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FMI THE FOOD INDUSTRY ASSOCIATION

TRANSPARENCY TRENDS 2023

FOOD SHOPPERS INCREASINGLY PRIORITIZE INFORMATION

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About FMI

As the food Industry association, FMI works with and on behalf of the entire industry to advance a safer, healthier and more efficient consumer food supply chain. FMI brings together a wide range of members across the value chain — from retailers that sell to consumers, to producers that supply food and other products, as well as the wide variety of companies providing critical services — to amplify the collective work of the industry. **www.fmi.org**.

About David Orgel Consulting LLC

David Orgel Consulting LLC delivers strategic content and thought leadership focused on the quickly transforming food retail and CPG industries. Clients include associations, industry companies, and other organizations. David Orgel, principal, is a well-known writer, consultant, journalist and industry expert who was the longtime chief editor of Supermarket News. For more information visit **www.davidorgelconsulting.com/**

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Executive Summary

Shoppers Detail What Signifies Transparency– Shoppers outlined how they decide if a brand or manufacturer is being transparent, and the top answer is "a complete list of ingredients." Other factors that signify transparency include easily understandable information; a plain English description of ingredients; nutritional and production details; an explanation of what ingredients are used for; and sustainability information relating to the environment, animal welfare and other aspects.

Transparency About Food Information Grows in Importance– The proportion of grocery shoppers saying transparency is important has moved upwards from 69% in 2018 to 72% in 2021 to 76% in 2023. The momentum has continued to build in the face of big upheavals in society, ranging from the COVID-19 pandemic to significant economic challenges.

Manufacturers and Brands are Responsible for Information – Two-thirds of shoppers say manufacturers and brands are completely responsible for providing detailed information about their products. Less than one-third fully trust product information from manufacturers or brands.

Shoppers Reward Brands That Provide Information – Shoppers say receiving more information from brands would change their behaviors toward those brands, a sentiment that has increased over the past two years. The rewards for additional information include more trust, loyalty and purchases.

Front of Pack Information Eyed as Useful – Almost all shoppers say they notice front–of-pack product information and nearly two-thirds find it highly valuable.

Changing Perspectives About In-Store vs. Online Shopping– Shoppers report stepping up their in-store scrutiny of product labels. They have become more accustomed to researching grocery products online and may now expect a similar experience in stores.

Search Bar is King of Online Navigation– Shoppers are making use of a wide range of online research tools for online shopping, from the search bar — a highly popular tool — to advanced filters. Regardless of which research method they use, shoppers are most interested in finding out about product type and brand.

The Biggest Pitfalls to Avoid– Shoppers point to the biggest reasons they are very likely to abandon their online carts — and their responses focus on price, difficulties in getting information they deem useful, and lack of availability of items.

Introduction: Shopper Perspectives Evolve

This consumer insights report on transparency is the fourth in a series from FMI — The Food Industry Association — and NIQ (NielsenIQ).

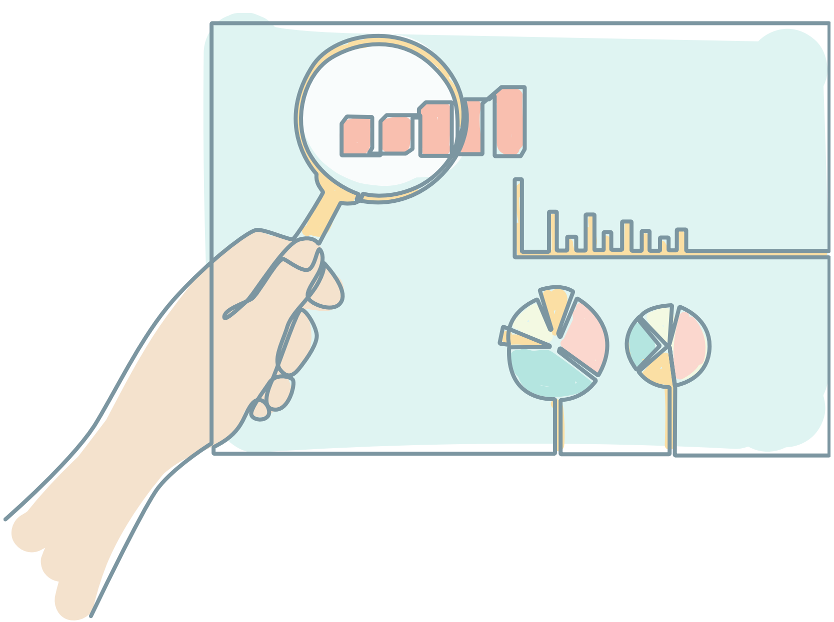
The series began in 2018 and the research found that shopper perspectives have evolved over time. Most notably, the proportion of shoppers saying product information transparency from brands and manufacturers is important has advanced from 69% in 2018 to 72% in 2021 to 76% in 2023.

This year's report tracks shifting perspectives and takes a deeper dive than before into topics including front-of-pack labels, use of digital research tools and attitudes about online vs. in-store shopping.

The research benefits from both quantitative and qualitative approaches.

- A comprehensive in-depth national consumer survey of 1,018 U.S. grocery shoppers, conducted between August 18-23, 2023, produced a wide range of findings.
- As a follow-up, select respondents were chosen for individual interviews to further illuminate perspectives and provide quotes.
- NIQ provided "NIQ datapoints" from its research to help enhance the narrative.

The report's "key insight" sections further illuminate the findings and relay industry opportunities.



Transparency Grows in Importance

Shoppers Associate Transparency with Honesty and Openness

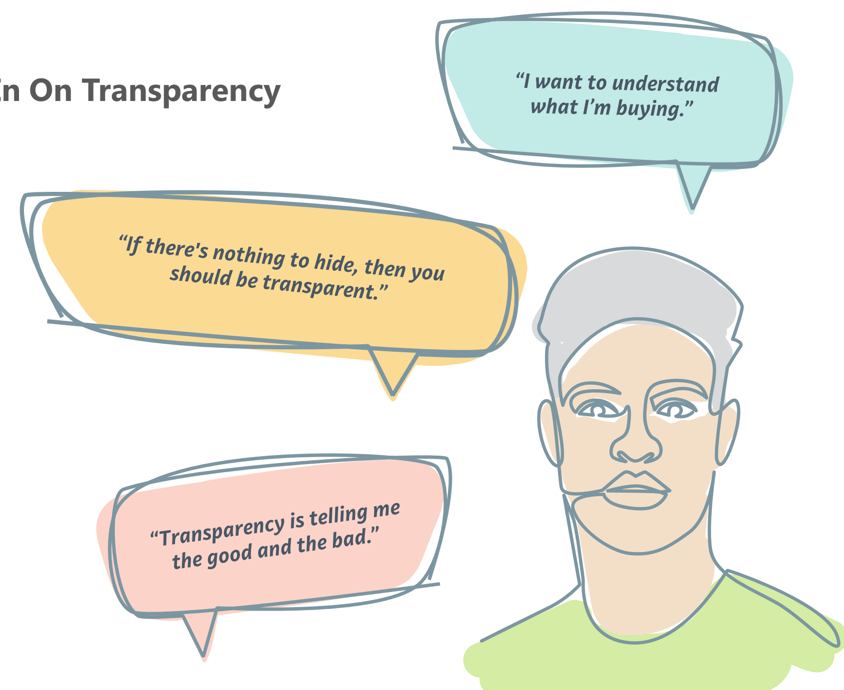
Shoppers were asked, “When you think of a brand or manufacturer as being “transparent,” what comes to mind?” Here is a word cloud that shows their responses.

Shoppers Define Transparency

Shoppers associate transparency with words like “ingredient,” “open,” “honest,” “truthful,” “label,” and “information.” They link transparency with the concept of being forthcoming and truthful.

Shoppers outlined more perspectives in follow-up, one-on-one interviews.

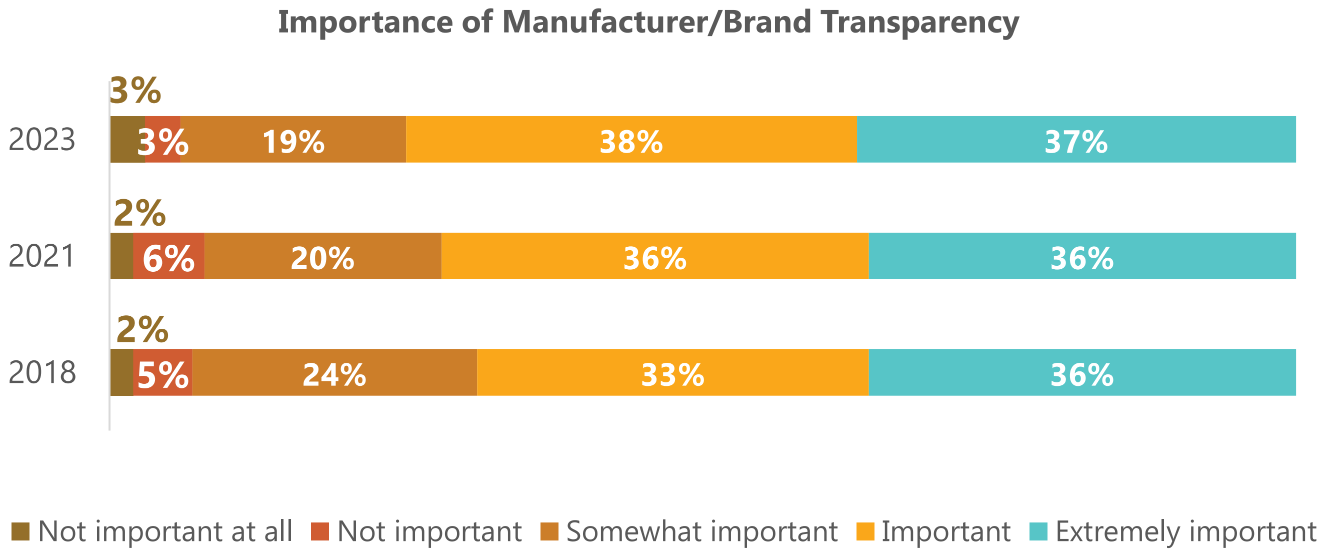
Weighing In On Transparency



Shoppers More Insistent on Transparency From Brands

This year's research confirms that shoppers have been increasing their demands for transparency.

Shoppers were asked how important it is that brands and manufacturers are transparent — with "transparent" defined as providing detailed information such as what is in their food and how it is made.



The proportion of shoppers saying transparency is important has increased from 69% in 2018 to 72% in 2021 to 76% in 2023.

KEY INSIGHT Shoppers on Transparency: The continued growth of shopper interest in transparency is an important finding. This advancing need for transparency coincides with a period of great upheaval in society — from the COVID-19 pandemic to economic challenges, but shoppers were not distracted by these events. Instead, their desire for transparency grew and remains an important requirement for retailers and brands.

Value, Ingredients and Nutrition Top Purchase Considerations

Shoppers were asked about the most important factors to consider when deciding which products to buy. Quality, value and ingredients topped the list, followed by considerations about health and nutrition, and with considerations about sustainability and social responsibility falling further down the list.

Key Buying Considerations

	Important
Product quality	85%
Good value for the money	84%
Price	82%
The ingredients in the product	67%
General nutrition facts such as the amount of protein, fiber, calcium, etc.	64%
General nutrition facts about nutrients to limit such as saturated fat, added sugar, sodium, etc.	64%
Health benefits the product offers	61%
Brand reputation	58%
Dietary claims (such as fat-free, sugar-free, high fiber, etc.)	53%
Source of ingredients (location)	50%
Calories per serving	49%
Presence of allergens in the product	47%
How the product was manufactured or grown	47%
Habit	47%
Product claims (such as organic, grass fed, fair trade, etc.)	46%
Where the product was manufactured or grown	45%
Shares my values for social responsibility	38%
Dietary or health-related programs (Keto, Paleo, etc.)	36%
Experience with/Nostalgia	36%

More on Shopper Decision Making

KEY INSIGHT Industry Strategies: The food industry is focused on making progress with transparency. FMI's 2023 The Food Retailing Industry Speaks research found that 73% of responding food industry suppliers have quantified goals and implementation timeframes for product transparency. Meanwhile, forty-two percent of food retailers have these goals and timeframes in place and another 27% are working on them.

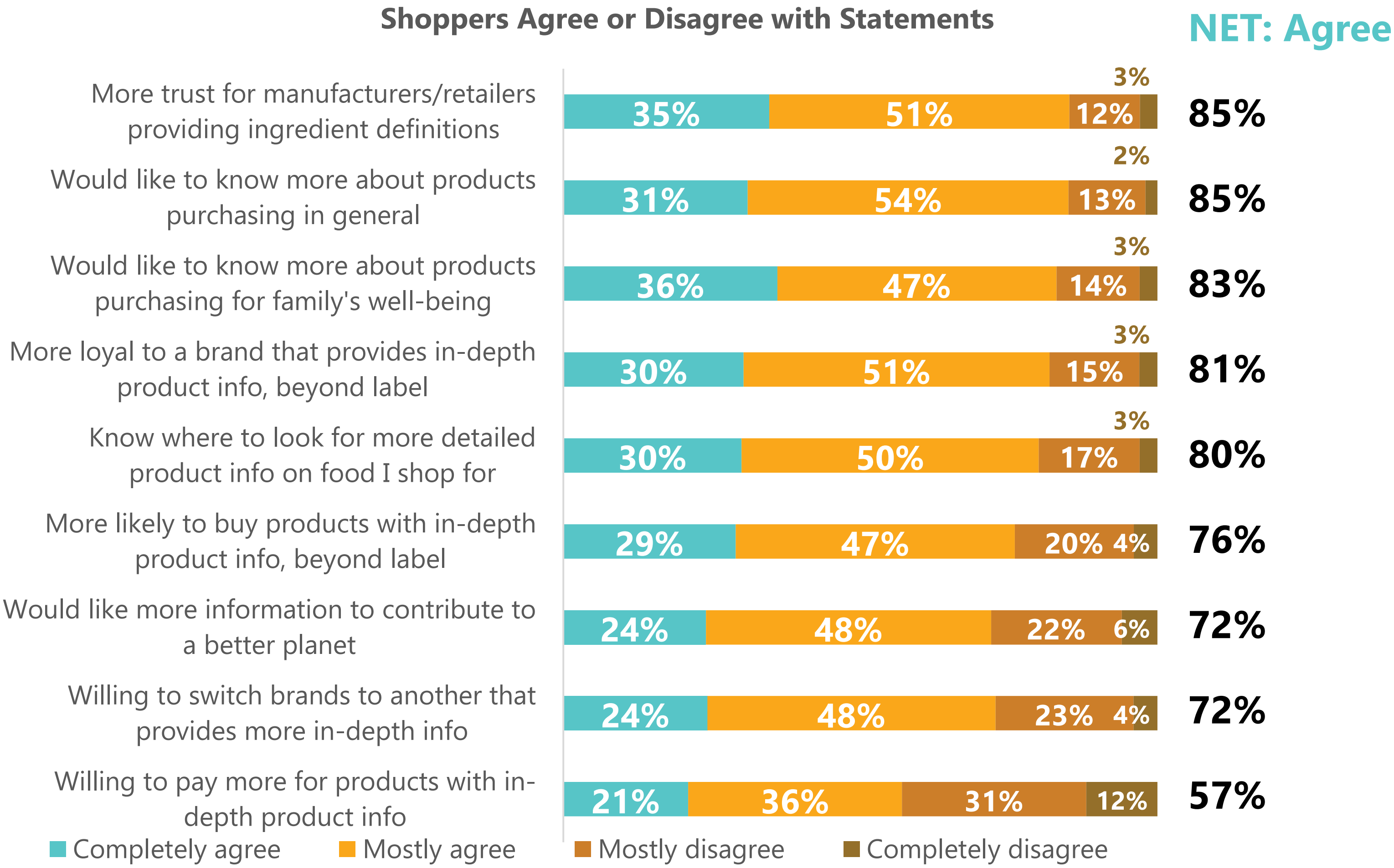
NIQ Datapoint: Consumers are looking to food for health, and some of the top "food as medicine" claims are tied to heart health, diabetes health, muscle health, digestive health, bone health and cholesterol health.

Information Drives Trust, Loyalty, and Brand-Switching

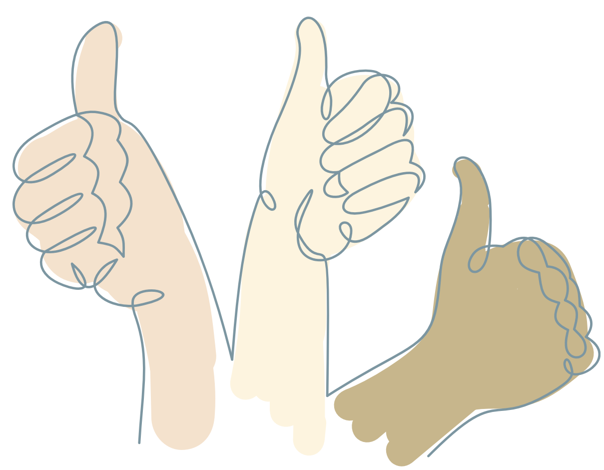
Shoppers' Request: Information Please

Shoppers have strong opinions about what types of product information they want and need. Shoppers want more information on factors ranging from health and well-being to sustainability.

Shoppers Agree or Disagree with Statements



The share of shoppers saying that providing ingredient definitions and explanations leads to more trust advanced by six percentage points from two years ago. Likewise, the share saying they are willing to switch to brands that provide more in-depth information increased eight percentage points.



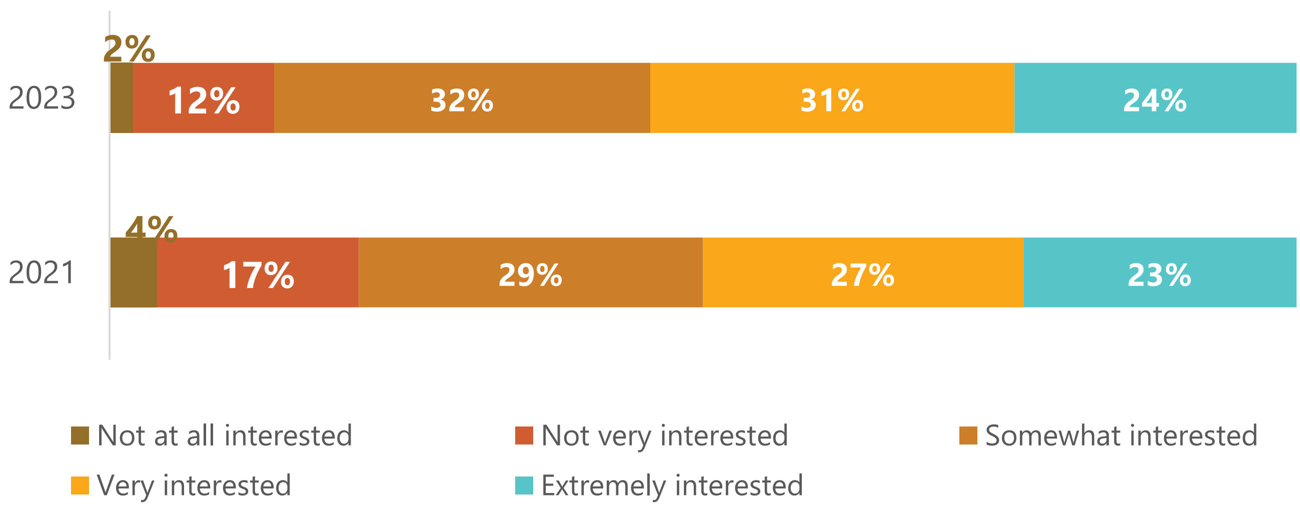
KEY INSIGHT Shopper Behaviors: Shoppers say receiving more information would change their behaviors toward brands. Said one shopper: "I would gravitate towards the company that was more transparent because I would feel safer that way."

NIQ Datapoint: Earlier this year, NIQ and McKinsey & Co research found products with claims around the environment, sustainability, social responsibility, animal welfare and sustainable packaging grew 170 basis points more than those without these claims over the last five years.

More Shoppers Want Information Beyond the Label

An increasing share of shoppers are interested in seeking out additional information beyond what appears on a product label.

Interest in More Information



Spotlight on Those Who Want More

The 55% who are extremely or very interested in learning more are more likely to:

Shop for groceries online (74% vs 61%)

Have children in their homes (36% vs 27%)

Be millennials (48% vs 37%)

Be minorities (44% vs 36%), especially Hispanic (20% vs 15%)

Spend more on groceries ($190 vs $175 for all shoppers)

From Ingredients to Sustainability: How Shoppers Determine Transparency

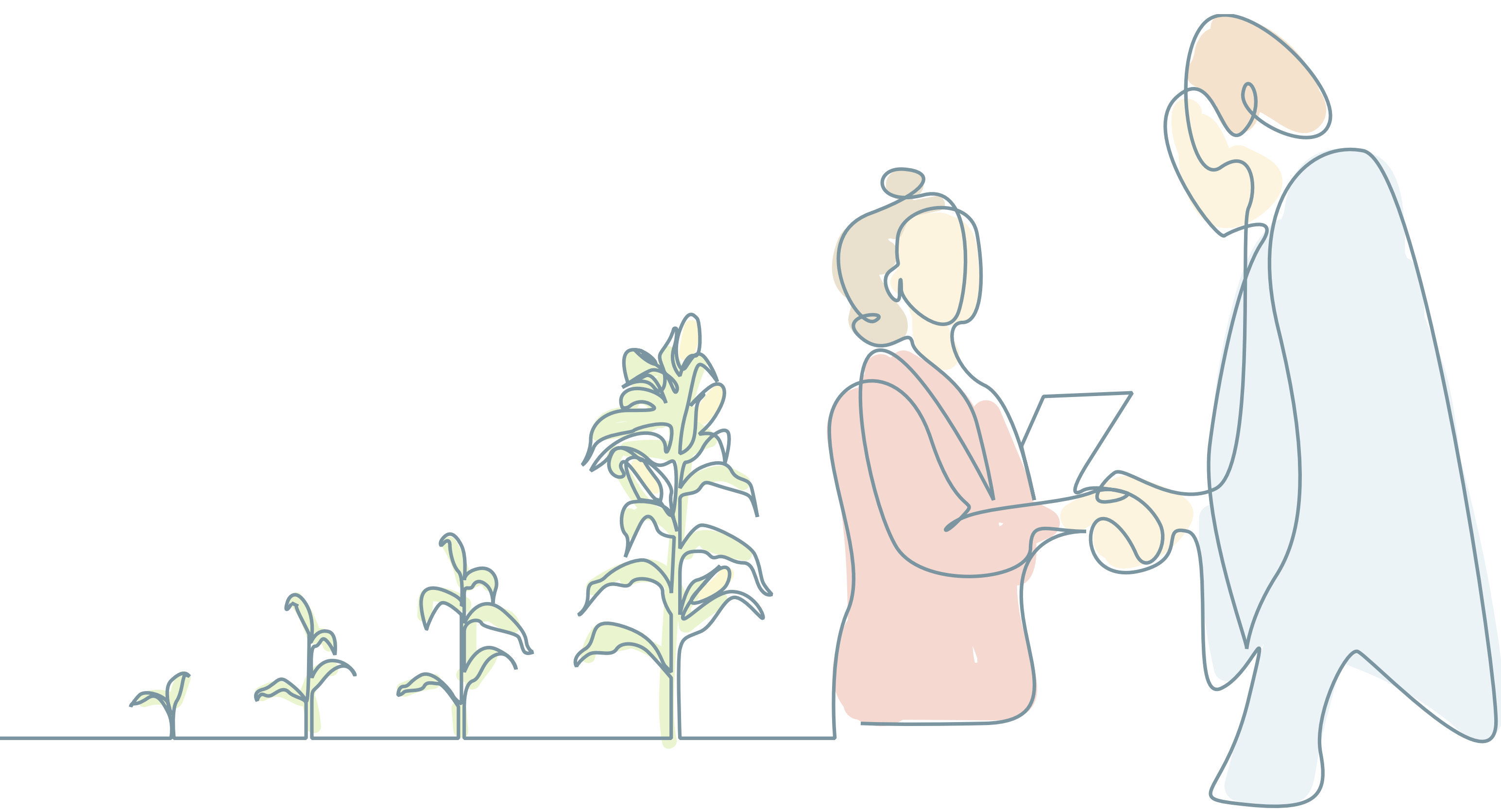
Identifying the Key Factors

Shoppers outlined how they decide if a brand or manufacturer is being transparent.

Other factors that signify transparency include easily understandable information, nutritional and production details, and sustainability information relating to the environment, animal welfare, sourcing and other aspects.

KEY INSIGHT Product Sourcing: The research found a high percentage of shoppers wanting information about where ingredients and products are sourced, a finding that appears in other FMI research as well. FMIs 2023 Power of Produce research found that transparency about the country in which fruits and vegetables are grown is a purchase priority for 42% of shoppers. Meanwhile, FMI's 2023 The Power of Meat research found that shoppers who tend to emphasize transparency and sustainability are more likely to be flexitarians, millennials, urban dwellers, households with kids at home, high-income households and scratch cooks.

NIQ Datapoint: As consumers increasingly desire transparency, the industry has been responding. There's been a sharp growth in claims around sustainability, social responsibility, animal welfare and packaging across the store. Claims like organic are being fairly well-penetrated across categories in the store, while claims like upcycled and regenerative are emerging and quickly gaining growth.

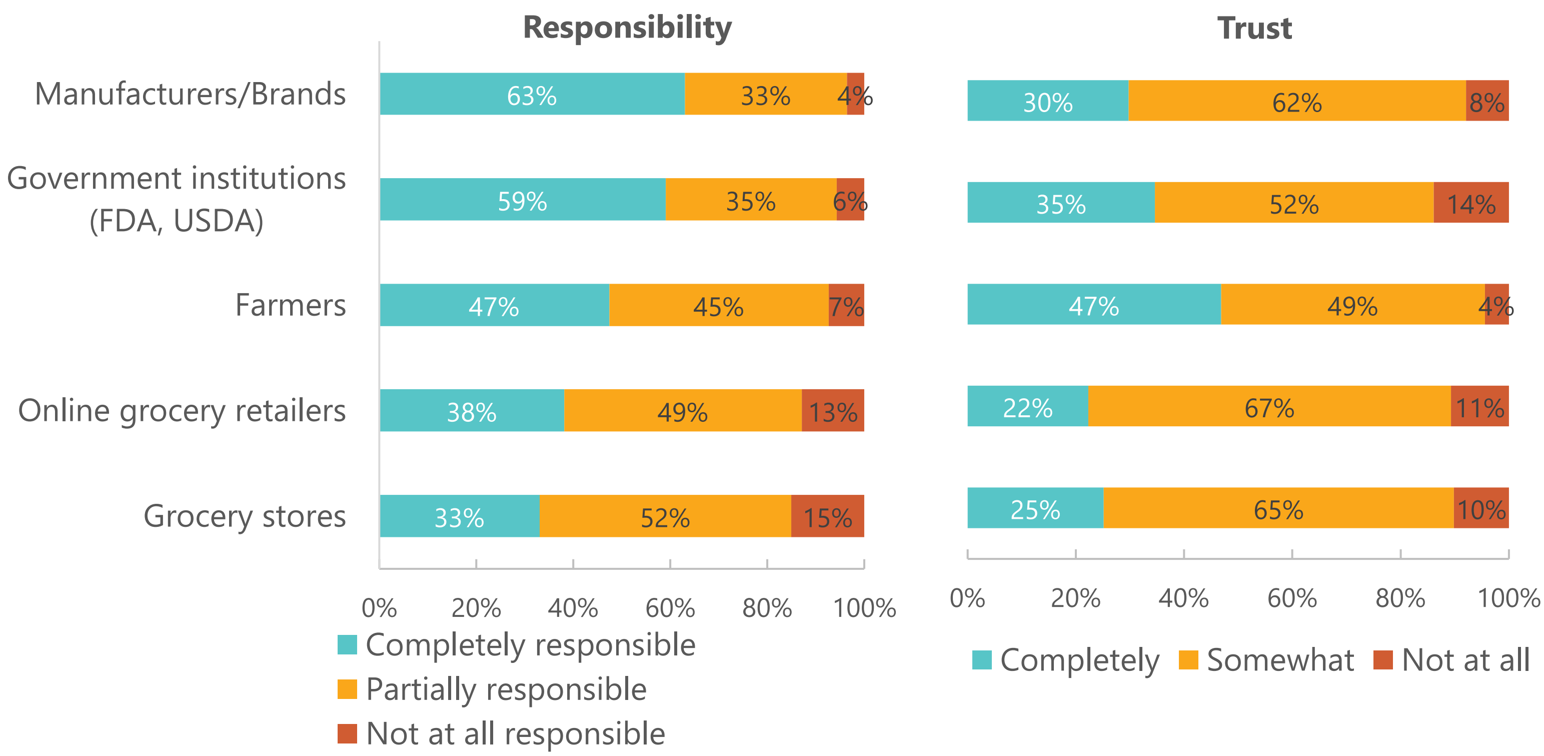


Identifying Who is Responsible for Transparency

Manufacturers/Brands and Government Considered Most Responsible

Manufacturers/brands and the government are identified by shoppers as being most responsible for informing them of detailed product information — such as what is in their food, where it comes from and how it was produced. Farmers, online grocery and grocery stores are considered somewhat less responsible.

Responsibility for Transparency Versus Trust Levels



The story is different, however, when it comes to which stakeholders are most trusted for product information. Farmers top the list, followed by government institutions. Manufacturers are in the position of being completely trusted for product information by less than a third of shoppers even though almost two-thirds of shoppers consider them fully responsible.

There is a piece of good news for manufacturers and brands. They are considered somewhat less responsible and more trusted compared to when the research began in 2018.

Online grocers and grocery stores have opportunities to consider amplifying or increasing their communications strategies to inform their customers about product information.

KEY INSIGHT Weighing in on Responsibility: Shopper in-depth interviews provided more insights into how they view the responsibility levels. One shopper emphasized the government's responsibility as follows: "I think the FDA is responsible for making sure information on the package is clear and transparent."

Confusing Information Drives Shoppers Away

Half of shoppers who are perplexed by label information eye other products instead, a point that underscores the importance of providing clear information.

Reacting to Confusing Label Information

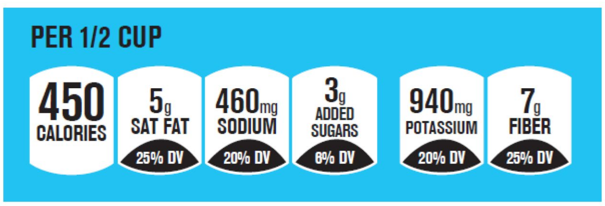
Positive Perceptions about Front of Pack Labels

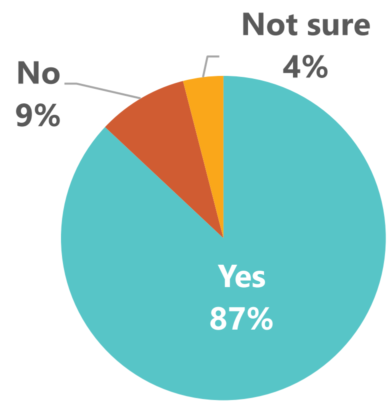
Shoppers Find the Front Useful

Survey respondents were shown a Facts Up Front label, which requires that implementers highlight calories, saturated fat, sodium and added sugars. Facts Up Front also allows implementing companies to include up to two voluntary icons highlighting positive nutrients such as potassium and fiber.

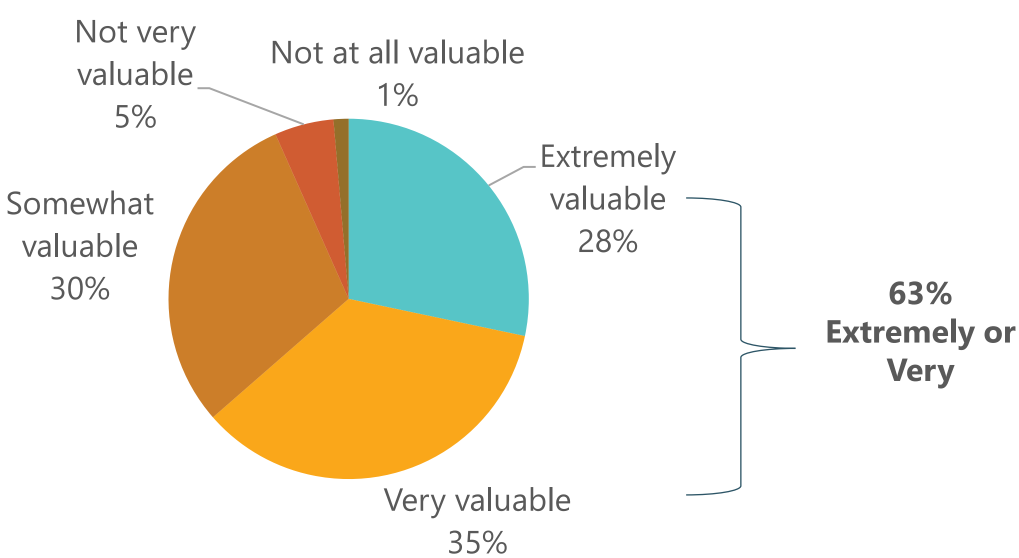
Front of pack labels get a thumbs up from shoppers for providing them with helpful information.

Almost All Notice Front of Pack Labels





And Most Find Them Valuable

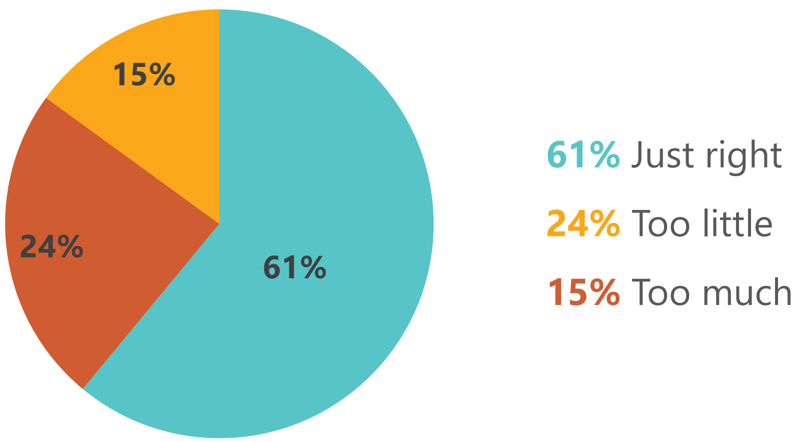


KEY INSIGHT Front of Pack Perspectives: Shoppers relayed why they do or don't read front-of-pack labels, and their reasons range widely. "I like the information on front of pack, it gets my attention," said one shopper. Some avoid viewing front of pack information and skip to the back of the package. One such shopper said, "I look at the ingredients list for things I would tend to avoid."

Current Level of Information Considered Adequate

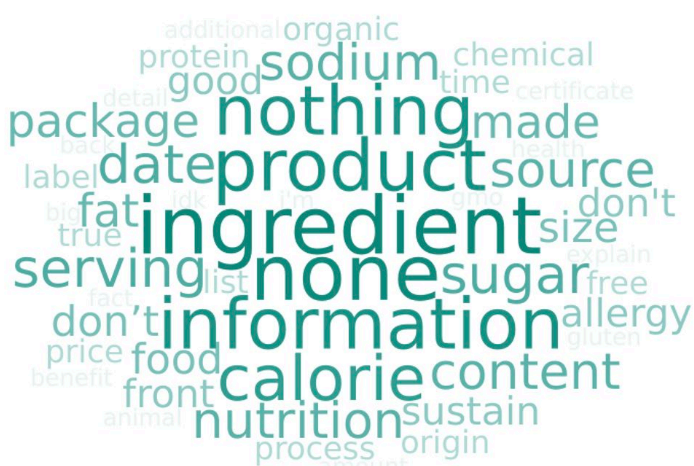
More than 60% of shoppers said the amount of information provided for front of package labeling is "just right."

Front of Pack Amount of Information Provided



Some shoppers remarked about specific types of front-of-pack information they'd like more of.

Additional Front of Pack Information Desired



KEY INSIGHT Learning More about Ingredients: The word cloud shows that "ingredients" was the biggest response for what shoppers want to see on front of pack. That may seem curious, given all the information about ingredients elsewhere on the pack. A few shoppers specified what they are looking for. One requested that brands "explain the ingredients list," while another wanted to know "what are the ingredients that I can't pronounce." One shopper asked for "every ingredient along with its harm," while another asked for information on artificial ingredients.

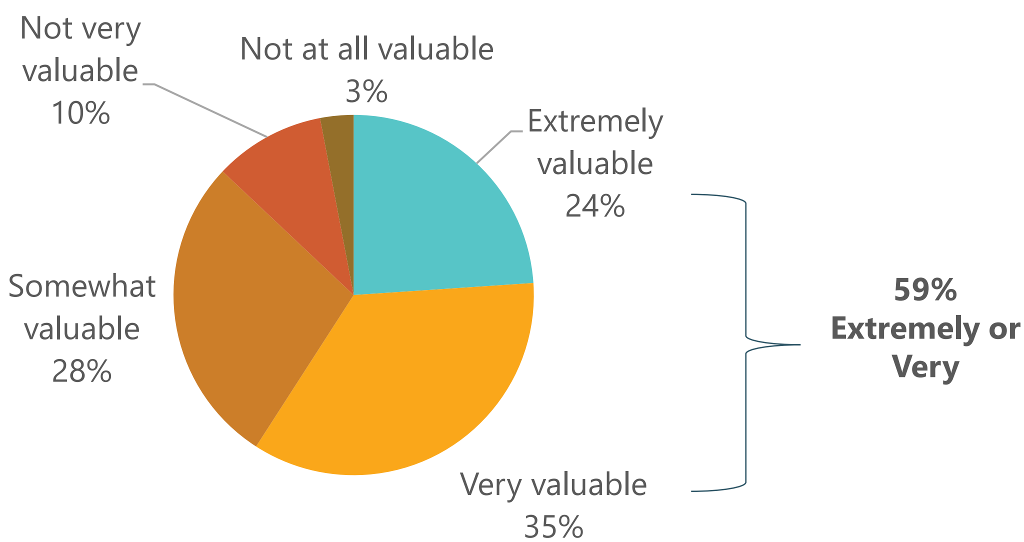
Shoppers also described in more detail what else they'd like to see on front of pack.

Additional Front of Pack Information Desired

“Healthy” Claim Considered Valuable

Shoppers were asked whether they would find a “healthy” claim on food labels valuable and were told that the FDA (Food and Drug Administration) is proposing to update the definition for the implied nutrient content claim “healthy” to be consistent with current nutrition science and Federal dietary guidance

Perspectives on “Healthy” Claim



Almost 60% of shoppers said the healthy claim is very or extremely valuable. Meanwhile, some shoppers said they judge healthy on their own.

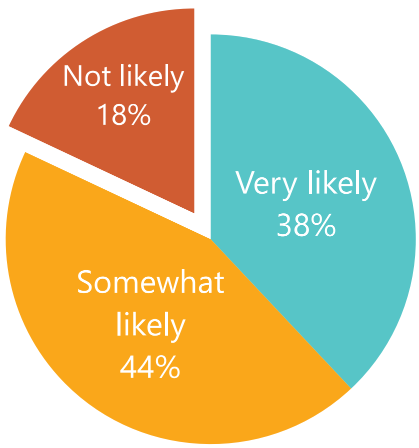
NIQ Datapoint: Consumers with specific health ailments often pay more attention to labels and specific attributes.

Shoppers Like Digital Tools for Gathering Information

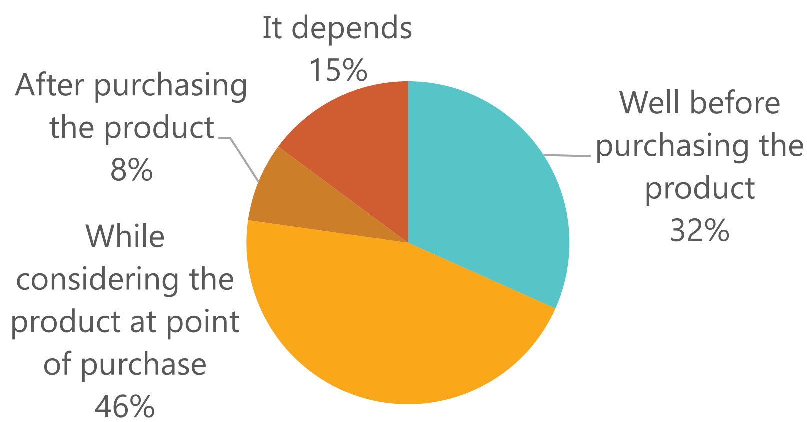
Brands have been increasing the number of ways shoppers can digitally access more information about products, and shoppers say they would take advantage of these tools if given the opportunity.

More than 80% of shoppers said they would be somewhat or very likely to seek more product details — regardless of whether they are in-store or online — by making use of a QR code, website, app or other tool.

Likelihood of Seeking More Information Through Digital Tools



When Shoppers Look For More Specific Details



Interested in learning more about*	
Ingredient definitions	46%
Sourcing of ingredients	43%
In-depth nutritional information	40%
Production of ingredients	40%
Country of origin	38%
Manufacturing processes	36%
Usage instructions	29%
Company/brand information	27%
In-depth allergen information beyond the major food allergens	26%
Additional certifications the products qualify for	25%
The diets the product complies with	24%
Company's practices regarding animal welfare	24%
Company's sustainability practices	23%
Company's trade practices	20%
Company's labor practices	20%
Company's social responsibility programs	17%
How producers in developing countries are paid	16%

For those likely to seek more information, the biggest areas of interest include ingredients and nutritional information, but details about production and sustainability are also considered important. Almost half of shoppers would like this information at the point of purchase and about a third would make use of it earlier in the process.

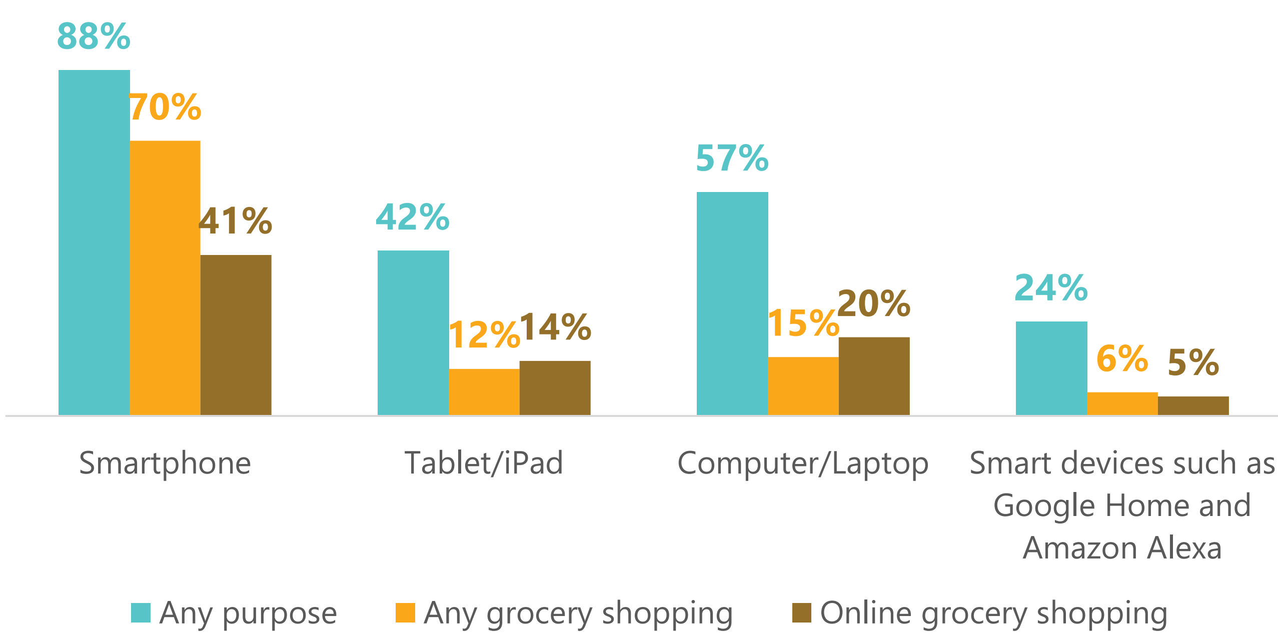
KEY INSIGHT Shopper Journeys: Shoppers who seek out more product information vary in when they look for it, a point that speaks to different buying journeys. Retailers and brands can benefit by understanding the different habits of shoppers. "I search online to look at products before going to the store," said one shopper. "I look at the ingredients to see if I can read and understand the words, and I look at the customer ratings." Almost 37% of shoppers said it would take too much time to seek more product details when shopping for groceries, a point that was expressed in blunt terms by a few shoppers. "It annoys me to have to pick up my phone for a QR code in a store," said one. "I'm on a time schedule. Sometimes you don't have good WiFi in a store."

NIQ Datapoint: The food and beverage segment has a high share of clean label-type claims, Top ones include "free from artificial flavors," "non-GMO," "free from artificial preservatives," and "free from artificial colors."

The Phone Plays a Starring Role in Shopping

Mobile phones are key devices used to help support grocery shopping, whether in-store or online. Use of phones far outshines use of tablets, laptops and other smart devices. Shoppers were asked which devices they use for any purpose, for any grocery shopping, and for online grocery shopping.

Use of Devices for Any Purpose- and For Shopping



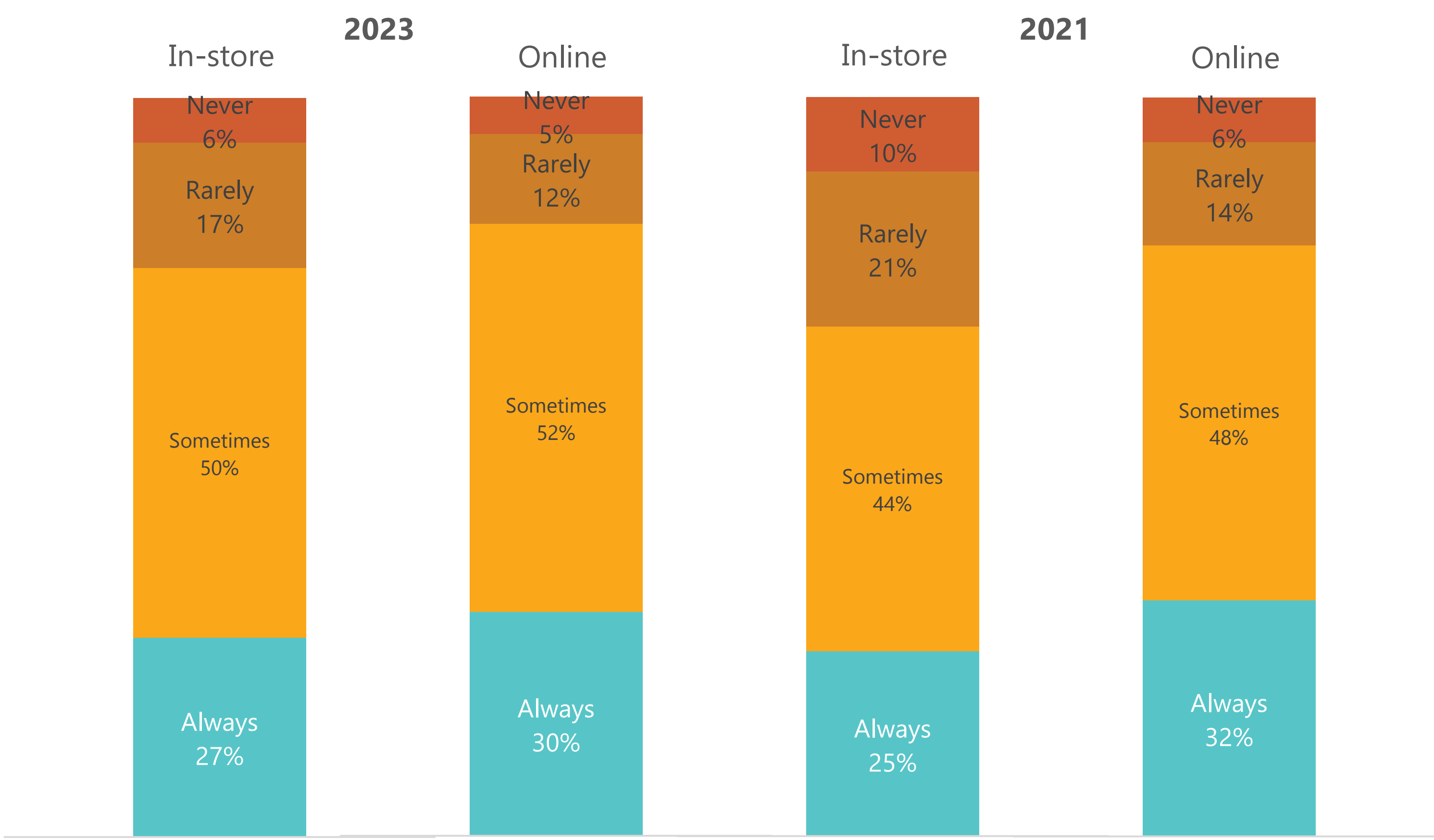
Scrutinizing Labels: Shifting Perspectives for In-Store vs Online

Shoppers are reporting changes in how much they search a product’s label or description to make sure foods meet their dietary or health-related needs or goals.

Growing Attention to In-Store Labels

Shoppers are reporting changes in how much they search a product’s label or description to make sure foods meet their dietary or health-related needs or goals.

Searching Labels In-Store vs Online



"When I'm in person in the store, I can check out new products completely. I usually tend to be less adventurous when shopping online."

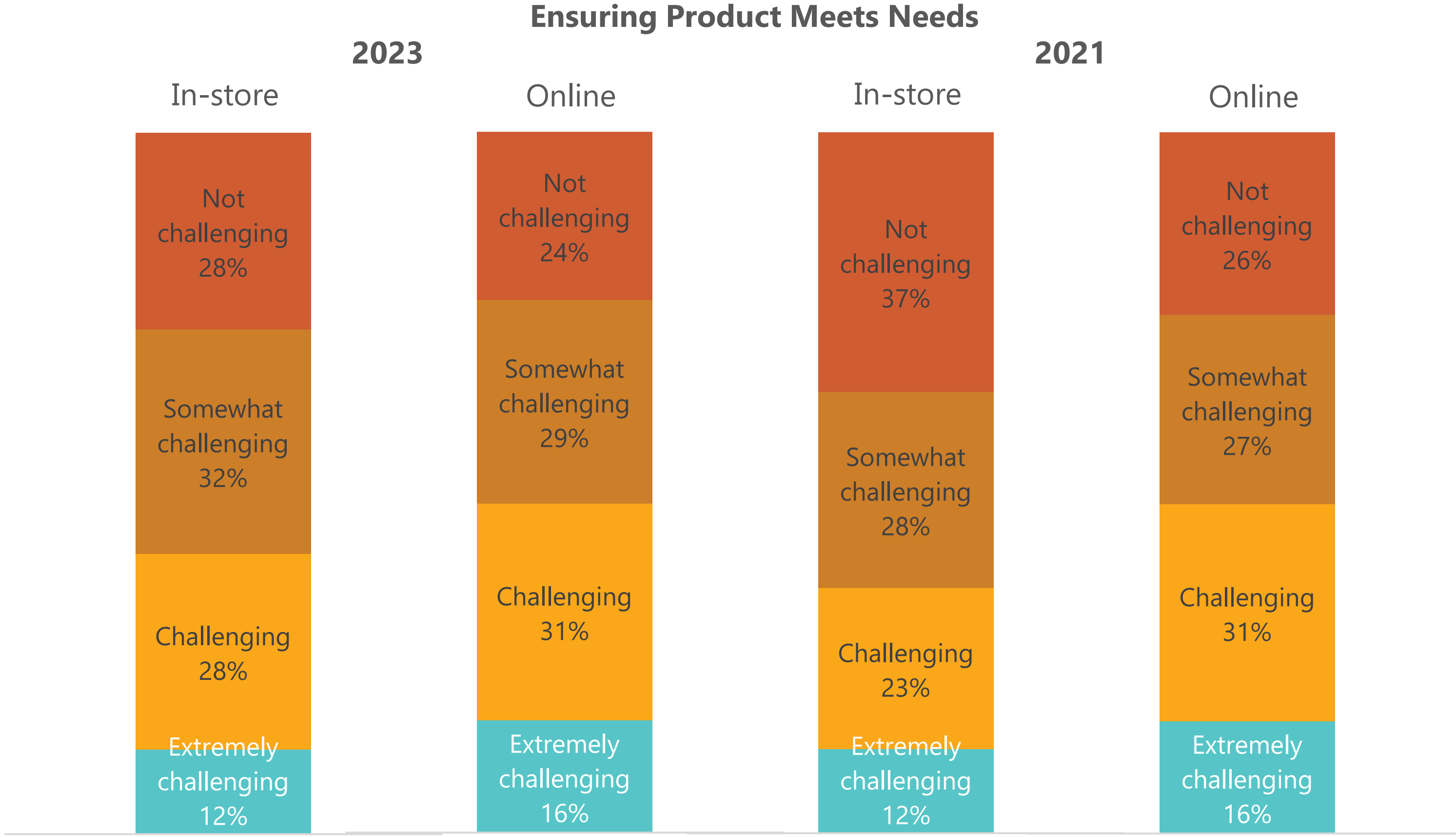
"I usually stick to buying the basics online. But if I see something different online that looks interesting and is on sale, I'll take a look at the label and I may try the product."

KEY INSIGHT The Discovery Process: The reported growth in searching of labels in-store coincides with an increased return to in-store shopping since the pandemic. Shoppers say they tend to use in-store more for discovery and online more for repurchasing items. Discovery requires more analysis of product labels because it involves items that shoppers aren't as familiar with. So along with the experiential aspect of in-store discovery goes the work of reviewing more product information.

Eyeing More Challenges with In-Store Shopping

Shoppers are finding in-store shopping a bit harder to navigate. They still say — as they did in the 2021 research — that it's more challenging online versus in-store to make sure that food products meet their diet or health-related needs or goals. However, the gap between online and in-store has narrowed on this challenge factor. The research found a 9% increase in the share of shoppers saying in-store has become at least somewhat challenging, versus only a 2% increase for online.

Ensuring Product Meets Needs

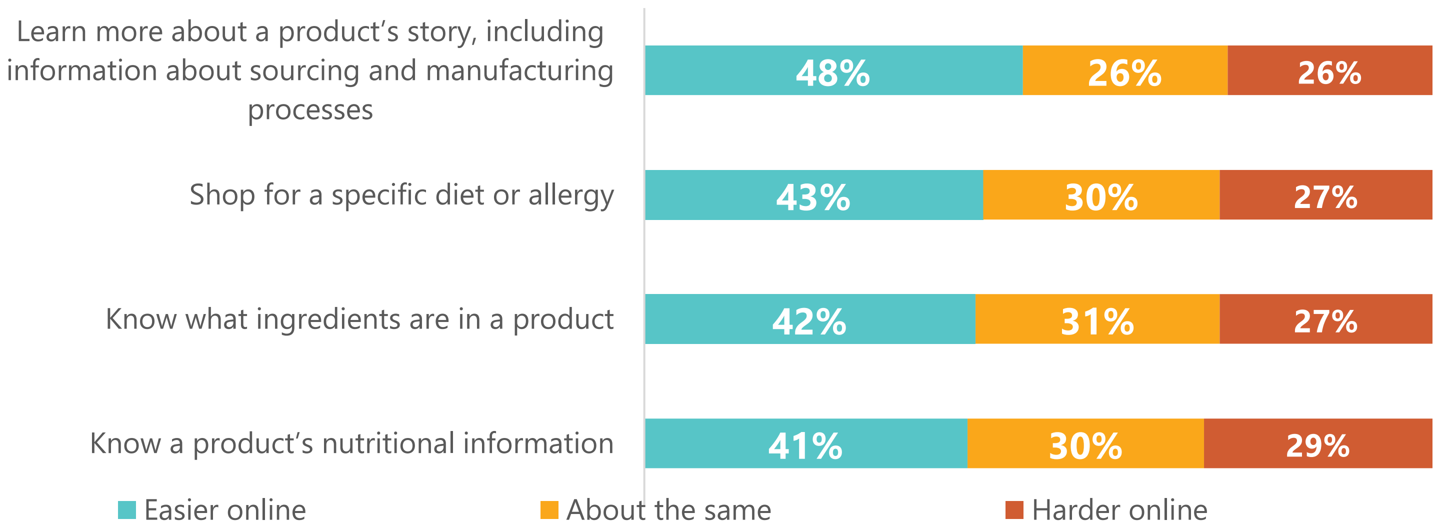


KEY INSIGHT Why In-Store Seems Challenging: Why do a growing share of shoppers perceive it has become harder in stores to ensure food products meet their needs? One possible explanation is that shoppers became accustomed to online research tools during the pandemic, and their expectations were raised on what could be possible in-store. Shoppers may also be more aware of inconveniences around the in-store experience — such as dealing with traffic, parking lots and crowds. Despite the challenges, shoppers interviewed said a big advantage of in-store shopping is being able to pick out their own items and learn about new products.

Online Shopping Easier for Learning a Product's Story

Shoppers say online shopping is easier than in-store for certain needs. These include finding information about product sourcing and manufacturing and seeking items for specific diets.

Ease or Difficulty of Online Shopping Versus In-Store Shopping

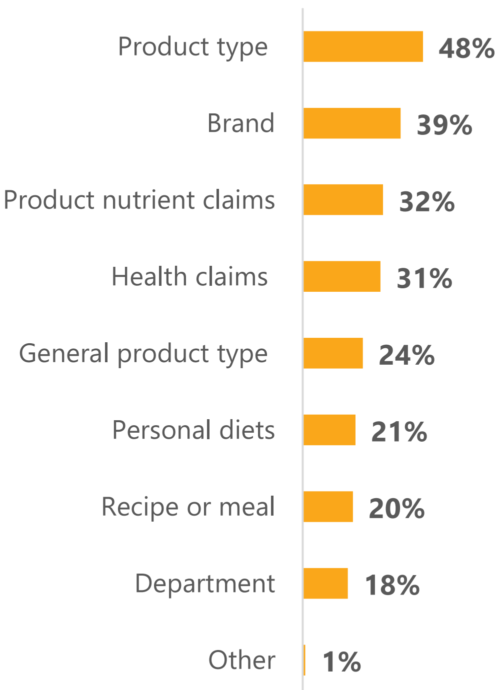


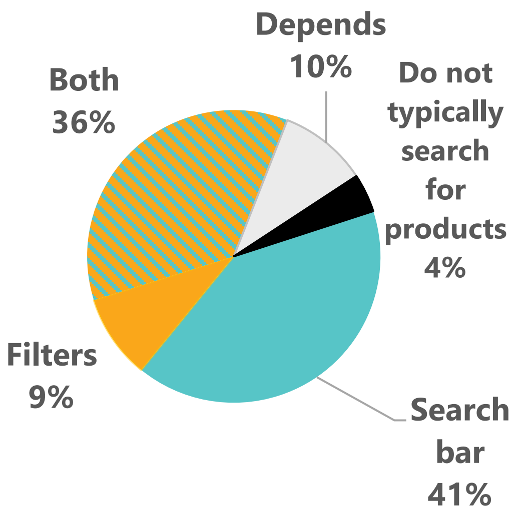
Online Shopping Advantages Include Search and Comparisons

The Search Bar is Tops for Obtaining Information

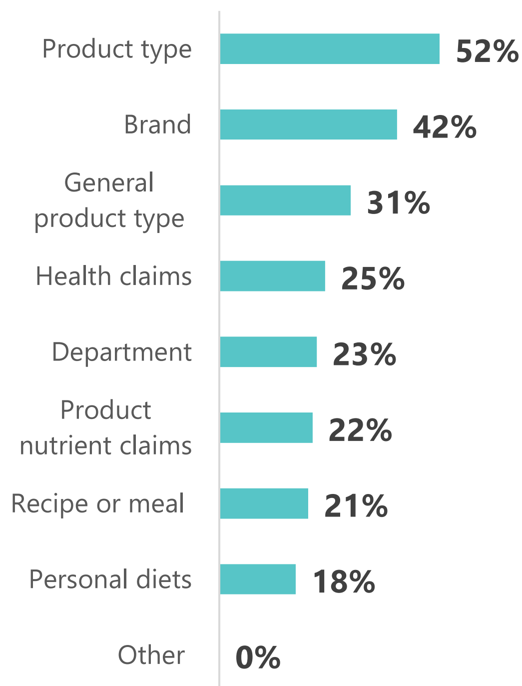
Typing into the search bar is the most common approach taken by online shoppers in seeking out a product. The share of shoppers who make use of filters is much lower. However, a sizable share employ a combination of searching and advanced filtering.

Filter on First





Search on First



Regardless of whether shoppers use search or filtering, they are most interested in finding a product type — such as carrots or milk — or a brand.

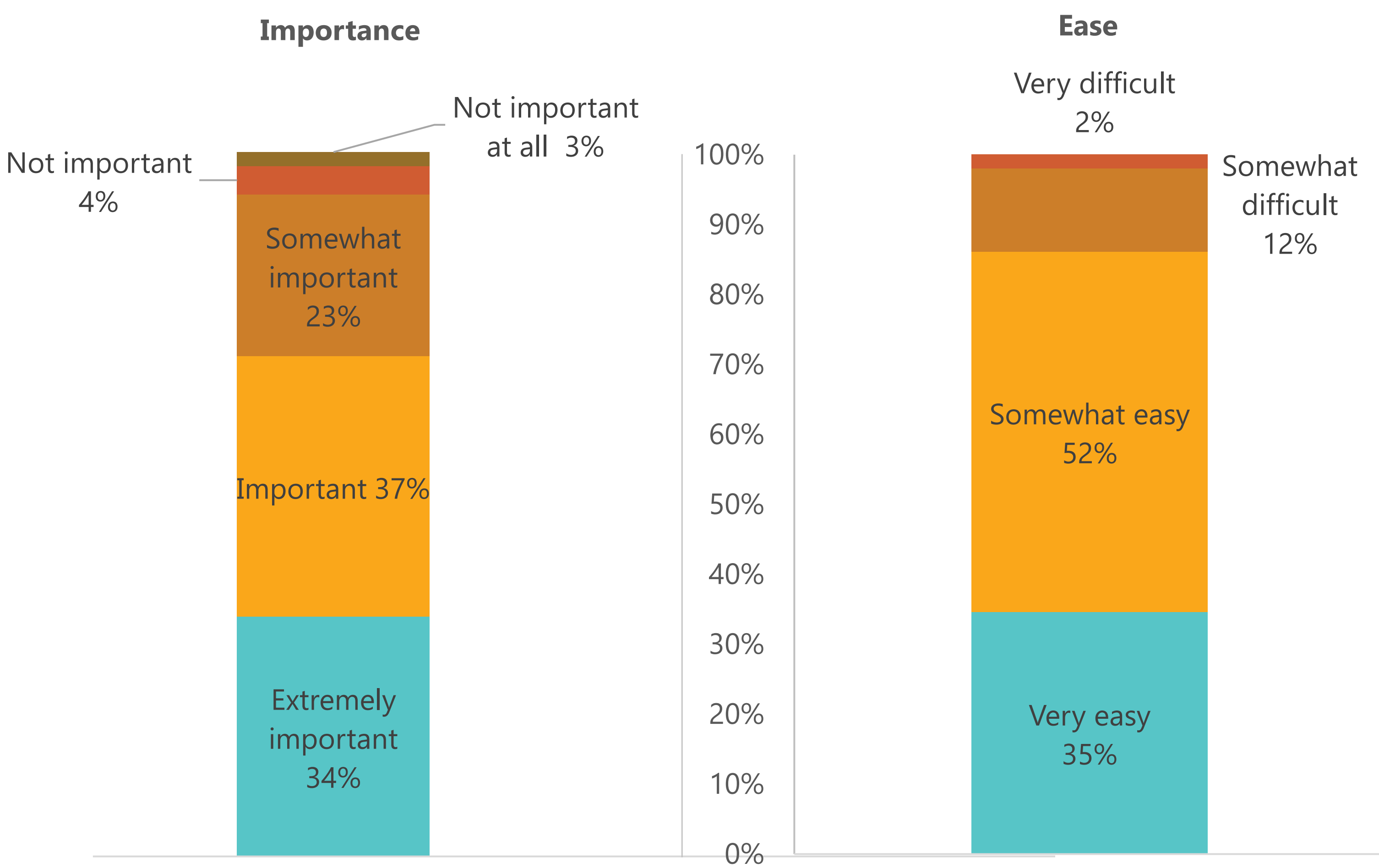
NIQ DATAPOINT: Consumer product searches on retailer web sites represent an early indicator of emerging trends. Over the last year, some of the fastest-growing food and beverage attributes consumers are searching for include electrolytes, high caffeine, contains MSG, gut health, unrefined/not refined, and for blood pressure.

Top Reasons Shoppers "Very Likely" to Abandon Online Carts
1. Retailer charges more to purchase a product online vs. in-store
2. Products available at a lower price elsewhere
3. Searching for products returned limited options
4. Retailer doesn't make it easy to find desired products
5. Searching returned inaccurate product results
6. Retailer is out of one or more needed products
7. Product detail pages are missing important information

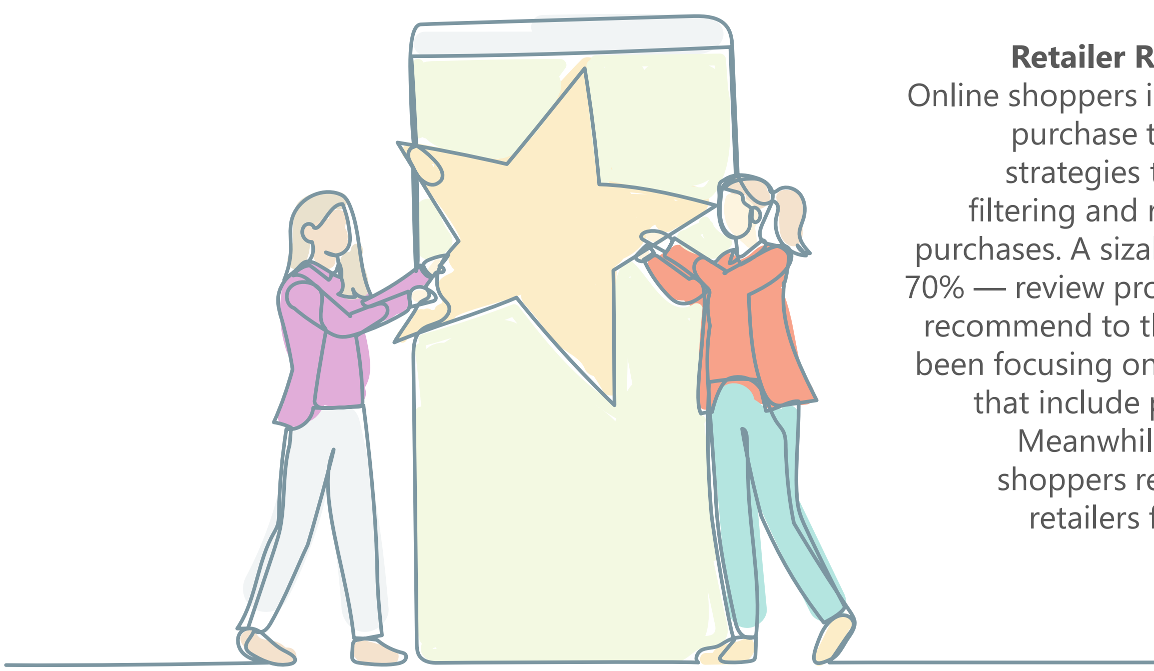
Product Comparisons Important and Easy Online

More than 70% of shoppers say it's important or extremely important to compare product details — such as nutrition and ingredients — during online shopping. Even a bigger share finds it at least somewhat easy to do.

Comparing Product Details in Online Shopping



Some shoppers say they prefer in-store shopping for comparing product details.



KEY INSIGHT

Retailer Recommendations:

Online shoppers identify products to purchase through a variety of strategies that include search, filtering and reviewing their past purchases. A sizable share — almost 70% — review products that retailers recommend to them. Retailers have been focusing on recommendations that include personalized offers. Meanwhile, a similar share of shoppers review products that retailers feature as trending.

Respondent Profile

Respondent	Percent Sample
Generation	
Gen Z	10%
Millennials	27%
Gen X	24%
Baby Boomers	35%
Silent	4%
Gender	
Male	45%
Female	55%
Region of Residence	
Northeast	18%
Midwest	20%
South	40%
West	22%
Number of People Living in Household	
1 in Household	15%
2 in Household	39%
3+ in Household	46%
Number of Children Living in Household	
No Children	73%
Any Children	27%
Education Level	
Some College or Less	44%
College or More	56%
Annual Family Income	
<$50K	33%
$50k-99k	31%
$100k+	34%

Respondent	Percent Sample
Race/Ethnicity	
Hispanic	15%
White	64%
Black/African American	13%
Other	7%
Area Live Stats	
Rural/Small Town	24%
Suburban	45%
Urban	31%
Grocery Shopping Habits	
Average $/Week	$175
Online Shoppers	61%
Primary Grocery Channel	
Club	8%
Convenience	2%
Dollar	3%
Drug	0%
Grocery	32%
Mass	36%
Natural	2%
No Frills	5%
Online	3%