



McCormick Flavorsolutions

WHAT'S NEXT IN Clean Label

2023 MCCORMICK FONA CLEAN SPECIAL REPORT

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Opportunities in Clean Label A Seven Year Comparison

Over 20 years ago, we started our journey to define the connection between health and wellness and consumers as it relates to the foods and beverages they consume—and the direct connection to taste and flavor. In 2016, we commissioned our first nationwide survey to create our baseline of understanding into the clean taste movement, and initially discovered that in no way is clean label a fad and continues to span all categories within the food, beverage, and healthcare industries. This year, we took another deep dive into clean, with a special emphasis on natural flavor. Since the pandemic, there has been a decrease in clean label associated product claims as consumers focused more on comfort and convenience—this year they are starting to make a comeback and we need to ensure that we consider the effects the pandemic has had on the clean label movement as a whole, and how it impacts the industry.

Through our proprietary, national research, we're exploring:

- What has changed in the past 7 years?
- Where should you, as a product developer, place your energy?

Let's take a closer look at the clean label movement and how your brands and products can meet the consumers at their expectations of clean label.



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Clean Label A Formal Definition Remains Unknown

Fast forward seven years later and we are no closer to a formal or legal definition for **“clean”** or **“clean label”** which continues to open the door for consumers to create their own definition. For many, the term clean label means natural, organic, and no artificial ingredients, but there is still a significant

number of consumers that are unsure or even say they are unfamiliar with the term. When asked if clean and/or natural ingredients are important, 83% of our consumers stated “yes.” According to Innova Market Insights, 2 in 3 consumers said that clean labels had at least some impact on their purchasing decisions.

“A Word From Our Consumers...”

“A clean label to me means that all the ingredients are healthy and will not harm you.”

“The term clean label in my mind refers to the thing being clear of synthetic material or false sugars.”

“I have never heard of clean label, but I would guess it means no additives.”



83%

Percentage of consumers say that clean/
natural ingredients are important.

McCormick FONA 2023 National Clean Survey

In the Market for Clean Flavors

The market for clean label flavors was estimated to be worth **\$42.1 billion** in 2021 and expected to grow to **\$70.1 billion** by the end of 2030.

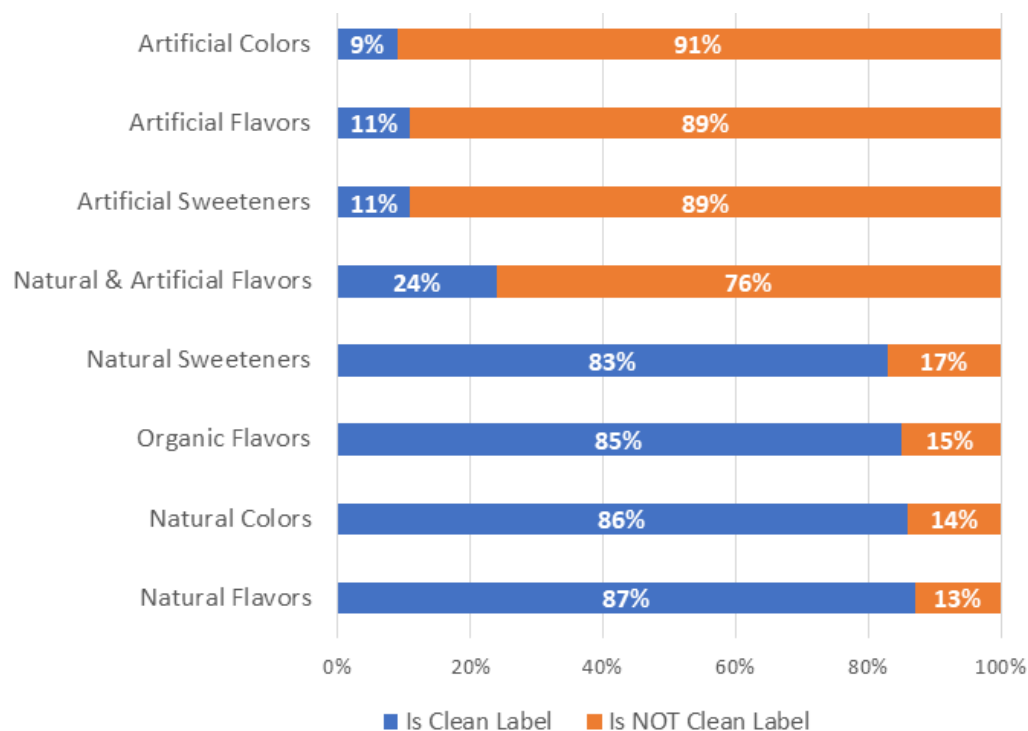
Zion Market Research

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Natural Flavors Recognized as Clean Label

We asked consumers to select the items listed that they believe are clean label. As it relates to natural flavors, natural colors and natural sweeteners, consumers continue to believe they meet their expectations of clean label. The overall perception changes from 2016 were minimal with differences of less than 2%.

NATURAL FLAVORS IS THE TOP CONSUMER RECOGNIZED CLEAN LABEL CLAIM





Expectation of a Natural Flavor

The overall consumer expectation of natural flavor remains the same for consumers since 2016 with **42% of consumers** defining natural flavor as “contains nothing artificial/no additives.”

28% of consumers defined natural flavors as “made from and tastes like real ingredients from nature.”

In 2016, 6% of consumers stated “I do not know” when asked about their expectation of natural flavor—this year **only 2% of consumers stated they were unfamiliar with the meaning of natural flavor**, as consumers have become more familiar with natural flavors and natural product claims.

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Willingness to Pay More - Recognizable Ingredients & Nothing Artificial on Top

Taste and ingredients remain the top attributes influencing product purchase, but when it comes to clean label, consumers are continuously willing to pay more for healthy attributes. Recognizable ingredient lists and products with no artificial ingredients are the attributes consumers are most willing to pay more for. According to our research, only 17% of consumers use price as a determining factor when purchasing a food or beverage product. This is an increase of only 1% from our research in 2016.

THE PURCHASE DRIVERS WITH THE LARGEST GROWTH FROM 2016-2023 INCLUDE:

+11%
Organic



+7%
Recognizable
Ingredient Lists



+5%
All Natural



As it relates to natural flavor,

54% of consumers are willing to pay more for food and beverage products with natural flavors. In addition, looking through a post-pandemic lens, 42% of consumers say, "since the pandemic it has become more important for me to consume food and beverages with natural flavors."

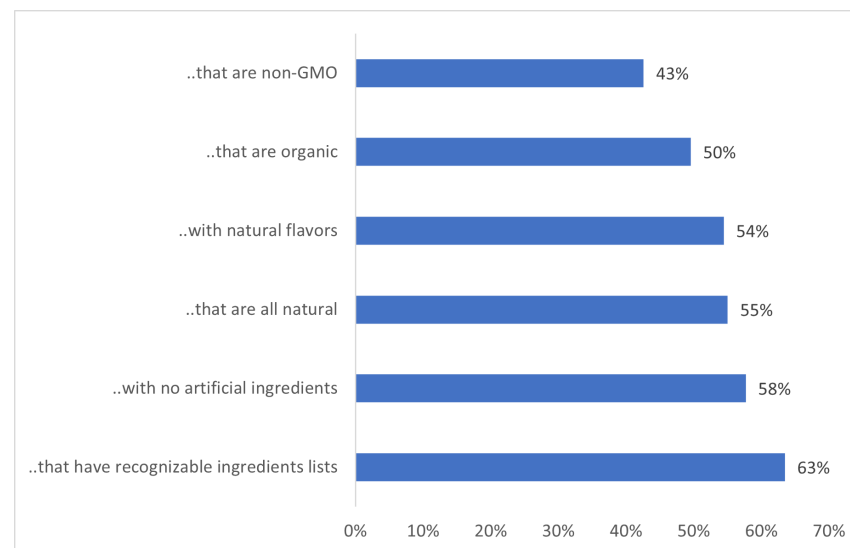
Consumers' willingness to pay more for products that have natural flavors is category dependent.

Based on the types of products our consumers consume, here are the top products that include natural flavors, that they are willing to pay more for—

- 72% Protein Beverages
- 67% Yogurt
- 64% Snacks
- 64% Snack & Cereal Bars
- 64% Vitamins & Supplements
- 63% Cereal



WHEN PURCHASING FOOD AND BEVERAGE ITEMS, I AM WILLING TO PAY MORE FOR PRODUCTS...



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Organic Going Mainstream

The organic food and beverage market is continuing to show growth as it expands into mainstream as organic products become more readily available and accessible in new channels. 82% of consumers said they use organic food and beverages at least sometimes, according to the Hartman Group. Organic products continue to tout the healthy halo and sit perfectly within the realm of safety as consumers continue to navigate the food and beverage landscape.

When purchasing organic products, the priority continues with purchasing products for their children with **77% of parents stating it is important to purchase organic food/beverages for their children**—this is an increase of 18% since 2016. In addition, **54% of consumers stated it is also important to purchase organic products for themselves**—this is also an **18% increase from 2016**.



82%

of consumers use organic food and beverages at least sometimes

Hartman Group

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Organic Market Continued Growth

ORGANIC SALES

The sales of organic products hit an all-time high with sales of \$60 billion in 2022 according to the OTA (Organic Trade Association). Certified organic food sales account for 6% of total food sales in the United States, according to the OTA. While organic produce continues to lead the way in organic product sales, organic beverages came in second with \$9 billion in sales in 2022.

TOP ORGANIC PURCHASES

Food (74%) and beverages (39%) are the top organic purchases for our consumers. Organic food purchases increased 48% from 2016 and beverages increased 20%. The purchase of organic sweeteners increased by 10% and organic gum and candy increased by 8% since 2016.

50% of consumers are willing to pay more for food and beverage products that are organic. This is an increase of 11% from 2020.

“Organic has proven it can withstand short-term economic storms. Despite the fluctuation of any given moment, Americans are still investing in their personal health, and, with increasing interest, in the environment; organic is the answer...Organic’s fundamental values remain strong, and consumers have demonstrated they will come back time and again because the organic system is verified, and better for people, the planet, and the economy.”

ORGANIC TRADE ASSOCIATION CEO TOM CHAPMAN



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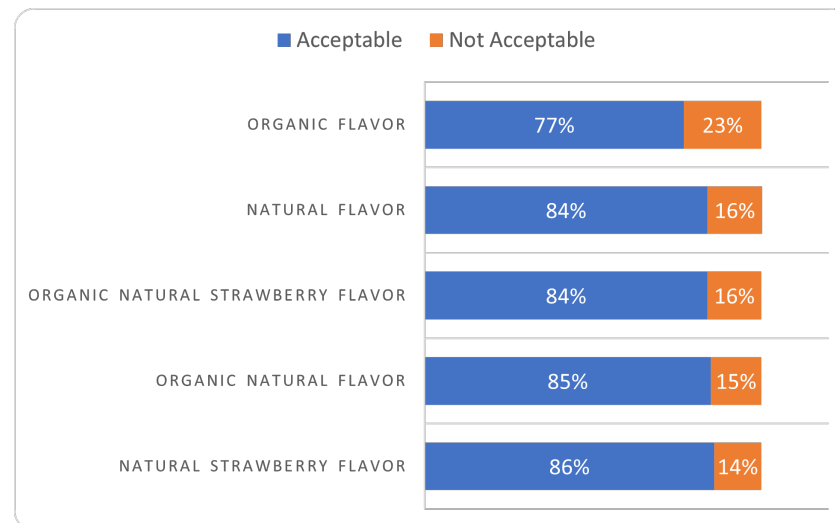
Expectation of Organic Flavors

As it relates to organic flavors, our research shows that 85% of consumers believe that organic flavors meet their expectation of clean label. This is a decrease of 3% since 2020.

We asked consumers to review several options for how an organic flavor can be listed on an ingredient statement. When purchasing an organic strawberry flavored cookie, 86% of consumers stated that “Natural Strawberry Flavor” is the most acceptable, followed by “Organic Natural Flavor” at 85%.

This is a shift in acceptable organic flavor labeling—in 2020 “organic natural flavor” was the preferred naming convention with 90% of consumers stating this was acceptable and “Natural Strawberry Flavor” was the least preferred and today it sits as the most preferred.

45% of consumers prefer “100% organic”— while it remains the preferred organic labeling, it decreased 24% since 2016. 25% of consumers prefer “made with organic ingredients (at least 70% organic ingredients).” This is an increase of 11% from 2016. 13% of consumers prefer “less than 70% organic ingredients.” This is an increase of 11% from 2016.



McCormick FONA 2023 National Clean Survey



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Consumer Perception of Healthy - as it relates to product claims

As consumers evaluate their overall health priorities, many aspects of the clean label movement have become an expectation for new products. Nothing artificial remains the theme of the top four spots as it relates to product claims that consumers perceive as healthy, since we initially conducted this study in 2016. Uses natural flavors increased 7% since 2016 with 51% of consumers stating this wording is perceived as healthy. With nothing artificial claims perceived as the healthiest claims from consumers, it is very telling that consumers care more about what isn't in their products than what is.

Taking a closer look at new products in the market today with these claims, we are seeing an 87% increase from 2021-2022 in global new products with the description of "no artificial flavors" on pack, according to Mintel GNPD.

Organic is another claim that is increasingly perceived as healthy since 2016, with 55% of consumers stating this wording is healthy, an increase of 7%.

TOP CLAIMS PERCEIVED AS HEALTHY

80%

NO ARTIFICIAL
PRESERVATIVES

74%

NO ARTIFICIAL
SWEETENERS

70%

NO ARTIFICIAL
COLORS

67%

NO ARTIFICIAL
FLAVORS

1 IN 3 CONSUMERS GLOBALLY SAID THAT NATURAL INGREDIENTS

are one of the most important aspects of a healthy food or beverage. From the same research, only 1 in 10 directly called out the term "clean label" as an important attribute, but this term is not everyday consumer language, and to consumers many aspects go into clean label as a whole.

INNOVA MARKET INSIGHTS

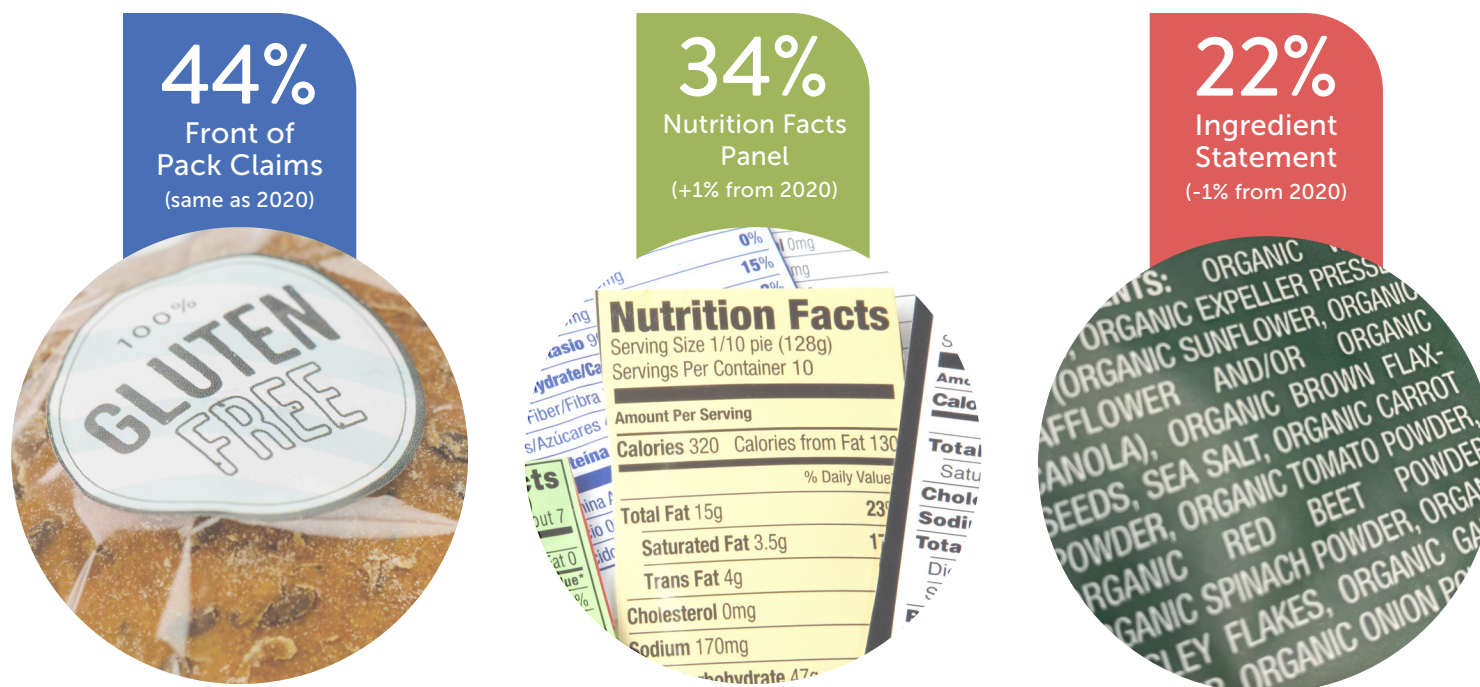
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Product Claims & Ingredient Statements

Within the food and beverage industry, product claims, ingredient statements, and the nutrition facts panel are always top of mind—this is a little different for consumers.

According to our research, 36% of consumers look at the nutrition facts panel “most of the time” when purchasing a product for the first time and 21% “always” view it. The change from 2020 is minimal with a decrease of only 1% for most of the time and a 3% decrease for always.

PURCHASING A PRODUCT FOR THE FIRST TIME: WHERE DO CONSUMERS LOOK FIRST?

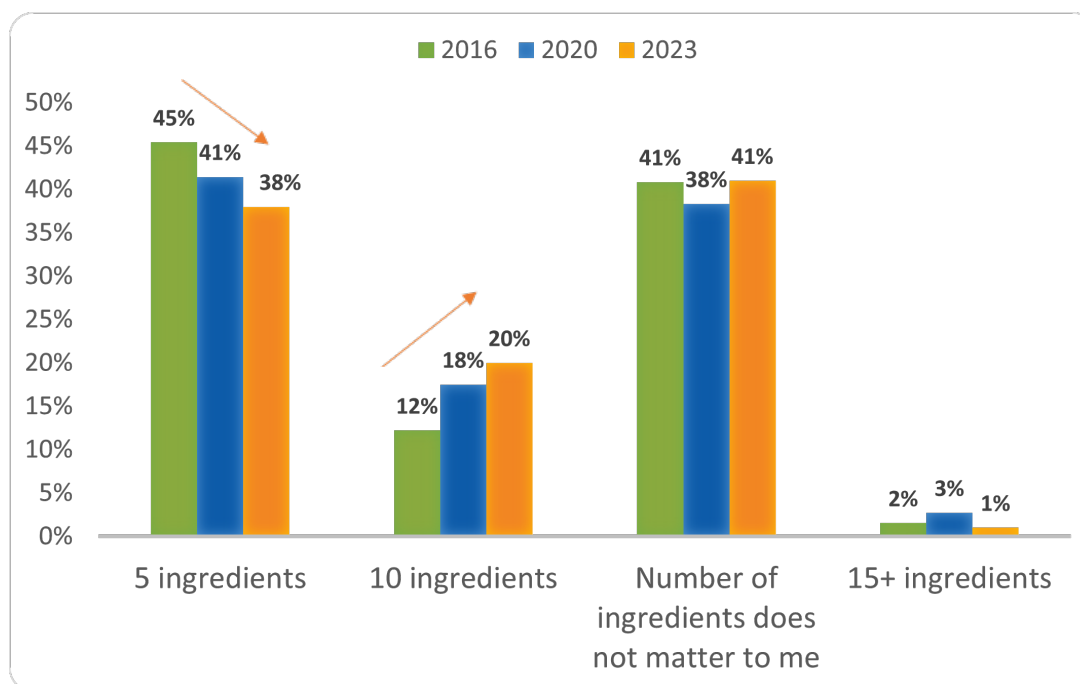


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Number of Ingredients

Consumers are More Accepting of Greater Number of Ingredients

Over the past several years, consumers have become more accepting of different types of ingredients as well as the number of ingredients a product may contain. In the research that we conducted in 2016 and 2020, 5 ingredients was the ideal number of ingredients a product should have. Fast forward 7 years, and 41% of consumers are stating that the number of ingredients do not matter. This is tied with what consumers initially stated in 2016 but is greater than the overall percentage of preferred ingredients in 2023.



41% OF CONSUMERS
*are stating that the number
of ingredients do not matter*

“Do Not Use” Lists

While the buzz around “do not use” ingredients lists has quieted down since our first initial research in 2016, there has been an increase in consumer awareness of the do not use lists of 15% since 2016. Beyond Whole Foods and other major retailers playing a larger role in specifically banned ingredients from their stores, we are starting to see specific ingredients be called out in state legislature with bills aiming to no longer allow the use of ingredients.

According to the New York Times, ingredients such as Red Dye No.3, titanium dioxide, brominated vegetable oil, potassium bromate, and propylparaben could be banned as early as 2025.



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Clean Label Becoming the Expectation

Clean and natural ingredients have been important to consumers well beyond when we started our research over 20 years ago. Then in its infancy, clean and natural had a direct correlation to consumer health priorities. In the past seven years, including the pandemic, consumers have been forced to reevaluate their health and wellness goals, eating habits, and how to affordably feed their families. Today, consumers have been armed with a knowledge that extends beyond their own beliefs of what a healthy product looks like.



While consumers do not always keep the term “clean label” top of mind, they do appreciate the many aspects of clean label that directly correlates to their overall health—and ultimately expect food and beverage products to meet them where they are. Consumers are refocusing on what they can control—their overall health and wellness and clean label is becoming the expectation and a must have in many product categories.



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 McCormick Flavor Solutions 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, seasoning 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.

From concept to manufacturing, we're here for you — every step of the way.

Contact your sales representative or chat us up at www.mccormickflavor.com/en-us/contact-us

SOURCES

- McCormick Flavor Solutions Proprietary Study, 2023
- Mintel GNPD
- Innova Market Insight
- Organic Trade Association
- Zion Market Research
- The New York Times
- The Hartman Group



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Flavor Sample Here*