hartman GROUP

HEALTH & WELLNESS 2015

UNDERSTANDING THE BUILDING BLOCKS THAT REFLECT CONSUMERS' LIFESTYLE JOURNEYS

Health and wellness continues to evolve: 44 percent of consumers say they have changed their health and wellness views in the past few years.

One of The Hartman Group's pillars of expertise has been — and remains — the study of health and wellness. Since the early 1990s, we have been the undisputed leader in mapping consumers' evolutions, adoptions and aspirations in the health and wellness arena.

Foods and beverages are extremely important to a wellness lifestyle. Notably, they are the first step in wellness adoption. In the time that The Hartman Group has been tracking consumer interest and involvement in health and wellness, there has been a broadening and deepening of the meaning of health and wellness that now encompasses a cultural transformation: Today's consumers are seeking wellness through high-quality foods and beverages and experiences.

Health & Wellness 2015 identifies the factors and trends driving demand for high-quality, healthy foods and beverages. The report provides illuminating insights into emerging opportunities for CPG food and beverage manufacturers, food retailers, food service companies and restaurants.

Health & Wellness 2015 updates and extends The Hartman Group's previous work and applies our signature "ahead-of-the-curve" thinking for marketing health and wellness solutions to consumers. The report delivers a culturally based big-picture assessment of where health and wellness is today, where it is headed and what it means for your business.

The Hartman Group series of health and wellness syndicated studies is the longest-running consumer-centric study of the U.S. wellness marketplace and provides current, comprehensive insight into underlying motivations and behaviors for how, and why, consumers live, shop and incorporate food and beverage brands and products in the health and wellness space.

ABOUT THE REPORT

Methodology
Quantitative online survey:
Nationally representative online survey of 1,562 U.S. adults (aged 18 to 79) was fielded in May 2015.

Qualitative: Qualitative techniques included in-home ethnographies and national virtual interviews (Skype/FaceTime) with consumers between the ages of 30 and 60 representative of the four segments within the World of Health & Wellness. Respondents completed a homework assignment prior to interviews.

Report length: Total of 118 pages in PowerPoint and PDF format, including executive summary and recommendations. A standard set of demographic data tables (Excel format) accompanies the report.

For pricing information, please refer to the order form on the last page.

EXECUTIVE SUMMARY

Introduction

The Hartman Group has spent more than 25 years exploring Health and Wellness (H&W) lifestyles and trends. Starting in 2000 with the groundbreaking syndicated study, we described consumers' desire to take back control of their personal health and the health of their families.

In the 2007 and 2010 studies, we told the evolving wellness story of new underlying motivations – the desire for quality life experiences and the search for premium/fresh food and beverage products. Balance emerged as a theme early on but has evolved over time to become more all-encompassing as consumers developed new meanings and practices around what being healthy and well means.

Today's conception of balance is indicative of a shift in H&W culture from the reactive, rules-based paradigm of the past to a more proactive, personalized one. In the reactive paradigm, H&W meant a lack of illness. Illness prompted a reaction, and H&W was achieved by following one-size-fits-all instructions of doctors and other accepted medical authority figures. As consumers shifted away from this reactive notion of H&W, balance began to mean more than just a balanced diet or balancing calorie intake with calorie burn.

The current, proactive vision of H&W is about knowing oneself and developing a balanced, healthy lifestyle focused on the long term and customized to each individual. Balance today not only encompasses eating, resting, energy and activity but also social life, "me time" and mental and emotional wellness. It is a flexible, livable idea that recognizes and incorporates the trade-offs of everyday life. Healthy eating can be balanced by the occasional treat and social responsibilities with time for oneself.

At a higher level, if any one area of life becomes over prominent, it necessarily affects the others. Too many responsibilities, for instance, means time for rest or exercise is compromised, which can then affect emotional health, which can lead to poor eating. When consumers feel out of balance, they make trade-offs to realign their priorities and regain their sense of wellness.

At mid-decade, physical health remains the starting foundation of H&W, with diet, rest and exercise seen as key components. However, consumers today feel that true wellness exists when they also can fulfill their needs for mental/emotional wellness and social well-being. Aspiring to and being successful at balancing personal health with other aspects of their lives allows consumers to feel in balance – happy, healthy, engaged and self-actualized.

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The World of Health and Wellness

Consumers think, live and shop differently, depending on where they are within the “World” of Health and Wellness (H&W). More than a consumer segmentation, The Hartman Group’s World model accounts for consumer engagement with the products and services comprising wellness culture and helps to understand how consumers may differ from each other. All consumers participate in the World of H&W, whether in aspiration or in actuality.

“Core” consumers comprise the smallest segment (13% of adults). They are the early adopters, trendsetters and sometimes evangelists. In 2015, they described H&W as *proactive not only in body, mind and soul but also in terms of wider responsibilities to society, the environment and the political sphere*. Authenticity, sustainability and knowledge drive their H&W purchasing and decision making as they strive to better their lives and the world around them.

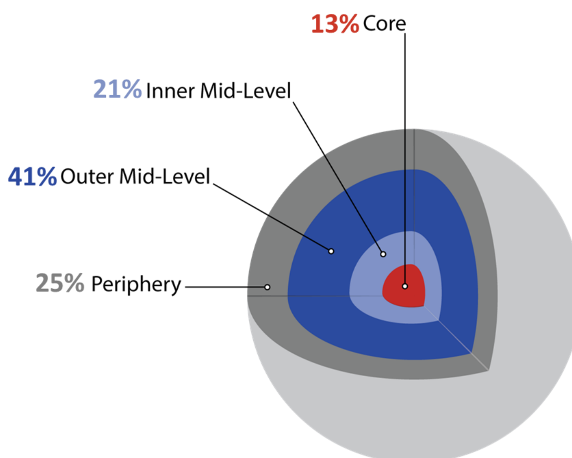
“Inner” and “Outer” Mid-level consumers together account for 62% of adults. They are not as intensely committed as the Core but are essential to the success of any trend because they select, translate and adopt ideas launched by the Core. As of 2015, they have embraced ideas of H&W that integrate mind and body. The most involved of them have an eye on authenticity and ground their purchase decisions in a bank of knowledge, while those less involved are glad to rely on experts; in common, Mid-level consumers value fun, enjoyment and quality.

Periphery consumers (25%) typically understand that they should eat right and exercise, and even if they don’t act on these consistently, in 2015 many aspire to manage their health proactively, with goals of happiness as well as freedom from illness. However, they are the most likely to prioritize price and convenience in their daily lives. Perhaps as a consequence, they are the least likely to strongly agree that their diets are healthy and that they are proactive about their health.

Managing Health & Wellness

Consumers are generally optimistic about their own health – even while recognizing that weight issues are confronted by many (including themselves). After physical fitness, not being overweight is the next most prevalent H&W priority. However, many have not yet experienced negative impact from the extra pounds they carry and thus many allow themselves to be lulled into a sense of complacency. Relative comparisons to family and community, who likely have similar health issues, can also make accurate self-assessment difficult.

On one hand, it may be that as consumers focus on balance as the key to H&W, they prioritize being happy above their physical health. On the other hand, change may be on the horizon as more consumers recognize that many areas of their lives need improvement. This awareness has the potential to add stress to their lives as they struggle to evaluate and align the myriad conditions and solutions they



The Hartman Group’s World of Health & Wellness Segmentation

The World of Health & Wellness (H&W) is divided into segments with varying intensity of involvement.

The gap between aspirations and behavior narrows as consumers become more engaged with H&W.

The **Core** are the most intensely involved in H&W.

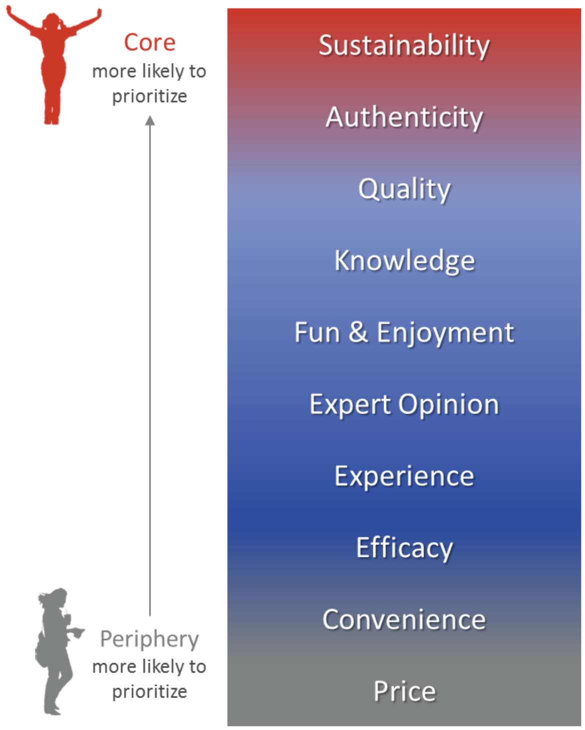
Inner Mid-level consumers adopt Core attitudes and behaviors but with less consistency and reach.

Those in the **Outer Mid-level** experiment with H&W but tend to prioritize other concerns.
The **Periphery** are the least involved in H&W.

experience personally, see within their social circle or witness in the media.

With the growing realization that improvements are needed, consumers claim to be actively managing on average almost 10 conditions – either treating (3.4 conditions) or preventing (6.2) them – more than ever before. Prevention strategies vary by person and by condition, of course, but for many conditions exercise and food are considered top choices. The healthiest consumers are the most proactive, working to prevent the most conditions. Conversely, men, the Periphery and Boomers are the most likely to be overweight, yet these groups are the least proactive about their health.

Consumer segments prioritize different criteria when making purchases.



Combating stress and finding the energy to sustain themselves through their busy lives remain key struggles for many, particularly Millennials. Consumers recognize the importance of exercise in their daily routines to help them deal with their anxiety. In fact, physical fitness remains at the top of the list when consumers define what health and wellness means to them, and they understand (even if the understanding is only aspirational) the many positive benefits that being in shape can provide.

Consumers remain interested in their health and wellness, and many are actively involved in learning about new trends, products and solutions to physical conditions as well as new approaches to fitness and a healthy diet. They are impacted by their own health and the health of those in their network – such events and conditions lead them to explore new ways to live their lives. Mental and emotional health also plays a key role in consumers' well-being, with more considering these aspects to be part of what H&W means than ever before. Consumers increasingly seek H&W strategies that balance the physical, mental and social.

Each consumer has a unique H&W journey, but balance remains a key theme. Time management and allocation is a struggle for many, of course, and in the stress of day-to-day life, trade-offs get made. With the sense that no one can do it all, consumers strive for a middle ground, where they can feel that they are following the healthy habits they know they should but also indulge and reward themselves with treats and activities that are comforting and relaxing or simply make them happy.

There are many routes to H&W, but consumers' personal journeys are often made of common building blocks that reflect their upbringing, triggers and obstacles, which result in their overall approach to their own H&W. These building blocks provide a shortcut to understanding how consumers gain knowledge relevant to their personal situations and then incorporate necessary changes into daily practices.

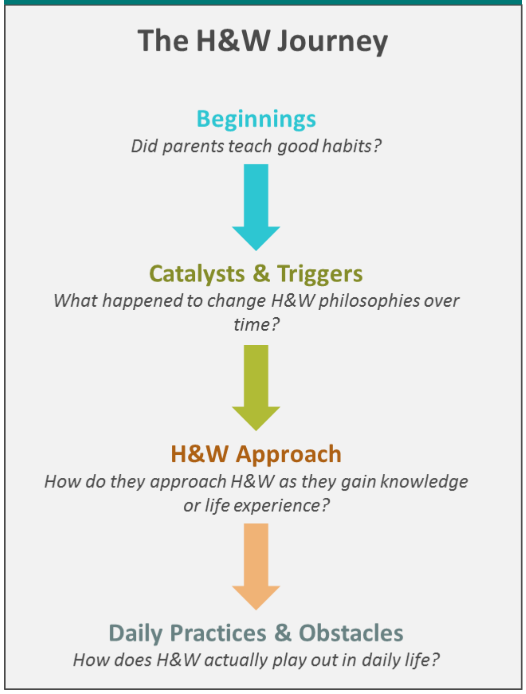
Wellness Shopping and Products

In their pursuit of H&W, consumers shop a variety of retailers. Whole Foods and Trader Joe's continue to lead the way in consumer perceptions when it comes to store atmosphere, selection and policies concerning H&W. As organic and other product distinctions have become more familiar and accessible, consumers are developing specific shopping strategies related to organics and antibiotic/hormone-free meat and dairy, and they are reading labels to make sure their H&W dollars go to their highest priorities, while keeping shopping trips efficient and within budget.

Consumers also use a myriad of approaches to achieve H&W through products and services:

- Given the importance of exercise in prevention, it is of little surprise that use of exercise equipment and fitness tracking devices is on the rise.
- When it comes to types of healthy food and beverages, consumers tend to seek those that are good for the heart, locally sourced and minimally processed. The search for simple and natural ingredients is leading an increasing number to avoid artificial sweeteners/ flavors, foods with GMOs and saturated fats.
- Diets and special approaches to eating continue to be of interest to many, with about a third trying at least one special diet in the past year. No one diet emerges as dominant, indicating that consumers are open to experimentation and even customization of their eating habits to suit current needs.
- Supplements continue to have their place in the world of H&W today as well. As widespread as their use is, consumers often demonstrate an ambivalence towards them. If effects are not noticeable, it is easier for consumers to abandon one and move on to try others. Many who do take supplements are choosing specialized ones that might be able to help with specific issues, such as digestion, heart health, energy or skin care.
- One channel that continues to lag behind other channels when it comes to the pursuit of H&W is Food Service. Consumers pay less attention to their diet when they eat out and often have other priorities for away-from-home occasions. However, those who may be looking for alternatives can be frustrated not to find healthy menu options where they choose to go. As food service operators continue to make changes to sourcing strategies and elevate transparency around their ingredients, consumers will increasingly see eating out as a more holistic balance of permissible indulgence and healthfulness.

There are many ways to Health & Wellness; an individual's H&W narrative illuminates much about their perspective on H&W and its role in daily life.



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Cost

Before February 29, 2016:
☐ General report (PowerPoint and PDF) and demographic data tables — $12,500

After February 29, 2016
☐ General report (PowerPoint and PDF) and demographic data tables — $15,000

Total: **$**________

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