products. According to the same report, Millennials are purchasing higher quality products with better ingredients and more adventurous flavors. These rising trends represent a paradigm shift in the food industry with premium qualities reaching new importance.

According to Marketwired, Millennials have a passion for premium overall. They expect premium features in their food — and generally, are also willing to pay for them. About 68% of Millennials will pay for organic foods; 66% will pay more for sustainable — that's 30% higher than the percentage of Baby Boomers who say the same.



ORGANIC



SUSTAINABLE

IT'S ABOUT THE EXPERIENCE

It's frequently a drive for Millennials but we've seen it gain interest with all consumers – the importance of food and beverage is an experience. Consumers want taste, flavor, texture, and unique pairings they may not have heard of. They want to play with their food, exploring diverse cuisines and cutting-edge fusion foods with the potential to create memories they can

share on social media with family and friends. Think about those Instagram-worthy milkshakes and the Lays flavor competition. It's all fueled by living and sharing an experience. And it's all related to premiumization. Consumers want and expect a full spectrum of emotional experience with food. It's not just about sustenance anymore.

Indulgent, luxurious, elevated food experiences

For proof that indulgence is related to quality, just look at chocolate. Eileen Khoo of Morgan Stanley told the *Wall Street Journal* that the chocolate market is changing, due to the consumer interest in high-quality experiences. Premiumization has been driving growth in the chocolate space.

"The product has been transformed into a *"sensorial luxurious experience,"* according to Khoo, for which consumers are willing to pay higher prices.

The Hartman Group has seen similar trending across all packaged food. Says Tamara Barnett: "We have now emerged into this participatory, experiential, transformational culture in which we are much more driven by diversity and fragmentation... expectations we have for food experiences are now being elevated."

Innova Market Insights puts it this way: Consumers are moving out of their comfort zones to explore bolder flavors and multi-sensory food experiences. There is a focus on heightened sensory delivery, often combined with an element of the unexpected.

PLEASURE IS ESSENTIAL TO
ACHIEVE THE CONSUMER'S
PERCEPTION OF HIGH QUALITY



NEW + DIFFERENT: THE QUEST FOR PREMIUM FLAVORS

Note Innova's insight on the previous page: *an element of the unexpected*. For product developers, it's a great time to get creative with a full-spectrum, palatable experience that includes new takes on appearance, texture, flavor and feel. Consumers are ready, and they're looking for an unforgettable sensation. About 77% of Millennials eat or make new cuisines at home at least once per month, and 64% are willing to eat or make completely unfamiliar cuisines at home.

It's part of the adventure and the experience of exploring new foods. According to Iconoculture, "Millennials are looking for a new take on the familiar that focuses on layered textures and sensations. Brands should think beyond trendy flavors to compose a medley of tastes."

Zeroing in on Saffron

One of the biggest trends for packaged food this year is saffron, according to Mintel. "The time has come to add saffron to consumer packaged goods, such as condiments, sauces, soups, stews, teas, side dishes, entrees, and even desserts," says Kathleen Kennedy, global food and drink analyst.

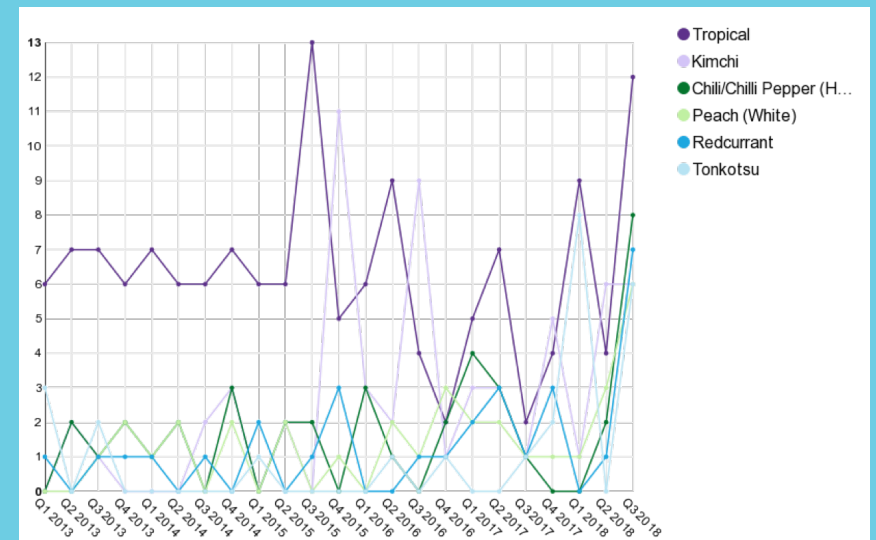
The flavor, the color and the exoticism of the ingredient makes it an appealing premium food

product, Food Navigator reports. Part of the push for saffron also comes from its increased use by culinary chefs, which adds the allure of it being a fancy, uncommon ingredient for consumers to get creative with.



FAST-GROWING FLAVORS

Along with saffron, other fast-growing flavors are tropical, kimchi, chili and chili peppers, peach, redcurrant and tonkotsu, which is a pork broth flavor often used in tandem with ramen. Each one of these trending flavors carries that global appeal that creates a sense of exoticism and adventure in consumers. They play on emotional needs over simple sustenance, providing a unique experience in the kitchen consumers wouldn't have found a few years ago.



SNACKING: WHERE PREMIUM MEETS FUNCTIONAL

It used to be that the idea of “snack” was chips and gummies, chocolates and cookies. While those goodies certainly aren’t abandoned, consumers are increasingly bringing a different approach to snacking. And it’s an area that relates direction to premiumization. In fact, according to Nielsen, “40% of shoppers say they expect to pay a premium for healthy and functional snacks.”

WITHIN THE REALM OF HEALTHY SNACKING, Mintel reports that **traditional healthy snack options are still the most commonly eaten**. Snacks like fresh fruit, nuts, and cheese are the most popular options, but this doesn’t mean that non-traditional, better-for-you snacks aren’t considered by consumers. In fact, consumers are increasingly considering healthy snacks that are both functional and portable.

40%

SHOPPERS WHO SAY THEY EXPECT TO PAY A PREMIUM FOR HEALTHY AND FUNCTIONAL SNACKS.

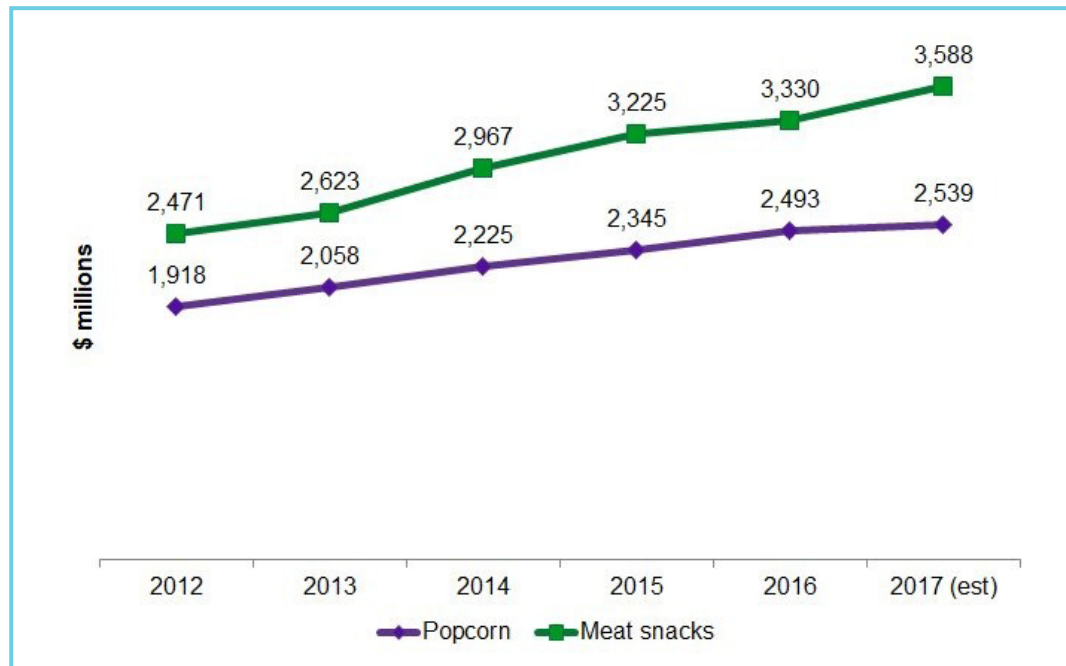


UPPING THE GAME

PREMIUM POPCORN & MEAT SNACKS

In particular, Mintel found that “popcorn and meat snacks are tapping into interest in healthy, natural, and more nutrient-dense snacks.” Cheese, nuts, and fresh fruit might still be the preferred healthy snack option, but the meat snacks segment is growing and a wider array of smaller more premium competitors is generating significant sales. Popcorn is benefiting from gourmet and premium positioning.

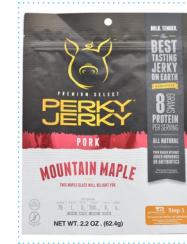
The interest in meat snacks and RTE popcorn is noteworthy - these products frequently have premium positioning.



PRODUCTS OF NOTE



Kings Traditional BBQ Flavoured Beef Jerky is described as a premium, succulent and high-protein British snack, using the finest and leanest marinated strips of British and Irish beef, providing over 30% of protein. *UK*



Mountain Maple Premium Select Pork Jerky is said to be carefully handcrafted and marinated for tenderness, and claims to be the best tasting jerky on earth featuring a rich maple aroma and succulent pork, providing 8g of protein per serving. *USA*



Delfino Spicy Lobster Flavoured Premium Popcorn is made with natural grains and air popped to preserve the natural flavour and nutrients of the corn. *China*



Erin's Cascade Premium Popcorn uses premium white corn for popping crunch and is sprinkled with just the right amount of lusciously cheesy seasoning. Uses natural flavors. *USA*

THE TAKEAWAYS

The premiumization of foods isn't caused by one lone factor. Much like the premium foods filling up our frozen food and snack aisles, it's a fusion of trends from modern consumers that combines their need for health-conscious, functional foods with the desire for unexplored flavor palates and uncommon ingredient pairings that can create memorable dinner experiences. It's about pioneering worldly flavor combinations and sharing a connection with family and friends through the foods we eat. In 2018, time-strapped consumers are looking

for convenience and comfort, (look at the interest in premium snacks). But comfort no longer is constrained to the dishes consumers grew up with. Comfort food is the promise of bold, thrilling sensations that are considerate of health needs, an experience to share with friends – and for many consumers, it's worth paying a premium if it means they can indulge without sacrificing their health goals. Premiumization reflects consumers' quest for the goodness of food – how can you help them find it in your products?

YOU DESERVE MORE. LET'S GET STARTED.

What does true partnership look like? You deserve a flavor partner ready to turn these trends into the tangible.

Let FONA's market insight and research experts get to work for you. Translate these trends into bold new ideas for your brand. Increase market share and get to your "what's next." Our technical flavor and product development experts are also at your service to help meet the labeling and flavor profile needs for your products to capitalize on this consumer trend. Let's mesh the complexities of flavor with your brand development, technical requirements and regulatory needs to deliver a complete taste solution.

From concept to manufacturing, we're here for you – every step of the way. Contact our sales service department at 630.578.8600 to request a flavor sample or chat us up at www.fona.com/contact-fona/



SOURCES

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