2010 Phase II Research Results & Findings

Consumer Shopping Habits for Wellness and Environmentally Conscious Lifestyles

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Contents

INTRODUCTION

It is the second year of tracking the consumer shopping habits of the health, wellness and environmentally conscious lifestyle arena. With the economy showing more signs of recovering, we see signs that consumers are continuing in their quest for wellness activities. Consumers are incorporating more health and wellness products and services into their lives. In years past, consumers would adopt these products largely due to their stated need to take control of their personal health and the health of their families. Currently, we are continuing to witness another underlying motivation emerge: Consumers are reclaiming control over their health and wellness in order to achieve “quality life experiences.”

Our research over the past ten years has clearly shown that health and wellness is neither a fad nor a niche market that will fade away with changing consumer tastes. Rather we see a full-scale change in how consumers want to live and better their lives. Today’s health and wellness consumer is so mainstream that no particular demographic defines them – they are representative of all incomes, genders, educational backgrounds and ethnicities. Although each consumer’s level of intensity and passion around health and wellness may differ, the common elements of their lifestyles are identifiable and understanding the trajectory of where these lifestyles will take them is imperative for recognizing future business opportunities.

The embrace of the health and wellness lifestyle by consumers has dramatic implications for manufacturers and retailers in particular. Health and wellness products need to take center stage in the store, providing a quality halo for the entire chain. It is the manufacturer’s job to leverage mainstream marketing tactics to catch the eye of the shopper. No longer can health and wellness products simply be considered an afterthought and relegated to the back corner of the store.

This report presents the current state of the health, wellness and environmentally conscious lifestyle market and identifies the trends most relevant for manufacturers and retailers in the general merchandise and health, beauty and wellness space. A good portion of the report covers comparisons between 2009 and 2010. It is imperative to recognize the pace at which consumers are evolving in this market and to therefore elevate the health and wellness cues associated with your product or service in order to resonate with tomorrow’s consumers.

There are many insights, trends, and recommendations in this report and we hope to provide you with the tools required to make decisions that increase the loyalty of your customers and that open up new market opportunities in this exciting marketplace.

EXECUTIVE SUMMARY

Study Dimensions

- In broad dimensions, this study was intended to
  - Summarize current research that defines the H+W (Health and Wellness) consumer
  - Identify typical product and category cycles, in terms of the order in which categories are usually adopted, and how categories may serve as gateways for additional H+W interest and involvement
  - Summarize shopping habits – types of services and products purchased, types of retail locations visited and frequency of purchases
  - Highlight top wellness opportunities to include consumer wants and needs, product categories, services, and retail practices
  - Identify any changes or trends that have occurred between 2009 and 2010
- Focusing on those subject areas, we employed a dual approach leveraging both qualitative (in-home and in-store interviews, group interviews) and quantitative (online survey) data collection techniques

THIS YEAR'S QUANTITATIVE RESULTS, HIGHLIGHTS AND TRENDS

- The top four **H+W meanings** are the exact same in both 2009 and 2010, with "feeling good about myself" being the number one H+W meaning in both years.
  - H+W meanings that experience a decline this year are the emotional, mental and social definitions of "being confident about achieving my goals in life," "being able to relax and have a good time," and "being able to enjoy time with my family."
- The overall rank order of **H+W triggers** between 2009 and 2010 remains fairly consistent though the proportion of consumers reporting aging increases from 53% to 62%. Having a baby and changing jobs are more frequent triggers this year partly due to the economic challenges.
- Like last year, the top two **health "conditions"** are being "overweight" and "stress," which are more general and lifestyle-oriented than specific, acute medical conditions.
- The Internet and Doctors are the **top used H+W information sources** for both years.
- We continue to see **surprisingly few demographic differences** across the World of H+W.
  - The Mid-level segment makes up the majority of consumers for ALL demographics.
- **The recession** has fewer visible effects on consumers this year.
  - Consumers are feeling slightly more confident this year with the gradually improving economic conditions. This year we are finding consumers are less likely to have made any changes to the way they shop.
  - Consumers are in general still continuing to purchase their necessary goods but perhaps buying when the time is right.
  - Around a quarter of cosmetic consumers are buying it less often.

- For vitamins and minerals, consumers are less likely to have made changes to the way they shop this year. For specialty supplements, consumers are much more likely to have made purchase changes this year, with the most common change being shopping around. Specialty supplements generally cost more than the standard multivitamin so there is more price sensitivity with these items.
- Personal care products are typically "everyday use" products and we see a slight decline in purchase changes this year which again indicates the incidence of "going without" is relatively low and declining.
- There is a trend towards less purchasing changes made with household cleansers as well.

- Cleaning products such as kitchen, bathroom, window, and, in particular laundry detergents experience a rise in the purchasing of natural, organic or specialty versions over 2009.
    - The use of natural, organic or specialty versions of laundry detergents rises dramatically from 25% in 2009 to 34% in 2010.
    - On the other hand, we see that all supplement categories and functional beverages experience a drop in purchasing natural, organic or specialty versions over the year.
- When consumers are asked about the **importance of natural and organic** options, products that are consumed or taken internally such as dietary supplements and functional beverages or used on children top the list. The importance of personal care products and household cleaners is about the same. The product categories appearing toward the bottom of the list are those used externally – shaving care, home fragrance and deodorant.
- When **comparing natural/organic to mainstream personal care products** we find the overall rankings of attributes are similar from 2009 and 2010. What changes this year is the decline in almost every attribute. What we believe is occurring is the playing field is getting crowded with more and more manufacturers entering and mainstream personal care products are starting to play in the natural/free-from space as well.
- **Sustainability attributes** that are more important in 2010 are being reusable and organic.
- **Price concerns** among general merchandise categories are most acute in high-tech related products such as computer and cellular accessories. Price concerns for cleaning products are highest for laundry detergent though the level of concern decreases from 46% to 35% this year.
- **Supplement usage** has slightly declined this year. About 48% take a Multivitamin daily compared to 56% last year. The usage rates of other herbal and specialty supplements have slightly declined overall too.
- Consumers have been using **natural or organic body care products** for a longer time than natural or organic home cleaners.
    - The proportion of consumers using natural or organic body care products for greater than a year increased to 80% over 75% in 2009.
    - The proportion of consumers using natural or organic home cleaning products for greater than a year slightly increased to 70% over 67% in 2009.
- When comparing 2009 and 2010, we see that the most important purchase factor for every personal care product category, household cleaner, and OTC product is **effectiveness**.
- The top shopping barrier for almost every single personal care product, household cleaner, and OTC product is **too many choices**.
- Nearly two-thirds of women believe that beauty is more about one's own **natural beauty** rather than covering up with cosmetics
    - Still, we are finding the majority of women wear makeup on a regular basis. About 38% of women use cosmetics only for special occasions.

    - Mineral makeup is starting to get some traction in the marketplace. Mineral makeup is used by about a quarter of all female consumers with usage peaking within the 25-34 year old cohort. The market for mineral makeup will continue to grow as a natural, chemical-free alternative to conventional makeup.
- The **Mass channel dominates** the market for beauty care products. About 53% of consumers overall purchase through Mass and this channel is more than double the next largest channel, Drug (25%). Mass is preferred for its lower prices, convenience and better selection. **Non-mainstream channel** shoppers shop based on better customer service as well as finding hard to find unique products.
- Products addressing aging is **not top of mind** when consumers purchase personal care products. Only about a quarter of all consumers (26%) regularly purchase personal care products to address aging.
- GM product categories that consumers would like to see a **stronger presence at Grocery** are home cleaning, pet supplies, laundry supplies and light bulbs. Product categories that are least desired by consumers are sporting equipment, wallets and cellular accessories.
- GM product categories are more likely to be **purchased on a planned basis** rather than being on impulse. Laundry and ironing supply purchases are the most like to be planned. Other top preplanned purchase items tend to be purchased on an irregular or one time basis. Books and magazines are most likely to be impulse purchases.
- Slightly less than half of all consumers would prefer to **spend more time with their pharmacist**. The most common topics that would be discussed are drug interactions and information on OTC drugs, especially for Periphery consumers. The Core consumer is much more likely to approach the Pharmacist regarding information on natural remedies for their health issues.

Consumer Findings

- **There are three key segments of H+W consumers – Core (13%), Mid-level (62%), and Periphery (25%)**; almost the entire US population fits into one of those segments
    - Core consumers are most lifestyle-involved in H+W, and serve as trendsetters for other consumers. H+W is a major life focus for them. They often also have fairly high personal levels of involvement in sustainability (including social aspects of it).
    - Mid-level consumers are moderately involved in a H+W lifestyle, and tend to follow *some* of the trends set by the Core. These consumers purchase large amounts of both conventional and H+W-specific products. As these consumers form a majority (62%) in the H+W world, meeting their needs is critical.
    - Periphery consumers are "entry level" H+W consumers. They often have aspirations to be more involved in H+W, but are typically not quite to the stage of having their behaviors follow their aspirations. These consumers are mostly "reactive" rather than "proactive" when it comes to matters of H+W.
- We continue to see **surprisingly few demographic differences** across the World of H+W
    - The Mid-level segment makes up the majority of consumers for ALL demographics. There is a slight gradient in the proportion of Core consumers as income level increases, but there are virtually no differences in H+W orientations across the vast majority of income levels
    - There are some slight regional differences; the Core consumer tends to be found in the New England, East North Central, and Pacific regions. The regions that tend to have with more Periphery consumers are East South Central, Mountain and West

North Central. However, the Mid-level consumer is the largest segment throughout the US.

- We see constant **evolution** in both H+W consumers and the World of H+W itself – this makes for "moving targets" for manufacturers, retailers, and marketers
- Values change as consumers evolve – Periphery consumers focus on Price and Convenience, Mid level consumers focus on Knowledge and Experience (while retaining some concerns about Price and Convenience), and Core consumers value Authenticity, Knowledge, Sustainability, and "Local" (products, services, and retailers)
- **Consumers define H+W** largely in terms of "feeling good about oneself," and in "being physically fit." These are the top H+W definitions both last year and this year. Avoiding illness/sickness also ranks high, though this is more important to Periphery consumers than more involved Core and Mid-level consumers. Core consumers tend to place more value on less-directly physical aspect of H+W such as "being happy and cheerful" and "being able to relax and have a good time."
- Slightly under half of all consumers indicate they changed their views on H+W within the past few years. This is the same proportion found last year as well. The Core is most likely to have changes to their views on H+W because of their deep involvement in learning more about H+W or being more proactive as they age.
- Common **H+W lifestyle triggers** include personal or vicarious (e.g. family member) illness or medical diagnosis, quality of life issues (e.g. "having too much stress" or "having too little energy"), changes in life stage or milestone birthdays, having children, and environmental triggers e.g. a skin reaction from using household cleaning products. The quantitative surveys show that concerns about aging is the top trigger for both 2009 and 2010. Having a baby and changing jobs are more frequent triggers this year partly due to the economic challenges.
- **Top health conditions** reported this year, in order are overweight, stress, arthritis, depression, sleep disorder, and anxiety. These top conditions are little changed from 2009. It is interesting to note that several of these are not acute medical conditions but more lifestyle-related.
- There are **few H+W "negatives"** of much substance, though Periphery consumers' worries about price and frustration with H+W shopping due to lack of H+W knowledge could readily be interpreted as negatives. Mid-level and Core consumers tend to have very positive orientations to H+W in general.
- With respect to **H+W information sources**, the **internet** is continuing to be the top source. Other key sources include doctors, books and magazines, and social networks (friends, family, et cetera). Little changes are observed from last year.
- **Sustainability** is a somewhat challenging topic, but does hold some promise for marketing.
    - The vast majority of consumers lack a full understanding of sustainability, and, most of the time, ideas relating to sustainability directly do not often impact their product choices.
    - However, there are other ideas relating to **responsibility** that do resonate with a good number of consumers, and there are some clear steps that manufacturers and retailers can take to make themselves appear more sustainable in the eyes of knowledgeable consumers (such as quality and purity cues in products).
- **The recession** has lesser visible effects on consumers this year.
    - Consumers are feeling slightly more confident this year with the gradually improving economic conditions. This year we are finding consumers are less likely to have made any changes to the way they shop. Everyday necessities such as lip balm, bar soap and oral care are impacted the least, though some consumers are

shopping harder for bargains in those categories (making more use of coupons, circulars, et cetera). Products and categories that are viewed as optional or discretionary seem to have been impacted the most, with some consumers putting off or simply not purchasing those items. Around a quarter of cosmetic consumers are buying it less often.
    - Consumers are in general still continuing to purchase their necessary goods but perhaps buying when the time is right and stocking up when there are good deals. In many ways, however, the recession has not profoundly impacted key H+W categories, particularly for lifestyle-committed Mid-level and Core consumers.
- **The Future of H+W** will likely show a continuation of the patterns we see today, meaning increasing consumer involvement in H+W overall, increasing scrutiny of product-level attributes such as natural ingredients, non-toxicity, and others, and the H+W-ization of additional categories.

Product Category Findings

- There is a Predictable **Product Adoption Path,** showing the order by which consumers typically introduce product categories into their wellness regimens as they evolve from Periphery toward the Core.
    - This **Product Adoption Pathway** can be quite helpful as a guide for **targeting products and retail offerings that are most relevant to consumers**.
    - The pathway begins with the categories of foods and beverages, and progresses through supplements (vitamins), cleaning products, personal care products, and other categories.
- Categories vary in their H+W resonance –
    - **Gateway categories** are the most important and immediately relevant to consumer H+W, and include Functional Beverages, Supplements, Children's Hygiene & Toiletries, Hair and Skin Care, Home Cleaning, and Books, Magazines, and Education.
    - Certain other categories do have fairly direct H+W relevance to consumers, but they do not serve as gateway categories. This includes OTC, Oral Care, Eye Care, Feminine Hygiene, Makeup & Cosmetics, and Plant and Garden Care.
    - A third class of goods represents those that are not directly relevant to H+W in the mind of the consumer, including Pet Supplies, Home Lighting, Office Supplies, Sporting Equipment, and Toys and Games. It's worth noting that this class appears to be dominated by **general merchandise** categories.
- There are **significant gaps in some product categories.** These "gaps" appear where there is a lack of Mid-level products to bridge the space between traditional, conventional branded (Periphery-oriented) products and Core-oriented products that may be "too much" for the key Mid-level segment. Without such bridging products, consumer evolution in a product category may be stunted, and potential sales are lost.
- Some categories show serious consumer **knowledge gaps.** Less-experienced H+W Consumers often have a hard time understanding what makes a more H+W-oriented version of a product different from a conventional product. There are strong opportunities for manufacturers and retailers to assist consumers here by making key attributes and differentiators clear.
- About one in five consumers regularly seek out natural or organic versions of H+W products, which is nearly the same as last year.

- Importance of **natural and/or organic** products is strongest for fresh fruits/vegetables with 68% of consumers. But approximately **50% of consumers say it is "important" in both cleaning and personal care products.** General merchandise rates approximately 33%
  - The toxicity of cleaning products is of concern to nearly half of all consumers – about the same as in 2009.
- Products that are consumed or taken internally such as dietary supplements and functional beverages or used on children top the list when consumers were asked about the importance of natural and organic options. The importance of personal care products and household cleaners is about the same. The product categories appearing toward the bottom of the list are those used externally – shaving care, home fragrance and deodorant.
- Both 2009 and 2010 data shows natural or organic personal care products are rated healthier and safer to use than mainstream products. Mainstream products are viewed stronger in providing value and availability.
- Purchase decision criteria vary by product category and by H+W orientation – there are far too many different criteria to explain in this summary (please see Chapter 3), however in a general sense
  - For less lifestyle-involved consumers (Periphery, outer Mid-level), notions of effectiveness and price generally tend to be present in purchase decisions
  - Notions of purity, toxicity avoidance and environmental friendliness often serve as purchase criteria for more lifestyle-involved consumers (Core, inner Mid-level)
- **Price concerns** among general merchandise categories are most acute in high-tech related products such as computer and cellular accessories. Price concerns for cleaning products are highest for laundry detergent - bathroom, kitchen and general cleaners have less pricing concerns
  - **Price declines as a concern** as consumers evolve in their H+W – many lifestyle-committed Mid-level and Core consumers tend to care more about specific product attributes (e.g. "organic") than price
- **Product packaging and labeling** is highly relevant to H+W and sustainability impressions.
  - Basic packaging format provides important sustainability indicators (recyclable, made from recycled materials, biodegradable, et cetera) to consumers
  - Many H+W products in study categories are unattractive and/or unclear to consumers - **Elegant, contemporary packaging and clear labeling** (product purpose, and key attributes) are often critical for a product to enter into a shopper's consideration set at shelf, especially with new, "trying it for the first time" H+W SKUs
- **Recyclability** tops the list of most important sustainable product attributes for consumers, for all segments and for both years of study.
- Consumers have been using **natural or organic body care products** for a longer time than natural or organic home cleaners.
  - The proportion of consumers using natural or organic body care products for greater than a year increased to 80% over 75% in 2009.
  - The proportion of consumers using natural or organic home cleaning products for greater than a year increased to 70% over 67% in 2009.
- Majority of consumers are minimizing the use of **OTC medications**.
  - About a third of consumers would be willing to try a natural version of OTC.
- Nearly two-thirds of women believe that beauty is more about one's own **natural beauty** rather than covering up with cosmetics
  - Still, we are finding the majority of women wear makeup on a regular basis.

        - Mineral makeup is used by about a quarter of all female consumers with usage peaking within the 25-34 year old cohort. The market for mineral makeup will continue to grow as a natural, chemical-free alternative to conventional makeup. Brands that will be successful cue fresh, natural and chemical-free.
- The Mass channel dominates the market for beauty care products. Mass is preferred for its lower prices, convenience and better selection. **Non-mainstream channel** shoppers shop based on better customer service as well as finding hard to find unique products.

Retail Findings

- **Channel use** varies by H+W orientation
    - Periphery consumers tend toward the use of mainstream (drug, mass, club, grocery) channels in most categories
    - Mid-level consumers use mainstream channels for most of their shopping, but also make fairly frequent use of specialty (specialty grocery and, where available, specialty drug) channels
    - Core consumers do use mainstream channels in some categories, but tend to use specialty channels when they are available in their areas
- **Consumers' channel choices** tend to **change as they evolve** as H+W consumers – retailers can retain those evolving consumers through **developing specific H+W categories** that vary to some degree by channel (see Chapter 4 for detailed strategies by channel)
- **Consumers tend to shop across many channels**, having specific channel preferences for different categories
    - **Grocery** is again the preferred channel for functional beverages this year, as well as being a "solid option" across several home cleaning and personal care categories. Grocery is strong for most food purchase but food was not a focus in this research.
        - GM product categories that consumers would like to see a **stronger presence at Grocery** are home cleaning, pet supplies, laundry supplies and light bulbs. Product categories that are least desired by consumers are sporting equipment, wallets and cellular accessories.
        - GM product categories are more likely to be **purchased on a planned basis** rather than being on impulse. Laundry and ironing supply purchases are the most like to be planned. Other top preplanned purchase items tend to be purchased on an irregular or one time basis. Books and magazines are most likely to be impulse purchases.
    - **Mass**, like last year has emerged as a choice for many in personal care, home cleaning, OTC, and general merchandise categories – overall, mass makes a very strong showing across almost all categories tested here when compared to other channels
        - **Dietary supplement** purchasers are most likely to purchase at Mass.
    - **Drug** is a preferred channel for OTC for both 2010 and 2009
    - **Club** again is a preferred channel for some fairly specific products that are used in large volumes. These include laundry detergent and diapers, where some consumers prefer to "go big, and cheap."
- **Appeal to H+W consumer orientations** varies across channels

    - Drug, mass, and club stores appeal most strongly at the Periphery with some Mid-level appeal, though H+W strategies moving forward for these channels are somewhat different
    - Grocery stores tend to have strong Mid-level appeal, though there is quite a range of appeal across various grocery banners
    - Specialty grocery and drug stores tend to have strong Mid-level appeal as well as some level of Core appeal
- The idea of **in-store health services** (flu shots, treatment of minor illnesses, et cetera) is generally most popular in drug, mass, and club channels where there is strong Periphery appeal
- **In-store learning** activities are most preferred in stores with Mid-level appeal such as grocery and specialty grocery – consumers express a preference for learning that is less related to the body directly and more about lifestyle activities e.g. cooking demonstrations
    - Slightly less than half of all consumers would prefer to spend more time with their pharmacist. The most common topics that would be discussed are drug interactions and information on OTC drugs
- **Sustainability** is difficult to approach *directly* at retail, however, retailers do have several levers to pull to make positive sustainability impressions in consumers, including positive store aesthetics and carrying a critical mass of sustainability-friendly SKUs
- Across many categories (hair care, OTC, and several others), consumers feel strongly that **there is too much choice** in an overall sense, suggesting that retailers could help make in-store choices easier through more intuitive organization and re-rationalizing their SKU mix (i.e. eliminating redundant choices)
- Although food was not a focus of this study, retailers should **leverage foods as H+W goods**, fresh foods in particular, wherever possible in-store – food is the most important H+W product category across all consumer segments
- H+W goods and categories should be **prioritized in store spaces** (departmental layouts, shelf spaces, et cetera)
    - Consumers have a difficult time locating and comparison shopping H+W categories and products that are **segregated** from other same-category goods, and often they **do not know those H+W products exist in stores they shop frequently**
    - Where possible, it is helpful to integrate all same-category products to give a full consideration set to shoppers, avoiding special "wellness" sections that typically place H+W goods in remote sections of stores
- At-shelf **brand blocking** is frustrating to many shoppers in several categories – they feel that the practice makes it difficult for them to compare "apples to apples"
    - Vitamins and supplements are particularly difficult to shop when brand-blocked
    - Cleaning products as well can present difficulties for consumers ("Why aren't all the bathroom cleaners in one place?")
- **Store environment and aesthetics** make notable quality and H+W impressions on consumers, with "nicer" store spaces evoking very strong, positive reactions from consumers participating in this study

CHAPTER 1 | Project Overview and Methods

Background

In this chapter, we provide an overview of this study, including key research objectives, and approaches to both the qualitative and quantitative research phases of the project. Year One of study (2009) consisted of both qualitative and quantitative research while Year Two of the study (2010) consists of only quantitative research. In subsequent chapters, we cover Health and Wellness consumers (Chapter 2), specific categories of Health and Wellness products (Chapter 3), and Health and Wellness at retail (Chapter 4).

GMDC Background

The Global Market Development Center is the premier global trade association dedicated to serving general merchandise and health beauty wellness retailers, wholesalers and suppliers. To meet growing consumer demand and the needs of its members to realize the opportunity for new sales opportunities and higher margins, the Association decided to build on its history and take an even more aggressive leadership position in wellness. The goal of this research is to define the wellness consumer and identify retail sales opportunities across the general merchandise, health, beauty and wellness categories.

The Hartman Group Background

GMDC has partnered with The Hartman Group to better understand Health and Wellness consumers, and their product and retail preferences, with The Hartman Group serving as the primary researchers and analysts for this project. In addition to primary research conducted specifically for this project, The Hartman Group brings years of Health and Wellness experience as background for this study, including thousands of hours of consumer interviews and dozens of related quantitative surveys.

Key Objectives

The primary objective of this research is to define the Health and Wellness consumer and identify present and future retail sales opportunities across general merchandise, health, beauty, and wellness categories. Additionally, this study details consumers' level of interest in buying Health and Wellness items, what Health and Wellness means to consumers, the top Health and Wellness categories, and products or services that consumers identify as most important. Finally, the goal is to uncover any changes in behavior or attitudes that may have occurred between 2009 and 2010.

Specific Research Goals

Specifically, the research had the following goals:

- Summarize current research that defines the wellness consumer
- Identify typical product and category cycles, in terms of the order in which categories are usually adopted, and how categories may serve as gateways for additional H+W interest and involvement
- Summarize shopping habits – types of services and products purchased, types of retail locations visited and frequency of purchases
- Highlight top wellness opportunities to include consumer wants and needs, product categories, services, and retail practices
- Compare survey results between 2009 and 2010

As part of this research, we have described the World of Health and Wellness (H+W), including consumer definitions, motivations, goals and behaviors. Specific areas and questions we have explored include:

Focus Area: H+W Consumers

- How do consumers define H+W today? To what extent is it physical, emotional, social, and environmental?
- What are typical H+W lifestyles?
- What are the consumer motivations and goals for participating in H+W?
- What actions do they take to achieve their H+W goals?
- How do H+W attitudes and behaviors differ across different demographic categories?
- How are consumers learning about H+W? What information sources do they leverage?
- Are there any negative consumer concerns or perceptions surrounding H+W?
- What role does cost play in H+W? Is it a barrier?
- How do natural and organic influence the consumer's definition and interest in H+W?
- What are the roles of nutrition, weight control, dietary guidelines, and fitness?
- What are key health concerns and conditions?
- As time goes by (including the influence of aging and life stage) how do consumer approaches to wellness change?
- What are the major trends in consumer use of wellness products?
- How might the H+W landscape look in the future?

Focus Area: Social and Environmental Aspects of H+W

- Do social and environmental factors play a role in consumer H+W involvement?
- What role does sustainability in its various forms (from basic concerns about toxicity in products to more advanced, integrated concerns about such topics as the environmental impact of manufacturing) play in consumer attitudes and purchases?
- How do social and economic concerns (worker treatment, fair trade, corporate conduct) impact consumer opinions and choices?

Focus Area: Retail

- Where do consumers make their retail purchases for wellness products now and in the future? What decision cycle occurs with wellness product purchases?

- What are the shopping habits of wellness consumers? What types of Health and Wellness products do they purchase, and where?
- What changes and best practices will retailers need to make now and in the future to capture the wellness consumers and opportunity?
- What important similarities and differences do consumers find across various channels (Club, Mass, Specialty, Mainstream Grocery, Specialty Grocery, Mainstream Drug, and Specialty Drug)?
- What general merchandise product categories would consumers like to see a bigger presence of at the grocery store on a regular basis?
- Are consumers more likely to make a pre-planned or impulse purchase of 37 different general merchandise product categories?
- Would consumers prefer to spend more time with their pharmacist and how would the extra time be spent?

Focus Area: Product Categories

- What are the top H+W categories, items and services?
- In what categories are natural and organic most important to consumers?
- Category explorations, including but not limited to
    - Functional beverages (includes energy drinks)
    - Personal care categories including hair care, oral care, eye care, skin care, cosmetics, feminine care, and shaving
        - Attitudes on natural beauty in relation to covering up with cosmetics
        - Whether cosmetics are used only for special occasions
        - The demand for mineral makeup
        - Shopping channels for beauty care products and the reasons for shopping there
    - Infant hygiene and children's toiletries
    - Vitamins and other supplements
    - OTC
    - Home cleaning
    - General merchandise categories including publications, plant and garden care, sporting equipment, pet supplies, and toys and games

Economic Conditions

In addition to the above focus areas, we also made some inquiry, both qualitative and quantitative, into the nature of the current economic situation as this issue is very relevant these days. New in 2010 is the inquiry into specific behaviors that consumers are pursuing in light of current economic conditions. We report on this at the end of Chapter 2.

Research Approach and Methods

General Approach

For the research phases of this project, we combined two well-established research approaches:

- Qualitative research, specifically here as ethnographic consumer research (in-home, in-store, and group interviews)

- Quantitative research, as implemented through standard on-line survey methods

In 2009, these two approaches were rolled out sequentially, with quantitative research beginning as qualitative research was concluded. For the research phase for 2010, we only applied quantitative research, keeping the majority of questions the same to update results. It has been our experience that consumer behaviors measured via qualitative research do not change substantially in one year. However, we are continuing to present the findings from the qualitative research to serve as a review and complement to the quantitative findings. Analysts specializing in one or both approaches collaborated throughout research and analysis processes.

Qualitative Research

In 2009, The Hartman Group conducted primary qualitative research utilizing traditional anthropological ethnography and complementary methods that allow us to observe and converse with consumers in their most "natural" settings, such as their homes. Unlike focus groups or office interviews, which place participants in unfamiliar, contrived settings that discourage meaningful feedback, our approach puts consumers in their natural environment, allowing them to behave more as they would in the course of their normal activities and routines. This is especially important when gathering information on sensitive subjects.

In total, we spoke with 33 consumers through two formats, those being combined In-Home and Shop-and-Talk Interviews, and Ethnographic Research Groups, both of which are detailed below.

IN-HOME INTERVIEWS AND SHOP AND TALK TOURS (15 PARTICIPANTS)

There are many things that people seldom talk about (at least not openly), or that only manifest themselves after intense discussion, particularly matters of habit that are rarely reflected upon. For this reason, we carry out in-depth interviews in consumers' homes where a trained ethnographer talks with a consumer in detail using a discussion guide. The interviewer gives the participant enough space to express his/her opinions and leads the discussion flexibly along pre-structured topics and by asking targeted follow-up questions and probes. Mutual trust between the interviewer and the participant develops, which enables them to talk openly about difficult questions or "hard to remember" events and circumstances before proceeding to more targeted engagement techniques. As part of these interviews, we conduct "house tours" to explore pantries, medicine cabinets, etc. These explorations help us to identify the common disconnect between what people say they do or aspire to and what they actually do with respect to Health and Wellness. For example, we often meet consumers who tell us they buy "lots of organic" however, upon inspection of their pantry, we may find few organic products.

Following In-Home Interviews, we accompanied consumers on Shop and Talk tours of relevant retailers. These are anthropological on-site interviews undertaken within retailers wherein we "tag along," as unobtrusively as possible and interview the consumer as s/he shops. We rely on this technique as a means of exploring consumer retail experiences; to see a store through their eyes. In this case we paid particular attention to health and wellness cues and markers where they are present in general merchandise, health, beauty and wellness categories, and just as importantly, where they are absent. Unlike store intercepts, this method permits us to understand the retail experience from entrance to exit within the context (established during the in-home interview) of the consumer's H+W lifestyle.

ETHNOGRAPHIC RESEARCH GROUPS (3 GROUPS OF 6 CONSUMERS = 18 PARTICIPANTS)

In these Groups, consumers gather at a “neutral” location such as a coffee house, restaurant or loft space and are guided by a Hartman Group researcher through a conversation centered on their involvement with H+W. Some of the participating consumers may know one another, but there are also unknown individuals in the group, providing for an interview that is comfortable yet not subject to the social dynamics of a close group of friends. Unlike focus groups, consumers at these groups are relatively unencumbered by self-presentation bias.

PARTICIPANT SCREENING

The 33 qualitative participants for this study were screened for

- Representation across all three Health and Wellness segments (Periphery, Mid-level, Core), with the most (~60%) recruited from the Mid-level, some from Periphery (~25%), and the smallest group from the (~15%) from the Core
- Age (22-59)
- Diversity across race/ethnicity, age, gender (but no more than 25% male)
- Shopping patterns including specific retailers of interest
- Mix of household incomes $40k+
- 1/3 of participants with children under 18 living at home (nationally representative proportion)
- At least some college/technical school experience to recruit more articulate participants
- Sufficient scores on articulation and creative screening questions

Quantitative Research

For the quantitative research component in 2010, we conducted a 25 minute online survey asking the majority of questions we asked in 2009. We surveyed 2,031 U.S. primary adult shoppers aged 25-70 (which allows for projections at the 95% confidence level). Fielding ran from March 10 through March 17, 2010 which is the same fielding period as 2009 and allows us to maintain consistency and minimize any seasonal bias. In 2009, we conducted a similar 25 minute online survey among 2,176 U.S. primary adult shoppers aged 25-70. It should be noted that the consumers surveyed this year are a different group than 2009.

An online approach enabled us to both reach the audience of interest and meet the specific objectives of this research. Web-based studies have the advantage of being quicker, less expensive and provide more control over the quality of the results than other methods. The sample size is robust enough for analysis by key demographics including region and life stage (household with kids/without kids, Baby Boomers vs. Millennials, etc.), however, the primary analytical factor for the data is H+W orientation (Core, Mid-level, and Periphery). The sample set is weighted to US Census figures based on age, gender, ethnicity, region, education, and income.

In addition to the target audience of U.S. adults, ages 25-70, we set “soft” quotas by the following regions to ensure regional representation, including West, Northeast, Mid-west, Southeast, and Southwest. A soft quota means at least 200-300 responses per region with the understanding that some regions will have more completed surveys because of their population size.

The questionnaire in 2010 was structured mostly similar to 2009 as follows:

- Basic screening criteria – to ensure we capture U.S. consumers of proper specifications
- General H+W perceptions and behaviors – how consumers define wellness, level of involvement in managing their health, key driver into the wellness category
- H+W shopping behaviors - where they shop for wellness products and services (grocery, drug stores, convenience stores, etc.), why they shop there, what products/product categories they purchase, what factors or triggers influence the wellness products they buy (environmental concerns, life stage, specific health conditions)
- Sources for H+W information – where do consumers go for this information, degree of influence of each source
- Additional topics researched in 2010 that was not covered in 2009 include:
    - National retailers shopped in the past 3 months
    - Economic affect and austerity behaviors
    - Importance of NATURAL OR ORGANIC options for 26 product categories
    - Pharmacist usage
        - Preference for pharmacist having more time to devote personal attention to me
        - How to spend the extra time with the pharmacist
    - Shopping channels for beauty care products and reasons for shopping there
    - Preference of seeing a bigger presence of 37 types of general merchandise product categories at the grocery store on a regular (not occasional) basis
    - Pre-planned (before going to the store) purchases or on-the-spot, impulse purchases of 37 different general merchandise product categories
    - Cosmetic usage attitudes and behavior
- In addition, updates are made to: the product list for the pricing importance question to include more relevant product categories; the channel list to include Department store and Specialty Store, and remove Farmers' market
- Key demographics – including but not limited to age, region, income, ethnicity, household size, number and age of kids in the household, etc.

These topics are removed from analysis in 2010 because they were considered a one-time subject of interest in 2009:

- When did most recent change in your views on health and wellness took place?
- Food allergies or sensitivities
- H+W personal services
- More choices desired in product categories using natural or organic ingredients or materials
- Questions on proteins:
    - Which of the following sources of protein do you consume regularly (at least twice a month)?
    - Which of the following general concerns do you have about consuming non-animal protein?
    - Which of the following are reasons you consume soy products?
    - Which of the following are concerns you have with consuming soy products?
    - Which of the following protein supplements do you consume regularly (at least once a week)?
    - Which of the following are reasons why you consume protein supplements?

Clarifying Note on Quantitative vs. Qualitative Findings

It is worth noting that quantitative findings do not – and cannot – line up *exactly* with qualitative findings in what follows. Qualitative research is able to produce more detailed and nuanced findings than standard quantitative survey methods allow, where the range of responses must be limited for purposes of clarity and to avoid survey participant fatigue. In other words, if there are too many responses, forcing the respondent to try to evaluate a large number of potential items or factors at once, it will become difficult to answer meaningfully, as well as frustrate the respondent (especially if there are several such questions), leading to a low completed survey rate.

In a broad sense, however, the qualitative and quantitative findings do line up. For instance, in a category we explore in Chapter 3, functional beverages, the top quantitative purchase factors are "effectiveness" and "purity or healthiness." In the qualitative research, "immediate function" and "lack of bad ingredients" represent key product decision criteria that are fairly synonymous with the preceding quantitative factors, respective of order. In other contexts, agreement between qualitative and quantitative is at least somewhat inferential, again because the two methods cannot ask or answer exactly the same types of questions. Where this is the case, we make note of it.

CHAPTER 2 | Consumers, Health and Wellness, and Sustainability

Introduction

In this chapter, we discuss Health and Wellness and how consumers become involved in its associated lifestyle. This chapter serves as a foundation for the following chapters in terms of defining the consumer, identifying the triggers for engagement in Health and Wellness and discussing overlapping market areas such as sustainability. We will also look at any changes occurring between 2009 and 2010.

What You Will Learn In This Chapter

- Health and Wellness applies to nearly every single consumer with how they view their lives and the products they purchase. This is not a niche market dominated by a small group of consumers

- Consumers engage with Health and Wellness at different intensity levels and the focus is on three major segments

- Demographics offer only limited insights into a consumer's level of engagement with Health and Wellness

- Consumers don't consider Health and Wellness to be simply about physical conditions – social, emotional, mental and even spiritual considerations are often included

- Many of the Health and Wellness conditions that consumers cite as problematic in 2009 and 2010 are not acute medical conditions, but are lifestyle related

- A common trigger in both 2009 and 2010 for becoming more involved with Health and Wellness is aging

- Media channels, especially the internet are key sources of knowledge gathering for consumers for both 2009 and 2010

- Sustainability is a part of Health and Wellness for consumers and the idea of purchasing products from a "responsible" company is increasing in importance for consumers

- The recession has not affected the level of Health and Wellness involvement or product purchase to a large degree and with economic conditions improving, the pace should intensify

General Introduction to Health and Wellness

Consumers today are participating in Health and Wellness (hereinafter “H+W”) with the goal of moving toward the realization of quality life experiences. Quality life experiences include being fully engaged in life, having fun, enjoying authentic experiences, not living with restriction or denial, and enabling play and imagination.

While many in the industry tend to define a consumer’s participation in H+W as motivated by condition management or the goal of averting illness, consumers are not just motivated *only* to avoid such potential negatives, but to seek positive H+W goals as well. This is not to say issues of condition management and illness prevention are unimportant, rather, individuals tend to focus on the broader, more appealing goal of achieving the "good life." Taking this consumer view of Health and Wellness, allows us to go beyond the traditional categories associated with health and wellness such as food and beverage, supplements, and medicine and consider a range of experiences and products that aid consumers in their pursuit of the “good life.” This chapter gives a general overview of H+W from the consumer perspective and illustrates the relationship between H+W and Sustainability.

The World Model

To better understand the H+W arena, we apply The Hartman Group’s World model, based on an integration of traditional quantitative methods with innovative qualitative techniques drawing from sociology, anthropology and ethnography. A world perspective can be applied to any product or service category which has a significant lifestyle component. Using a world perspective gives us a tool to conceptualize consumer behavior without resorting to simplistic segmentation schemes. Instead, looking at the World in terms of Core, Mid-level and Periphery lifestyle orientations, experiences and products, facilitates a more rich description of the various levels of involvement within Health and Wellness.

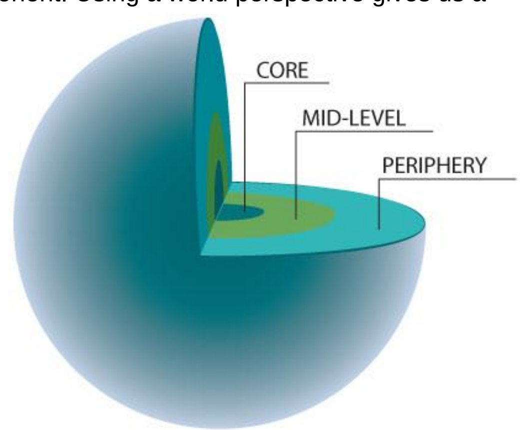
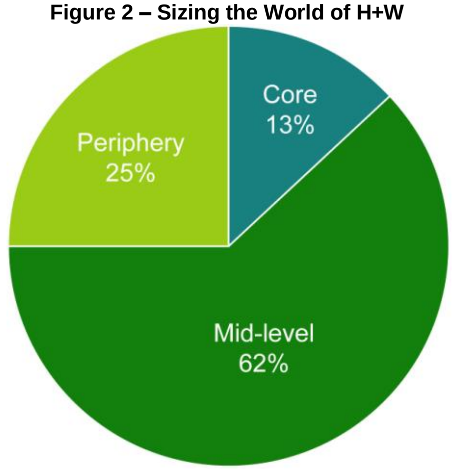


Figure 1 – The World of H+W

For example, individuals and organizations in the Core are the most active in a given World. In addition to representing the smallest “segment” of the World, it is from the Core that most information and cutting edge trends disseminate. In contrast, those in the Periphery maintain only minimal, infrequent, and less-intense involvement. Between these two poles is the Mid-level where the majority of consumers are located. The Mid-level contains a diverse range of consumers, many of whom have adopted behaviors and attitudes similar to those in the Core, but may not have fully incorporated the range of health and wellness activities into their lifestyle.

In our sample we find that thirteen percent of all consumers (41 million U.S. consumers) fall into the Core H+W segment. The majority of all consumers fall in the Mid-level segment at 62% (192 million U.S. consumers). The remainder are Periphery consumers at 25% (75 million U.S. consumers). Thus, the Mid-level is generally worth paying the most attention to with regard to product and retail strategies because it is the largest segment.

Figure 2 – Sizing the World of H+W



Base: Primary household shoppers (n=2031). | Source: GMDC 2010 Survey, Mar. 2010.

Evolution in the World of H+W

Evolution is an important concept in the World of H+W, in two ways: consumers evolve within the World, and the World itself evolves.

After a “trigger” initiates a consumer’s involvement in the World of H+W, they do not tend to stand still, but to continue to learn and grow within that world. Many consumers move from the Periphery to the Mid-level, and stay Mid-level for the rest of their lives, as a Core lifestyle is quite intense and often simply “too much” for many consumers. However, some evolve all the way to the Core, and continue to evolve as the Core itself continues to change

The World of H+W evolves along with consumers. While at a moment in time, we can describe what each level of the World looks like, the World continues to change, typically driven by trends within the Core. Core consumers are the innovators and “early adopters” of the H+W world, and pass along those trends to those outside the Core, though often by the time a trend filters out completely it has been “watered down” in many respects. Many products, activities and values that were Core-only just five years ago now are important parts of the Mid-level, e.g., probiotic foods, supplements, and hybrid cars.

We employ this concept of evolution extensively in following chapters, where we discuss its implications for tactics and strategies in both product categories and retail spaces.

Insight into the Core, Mid-level and Periphery H+W Consumer

In order to demonstrate how dimensions of consumption and triggers for participation are reflected in Periphery, Mid-level and Core consumers within the World of Health and Wellness, consumer profiles based on “real” individuals identified in 2009 follow. This will serve as a **review** and summary to get a general explanation for the different consumer segments within the World of H+W. Although there is no quintessential Periphery, Mid-level or Core H+W consumer, the following profiles highlight common characteristics and attitudes within each segment.

In addition to the material that immediately follows, there is extensive information in Chapter 3 showing product choices per category i.e. typical Periphery, Mid-level, and Core-oriented brands and purchase decision criteria. In Chapter 4, there are detailed explanations of shopping patterns by each segment.

Periphery H+W Consumers: “What’s all the hubbub about?”

Consumer knowledge at the Periphery level of H+W is very limited. Periphery H+W Consumers include individuals who have recently entered the World of H+W, as well as those who have been participating in H+W for a longer period of time but choose to limit their participation to few products or infrequent purchases. They have a very basic understanding of what H+W means for them personally and are unaware of the products on the market that support more involved H+W consumers.

Uncertainty and skepticism characterize the Periphery H+W Consumer, representing cognitive barriers to further participation in the World. Periphery consumers are uncertain about the efficacy of H+W products and are skeptical about their health claims as well as potential positive effects of switching to more H+W-oriented products. Their reluctance to experiment is primarily due to a lack of avid interest as well as sensitivity to price. H+W products are often considered more expensive than their conventional counterparts, and without proof of efficacy, it is difficult for Periphery consumers to justify the added expense.

Periphery consumers are therefore the most oriented toward the conventional brands that they often have known for years, or even grew up with. For instance, in the pictures below, taken in a Periphery home, one finds entirely conventional brands.

Figure 3 – Examples of Cleaning Products in a Periphery Household

Periphery motivations for experimenting in the World of H+W include a recent health problem or concern, curiosity, or an awakening interest in their own health or health of a family member. Often times, behaviorally, Periphery consumers don't stick to what they believe they should do to be their healthiest. We generally find the least healthy diets (at least according to nutritional conventions) and least amount of consistent H+W activities (e.g. exercise) among Periphery-oriented consumers, though there are exceptions.

ROBERT – A PERIPHERY H+W CONSUMER

- 29 years old, from Charlotte, NC
- Single, lives with a roommate and his two dogs
- Began participation in Health and Wellness 6 years ago by working out at the gym, and taking a Centrum multi vitamin most days
- Views his H+W activities as personal, and does not think of it as connected in any meaningful way to the environment, his community, or other aspects of the world beyond him
- Seeks fresh fruit and veggies, looks for "low fat" and "lite" products, and is concerned about portion control, but mostly this relates to "looking good" rather than overall H+W
- Shops mainly at mainstream mass, grocery, and drug stores

Mid-level H+W Consumers: "Experimenting"

Mid-level consumers as a whole demonstrate a more involved level of awareness about H+W products than Periphery consumers. These consumers are generally exploratory, as they are in a "learning mode" when it comes to H+W. Because of this, Mid-level consumers are quite attentive to H+W information, particularly from their social networks, retailers, the Internet, magazines, and television. They also tend to find shopping in certain channels quite enjoyable, as a sort of "adventure" in H+W. This "Experience" dimension has important implications for retailers.

While these consumers value Knowledge and to some degree Sustainability, they still tune in to more conventional values such as Price and Convenience in their shopping patterns. Although price may dissuade consumers from purchasing some H+W products, those products consumers consider "must haves," meaning those typically ingested or put on their bodies, often justify a higher price margin.

Figure 4- Example Cleaners in a Mid-Level Home

Mid-level consumers often have begun to think about H+W in broader terms, outside of their own immediate bodies and households. Ideas about the environment and social justice may drive some of their H+W purchases to a limited extent. However, they are not highly driven in such regards as Core consumers often are, and will tend to lack fully integrated ideas about "sustainability" (see section on sustainability toward the end of this chapter) as a complex of health, environmental, social, and even political concerns that we often find in the Core.

Mid-level consumers have generally waded into every key “gateway” H+W product category such as specialty supplements and natural home cleaners, though they may not be fully committed to H+W-oriented alternative products in any of those categories. Generally Mid-level oriented households will be a “mixed bag” with respect to products. In other words, there will be a notable representation of both traditional brands and more H+W-related alternatives. For instance, in the photo we see conventional products (Clorox, Zep) along with a bottle of Seventh Generation spray cleaner.

GAYE – A MID-LEVEL H+W CONSUMER

- 47 years old, living in New Jersey
- Married with three kids
- Involvement in H+W began when diagnosed with an uncommon neurological disorder
- Personally defines Health and Wellness as taking care of herself, eating healthy, and getting proper rest
- Seeks advice from a nutritionist, and looks for foods that are low in salt and preservatives and avoids palm oil
- Takes a multivitamin, calcium, B12, vitamin C, and an Omega 3 as suggested by her nutritionist
- Jogs on the treadmill for a half hour every day
- Concerned about the impact of “harsh household chemicals” on her wellbeing and the environment - has replaced some conventional brands with more natural alternatives
- Shops in conventional (mass, grocery, drug) channels but also visits specialty retailers fairly often

Core H+W Consumers: “I am H+W”

Core consumers demonstrate substantial knowledge about H+W and are able to articulate the terminology, brands, certifications, and historical and current debates. An example of this articulation is Core consumers’ keen awareness of the specific toxins and/or additives to be avoided in conventional products and ability to relay the perceived benefits from using other “healthier” products (e.g., probiotics for a healthy digestive system).

Core H+W consumers act as information disseminators; they, therefore, pride themselves on having the latest information about H+W. Core individuals are likely to express skepticism toward information coming from major companies and tend to favor small producers and manufacturers, with whom they have more direct access. Often times, Core households will have very few conventional, branded products in them. For instance, in the pictures below, one notices that only H+W-related brands appear in the bathroom of a certain Core-oriented home.

Figure 5 – Example Products in a Core Household Bathroom

Core consumers' deep commitment to health and wellness means they have few barriers to purchasing and obtaining H+W products. They will often go well out of their way to find the H+W goods they seek, and price is generally not an issue for them. Like everyone else, they will seek a good price, however, in a general sense they will spend large amounts on desirable H+W goods. In other areas of their lives, however, they may not spend much money, e.g. driving an old car to save money in order to enable the purchase of H+W items.

Along with an intense involvement in the World of Health and Wellness, Core consumers tend to have the most *holistic view*, across all segments, about how their personal wellbeing intersects with the environment and broader society. They are usually motivated by both general feelings of wellness and/or condition management to more sustainability-minded issues.

Key values for this segment include Authenticity (in that they search for "authentic" wellness products typically from smaller, wellness-devoted manufacturers), Knowledge (having a deep understanding of H+W), Sustainability (which they connect directly to their own wellness), and Local (buying local products for social, environmental, and health reasons).

SUSIE – A CORE H+W CONSUMER

- 53 year old single mom of two kids, living in Seattle
- H+W became significant fifteen years ago when she started having insomnia and general weakness. Allopathic doctor had difficulty with diagnosis, so she started working with Holistic M.D.'s; was diagnosed with Chronic Fatigue Syndrome
- Began eating organic foods, taking Chinese herbs, and receiving acupuncture
- Purchases only household supplies she considers 100% healthy for the planet
- Won't purchase products from companies she considers unsustainable, unless there aren't alternatives
- Always reads (or, "interrogates") product labels
- Will conduct online research about a company and its practices before purchasing a new product

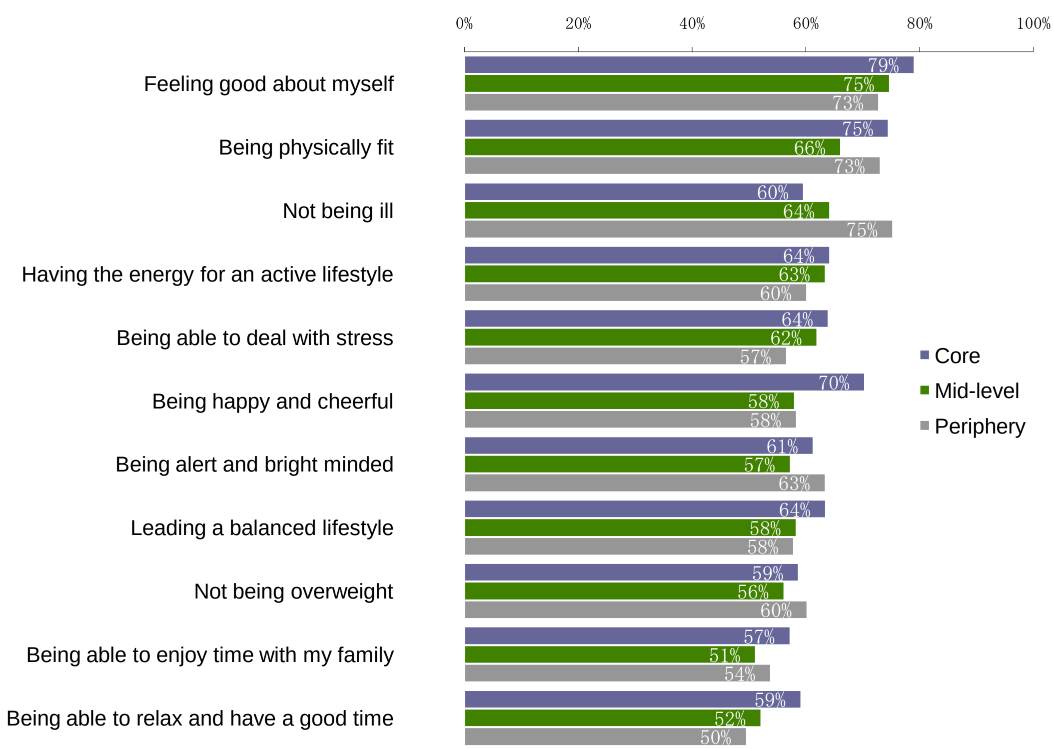
- Shops at mostly local and specialty stores, such as Puget Consumer Co-op, Whole Foods, Pharmaca, and farmers' markets

What H+W Means to Consumers

As in 2009, Consumers are again asked to choose which among 19 H+W attitudes and statements resonate most with themselves. This year, we found that feeling good about oneself is the number one definition of what H+W means (75% overall). Figure 6 below shows all the H+W meanings that resonated with at least half of all consumers. Other top meanings of H+W include being physically fit, not being ill, having energy, and being able to deal with stress.

Compared to the other segments, the Core consumer places more importance on being happy and cheerful, leading a balanced lifestyle, and being able to relax and have a good time. In other words, these are more of an emotional or mental focus of H+W. In contrast, the Periphery consumer places more importance on not being ill compared to the Mid-level and Core consumer. In this sense, they place slightly more focus on the physical condition aspect of H+W. The Periphery consumer is more likely to be reactive to H+W as opposed to being proactive.

Figure 6 – Meaning of H+W across the H+W continuum



Q9: "To me, health and wellness means..." | Base: Primary household shoppers (n=2031; 158 Core, 1424 Mid-level, 449 Periphery). | Source: GMDC 2010 Survey, Mar. 2010.

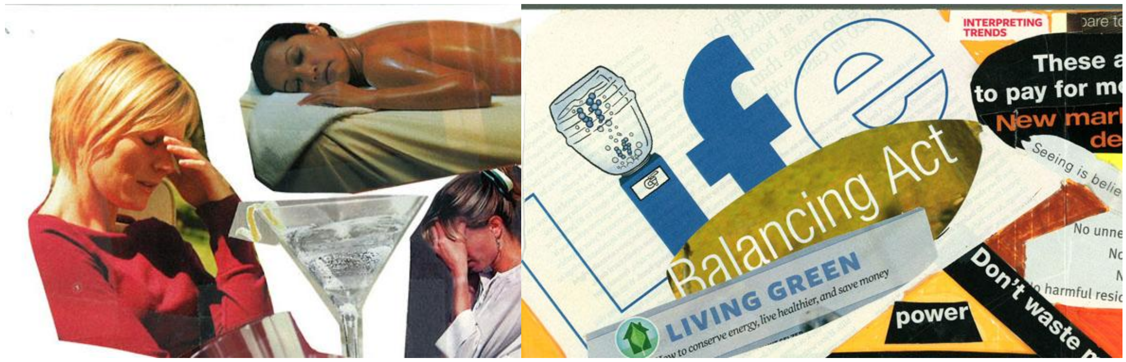


Figure 7 – Examples of Consumer Collages Showing Common H+W "Balance" and "Dealing with Stress" Themes

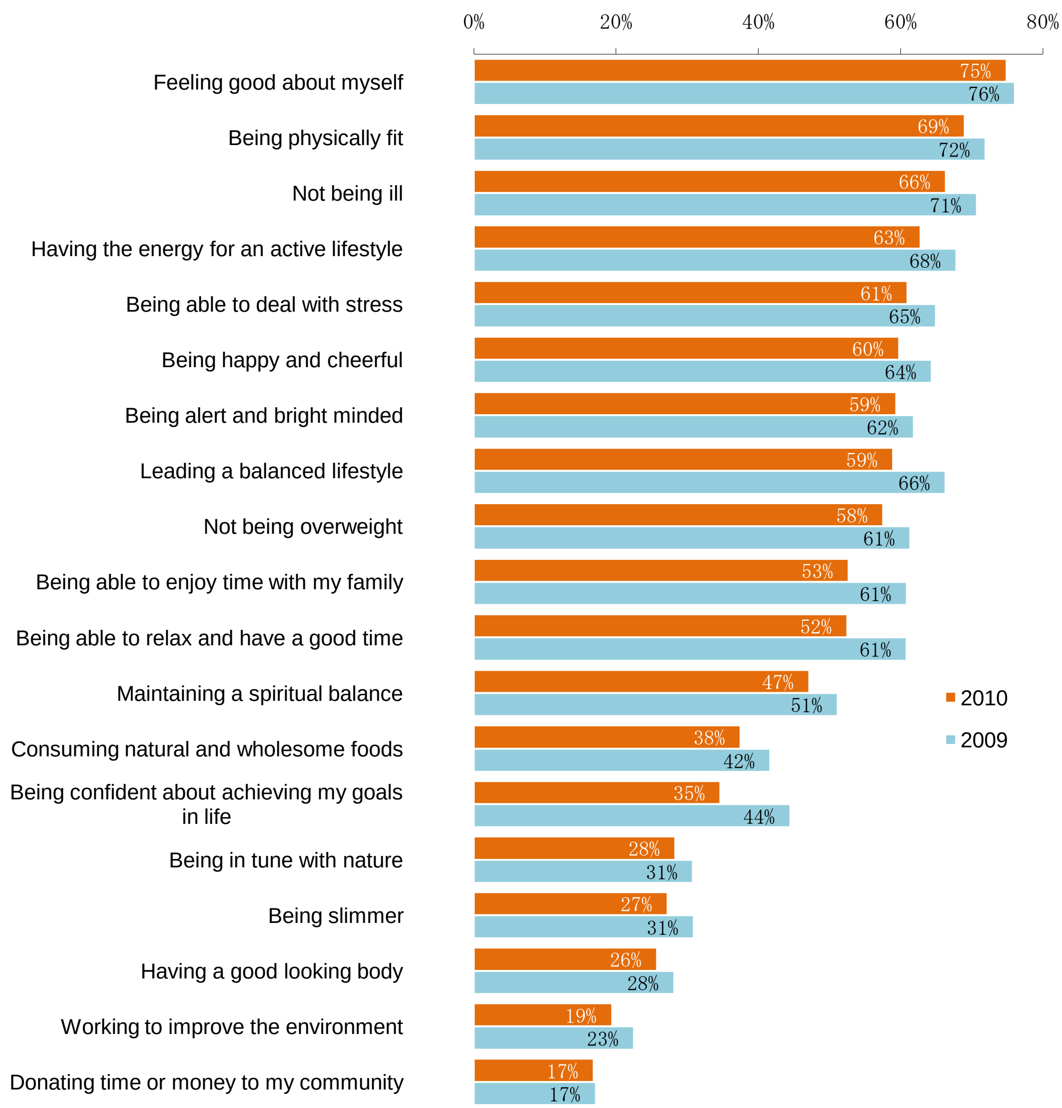
CHANGES BETWEEN 2009 AND 2010

When comparing how consumers respond in 2009 and 2010, we find that the rank order for both years remains relatively consistent. In other words "feeling good about myself" is the number one H+W meaning in 2009 as it is this year. In fact, the top four H+W meanings are the exact same in both years. Some H+W meanings that experience a larger than average decline this year are the emotional, mental and social definitions of "being confident about achieving my goals in life," "being able to relax and have a good time," and "being able to enjoy time with my family."[1] Perhaps the economic challenges have influenced consumers to place less emphasis on these meanings than others.

[1] There is a slight decline in proportion for H+W meanings this year. Respondents selected an average of 9.4 items from the list of 20 H+W meanings compared to 10.0 last year. Consumers are focusing their selections on slightly fewer choices. Examining further, the difference in average number of checked items is well within the margin of error and the slight decrease caused by the slightly smaller number of checked items shows no systematic pattern (i.e., it's randomly distributed), which indicates attitudes toward H&W have not materially changed.

Figure 8 shows the meanings of H+W for both years.

Figure 8 – Meaning of H+W across the H+W continuum 2009 vs. 2010

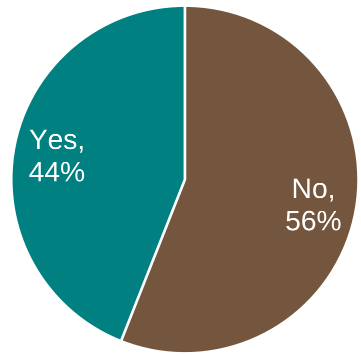


Q6/9: "To me, health and wellness means..." | Base: Primary household shoppers (n=2176-2009; n=2031-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

H+W Attitude and Behavior Changes

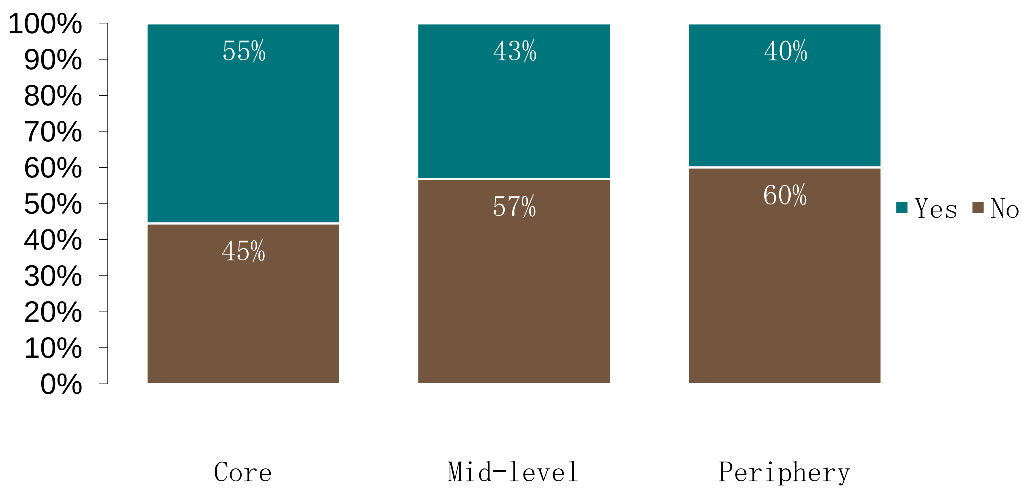
Among the consumers studied this year, slightly under half of them (44%) indicate they changed their views on health and wellness within the past few years, as shown in Figure 9. This happens to be the exact same proportion as in 2009, so no significant behavior shifts can be observed here. We do see some differences when we look by segment. As Figure 10 below indicates, the Core consumer is much more likely to have changes to their views on H+W (55%) compared to 43% for Mid-level and 40% for Periphery consumers. This is because the Core consumer is deeply involved in learning more about the subject, is most active in reading up on H+W or to be more pro-active as they age and/or experience different health concerns. The Core regularly makes changes to their diet and lifestyle based on the latest knowledge.

Figure 9 – Changes in views on what H+W means



Q10: "In the past few years, have you changed your views on what health & wellness means to you?" | Base: Primary household shoppers (n=2031). | Source: GMDC 2010 Survey, Mar. 2010.

Figure 10 – Changes in views on what H+W means by Segment



Q10: "In the past few years, have you changed your views on what health & wellness means to you?" | Base: Primary household shoppers (n=2031; 158 Core, 1424 Mid-level, 449 Periphery). | Source: GMDC 2010 Survey, Mar. 2010

Triggers for Increased Participation in the World of H+W

As stated above, the overarching reason that consumers engage in wellness activities is their pursuit of quality life experiences. Initial consumer involvement in H+W is usually triggered by a number of events or changes that provoke a reevaluation of one's H+W behaviors or lifestyle. Below are the four most reported H+W triggers for consumers that *emerge through extended in-person discussion*. These triggers vary slightly from those that emerged from our quantitative survey, with data reported from it further below. However, both data sources broadly agree that aging and personal or vicarious health conditions form top triggering events.

HEALTH CONDITIONS OR EXPERIENCES

Diagnosis with a health condition or illness motivates many consumers to enter the World of Health & Wellness in hopes of reversing or managing the condition or illness. The health experiences of others can also act as triggers; for instance, the diagnosis or death of a friend or family member can be similarly motivating. The analogy of a “wake up call” is used by consumers to describe an illness or the disconcerting medical diagnosis of someone in their social network.

AGING AND LIFESTAGE MILESTONE BIRTHDAYS

Approaches to H+W do not change markedly due to changes in age, rather age acts as trigger to increased interest in H+W. However, this is only true to a point, as at extreme old age, health issues become acute and any “holistic” approach to H+W may lapse into more primary and acute health care.

For many consumers who are not already committed to the H+W lifestyle, the first signs of aging prompt an engagement with wellness products and activities in a more intentional way. These signs may coincide with milestone birthdays (e.g., 30, 40) or may be more gradual side-effects of aging. For example, weight becomes harder to manage, strength and/or physical performance starts to decline, and body aches and pains emerge. In an effort to manage these changes, stave off further declines, or even appease their vanity, consumers become involved in the World. Often “the last child leaving home” functions as a milestone, as does menopause.

PREGNANCY/HAVING KIDS

Pregnancy may act as a trigger or motivation for women to become more involved in H+W. A physician usually acts as the wellness information conduit, helping these women begin their wellness path by recommending prenatal supplements, dietary changes and physical activities. Once children enter the household, wellness participation for both parents adjusts as the focus is on the child’s health. Frequently, organic foods and non-toxic household products are adopted as a precaution to facilitate a child’s optimal growth and development, as well as ensure a safe family environment.

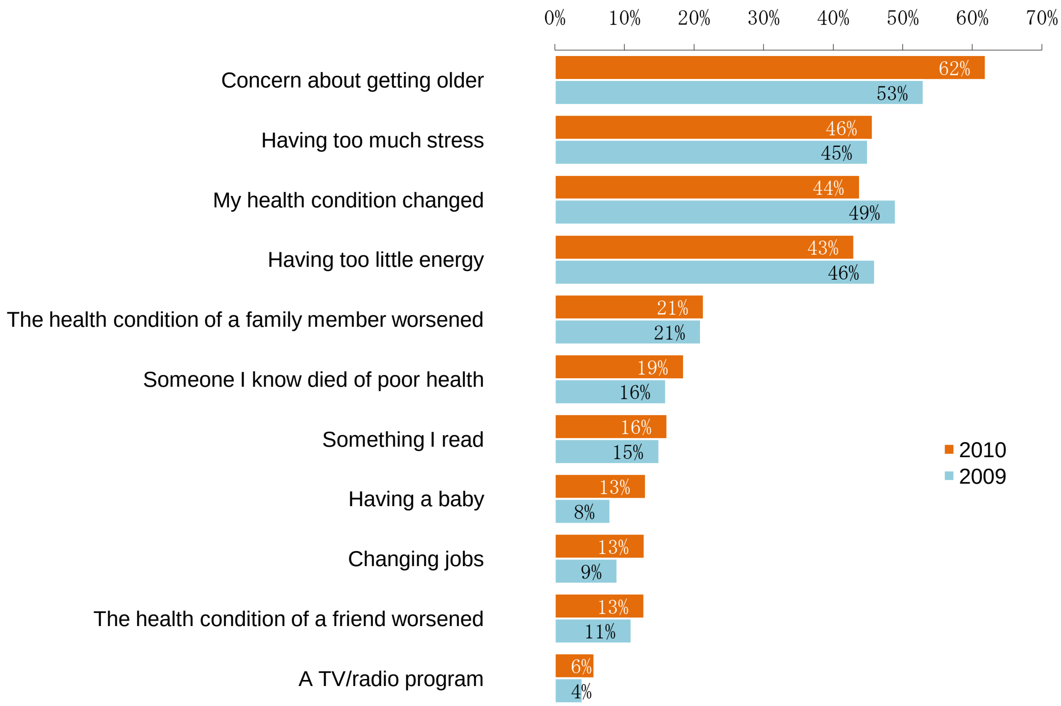
ENVIRONMENTAL HAZARDS

Consumers easily make the link between chemical toxicity, health problems, and degradation of the environment in conventional products. This link can trigger an intuitive choice to transition to buying H+W products. Toxicity levels and potential health hazards are fairly tangible concepts that motivate consumers to adopt new products they believe will improve their chances for a healthier life.

QUANTITATIVE FINDINGS

In the quantitative survey in 2010, we again ask consumers what caused them to change their views on H+W. In Figure 11, we see that the top trigger for changing views on H+W is related to getting older (62% of shoppers). The next two of three triggers are specific life issues such as having too much stress (46%), or having too little energy (43%). Another common trigger is their health changing (44%). These are all common triggers for becoming more interested in H+W. For example, a woman may become more concerned about osteoporosis as she ages. She may start to take Calcium tablets and Vitamin D based on advice from her Doctor. She also starts to walk and exercise more to increase her bone mineral density and strength. Finally, she increases her intake of calcium rich foods such as yogurt, cheese, broccoli, spinach, and legumes.

Figure 11 – Reasons for changing views on health and wellness 2009 vs. 2010



Q9/Q11: "What caused you to change your views on health and wellness?" | Base: Shoppers that have changed their views on what H+W means to them (n=932-2009; n=865-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

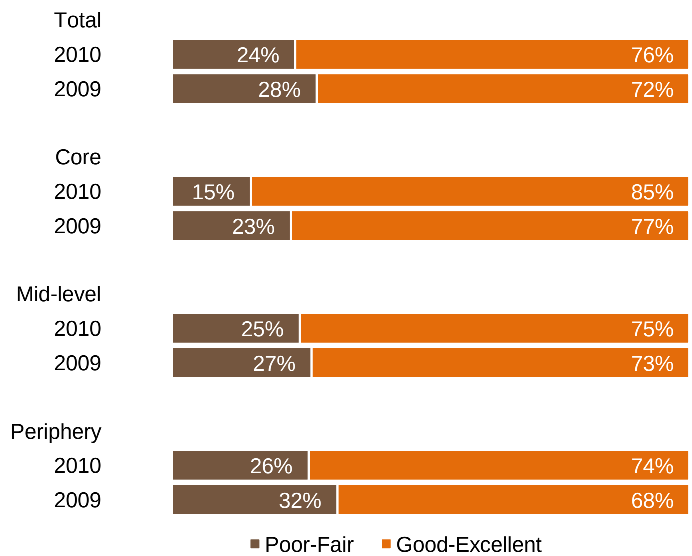
CHANGES BETWEEN 2009 AND 2010

The overall rank order between 2009 and 2010 remains fairly consistent; aging is the top trigger for both years. The proportion of consumers reporting aging concerns does increase from 53% to 62%. The next three triggers are essentially the same in both years with only slight changes in the ranking. For example, having too much stress was the 4th most common trigger in 2009 but is 2nd in 2010. There are some slight decreases with consumers reporting their health condition changed.

A couple of other notable triggers that increase in 2010 are consumers changing jobs or having a new baby. There has been much upheaval and changes with the labor market with millions of workers being laid off during the Great Recession. The changing, or more likely the loss of a job, of course increases stress and anxiety for that consumer. There is also increased focus of health insurance since many people rely on their employers for their family's health insurance. So many consumers lose their health benefits along with their jobs. With health insurance changes, there will perhaps be more focus on their current health and what the future may hold. In addition, there has been some anecdotal evidence suggesting that the Great Recession has caused an increase in babies being born due to a higher unemployment rate leading to some have more leisure time and less ability to afford outside entertainment.

Consumers get a chance to rate their own health again this year. As Figure 12 shows, the results are more than three-quarters (76%) of consumers feel good to excellent about their health which is a slight increase over 2009 (72%). The Core consumer again generally rates their health better than the other two segment groups. The Core feels better as a group because they are taking proactive steps to improve their health. They take their vitamins and supplements, eat organic foods more regularly and research their health. These activities go a long way towards improving their health.

Figure 12 – Shoppers Rating Their Health 2009 vs. 2010

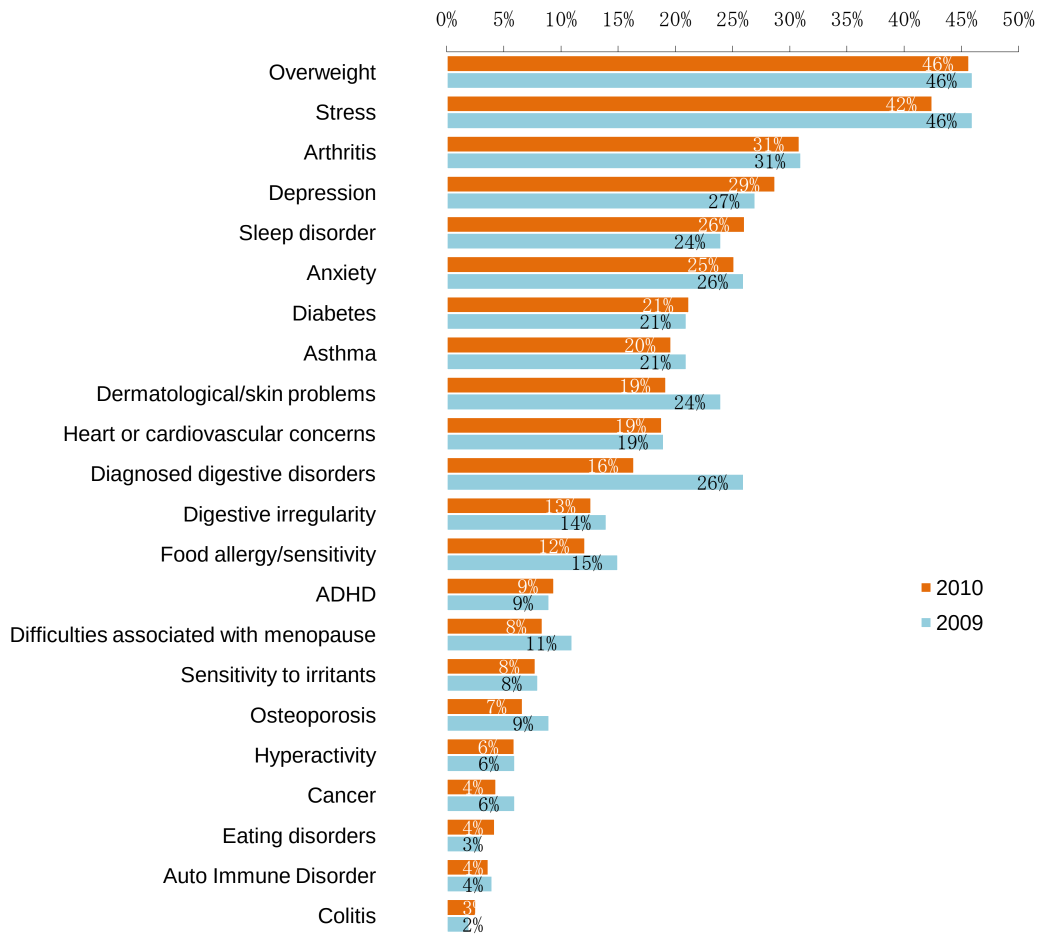


Q10/Q12: "In general, how would you rate your health?" | Base: Primary household shoppers (n=2176-2009; n=2031-2010; 166 Core, 1408 Mid-level, 602 Periphery-2009; 158 Core, 1424 Mid-level, 449 Periphery-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Top Conditions

Figure 13 summarizes the top health conditions in each household. Like last year, the first two "conditions" are being "overweight" and "stress," which are more general and lifestyle-oriented than specific, acute medical conditions. Since the government (National Health and Nutrition Examination Survey) estimates that two-thirds of the US population is clinically overweight, it is not surprising that being overweight remains one of the top health issues. This aligns with our other findings where H+W interest is often triggered by a more diffuse health concern than an actual diagnosis of illness. This suggests, again, that H+W to consumers is not just about "conditions" as such but broader themes of quality of life e.g. "stress." Stress continues to be prevalent for some consumers these days because of challenges stemming from the overall economy. People are continuing to worry about the job market, the housing market, and increasing costs of health care. Manufacturers should continue to address the health issues of being overweight and stress with their line of products.

Figure 13 – Key Health Issues by Household 2009 vs. 2010



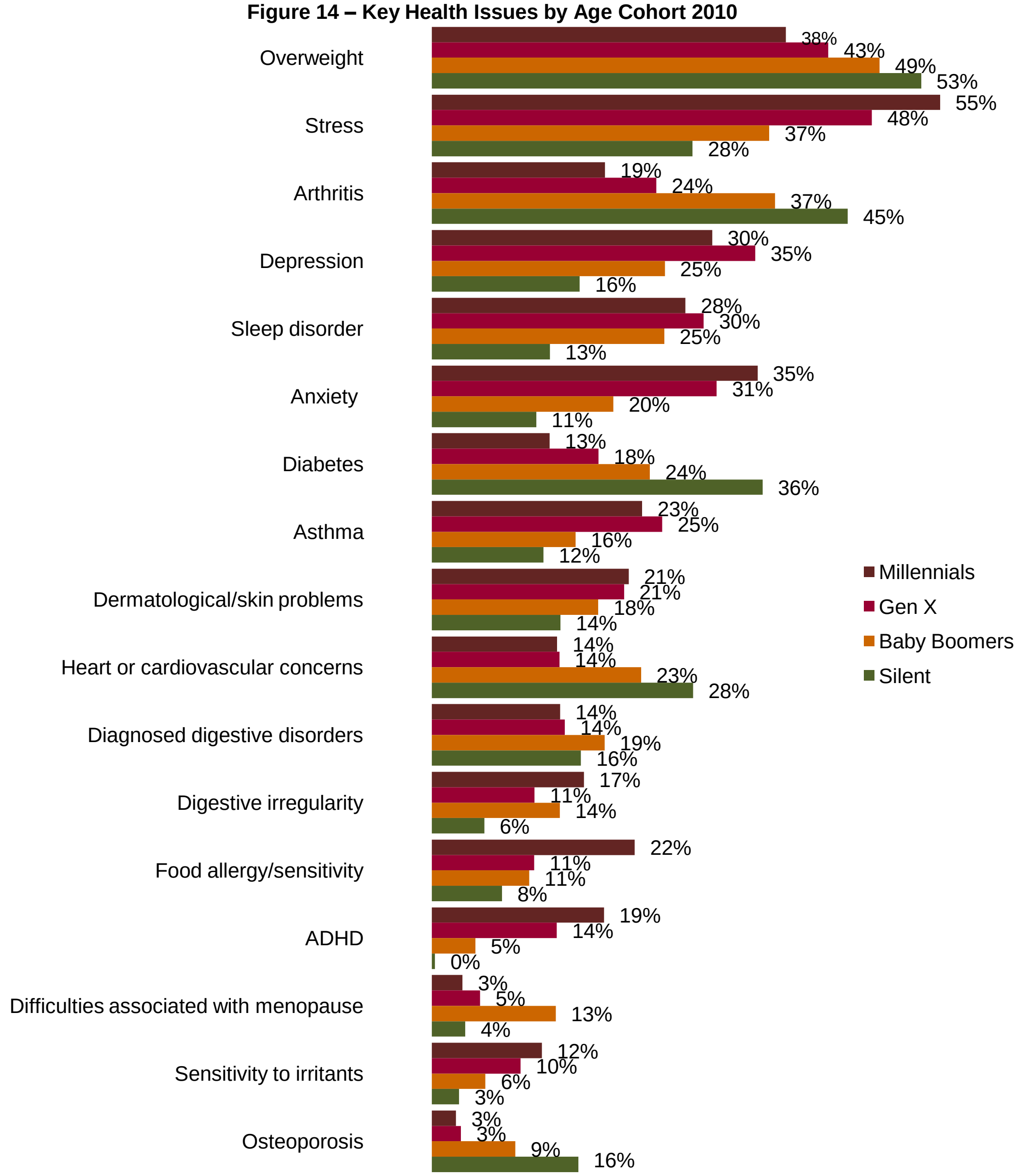
Q11/Q13: "Do you or anyone in your household have any of these health issues?" | Base: Primary household shoppers (n=2176-2009; n=2031-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Consumers are experiencing some health issues such as diagnosed digestive disorders, skin problems, and stress to a lower degree in 2010. Less stress may well be due to less uncertainty with the economy these days. A number of economists proclaimed The Great Recession ended in July 2009 and there are various positive economic news recently such as increased car sales and a rising stock market that indicate better economic conditions this year. Not that the economy is suddenly robust and growing, but rather the overall economy has stopped shrinking, and consumers feel less stressed because they believe the worst is over.

NEW IN 2010

When looking at health conditions by age cohort, we see in Figure 14 that older cohorts are more likely to have issues with age-related physical ailments such as arthritis, heart or cardiovascular concerns, and osteoporosis. Other issues that trend towards older cohorts are being overweight, diabetes and difficulties with menopause.

Figure 14 – Key Health Issues by Age Cohort 2010



Q13: "Do you or anyone in your household have any of these health issues?" | Base: Primary household shoppers (n=2031; 274 Millennials, 653 Gen X, 923 Baby Boomers, 181 Silent). | Source: GMDC 2010 Surveys, Mar. 2010.

Younger cohorts are more likely to have mental or emotional health issues such as stress, depression and anxiety. Other issues trending towards younger cohorts are food allergies/ sensitivities, ADHD and sensitivity to irritants.

Key Transitions in H+W

Separation to Holism

Once in the World of Health and Wellness, consumers may progress from the Periphery to the Core, evolving toward holism. A holistic approach is one in which H+W and all of its various parts become more unified, rather than “just a bunch of disassociated concepts and products.” For example, a Periphery consumer may take cold medicine when s/he is sick and consider healthier eating options while standing in the grocery store looking at produce. However, that consumer will rarely think about H+W outside of such occasions. Showing a much deeper level of integration, Mid-level and Core consumers relate many other aspects of their lives to H+W, like getting enough exercise and sleep, setting aside “time out” to de-stress, and taking herbal supplements to reinforce their bodies’ natural defenses. At the Core, H+W becomes about a great deal more than just about the individual and the immediate family - environmental and political concerns often become a part of the lifestyle, as the social and environmental impacts of one’s lifestyle are taken more seriously. The below figure reflects this transition from “separation” to “holism” that is indicative of the evolution in mindset and activities for Periphery to Mid-level to Core consumers.

Figure 15 - Separation to Holism H+W Motif

Negative View of Health to Positive View of H+W

Consumers also adopt a more positive view of H+W as they progress from Periphery to Core. They shift from a negative, more physically-oriented set of values and practices relating to Health, to a more positive, holistic focus on H+W. In other words, they go from “darkness to light.” They evolve from viewing Health as “things you have to do,” that are obligatory and not particularly interesting, to viewing Health and Wellness in a positive light and being actively engaged with and interested in related ideas, knowledge, and activities. The diagram at right provides examples of the tenor of H+W as it moves from negative to positive, from ideas such as “sickness” to ideas of “taking care.”

PERIPHERY →	CORE
reactive	proactive
sickness	
illness	nutrition
treatment	taking care
crisis	
mechanical	prevention
quick fix	for the long term
have to	
necessary	indulgence
boring	fun
NEGATIVE	POSITIVE

Other "Negative" Aspects of H+W

In general, there are few negative aspects of H+W to consumers, particularly after they enter solidly into the Mid-level. However, for Periphery and those straddling the boundary between Periphery and Mid-level, there are a two major, potential "negatives" to mitigate. These are

- The price barrier, which tends to be overcome as consumers evolve further into the Mid-level
- The knowledge gap, which tends to frustrate consumers when they attempt to navigate new and largely unknown H+W products and retail spaces

Both of these are covered in several places in subsequent sections of this report.

General Growth in H+W Related Activities

NUTRITION, WEIGHT CONTROL, AND DIETARY GUIDELINES

Periphery consumers typically have limited concepts of nutrition, other than basic ideas that they should be eating more "healthy" foods (largely produce and fresh meats and fish) and avoiding "junk" foods (e.g. potato chips), however, they often struggle maintaining those ideas in a behavioral sense.

For Periphery consumers, nutrition, diet, and weight control are tightly correlated to one another. At the same time, they are conflated with "health" in a general sense. That is to say, to many Periphery consumers, diet, weight, and health are almost the same thing; often discussions of health with Periphery consumers are framed as a struggle to lose or maintain weight. "Dietary guidelines" often equate to simply "being on a diet" in order to lose weight, without necessarily being correlated to ideas of nutrition.

As consumers become increasingly involved in H+W, their daily habits tend to change markedly. Nutrition in a holistic sense becomes more important, as food ceases to simply be "fuel" and is understood in its broader functionality, often providing an even more intense sense of enjoyment than it did before. That is to say, as a consumer becomes more involved in H+W, they do not eat "bland" healthy foods, but generally tend to eat a more diverse and higher quality diet that includes more fresh food. Behaviorally, as consumers evolve, they get increasingly close to eating a fully "balanced" diet, though many are not keeping strict track of what they eating, embracing a general idea and practice of eating as diversely as possible without pre-scripted requirements.

Unsurprisingly, along with fresh foods, the use of organics tends to increase as consumers evolve to more advanced levels of H+W, however, more recently, we have seen the overall use of organics tapering off, as Mid-level and Core consumers increasingly move toward both "local" products and non-organic foods of high quality levels (e.g. artisanal cheeses).

FITNESS

Fitness in the Periphery, like other matters of health, often tends to correlate with weight control, vanity, or both. Consumers in the Periphery (with some exceptions e.g. bodybuilders) generally are the least successful consumers at maintaining fitness regimes. Often these consumers will frame less intense activities as "exercise," including leisurely walks, and, in some cases, household chores.

Often, they will possess rarely-used exercise equipment that sits in garage or basement areas of their homes.

Mid-level and Core consumers tend to be more successful in maintaining regular fitness routines. Often times, those fitness activities are joined with other lifestyle interests. For instance, many will choose hiking or biking as forms of exercise in order to enjoy the outdoors while exercising. Traditional gym-based workouts begin to taper off as consumers move toward the Core, though more contemporary alternatives such as Pilates and Yoga continue to be popular with those consumers.

Key Dimensions of Consumption in the World of H+W

Dimensions of Consumption, which change as a consumer evolves, describe the most salient values and behaviors typically present at each level of the World of H+W. Dimensions are important because they inform consumers purchase decisions. These dimensions overlap across segments but none overlaps across all three segments. Through an understanding of target consumer location within the World, one can predict which dimensions of consumption will be used in decision making. For example, as we explain below, a Periphery consumer will use price and convenience to make a product selection to a greater extent than a Core consumer. That is not to say that price is *never* important to a Core consumer, but they are not prone to use price as a primary factor in their decision making.

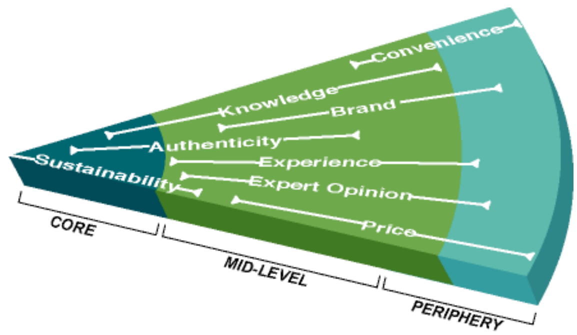


Figure 16 – The World of Health & Wellness

Please note that **Sustainability**, a key dimension of consumption largely occurring in the Core, is the subject of its own section that appears toward the end of this chapter.

Convenience

Convenience means that consumers have an easy time getting the product they want---this can mean that a store is easy to get in and out of, for instance. Convenience also pertains to product use— instructions are easy to follow, and preparation is simple. Convenience is most salient in the Periphery.

Price

This is a standard measure of cost. Periphery consumers are highly oriented toward bargain pricing.

Brand

Periphery consumers often prefer known, traditional brands that they have used for years. This makes selection of a suitable product easy, without having to spend too much time choosing. This also reflects convenience, and it assures consumers of uniform, reliable products. In the Mid-level brand is still important, but the emphasis changes, as consumers often look more to health and wellness-oriented brands—often small producer or contemporary brands—rather than the traditional brands they grew up with.

Experience

Consumption patterns reflect experiences as much as they do the concrete goods of consumption. Mid-level consumers value experience. In other words, shopping for wellness products becomes a learning adventure or an exploration, valuable by itself as an experience, without even the added value of the H+W products that may be purchased. Experience operates at all levels—personal, social, retail, consumption and symbolic.

Expert Opinion

Health and wellness consumers frequently rely on opinions from experts when pursuing goals. Experts that are relied upon shift as consumers become more involved in H+W. For example, Periphery consumers may rely on their personal physicians or “Mom,” but Mid-level consumers rely on figures such as Dr. Andrew Weil and Bob Green for guidance. Consumers in the Core are not as reliant upon expert opinion as they have become their own experts.

Knowledge

Mid-level consumers are in the wellness information-gathering stage. They actively seek information about foods, supplements, and other H+W items, as knowledge becomes an important motivator for product experimentation and adoption. Core consumers continually cultivate their extensive knowledge and have themselves become “gurus” on wellness topics.

Authenticity

Authenticity is the notion that products (and people/organizations, including retailers and manufacturers) are “real” and “as they should be.” This dimension becomes increasingly important as H+W consumers evolve toward the Core. For these consumers, it is important to know from where a product comes in order to verify authenticity. Often, this results in preferences toward local, organic and small-producer brands.

H+W Information Sources

Consumers rely upon a wide variety of sources to acquire information on H+W issues. Doctors and Web sites devoted to providing health information (e.g., WebMD) as well as social networks (friends and family members) are the most commonly used sources of information for consumers.

Doctors

Consumers seek general wellness information from primarily alternative doctors, such as chiropractors or naturopathic doctors. These doctors are considered more credible sources of wellness information in particular, such as diet, exercise, and supplements, because they are focused more on prevention than treatment. Consumers also rely upon doctors with whom they have no personal relationship. Doctors who are featured in popular media are deemed trustworthy wellness resources. Dr. Oz and Dr. Phil who are/were associated with Oprah (a credible wellness resource herself), Dr. Gupta from CNN, and Dr. Weil were all mentioned as sound sources of information. These media doctors might help to account for the high percentage of consumers indicating “doctors” as a source of health and wellness information.

Internet

The Internet is a very powerful and frequently relied upon source of H+W information for consumers. Typically a consumer's internet research begins with a Google search for information. Consumers do not seem to utilize any one Web site to a greater extent than another when seeking general wellness information; rather, they may look at multiple web sites to answer one question and other times rely upon a single source for their answer. That being said, when faced with a specific health issue, consumers overwhelmingly rely on WebMD exclusively for diagnosis and treatment information on the Internet.

Media

Media other than the Internet are also used as a source of information. Oprah and National Public Radio (NPR) were mentioned repeatedly as reliable and honest informants.

Social Networks

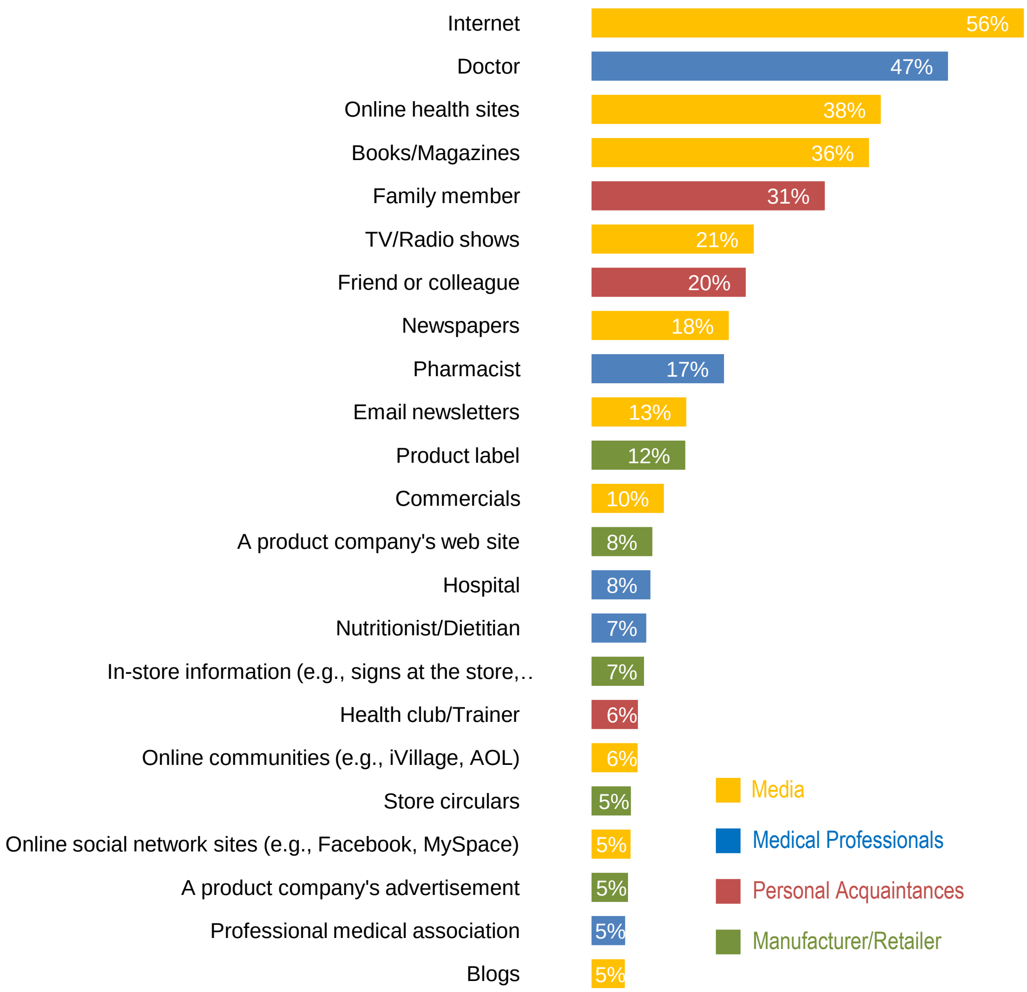
Consumers' friends and family members are a tried and true source of wellness information. While social networks are relied upon less than the Internet, information from friends and family is deemed the most highly credible source of information. Witnessing a friend's wellness outcomes provides context for the recommendation. In many cases consumers can "see" the benefits of a recommended product or practice, heightening the believability of a recommendation. Consumers consider their friends and family members to be very similar to them, so when a friend or family member has success with a wellness product or activity it seems more likely that the consumer will have success as well. Lastly, information from one's social network is considered more credible because it's perceived to be more impartial. Friends and family members typically have nothing to gain personally (i.e. financially) when they make wellness product or activity recommendations; they have their friend/family member's best interests at heart and nothing else at stake. Consumers trust information most from sources that care about them.

Some regions lack a strong H+W culture, and social networks do not as effectively spread H+W interest and knowledge. For instance, Seattle, with a strong H+W culture that is ingrained into social networks, is profoundly different from New Jersey where more evolved H+W consumers often lack an audience. Many consumers lacking strong H+W social networks express concerns over the effectiveness of natural products, due to "not knowing anyone who has tried (them)." In such regions or markets, we see opportunities for retailers to fill that gap by doing more to encourage experimentation with new H+W products in-store.

TOP INFORMATION SOURCES

As Figure 17 shows, the Internet is the top used source of H+W information. More than half of all consumers (56%) use this convenient resource. In addition, six out of the top ten are media type sources. Doctors are the second most commonly used source to learn about H+W at 47%. Family members and friends/colleagues make the list at 5th and 7th respectively showing consumers' trust in personal acquaintances. Manufacturer sources do not show up until product labels at 12% showing there is less reliance in companies.

Figure 17 – Information Sources

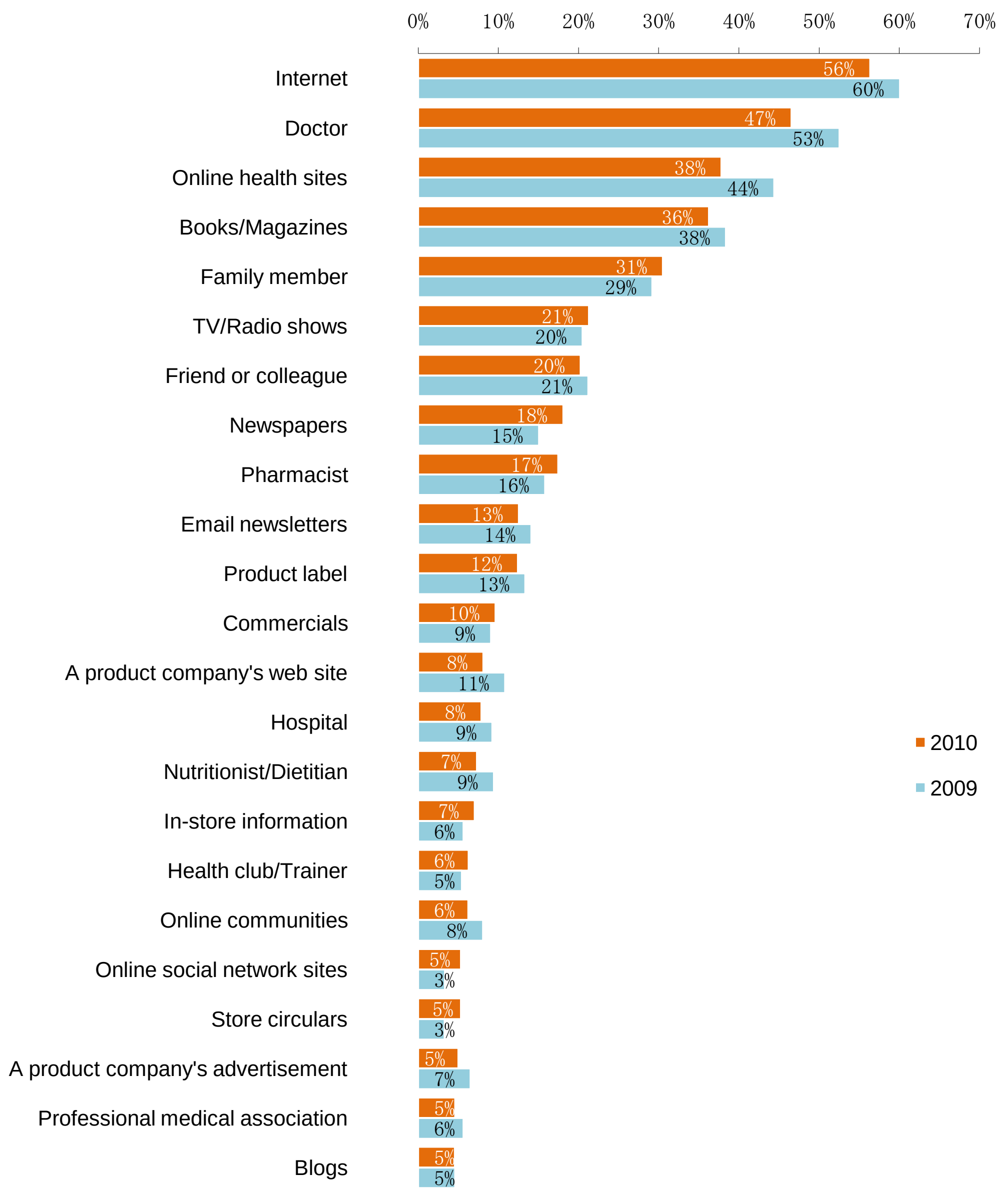


Q14: "In the PAST 3 MONTHS, which of the following information sources have you used to learn more about health and wellness?" | Base: Primary household shoppers (n=2031). | Source: GMDC 2010 Survey, Mar. 2010.

CHANGES BETWEEN 2009 AND 2010

Figure 18 shows that the overall rank order of information sources does not change dramatically between 2009 and 2010. The Internet is the top used H+W information source for both years followed by Doctor. In fact, the top five rankings do not change over time. There are declines experienced by the top three that can be partially explained by the lower usage rate of those sources by those with lower education. For example, 44% of consumers with High School education or less use the Internet whereas it is at least 64% for those with some College or more education.

Figure 18 – Information Sources 2009 vs. 2010



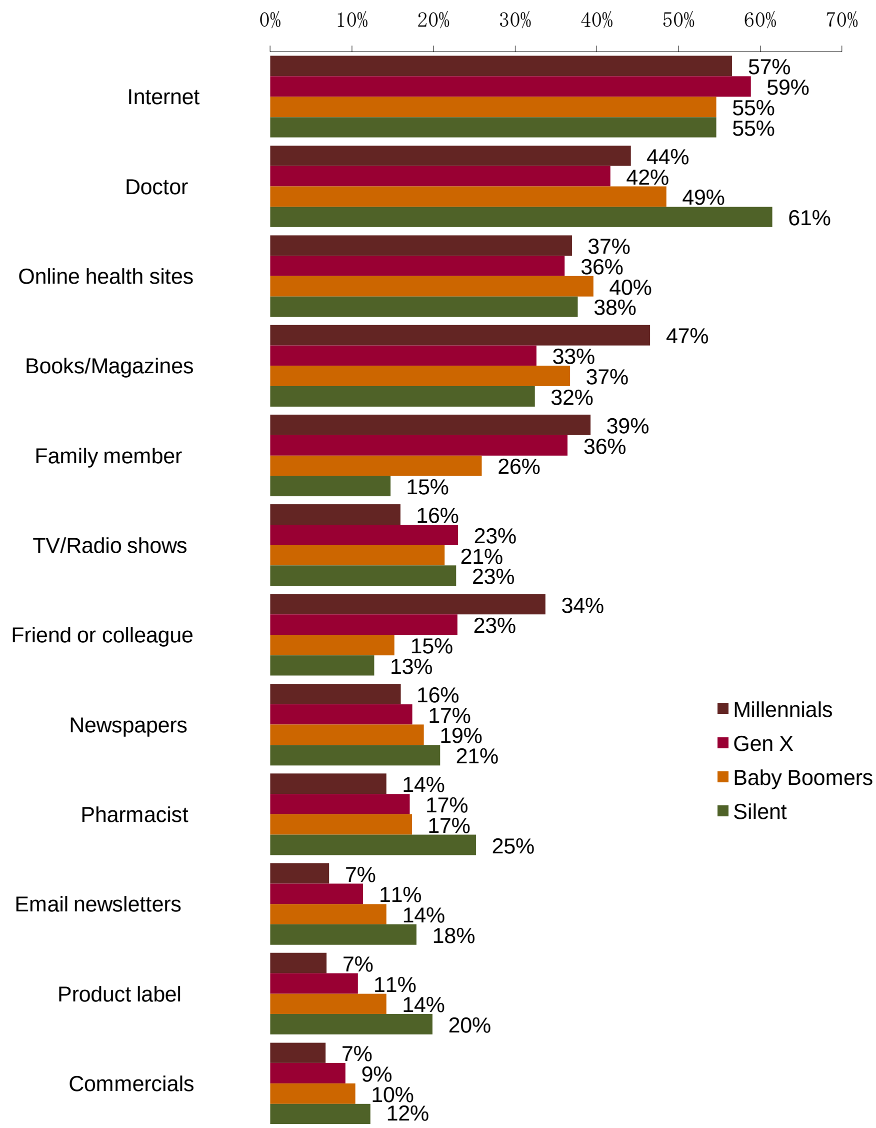
Q13/Q14: "In the PAST 3 MONTHS, which of the following information sources have you used to learn more about health and wellness?" | Base: Primary household shoppers (n=2176-2009; n=2031-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Some of the information sources that show an increase in use from 2009 include family members, TV/Radio, newspapers, and pharmacists. The use of social network sites such as facebook, or Twitter show an increase from 3% to 5% as these sites gain in popularity and usage.

NEW IN 2010

When looking at information sources by age cohort, we see that ALL cohorts have embraced the internet as a source of information regarding H+W. Older cohorts like the Silent Generation are more likely to rely on medical professionals such as Doctors and Pharmacists for information. Other information sources that trend towards older cohorts are email newsletters, product labels and commercials.

Figure 19 – Information Sources by Age Cohort 2010



Q14: "In the PAST 3 MONTHS, which of the following information sources have you used to learn more about health and wellness?" | Base: Primary household shoppers (n=2031; 274 Millennials, 653 Gen X, 923 Baby Boomers, 181 Silent). | Source: GMDC 2010 Survey, Mar. 2010.

Younger cohorts are more likely to use social networks like family members and friends/colleagues for H+W information. Millennials are particularly interested in getting information from books and magazines.

Knowledge Transfer: Information to Practice

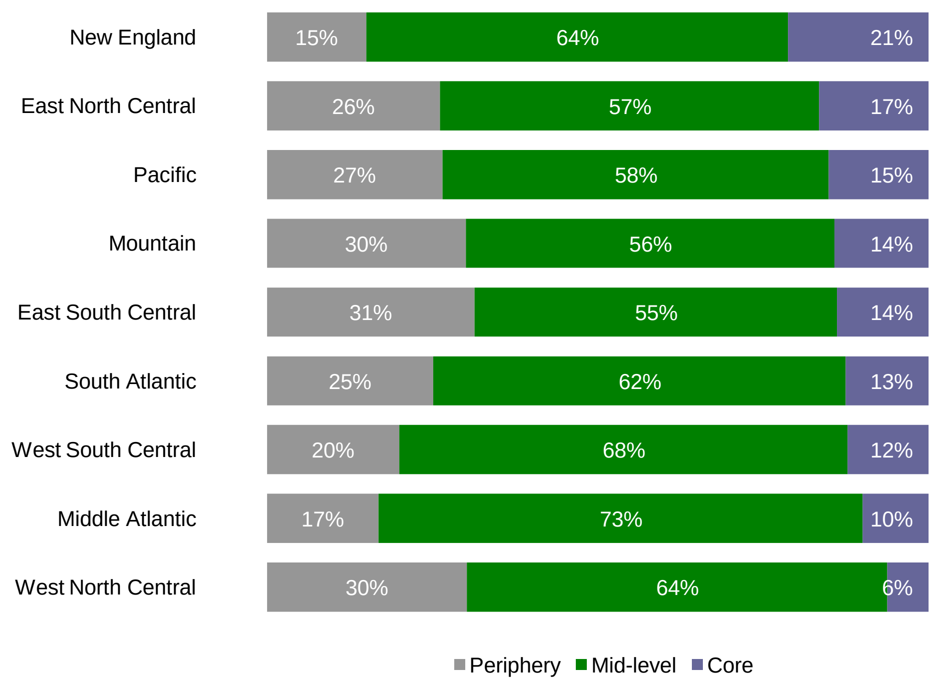
Beyond *where* consumers obtain H+W information, it is essential to understand *how* information translates into practice. Time and again consumers report being confused and frustrated by the myriad scientific reports and product recommendations that inundate their lives. Consumers separate the “wheat” from the “chaff” based largely on intuition and corroboration.

Wellness information that resonates on an intuitive or gut level often gets translated into intention and/or practice. For example, eating more whole grains has common sense appeal because it is obvious to consumers that more nutrition is retained by something retaining its whole state over something processed. Consumers are also inclined to adopt a wellness product or practice when they hear corroborating evidence of its effectiveness. When a consumer hears about the power of antioxidants from her doctor, yoga instructor, an NPR broadcast, the grocery clerk and her acquaintance at the dog park, the information sticks, and antioxidant consumption follows. Repeated information from multiple sources often becomes practice. In our 2010 survey, the average consumer uses four sources of information to learn about H+W.

Geographic Distribution of H+W Consumers and Demographic Differences

As we mentioned above in relation to social networks, some regions have a higher density (or "critical mass") of more involved H+W consumers than others. While there are notable differences between various regions, the differences are not as vast as many in industry imagine, with major differences only in the percentage of Core consumers. The Core consumer tends to be found in the New England, East North Central, and Pacific regions. The US regions with more Periphery consumers are East South Central, Mountain and West North Central. In all regions however, the majority are Mid-level consumers.

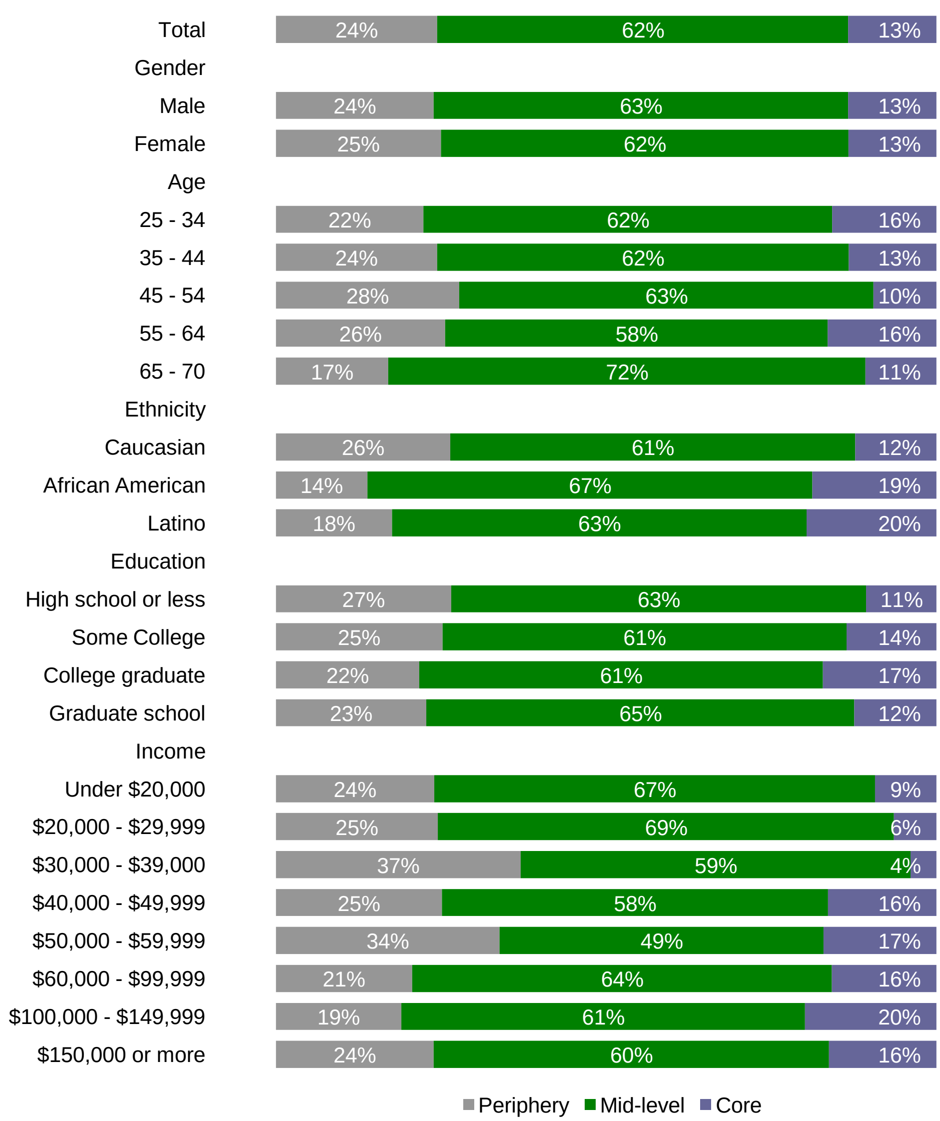
Figure 20 – Proportion of H+W Consumers by Region



Q2: "What state do you live in?" | Base: Primary household shoppers (n varies from 89 for New England to 413 for South Atlantic). | Source: GMDC 2010 Survey, Mar. 2010.

Other than region, we have not found significant differences in demographics with respect to H+W lifestyle adoption, other than at extreme edges of the income scales, as shown in Figure 21. Consumers living in true poverty of course have more pressing concerns than H+W, and consumers at the opposite end of the income scale often purchase “high end” (often organic and/or high quality) products in many categories simply because they can, or to be trendy, without necessarily having an emotional commitment to those products. So, while they may outwardly appear to be Core, and often test as such quantitatively, they may not be Core in a *substantive* sense. As a result there are slightly more Core consumers among higher income groups. But throughout all demographics, we still see that the Mid-level segment is the largest consumer group, and that, overall, the differences are not nearly as striking as the overall similarity across groups. Comparing the mean (total, at top) to the rest of the “cuts” in the data, there are no big differences.

Figure 21 – Proportion of H+W Consumers by Other Demographics

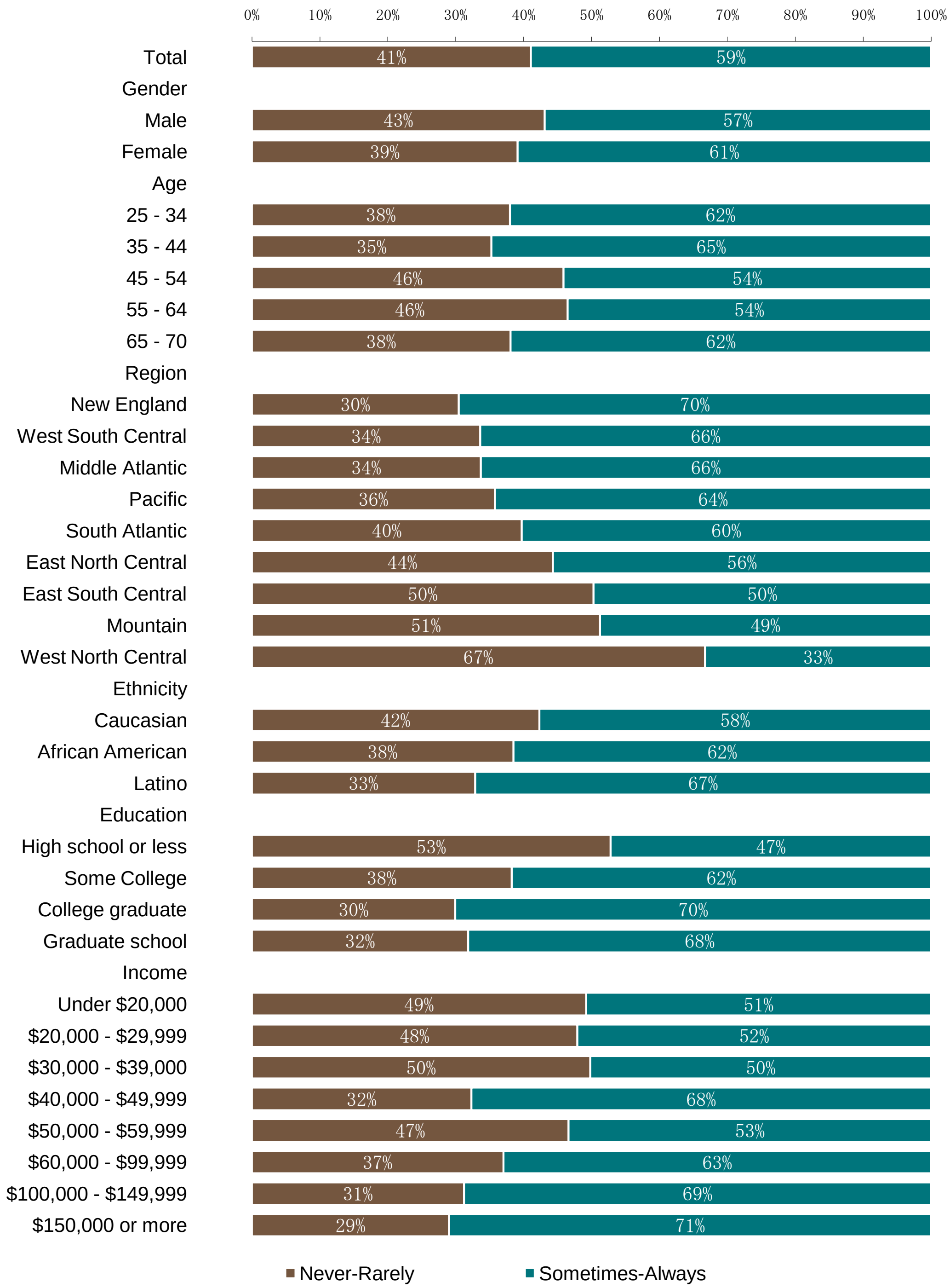


Base: Primary household shoppers (n=2031; 158 Core, 1424 Mid-level, 449 Periphery). | Source: GMDC 2010 Survey, Mar. 2010.

The only demographic difference that “jumps out” here is the difference in race/ethnicity as regards H+W orientation (approximately the middle of the chart, above). The “Caucasian” group shows substantially less Core (and more Periphery) involvement than either African Americans or Latinos. Qualitatively, we have not seen significant differences between these groups, and suspect that there may be minor cultural differences that impact the way certain groups answer the screening questions. However, in any case, it is important to note that African Americans and Latinos are obviously quite involved in H+W lifestyles, and not, as stereotype may have it, less-affluent populations at the fringes of a H+W world ruled by affluent white suburbanites.

In Figure 22, we also see the largest gradient among differences in region, education and income when consumers state how often natural or organic products are sought out when shopping for H+W products. We see that the New England region with the highest levels of Core consumers also has the highest frequency of seeking out organic or natural products (70% of consumers seeking sometimes through always). The West North Central region, with the lowest levels of Core consumers also scores the lowest frequency among all regions (33%). In terms of education and income, consumers on the higher range of the scale seek out organic or natural products more frequently than those at the lowest levels. For most demographics, though, **the average is at the 59% level for all consumers**. This figure declines slightly from last year's 62%.

Figure 22 – Frequency of Seeking Out Organic or Natural Products by Demographics



Q25: "When shopping for health and wellness products for your household, how often do you seek out NATURAL or ORGANIC products?" | Base: Primary household shoppers (n=2031). | Source: GMDC 2010 Survey, Mar. 2010.

Sustainability

Sustainability as a Consumer Concept

In general, most consumers are not familiar with the concept of "sustainability." At the same time, sustainability has a close relationship with *advanced levels* of H+W. As consumers move toward the Core of H+W, adopting additional wellness behaviors and taking on a more holistic approach to well-being, they recognize the connectedness between their own well-being and the well-being of society and the environment. It is in this step from thinking only about one's personal health to a more involved, connected-to-the-world idea of wellness that sustainability is highly relevant. The following section discusses Sustainability as an independent concept with a symbiotic relationship with H+W.

When pressed to define "sustainability," consumers tend to allude to a more literal translation by defining it as the "ability to last over time." However, when consumers talk about what's important to their personal lives and the concerns facing society, the word "responsibility" and similar phrases like "do the right thing" come up time and again. While sustainability may be strongly associated with environmentalism for some, the idea of **responsibility** casts a net over a variety of economic, environmental, and social issues of importance to consumers. Thus, sustainability is tied both to protecting natural resources and reducing one's carbon footprint as well as reducing credit card debt or protecting one's family from unsafe, pesticide-laden food. The idea of responsibility is, therefore, reflected at the consumer level in a myriad of behaviors, from purchases to non-purchases and voting to volunteerism.

The Hartman model for Sustainability includes four zones encompassing the breadth of salient consumer issues: Economic, Environmental, Social, and Personal Benefit. These zones essentially represent the major themes that today's consumer uses to describe their concerns for society and its ability to last over time.

Economic Zone

Monetary resources are the focus of the economic area of sustainability. Consumers look at whether a practice is economically viable, the control of monetary resources, and the distribution of money.

Environmental Zone

Consumers consider the use of the earth's natural resources and impacts to the planet when evaluating whether or not a product or practice is environmentally responsible.

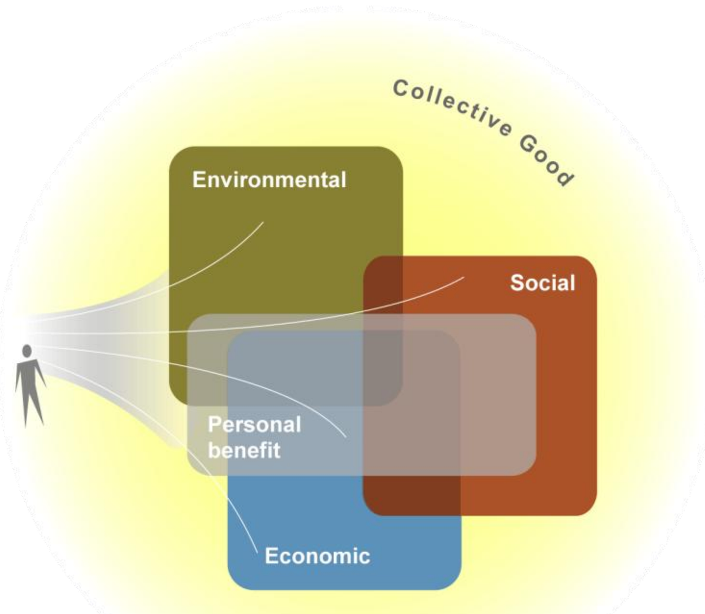


Figure 23 – The Concept of Sustainability

Social Zone

The attributes of this zone are particular to organizations and their ethical treatment of people and humane practices towards animal life.

Personal Benefit

The area of personal benefit engages with all zones of sustainability: economic, environmental, and social but connects to responsibility based on how those practices influence the physical, mental and emotional health of individuals.

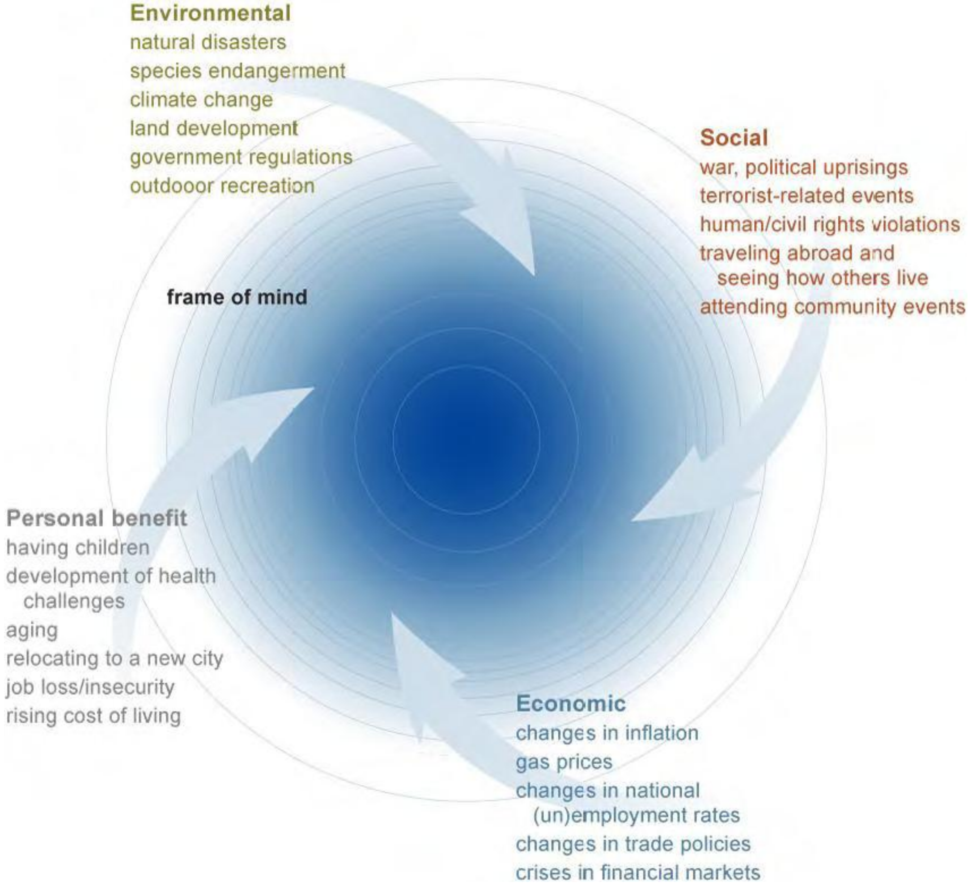
Personal benefit is particularly helpful in explaining sustainability from the consumer viewpoint. Consumers weigh both the individual and societal interests of behaving responsibly - responsibility should not be confused as martyrdom or concern for society only. Consumers ask: *how might these choices impact me and my household socially, financially, and within my immediate environment?* However, responsibility toward the greater good is an important fundamental ideal of sustainability, and one cannot act out of personal interest alone.

Triggers for Awareness

Similar to H+W triggers, sustainability triggers can be understood as any first or second-hand occurrence that results in awareness of issues that potentially affect the wellbeing of society and/or earth. Triggers may make a potential threat apparent to consumers, or it may be an experience that produces an appreciation for a particular resource. Triggers may align strongly with a specific area of sustainability but often have vast implications in other zones as well.

The following triggers are commonly referenced by consumers as prompting a sustainable frame of mind connected to their corresponding areas of sustainability. Since individuals can be drawn into awareness through any one or several different triggers depending on their experiences, lifestyle, and interests, there is no hierarchy of triggers.

Figure 24 – Sustainability Triggers



Information Sources as Triggers

The vast number of information sources available to consumers is a key trigger for knowledge as well. Product labels are a key source of information for consumers, underscoring the current connection consumers have between tangible goods and information seeking behaviors. While in-store sources (product labels and other in-store information) are prominent means used to learn more about sustainability, online sources (especially search engines, but increasingly social networking groups) and mass media (TV/radio, newspapers, books/magazines) are also used.

From Frame of Mind to Behavior

Sustainability triggers lead to a heightened frame of mind concerning sustainability matters, but there is an additional step from awareness about sustainability issues to participation in those issues. Values and intent are essential components of that next step for consumers from having a sustainable frame of mind to eventual behavioral participation in sustainability.

Values

Values are principles that guide consumers' understanding about the world, their role in it, and provide a frame of reference for right and wrong. Consumers allude to values as highly personal facets of their identity, informed by experiences, upbringing, and for some, a spiritual faith. Although values are highly individualistic, consumers who participate in sustainability point to a common value: responsibility. For many consumers, the recognition of responsibility for societal issues is often accompanied by feelings of guilt. The presence of guilt reflects both recognition of responsibility and the necessity for a response. Many consumers echo the following statement, “I feel guilty because I don‘t want to be irresponsible. That‘s why I choose not to buy things from places I don‘t agree with. As long as it‘s in my power, I can no longer tolerate doing the wrong thing.”

Intent

The presence of responsibility and recognition of personal agency, or Values, paves the way for the third aspect of a sustainability frame of mind: Intent. This third piece catapults consumers from merely having a mindset towards sustainability to actually participating behaviorally. Many individuals may in fact be aware of a variety of societal concerns and may even feel a responsibility to behave a particular way; **it is only when consumers intentionally take action in light of those attitudes that they cross the boundary from frame of mind to behavior.** This process can happen in strikingly different ways for different consumers. It may be an incremental, cumulative process or a particular event that acts as a “tipping point.”

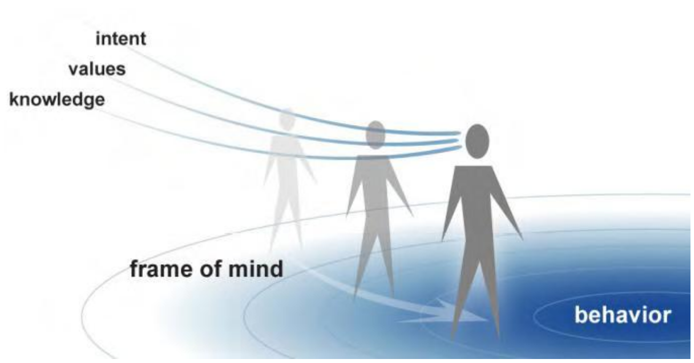


Figure 25 – Frame of Mind

Behavioral participation in the World of Sustainability is also highly variable. Depending on what triggered a consumers’ awareness in the first place and how it connects to their values, an individual’s sustainability behavior may begin with any number of things—volunteering at one‘s school, planting a tree, purchasing Fair Trade products, and so on. However, it is that intentional behavior, whatever it may be, that makes one fully apart of the World of Sustainability.

Intent Places You in the World of Sustainability

Intentional behavior demonstrates an awareness or knowledge of sustainability concerns and an acceptance of personal responsibility that transfers consumers from simply having a sustainability frame of mind to actual behavioral participation. In order for a consumer to be considered as present within our World model of Sustainability, **they must have demonstrated intentional behavior motivated by a desire to positively impact society, the economy, or the environment in order for it to be a reflection of sustainability mindedness.** Intentionality was measured quantitatively in our Sustainability study from 2009, and only 12% of consumers were found to be *outside* the World of Sustainability.

Evaluating Responsible Companies

Transparency and Authenticity: Two Overarching Dimensions of Responsibility

Consumers contextualize their interpretations of a company's responsibility initiatives, whether social, economic, or environmental, regardless of how well-intended or successful those initiatives may be, within judgments of its transparency and authenticity. Consumers want to know: "Are a company's activities transparent? Are they authentic?"

These basic questions undergird all consumer judgments of a company's performance. Moreover, consumer perceptions of a company's transparency and authenticity with regard to sustainability have a larger impact in legitimating or discrediting its sustainability efforts than the actual practices themselves. The following figure reflects this, by illustrating how transparency and authenticity frame consumer judgments in the four zones of sustainability. The image also demonstrates that transparency and authenticity are also closely related ideas that overlap; a company's authenticity influences how transparent its actions are and vice versa.

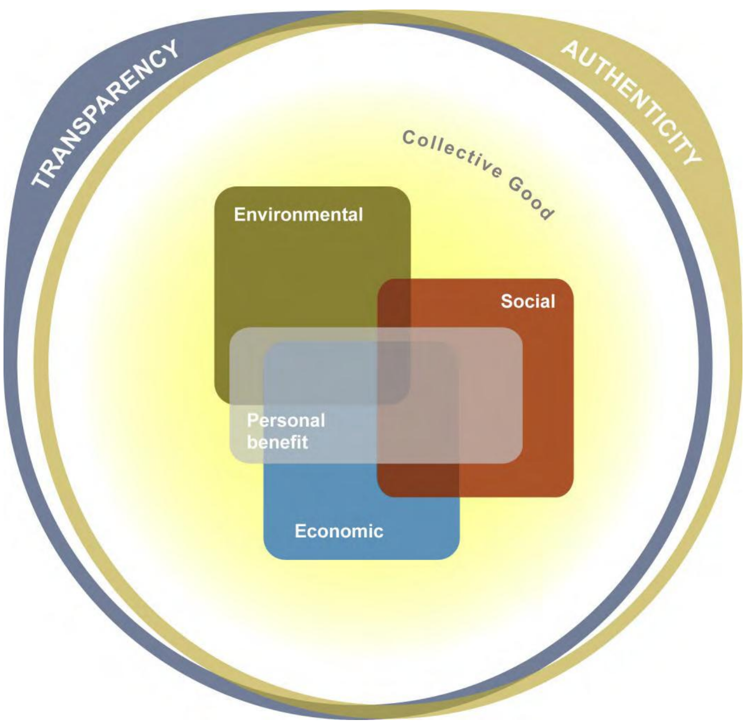


Figure 26 – Evaluating Responsible Companies

Transparency is evaluated by consumers in terms of access to its values, policies, and practices, and the openness of communication between a company and its customers, as indicated by the following points:

Easy to find information: Background information about the company and products should be as available as its marketing materials

Sources of information: Consumers are more receptive of information that is made available through a variety of internal and external channels (e.g., advertising, product packaging, third-party organizations)

Complete information: Information that is not just positive but also includes information less favorable to the company or product

Truthful information: Information that obscures or contradicts other relevant, sometimes negative, facts is considered disingenuous

Authenticity refers to the extent to which a company's activities are true and consistent with its values. While no company is perfect, authenticity demands that there be no gross contradictions between:

1) What the company is and the practices within its control, 2) The products or services provided, and 3) The image of sustainability or responsibility that is promoted.

Company Size and Influence on Consumer Perceptions of Sustainability

Large companies in particular face hurdles in terms of consumer perceptions of sustainability practices. Consumers are doubtful that big businesses – by virtue of their size, the broader economic landscape in which they exist, their primary objective to maximize profit and the business practices necessary to do so – are able to be environmentally, socially, and economically sustainable. Interestingly, while they may voice these general opinions equating big business with an intrinsic difficulty in becoming sustainable, at the same time consumers feel that large companies also have the opportunity to raise awareness and have a large positive impact in areas implicated by their business due to the scope of their operations and reach.

In contrast to large firms, consumers believe small, local companies to be the epitome of sustainable business. Consumers are more likely to view small companies as those that serve and enrich their community. Small businesses are perceived as more flexible in setting monetary benchmarks and more likely to consider the well-being of their customers and employees in seeking to achieve profits. Consumers also think of small, local business as behaving more sustainably because they are forced to be accountable, operating under the microscope of their local community and patrons.

Additional Sustainability Findings

More findings on Sustainability and related issues and their impacts on product purchases and retail settings may be found in subsequent chapters (Chapters 3 and 4, respectively).

Impact of the Economic Recession on Health and Wellness Consumers

Some Signs of Recovery

During the primary, qualitative research phase of this project (January and February of 2009), most consumers were of course concerned about the economy. While we did not find that consumers had changed their daily activities and purchases in particularly profound ways, we did find a few patterns, including

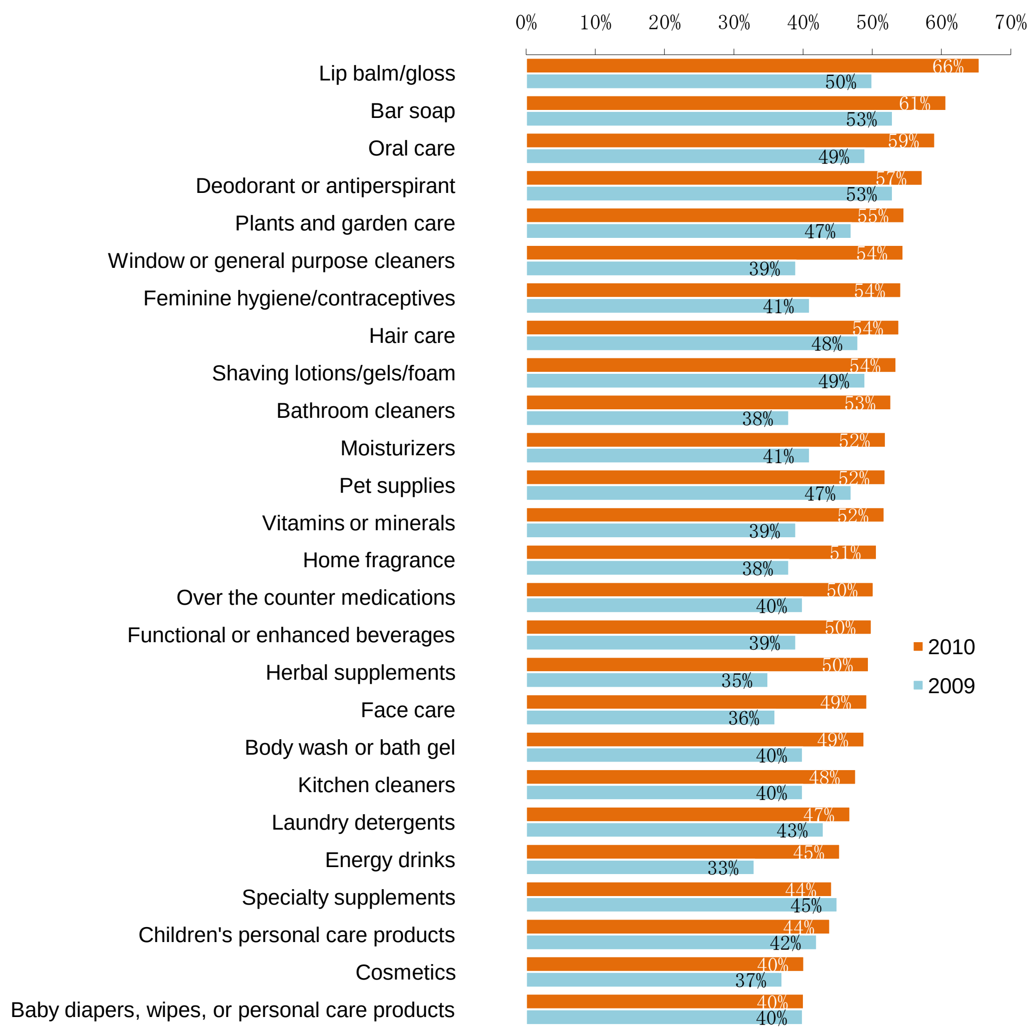
- Putting off larger purchases
- Some, but not all, reported scaling back discretionary purchases
- Cutting coupons or looking for deals
- Dining out less often and/or at less expensive restaurants
- Finding ways to stay entertained at home and going out less often, and/or socializing at home or the homes of others

Economists believe that the recession has ended, although the job recovery will take some time still. We maintain that we generally find that consumers' behavior patterns are fairly resilient, and often stand up to most anything other than utter desperation. Quantitative data, does show some level of reported changes to the way consumers make purchases in specific categories, although to a lesser degree this year

Quantitative Evidence of Purchase Behavior Changes

As the economy has dramatically changed over the past two years, the impact of that change on the H+W consumer has become a key concern. As shown in Figure 27, somewhat strikingly, a large portion of consumers have CONTINUED to NOT make any changes in the way they shop for their H+W products. The proportion of consumers not making any changes in their shopping behavior ranges from 66% for lip balm to 40% for baby care items. Again, everyday consumer staples such as lip balm, bar soap, oral care and deodorant lead the way as items most likely to not show any changes in purchase behavior. Despite continued economic challenges, many consumers will continue to buy preferred items, especially if those items are important parts of their wellness routine.

Figure 27 –No Changes Made in Shopping for Product 2009 vs. 2010



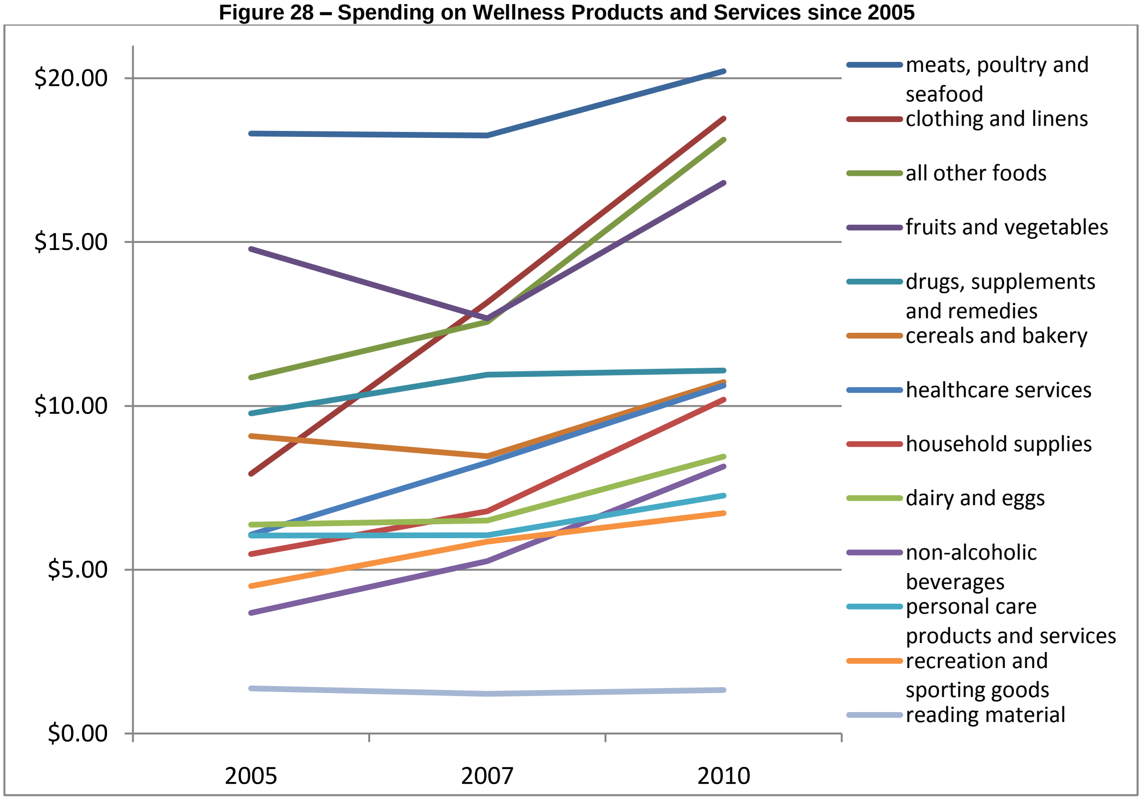
Q31/Q32: "How has your approach to shopping for the product changed, if at all, compared to last year? Please check all that apply" | Base: Product shoppers (n varies 155 to 523 depending on product). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Nearly every product category experiences an increase in the proportion of consumers making no changes in shopping for that item. This indicates a somewhat higher level of consumer confidence this year than last. Consider that March 9, 2009 was when the Dow Jones Index hit its low point and since then has made a remarkable 65% recovery. Consumers are feeling less uncertainty with the economy, banks and housing this year. Things have settled down with a feeling that things cannot get any worse and consumers are seeing some signs that conditions are getting better. To a lesser degree, consumers may also have done some levels of belt tightening last year. This behavior is currently ingrained in their habits so they are continuing to purchase as they have been.

NEW IN 2010

Our other research shows that spending on wellness products has steadily increased since 2005 (Figure 28). We have been obtaining household expenditure data collected by the US Census Bureau for the Bureau of Labor Statistics (BLS) since then. We then use our Wellness syndicated surveys to determine the portion of consumer spending in selected categories that is for wellness. The survey asks respondents to report the percentage of their spending that goes to specific types of products in several different categories relevant to wellness. For meats (beef, pork, other meats, poultry, fish, seafood, and eggs) for example, the monthly estimate provided by the BLS for 2010 is $73.43. Then, from our survey, we determine the proportion of the monthly meat purchase that is organic, natural or hormone-free (i.e. spent for wellness) to get the $20.22 figure for this year.

Figure 28 – Spending on Wellness Products and Services since 2005



Q30: "For each category of household goods below, please indicate what portion of the LAST 30-DAYS' spending in each category was for targeted items." | Base: 2681-2010. | Source: Reimagining Health + Wellness 2010 Survey, April 2010.

Consumers spend an average of $148.48 on total wellness products each month. By segment, monthly spending is highest for the Core (nearly double the overall average) as shown in Table 1.

Table 1 – Monthly Wellness Spending in 2010 by Segment

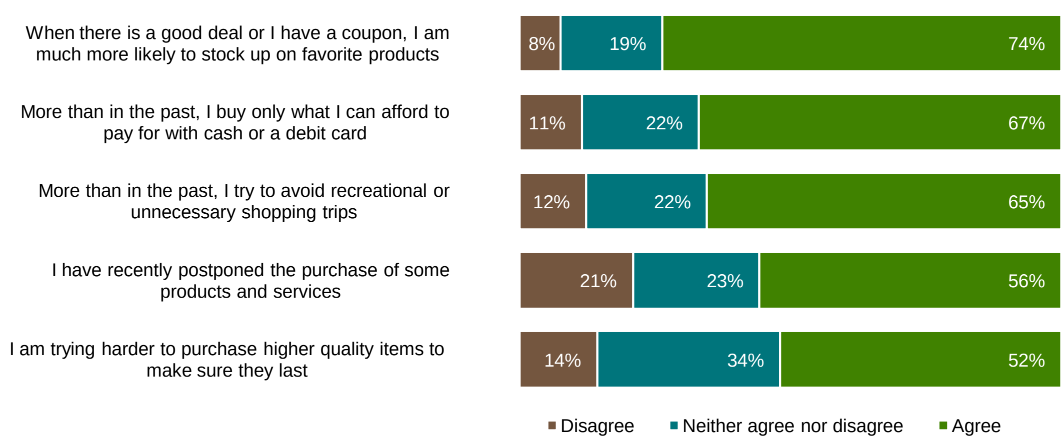
Segment	Monthly Spending on Wellness Products
Core	$307.25
Mid-level	$159.13
Periphery	$59.29

Q30: "For each category of household goods below, please indicate what portion of the LAST 30-DAYS' spending in each category was for targeted items." | Base: 2681-2010. | Source: Reimagining Health + Wellness 2010 Survey, April 2010.

NEW IN 2010

This year, we tried to narrow down some more activities that consumers are pursuing in light of the current economic conditions. The findings show that consumers are in general still continuing to purchase their necessary goods but perhaps buying when the time is right. Around three-quarters of consumers mentioned they will pursue a good deal or use coupons to stock up on their favorite products (74%). Another two-thirds of consumers are more likely to buy only what they can pay for with cash or debit cards and to avoid recreational/unnecessary shopping trips. Slightly above half of consumers have postponed the purchase of some products; in fact consumers are most likely to disagree with postponing a purchase (21%). A case in point is the March 2010 auto sales figures showing an increase of 24% over last year[2]. That shows that consumers are loosening their purse strings of large ticket items because of increasing consumer confidence. The purchasing of higher quality items that last longer is the least of behaviors that resonates with consumers (52%).

Figure 29 – Top Economic Effects and Austerity Behaviors



Q44: "For each of the statements below, please indicate how much you agree or disagree with the statement. – Agree is Top-2 box Agree strongly/somewhat and Disagree is Bottom-2 box Disagree strongly/somewhat" | Base: Primary household shoppers (n=2031). | Source: GMDC 2010 Survey, Mar. 2010.

[2] http://money.cnn.com/2010/04/01/news/companies/autosales/index.htm?section=money_latest

Impacts of Recession on Various Categories

The recession has impacted various product categories in different ways, again with more "everyday" items appearing to be least impacted, as discretionary categories the most impacted. Though this year, we are finding lesser influence than last year in general.

FOOD/BEVERAGE AND SUPPLEMENTS

We look at consumers that have made any changes with the way they purchase energy drinks or functional beverages[3]. For energy drinks, generally not considered a staple, the most common change is to purchase it less often this year (25%) as shown in Table 2. This happens to be a slight drop from last year (31%). Consumers are more likely to still buy their energy drinks but to purchase it using coupons and sales (20%) which is up from last year's 8%. In more "everyday" use categories, consumers buying functional beverages are more likely to use coupons (18%). Only 12% of consumers are buying functional beverages less often which is again a drop from the 20% in 2009. For these two food/beverage categories, we are seeing a trend of not only the consumer purchasing their products, but increasing the rate of purchasing them.

Table 2 – Changes Made in Purchasing Food or Supplement Products 2009 vs. 2010

	Energy drinks		Functional or enhanced beverages		Vitamins or minerals		Herbal supplements		Specialty supplements	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
I buy it less often	31%	25%	20%	12%	13%	10%	15%	16%	14%	18%
I buy smaller amounts when I do buy it	18%	10%	11%	6%	9%	5%	11%	10%	8%	11%
I shop around more to find the best deal	16%	8%	22%	14%	19%	14%	25%	15%	20%	22%
I'm more likely to wait for sales or deals and stock up	13%	19%	24%	15%	26%	15%	15%	19%	14%	17%
I have switched to less expensive brands	12%	6%	14%	6%	11%	8%	14%	12%	10%	19%
I'm more likely to collect and use coupons	8%	20%	24%	18%	17%	14%	20%	14%	11%	16%
I am more focused on buying higher quality than before	8%	7%	6%	9%	11%	10%	10%	12%	13%	9%
I buy the store brand more often	3%	4%	13%	13%	17%	15%	15%	11%	11%	17%

Q31/Q32: "How has your approach to shopping for Product category changed, if at all, compared to last year?" | Base: Product shoppers (n varies from 155 to 427 depending on product). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Dietary supplement shoppers in general are also more likely to wait for sales, to shop around to get the best deal or to buy the store brand, but, again, it does not appear that they are simply "going without." For vitamins and minerals consumers, every single change in the list experiences a slight decline over 2009. There is less price sensitivity with vitamins and minerals because they are more of a commodity item where there are many manufacturers producing the similar items such as Vitamin C. They are generally less expensive than herbal or specialty supplements to begin with so a consumer will often choose the Vitamin C that is the best value among the choices, assuming basic quality expectations are met. Consumers are also more likely to take vitamins and minerals on a regular basis so there is a need to always keep these on hand.

[3] Please note that energy drinks and functional beverages are the only food/beverage categories explored in this study

Herbal and specialty supplements are more often used for specific conditions so are taken less frequently than vitamins or minerals. Unlike vitamins or minerals, these supplements see an increase in some purchasing changes this year. For herbal supplements, these changes are buying it less often, waiting for sales or deals, and focusing on higher quality more this year than last. In fact, waiting for sales or deals and stocking up is the most common change this year for herbals. For specialty supplements it is even more dramatic as every purchase change increases this year, with the most common change being shopping around. Specialty supplements include items such as probiotics and joint health supplements which generally cost more than the standard multivitamin so there is more price sensitivity with these items.

PERSONAL CARE

Personal care products such as bar soap, body wash, hair care, and face care are typically "everyday use" products. As shown in Table 3, consumers that have changed their purchase habits in the past year have done so by being more likely to wait for sales and stocking up, or to a slightly lesser degree using coupons for their purchases. This matches up with last year's data in terms of ranking although there a slight decline in these changes this year which again indicates the incidence of "going without" is relatively low and declining.

Table 3 – Changes Made in Purchasing Personal Care Products – List 1

	Bar soap		Body wash or bath gel		Hair care		Face care	
	2009	2010	2009	2010	2009	2010	2009	2010
I'm more likely to wait for sales or deals and stock up	20%	16%	25%	21%	19%	14%	23%	18%
I'm more likely to collect and use coupons	18%	10%	21%	18%	24%	13%	28%	18%
I shop around more to find the best deal	14%	12%	21%	13%	18%	13%	19%	14%
I buy it less often	10%	9%	13%	15%	9%	10%	15%	14%
I have switched to less expensive brands	9%	6%	15%	12%	16%	8%	16%	6%
I buy smaller amounts when I do buy it	5%	5%	6%	7%	5%	6%	11%	10%
I buy the store brand more often	5%	5%	9%	9%	9%	7%	12%	5%
I am more focused on buying higher quality than before	4%	7%	8%	5%	9%	11%	10%	12%

Q31/Q32: "How has your approach to shopping for Product category changed, if at all, compared to last year?" | Base: Product shoppers (n varies from 346 to 515 depending on product). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Almost every change experiences a drop this year for these four product categories. The only change that sees an increase this year is the more focus on higher quality. This shows that consumers are not as focused on the lowest prices and are willing to pay more for high quality products.

In the second list of personal care items as shown in Table 4, a quarter of cosmetics shoppers (26%) are purchasing less often (26%) this year. Cosmetic consumers are in fact most likely to buy this product category less often than all other categories this year. Consumers are making do with the cosmetics they currently own, and will replace exhausted stocks, put off discretionary purchases of desired but not "needed" items. In more everyday personal care items, shoppers are continuing to make purchases by waiting for sales and stocking up, or using coupons for regularly used items such as deodorant, moisturizers, oral care, shaving care, baby diapers, and feminine hygiene. Consumers of children's care products are more likely to shop around this year which contrasts to the top change last year of waiting for sales and stocking up. There is less reliance on sales or deals this year and more collecting and use of coupons for categories such as saving, baby care and children's care. But, the main finding is the use of these changes has trended downward overall for most categories.

Table 4 – Changes Made in Purchasing Personal Care Products – List 2

	Cosmetics		Deodorant or antiperspirant		Lip balm/ gloss		Moisturizers		Oral care	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
I buy it less often	26%	26%	5%	5%	16%	13%	16%	10%	4%	7%
I shop around more to find the best deal	20%	17%	10%	14%	13%	6%	18%	15%	16%	12%
I'm more likely to collect and use coupons	18%	16%	18%	18%	13%	8%	23%	17%	27%	15%
I'm more likely to wait for sales or deals and stock up	18%	18%	23%	19%	15%	7%	21%	16%	19%	12%
I am more focused on buying higher quality than before	12%	11%	5%	9%	9%	2%	12%	8%	8%	6%
I have switched to less expensive brands	10%	12%	9%	9%	7%	5%	12%	12%	9%	8%
I buy the store brand more often	8%	7%	5%	6%	11%	3%	8%	10%	7%	7%
I buy smaller amounts when I do buy it	7%	14%	4%	4%	8%	4%	10%	5%	4%	4%

Changes Made in Purchasing Personal Care Products – List 3

	Shaving lotions/ gels/foam		Baby diapers, wipes, or care		Children's personal care products		Feminine hygiene/ contraceptives		Over the counter medications	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
I'm more likely to wait for sales or deals and stock up	22%	8%	28%	15%	24%	14%	21%	11%	17%	13%
I'm more likely to collect and use coupons	21%	21%	26%	22%	22%	17%	27%	14%	21%	19%
I shop around more to find the best deal	19%	13%	24%	20%	20%	19%	11%	12%	23%	13%
I have switched to less expensive brands	12%	10%	10%	11%	15%	17%	11%	5%	17%	16%
I buy the store brand more often	12%	7%	15%	12%	17%	14%	10%	6%	24%	21%
I buy it less often	11%	10%	5%	11%	7%	16%	8%	9%	16%	10%
I am more focused on buying higher quality than before	6%	6%	6%	8%	14%	7%	5%	8%	6%	4%
I buy smaller amounts when I do buy it	5%	3%	7%	5%	5%	8%	8%	7%	10%	7%

Q31/Q32: "How has your approach to shopping for Product category changed, if at all, compared to last year?" | Base: Product shoppers (n varies from 171 to 452 depending on product). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

OVER THE COUNTER MEDICATIONS

As shown in the previous table, OTC medications are the one product category where consumers are more likely to switch to private label brands. Roughly one in five OTC consumers (21%) buys the store brand more often this year, although this has also declined from the 24% last year.

CLEANING PRODUCTS

This year, we find the same two changes at the top of the list as last year for household cleaners. Shoppers are more likely to use coupons or wait for sales to purchase their cleaning products.

These are household items that are used less regularly by consumer so they can wait for sales or collect coupons and still make do. Though last year, more than 25% of consumers would use coupons or sales for cleaners; this year it is generally lower with the exception of kitchen cleaners. It is trending more towards a 'business as usual' attitude for consumers these days.

Table 5 – Changes Made in Purchasing Household Cleansers

	Bathroom cleaners		Kitchen cleaners		Laundry detergents		Window / general purpose cleaners	
	2009	2010	2009	2010	2009	2010	2009	2010
I'm more likely to collect and use coupons	27%	19%	27%	27%	24%	20%	26%	14%
I'm more likely to wait for sales or deals and stock up	26%	13%	22%	20%	27%	21%	24%	11%
I shop around more to find the best deal	22%	15%	17%	14%	19%	15%	14%	13%
I buy the store brand more often	17%	11%	17%	12%	8%	10%	15%	13%
I have switched to less expensive brands	15%	13%	18%	11%	15%	13%	14%	12%
I buy it less often	11%	11%	12%	8%	9%	5%	17%	12%
I am more focused on buying higher quality than before	8%	6%	7%	7%	11%	8%	6%	4%
I buy smaller amounts when I do buy it	5%	4%	7%	6%	6%	2%	5%	5%

Q31/Q32: "How has your approach to shopping for Product category changed, if at all, compared to last year?" | Base: Product shoppers (n varies from 484 to 506 depending on product). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

OTHER CATEGORIES

For home fragrance products, the most common change consumers are making is to buy it less often this year (19%), although this is slightly below last year's 22% figure. Pet supplies are a regularly purchased item and this year, consumers are still more likely to use coupons to make their purchase (17%). Plants and gardening goods are not considered consumer necessities like food and personal care good are. But this year, there are more consumers shopping this category by shopping around for the best deal (18%).

Table 6 – Changes Made in Miscellaneous Products

	Home fragrance		Pet supplies		Plants and garden care	
	2009	2010	2009	2010	2009	2010
I'm more likely to wait for sales or deals and stock up	26%	14%	14%	12%	17%	14%
I buy it less often	22%	19%	7%	5%	25%	15%
I'm more likely to collect and use coupons	19%	16%	18%	17%	10%	8%
I shop around more to find the best deal	11%	17%	18%	13%	19%	18%
I am more focused on buying higher quality than before	9%	9%	9%	12%	7%	8%
I have switched to less expensive brands	9%	9%	12%	11%	8%	5%
I buy smaller amounts when I do buy it	8%	10%	8%	4%	11%	11%
I buy the store brand more often	5%	8%	7%	11%	9%	5%

Q31/Q32: "How has your approach to shopping for Product category changed, if at all, compared to last year?" | Base: Product shoppers (n varies from 311 to 349 depending on product). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Future Trends in H+W

While the current economic challenges may briefly attenuate some consumer growth in the World of H+W, long-term we do not anticipate that the impact will derail the continuation of the patterns we have seen for the past several years, which are incorporated into the sections, above, as well as lower-level patterns that we see in the product and retail contexts as covered in the next two chapters.

In a general sense, we anticipate further growth, as more intensive H+W lifestyle values are adopted by increasingly large chunks of the population. We also anticipate that more categories will take on a H+W resonance or be more directly tied to consumer notions of H+W. For instance, cleaning products have only relatively recently taken on H+W overtones that extend into more mainstream populations, though they have been a concern of Core consumers for years. This suggests that a broad-based H+W strategy is most appropriate for retailers and manufacturers. “H+W everywhere” could serve as a mantra for such an approach.

However, generally, the future is most likely to hold an intensification of existing patterns, such as an increasing level of concern with food ingredient quality, an increasing emphasis on the environmental friendliness of goods purchased for the home, and more attention paid to any perception of toxicity in personal care products. In some part, this intensification of proactive H+W will also be fueled by intensifying concern over continuing health care cost increases.

Strategically and tactically, retailers and manufacturers may use the guidelines in the next two chapters to “future proof” their stores, products, and services. At the product level, paying particular attention to purchase decision criteria in the Core will illuminate what is likely to become more important to more mainstream consumers over the next several years. In a retail sense, following a generally forward-leaning strategy based on category priorities we lay out (channel-by-channel) will be useful in accommodating consumer evolution and changes in the World of H+W over the next 3-5 years.

What will likely change most profoundly are the micro-contours of the H+W landscape, as strongly influenced by the Core of the H+W world. For instance, agave sweetener is now emerging at mainstream retailers such as Costco, though it has been used by Core consumers for years. Probiotics have had a similar trajectory over the past few years. Over the next five years, we may see several now-Core trends fall out to the mainstream. Predicting specific Core patterns that will “fall out,” however, would be highly speculative, even for the most attentive observers of H+W trends. The following are examples of currently trendy items or practices in the Core this year, however, we do not expect all of them to make their way to the mainstream, and are presented for illustrative purposes only.

- **Nettles** are an herbaceous plant native to Europe, Africa, Asia, and North America. Hikers may know of its stinging effects when brushing by it but when consuming it in teas or capsules, it is thought to help with allergies, inflammation and bone health.
- **Vinpocetine** is a nutritional supplement derived from the periwinkle plant. The supplement is already very much in use in Europe, where physicians believe it is far more effective than other supplements -- such as ginkgo biloba – for use in memory and brain function

- **Cordyceps** is a traditional Chinese medicinal mushroom that may help with fatigue and boost energy levels.
- **Tulsi**, also known as holy basil has been sacred in India for over 5000 years. It is often used as a tea for relaxation and mood-lift.
- Core consumers are also using **stainless steel water bottles** to avoid chemicals that may leach out of plastic such as Bisphenol-A.

CHAPTER 3 | Product Categories

Introduction

In this chapter, we discuss at length the various product categories that we examined as part of this study. We open with a summary of key ("critical") concepts relating to categories. That summary begins with a brief explanation of the Product Adoption Path, which is central to understanding most of the concepts that follow it. It is the central narrative that describes how consumer product interest changes as they become increasingly involved in H+W.

Following the key concepts, we jump directly into the product categories themselves, which we classify as gateway and non-gateway categories, with gateway categories being the most important to consumers at this time. In addition, for each category, we provide specifics on how it is H+W-relevant, the completeness of brand/product offerings in the category and the purchase decision criteria. Again, we will look at any changes occurring between 2009 and 2010.

What You Will Learn In This Chapter

- There is a predictable adoption path in terms of which products consumers will use as they become increasingly involved in Health and Wellness (e.g., personal care and household cleaning products are adopted before most general merchandise products)

- General merchandise and health, beauty and wellness products fall into one of three categories: 1) gateway categories, 2) non-gateway categories that have direct ties to Health and Wellness and 3) non-gateway categories that have indirect ties to Health and Wellness

- In terms of specific Health and Wellness product criteria, Periphery and "low" Mid-level consumers tend to think primarily about price and effectiveness. For "high" Mid-level and Core consumers, notions of purity, avoidance of toxins and environmental friendliness are the most desired product attributes

- The introduction of transitional products (targeted to Mid-level consumers) is imperative to help consumers move from conventional products into more Health and Wellness oriented items

- Retailers should utilize integrated product sets (merchandising the conventional and transitional products in the same location) to attract mainstream consumers who shop habitually and want to make product comparisons at the shelf

- Product packaging is the first Health and Wellness cue that consumers notice – clarity of product function, sustainability markers and contemporary aesthetics are all necessary

Key Concepts at the Product and Category Levels

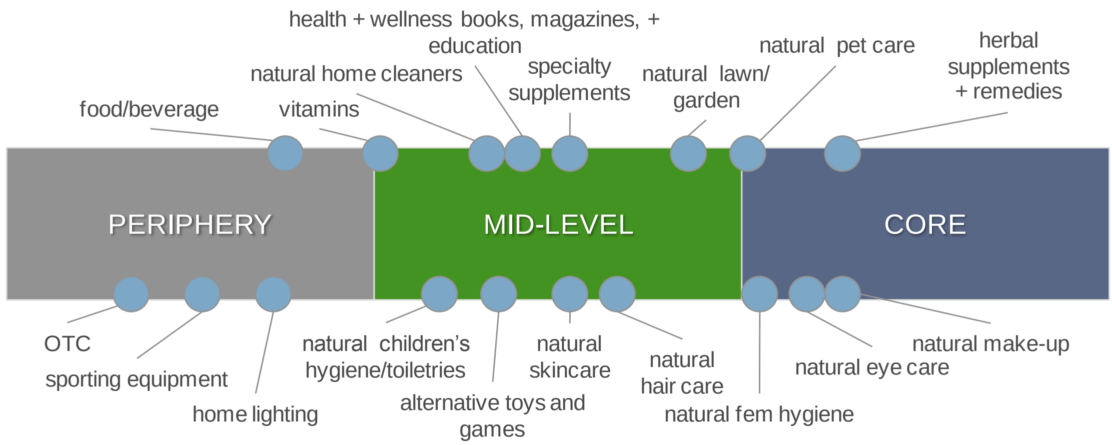
There is a Predictable Product Adoption Path

A distinct product adoption pathway exists in the World of H+W. This pathway delineates the order by which consumers typically introduce product categories to their wellness regimens as they evolve from Periphery toward the Core.

The first major H+W category to be adopted into a wellness lifestyle is, almost invariably, healthier and better food, followed by use of common vitamins, most often a multi-vitamin, and often including basic named vitamins e.g. Vitamin C. We call these, and a few others, "**gateway**" categories. In the Mid-level, consumers begin to incorporate other H+W-oriented products such as natural home cleaners and personal care items into their wellness regimes. By the time consumers reach the Core, they are shopping with keen H+W interest in nearly every category, from the food they feed their pets to what they spray on their lawn.

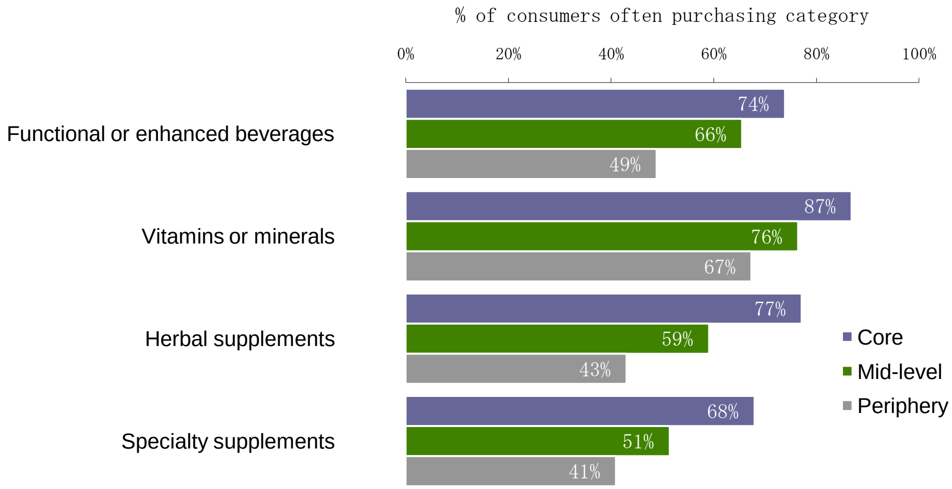
The **Product Adoption Pathway** (see chart below) can be quite helpful as a guide for **targeting products and retail offerings that are most relevant to consumers**. For instance, there would be little point in trying to sell herbal remedies with origins in Traditional Chinese Medicine (far upper right of chart) to consumers in the Periphery of the H+W world, however, targeting those same consumers with sensible, easy-to-shop arrangements of common vitamins (top, toward the left of the chart) makes perfect sense based on the Product Adoption Path.

Figure 30 – Product Adoption Pathway



We can see this pattern to some extent in the self-reported category frequency of use data from our quantitative survey. For instance, the next figure shows the purchasing behavior of functional beverages such as fruit juices with added vitamins and dietary supplements. This pattern repeats itself showing higher usage at the Core of each of the gateway product categories on it. In all cases, it's the Core consumer that is purchasing these wellness products on a more frequent basis.

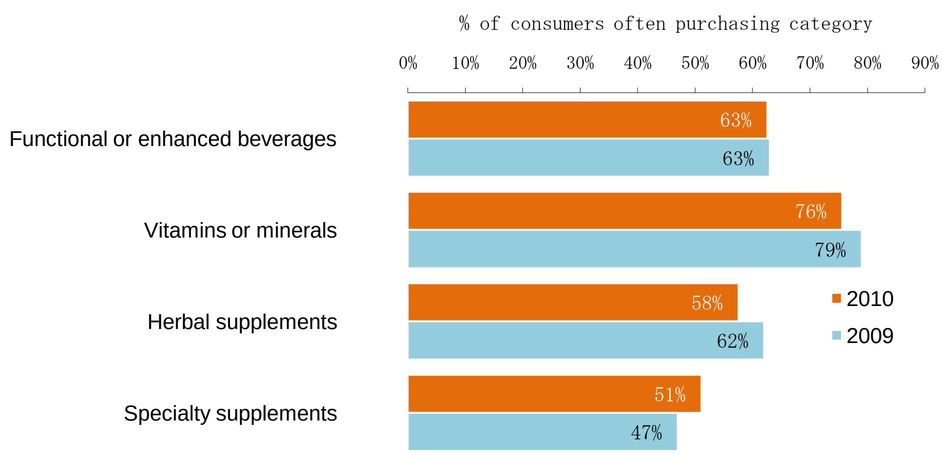
Figure 31 – Purchasing of H+W food and supplement products across the H+W continuum



Q28: "How often do you purchase NATURAL OR ORGANIC VERSIONS of the following products?" | Base: Primary household shoppers (n=2031; 158 Core, 1424 Mid-level, 449 Periphery). | Source: GMDC 2010 Survey, Mar. 2010.

When comparing purchasing to last year in Figure 32, we see no change in the purchasing of functional beverages. We do see slight decreases in the purchase of herbal supplements. Specialty supplements show a slight increase in purchasing this year.

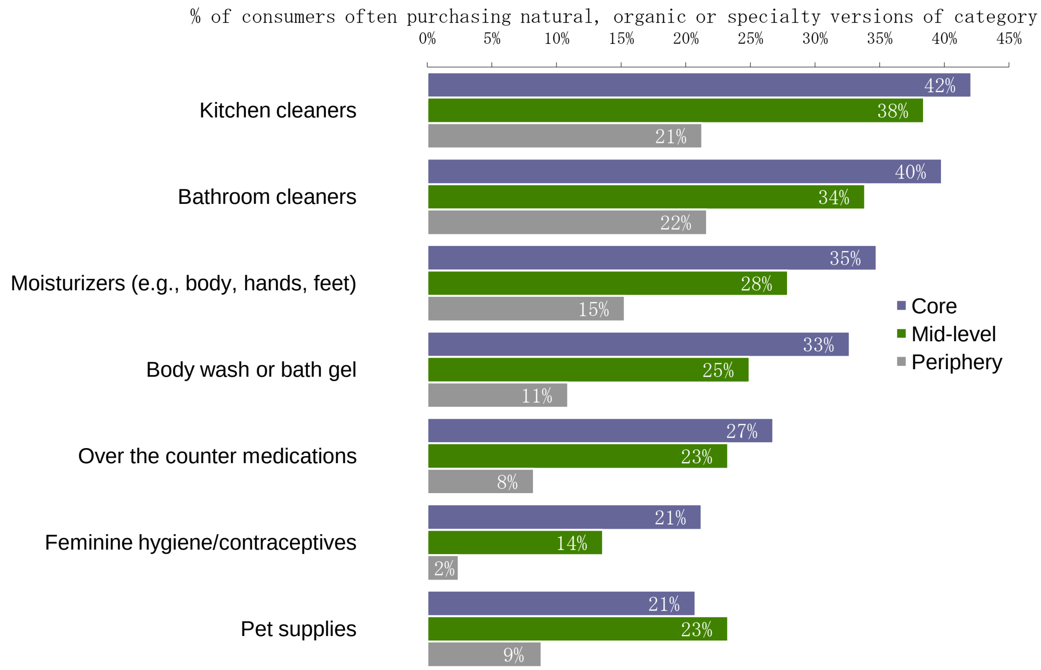
Figure 32 – Purchasing of H+W food and supplement products across the H+W continuum 2009 vs. 2010



Q28: "How often do you purchase NATURAL OR ORGANIC VERSIONS of the following products?" | Base: Primary household shoppers (n=2176-2009; n=2031-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

As another example, when looking at a variety of household products in Figure 33, we find the Core is more highly engaged in purchasing *natural, organic or specialty versions* within product categories and subcategories, showing the increased adoption of version as it correlates with increasing involvement in H+W lifestyles. Product categories below include cleaners, personal care products and over the counter medications.

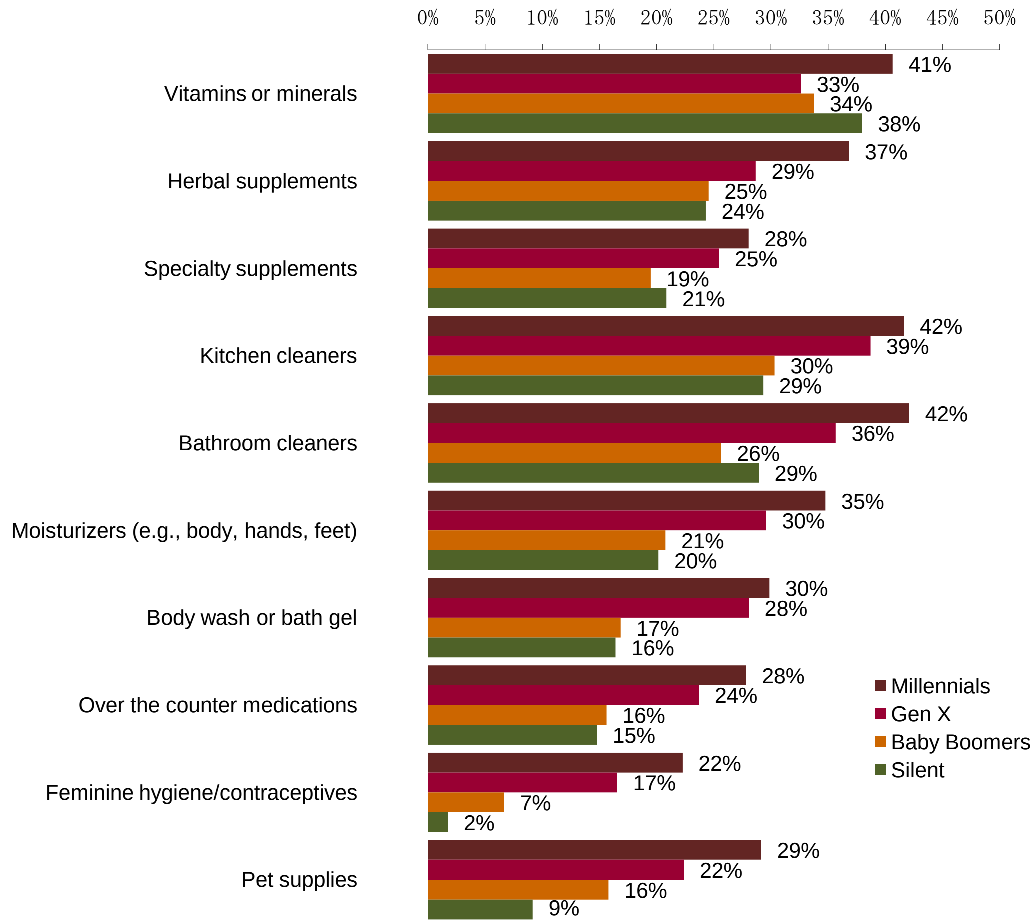
Figure 33 – Natural, organic or specialty versions of sample products purchased by Segment



Q28: "How often do you purchase NATURAL OR ORGANIC VERSIONS of the following products?" | Base: Primary household shoppers (n=2031; 158 Core, 1424 Mid-level, 449 Periphery). | Source: GMDC 2010 Survey, Mar. 2010.

When looking at cohort differences (Figure 38) we see that younger generations are more likely to be purchasing natural, organic or specialty versions of the same product categories. Product categories with the biggest gradients are herbal supplements, moisturizers, body wash, OTC and pet supplies.

Figure 34 – Natural, organic or specialty versions of sample products purchased by Cohort

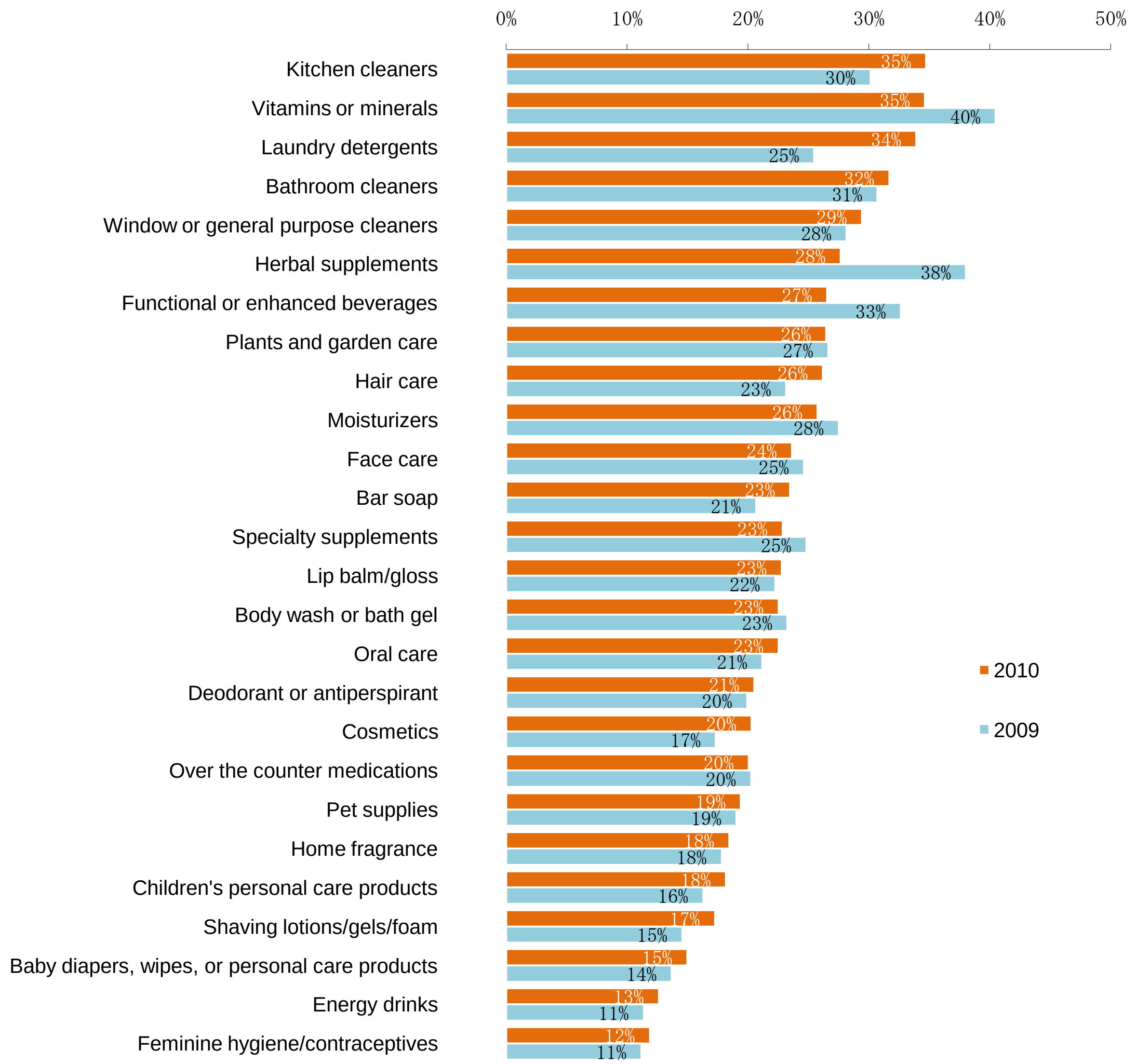


Q28: "How often do you purchase NATURAL OR ORGANIC VERSIONS of the following products?" | Base: Primary household shoppers (n=2031; 274 Millennials, 653 Gen X, 923 Baby Boomers, 181 Silent). | Source: GMDC 2010 Survey, Mar. 2010.

Figure 35 shows the entire list of 26 natural, organic or specialty versions of product categories we ask consumers this year and last. We see that all cleaning products such as kitchen, bathroom, window, and, in particular laundry detergents experience a rise in purchasing natural, organic or specialty versions from 2009. The use of laundry detergents rises dramatically from 25% in 2009 to 34% in 2010. Other product categories that experience a notable increase are hair care and cosmetics. On the other hand, we see that all supplement categories and functional beverages experience a drop in purchasing over the year. Some of our other research show that the use of supplements has waned recently.

Figure 35 – Natural, organic or specialty versions of sample products purchased 2009 vs. 2010

% of consumers often purchasing natural, organic or specialty versions of category



Q28: “How often do you purchase NATURAL OR ORGANIC VERSIONS of the following products?” | Base: Primary household shoppers (n=2176-2009; n=2031-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Categories Vary in Their H+W Resonance

Categories vary in their relevance to H+W. **Gateway categories** are the most immediately relevant to H+W. These categories, as "gateway" suggests, are extremely important in opening further doors to more advanced levels of H+W, forming both an "entryway" and "critical path" for the evolving consumer. For example:

- Supplements, as a broad category, often function as a gateway, as consumers move from using more common vitamins, to specialty supplements, to, for some, herbal and other more exotic specialty supplements
- Use of incrementally natural (as compared to traditional or "chemical") home cleaning products often leads to use of *more* natural and natural/organic specialty cleaning, and at some point may help spark interest in other, "less chemical" H+W products such as lotions and shampoos

Certain categories have direct H+W relevance, but do *not* often serve as gateways. For instance, Oral Care products don't typically serve as gateways (in fact, we've *never* heard of a consumer who began a H+W journey with an emphasis on "a more naturally healthy mouth"). However, they do serve as complements, in the sense that consumers that have been otherwise inspired toward H+W will adopt, say, natural toothpaste as part of a holistic emphasis on natural personal care.

Finally, there are some categories that are neither gateways nor do they have clear ties to Health and Wellness. These categories will be more difficult (but not impossible) to cultivate in terms of H+W resonance, but are important for "halo" purposes.

Figure 36 – Gateway and Non-Gateway Categories

Gateway Categories	Non-Gateway Categories with Clear Ties to Health and Wellness	Non-Gateway Categories Lacking Clear Ties to Health and Wellness
Home Cleaning	Plant and Garden Care	Pet Supplies
Books, Magazines, and Education	OTC	Home Lighting
Functional Beverages	Oral Care	Office Supplies
Supplements	Eye Care	Sporting Equipment
Children's Hygiene & Toiletries	Feminine Hygiene	Toys and Games
Hair and Skin Care	Makeup & Cosmetics	

It is also worthy to note that several categories residing in the Periphery of the H+W world, including OTC, sporting equipment, and even some home goods categories such as lighting, are more 'residual' than actually part of a dynamic product pathway. For the most part, they are "always there" for every consumer and/or exist in the Periphery outside of any meaningful commitment to a H+W lifestyle. E.g. using OTC pain relievers does not usually indicate an increasing interest in H+W, however, taking vitamins often does.

Some Categories Have Big Gaps and Lack Transitional Products

Many consumers hesitate to jump from one class of product to another class several layers removed from it. It would be unusual for someone who likes to eat at Olive Garden and Outback to suddenly become interested in $150 multi-course tasting menus, without sampling anything in-between and working their way up to the higher level of culinary sophistication. Similarly it's very uncommon for a consumer to jump from using original Tide to using Seventh Generation laundry detergent without at least experimenting with Tide Free or a similar "more natural" version of a conventional cleaner. Clorox Green Works provides another good example of such a "transitional" product – it represents a first foray into H+W – oriented cleaners for many Periphery consumers. Those consumers may later move on to progressively more "natural" cleaners as they evolve. The image below shows examples (using pictures taken in consumers' homes) of home cleaning products moving from conventional products on the far left through transitional products to Core H+W products on the far right.

Some categories under scrutiny here lack such transitional products that would serve to accommodate the *incremental* evolution of H+W consumers, as bridges between one level of H+W and the next. Without a "bridge," consumers may become "stuck." (See section on stasis and exit, below.)

Interestingly, categories lacking transitional products *could serve as gateway categories* if they were more fully articulated across the H+W spectrum, but as they stand now, they contain "dead spaces." At the same time, those dead spaces represent good opportunities for both manufacturers and retailers to expand their offerings.

"Big Gap" Categories are Prone to Stasis or Exit

Where transitional products are lacking, generally one of two things happens.

Consumers may become "stuck" (stasis) and simply stop experimenting with new products in a particular category or subcategory, since there is "nowhere to go" or at least nowhere that has obvious value to those consumers. For examples, we have observed many consumers that have gotten stuck with their underarm deodorant, and while they use other categories of products that are much further along the H+W product path (e.g. all natural, specialty skin care products), they continue to use a conventional brand of deodorant. At one level, there are of course effectiveness concerns that may help keep a consumer using a traditional brand, but in other cases, there simply are not very many visible options (at most stores) between the usual traditional brands and something like Tom's, which, to less experienced H+W consumers, may seem a bit extreme.

Alternatively, some consumers simply cease (or greatly reduce) using conventional products due to their H+W concerns, and, lacking readily available alternatives, essentially exiting categories. For instance, historically many more advanced H+W consumers have simply stopped using most home cleaners due to worries about "chemicals," and have moved to largely using "elbow grease" and home-made solutions such as vinegar and water for cleaning tasks, though fortunately in this category products such as the aforementioned Green Works have stepped in as of late.

Again what this means is that there are serious opportunities for manufacturers and retailers to "fill the gaps" in certain categories, to provide (and structure) pathways for evolving consumers, or to simply retain them in the categories.

Some Categories Show Serious Consumer Knowledge Gaps

There are several categories where consumers struggle somewhat with transitioning between conventional products and more H+W-oriented versions of those products, because they do not understand the differences between those products or the advantages (if any) of moving to "healthier" versions. In fact, much of what we describe of consumers evolving into and through the Mid-Level of H+W is, quite directly, a learning project of fairly large proportion. Making that learning easier – showing consumers any meaningful differences between types of products – may form the basis of a solid H+W growth strategy for both manufacturer and retailer.

Manufacturers may leverage the category-specific data presented below (i.e. purchase decision criteria, as points of difference across the continuum of H+W consumers) for their categories. For retailers, we introduce this topic again in the next chapter.

Figure 37 – Consumer Collage Excerpt Reflecting Product-Level Sustainability Implications

Interest in Sustainability is Visible at the Category Level

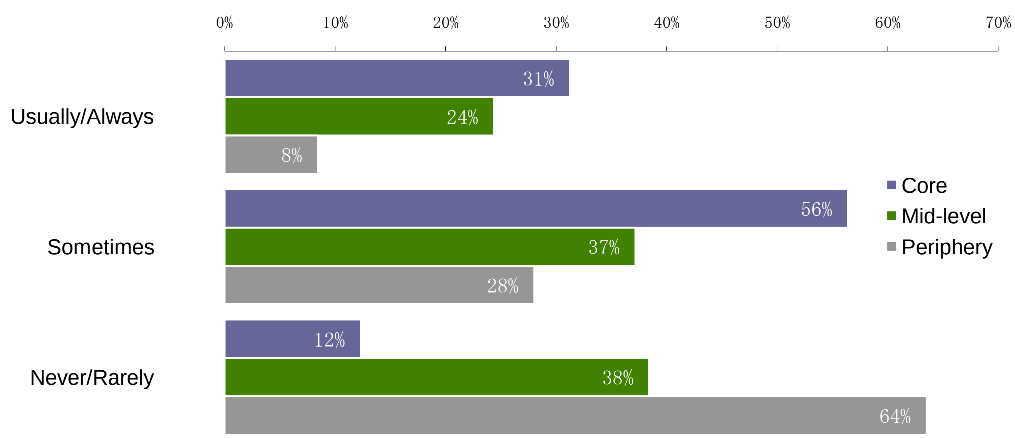
Sustainability concerns manifest themselves in various ways with respect to the various categories and products explored here. In a general sense, *serious* sustainability concerns are not very present in connection with specific products and categories until consumers reach more advanced stages of H+W at the "inner" Mid-Level and its immediate adjacency, the Core of the H+W World. (Please refer to the previous chapter for more detail on sustainability through a general consumer lens.)

What we do see consistently is sustainability concerns playing out **within product decision criteria** in each category. For instance, in cleaning products there are several different layers of sustainability-related concerns, beginning with basic concerns about "non-irritating" and ending (with more advanced consumers) in more direct concerns about "environmental impact" of whatever ultimately ends up going to the drain and out into the greater world.

Interest in Natural/Organic, Sustainability and Toxicity Avoidance Varies Across Categories

We now examine how often consumers seek out natural or organic versions of H+W products. We see that the smallest group of consumers is those that **usually or always** seek out natural or organic versions of the health and wellness products they are shopping for. Nearly one in five (21%) consumers are in this high frequency group. We see that the Periphery consumer usually or always seek out natural or organic versions the least frequently (8%). The majority of Periphery consumers (64%) in fact never or rarely use these versions. Mid-level consumers are increasingly likely to usually or always seek out natural or organic versions (24%), whereas nearly a third of Core consumers (31%) usually or always seek out natural or organic versions.

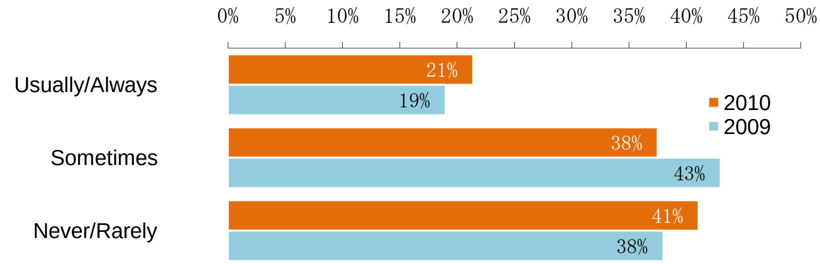
Figure 38 – Frequency of seeking out Natural or Organic versions of H+W products



Q25: "When shopping for health and wellness products for your household, how often do you seek out NATURAL or ORGANIC products?" | Base: Primary household shoppers (n=2031; 158 Core, 1424 Mid-level, 449 Periphery). | Source: GMDC 2010 Survey, Mar. 2010.

When comparing the two time periods in Figure 39, we see there are slight increases at the opposite ends of the frequency range with more people choosing usually/always as well as never/rarely. The middle sometimes group drops as a results.

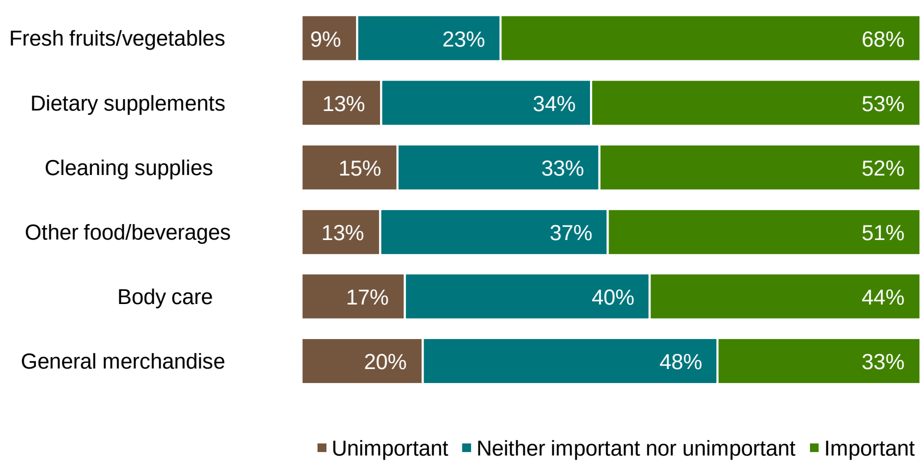
Figure 39 – Frequency of seeking out Natural or Organic versions of H+W products 2009 vs. 2010



Q25: "When shopping for health and wellness products for your household, how often do you seek out NATURAL or ORGANIC products?" | Base: Primary household shoppers (n=2176-2009; n=2031-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Product categories also vary in terms of their importance of being natural or organic. When looking at consumers that seek out natural or organic versions of H+W product in the following chart, we see that the product categories where the item is **eaten** or **consumed** are the most important being natural or organic. These items include fresh fruits/vegetables (68%) and dietary supplements (53%). These are all the established H+W gateways within a wellness lifestyle.

Figure 40 – Importance of Being Natural or Organic

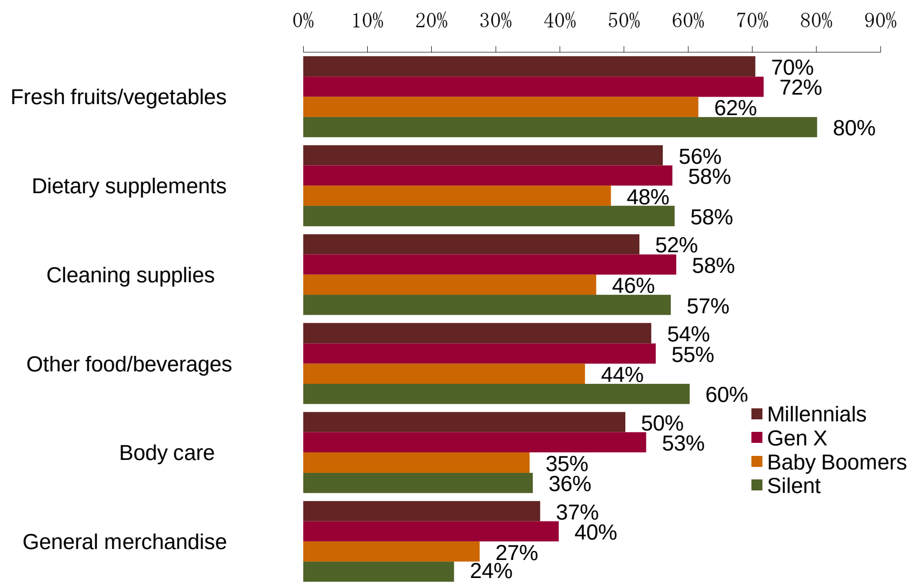


Q26: "Please indicate how important being NATURAL OR ORGANIC is when purchasing each of the following kinds of products." | Base: Primary household shoppers that at least RARELY seek out NATURAL or ORGANIC products (n=1747). | Source: GMDC 2010 Survey, Mar. 2010.

NEW IN 2010

Figure 41 shows the breakdown by age cohorts. The Silent generation places more importance on food/beverage categories than younger cohorts. The younger cohorts, in contrast find body care and General Merchandise (GM) products more important.

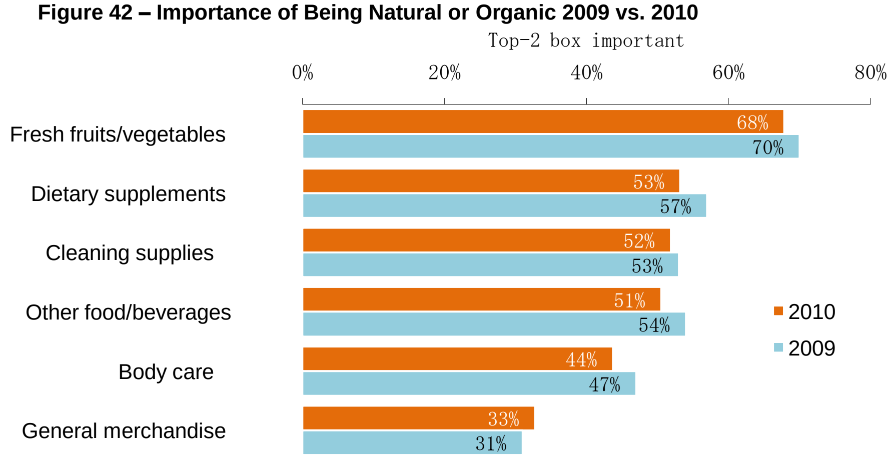
Figure 41 – Importance of Being Natural or Organic by Cohort 2010



Q26: "Please indicate how important being NATURAL OR ORGANIC is when purchasing each of the following kinds of products. – Top-2 box important" | Base: Primary household shoppers that at least RARELY seek out NATURAL or ORGANIC products (n=1747-2010). | Source: GMDC 2010 Surveys, Mar. 2010.

When comparing 2009 and 2010, we generally see the same pattern of products being important. Fruits and vegetables are the most important while GM products are the least.

Figure 42 – Importance of Being Natural or Organic 2009 vs. 2010

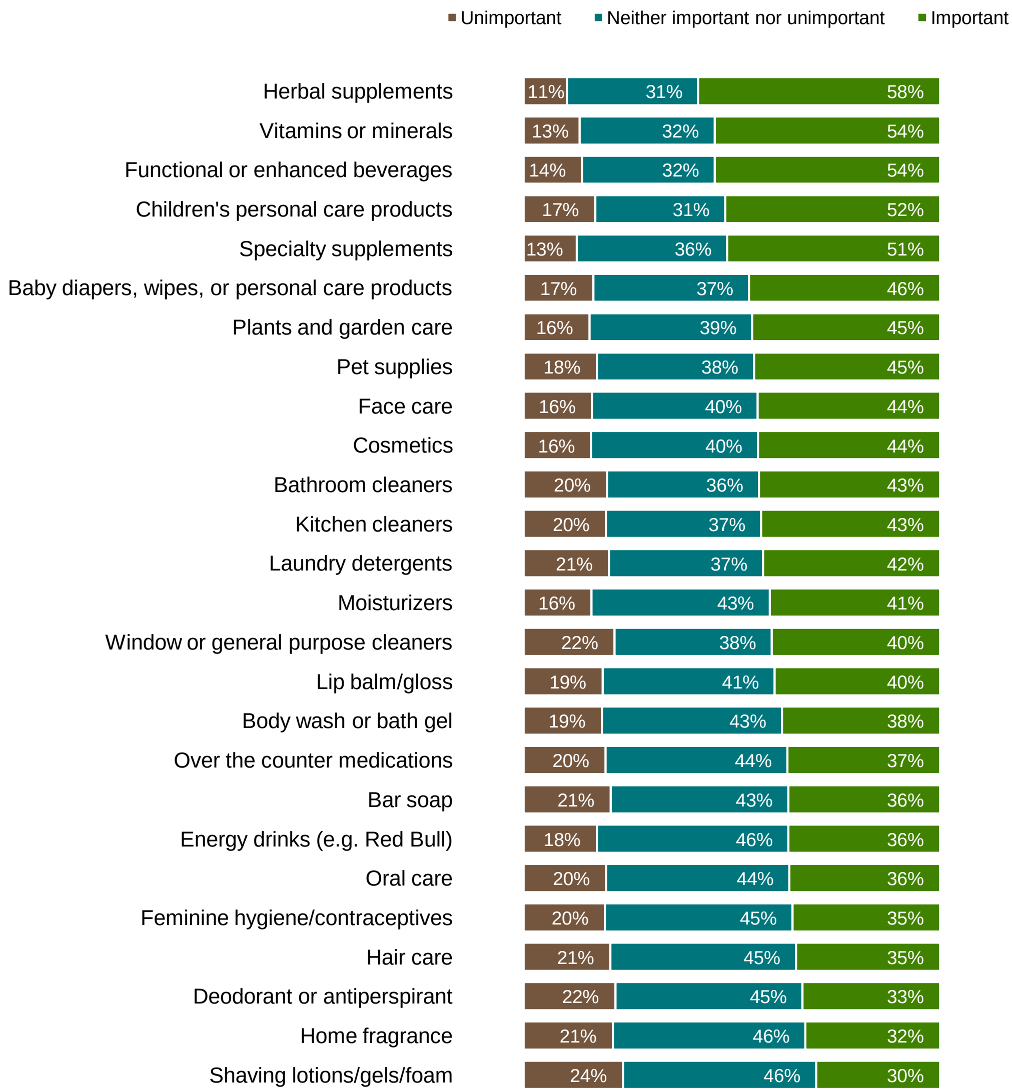


Q26: "Please indicate how important being NATURAL OR ORGANIC is when purchasing each of the following kinds of products. – Top-2 box important" | Base: Primary household shoppers that at least RARELY seek out NATURAL or ORGANIC products (n=1845-2009; n=1747-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

NEW IN 2010

Furthermore, we break down the general categories into 26 different products and examine the importance of natural or organic options again. As Figure 43 shows, those items that are consumed or taken internally or used by children show the most importance in being natural or organic. These top product items are herbal supplements (58%), vitamins or minerals (54%), functional beverages (54%), and children's personal care products (52%). The product items at the bottom of the list are mostly used external to the body: shaving care (30%), home fragrance (32%) and deodorant (33%)

Figure 43 – Importance of Natural or Organic Options

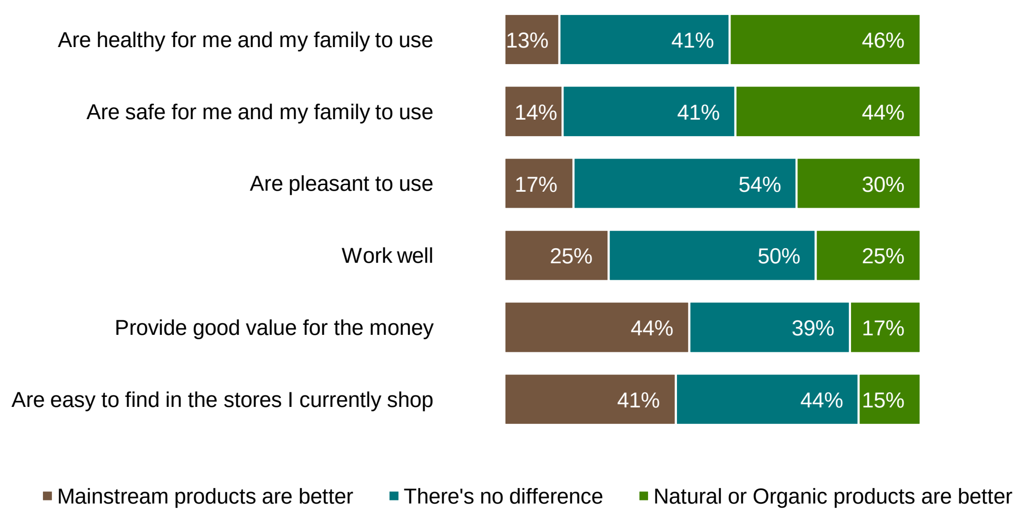


Q29: "How important are NATURAL OR ORGANIC options of each of the following products?" | Base: Purchasers of category (n varies from 732 for Energy drinks to 1869 for Laundry detergents). | Source: GMDC 2010 Survey, Mar. 2010.

Comparing Natural/Organic to Mainstream Personal Care Products

This year, we again get consumers to compare six attributes of using natural/organic personal care products compared to mainstream versions. Consumers find that natural or organic versions are healthier (46%) and safer for me and my family to use (44%) as shown in Figure 44. Mainstream products are perceived as being good value for the money (44%) and being easy to find in stores (41%). It is interesting to see that about half of all consumers believe there is no difference between natural/organic and mainstream personal care products in being pleasant to use (54%) or working well (50%). In fact, a good portion of consumers believe there is no difference among the six different attributes rated. Manufacturers providing natural personal care products can possibly reach out to more consumers, particularly those less intensely involved in H+W lifestyles, by focusing on being price comparable and available in more stores.

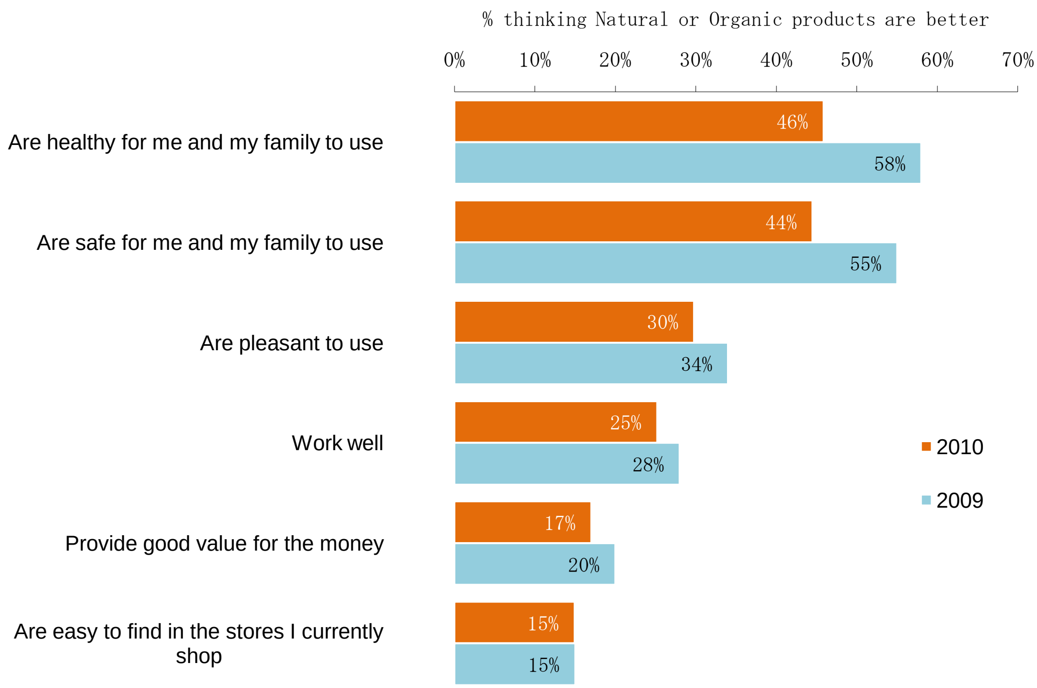
Figure 44 – Comparing Natural or Organic to Mainstream Personal Care Products



Q43: "In general, based on what you know, how do you think NATURAL OR ORGANIC personal care products compare to mainstream traditional brands?" | Base: Primary household shoppers (n=2031). | Source: GMDC 2010 Survey, Mar. 2010.

We now compare the overall rankings of attributes from 2009 and 2010 and see they are identical to one another (Figure 45). Being healthy and safe are the most compelling attributes in both years. What changes this year is the decline in almost every attribute. What we believe is occurring is the playing field is getting crowded with more and more manufacturers entering. Also, mainstream personal care products are starting to play in the natural/free-from space as well. It's therefore getter harder for consumers to distinguish what is natural/organic. In addition, there has also been a de-emphasis on big scares in the last year as the economy has taken center stage in the media.

Figure 45 – Comparing Natural or Organic to Mainstream Personal Care Products 2009 vs. 2010

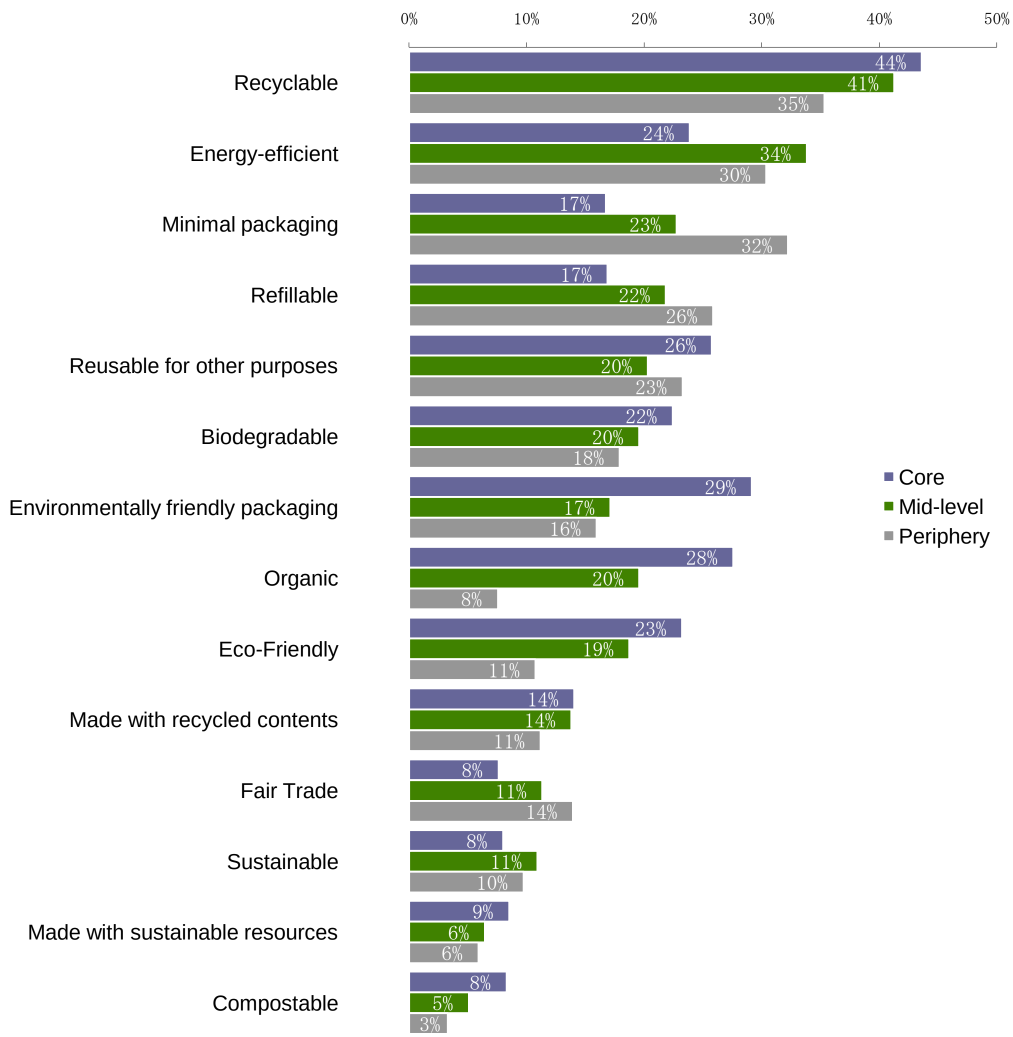


Q40/Q43: "In general, based on what you know, how do you think NATURAL OR ORGANIC personal care products compare to mainstream traditional brands?" | Base: Primary household shoppers (n=2176-2009; n=2031-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Sustainability Factors

We also look at sustainability factors that go into making everyday product purchases in Figure 46. Consumers had to report three product attributes that resonate most with them. A product being recyclable resonates most with all consumer types with 40% mentioning this as most important. Among the attributes that Periphery consumers consider more important than other consumers are minimal packaging (32%) and refillable (26%). The attributes that are more likely to resonate with Core consumers are being recyclable (44%), environmentally friendly packaging (29%), organic (28%), and eco-friendly (23%). These attributes all relate to the environmental impact that a product has on the world. However, a word of caution here: what consumers *say* is important in a survey does not always take the same importance in actual buying habits.

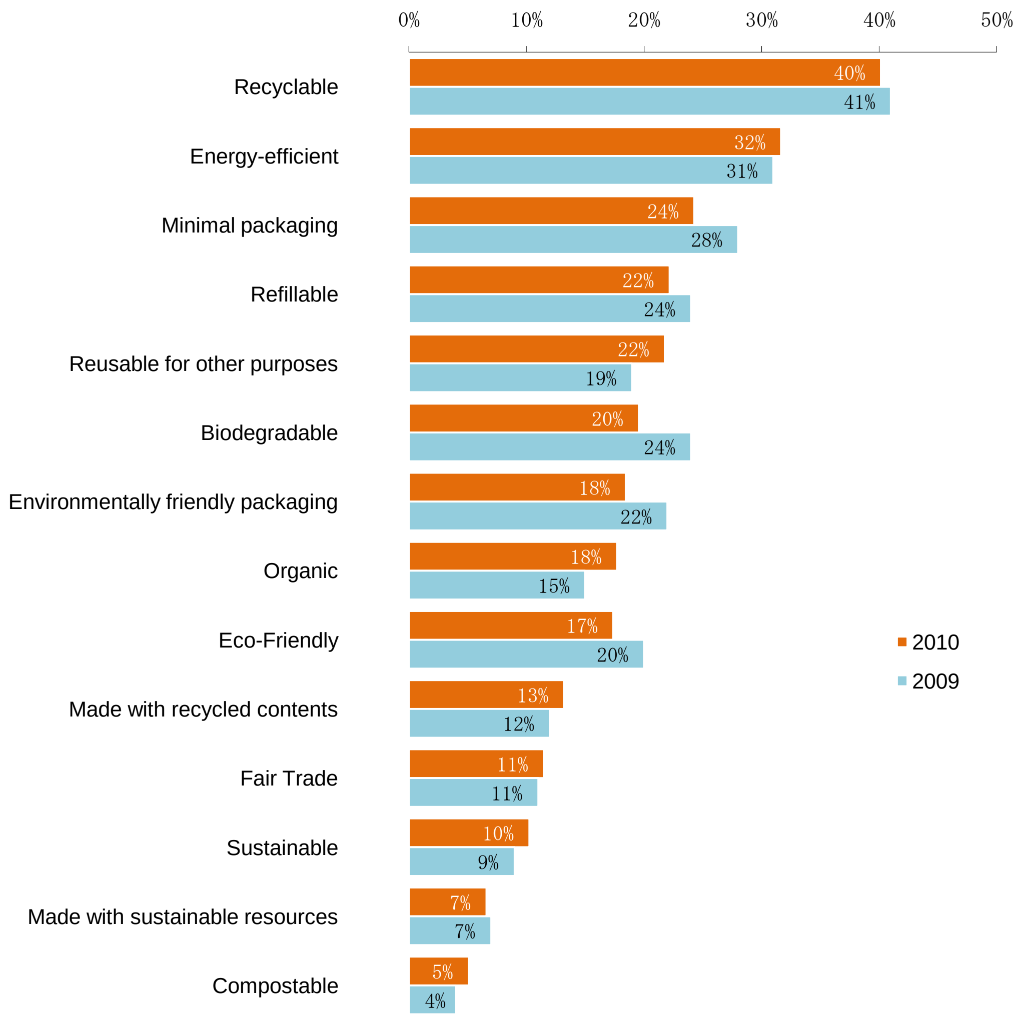
Figure 46 – Most Important Sustainability Attributes When Purchasing Products



Q21: "Which of the following product attributes are the MOST IMPORTANT to you when purchasing everyday products? Please check up to THREE product attributes" | Base: Primary household shoppers (n=2031; 158 Core, 1424 Mid-level, 449 Periphery). | Source: GMDC 2010 Survey, Mar. 2010.

We now compare the overall rankings of sustainability attributes from 2009 and 2010 and see they are more or less in line with one another (Figure 47). Recyclable is the top attributes in both years. Some attributes that show an increase this year are being reusable and organic.

Figure 47 – Most Important Sustainability Attributes When Purchasing Products 2009 vs. 2010

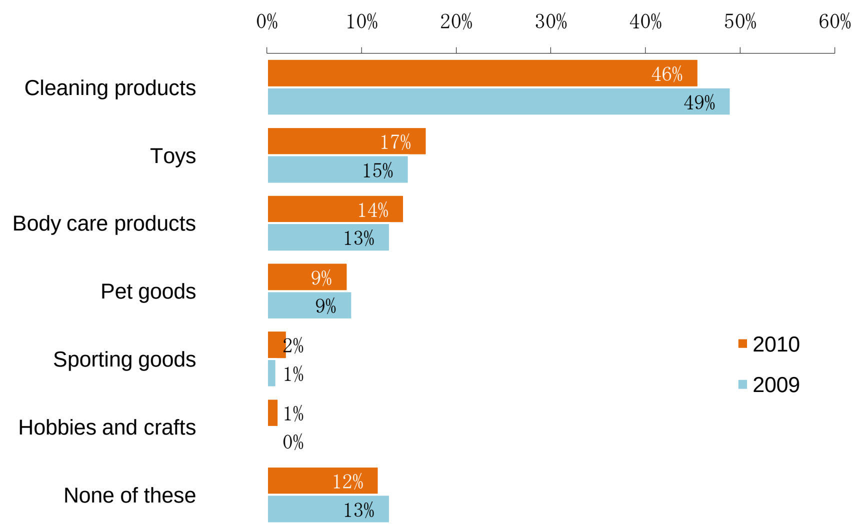


Q21: "Which of the following product attributes are the MOST IMPORTANT to you when purchasing everyday products? Please check up to THREE product attributes" | Base: Primary household shoppers (n=2176-2009; n=2031-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Toxicity Concerns

We again examine toxicity concerns among six different product categories, to better understand consumer concerns about hazardous ingredients or materials. As Figure 48 shows, concerns about the toxicity of **cleaning products** are again top of mind with about half of all consumers (46%). This is roughly the sample proportion as 2009. This is not surprising given our qualitative findings, which showed a notable interest in "less chemical" cleaners extending across a very large swath of consumers and natural home cleaning as a strong (and early) H+W gateway. The rest of the rankings are remarkably similar to last year.

Figure 48 – Concerns about Hazardous Ingredients or Materials used in Product 2009 vs. 2010



Q23: "Which one of the following product categories are you MOST CONCERNED about the amount of hazardous ingredients or materials used?" | Base: Primary household shoppers (n=2176-2009; n=2031-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

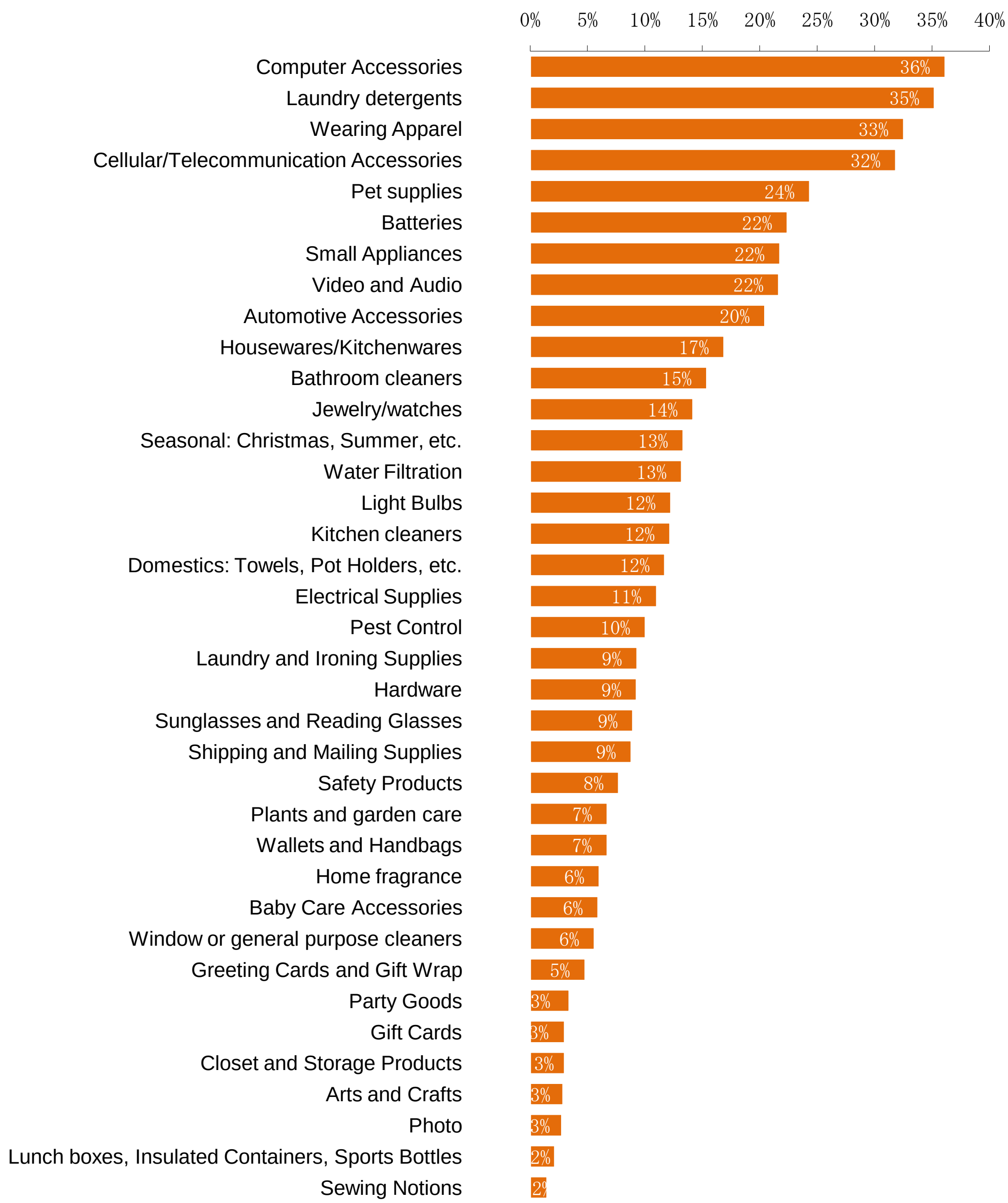
Purchase Decision Criteria Evolve Away from Traditional Considerations of Price/Value and Convenience

As consumers evolve away from the Periphery of the H+W World, purchase decision criteria increasingly move away from the traditional hallmarks of American consumerism, namely **value** (or **price**) and **convenience**, though, importantly those dimensions do maintain some salience at the Mid-level. As consumers move into and through the Mid-level, they become more concerned with quality distinctions (e.g. "organic") in products, as informed by increasing levels of **knowledge** and a thirst for new and interesting H+W-related **experiences**. At the Core, consumers structure purchases in H+W product categories in often absolute and even ideological terms, desiring a high level of product (and retailer) **authenticity.** In addition, in more developed areas of the Mid-level and in the Core, ideas of **sustainability** strongly inform some purchases. These patterns essentially line up with the "Dimensions of Consumption" outlined in Chapter 2.

Price Sensitivity Varies by Category

Pricing concerns typically vary among different product categories. Consumers are asked to rank the **top five** product categories where pricing is of most concern out of 37 different categories this year (we asked 26 in 2009). As Figure 49 shows, two out of the top four categories are high tech accessories that generally have higher prices. Computer accessories are chosen by more than a third (36%) of all consumers and cellular accessories by 32%.

Figure 49 – Products With The Most Concern About Price



Q30: "Price can be more important when buying some things than when buying others. Which FIVE of the following kinds of products make you the most concerned about price?" | Base: Primary household shoppers (n=2031). | Source: GMDC 2010 Survey, Mar. 2010.

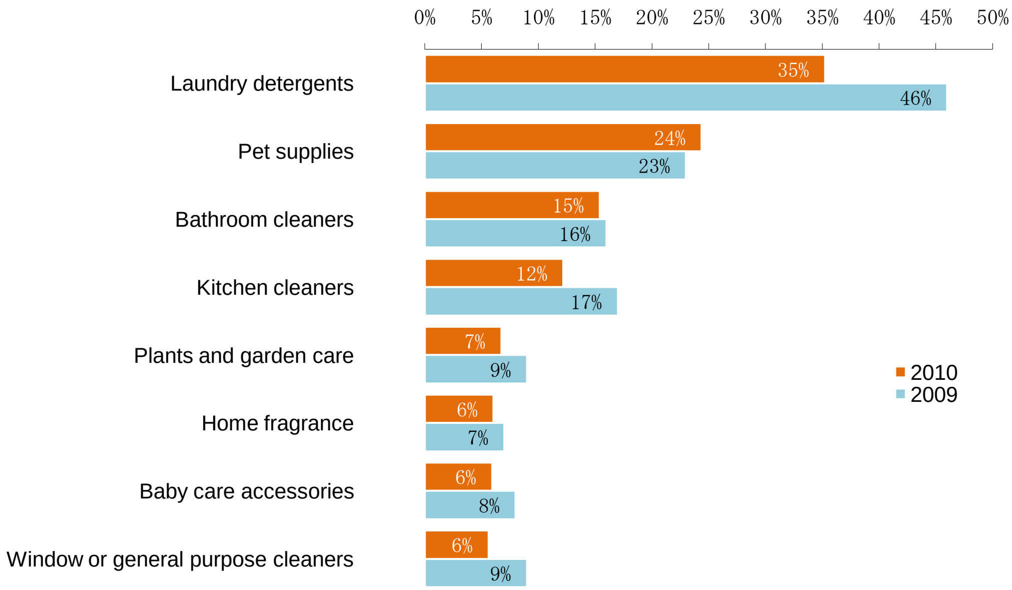
Laundry detergents and apparel make up the other categories where a third or more of consumers are concerned about price. Laundry detergent is one of the more "big ticket" items among household goods with some costing over $10, so consumers have more pricing concerns because of this. Additionally, some consumers are unclear and uneasy about recent innovations in concentrated and high efficiency detergent as the smaller size of the package is making them somewhat skeptical of the value equation.

Items with the least pricing concerns are those with smaller price tags or lesser used product items. These include sewing notions, lunch boxes, photo, and arts and crafts.

Figure 50 – Consumer Collage Images Reflecting Price Concerns

When looking at the eight product categories that are asked both years, we find that laundry detergents are at the top of the list both years. Laundry detergents and another cleaning product, kitchen cleaners show some decreases in price sensitivity. Other products maintain relatively the same level of pricing concerns. What may have happened is we expanded the list this year to include more items such as computer accessories, etc. so those items may have taken votes away from the items asked from last year such as laundry products.

Figure 51 – Products With The Most Concern About Price 2009 vs. 2010



Q29/Q30: "Price can be more important when buying some things than when buying others. Which FIVE of the following kinds of products make you the most concerned about price?" | Base: Primary household shoppers (n=2176-2009; n=2031-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Qualitatively, we found slightly different results in that, while consumers are always concerned about price to some degree, often they are surprisingly unconcerned about it as well, particularly where there are clear quality differentiators between products. We found that many Periphery consumers are willing to spend 10% more for H+W-oriented products over conventional versions, and that Mid-level and Core consumers are often *more concerned with specific product attributes than they are with price* (within reason, of course). In fact, in most cases, Mid-level consumers typically won't fret at all about paying "a dollar more" for a cleaning product, and while Core consumers may seek out lower prices on preferred products, in a pinch, they will almost always pay more rather than compromise on quality.

How to Use Category Findings

For each of the categories below, we break our discussion into several buckets. In some categories, we also provide additional comments and/or product examples, as well as supporting quantitative data.

H+W Relevance describes if and how a particular category of goods relates to H+W, from a consumer standpoint. This information is useful for

- Building overall product and retail mix strategies
- Prioritizing the most relevant categories for development (in connection with H+W programs or promotions)

Purchase Criteria lays out the key decision points for the product category, by consumer H+W orientation. This provides

- Guidance on product attributes to prioritize for new product development
- Attributes to call out on product packaging and in retail promotions

For most categories, these decision criteria are placed on charts.

Brand and Product Offerings describes how completely a product category covers consumer preferences across a H+W continuum. This illuminates opportunities to fill consumer need gaps, whether absolute (i.e. the products don't exist) or relative (the products are out there, but consumers are not finding them in stores they frequent). We comment on both the product/category and retail level where relevant, however, much of the retail discussion is reserved for the next chapter.

For the most relevant H+W categories, we provide charts of example products showing the range of appeal to consumers from Periphery to Core. It is worth noting, however, that the examples are provided to help illustrate how consumers' values are encoded into their purchases and as comparative references for use in product and retail planning. As such, the charts are not intended to be comprehensive.

Intentional Omission of Price in Quantitative Category Data

Please note that in the below categories, where we asked quantitatively about purchase decision factors or criteria, we again *intentionally omitted price as a factor*. This is due to our extensive experience asking such questions, which informs us that price *will almost invariably rise to the top* of any set of factors in such questions. We omitted price so as to allow other, potentially more category-specific factors, to have clear visibility. For example, when we ask an industry-standard "top two box" question, price is always one of the top two. In leaving price out and simply assuming it as a factor, we increase the number of non-price factors that rise to the surface, making for more nuanced survey results.

Gateway Categories

A "gateway" category is capable of facilitating an evolutionary shift in a consumer's purchase behavior. As stated above, some categories serve as H+W "gateways" and some do not. For now, primary focus should be on the following existing key gateway categories that have direct H+W ties.

Functional Beverages

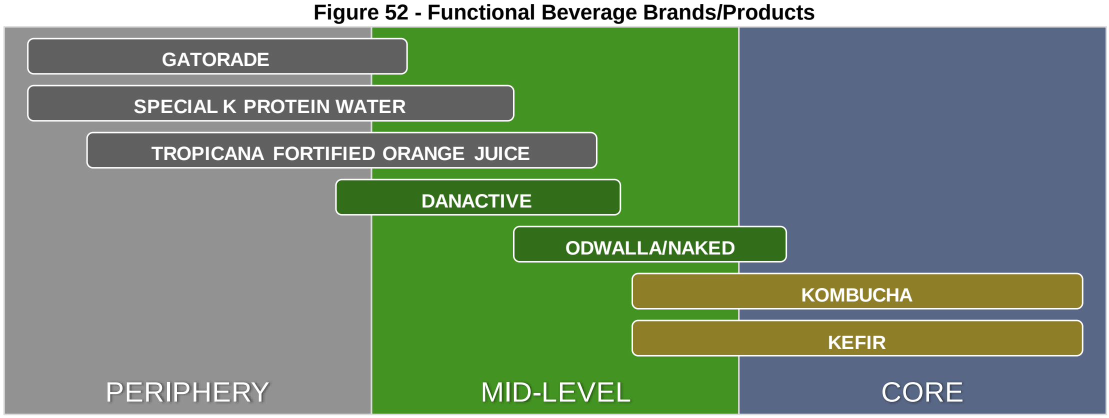
H+W Relevance

While foods and beverages are the most important H+W gateway categories, they were not a focus of this study in a general sense, with the single entry here being Functional Beverages (represented as “Food/Beverages” on Product Pathway Chart, above). As part of food and beverage, Functional Beverages are of course a highly relevant H+W category, acting as a gateway into further levels of H+W interest.

Brand and Product Offerings

There is no shortage of functional beverage products across a H+W continuum, with a clear product path to accommodate consumers. For instance, many consumers will begin with more common functional beverages such as fruit smoothies, commonly enhanced with proteins, vitamins, et cetera, and later move on to more involved beverages such as probiotic yogurt drinks and Kombucha, a fermented tea beverage believed to have many different health benefits. In fact, if there is any issue at all with category offerings, it is that there may seem to be *too many choices for* Periphery and Mid-level consumers.

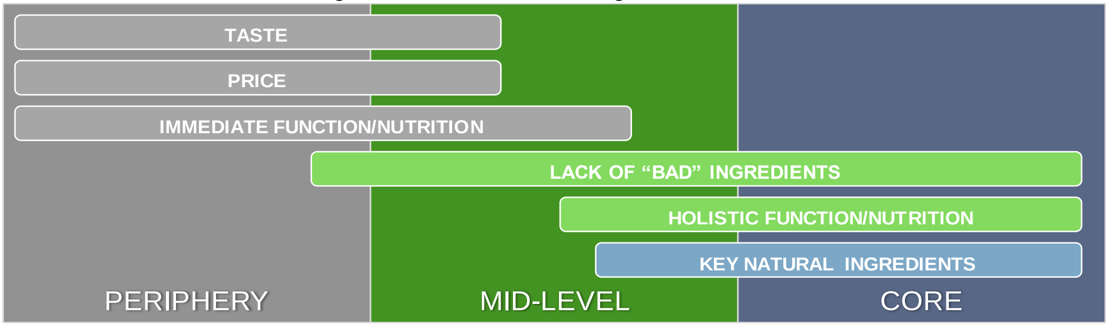
Figure 52 - Functional Beverage Brands/Products



Purchase Criteria

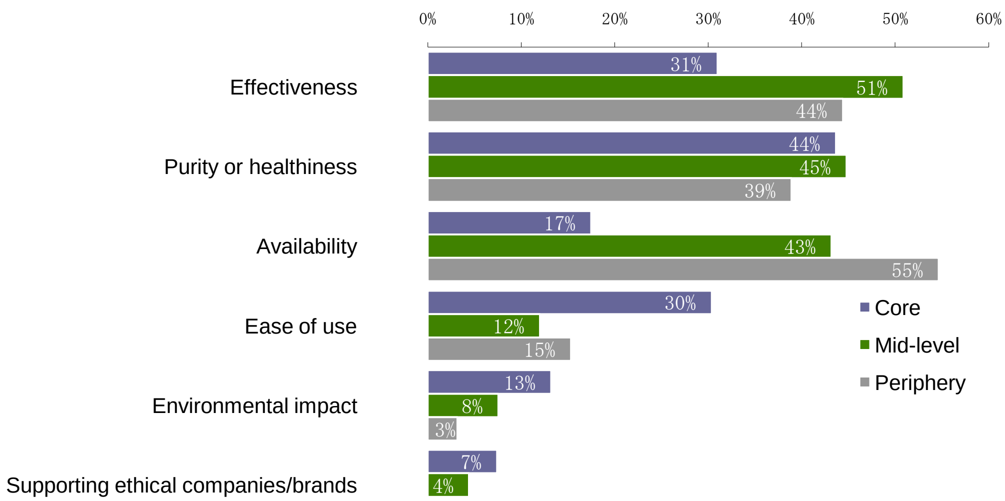
Qualitatively, purchase criteria vary notably from Periphery to Core, particularly in the nature of the function of the beverage. On one side (Periphery) the concern is one of *immediate* function, such as a fueling function (e.g. through carbs and/or protein) or alleviating a near-term issue (feeling run down, so additional vitamins may seem to help, desire for extra vitamin C during a cold, et cetera). For more evolved H+W consumers, desired functions are generally less immediate and more drawn-out and holistic e.g. supporting immune function through digestive heath using such products as kefir and Kombucha. A lack of ingredients viewed as negative (added sugar, especially HFCS, for instance) forms a key consideration for Mid-level (and beyond) consumers. Many of those same consumers will also select a functional beverage on the basis of particular (“key”) natural ingredients such as a certain bacteria strain in a probiotic drink or a certain type of herb or berry (e.g. Goji).

Figure 53 - Functional Beverage Decision Criteria



Quantitatively, non-pricing factors that are most important for functional beverage consumers are shown in the following chart. In terms of H+W segment, Core consumers in particular consider ease of use and environmental impact more important (30% and 13% respectively) than the Mid-level and Periphery consumers (Figure 54). The Periphery are much more likely to consider availability an issue (55%) whereas it is only 17% of Core.

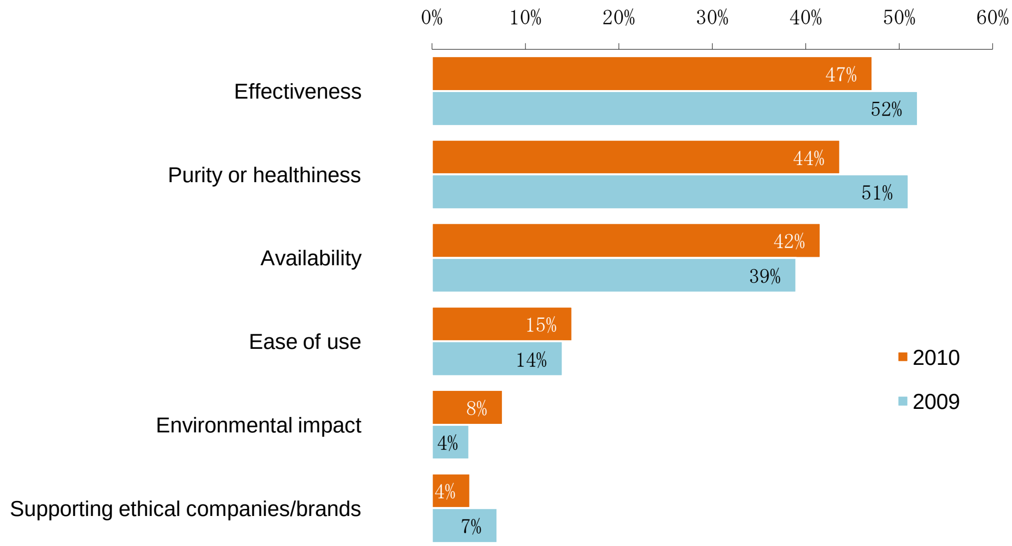
Figure 54 – Most Important Functional Beverages Purchase Factors Other Than Price



Q33: "When you buy Functional or enhanced beverages (e.g. probiotic yogurt drinks, fruit juices with added vitamins, etc.), what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: Functional beverage shoppers (n=350).| Source: GMDC 2010 Survey, Mar. 2010.

We see in Figure 55 that effectiveness (47%), purity (44%) and availability (42%) are the most important factors for all shoppers this year as well as in 2009. The consumer wants to be sure the drink they are consuming will help their body, is free of any negative additives and is readily available. Purity and healthiness factors decline somewhat this year probably due to the fact that many of these products have been on the market for extended periods. These have been consumed for a longer time period so consumers thus have less concerns that they will work or are unhealthy.

Figure 55 – Most Important Functional Beverages Purchase Factors Other Than Price 2009 vs. 2010

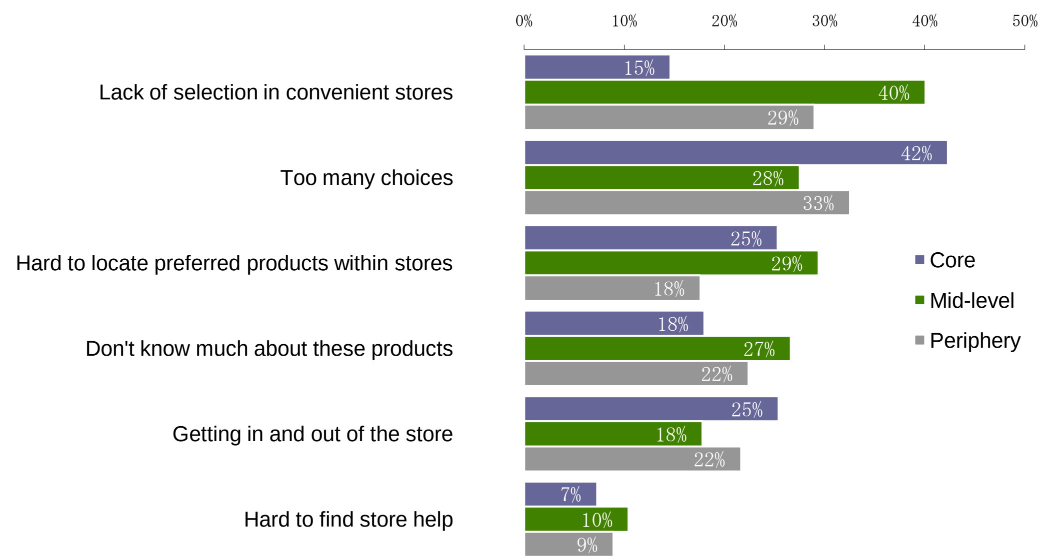


Q32/Q33: "When you buy Functional or enhanced beverages (e.g. probiotic yogurt drinks, fruit juices with added vitamins, etc.), what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: Functional beverage shoppers (n=357-2009; n=350-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Shopping Barriers for Functional Beverages

In addition, many consumers find confusion when shopping for functional beverages. As shown in the following chart, Mid-level consumers in particular cite a lack of selection in the stores they currently shop (40%). The Core also finds there are too many choices in this product category (42%, confirming a common sentiment unearthed in qualitative research)

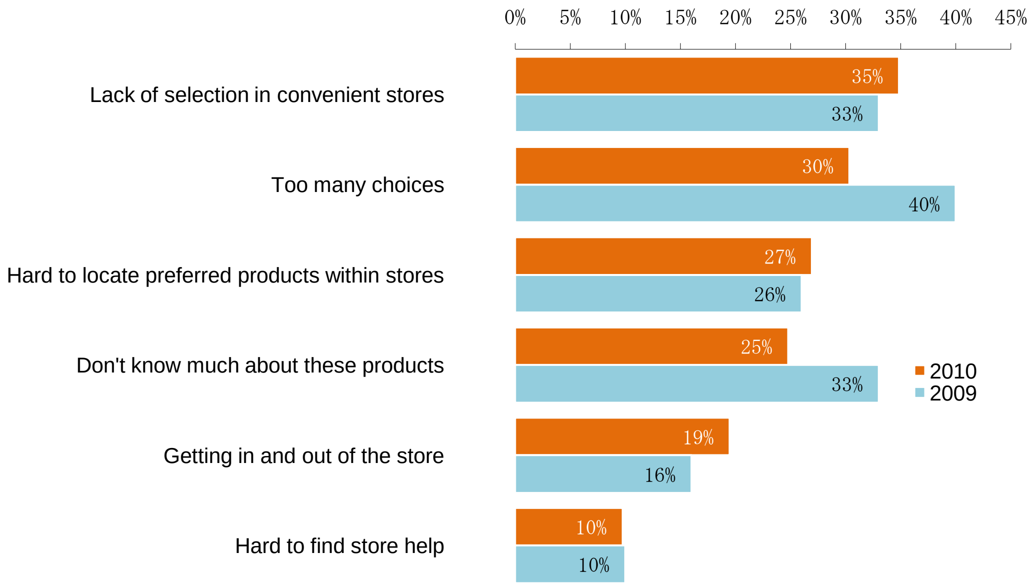
Figure 56 – Shopping Barriers for Functional Beverages



Q34: "Other than price, what is the worst aspect of shopping for Functional or enhanced beverages (e.g. probiotic yogurt drinks, fruit juices with added vitamins, etc.)? Please check your top TWO choices" | Base: Functional beverage shoppers (n=350). | Source: GMDC 2010 Survey, Mar. 2010.

We see in the next figure that both lack of selection in convenient stores and too many choices are top of mind for consumers in both 2009 and 2010. Last year, the top barrier was too many choices but this year it is lack of selection. Fewer consumers this year indicate there are too many choices in this category. In addition, we see a decline from 33% to 25% in consumers that do not know much about these products. This shows that the product category is slowly becoming mature and the level of consumer knowledge has increased over the years.

Figure 57 – Shopping Barriers for Functional Beverages



Q33/Q34: "Other than price, what is the worst aspect of shopping for Functional or enhanced beverages (e.g. probiotic yogurt drinks, fruit juices with added vitamins, etc.)? Please check your top TWO choices" | Base: Functional beverage shoppers (n=357-2009; n=350-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Energy Drinks as Functional Beverages

Over the course of this project, we found that most consumers, *regardless of H+W orientation*, had a negative view of energy drinks. For the most part, such products are associated with less-healthy lifestyles and stereotyped as being for "club kids" and "truck drivers on long hauls." While energy drinks are in a very direct sense "functional beverages" they clearly stand apart from other subcategories of functional beverages. We would not recommend including a strong presence of energy drinks in any product portfolio or retail strategy that has H+W as a focus.

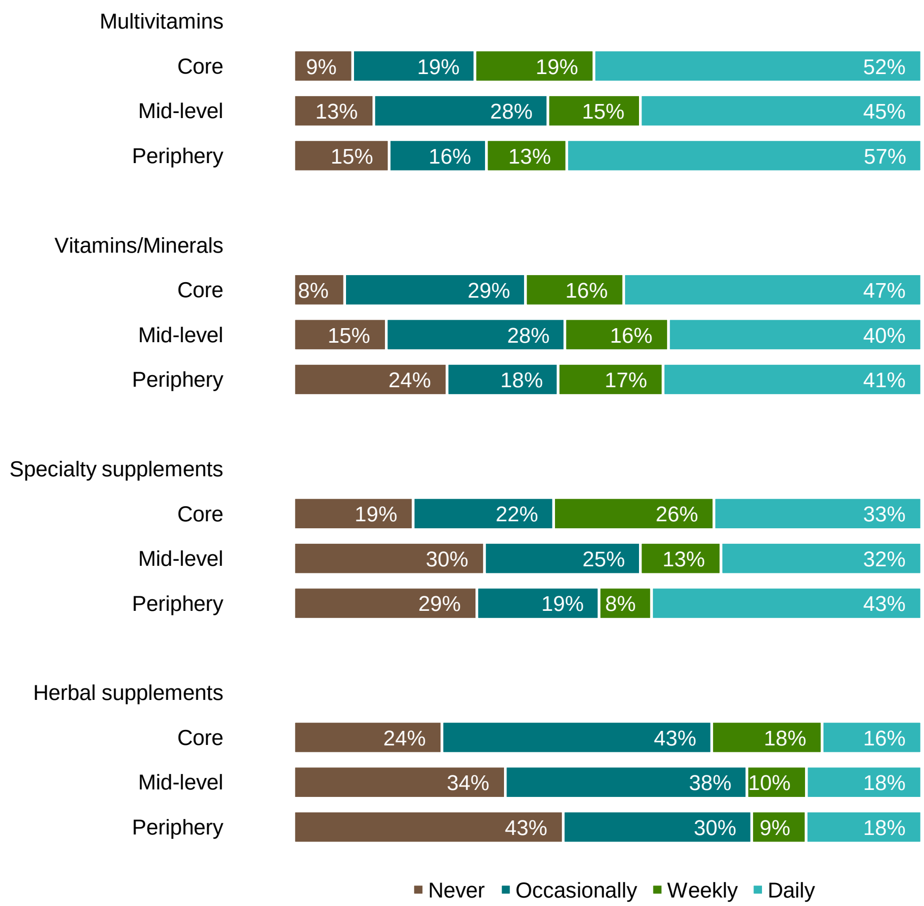
Supplements

H+W Relevance

Consumers often adopt supplements fairly early in their evolutionary H+W path. Thus, this category is a highly relevant H+W gateway product category.

Multivitamins are the leading supplement category with about half of all consumer segments consuming this on a daily basis. Core consumers are more likely to be consuming multivitamins at least on a weekly basis than the other two segments.

Figure 58 – Dietary Supplement Usage Frequency

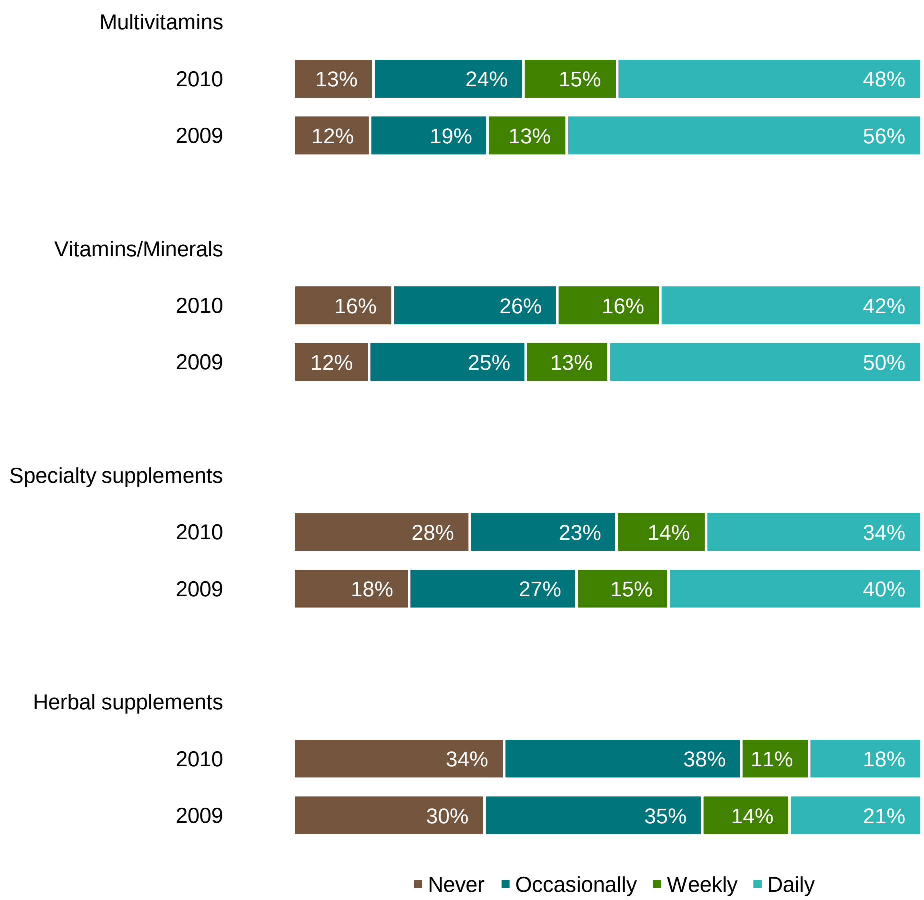


Q42: "How often do you use each of the following kinds of dietary supplements?" | Base: Dietary supplement purchasers n = 1604 Vitamins or mineral shoppers (n = 139 Core, 1144 Mid-level, 321 Periphery), 1034 Specialty supplements (n = 105 Core, 736 Mid-level, 193 Periphery), 1209 Herbal supplements (n = 124 Core, 878 Mid-level, 207 Periphery). | Source: GMDC 2010 Survey, Mar. 2010.

Vitamins or minerals like vitamin C or calcium are the next popular dietary supplement with slightly less than half of all consumers taking them on a daily basis. Specialty supplements such as glucosamine or fish oil have a daily usage rate of about a third of all consumers. Herbal supplements such as acai or ginkgo are used daily by the least amount of consumers (18%). In all supplement categories, it is the Core consumer that has the highest usage rates at the weekly level or more often. The Periphery consumer is the most likely to never use dietary supplements.

This year, consumers are still taking their Multivitamins (87% taking it at least occasionally), but the frequency of taking it daily has declined slightly. Only 48% take a Multivitamin daily compared to 56% last year. The usage rates of other dietary supplements have slightly declined overall too.

Figure 59 – Dietary Supplement Usage Frequency 2009 vs. 2010

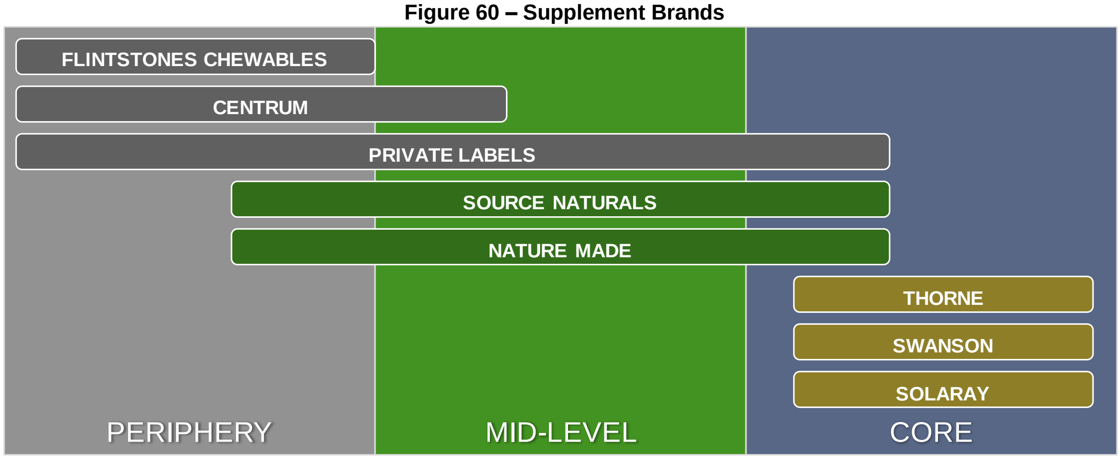


Q39/Q42: "How often do you use each of the following kinds of dietary supplements?" | Base: Dietary supplement purchasers: Vitamins or mineral shoppers (n=1717-2009; 1604-2010); Specialty supplements (n=1034-2009; n=1060-2010); Herbal supplements (n=1209-2009; n=1229-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Brand and Product Offerings

There is no shortage of supplements across the H+W continuum, but navigating the more than ample supply of them is daunting for many. Supplements are often a confusing category to negotiate for entry-level H+W consumers. In many cases a basic understanding of what certain types of supplements are used for is not present. Furthermore, there is often little on which to base quality distinctions, as consumers tend to have a hard time discerning between the multitude of brands and product levels at shelf. Another inhibitor is the somewhat counter-intuitive brand-blocked shelf arrangements that one finds in most stores, which consumers find hard to navigate ("Why aren't all the vitamin Cs together?"). That all being said, there are big opportunities at retail in helping the evolving H+W consumer navigate the maze of supplements.

Figure 60 – Supplement Brands

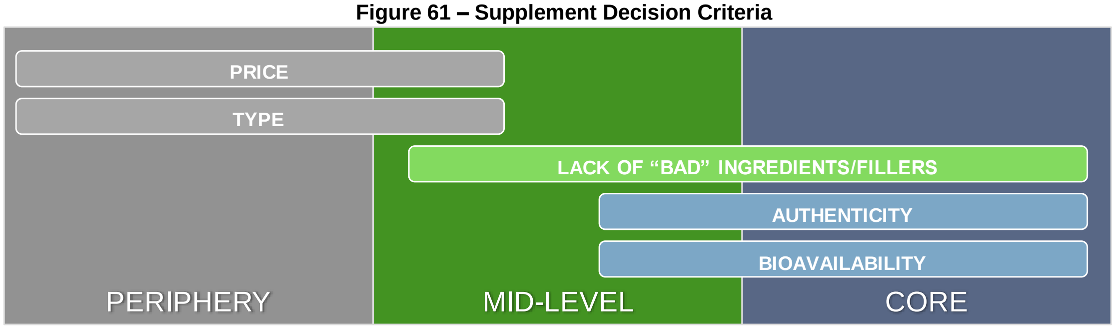


Purchase Criteria

Periphery and many Mid-level consumers relate to vitamins and minerals as commodities. It is not until consumers reach a Core awareness level that they begin to use specialty types of supplements and think about quality differences between brands and products.

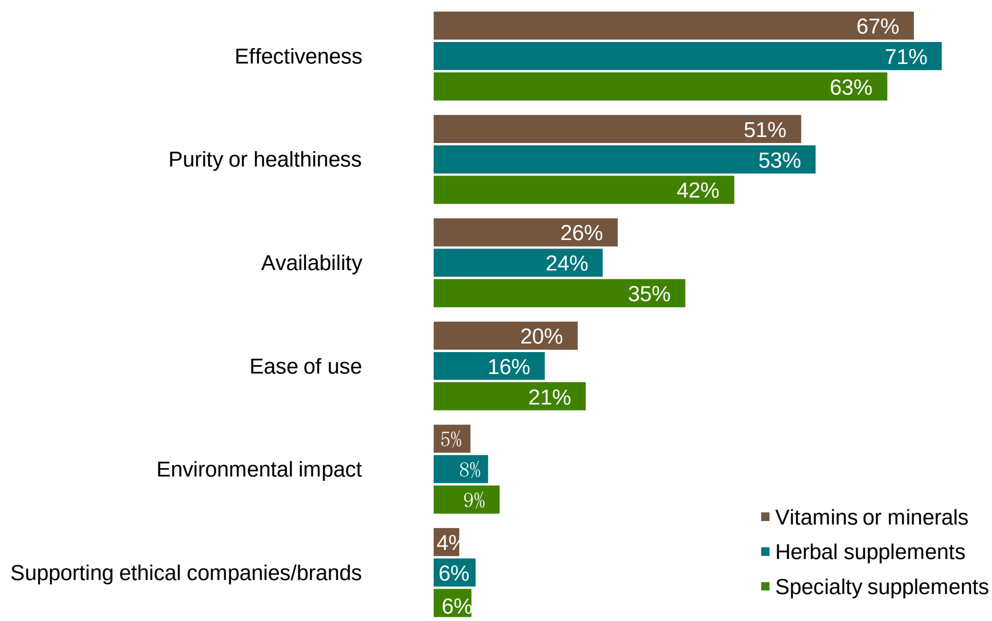
Periphery and most Mid-level consumers buy by basic product type (e.g. vitamin C) and price, often opting for the least expensive option regardless of brand. More advanced Mid-level and Core consumers look for "authentic" wellness brands; brands that give off perceptions of being minimally processed and bio-available (meaning that they are readily absorbed by the body, whereas many supplements are not viewed as having very good bioavailability by more involved H+W consumers). In many ways bioavailability represents ingredient quality by proxy – if the manufacturer is known to focus on bioavailability, they are trusted to use better ingredients. Authenticity also functions as a key indication of quality i.e. authentic brands *are* high quality brands to highly involved Mid-level and Core consumers.

Figure 61 – Supplement Decision Criteria



Quantitatively, we examine the **non-pricing factors** that are most important for dietary supplement consumers in the following chart. We see that effectiveness (63% - 71%) is the most important factor for all supplement types. The consumer wants to ensure the supplements they are consuming are going to maintain their health and prevent disease.

Figure 62 – Most Important Dietary Supplements Purchase Factors Other Than Price



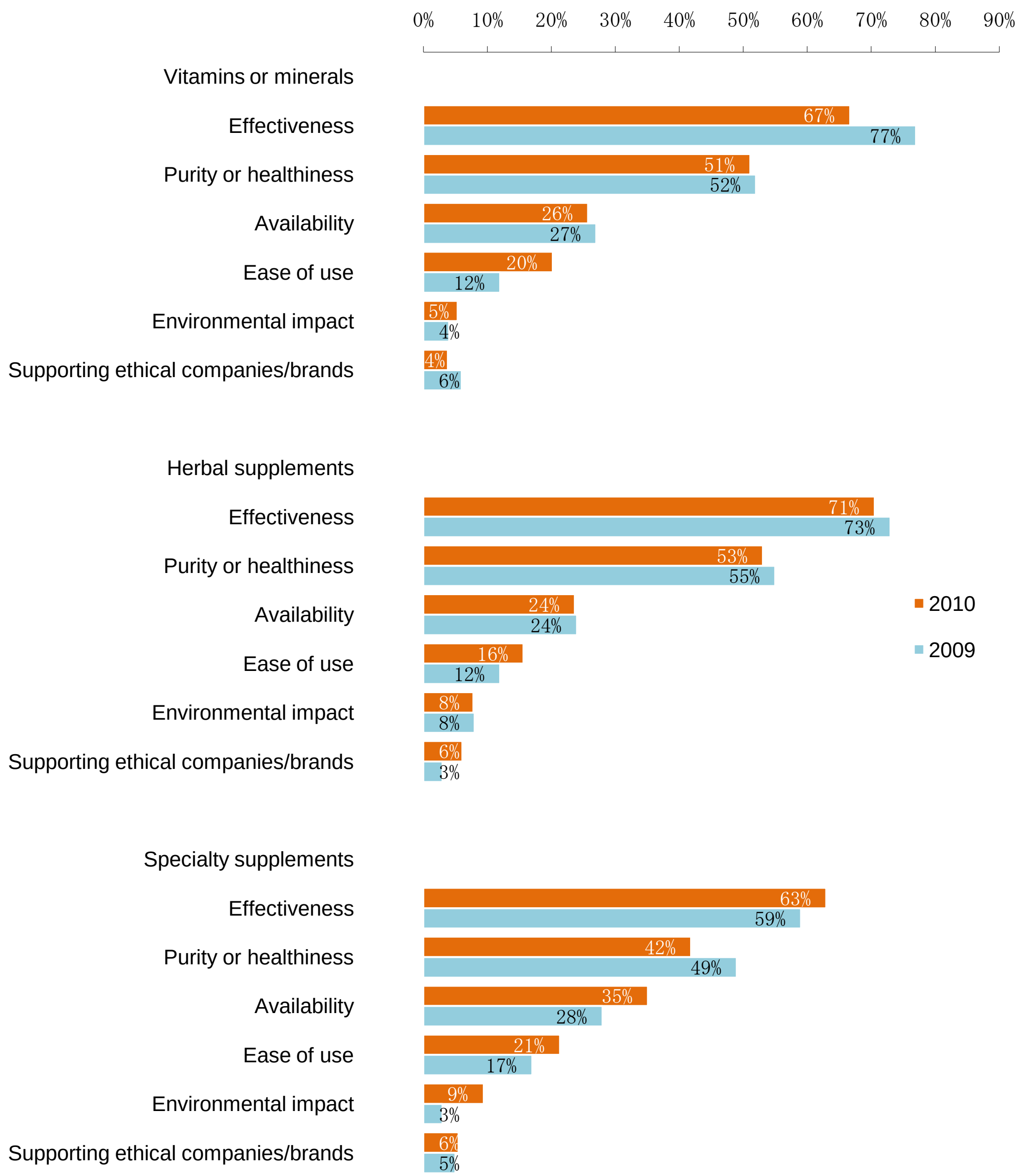
Q33: "When you buy Dietary supplements, what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: n = 427 Vitamins or mineral shoppers, 302 Herbal supplements, 254 Specialty supplements. | Source: GMDC 2010 Survey, Mar. 2010.

Qualitatively we find, however, that most consumers are unable to articulate any actual, experienced specific benefits for most supplements, so "effectiveness" here is more "effectiveness perception" based on what supplement *are supposed to do*, making "effectiveness" fairly equivalent to "type" e.g. vitamin C is *supposed to* help with immune response. Bioavailability also correlates with "effectiveness" for highly involved H+W consumers.

Product purity is also important to about half of all supplement consumers. Convenience factors such as availability and ease of use are of moderate importance for all types of supplements. Environmental and social practices rate the least importance for supplement purchasers.

As the following figure shows, the rank order for each dietary supplement purchase factor remains nearly the same from 2009 to 2010. Effectiveness is the number one purchase factor for both years. There are some minor differences with vitamins or minerals where effectiveness slightly drops in importance and the importance of ease of use increases. For specialty supplements, the importance of purity declines slightly but availability and ease of use increases.

Figure 63 – Most Important Dietary Supplements Purchase Factors Other Than Price 2009 vs. 2010

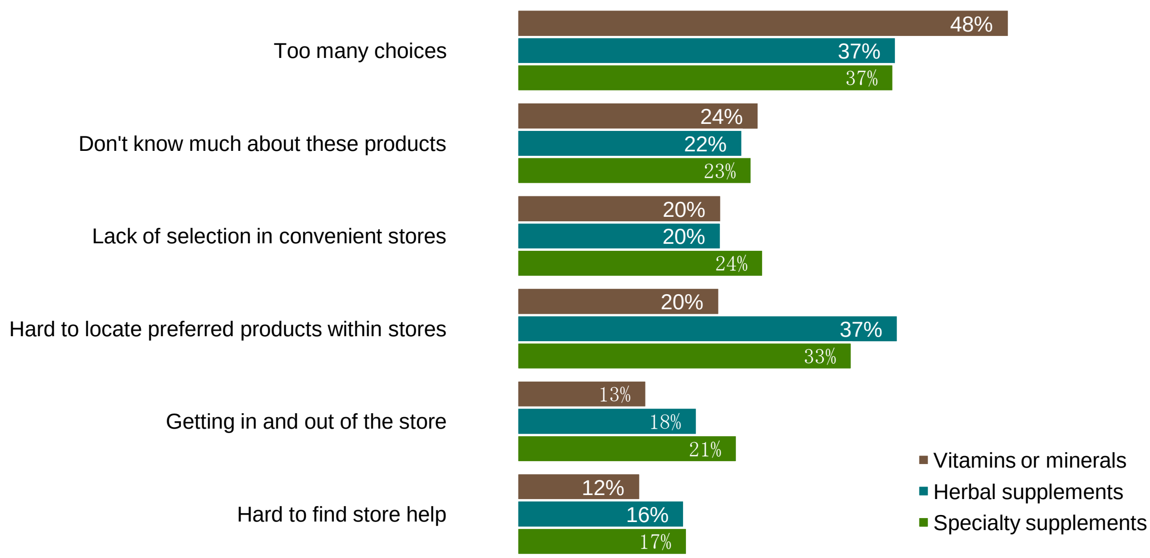


Q32/Q33: "When you buy Dietary supplements, what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: Vitamins or mineral shoppers (n=479-2009; n=427-2010); Herbal supplements (n=323-2009; n=302-2010) Specialty supplements (n=276-2009; n=254-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Shopping Barriers for Dietary Supplements

As mentioned earlier, many consumers find it confusing when shopping for dietary supplements. Consumers find there are too many choices in this product category. This is more of a factor for vitamin or mineral shoppers (48%) as opposed to herbal (37%) and specialty supplement shoppers (37%) who are typically more H+W-involved and simply know more about supplements.

Figure 64 – Shopping Barriers for Dietary Supplements

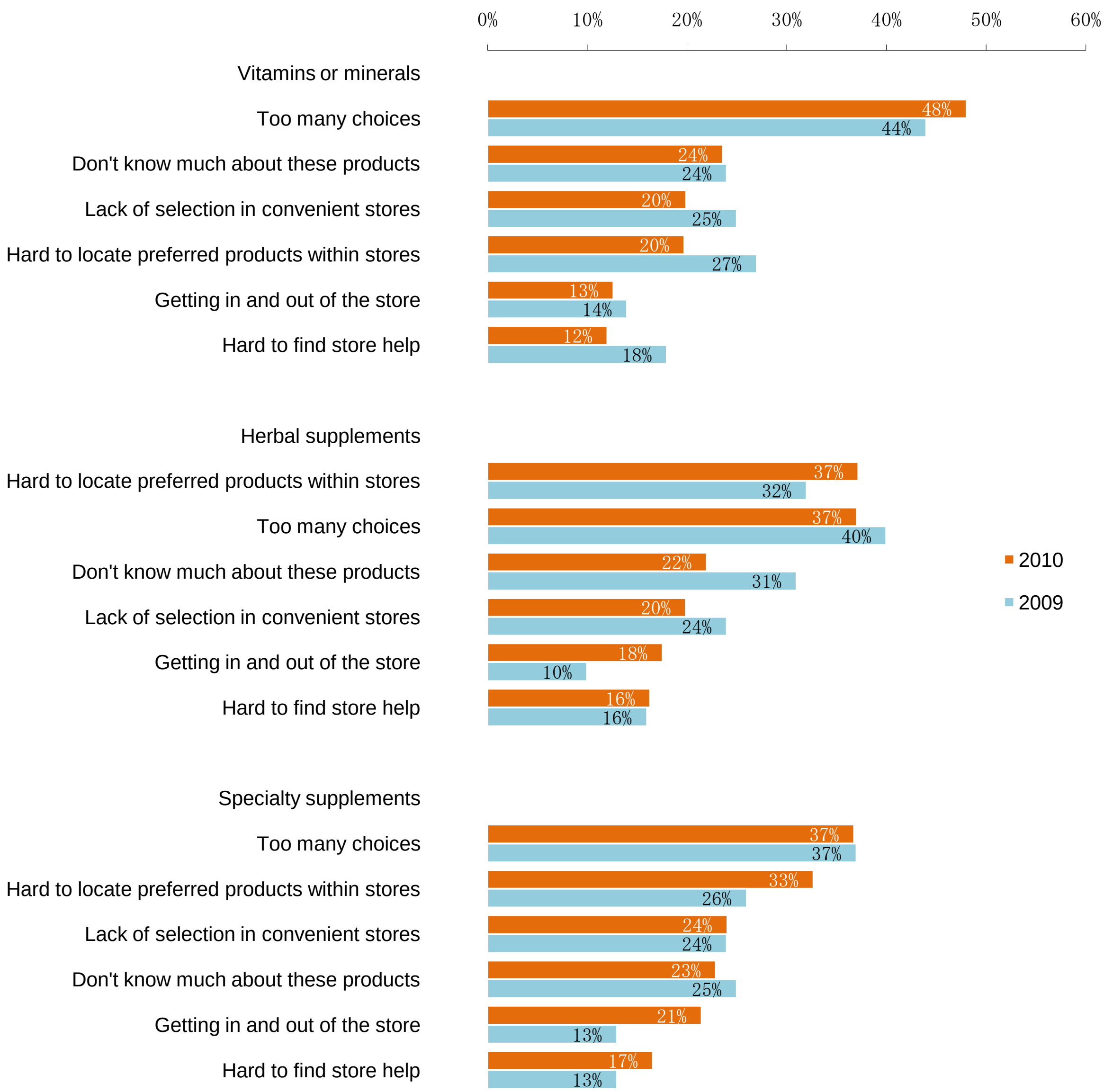


Q34: "Other than price, what is the worst aspect of shopping for Dietary supplements? Please check your top TWO choices" | Base: n = 427 Vitamins or mineral shoppers, 302 Herbal supplements, 254 Specialty supplements. | Source: GMDC 2010 Survey, Mar. 2010.

Furthermore, too many choices is more of a complaint for Periphery vitamin or mineral consumers (57%) whereas it is less of a barrier for Core consumers (45%). Core consumers are more knowledgeable about the exact vitamin or mineral, brand, format, and quality level most suitable for their dietary needs. Herbal and specialty supplement shoppers find it more difficult to locate their preferred products within their stores (37% and 33% respectively). There are probably some fairly significant opportunities here for retailers to make this supplement shopping less daunting and make it easier for consumers to find their products.

As the following figure shows, there is a mixed bag of differences from year to year and depending on supplement type. One general trend is too many choices in supplements is mainly the top shopping barrier for all dietary supplements for both years. For herbal and specialty supplements, difficulty in locating preferred products within stores and getting in and out of the store are more of a barrier this year than last. These should be issues for retailers to focus on to minimize these barriers. For vitamins/minerals and herbal supplements, the lack of selection in convenient stores is less of a barrier this year so retailers are doing a better job of stocking the right variety of products within their stores.

Figure 65 – Shopping Barriers for Dietary Supplements 2009 vs. 2010

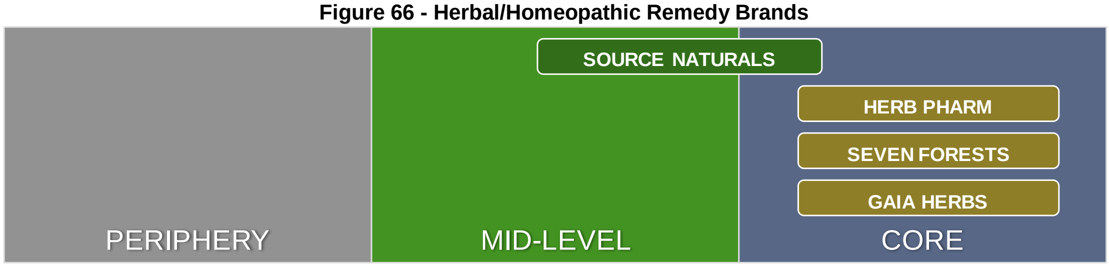


Q33/Q34: "Other than price, what is the worst aspect of shopping for Dietary supplements? Please check your top TWO choices" | Base: Vitamins or mineral shoppers (n=479-2009; n=427-2010); Herbal supplements (n=323-2009; n=302-2010) Specialty supplements (n=276-2009; n=254-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Relationship of Supplements to Homeopathic/Herbal Remedies

One might expect that an evolving H+W consumer would seek out more natural alternatives to OTC (discussed below) and discover homeopathic and herbal remedies in doing so. However, we find many consumers that simply avoid OTC as much as possible rather than seek natural alternatives; typically, in the moment they decide that they "want to take less drugs," they are not far enough along in their H+W orientation to understand what other options they may have. It is not until later in their H+W journey that they typically become aware of homeopathic and herbal remedies, and largely this happens by exposure to specialty supplements that often leverage similar ingredients as those more natural remedies. So, in short, there is generally not a direct path from OTC to natural alternatives, though a manufacturer or retailer certainly could make bridging that gap a worthwhile focus.

Figure 66 - Herbal/Homeopathic Remedy Brands



For the most part, the decision criteria for herbal/homeopathic remedies are quite similar to those for supplements, with an emphasis on authenticity and ingredient quality. There is some mild emphasis on perception of effectiveness, but, at the same time, for the typically Core consumers that buy these products, there is not a sharp focus on the immediate, palliative type of relief one might expect from something like Advil or Sudafed.

Children's Hygiene & Toiletries

H+W Relevance

This category is directly related to H+W, as having a child often serves as a strong trigger and motivator toward one's H+W evolution. There are, most certainly, deep moral undertones in this category of goods, as parents seek to provide the best for their children. In many cases, we see purchasing in this category as disproportionately skewed toward the Core of the H+W world, as parents seek to provide goods for their children that are healthier than the goods they themselves use, e.g. "well I'm older and I've used chemicals on my skin forever, but for my kids, well, I'd like them to never be exposed to that stuff."

However, in other cases, consumers rationalize their choices through temporariness, in that "they'll only use [the relevant product] for so long, and then they'll use something else." In other words, the lack of more permanent use may excuse purchases driven by other reasons e.g. a lower price in the Periphery.

Brand and Product Offerings

From purely a product standpoint, there is fairly good coverage across the H+W spectrum with respect to children's personal care items. However this spectrum is often not mirrored very well in retail spaces (see the next chapter) and many of the more H+W-oriented products are somewhat difficult to locate.

The notable gap in product offerings in this category is at the Mid-level, for diapers specifically. There are few in-between options, and this may present an opportunity for more traditional brands to develop products that would be more H+W-oriented than products such as Huggies and Pampers, but perhaps not as Core-oriented as some of the newer, alternative brands.

Figure 67 – Children's Personal Care Brands

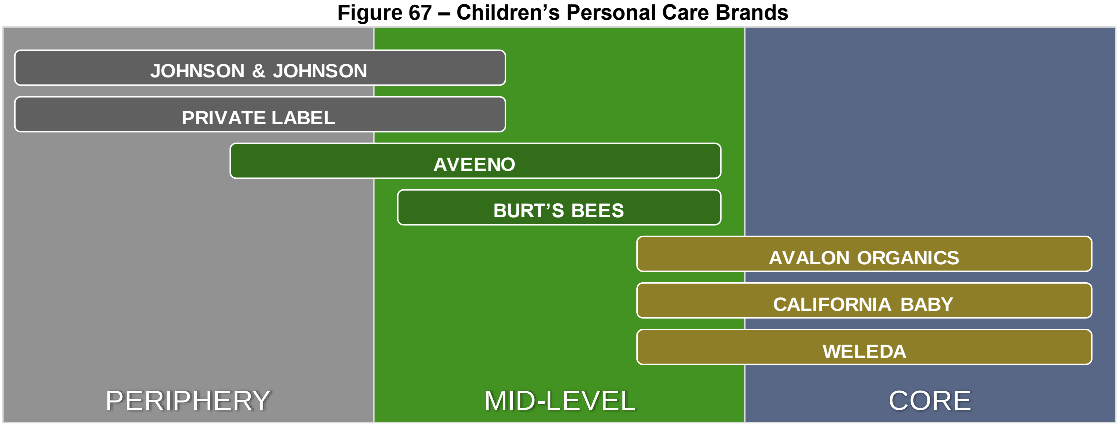
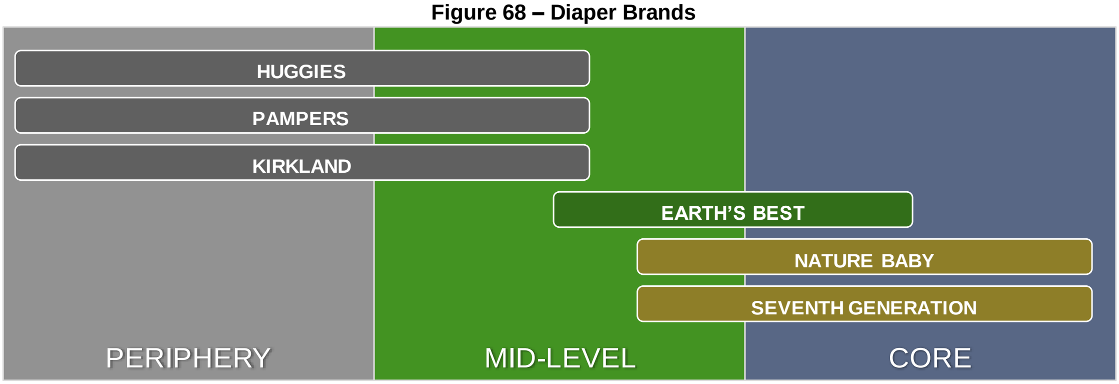


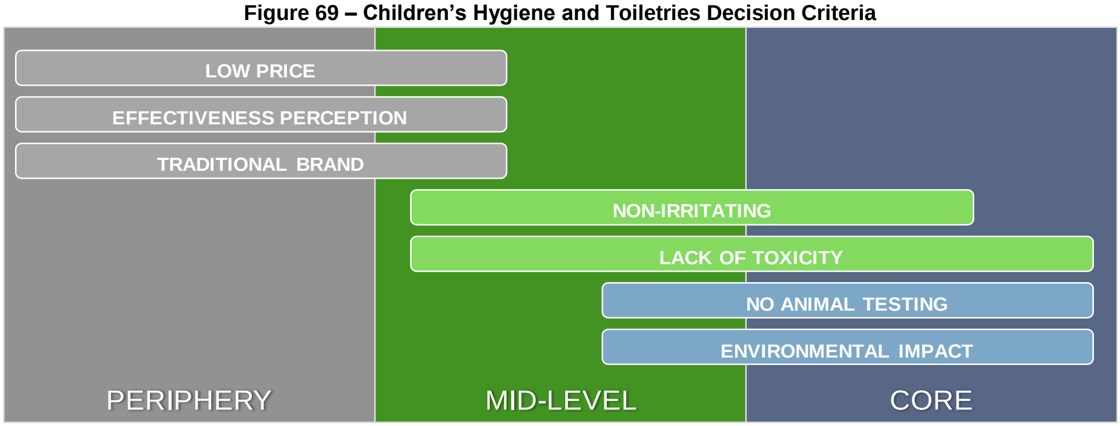
Figure 68 – Diaper Brands



Purchase Criteria

Consumers look for non-irritating and/or hypoallergenic products when it comes to baby personal care products as well as diapers, where non-binding/chafing is also priority. Other key purchase decision criteria consist of effectiveness perception (especially for diapers) and price in the Periphery, lack of negative ingredients in the Mid-level, and absence of negative ingredients, animal testing, and perception of environmental impact in the Core.

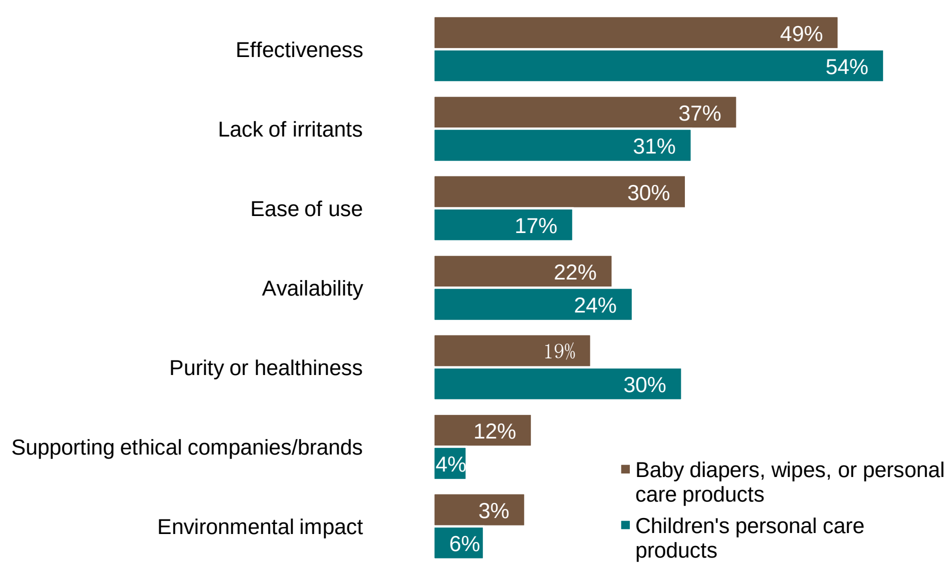
Figure 69 – Children's Hygiene and Toiletries Decision Criteria



Diapers differ somewhat from other baby products in that they are not applied directly to, but worn on, the body. Consequently there are fewer and/or less intense toxicity concerns than there are with kid's personal care items such as lotions and shampoos.

As Figure 70 shows, we see that effectiveness is the most important **non-pricing factor** for children's hygiene and toiletries. Roughly half of both children's products and baby care shoppers consider this the most important purchase factor. In addition, ease of use is much more of an important factor for baby care shoppers. The lack of sleep and a crying baby makes parents seek out products that make life a tad easier.

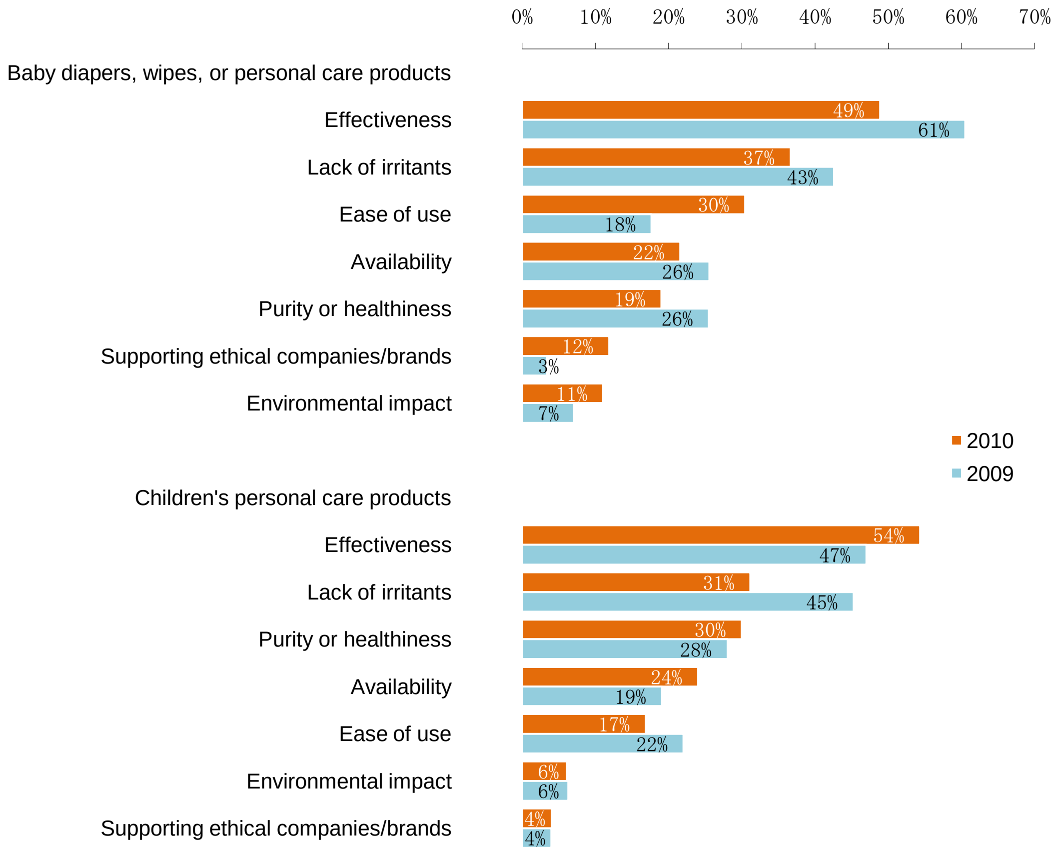
Figure 70 – Most Important Children's Hygiene and Toiletries Purchase Factors Other Than Price



Q33: "When you buy Children's Personal Care products, what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: n = 203 Baby personal care shoppers, 171 Children's personal care shoppers. | Source: GMDC 2010 Survey, Mar. 2010.

As Figure 71 shows, the top two purchase factors for both years are effectiveness and lack of irritants. We see that ease of use and supporting ethical companies is more important for baby care shoppers this year. For children's care shoppers, effectiveness and availability are even more important factors this year.

Figure 71 – Most Important Children's Hygiene and Toiletries Purchase Factors Other Than Price 2009 vs. 2010

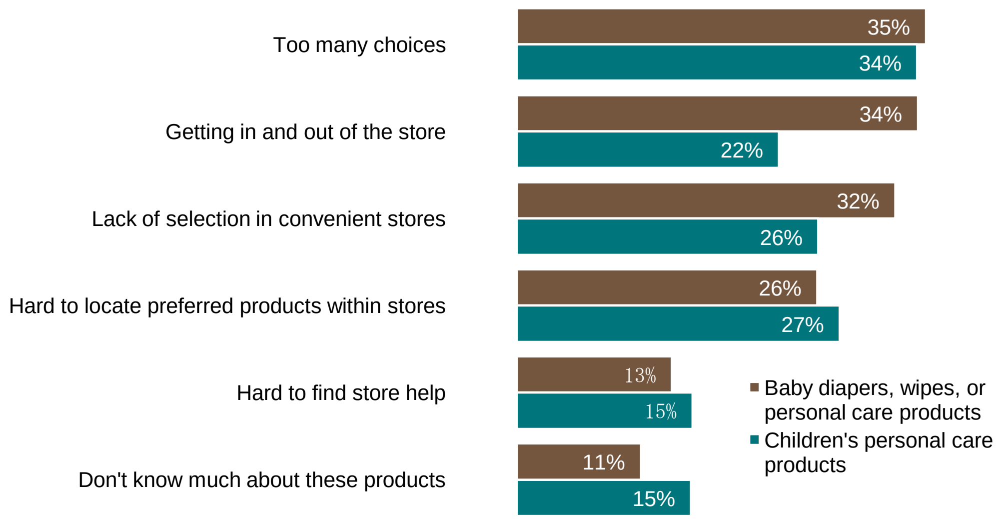


Q32/Q33: "When you buy Children's Personal Care products, what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: Baby personal care shoppers (n=180-2009; n=203-2010); Children's personal care shoppers (n=167-2009; n=171-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Shopping Barriers for Children's Hygiene and Toiletries

As shown in the following chart, too many product choices is the number one shopping barrier for consumers of both baby and children's care products. Consumers are overwhelmed with all the products and brands that are serving this market. Some retailers such as Costco do well carrying just a single brand or two for each product category. As a result, they carry just a fraction of the SKU's that a Walmart or Kroger would but it makes it easy for the consumer to decide which item they want. Getting in and out of the store is also a key barrier for baby care products, partly due to the fact that diaper packages are large and more bulkier to navigate with than typical children's care products.

Figure 72 – Shopping Barriers for Children's Hygiene and Toiletries

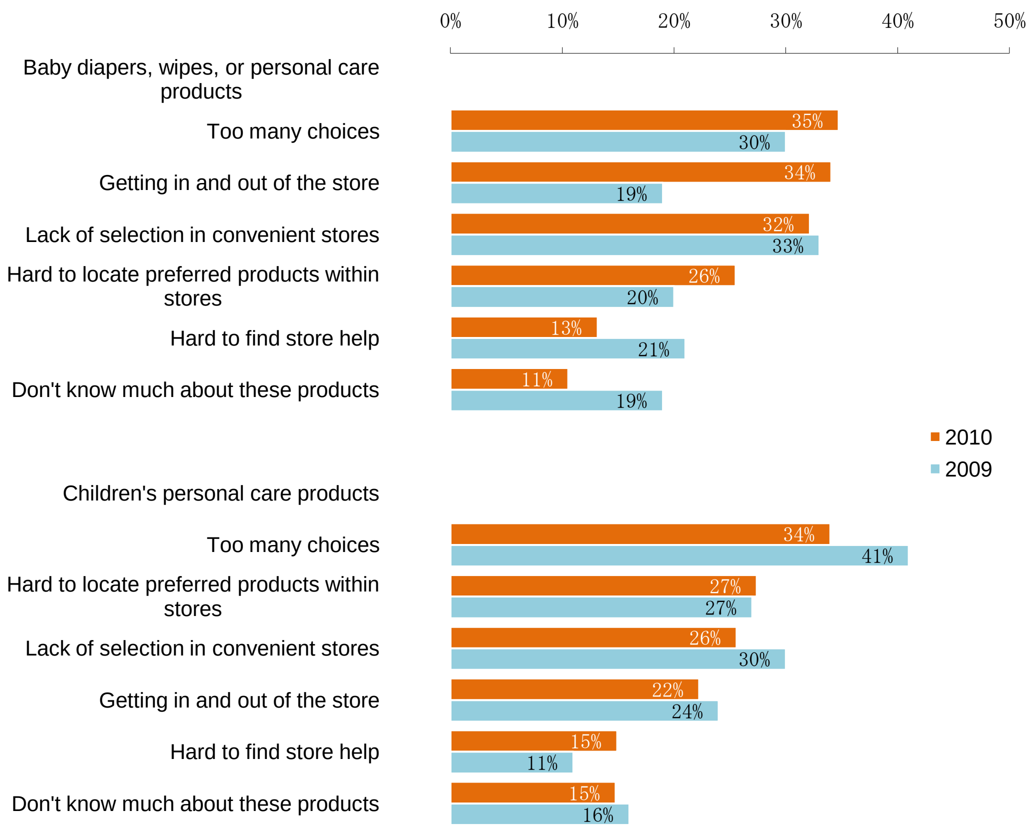


Q34: "Other than price, what is the worst aspect of shopping for Children's Hygiene and Toiletries? Please check your top TWO choices" | Base: n = 203 Baby personal care shoppers, 171 Children's personal care shoppers. | Source: GMDC 2010 Survey, Mar. 2010.

For baby care products this year, getting in and out of the store and difficulty locating preferred products within stores are more of a barrier than last year. Shopping barriers that are less of an issue this year are difficulty finding store help and not knowing much about these products.

For children's care products this year, too many choices and a lack of selection within convenient stores are less of a shopping barrier with consumers.

Figure 73 – Shopping Barriers for Children's Hygiene and Toiletries 2009 vs. 2010



Q33/Q34: "Other than price, what is the worst aspect of shopping for Children's Hygiene and Toiletries? Please check your top TWO choices" | Base: Baby personal care shoppers (n=180-2009; n=203-2010); Children's personal care shoppers (n=167-2009; n=171-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Hair and Skin Care

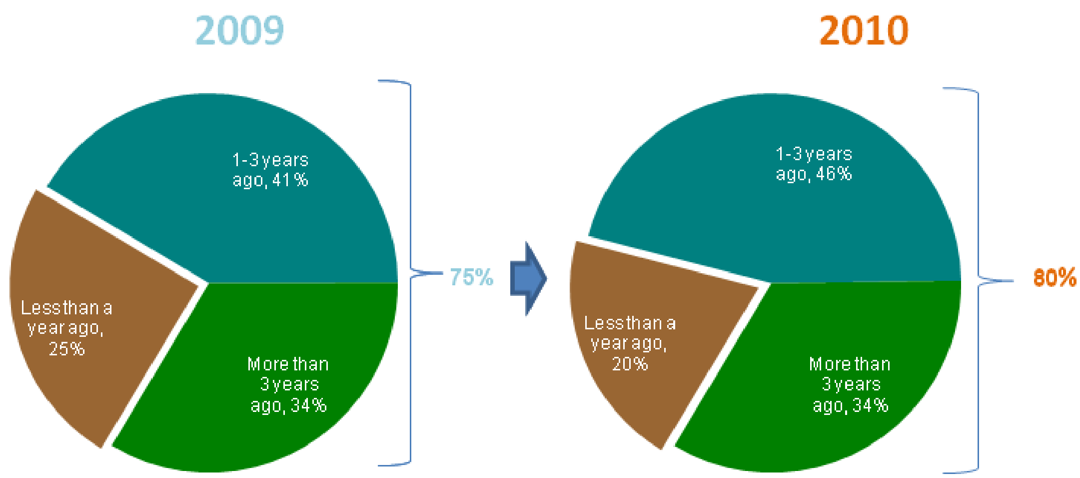
H+W Relevance

These two categories are placed together here due to their similarity in how consumers view and purchase them. These categories have a direct connection to H+W in that they resonate with consumer notions of everyday hygiene, positive self-presentation, and on some levels, pampering or indulgence.

Initial Usage of Natural or Organic Hair and Skin Care

Among natural or organic body care product shoppers, the vast majority of them (80%) have been using these products for more than one year. This statistic is an increase from 75% last year. This indicates there are fewer new consumers in this market.

Figure 74 –Initial Usage of Natural or Organic Body Care Products 2009 vs. 2010



Q34/Q37: "When did you first start using natural or organic body care products?" | Base: Natural, organic or specialty body care product shoppers that remember when first purchase made (n=789-2009; n=710-2010).| Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

The top reason cited for starting to purchase these products this year is a belief it would be a more healthy choice (43%). This is the top reason from last year as well.

Table 7 – Reasons for Initially Purchasing Natural or Organic Hair and Skin Care 2009 vs. 2010

	2009	2010
I felt it would be a more healthy choice	53%	43%
I tried a sample and liked it	33%	33%
I wanted to get the safest product for me or my family	43%	30%
I thought it would be better for the environment	33%	26%
I wanted a product not tested on animals	31%	25%
I was avoiding certain chemicals or fragrances found in mainstream products	34%	22%
It looked like a high-quality product	19%	22%
It was recommended by a friend or family member	27%	22%
I felt it would work better than a mainstream brand	14%	17%
I saw an advertisement	10%	16%
I had a coupon	20%	16%
I was already buying other types of natural personal care products	15%	15%
I was allergic to ingredients in mainstream brands	19%	14%
Received it as a gift	9%	12%
I wanted to experience the sensation, flavor or fragrance described on the package	14%	11%
I saw a product demonstration	8%	11%
I saw it had packaging made from recycled material	15%	9%
I was following the advice of a doctor or expert	10%	8%
I saw an in-store display and bought it as an impulse	12%	8%

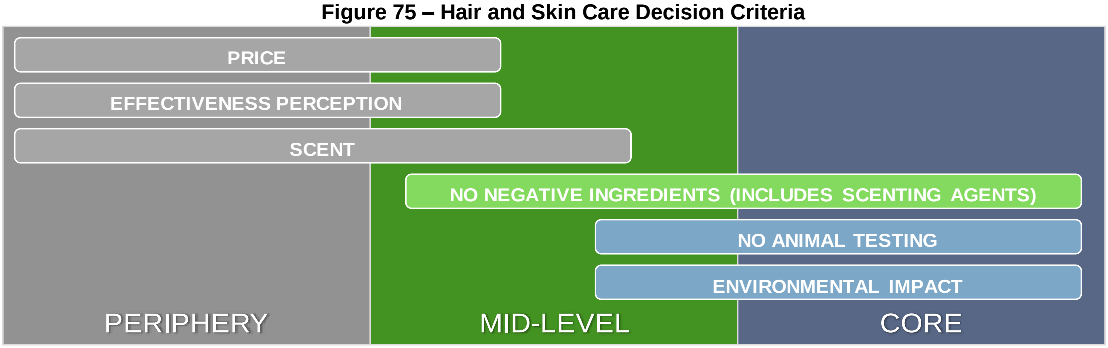
Q35/Q38: "Now thinking back to why you started buying natural or organic body care products, what reason(s) INITIALLY PROMPTED you to start purchasing natural or organic body care products?" | Base: Natural, organic or specialty body care product shoppers that remember when first purchase made (n=789-2009; n=710-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Other top reasons are trying a sample (33%), wanting the safest product (30%), and beliefs that it would be better for the environment (26%). This year, natural or organic body care product consumers are more likely to believe these products look high-quality.

Purchase Criteria

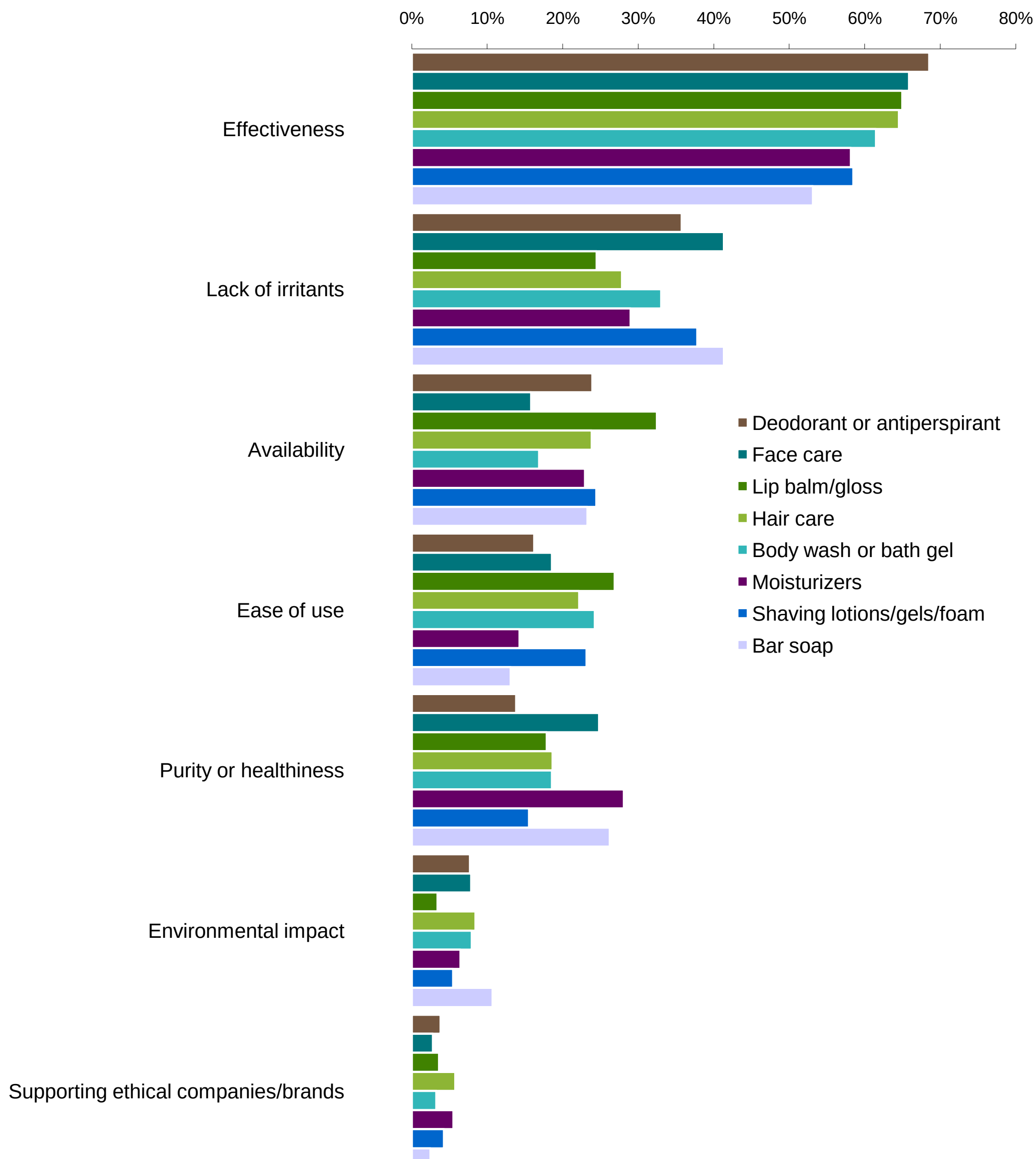
Decision criteria in these categories are typically effectiveness perception, scent, and price in the Periphery and Mid-levels, with some concern about negative ingredients and to a lesser extent animal testing in the latter. Core consumers are most concerned with negative ingredients such as "chemicals," parabens, phosphates, and fragrance, as well as no animal testing and environmental impact.

Figure 75 – Hair and Skin Care Decision Criteria



As Figure 76 shows, effectiveness is the most important **non-pricing factor** among hair and skin care product consumers. The importance of effectiveness ranges from 53% for bar soap consumers to 69% of all deodorant consumers. Supporting ethical companies/brands is the least important factor for consumers.

Figure 76 – Most Important Purchase Factors Other Than Price



Q33: "When you buy Hair and Skin Care, what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: Product shoppers (n varies from 346 for Face care to 515 for Hair care). | Source: GMDC 2010 Survey, Mar. 2010.

When comparing 2009 and 2010, we see a distinct trend for every single personal care product category - the most important purchase factor is effectiveness. Consumers want their products to do their job. After that, lack of irritants, purity, ease of use and availability are the next most important purchase factors for both years.

Table 8 – Most Important Purchase Factors Other Than Price 2009 vs. 2010

	Face care		Hair care		Body wash or bath gel		Bar soap	
	2009	2010	2009	2010	2009	2010	2009	2010
Effectiveness	65%	66%	73%	65%	61%	61%	60%	53%
Lack of irritants	35%	41%	28%	28%	45%	33%	43%	41%
Purity or healthiness	32%	25%	26%	19%	28%	19%	25%	26%
Ease of use	22%	19%	16%	22%	17%	24%	6%	13%
Availability	15%	16%	23%	24%	19%	17%	24%	23%
Environmental impact	5%	8%	7%	8%	8%	8%	10%	11%
Supporting ethical companies/brands	4%	3%	4%	6%	2%	3%	3%	2%

	Deodorant or antiperspirant		Lip balm/gloss		Moisturizers		Shaving lotions/ gels/ foam	
	2009	2010	2009	2010	2009	2010	2009	2010
Effectiveness	66%	69%	53%	65%	69%	58%	61%	58%
Lack of irritants	39%	36%	31%	24%	31%	29%	45%	38%
Availability	19%	24%	26%	32%	19%	23%	18%	24%
Ease of use	19%	16%	27%	27%	18%	14%	24%	23%
Purity or healthiness	18%	14%	24%	18%	34%	28%	20%	16%
Environmental impact	8%	8%	7%	3%	5%	6%	6%	5%
Supporting ethical companies/brands	2%	4%	6%	4%	4%	6%	4%	4%

Q32/Q33: "When you buy Hair and Skin Care, what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: Product shoppers (n varies from 346 to 515 depending on product). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Brand and Product Offerings

There is a broad range of hair and skin care products across the H+W spectrum, with plenty of mid-range options to accommodate consumer H+W evolution. The major issue with these two categories appears in retail space, where consumers complain about there being **too many options**, and where it may be difficult to discern between varying product types and quality levels. In such situations consumers often simply default to a known brand, and the retailer misses an up-sell opportunity. Furthermore, consumer inability to find H+W-oriented product versions is often due to those products being located in a special "natural" section that the consumer is either unaware of or simply does not frequent.

Figure 77 – Hair Care Brands

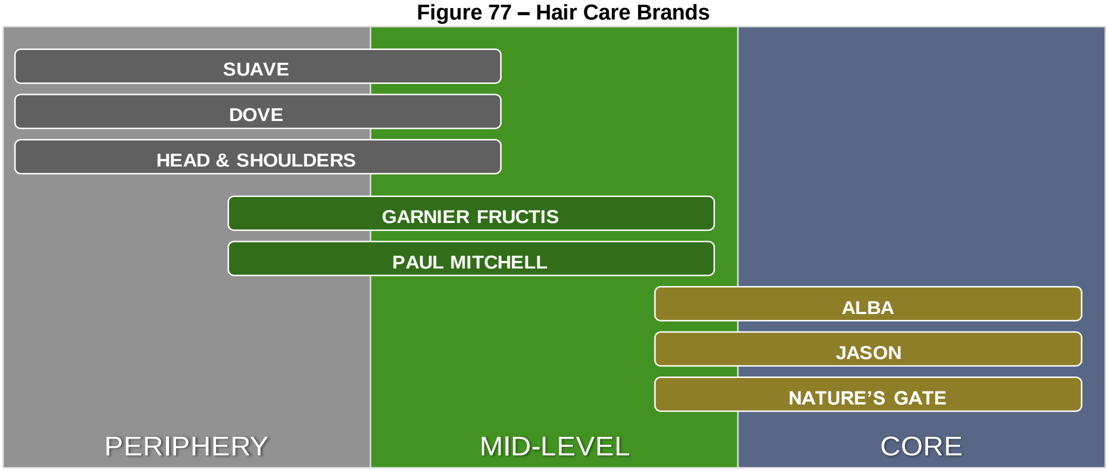


Figure 78 – Lotion (Skin Care) Brands

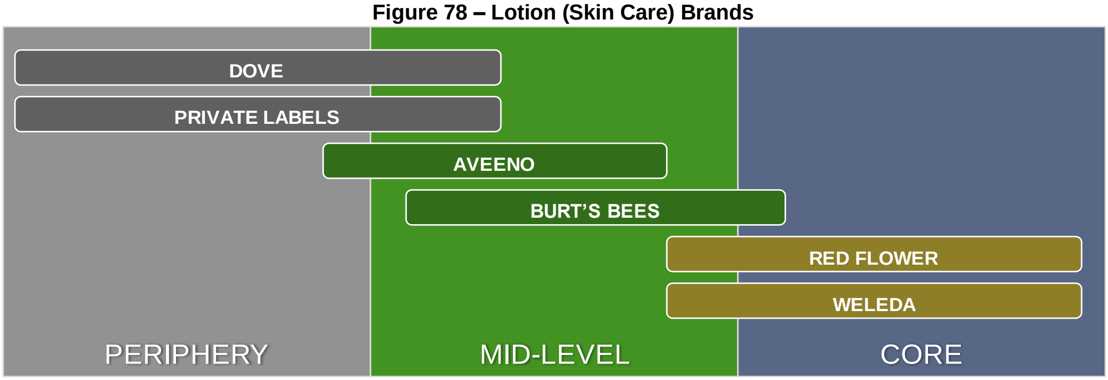


Figure 79 – Soap and Body Wash (Skin Care) Brands

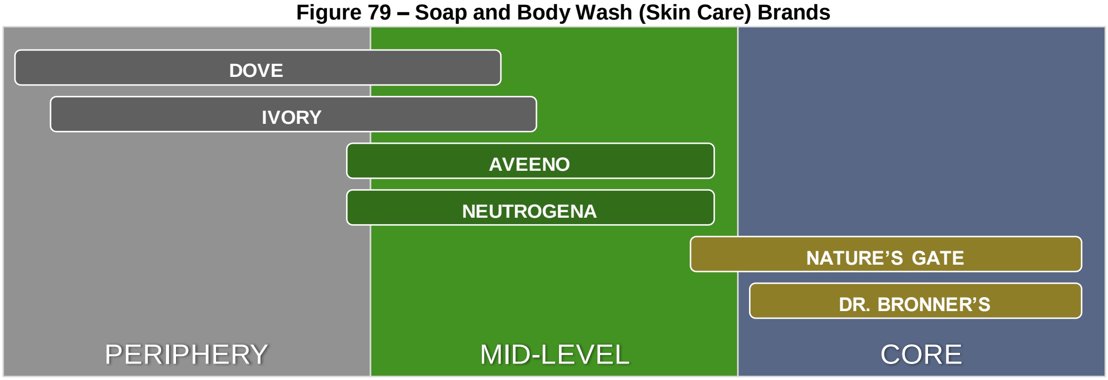
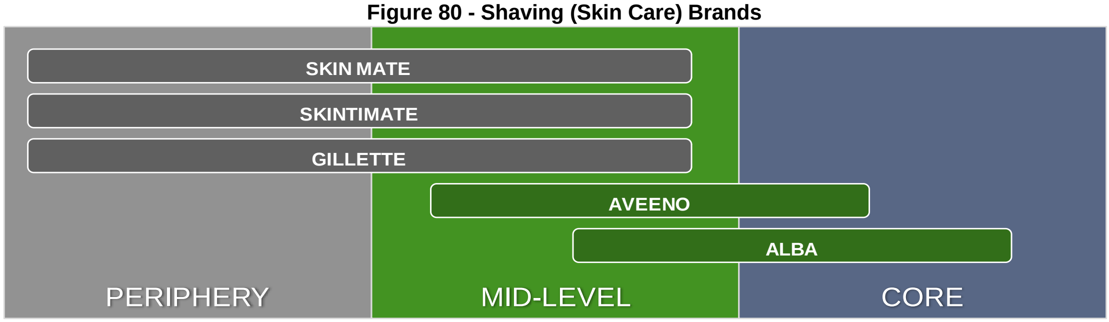


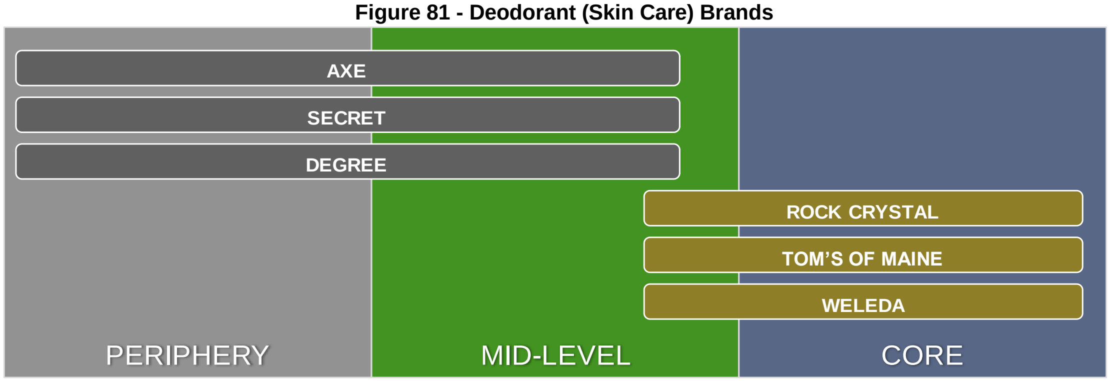
Figure 80 - Shaving (Skin Care) Brands



Deodorant as a Skin Care Category Lacking Transitional Products

While used directly on the body, deodorant lacks a wellness emphasis outside of the Core H+W world. Similarly, there is a lack of midrange H+W-geared product offerings. Consumers seem to shift from fully conventional products such as Secret, Degree, and Right Guard at the Periphery and Mid-level, to Core brands such as Tom's, Jason, Weleda, and crystal-based products, though some Core consumers still use conventional products due to perceived ineffectiveness of natural products. Nevertheless, opportunities lie in filling the gap in transitional product availability.

Figure 81 - Deodorant (Skin Care) Brands



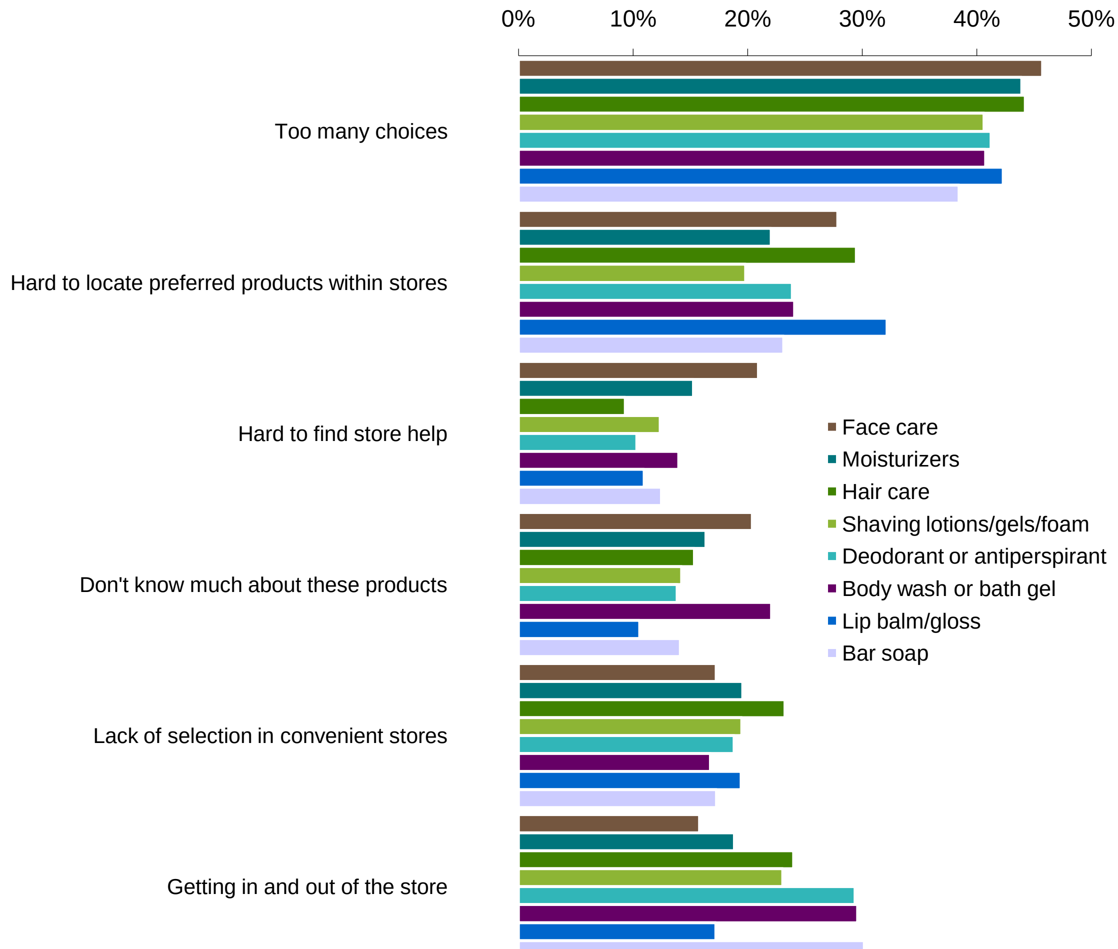
Product Example

Pure & Natural Soap is a good example of a personal care product with appeal to more evolved Mid-level and Core consumers. Its innovative and attractive packaging successfully conveys the idea that the manufacturer (and by extension the store carrying the product) is aware of environmental issues - it is paper, not plastic, recycled and biodegradable. It carries notable purity cues (simple design, lack of bad ingredients) and also carries the WWF symbol indicating that it is animal-friendly (non-animal tested), which also resonates strongly with lifestyle-committed H+W consumers.

Shopping Barriers for Hair and Skin Care

Consumers find that the worst aspect of shopping for hair and skin care products in general is there are **too many choices**, as we have also found qualitatively. This applies for all products from bar soap (38%) through face care (46%).

Figure 82 – Shopping Barriers for Hair and Skin Care



Q34: "Other than price, what is the worst aspect of shopping for Hair and Skin Care? Please check your top TWO choices" | Base: Product shoppers (n varies from 346 for Face care to 515 for Hair care). | Source: GMDC 2010 Survey, Mar. 2010.

Table 9 shows the top shopping barriers for 2009 and 2010. We again see a distinct pattern of too many choices being the top barrier for every single product except lip balm. Lip balm consumers in 2009 found the biggest shopping barrier was to locate their preferred products within stores (38%), perhaps because of its smaller size and shelf space allocation.

Table 9 – Shopping Barriers for Hair and Skin Care 2009 vs. 2010

	Face care		Hair care		Body wash or bath gel		Bar soap	
	2009	2010	2009	2010	2009	2010	2009	2010
Too many choices	42%	46%	45%	44%	45%	41%	38%	38%
Hard to locate preferred products within stores	28%	28%	31%	29%	31%	24%	26%	23%
Hard to find store help	14%	21%	12%	9%	15%	14%	11%	12%
Don't know much about these products	20%	20%	16%	15%	15%	22%	10%	14%
Lack of selection in convenient stores	21%	17%	26%	23%	22%	17%	28%	17%
Getting in and out of the store	21%	16%	22%	24%	19%	30%	26%	30%

	Deodorant or antiperspirant		Lip balm/gloss		Moisturizers		Shaving lotions/ gels/ foam	
	2009	2010	2009	2010	2009	2010	2009	2010
Too many choices	47%	41%	28%	42%	48%	44%	40%	41%
Getting in and out of the store	26%	29%	16%	17%	14%	19%	27%	23%
Hard to locate preferred products within stores	23%	24%	38%	32%	30%	22%	24%	20%
Lack of selection in convenient stores	20%	19%	25%	19%	22%	20%	27%	20%
Don't know much about these products	10%	14%	15%	11%	24%	16%	12%	14%
Hard to find store help	10%	10%	17%	11%	13%	15%	16%	12%

Q33/Q34: "Other than price, what is the worst aspect of shopping for Hair and Skin Care? Please check your top TWO choices" | Base: Product shoppers (n varies from 346 to 515 depending on product). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Home Cleaning (includes Home Fragrance)

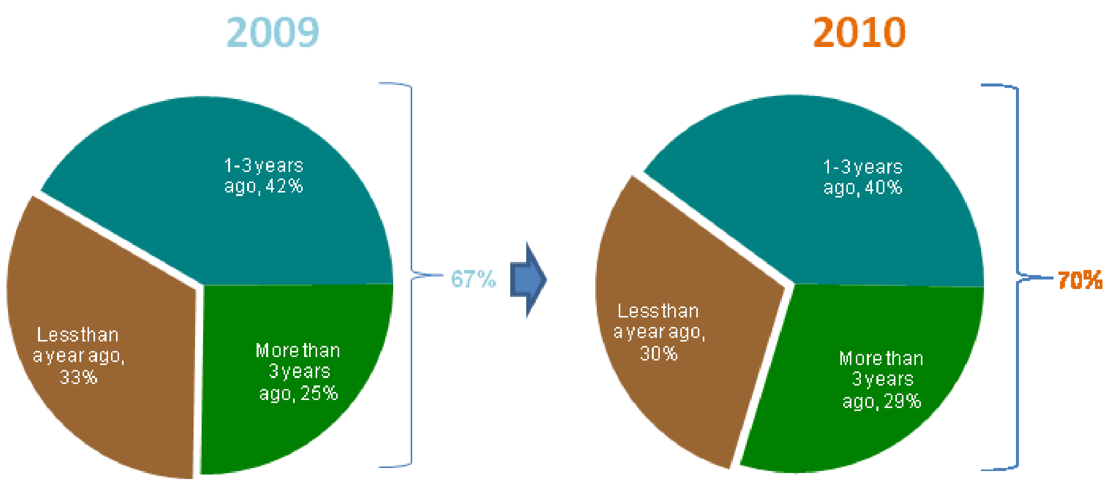
H+W Relevance

Home cleaning products have a somewhat direct relationship with H+W. The category serves as a "gateway" category to some degree, with consumers often adopting natural cleaning products soon after food and personal care items, at, in a few cases, consumers being prompted to enter more deeply into the World of H+W because of concerns relating to irritations they believe to be caused by conventional "chemical" cleaning products.

Initial Usage of Natural or Organic Home Cleaning

Among home cleaning product shoppers, nearly three-quarters (70%) of consumers started using natural or organic versions one or more years ago. This has increased slightly from 2009 (67%) which shows that these consumers have incorporated natural or organic cleaning products into their life.

Figure 83 – Initial Usage of Natural or Organic Home Cleaning Products



Q36/Q39: "When did you first start using natural or organic cleaning products?" | Base: Natural, organic or specialty Home Cleaning product shoppers (n=819-2009; n=767-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

We still see that the long term usage rate of natural or organic cleaners is trailing the rate for natural or organic body care products (80%) as shown previously in Figure 74. In other words, consumers have been using natural or organic body care products for a slightly longer time frame than home cleaning products. Therefore, natural or organic body care products are a bit more of a mature product category than natural or organic home cleaning.

As shown in Table 10, the top reason cited for starting to purchase natural or organic home cleaning products is a belief it would be better for the environment (43%). This rate drops from 2009's 56%. Consumers this year believe that the use of these products is just as much for the environment as they are for the health and safety for themselves. In fact, getting the safest product and getting a healthier choice are almost as relevant as using it for the environment (41% and 40% respectively).

Table 10 – Reasons for Initially Purchasing Natural or Organic Home Cleaning 2009 vs. 2010

	2009	2010
I thought it would be better for the environment	56%	43%
I wanted to get the safest product for me or my family	44%	41%
I felt it would be a more healthy choice	47%	40%
I was avoiding certain chemicals or fragrances found in mainstream products	32%	28%
I tried a sample and liked it	21%	22%
I had a coupon	21%	22%
I wanted a product not tested on animals	25%	20%
I saw an advertisement	15%	17%
I was already buying other types of natural products other than cleaning products	12%	15%
It looked like a high-quality product	17%	14%
It was recommended by a friend or family member	20%	14%
I felt it would work better than a mainstream brand	13%	12%
I saw it had packaging made from recycled material	16%	11%
I was allergic to ingredients in mainstream brands	13%	10%
I saw a product demonstration	9%	8%
I saw an in-store display and bought it as an impulse	10%	8%
Received it as a gift	4%	6%
I was following the advice of a doctor or expert	4%	5%

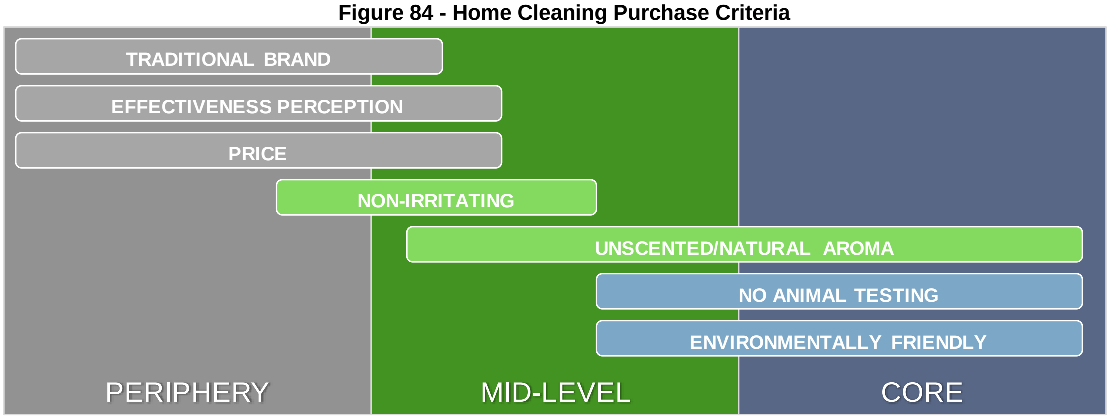
Q37/Q40: "Now thinking back to why you started buying natural or organic cleaning products, what reason(s) INITIALLY PROMPTED you to start purchasing natural or organic cleaning products?" | Base: Natural, organic or specialty Home Cleaning product shoppers that remember when first purchase made (n=819-2009; n=767-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

It is interesting to note that the environment plays a bigger role for home cleaning than for hair and skin care products. Home cleaners have to be stronger to tackle some of the cleaning jobs in the house, such as a dirty bathtub or stains in the white t-shirt. So there is an image in consumers that the ingredients in cleaners have more of an impact on the environment. For hair and skin care products, consumers use it on a daily basis on their skin and body so they inherently determine that these are gentler overall on the environment. Purchasing because of environmental reasons is more top of mind for home cleaning products because the product is not directly applied to the body, but rather "released" into the home environment. Highly-involved H+W consumers are also concerned about detergents and cleaners going down the drain into groundwater, streams, lakes, et cetera.

Purchase Criteria

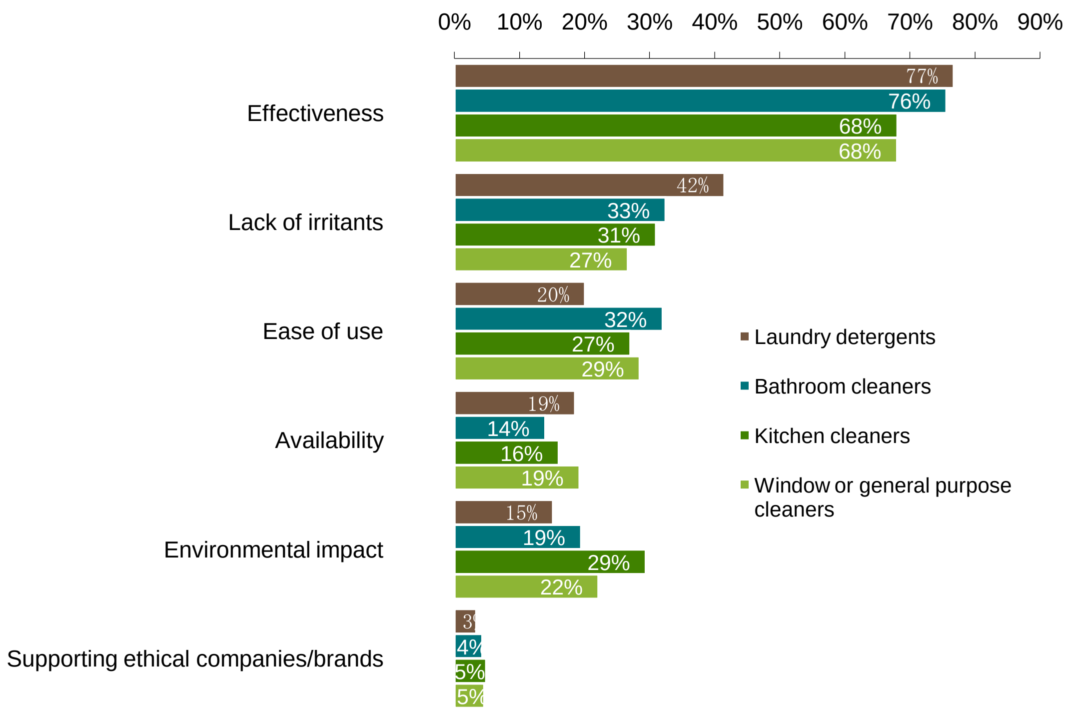
Periphery consumers base product decisions on ideas of effectiveness, along with price, and tend to be driven by loyalty to traditional brands ("it's what my mom always bought growing up"), which in many ways also correlates to ideas of effectiveness (i.e. traditional brands are "strong" cleaners that work well). Some of these consumers may have concerns with product ingredients *if* a family member has had a reaction to a cleaning product. Occasionally, such reactions will act as triggers into and interest of more natural cleaning products beyond the reaction-causing product. Effectiveness and price are relevant purchase criteria in the Mid-level, however there is also a general awareness about the existence of Core concerns such as negative ingredients, animal testing, and environmental impact. At the Core, these latter considerations are primary drivers, with price and effectiveness as departing concerns. Core consumers are willing to sacrifice effectiveness in the sense of *appearances of cleanliness* for the sake of H+W concerns, and are often more concerned about "powerful chemicals" than they are "a little dirt." It should be noted that the criteria of "non-irritating", "unscented/natural aroma" and "environmentally friendly" all essentially reflect concerns about "bad ingredients" and toxicity, but are phrased differently across the segments. Home cleaning products are most certainly one of the more prominent categories with respect to sustainability implications for consumers.

Figure 84 - Home Cleaning Purchase Criteria



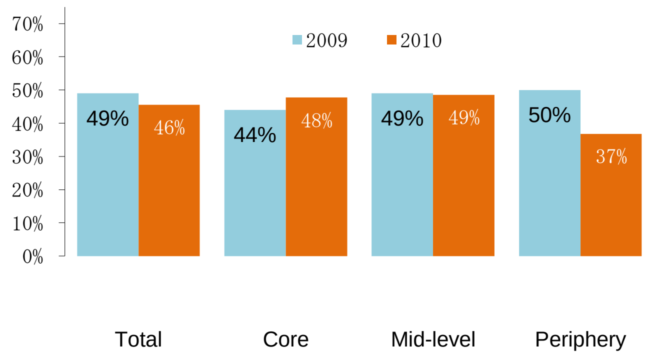
About three-quarters of home cleaning product consumers consider effectiveness the most important **non-pricing factor**. The importance of effectiveness is about double that of the next most important factor, lack of irritants. In addition, the importance of the environmental impact of home cleaning products is about double that placed on hair and skin care products seen in Figure 76. Again, there is more awareness on environmental issues because of the emphasis placed on issues such as chlorine bleach being toxic to fish and phosphates in detergents overwhelming lakes and streams with algae blooms.

Figure 85 – Most Important Purchase Factors Other Than Price



Q33: "When you buy Home Cleaning, what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: Product shoppers (n varies from 484 for Window or general purpose cleaners to 506 for Kitchen cleaners). | Source: GMDC 2010 Survey, Mar. 2010.

Figure 86 – Concerns about Hazardous Ingredients or Materials used in Cleaning Products 2009 vs. 2010



Q23: "Which one of the following product categories are you MOST CONCERNED about the amount of hazardous ingredients or materials used? – Cleaning products" | Base: Shoppers most concerned about Cleaning products (n=1074-2009; 91 Core, 691 Mid-level, 292 Periphery; n=947-2010; 82 Core, 670 Mid-level, 195 Periphery). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Overall, nearly half of all consumers (46%) are concerned about hazardous or toxic ingredients in cleaning products. This is nearly the same as last year's 49%. The Core and Mid-level consumers are more concerned (48% and 49% respectively) about hazardous cleaning products than the average consumer.

As Table 11 shows, the effectiveness of the cleaner is the most important purchase attribute for every single product and for both years. There are some declines with this factor for kitchen and window cleaners but it is still more than double the next most important factors like irritants and ease of use.

Table 11 – Most Important Purchase Factors Other Than Price 2009 vs. 2010

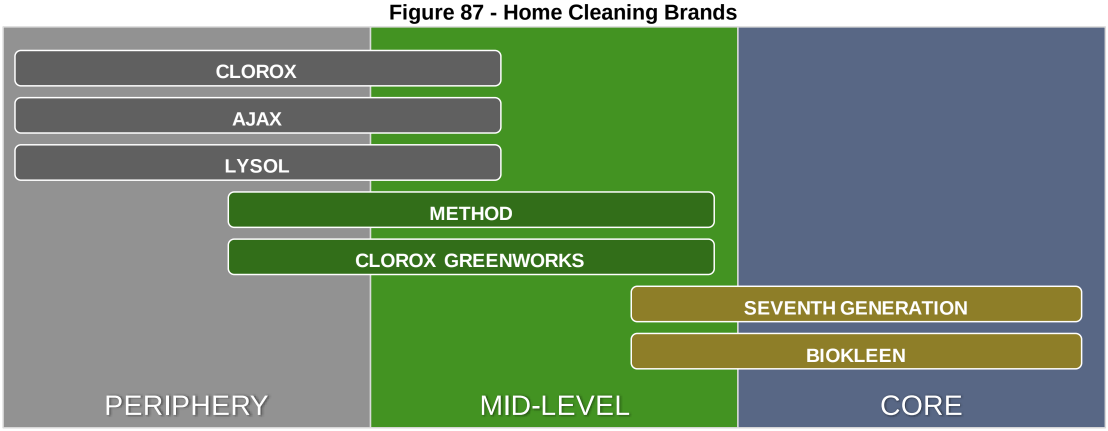
	Laundry detergents		Bathroom cleaners		Kitchen cleaners		Window or general purpose cleaners	
	2009	2010	2009	2010	2009	2010	2009	2010
Effectiveness	79%	77%	78%	76%	79%	68%	74%	68%
Lack of irritants	35%	42%	36%	33%	34%	31%	31%	27%
Ease of use	17%	20%	26%	32%	26%	27%	32%	29%
Availability	28%	19%	12%	14%	21%	16%	18%	19%
Environmental impact	19%	15%	22%	19%	25%	29%	22%	22%
Supporting ethical companies/brands	3%	3%	5%	4%	3%	5%	4%	5%

Q32/Q33: "When you buy Home Cleaning products, what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: Product shoppers (n varies from 484 to 506 depending on product). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Brand and Product Offerings

Much like hair and skin care, the home cleaning category suffers from a lack of wellness-oriented products in high-visibility areas in stores. While there is a more than adequate range of SKUs available across the H+W continuum in most home cleaning subcategories, the more wellness-oriented end of that spectrum is typically located in specialty or "natural" (i.e. low visibility) areas within stores. In many instances, brand blocks also serve as impediment in allowing consumers from being able to readily compare similar products to one another.

Figure 87 - Home Cleaning Brands



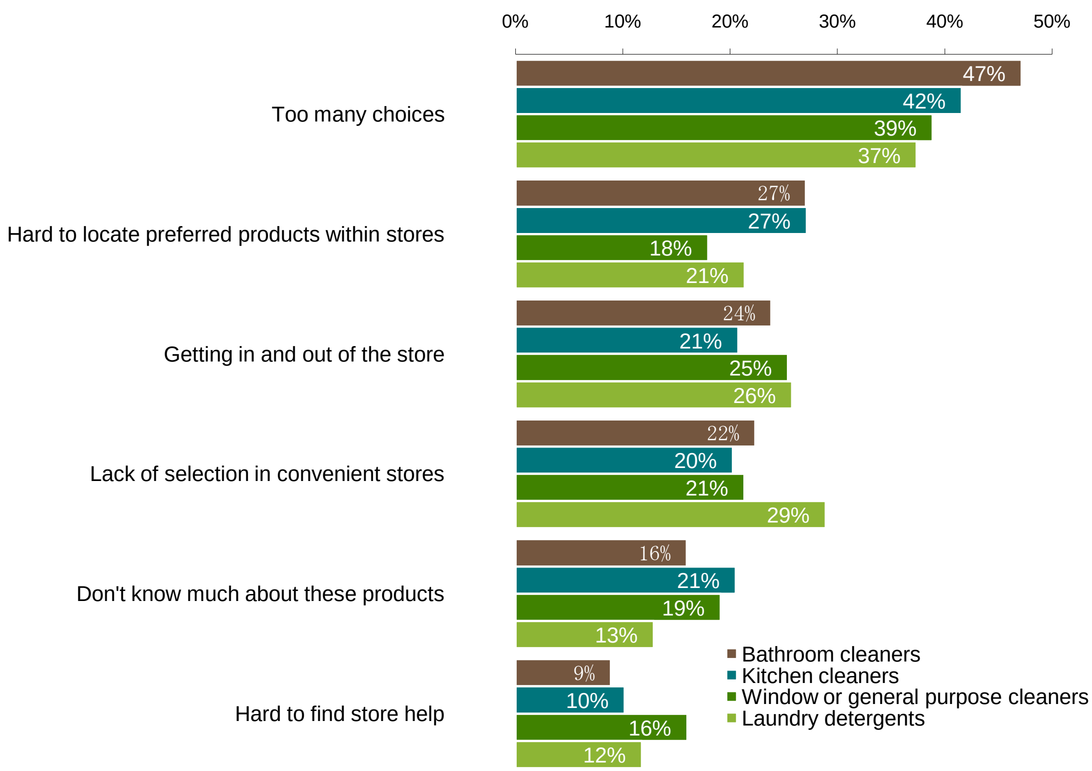
Home Fragrance as Home Cleaning Subcategory

We found that home fragrance is a somewhat divisive subcategory. Many consumers, particularly Mid-Level and Core consumers, tend to avoid most types of conventional home fragrance products, though sometimes using candles, incense, or essential oils for manipulating the scent of an indoor space. Where consumers do use more conventional home fragrance products such as air fresheners, and do not have toxicity or environmental concerns, the purchase criteria are fairly simple – "do I (or am I likely to) like the scent," a general sense of effectiveness, and price. Most conventional fragrance products tend to violate the more general decision criteria for home cleaning products observed by Core and Mid-level consumers, hence the lack of notable participation in the subcategory. Retailers and manufacturers may consider some level of "reinvention" of this entire subcategory, moving strongly toward formulations and SKU mixes featuring all-natural ingredients, in formats that do not resemble conventional air fresheners (aerosols, "plug-ins," et cetera) that may bring up ideas of "chemicals" for more H+W-involved consumers.

Shopping Barriers for Home Cleaning

The worst aspect of shopping for home cleaning products in general is there are too many choices. This aspect applies more for bathroom cleaners (47%) than for laundry detergents (37%). Consumers are also more likely to find it difficult to find their preferred products within stores when shopping for bathroom and kitchen cleaners. Laundry detergent shoppers find it a hassle to get in and out of stores and note a lack of selection in convenient stores.

Figure 88 – Shopping Barriers for Home Cleaning



Q34: "Other than price, what is the worst aspect of shopping for Home Cleaning? Please check your top TWO choices" | Base: Product shoppers (n varies from 484 for Window or general purpose cleaners to 506 for Kitchen cleaners). | Source: GMDC 2010 Survey, Mar. 2010.

As Table 12 shows, too many choices in the cleaner category is the consistent shopping barrier for all products and both years. Consumers feel they are overwhelmed by all the choices, brands, formats and price levels with these products when these are more of a commodity type product. Finding store help and a lack of knowledge about these products are less of a barrier since these product categories are well known and have been used for a long period of time.

Table 12 – Shopping Barriers for Home Cleaning 2009 vs. 2010

	Bathroom cleaners		Kitchen cleaners		Window or general purpose cleaners		Laundry detergents	
	2009	2010	2009	2010	2009	2010	2009	2010
Too many choices	47%	47%	50%	42%	36%	39%	40%	37%
Hard to locate preferred products within stores	25%	27%	25%	27%	24%	18%	29%	21%
Getting in and out of the store	22%	24%	21%	21%	29%	25%	31%	26%
Lack of selection in convenient stores	29%	22%	30%	20%	21%	21%	20%	29%
Don't know much about these products	17%	16%	15%	21%	21%	19%	12%	13%
Hard to find store help	11%	9%	10%	10%	13%	16%	12%	12%

Q33/Q34: "Other than price, what is the worst aspect of shopping for Home Cleaning? Please check your top TWO choices" | Base: Product shoppers (n varies from 484 to 506 depending on product). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Books, Magazines, and Education

H+W Resonance

In some ways, this category relates fairly directly to H+W when H+W is the key topic of the material, and in such form relates strongly to the "quest for knowledge" that many developing Mid-Level consumers carry out.

Though this is an important category, caution should also be observed before investing too heavily in it. As we saw in Chapter 2, the Internet now serves as the key source of H+W information for consumers. We do not see this trend reversing itself, in fact, we anticipate the Internet becoming more important overall in consumer H+W over the next several years.

Purchase Criteria

Purchase criteria are rather difficult to discern in this category, as many consumers do not purchase within it regularly and/or purchase such items on whim or impulse. Price is often a leading criterion, but it tends to operate in retail channel selection rather than in an immediate store context. That is, many will simply go to a specialist channel (e.g. Borders) where they expect pricing will be competitive when they go out specifically to purchase publications. When publications are purchased impulsively, price often does not matter so much so long as it is not unreasonable. Probably the most significant other factor is simple and immediate relevance, which makes in-store placement of publications important e.g. having books on cooking with herbs near specialty herbs, or placing books on vitamins near vitamins.

Brand and Product Offerings

There is, of course no lack of available printed materials on various aspects of H+W. Some selection of key works in H+W topic areas (e.g. books by Dr. Andrew Weil) would be desirable in most channels covered by this report. The specialty drug channel and specialty grocers should consider carrying more extensive variety of H+W related publications. In the latter case, publications relating to food (E.g. Saveur) should be prioritized given the H+W resonance of food in those stores.

Non-Gateway Categories/Sub-Categories

The following categories have some discernable relevance to H+W, and often appear alongside other categories of adoption. However, by themselves they currently lack the ability to facilitate a consumer's growth into other categories of H+W goods, thus they are "non-gateway" categories.

OTC

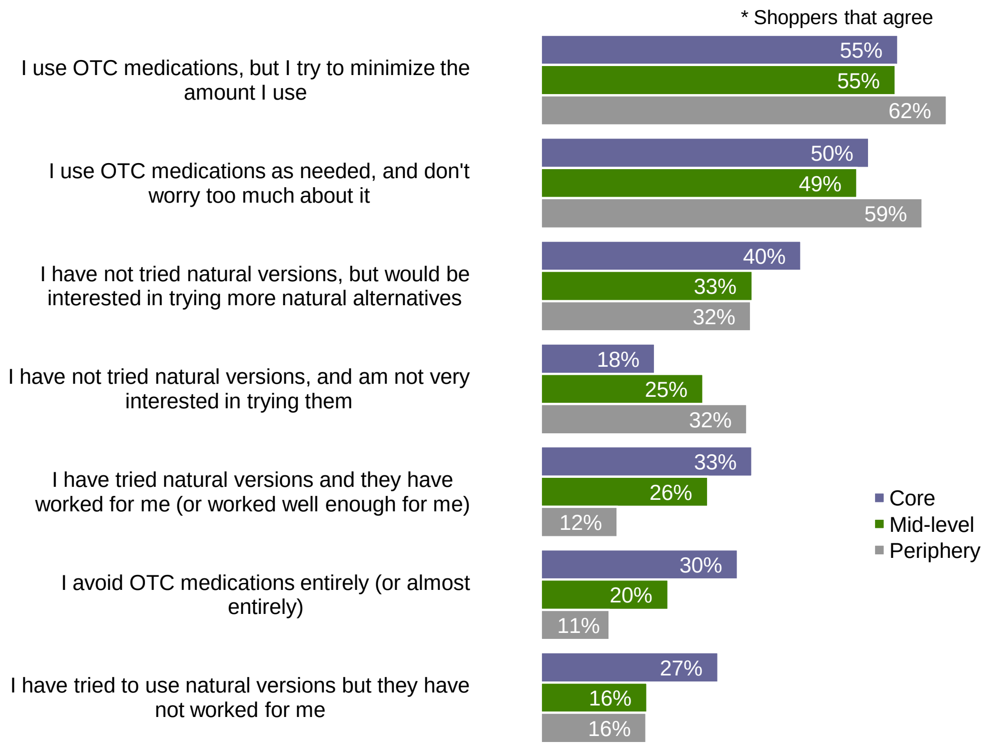
H+W Relevance

While this category has a very direct relationship to H+W, it is not the most positive association. OTC products are generally associated with conditions of illness and/or crisis (e.g. a bad headache) and lack the positive, proactive H+W associations that we find with certain other categories, e.g. taking the right supplements is often viewed as a positive, self-empowering move by Mid-level consumers. Many H+W consumers tend to use less in the way of OTC as they evolve and develop a general disinclination toward "drugs" or other medications.

Figure 89 – Consumer Collage Showing Concern Over Taking "Too Many Drugs"

Figure 90 shows consumer attitudes towards OTC use versus using natural versions. Overall, a slight majority of consumers (57%) use OTC medications, but try to limit the amount used. A good majority of consumers also use OTC as needed and do not worry about it. The Periphery feels more strongly about this (59%) than the other segments. It is not something they worry about on a day to day basis.

Figure 90 –OTC vs. Natural Products Usage Preferences

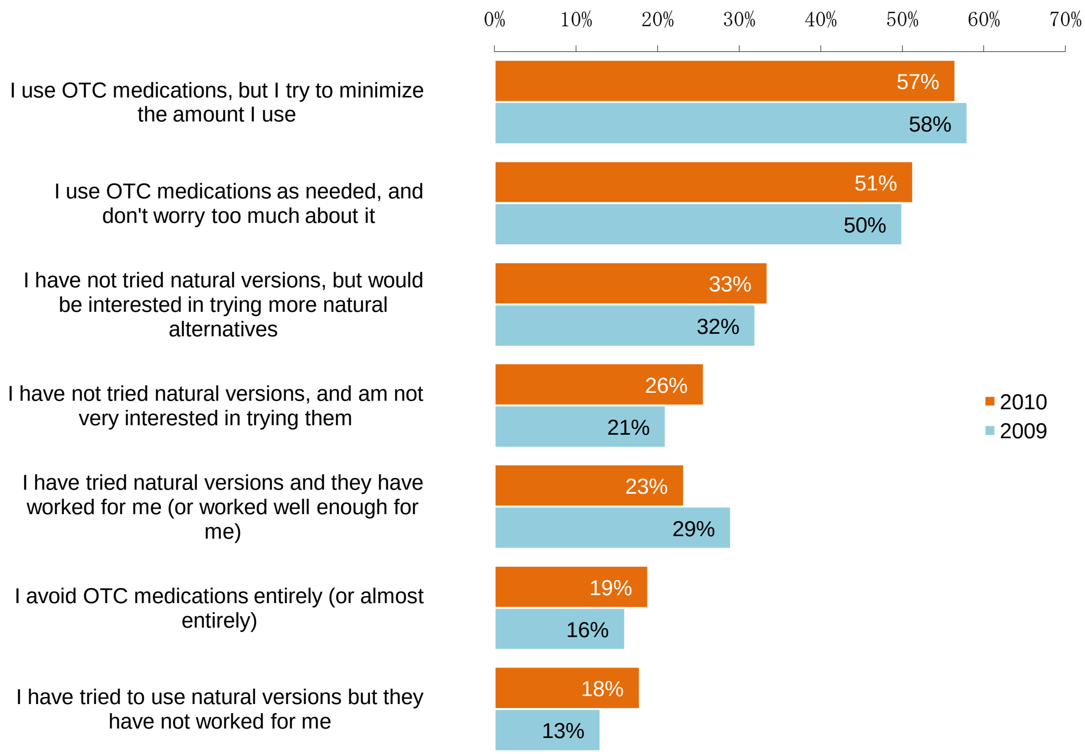


Q41: "Regarding Over-The-Counter Medications, please indicate how strongly you agree or disagree with each statement." * Top-2 box agree | Base: Primary household shoppers (n=2031; 158 Core, 1424 Mid-level, 449 Periphery). | Source: GMDC 2010 Survey, Mar. 2010.

The Core lean more towards the trial and usage of natural versions of OTC. They are more likely to be interested in natural versions of OTC (40%), to try them and find they worked (33%), and to try them but find they did not work (27%). The Core is also the segment most likely to avoid OTC entirely (30%). The Core are more willing to experiment with new and in particular natural remedies for any of their health issues.

When comparing this year's results to last year's, we find that the rank order is mostly maintained as shown in Figure 91. It is still an OTC show but this indicates that natural versions have some potential to grow and gain market share. This is because the largest group of consumers that use OTC are trying to **minimize** their use. We also see that a third of consumers have not tried natural versions but are interested in trying them more. Tapping into the market of those wanting an alternative could prove rewarding.

Figure 91 –OTC vs. Natural Products Usage Preferences 2009 vs. 2010



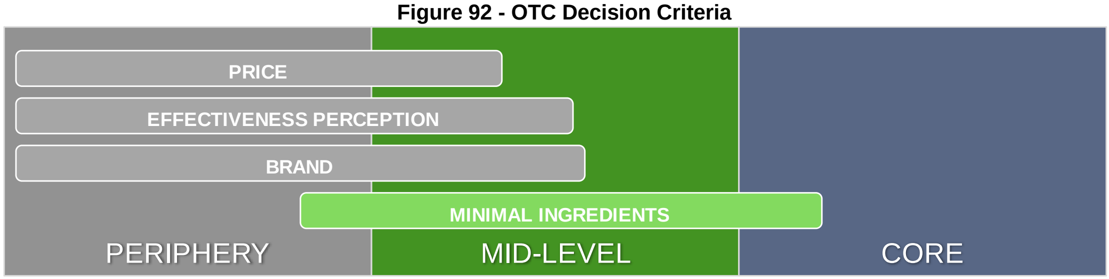
Q38/Q41: "Regarding Over-The-Counter Medications, please indicate how strongly you agree or disagree with each statement." * Top-2 box agree | Base: Primary household shoppers (n=2176-2009; n=2031-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Purchase Criteria

Consumers generally choose products in this category based on effectiveness perception and price. Often private labels or generics are believed to be the same as name brands in effectiveness, ingredients, and quality, and may be preferred because of lower pricing.

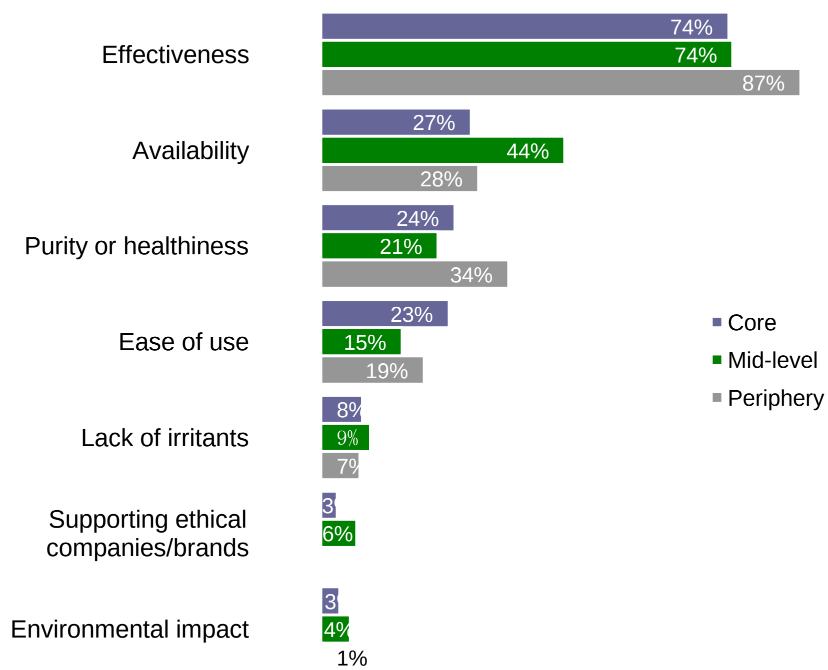
More evolved Mid-level and Core consumers look for products with effectiveness in specific roles (e.g. arnica for bruising), but also by company reputation of "authenticity." Often these products are made by smaller obscure brands, and tend to be more in the category of homeopathic or herbal remedies (see above) than what one would typically classify as OTC.

Figure 92 - OTC Decision Criteria



By far, the most important **non-pricing factor** for OTC consumers is effectiveness. Consumers want their products to relieve their health issue. As shown in the following figure, the importance of effectiveness is about double the next most important factor. Effectiveness ranges from 74% for the Core and Mid-level to 87% for the Periphery consumer. A key purchase factor for the Mid-level consumer is the availability of their product (44%). The supporting of ethical companies or the environmental impact does not register at all for Periphery consumers.

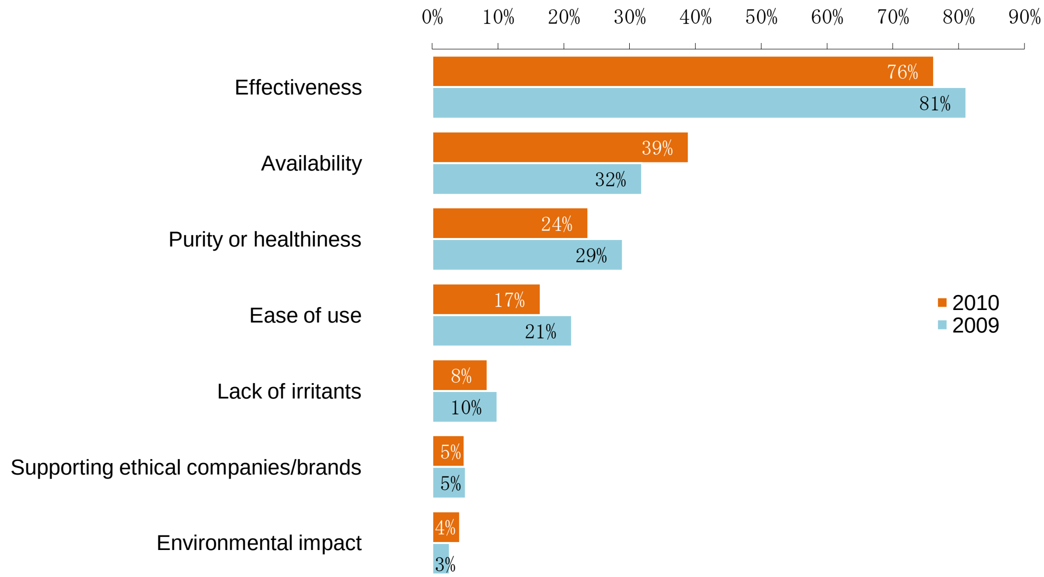
Figure 93 – Most Important OTC Purchase Factors Other Than Price



Q33: "When you buy over the counter medications, what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: Over the counter medications shoppers (n=452; 38 Core, 327 Mid-level, 87 Periphery). | Source: GMDC 2010 Survey, Mar. 2010.

As Figure 94 shows, the effectiveness of OTC maintains its dominant spot on the rankings this year. There are slight variations in the proportions of the individual factors but the overall ranking is maintained. Availability increases in importance from 32% to 39% this year. Purity and ease of use meanwhile experience a decrease in importance.

Figure 94 – Most Important OTC Purchase Factors Other Than Price 2009 vs. 2010

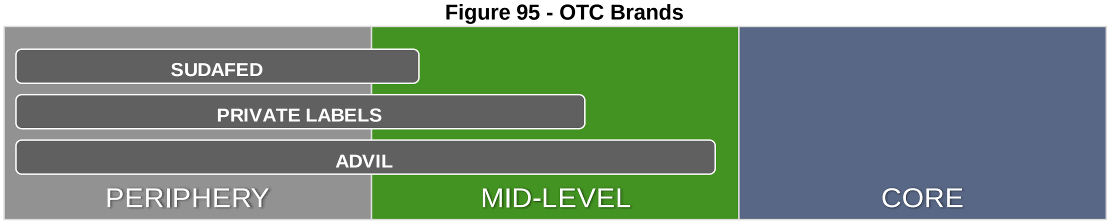


Q32/Q33: "When you buy over the counter medications, what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: Over the counter medications shoppers (n=498-2009; n=452-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Brand and Product Offerings

Product offerings in this category essentially "fall off" in the Mid-level, though this is somewhat appropriate in that consumer interest in OTC also tends to fall off in the Mid-level. In some measure this is caused by the lack of intermediate forms between traditional OTC and homeopathic and herbal remedies, and a general lack of retail availability and consumer awareness of the latter. In a positive sense, there may be serious opportunities in developing such intermediate forms and making them accessible and recognizable to evolving Mid-level consumers.

Figure 95 - OTC Brands



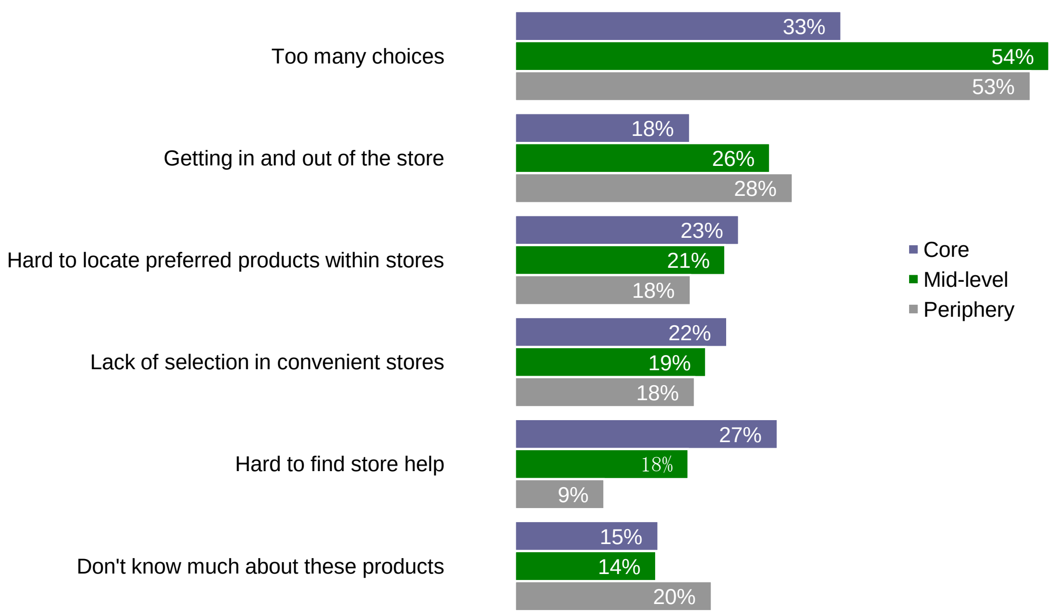
Product Example

Oscillococcinum provides a good example of a transitional brand/product, which in this category is somewhat rare. It presents a mix of traditional (and Periphery-oriented) OTC decision criteria (e.g. effectiveness cues) and packaging, which uses the traditional format of bright colors and thin rectangle-shaped box, with some more evolved H+W cues (e.g. minimal/natural ingredients). Of course, it also helps that, formally, it *is* a homeopathic medicine.

Shopping Barriers for OTC

As has been found in previous product categories, consumers find there are too many choices in the OTC category. This is more of a factor for the Mid-level (54%) and Periphery (53%) as shown in Figure 96. The Core is much more concerned about finding store assistance (27%) to help with any questions they may have about the product.

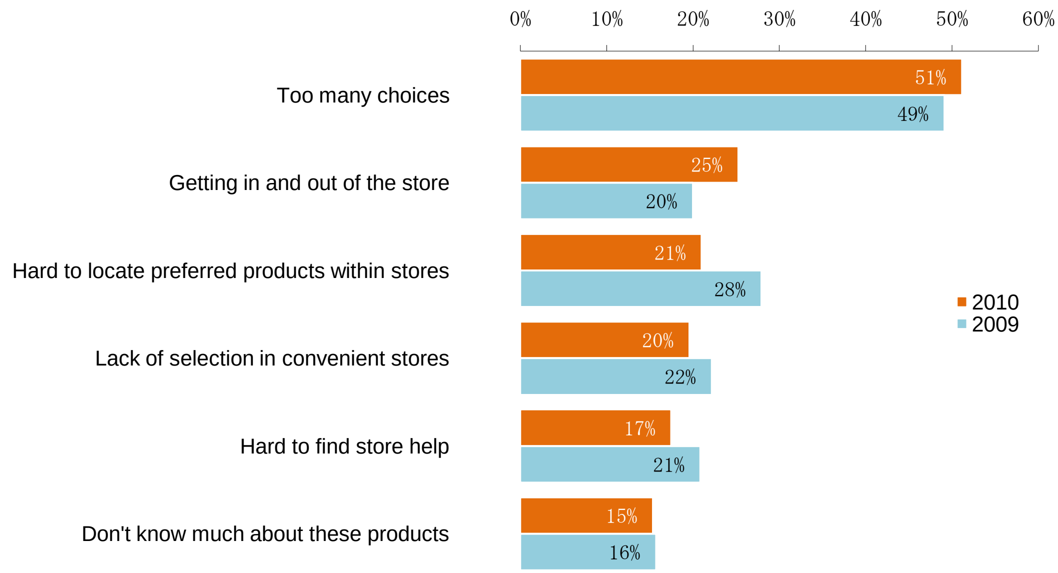
Figure 96 – Shopping Barriers for OTC



Q34: "Other than price, what is the worst aspect of shopping for over the counter medications? Please check your top TWO choices" | Base: Over the counter medications shoppers (n=452; 38 Core, 327 Mid-level, 87 Periphery). | Source: GMDC 2010 Survey, Mar. 2010.

As Figure 97 shows, consumers find there are too many choices in the OTC category both this year and last. There are slight changes in the ranking such as getting in and out of the store becoming more of a barrier this year. Less of a barrier is the difficulty in locating preferred products within stores.

Figure 97 – Shopping Barriers for OTC 2009 vs. 2010



Q33/Q34: "Other than price, what is the worst aspect of shopping for over the counter medications? Please check your top TWO choices" | Base: Over the counter medications shoppers (n=498-2009; n=452-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Oral Care

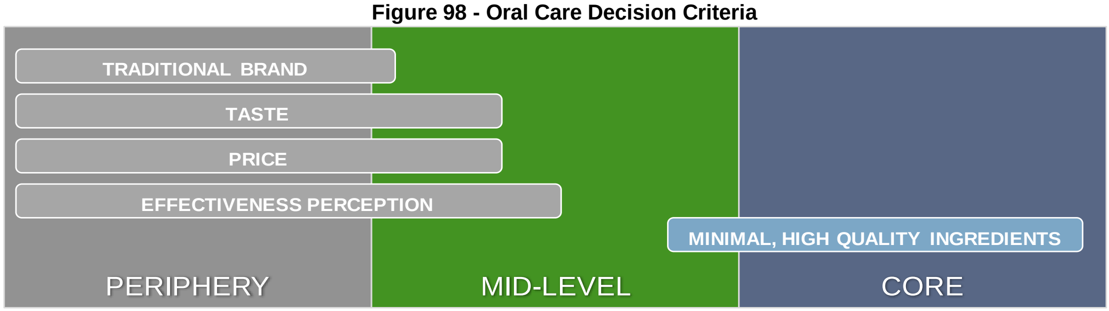
H+W Relevance

Consumers do link oral care products to their H+W, however, while they are used directly on and in the body, most consumers aren't as concerned about potential H+W benefits or risks as they are with other products so directly applied to the body. In some measure, this is simply because "you spit it out."

Purchase Criteria

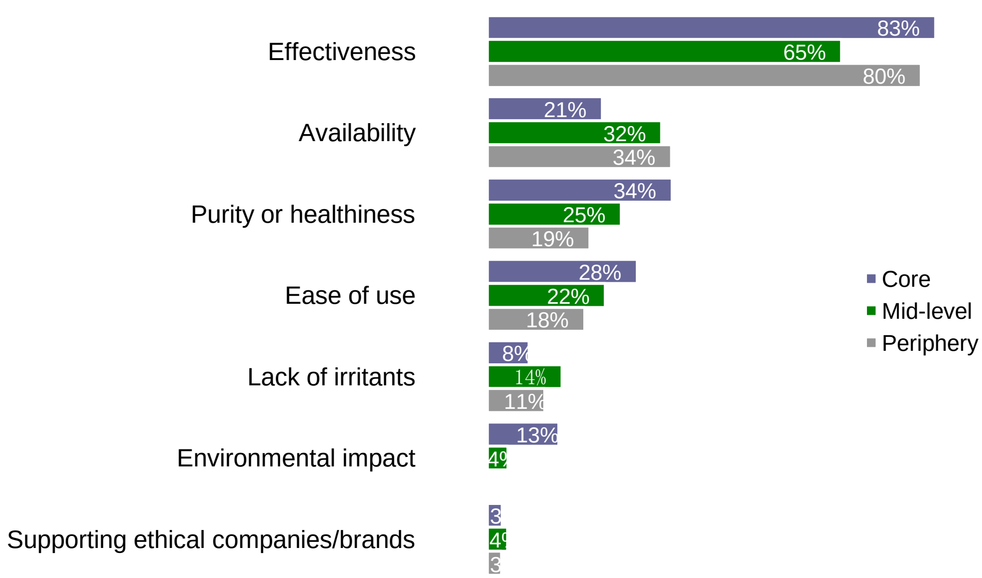
Taste, effectiveness perception, and price are the top purchase decision criteria in this category for Periphery and Mid-level consumers, with more evolved H+W consumers being less concerned with taste. Core consumers look for an absence of negative ingredients such as sugar, fluoride, and other chemicals, as well as an absence of animal testing. The presence or absence of fluoride is somewhat polarizing; most consumers want it, and assume nearly every modern toothpaste has it, however, some Core consumers view it as “poison.” Obviously, Core-targeted SKUs should be offered in fluoride-free versions. Some Periphery and Mid-level consumers prefer “alcohol free” mouth washes, but this was not widespread within our study sample population.

Figure 98 - Oral Care Decision Criteria



Effectiveness is the most important **non-pricing factor** for purchasing oral care for all segment groups though the Core and Periphery consumers find this more important (83% and 80% respectively). The Core is more likely to find purity or healthiness (34%) as well as environmental impact (13%) to be more important than other segments. In contrast, the Periphery is more concerned about the availability of oral care products (34%) than others.

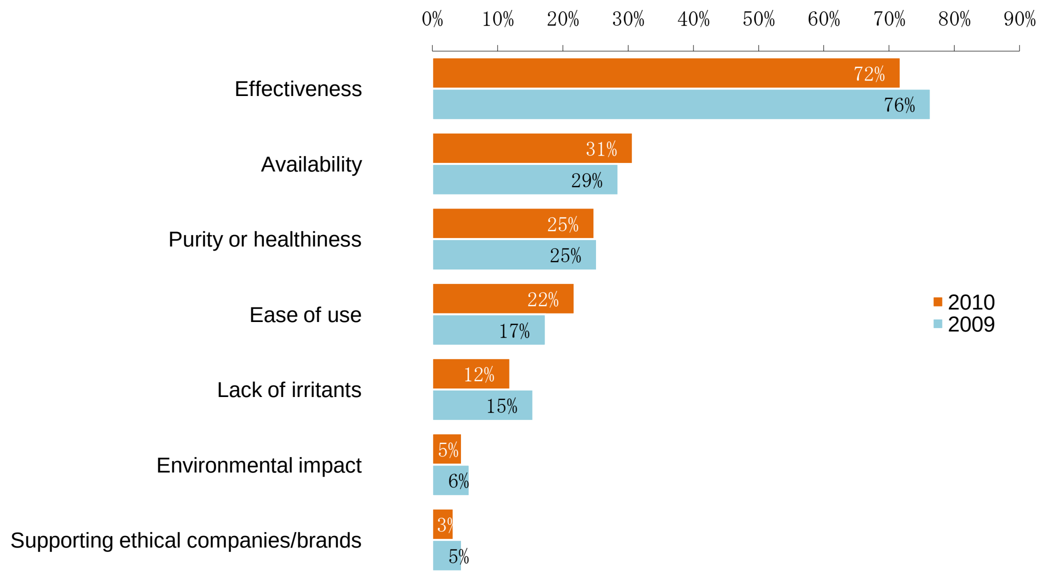
Figure 99 – Most Important Oral Care Purchase Factors Other Than Price



Q33: “When you buy Oral care (e.g., toothpaste, mouthwash, or oral rinse), what are the most important factors OTHER than price/value? Please check your top TWO choices” | Base: Oral care shoppers (n=523; 41 Core, 355 Mid-level, 127 Periphery). Source: GMDC 2010 Survey, Mar. 2010.

As Figure 100 shows, the overall ranking of purchase factors for oral care remains remarkably similar for both years. Effectiveness is still the top purchase factor for both years (72% this year versus 76% last year). Consumers just do not want to get any cavities.

Figure 100 – Most Important Oral Care Purchase Factors Other Than Price 2009 vs. 2010

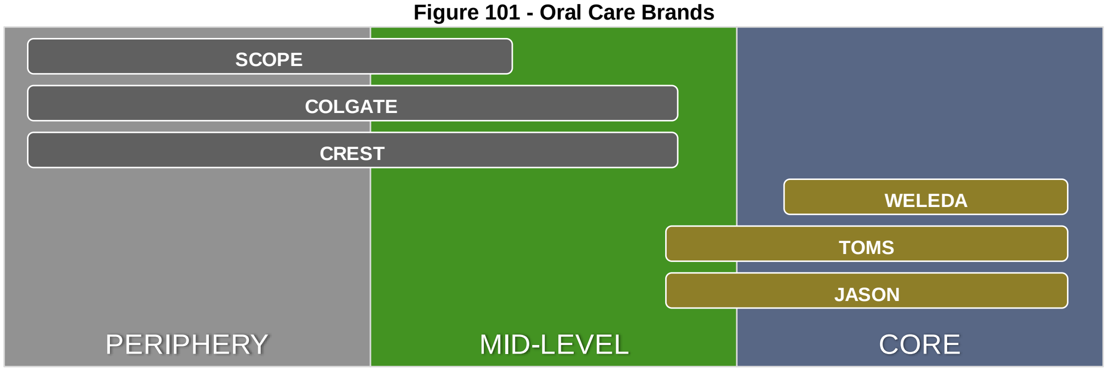


Q32/Q33: "When you buy Oral care (e.g., toothpaste, mouthwash, or oral rinse), what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: Oral care shoppers (n=545-2009; n=523-2010).
Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Brand and Product Offerings

This category has an obvious gap between products that attract Core H+W consumers and those that don't. In other words, this category lacks product options that bridge the gaps, which would aid in consumer H+W evolution. At present, Mid-level products are identical to Periphery products. This lack of intermediary product options is a key opportunity to accommodate consumer growth in the category through product innovation.

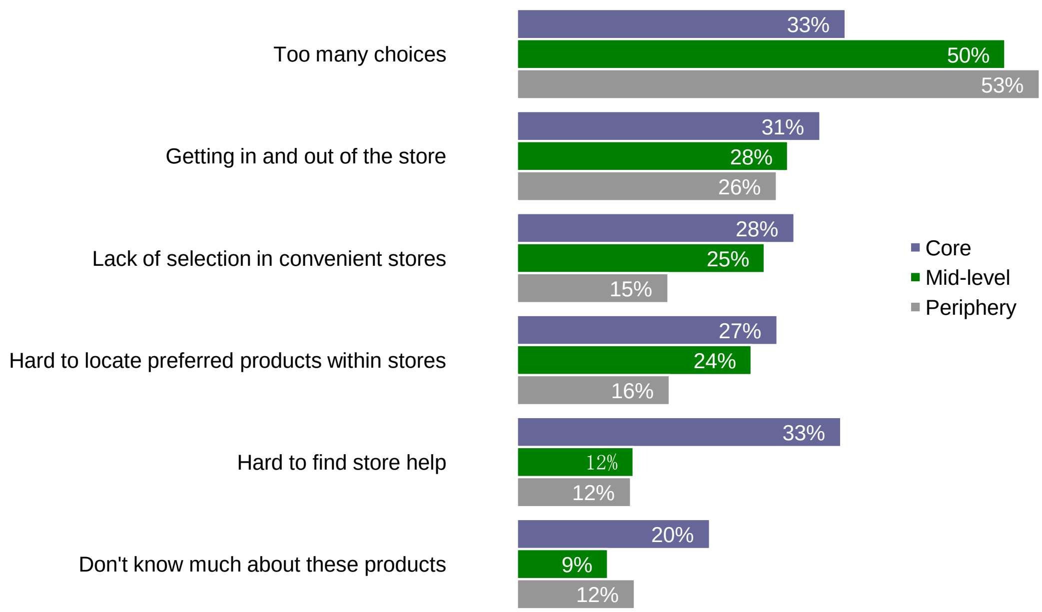
Figure 101 - Oral Care Brands



Shopping Barriers for Oral care

As shown in Figure 102, consumers in all three H+W segments find there are too many choices in the Oral Care category though it is much more pressing for the Mid-level (50%) and for the Periphery (53%). Core consumers are more likely to note the difficulty in finding help within the stores with these products (33%) as well as acknowledging their lack of knowledge (20%). They may be seeking help for newer oral care items that may have come out or for natural/organic products that have been introduced into the marketplace.

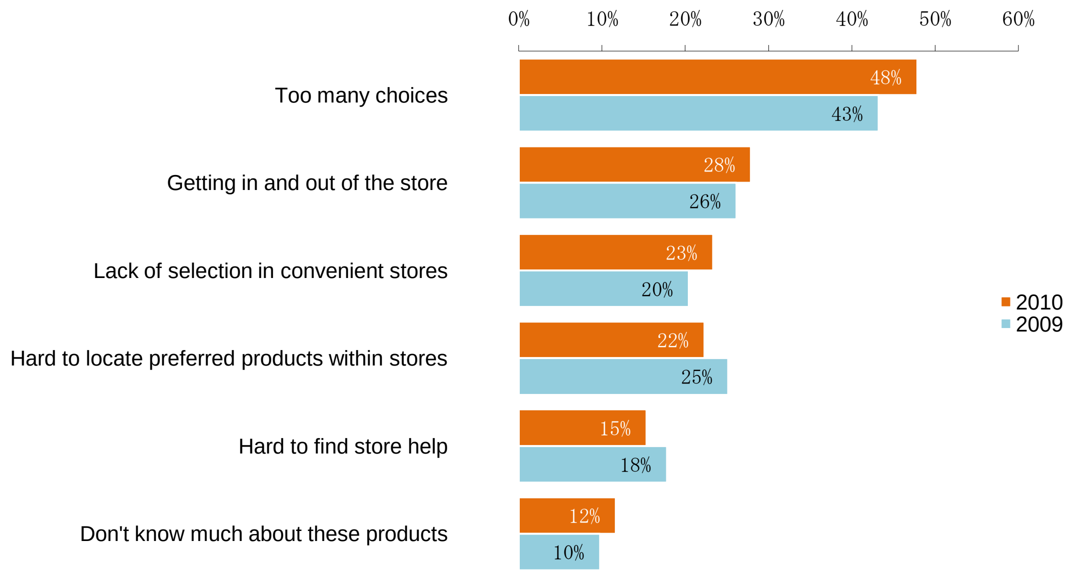
Figure 102 – Shopping Barriers for Oral Care



Q34: "Other than price, what is the worst aspect of shopping for Oral care (e.g., toothpaste, mouthwash, or oral rinse)? Please check your top TWO choices" | Base: Oral care shoppers (n=523; 41 Core, 355 Mid-level, 127 Periphery). | Source: GMDC 2010 Survey, Mar. 2010.

As Figure 103 shows, the overall ranking of top shopping barriers for oral care is mostly similar to last year. The top shopping barrier for both years is too many product choices (48% in 2010 and 43% in 2009). Even stalwart oral care brands like Crest are introducing new products to help with teeth whitening or sensitivity, in addition to the standard reasons for brushing such as preventing cavities, removing plaque, removing tartar, etc.

Figure 103 – Shopping Barriers for Oral Care 2009 vs. 2010



Q33/Q34: "Other than price, what is the worst aspect of shopping for Oral care (e.g., toothpaste, mouthwash, or oral rinse)? Please check your top TWO choices" | Base: Oral care shoppers (n=545-2009; n=523-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Eye Care

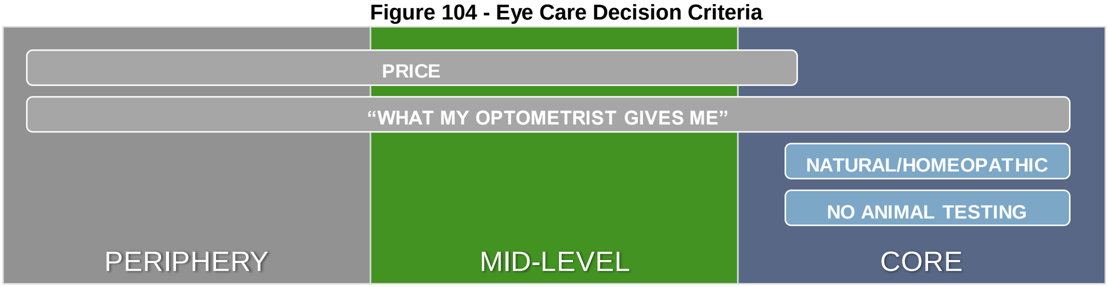
H+W Orientation

Like the oral care category, despite the direct application of product to the body, H+W resonance is low compared to some other personal care/HBW categories.

Purchase Criteria

Products within the category seem to lack distinctiveness to consumers. Many consumers select product on price alone, with price as an emphasis extending further into the Mid-level (and even Core) than it does with other categories. The other key purchase influence is "whatever my optometrist gives me." Consumers will use whatever optometrists provide, some rarely purchasing products outside of the optometrist's office and/or buying the same brand at retail stores as a default choice. Core consumers will look toward similar purchase criteria that they do in other personal care categories, but many of them, too, will simply stick with optometrist recommendations.

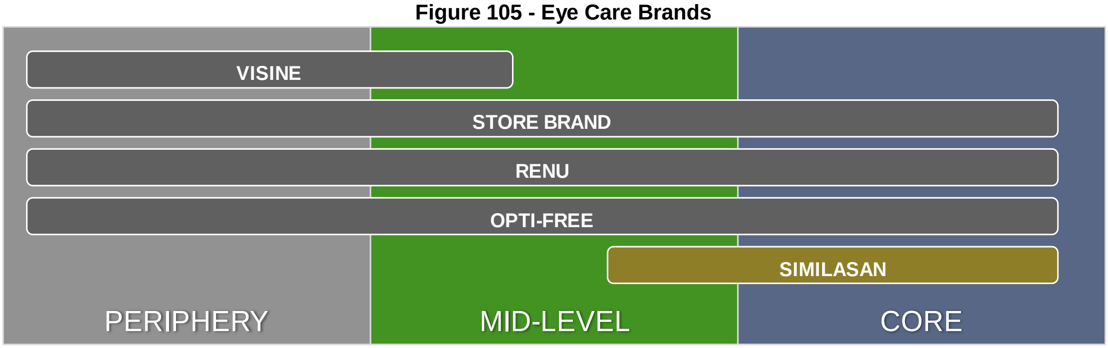
Figure 104 - Eye Care Decision Criteria



Brand and Product Offerings

There are few natural or directly H+W related products available in this category, other than somewhat obscure products at the Core (e.g. Similasan). This may seem like an opportunity, but it should be approached with caution due to the lack of direct H+W resonance in the category even to some degree in the Core.

Figure 105 - Eye Care Brands



Feminine Hygiene

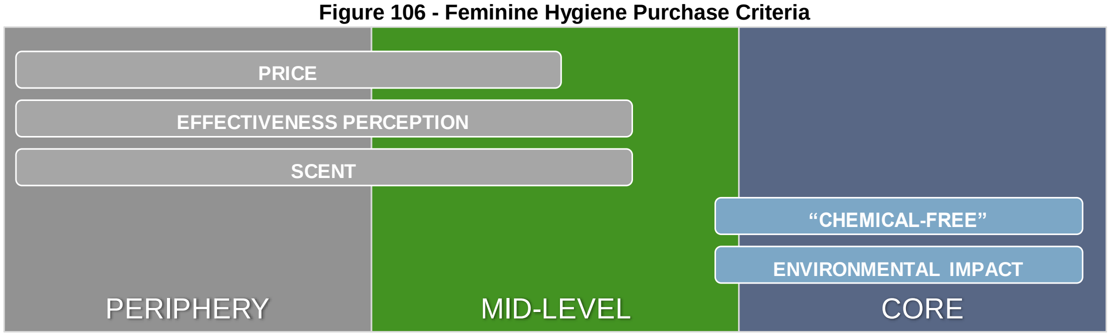
H+W Resonance

This category generally tends to lack a strong H+W resonance despite direct contact with, and in some cases, in, the body. While "natural" forms of feminine hygiene products form part of an overall H+W product repertoire for Core consumers, there is generally little use or awareness of such products outside the Core.

Purchase Drivers

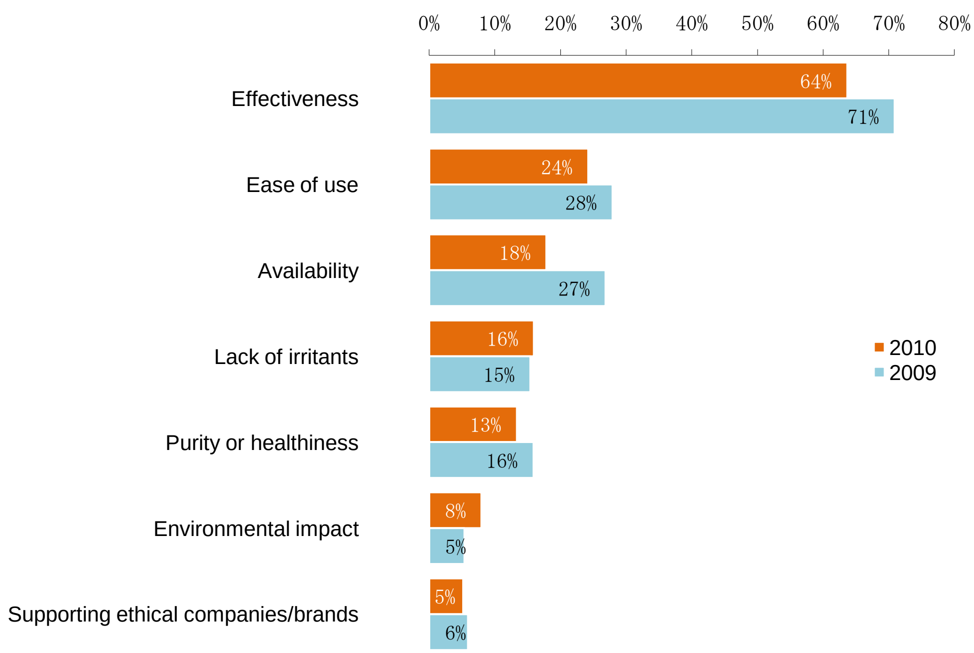
Price, product effectiveness perceptions, and to some degree scent, form key purchase decision criteria in the Periphery and Mid-level. Core consumers prefer to buy products that are chlorine, dye, and fragrance-free ("chemical free") and they are willing to pay higher prices and sacrifice *some* level of effectiveness to have products meet these criteria. Core consumers are also concerned about environmental impact in this category.

Figure 106 - Feminine Hygiene Purchase Criteria



As usual, the effectiveness of feminine hygiene products is the number one most important **non-pricing factor** (64% this year). Convenience factors such as ease of use (24%) and availability (18%) are the next most top of mind in importance for consumers but these only resonate at a rate of about a third of effectiveness. The overall ranking is basically the same in 2010 as it was in 2009.

Figure 107 – Most Important Feminine Hygiene Purchase Factors Other Than Price 2009 vs. 2010

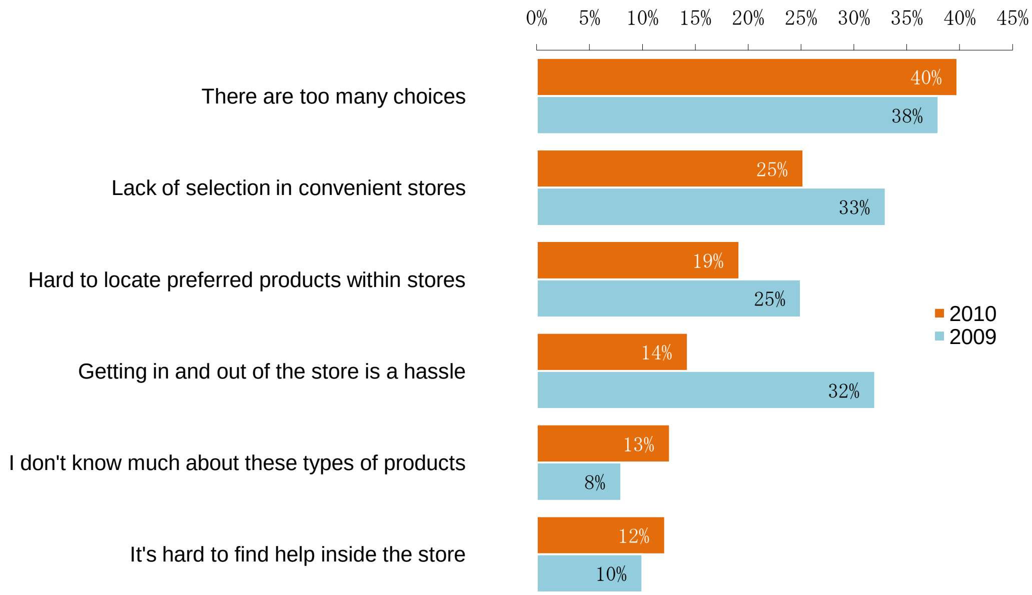


Q32/Q33: "When you buy Feminine hygiene/contraceptives, what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: Feminine hygiene/contraceptives shoppers (n=214-2009; n=225-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Shopping Barriers for Feminine Hygiene

Just like in 2009, this year's most pressing shopping barrier is there are too many choices (40%). This increases slightly from last year's 38%. In addition, other convenience factors such as selection in convenient stores, finding preferred products, or getting in and out of the store were more prevalent shopping barriers for feminine hygiene last year. But these all decline as barriers this year.

Figure 108 – Shopping Barriers for Feminine Hygiene 2009 vs. 2010

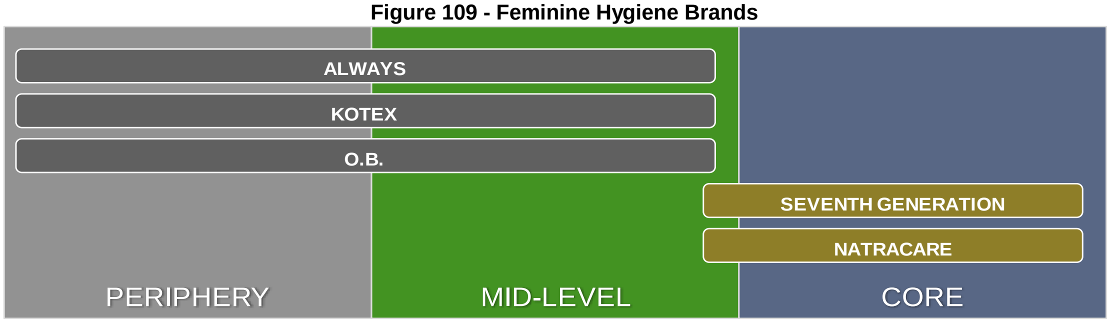


Q33/Q34: "Other than price, what is the worst aspect of shopping for Feminine hygiene/contraceptives? Please check your top TWO choices" | Base: Feminine hygiene/contraceptives shoppers (n=214-2000; n=225-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Brand and Product Offerings

Currently, there are few products that span the gap between Periphery and Core. Significant opportunity may lie in building a Mid-level consumer consciousness of Core consumer product concerns, both at product and retail levels, which would accommodate consumer H+W evolution.

Figure 109 - Feminine Hygiene Brands



Product Example

Organyc provides a good example of a rare transitional product in the Feminine Hygiene category. It carries strong "natural" connotations (the product is made from organic cotton) which effectively address the chemical free and environmental impact criteria important to Core H+W consumers, while at the same time appearing at a price point that is fairly competitive with more Periphery-oriented products.

Makeup & Cosmetics

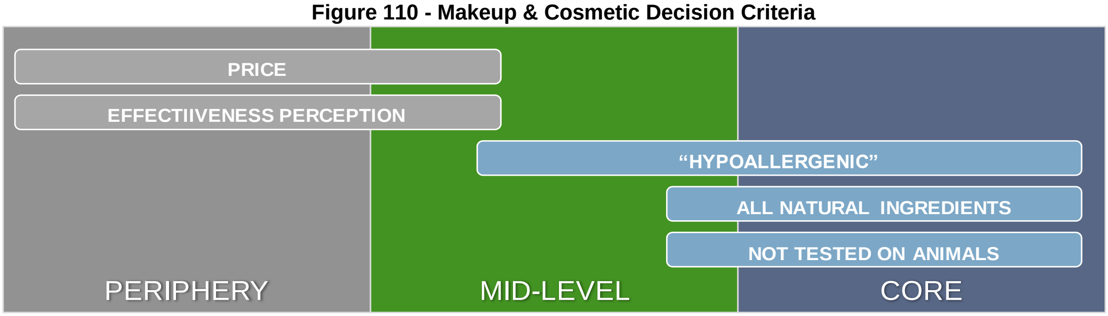
H+W Resonance

Makeup and cosmetics do not have a strong H+W resonance overall. There is some resonance with the more indulgent "soul feeding" aspects of H+W with what could be called "self-pampering" products, but this sub-category is fairly minimal and does not tend to drive purchase behavior. Again, we see concerns for on-the-body products with respect to irritation, however, many conventional brands offer hypoallergenic SKUs that convey "the natural look" (as favored by more involved H+W consumers), and this to some degree obviates more wellness-oriented brands

Purchase Criteria

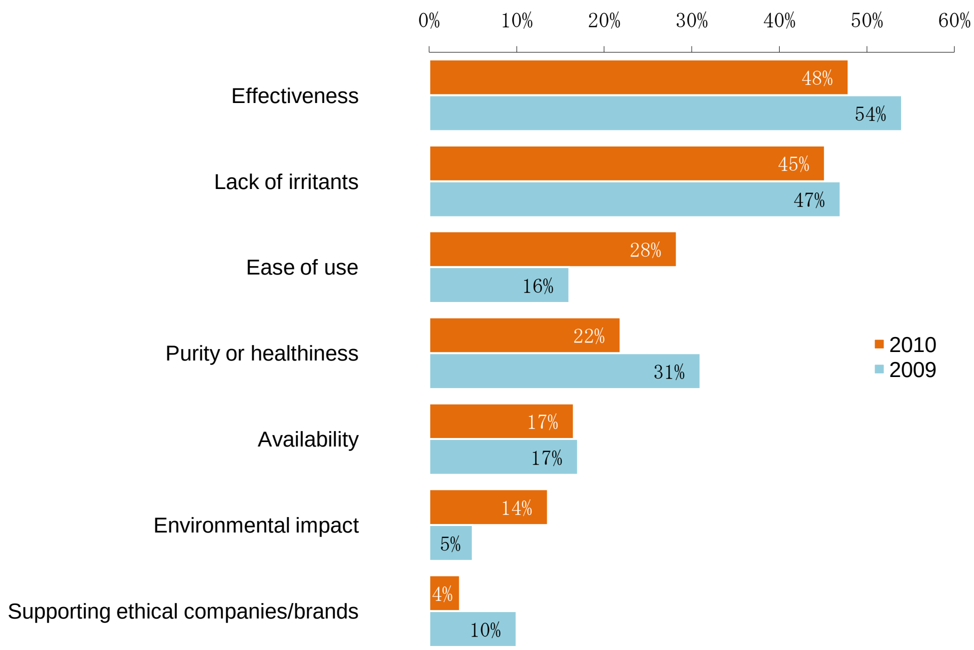
Products in this channel are purchased based on perceived effectiveness and price, with "hypoallergenic" being an attribute that Mid-level and Core consumers often seek. While Core consumers are interested in all natural ingredients and a lack of animal testing, in general, these criteria are not as important as similar criteria in other categories.

Figure 110 - Makeup & Cosmetic Decision Criteria



Effectiveness is the top **non-pricing factor** for makeup and cosmetic consumers but closely following is lack or irritants. These are the top two purchase factors from last year as well. Lack of irritants is important for makeup and cosmetic consumers because they want to be assured that whatever products they put on their face will not cause any discomfort. They want the products to be as gentle as possible. Ease of use and environmental impact in particular experience some dramatic increases this year.

Figure 111 – Most Important Cosmetics Purchase Factors Other Than Price 2009 vs. 2010

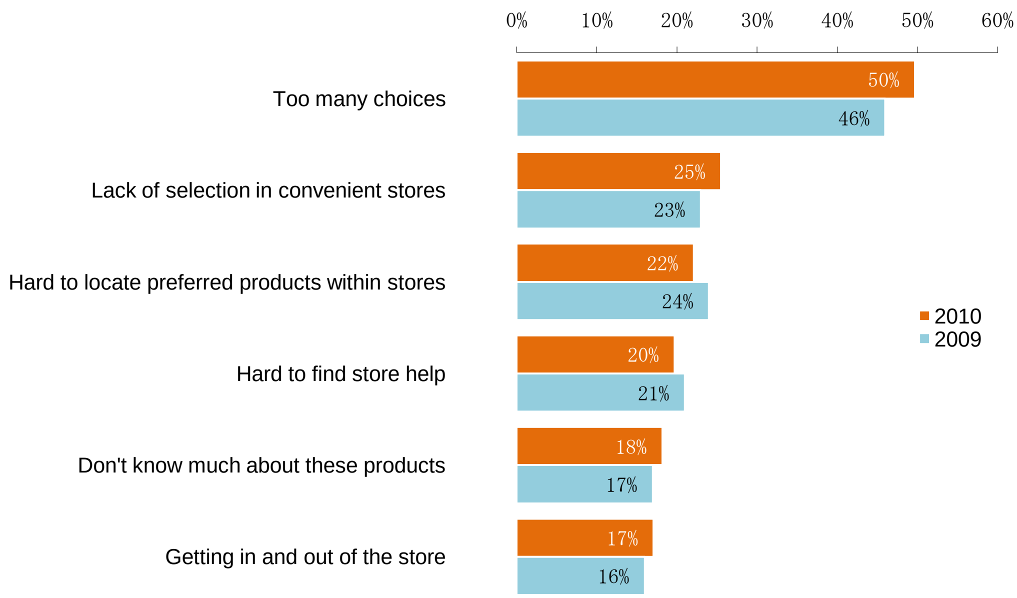


Q32/Q33: "When you buy Cosmetics, what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: Cosmetics shoppers (n=265-2009; n=278-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Shopping Barriers for Makeup & Cosmetics

Consumers by far find there are too many choices within the makeup and cosmetic category again. As Figure 112 shows, consumers cite this issue (50%) at a rate of double the next largest barrier which is lack of selection in convenient stores. Clearly it is top of mind for consumers. The overall ranking of shopping barriers this year remains mostly the same compared to last year.

Figure 112 – Shopping Barriers for Makeup & Cosmetics 2009 vs. 2010

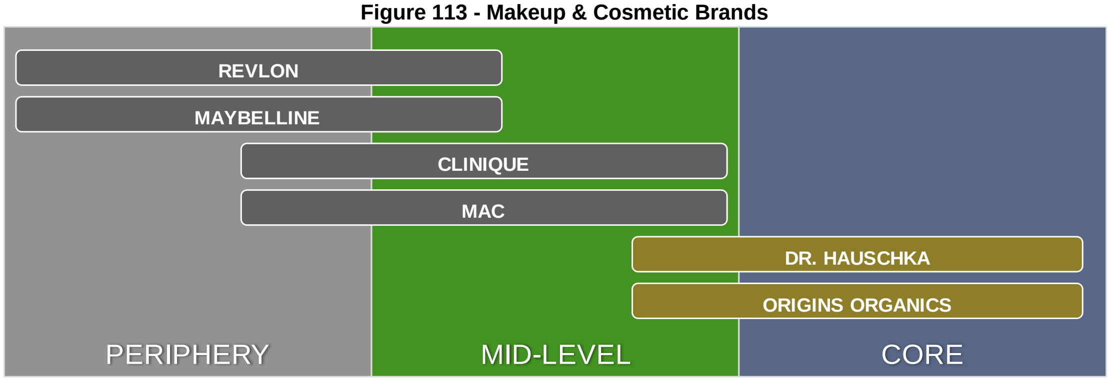


Q33/Q34: "Other than price, what is the worst aspect of shopping for Cosmetics? Please check your top TWO choices" | Base: Cosmetics shoppers (n=265-2009; n=278-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Brand and Product Offerings

For the most part, there do not seem to be any significant gaps in product across the H+W (and, more general quality) continuum. In retail space, much in the way of higher quality options is missing from some mainstream channels, however, *we believe there is limited opportunity* in spanning this gap as consumers have a hard time imagining "better" brands in those channels.

Figure 113 - Makeup & Cosmetic Brands



NEW IN 2010

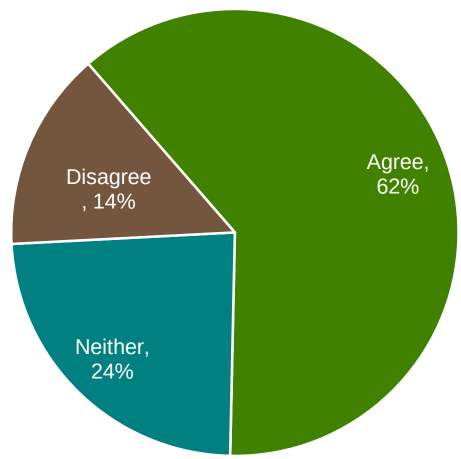
Beauty Attitudes this Year

In this year's study, we are trying to gauge a sense of how shoppers view their beauty and shopping for cosmetics and whether there is a movement towards using less cosmetics and relying on one's own beauty.

Among female shoppers, there is a strong sense that beauty is more about one's own natural beauty rather than covering up with cosmetics. Nearly two-thirds (62%) of female shoppers believe this applies to themselves. The oldest age groups feel most strongly about this than the middle age and younger age cohorts.

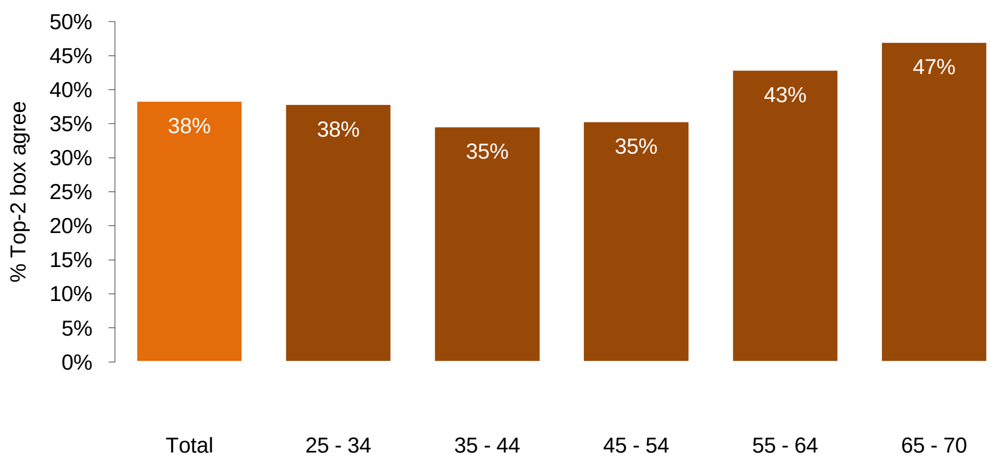
But Figure 115 shows that the majority of women are using cosmetics on a regular basis. About 38% of female consumers use cosmetics only for special occasions. The age group where cosmetics are used on a regular basis is the 35-54 year old cohorts. About 35% of these age cohorts use cosmetics only for special occasions. The oldest age cohorts are the groups where nearly half use cosmetics more for special occasions.

Figure 114 – Beauty is More About One's Own Natural Beauty



Q24: "Please read each item below and indicate how strongly you agree or disagree with each statement. Use the following 1-5 scale for your answer? - Beauty is more about one's own natural beauty rather than covering up with cosmetics" | Base: Female household shoppers (n=1071). | Source: GMDC 2010 Survey, Mar. 2010.

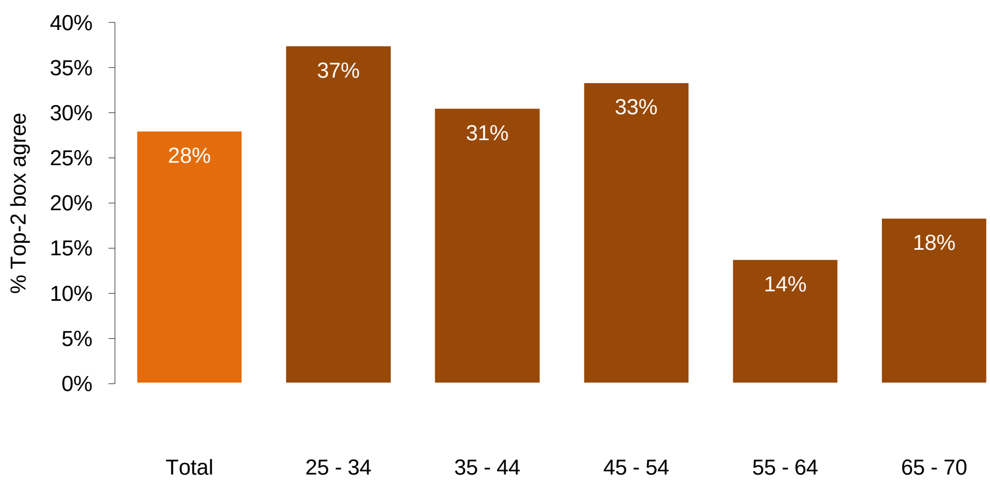
Figure 115 – Using Cosmetics Only for Special Occasions



Q24: "Please read each item below and indicate how strongly you agree or disagree with each statement. Use the following 1-5 scale for your answer? - I use cosmetics only for special occasions" | Base: Female household shoppers (n=1071). | Source: GMDC 2010 Survey, Mar. 2010.

Mineral makeup is starting to get some traction in the marketplace. At this time, they are in demand with roughly a quarter of all female consumers (28%) searching for mineral makeup when shopping for cosmetics. The use of mineral makeup peaks with younger consumers with 37% of the 25-34 year old cohort using this. The use of mineral makeup tails off as the consumer gets older to only 18% for the 65-70 year old group.

Figure 116 – Shopping for Mineral Makeup



Q24: "Please read each item below and indicate how strongly you agree or disagree with each statement. Use the following 1-5 scale for your answer? - When shopping for cosmetics, I seek out mineral makeup" | Base: Female household shoppers (n=1071). | Source: GMDC 2010 Survey, Mar. 2010.

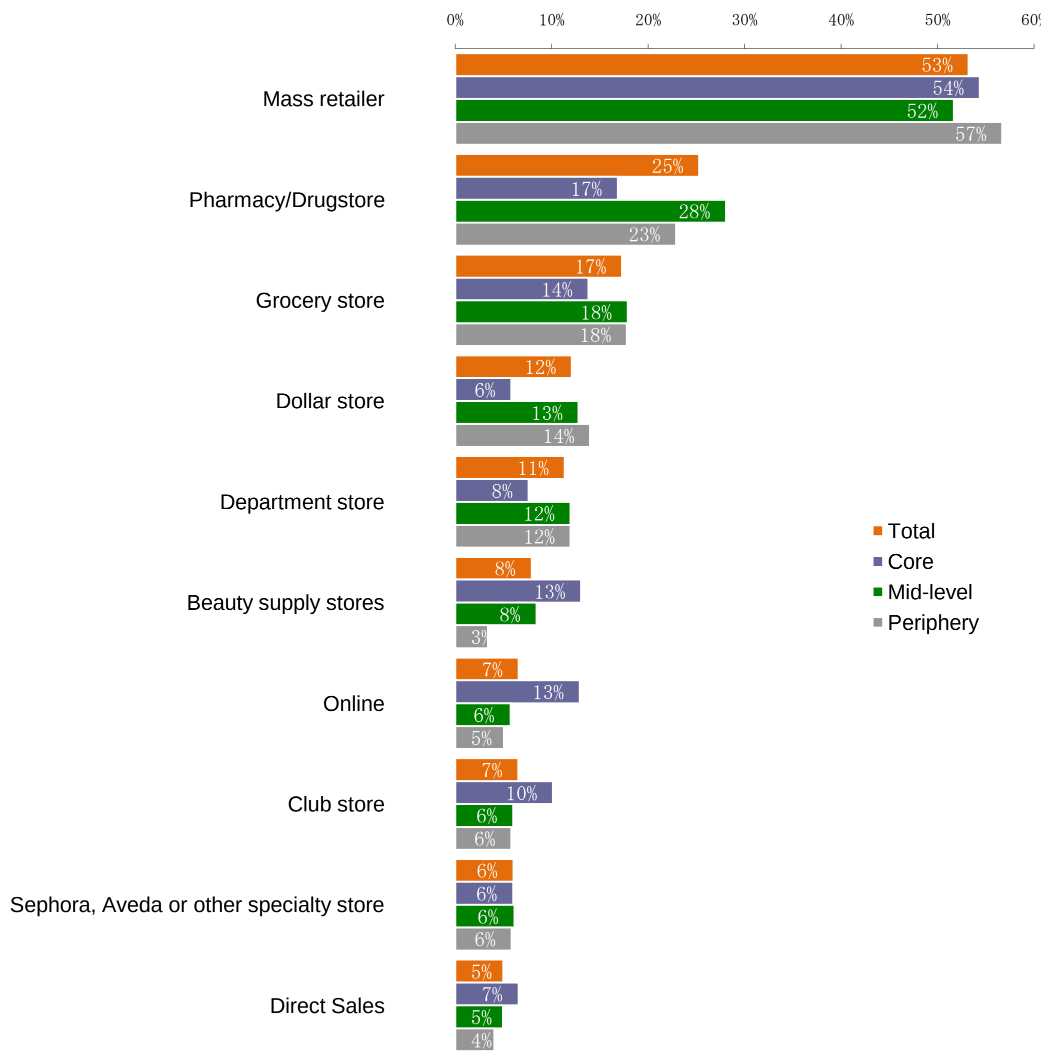
We feel strongly that mineral makeup will continue to grow as a natural chemical-free alternative to conventional makeup. In fact, the larger companies are getting more involved with the recent purchase of Bare Minerals by Shiseido for $1.7 billion. Brands that will do well are those that cue fresh, natural and chemical-free through design and playfulness as well as addressing sun protection concerns.

Channel Usage

For 2010 we wanted to investigate further the main channels for purchasing beauty care products. We defined these products to consumers as any product used on the neck or above including: cosmetics, face care (e.g., facial cleaner, facial moisturizer), hair care (e.g., shampoo, conditioner), lip balm/gloss, and shaving lotions/gels/foam.

We find that in Figure 117 the Mass retailer is the largest channel where beauty care products are purchased. About 53% of consumers overall purchase through Mass and this channel is more than double the next largest channel, Drug (25%). In fact, the top-three channels are the mainstream channels of Mass, Drug and Grocery. Lower prices and convenience are the main factors for using the mainstream channels.

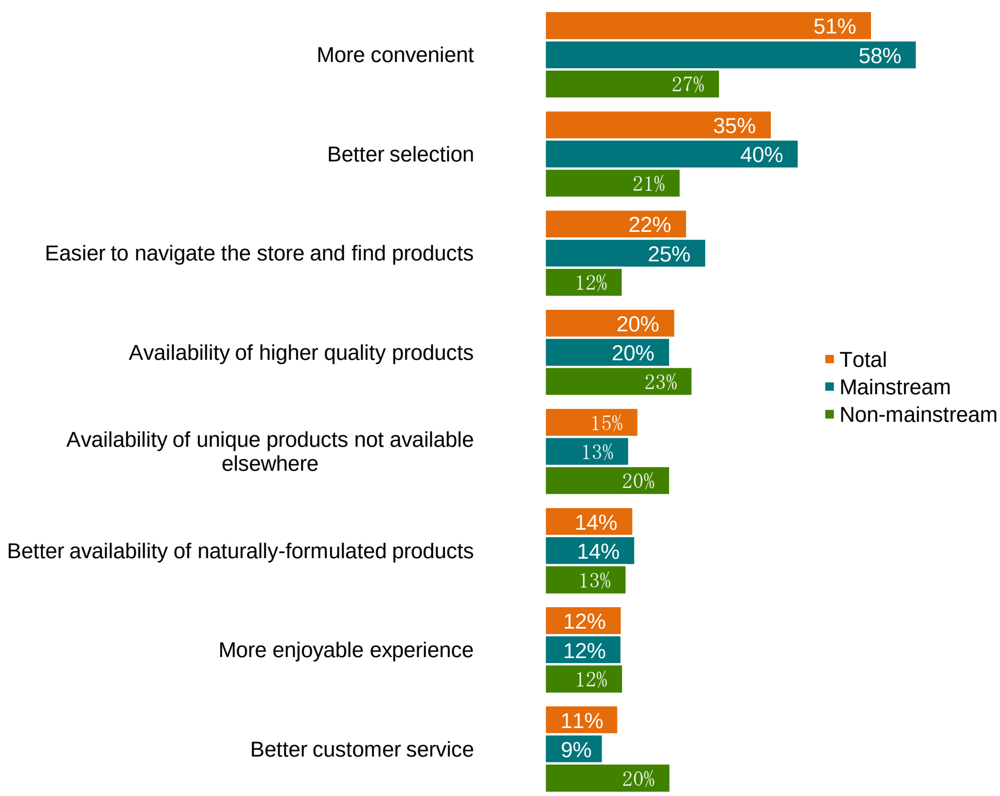
Figure 117 – Where Beauty Care Products are Typically Purchased



Q35: "Where do you typically purchase your beauty care products? Please select your TOP TWO places" | Base: Consumers that purchase beauty care products (n = 1888 Total, 152 Core, 1328 Mid-level, 408 Periphery). | Source: GMDC 2010 Survey, Mar. 2010.

Examining the reasons for using their purchase channel show some distinct differences between the mainstream and non-mainstream channel users. As Figure 118 shows, the majority of mainstream channel shoppers like the convenience aspects of the main shopping channels (58%). They also feel there is better selection (40%) and it is easier to navigate their store (25%). For non-mainstream channel shoppers, a couple of issues pop up. Convenience is still the top factor for choosing their beauty care product channel, but it is less of a factor (27%). Instead, they are especially interested in the better customer service there (20%) as well as being more interested in finding unique products not available anywhere else (20%). Non-mainstream shoppers also feel their channel has higher quality products than other stores (23%).

Figure 118 – Top Reasons for Purchase Beauty Care Products at Selected Channel

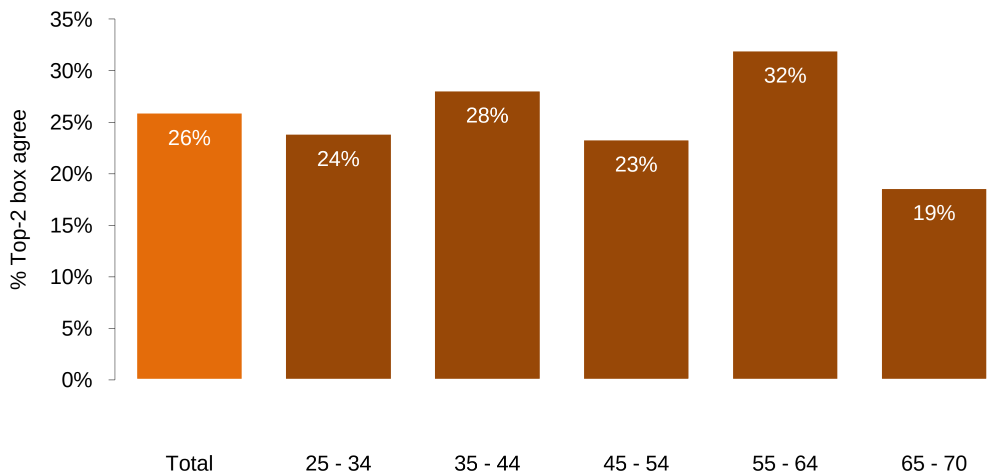


Q36: "Why do you typically purchase beauty care products where you do?" | Base: n = 1888 Total, 1453 Mainstream channel shoppers, 435 Non-Mainstream channel shoppers. | Source: GMDC 2010 Survey, Mar. 2010.

Personal Care Products for Aging

Aging is not top of mind when consumers purchase personal care products. Only about a quarter of all consumers (26%) regularly purchase personal care products to address aging. The purchasing of products to address the signs of aging peaks at the 55-64 age cohort which coincides with the leading and eldest members of the baby boomer generation. But it is still less than a third of consumers feeling so (32%). Consumers in the oldest age group, the 65-70 year olds purchase the least amount of products to address aging at 19%.

Figure 119 – Purchasing of Personal Care Products to Address Aging Signs



Q24: "Please read each item below and indicate how strongly you agree or disagree with each statement. Use the following 1-5 scale for your answer? - I regularly purchase personal care products to address the signs of aging" | Base: Primary household shoppers (n=2031). | Source: GMDC 2010 Survey, Mar. 2010.

Plant and Garden Care

H+W Resonance

Plant and garden care is somewhat related to H+W in that fears of toxicity (Mid-level and Core) and environmental impact drive purchase to some degree. While there is this H+W relevance, interest in more natural alternatives in Plant and Garden care typically does not emerge by itself, but comes as a result of interests cultivated through other (Gateway) categories.

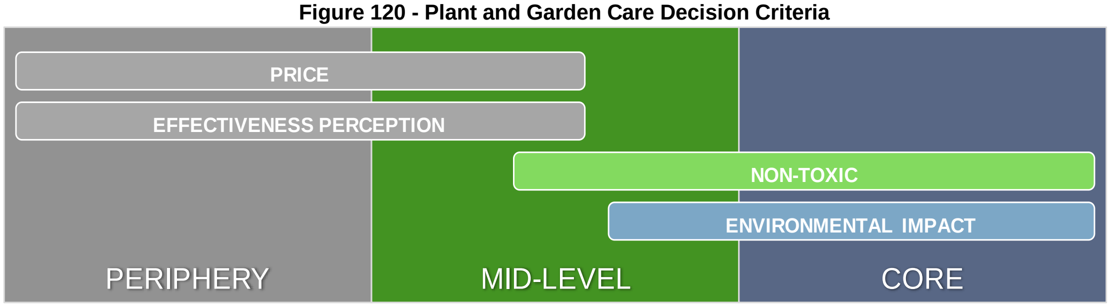
There are some differences here across subcategories. Often, consumers feel that they are not in control of their yards due to lawn and landscaping services and/or spouses taking the lead in making product choices, so there may be limits on opportunities relating to certain aspects of this category. Gardens, in contrast, are an area where many consumers do feel they have some control. There is some H+W resonance with gardens as foods are often grown, and various food-related aspects of H+W are present in the minds of consumers when thinking about their gardens. Houseplants have minor H+W relevance as they may help to create home spaces that seem more in tune with nature.

Purchase Criteria

Periphery consumers, as they are in many other categories, are driven by price and effectiveness perception in this category. In the Mid-level (and extending into the Core), other priorities emerge, as consumers become concerned with toxicity and the environmental impact of their products. This is most acute in the garden, since food is often grown. Core consumers will typically avoid any kind of chemical-containing product for outdoor use. As indoor plants pose less of a potential environmental impact (they are contained in their pots), comfort with conventional products extends fairly far into the World of H+W; for most consumers, long-established products such as Miracle-Gro are the choice.

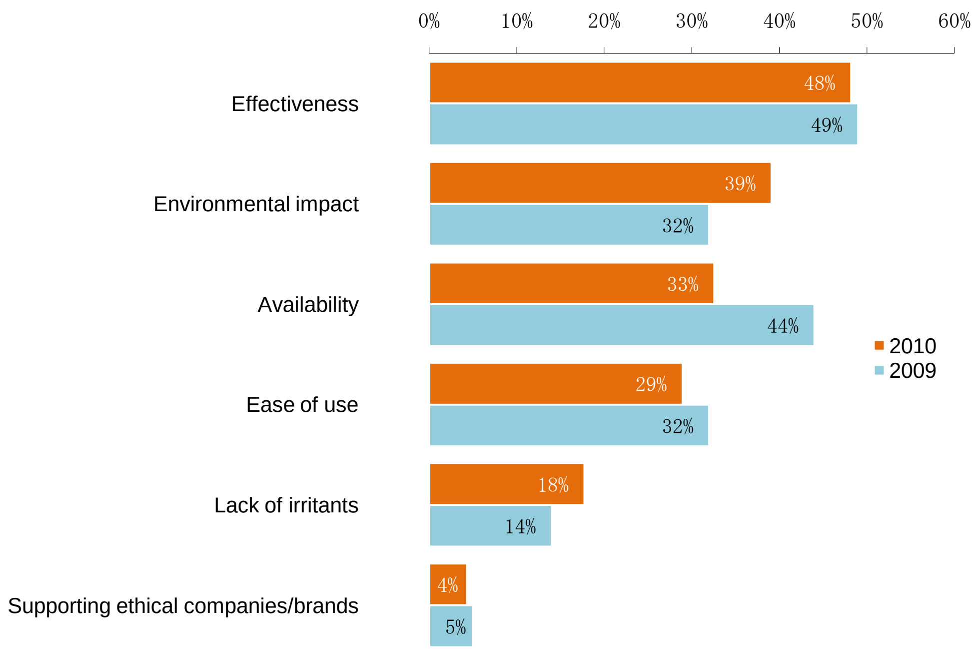
As an aside, many consumers indicated that they would be willing to pay extra for a lawn service to use less "chemicals" and more natural treatments on their lawns, but this lies outside our retail channels of interest for this study.

Figure 120 - Plant and Garden Care Decision Criteria



Plant and garden care products are one of those product categories where the environmental impact of the products is more on the radar for consumers. More than a third (39%) of plant and garden care shoppers cites the environment as the most important purchase factor. This is an increase over the 32% in 2009. This is also much higher than the environmental importance rates for other products such as vitamins or minerals (5%), bar soap (11%) and baby care (11%). Nothing can be greener than growing your own plants and vegetables. Effectiveness still is the most important purchase factor though since consumers want their tomato plants to be robust and produce tomatoes all season long.

Figure 121 – Most Important Plant and Garden Care Purchase Factors Other Than Price 2009 vs. 2010



Q32/Q33: "When you buy Plants and garden care, what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: Plants and garden care shoppers (n=390-2009; n=349-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

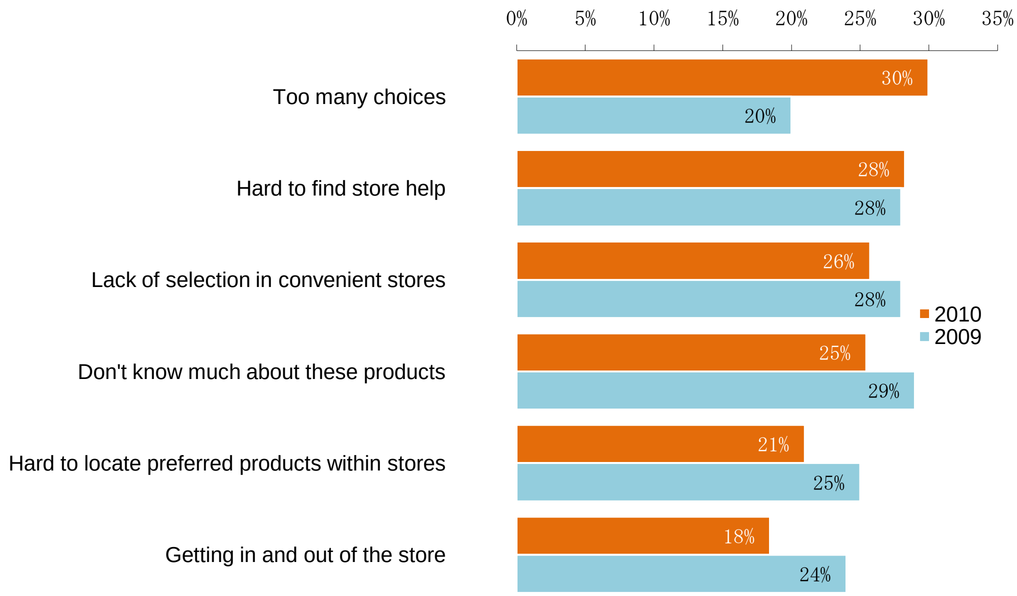
Brand and Product Offerings

Consumers do not expect to find much in the way of plant and garden care at the mainstream channels most relevant to this study, which suggests a limitation on opportunity here. Most consumers who do buy this type of product will purchase it at Home Depot or similar stores. Given this, there is presently little need to construct product sets across a large part of the H+W continuum, outside of channels specializing in natural plant and garden care.

Shopping Barriers for Plant and Garden Care

There has been a change where too much choices is this year's top shopping barrier for plant and garden care. Last year it was the opposite where it was the least important shopping behavior. Perhaps this year consumers are more confused with the increased selection of natural or organic garden goods being offered by retailers. In fact, about a quarter of shoppers cite hard to find store help (28%) and lack of knowledge of products (25%) as shopping barriers for this category. There may be potential opportunity here to educate the consumer about these types of products.

Figure 122 – Shopping Barriers for Plant and Garden Care 2009 vs. 2010



Q33/Q34: "Other than price, what is the worst aspect of shopping for Plants and garden care? Please check your top TWO choices" | Base: Plants and garden care shoppers (n=390-2009; n=349-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Non-Gateway Categories Lacking Clear Ties to H+W

Non-gateway categories currently lack a direct connection to H+W, but are important for "halo" purposes. These categories can be cultivated for H+W resonance, but it will be more difficult to make this connection than for the gateway categories.

Pet Supplies

H+W Resonance

Pet supplies have a somewhat weak connection to H+W overall. Many fairly evolved H+W consumers tend to use conventional products. While there are some Core consumers (and pet enthusiasts) that have migrated toward more natural options for pet supplies, we find that such consumers are fairly rare and tend to exist in pockets. For instance, there is a small but vibrant dog enthusiast community in Seattle with strong H+W overtones. Participants in the community often purchase and/or prepare human grade food for their pets.

Non-food pet supplies have very little relationship to H+W. While some Core consumers will avoid man-made objects such as rubbery chew-toys, such pet-enthused Core consumers are, again, somewhat rare. We do find some experimenting with flushable and/or more natural forms of kitty litter, but at the same time, we have not found many sticking with such products.

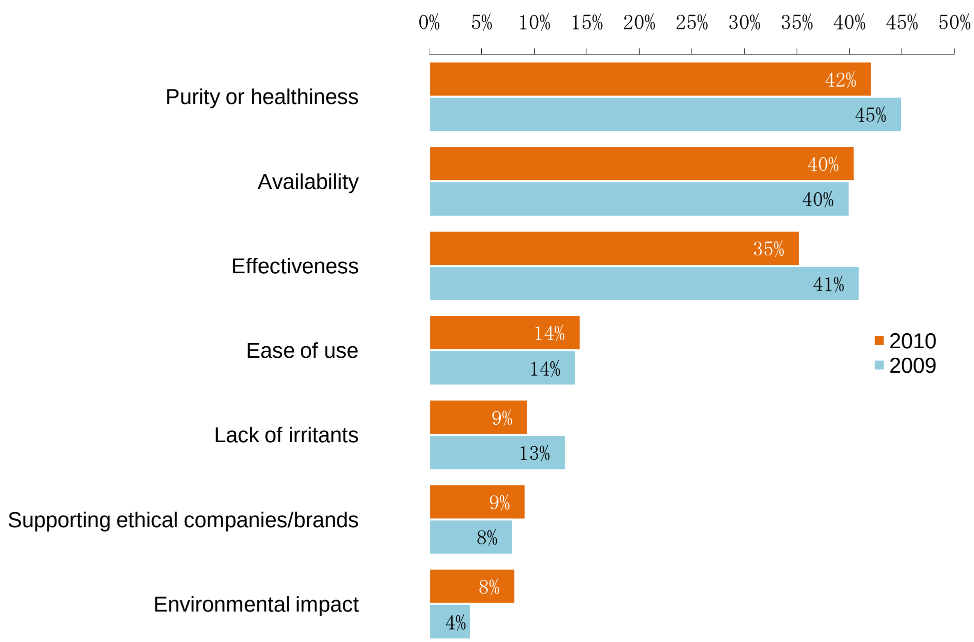
Purchase Criteria

When consumers are interested in more natural options, they do tend to move toward human grade foods and, to some degree, organic ingredients in pet foods, avoiding "fillers" (e.g. anything with "meal" in its name). However, for the vast majority of the population, pet food is purchased largely based on price and whether the pet will eat the food. Purchases tend to be highly habitual due to such pet preferences ("he eats it and I'm sticking with it").

In non-food pet items that are not purchased often, price declines as an overriding priority for many, and purchases are largely based on demonstrated pet preferences. Pet preferences also drive non-food items that are frequently purchased such as kitty litter, though there is of course more a price focus here given the repetitive nature of purchases.

With most other products examined until now, effectiveness is top of mind as the most important purchase factor other than price. For pet food however, it is the purity or healthiness of the product that is the most important factor this year (42%) as it was last year. There may be lingering effects from recent pet foods "scares" (e.g. Chinese-manufactured pet foods with toxic ingredients). Purity or healthiness is top of mind because in many cases, human grade quality food is not used as ingredients in pet foods. Of course for many people, their pet is like a family member whose well-being is of top concern.

Figure 123 – Most Important Pet Supplies Purchase Factors Other Than Price

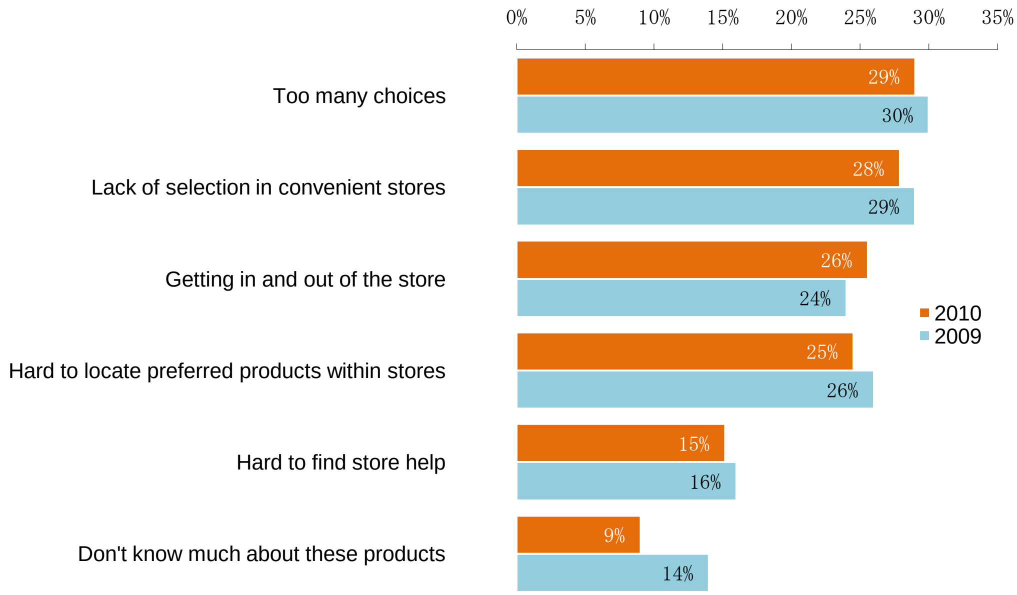


Q32/Q33: "When you buy Pet supplies, what are the most important factors OTHER than price/value? Please check your top TWO choices" | Base: Pet supplies shoppers (n=341-2009; n=311-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Shopping Barriers for Pet Supplies

Just like last year, consumers find that the worst aspect of shopping for pet supplies is related to convenience factors. There are either too many choices (29%), a lack of selection in convenient stores (28%), hassles getting in and out of the store (26%) or difficulty in finding preferred products within stores (25%).

Figure 124 – Shopping Barriers for Pet Supplies



Q33/Q34: "Other than price, what is the worst aspect of shopping for Pet supplies? Please check your top TWO choices" | Base: Pet supplies shoppers (n=341-2009; n=311-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Brand and Product Offerings

There is no shortage of H+W-geared options pet foods, from natural versions of mainstream products to Core-oriented whole and raw foods. With respect to retail availability, most mainstream retailers have a sufficient variety of healthier pet foods. Those particularly devoted to pet H+W tend to make use of specialty pet stores, for food and other pet supplies.

Home Lighting

H+W Resonance

We do find notable consumer interest in more energy-efficient home lighting products. There is an easily-conceived connection between energy savings and the environment for most consumers.

However, this connection may not be linked with H+W or more holistic concepts of sustainability for many Periphery and less-developed Mid-level consumers. In other words, those consumers "get it" as far as energy savings and a reduced environmental impact, but do not really conceive of any connection between the lighting product and their own H+W – they are entirely different things to such a consumer. In any case, the primary motivation for that same consumer is very much based on cost savings that presumably come along with saving energy.

Given this “disconnect,” there is likely more opportunity using rational appeals to efficiency and cost savings (as well as some environmental “warm fuzzies”) in such products, without trying to make any explicit connection to H+W (more evolved consumers see such connections on their own) or draw broader connections to ideas of sustainability.

Purchase Criteria

Consumers tend to approach this category in different ways than they do most other categories considered here. Lighting products are bought infrequently and consumers generally are not as price sensitive. They are willing to invest in a more expensive product that offers other (largely cost) benefits over a longer term. In a general sense, less H+W involved consumers will select products based on total cost (including anticipated energy/cost savings), whereas more involved consumers will often select such products based on (reduced) environmental impact with (reduced) total cost more as a “bonus” than a true motivator. An exception is “regular” light bulbs which are purchased on type/wattage, and (immediate) price, in that order.

Disposability is a concern across most consumers, having risen to the surface with news about mercury in CFL’s. At the more Periphery side of the H+W continuum, this concern relates mostly to convenience. More toward the Core, environmental impact is more of the concern.

Brand and Product Offerings

At the present time, consumers are limited to a few options in this category, which, more or less, represent different types of bulbs. We don’t see much point trying to tune a product spectrum to the H+W continuum in this category, given how they are purchased and understood by consumers. This does not mean, however, that offering the more energy efficient types of lighting products should be de-prioritized by retailers; in fact, those types of products should be given increased visibility in lighting sections.

Office Supplies

H+W Resonance

Like home lighting, there is difficulty making a direct connection with H+W in this category – while nearly all consumers associate environmental elements with such products, there's often little to link them to personal H+W. In this category, as in home lighting, consumers are more likely to tune into cost/efficiency and *directly* environmental themes, recycling in particular, which is top-of-mind to nearly all consumers when they think about the environment.

Purchase Criteria

Generally office supplies are purchased on type (e.g. resume paper) and price, though with some types there is more scrutiny of various attributes (e.g. weight for paper as a quality indicator, though this is less relevant for commodity-type products such as copy paper). Recycled products are particularly appealing. For less-involved H+W consumers, “recycled” will serve as a “tie-breaker” between otherwise equal products, though it will not often transcend price. More involved consumers will often pay more for recycled paper without much thought. In the inverse, some consumers will attempt to buy less in the way of harder plastic office items they perceive to be non or less recyclable, and some highly-involved H+W consumers will attempt to avoid any plastics because of sustainability concerns relating to geopolitics, but such consumers are somewhat rare.

Brand and Product Offerings

While there is no real correspondence between this category and the H+W continuum, there is certainly enough evidence to suggest that moving toward recycled products, wherever possible, would be worthwhile for both the manufacturer and the retailer.

Sporting Equipment

H+W Resonance

Sporting equipment has a direct link to fitness, but not to H+W, outside of occasional clichés such as *the yoga mat* that would commonly be associated with the Core H+W consumer. We say this because consumers rarely express a H+W lifestyle through increasingly sophisticated articulations of products in this category. One does not buy a "healthier" version of a football (though one can certainly purchase a higher grade of ball). In many ways, we also find that the most overtly fitness-oriented consumers tend to exist in the Periphery and focus on weight management rather than a more holistic sense of H+W. These consumers may evolve to higher levels of H+W, but not through sporting equipment. While advanced Mid-Level and Core consumers are quite physically active, they often make little use of equipment.

Purchase Criteria

Purchasing of sporting equipment varies depending on the subcategory of goods under consideration. For Periphery consumers, price will always be a key driver. However, factors outside of the World of H+W often strongly come into play, as the influences of other Worlds of activity make themselves known. For instance, a consumer's level of involvement in "The World of Cycling" will exert a strong influence on how that person buys bikes and accessories. A Core Cycling consumer in that will buy a $4000 bicycle based on numerous technical attributes; a Periphery Cycling consumer will not.

Brand and Product Offerings

For the most part, appropriate brand and product offerings should be built upon intended appeal to consumers' involvement *in Worlds other than H+W*. In any case, we would not suggest that any channel in this study (Grocery, Drug, Mass, Club) offer products appealing to consumers very far into any of those worlds. In other words, concentrate most on Periphery offerings in those worlds, such as entry-level bikes and accessories.

Toys and Games

H+W Resonance

Toys and games have little direct relationship with H+W, however, some more involved H+W consumers do of course have preferences for certain types of toys and games, generally what could be classified as "learning-oriented" versions. Those same consumers will also tend toward purchasing noticeably fewer toys overall, and buy "less disposable" toys and games made of natural and/or more durable materials. Similar to office supplies, there is an emphasis on "less plastic" for these consumers, relating to sustainability concerns.

Purchase Criteria

For most consumers, toys and games are often purchased based on "what the kid wants" which may represent a particular type or format, or, in many cases, a particularly "hot" character or theme e.g. Transformers, and, of course, price. Often children are given some measure of autonomy in selecting their own toys and games *within a certain price range*. Age-appropriateness also is an important criterion. Many parents will also use some level of moral filtering, avoiding anything they feel is "too suggestive" e.g. a scantily-clad female doll or relating to violence such as toy guns or other weapons (though, often video games escape the latter prohibition).

As consumers become more highly involved in H+W, they tend to purchase toys on different criteria. Educational value becomes more of a concern. Materials and construction are also important given their perceived relation to sustainability. Consumers like this also tend to be highly opposed to any kind of toy or game that suggests violence, as well any non-learning video games. Price is not a key consideration for these consumers.

Brand and Product Offerings

Most of the channels under consideration here should not prioritize carrying the kinds of toys and games more advanced H+W consumers prefer, with the exception of a small amount of representative products in both specialty grocers and H+W-specialized drug stores. Those consumers are currently engaged with specialty retailers of this specific category. As this is not a gateway category, there is little need to construct product sets spanning the preferences of H+W consumers.

Linking General Merchandise Products to H+W

Perhaps not surprisingly, many general merchandise products are in the non-gateway category which lacks clear ties to H+W. Although it can be challenging to link general merchandise products to H+W, there are possibilities and, importantly, having GM products that cue H+W provide a positive "halo" for the company or retailer offering them. For many GM products, the most appropriate way to link to H+W may be through sustainability cues. The following products are examples of how GM can link to H+W directly or indirectly.

Figure 125 – GM Links to H+W

Healthier for families

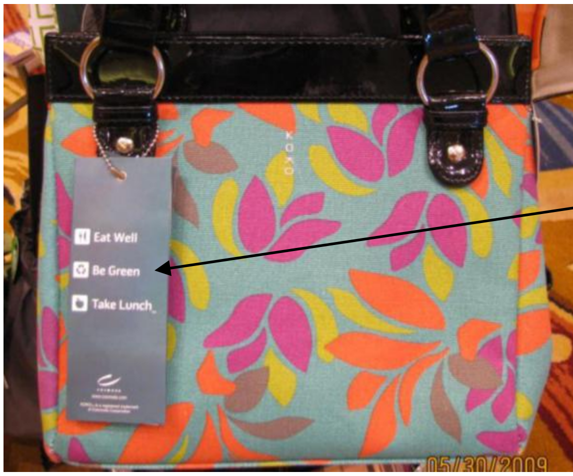
Better for the environment

All natural

Fibers made
from 80%
recycled plastic

Use up to 75%
less energy

Green,
earth friendly



Be green

Retains essential vitamins

Made in USA from 100% recycled materials

Reduces landfill waste

The BPA (Bisphenol-A) stops here

Another strategy for general merchandise manufacturers is to recognize that consumers express a variety of health triggers and issues that are lifestyle related rather than health condition focused (e.g., stress, anxiety, sleep disorders, lack of energy, concern about getting older, etc.). This provides an opportunity for GM to market products that help relieve or solve these concerns. For example, books to help with mental acuity as one ages (e.g. crossword puzzles, Sudoku), games to relieve stress, light bulbs designed to help with waking patterns, yoga equipment to help with energy levels, etc.

In addition to the categories of books/magazines and plant/garden care (both described in detail above), general merchandise categories that show potential in the short-term to win with specific H+W or sustainability attributes include diapers, cookware and home fragrance.

The Importance of Product Packaging and Labeling

In all of the categories, there is one decision filter that often comes before all others. It is, simply, packaging. How a product looks, overall, has a profound impact on whether or not that product gets pulled off a shelf and further examined. The wrong appearance can go very far in discouraging consumers to take a chance on a new H+W product, regardless of any positive attributes that product may have. We heard "looks weird" in many consumer interviews in the research phase of this project, referring to "healthier" versions of products. Also heard frequently was "not sure what this is for" due to lack of labeling clarity. Below, we discuss key packaging factors that make or break that crucial first impression, and provide examples of well-executed packaging elements. In addition, we provide some general guidelines for *what not to do* in H+W product packaging.

Key Packaging Considerations

Immediate Clarity of Function is Critical

This means that it is immediately clear what the product is and what it is for (what does one clean with this product? What type of hair is this conditioner for?). Consumers, particularly those in the Periphery and early Mid-Level, don't have the patience to stand around and guess what a product is. It is especially difficult to gain the confidence to move to new levels of H+W products when those products are difficult to comprehend.

The nature of the product should be spelled out in relatively large text on the front of the product. While this may seem obvious, we find *many* products that consumers can't quickly figure out, where excessive and/or visually indistinct text makes it difficult to discern a product's basic nature.

Most Relevant Information on the Front Panel

The front panel of the package should, ideally, reflect the key purchase criteria of that category for whatever slice of the H+W continuum is being targeted. For instance, the key criterion "not tested on animals" should appear on the front panel of any skin care product intended to appeal to more advanced H+W consumers.

Perceived Sustainability Impact Carries Some Consumer Influence

Consumers are concerned about packaging from an environmental standpoint, even in the Periphery. Generally sustainability cues on packaging work in a positive direction, meaning that sustainable packaging is viewed as a "bonus" where it does appear. However, it is not generally a primary purchase decision criterion except for a few highly ideologically driven Core consumers. While nearly everyone will react negatively to obviously excessive packaging, they understand that often there are not particularly sustainable packaging options for certain types of products. For instance, they understand that liquid laundry detergent needs to come in some kind of plastic, with even some of the most Core-oriented brands use some packaging materials that Core consumers *generally* look down upon. Again, consumers understand why certain packaging choices need to made. However, when possible, they very much appreciate use of renewable, recyclable, biodegradable, or other types of environmentally-friendly packaging. Products packaged in such a way help to build a better H+W brand image for both the manufacturer and the retailer that carries their products. Specifically, the following are appreciated by more sustainability minded consumers:

- *Recyclable*: Packaging made from paper, glass, metals, and plastic that can be recycled by consumers through conventional (curb-side) recycling are preferred.
- *Minimal packaging*: Packaging that features less head space, fewer layers, and less content have two-fold benefits: 1) less material waste during manufacturing and 2) more convenient by conserving shelf space in the home and reducing the amount contributed to recycling bins.
- *Made from recycled materials*: Product packaging made from recycled material goes a step further than a package simply being recyclable.
- *Re-useable*: Items that can be repurposed connect to environmental sustainability through notions of decreased waste. Containers such as jars, bottles, and canisters often have a second life in other contexts.
- *Biodegradable*: While many consumers do not understand the technical aspects of biodegradation, they have vague notions that certain things take a long time to break down. Most consumers consider plastic materials the worst offender because they perceive them as never fully degrading.
- *Compostable:* Most individuals are only vaguely aware of compostable packaging. Even for the most dedicated sustainability consumers, compostable packaging it is only a value-added attribute and not a purchase driver.

Contemporary Aesthetics

Products that look like yesterday's mass market brands are unlikely to be taken seriously as a consumer's eyes scan a shelf set. H+W-oriented products should appear modern and refined, indicating to the consumer that thought went into the product.

As an aside, while consumers occasionally comment to the effect that a package "may look *too slick*" implying that the product is "all marketing," we rarely find consumers who make that comment in more than passing, or who successfully resist the pull of good product aesthetics, assuming other key attributes are present.

Many H+W-oriented products tend to suffer specifically from one of two issues.

- The "old hippie co-op" look that many more traditional H+W brands present, where the product has an unrefined "home grown" aesthetic and often tends to have an excessive amount of text.
- The "medicalized" look where a product looks like something that a nurse would dispense, often a largely white package with red and/or blue text.

Aesthetics also Aid Positive Sustainability Impressions

Packaging with graphics and imagery that symbolically cue a connection to the earth are often perceived positively with respect to sustainability. Barring any glaring inconsistencies between the aesthetic presentation of a product and the product's actual content (ingredients, materials, production, etc.), the following are basic tenets of packaging that help to cue sustainability:

- Packaging should not visually compete with the product, but make it more apparent. Transparent outer materials, particularly in food categories, are appreciated.

- A restrained color scheme that uses two or three colors (such as non-primary colors in particular) reflects a subtle, contemporary style that cues quality.
- Matte finishes appear clean and elegant and seem more recyclable than shiny coatings on package materials.

Examples of Positive, H+W and Sustainability-Oriented Packaging/Labeling

Below, we provide a few examples of well-executed packaging and labeling in the Home Cleaning category, to illustrate our points, above.

Figure 126 – Positive Packaging and Labeling in Home Cleaning

Biokleen Automatic Dish Powder

On this product, the intended use or function is abundantly and immediately clear on the front panel. The brand name suggests an environmental interest on part of manufacturer, appealing to more advanced H+W consumers. This is further reinforced by front panel claims of "phosphate and chlorine free," and by the natural grapefruit seed and orange oil scent, which also appeal to concerns about "toxicity" and broader environmental and sustainability issues.

Twist Loofah Sponge

The use and purpose of product is obvious to shoppers. The product has elegant, contemporary aesthetics. Minimal, paper packaging taps environmental themes, as does the biodegradable messaging. The overall "naturalness" of the product is obvious and appeals strongly to advanced Mid-Level and Core consumers.

Seventh Generation Spray Cleaners

Natural Imagery on the front of the package helps consumers evaluate the product as “natural,” as do natural (tree-based) scents or non-scented versions. Clear labeling in the colored band across the bottom of the label makes it obvious what kind of spray cleaner each bottle contains. The overall elegance of the label adds to both impressions of naturalness and product quality.

CHAPTER 4 | Health and Wellness at Retail

Introduction

In this chapter, we cover the retail aspects of H+W, with an eye toward strategic brand-building. Leveraging the information in this chapter will be helpful for any retailer looking to increase their level of positive H+W impressions with their shoppers. We begin with a discussion of some broad themes and patterns that are critical issues in H+W retail. Then, we provide an overview of retail channels that includes Grocery, Drug, Mass, and Club stores. Following that, there are H+W-focused sections on consumer channel use, targeting categories and SKU Mix, and, finally, cultivating wellness-oriented retail spaces. We will also look at any changes occurring between 2009 and 2010.

What You Will Learn In This Chapter

- Consumers are relying on a multitude of channels for their Health and Wellness shopping
- However, different consumer segments have preferred channels for Health and Wellness purchases. Drug, mass and club stores appeal most strongly to Periphery consumers, grocery stores appeal most strongly to Mid-level consumers and specialty grocery and drug stores appeal most strongly to Core consumers
- Consumers would like to see a bigger presence of the following GM categories at Grocery: home cleaning, pet supplies, laundry supplies and light bulbs. Laundry supplies are also a commonly purchased pre-planned GM category
- Consumers prefer to make direct comparisons between conventional and Health and Wellness products in the store. Therefore, retailers should strongly consider integrated product sets whenever possible
- Retailers should leverage food whenever possible as a Health and Wellness “stepping stone” into other non-food categories (i.e., take advantage of food adjacencies)
- Consumers would like to spend more time with the pharmacist to discuss drug interactions or OTC medications
- Consumers are looking to retailers to help “edit” the number of product choices in many Health and Wellness categories because too many choices is a complaint that comes up often

- Complex Health and Wellness categories could benefit from simplified shelf management and product-specific signage

- The overall store layout and design can help or harm consumer Health and Wellness perceptions of the retailer

Critical Issues in H+W Retail

Below we discuss several important general issues that impact H+W retail. Most of them are discussed in more detail further into this chapter.

Accommodating Growth

As we have mentioned elsewhere, H+W consumers evolve. It's very important to keep that evolution in mind when constructing H+W retail strategies; it's not good enough to think about your consumers and their preferences as they exist today. You must be thinking about where they are going, and accommodating the "next steps" they will make as they grow. We have seen many consumers change their channel usage as they have evolved, often moving away from more traditional retail channels and toward specialty channels, in some categories much more so than others. Providing new options for them is critical for retention, as is providing a retail space that is arranged intuitively for shopping with H+W in mind. As the old saying goes, "if you don't sell it to them, someone else will." Retailers should prioritize accommodating consumer growth through store space and layout as well as SKU variety

Shift from Crisis to Lifestyle Emphasis

There is notable contrast between the clinical and crisis-oriented version of H+W that we see in Periphery consumers and the more positive, holistic sense of H+W that we see at the Mid-level and Core of the H+W World. (See the previous chapter on H+W consumers for more detail.) This contrast impacts how consumers perceive retail spaces. Today many retailers are either providing or considering providing some level of health services in-store, and that may hold some appeal to consumers in the Periphery. However, at the same time, overtly clinical services may be distinctly unappealing to more evolved H+W consumers in some retail contexts. In an obvious sense, no one wants "flu shots by the salad greens," but often this contrast comes out in more subtle ways, and may be dealt with through various manipulations of space and store content.

Leveraging Food

While this study and report is largely concerned with non-food products (general merchandise, OTC, et cetera), there is no denying the importance of food to the wellness consumer. It is typically the first focus of the budding H+W consumer, and remains a key focus as that consumer evolves to more intensive involvement with H+W. Not surprisingly, in interviewing consumers for this project, a key challenge was to keep them from talking too much about food, and get them to concentrate on other categories of H+W goods.

The business implications here are simple. Tactics such as the following typically meet with success in elevating H+W impressions in retail space:

- Leveraging “fresh.” Step one in any H+W campaign should be to make sure that fresh departments are of extremely high quality and show a very high standard of care (e.g. avoid produce bins that look picked-through).
- In the absence of fresh departments, leveraging high quality packaged foods and/or beverages. (Highly visible locations are very helpful e.g. place healthy fruit smoothie drinks in a cooler near the front of the store rather than in an obscure case at the back of the store.)
- Reducing the visibility of “junk food” wherever possible/practical.

Because of the scope of this project, this topic is not discussed in detail below.

Store Environment Pivotal for H+W Perceptions

Overall store quality perceptions and H+W perceptions are inexorably linked to the look and feel of the retail space. Many retailers suffer from outdated store appearances that are not conducive to impressions of high quality or shopper comfort/browsing, both of which impact overall H+W impressions in profound ways. Less modern stores seem less clean (regardless of actual cleanliness) and less cared for, which is counterintuitive to a H+W-oriented emphasis on quality and care.

Retail atmosphere makes a big difference in receptivity to new H+W products. Consumers are far more exploratory and open to new products and ideas when shopping in stores where appearances have been carefully cultivated, with Wegmans and Pharmaca serving as excellent examples. Consumers hesitate less to try new products in a more elegant retail space, as they assume that “the quality is there,” that the retailer has been diligent in seeking out and presenting appropriate products. Of course, having the right store environment is also very important in building the overall brand image of the retailer.

Space and SKU Arrangements Strongly Impact H+W Impressions

Retailers should be prioritizing key H+W departments to maximize their impact on consumers’ impressions of the store. The most positive H+W categories (and SKUs within categories) should be placed in highly visible ways, in high traffic areas, making a retailer’s H+W focus more apparent to shoppers. For instance, consumers should not walk into a store and be immediately presented with bins of near-random quick sale goods, but, perhaps instead, a convenient assortment of healthy functional beverages.

Most contemporary retailers do have at least some measure of H+W products in almost every category we discuss at length here. However, even in “better” more specialty-oriented stores we find most consumers having very little grasp of the extent of H+W products within those stores. In other words, the “good stuff” is there, but they don’t know it. We’ve observed this pattern for many years as organic foods have made their way into mainstream retail spaces, but have been kept segregated in special sections. Consumers have mixed opinions on whether they prefer that segregation or not, however, when moving to non-food categories, that segregation often becomes less agreeable. For example, consumers are puzzled when, in a rare occurrence, they discover a very small amount of H+W-oriented personal care SKUs at the corner of the “organic food section” in a grocery store. *Many stores could get quite a bit of H+W mileage out of simply rearranging existing SKUs, without having to add new ones.*

H+W SKUs Have Impact Even When Not Purchased

At some level, it seems obvious that having a critical mass of H+W goods, appealing to the Mid-level (and in some cases Core) consumer is a very important element of a H+W retail strategy. After all, if those products are not there for consumers to buy, how could they ever consider the retailer as a H+W source? However, this is not where it ends. Having a solid backdrop of H+W goods helps establish the retailer as a “serious” player in the H+W space regardless of whether individual consumers purchase those goods, and establishes that retailer as a source of those goods if and when a consumer does become more interested in H+W, giving them *space to grow* within the store. For instance, retailers like Whole Foods Market and Central Market (HEB) have reputations as a serious H+W (and Foodie) retailer among Periphery consumers that, effectively, *shop there very little for H+W goods*.

Overview of Retail Channels

Grocery

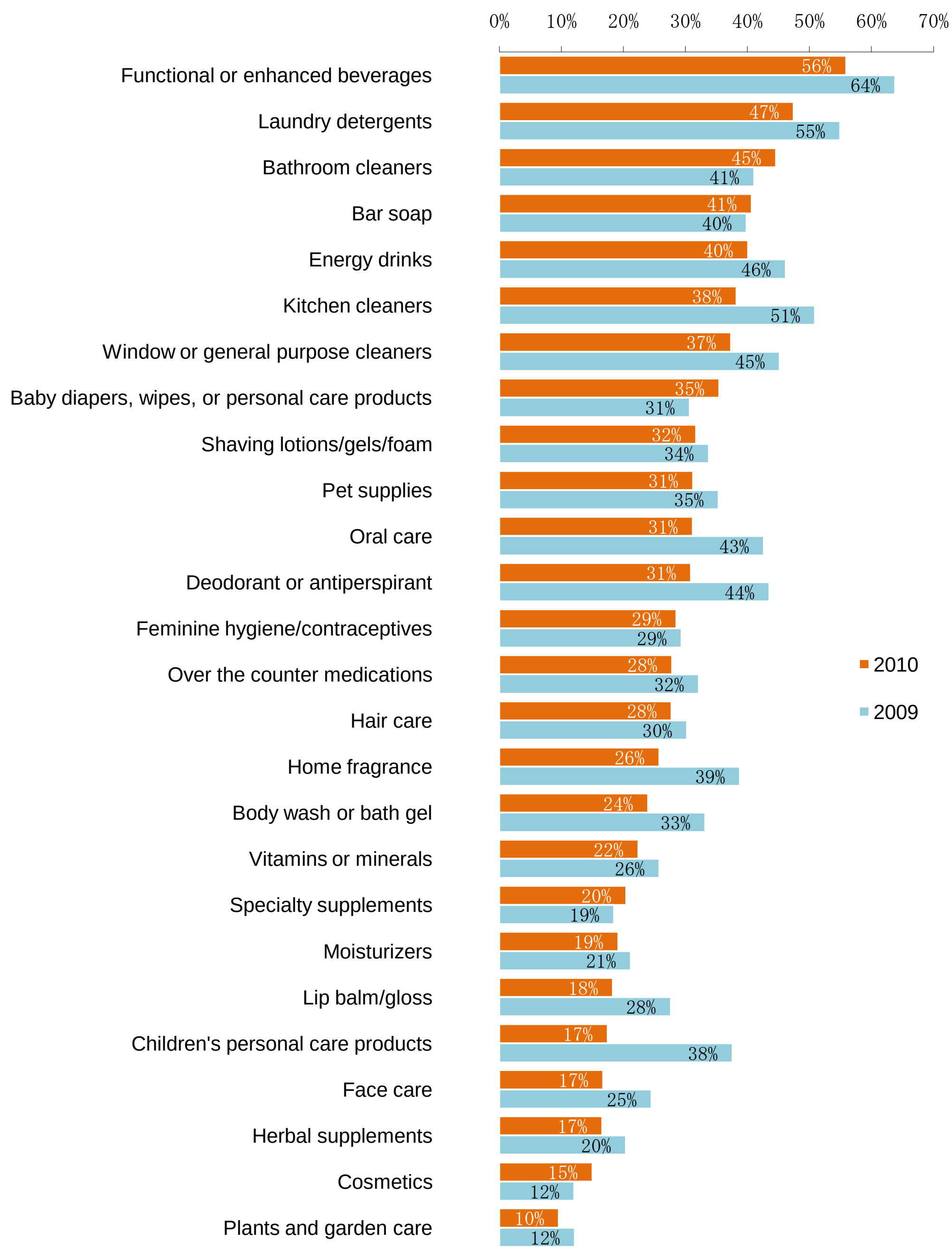
Grocery stores are the most frequently visited and preferred destinations for food, and, given that, they have the *highest overall H+W resonance of any channel*, especially specialty grocers like Wegmans that feature extensive and high-quality fresh departments.

While other channels may be most preferred in many general merchandise categories, grocery is generally considered a solid option in most of those categories. Consumers often tend to purchase these categories in the grocery channel for reasons of expediency, rather than channel preference – if “I'm going to the grocery store anyway” a consumer won't hesitate to shop many of those categories. Sometimes grocery stores have the “best price” in those categories, but often this is due to specific promotions and is not recognized by consumers as a regular pattern. When consumers need to shop for multiple items in those categories, they tend to visit other channels.

Purchase Channels

In the following chart, we see which product categories are most often purchased at the grocery channel. The most common product purchased at the grocery store both this year and last is functional beverages (56% in 2010 and 64% in 2009). This is intuitive as grocery retailers are primarily viewed as food and beverage sources by consumers.

Figure 127 –Top Products Purchased at Grocery 2009 vs. 2010



Q30/Q31: "What kinds of stores do you go to MOST OFTEN when shopping for product? Please check up to TWO choices" | Base: Product shoppers (n varies from 155 for Energy drinks to 523 for Oral Care). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Other product categories most often shopped at grocery stores include laundry detergents (47%) and bathroom cleaners (45%). Among our list of 26 product categories, cosmetics and plants and garden care are least often shopped at grocery stores. Some product categories such as personal care and cleaning experience a drop in shopping at grocery. Our data shows that these products are in general being picked up at other channels instead.

Prices in grocery are perceived as *generally comparable*, though mass channels are typically considered to be lower priced for personal care items, and both mass and drug channels are considered less expensive for OTC – these are the two categories where, along with makeup, consumers find grocery stores to be weakest in appeal qualitatively. But, again, they will purchase smaller amounts of such goods at grocery stores due to convenience.

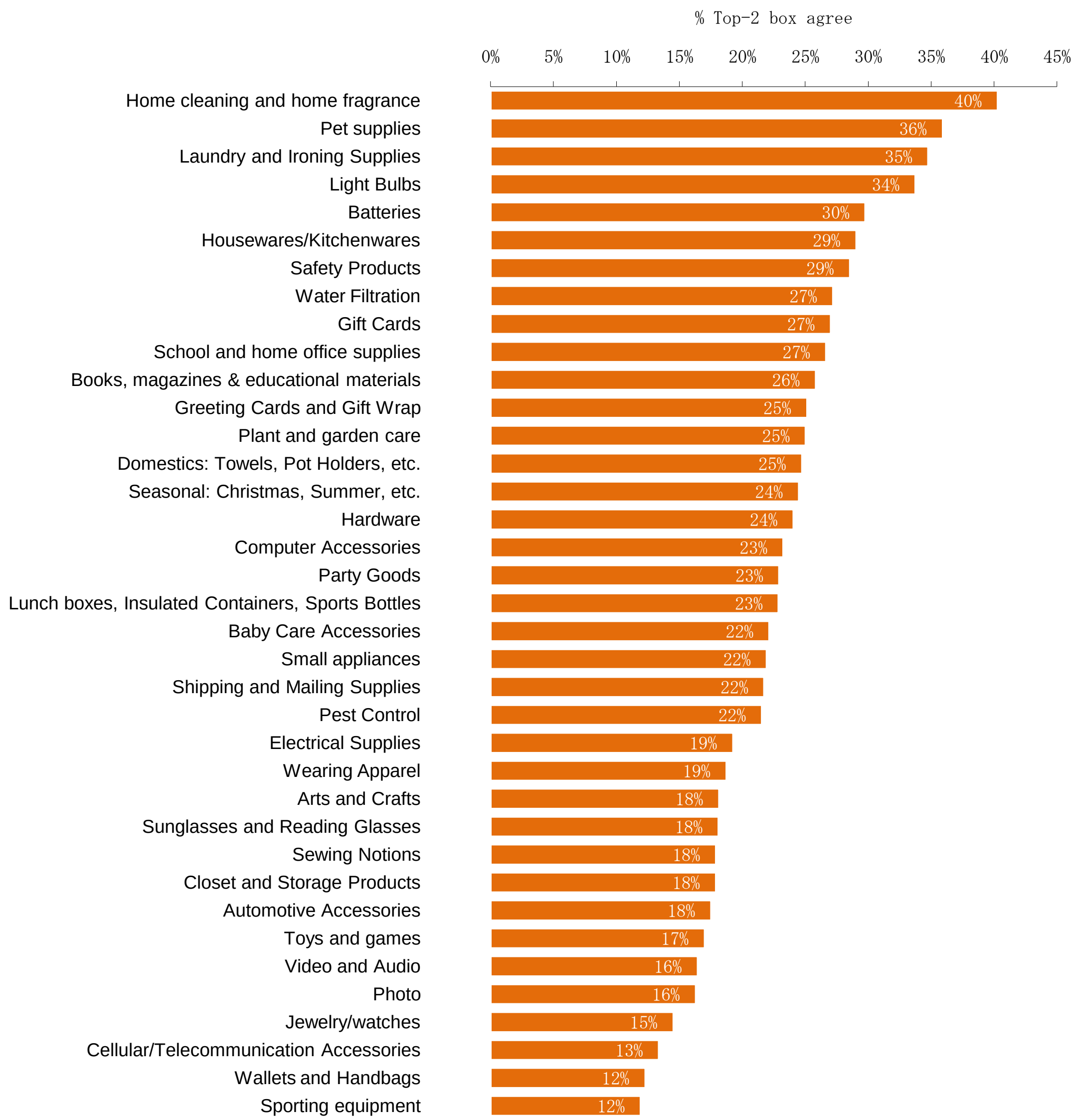
NEW IN 2010

Presence of GM at Grocery

This year, we are interested in learning what GM categories should see a bigger presence in grocery stores. In other words, what are the product categories that consumers would consider purchasing at grocery. These results will hopefully help grocery retailers identify opportunities and plug any holes in their existing product portfolio. We present 37 different GM categories for the consumer to consider.

As Figure 128 shows, the top four GM products that consumers would like to see more of at their grocery are home cleaning (40%), pet supplies (36%), laundry supplies (35%) and light bulbs (34%). These GM categories all resonate with at least a third of consumers. It should be pointed out that the majority of consumers either feels indifferent or would not prefer to see a larger presence of these GM products at the grocery store.

Figure 128 – Preferring to See a Bigger Presence of GM in Grocery Stores

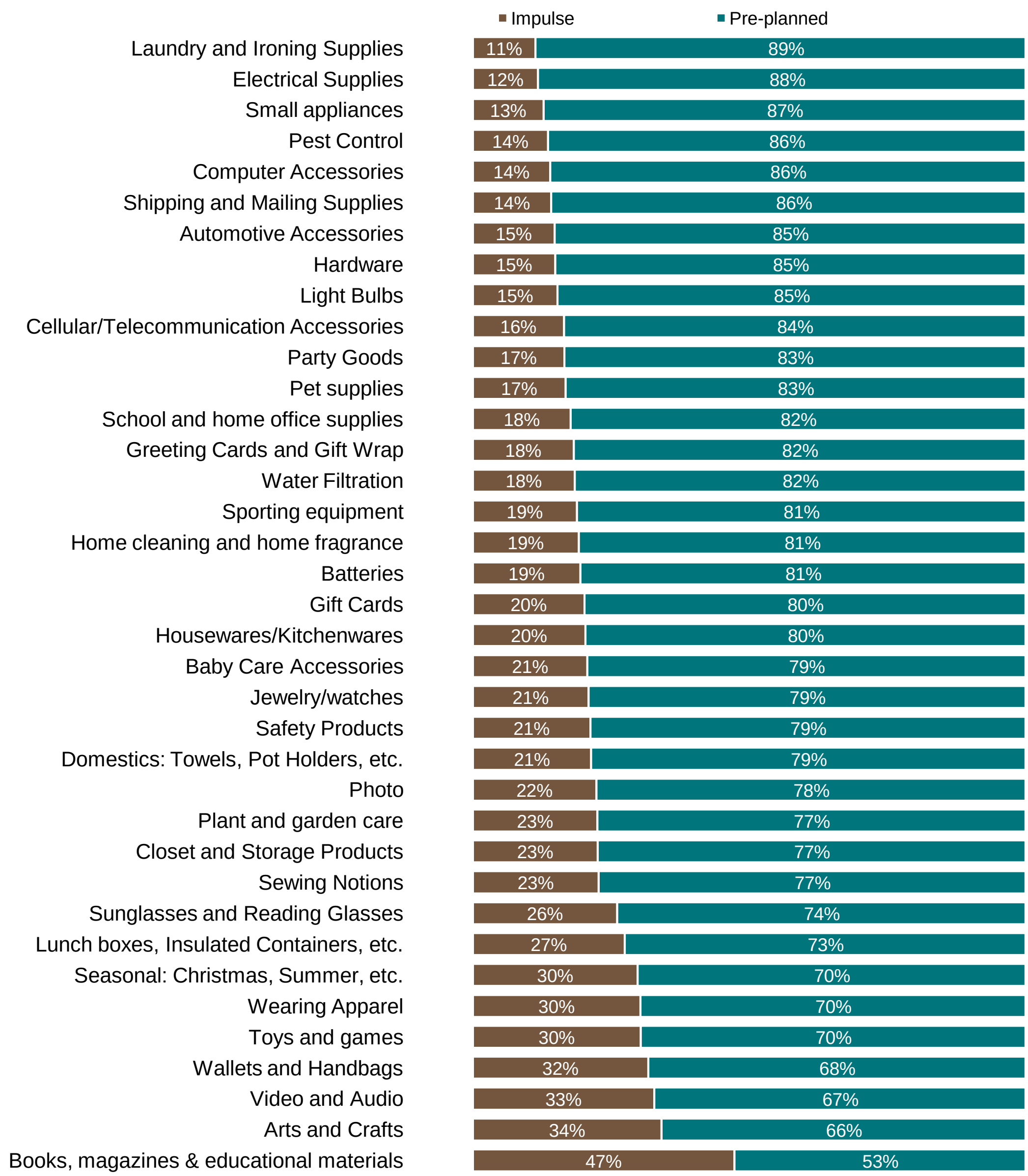


Q47: "I prefer to see a bigger presence of the following types of merchandise at grocery stores on a regular (not occasional) basis. – Top-2 box agree" | Base: Purchasers of category (n varies from 987 to 1044 for Laundry detergents). | Source: GMDC 2010 Survey, Mar. 2010.

At the bottom of the list, sporting equipment, wallets and cellular accessories are the GM products that would be least desired by consumers. These are items that they typically do not look for or encounter on a typical trip to the grocer.

We also examined those GM categories that consumers are more likely to purchase on either a planned or a spontaneous occasion. This is interesting because retailers are constantly trying to get more items into the shopping cart. Among the list of 37 GM product categories in Figure 129, we find that for purchasers of that product category, all items are more likely to be purchased on a planned basis. Laundry and ironing supplies is the product category most likely to be a planned purchase. After laundry supplies are items that are most often purchased on an irregular or one time basis. These include electrical supplies, small appliances, pest control and computer accessories.

Figure 129 – Pre-planned or Impulse Purchases



Q48: "Please indicate whether you most typically buy the following types of merchandise as pre-planned (before going to the store) purchases or more on-the-spot, impulse purchases." | Base: Purchasers of category (n varies from 460 for Baby care accessories to for Batteries). | Source: GMDC 2010 Survey, Mar. 2010.

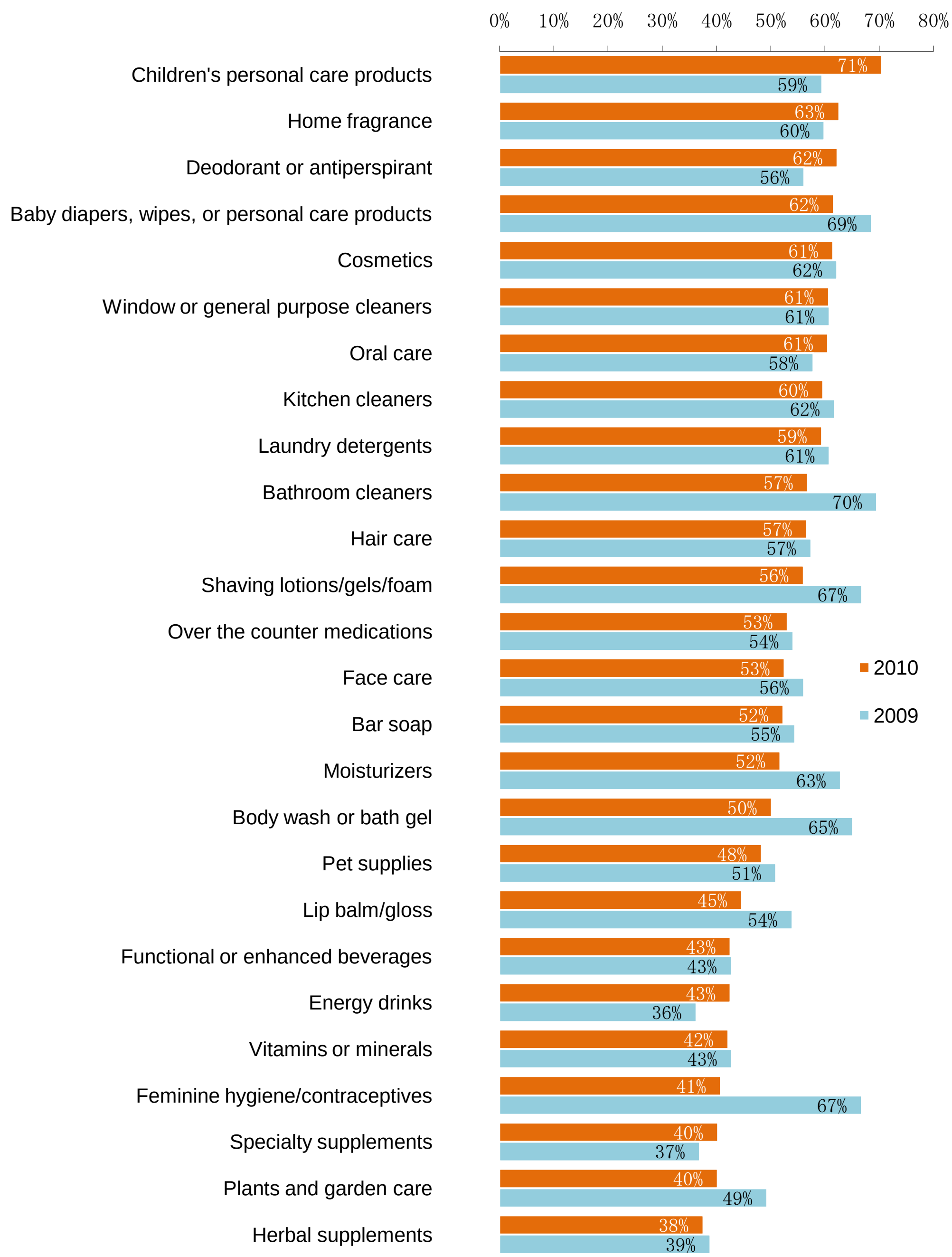
The product category that is most often purchased impulsively are books and magazines. Nearly half of all consumers purchase these on impulse. This is commonly seen at checkout lines where shoppers can check out the latest news on Hollywood stars, or get crossword puzzle books and comics at convenient arms-length locations. Arts and crafts, audio/video, wallets/handbags and toys/games are also commonly purchased impulsively. It should be noted however that the majority of time these GM products are purchased on a planned basis.

Mass

Mass channel retailers have a moderate H+W resonance – super stores with full grocery complements tend to fare a bit better due to the positive H+W perceptions of fresh foods as we discussed previously. Mass is a preferred destination for many GM (General Merchandise) categories, particularly home cleaning and personal care/HBW (Health, Beauty, and Wellness) - consumers perceive mass as having consistently low prices in those categories, as well as having competitive pricing (with the drug channel) on OTC products.

As we see in the following chart, the top products most often purchased at mass are personal care products and cleaners such as children's personal care (71%), home fragrance (63%), deodorant (62%), baby care (62%), cosmetics (61%), and window cleaners (61%). Again this year, all product categories other than functional beverages are purchased more often through the mass channel than the grocery channel.

Figure 130 –Top Products Purchased at Mass 2009 vs. 2010



Q30/Q31: "What kinds of stores do you go to MOST OFTEN when shopping for product? Please check up to TWO choices" | Base: Product shoppers (n varies from 155 for Energy drinks to 523 for Oral Care). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

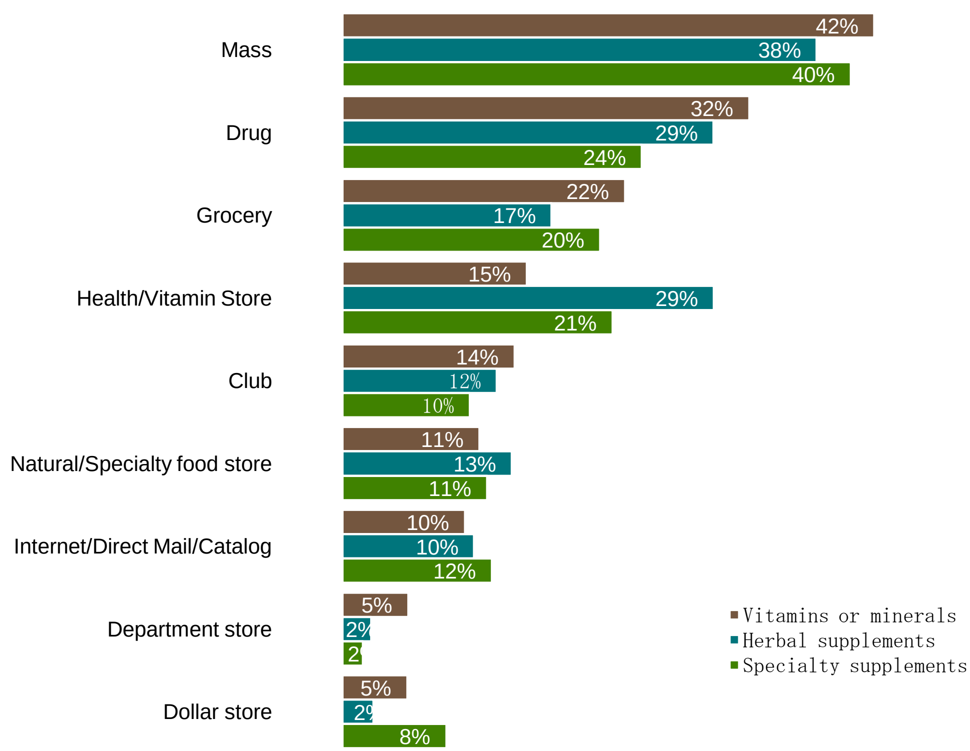
Children's personal care products become the top category purchased at Mass which differs from last year where bathroom cleaners were the top category. Other product categories such as baby care, bathroom cleaner, shaving, and feminine hygiene experience a drop at Mass this year but when looking further, we see they are purchasing slightly more often at other channels such as Drug and Grocery.

Often “health-related” goods are at more of a Periphery level of H+W, with many mass retailers lacking a notable selection of more H+W lifestyle-relevant products at the Mid-level and beyond.

Dietary Supplement Channels

As Figure 131 shows, the Mass channel is the leading channel for all three types of dietary supplements. Around 40% of supplement consumers purchase through Mass. Mass is followed by Drug and Grocery. Outside of the mainstream channels, we see that the Health/Vitamin store does well for herbal supplements.

Figure 131 – Top Channels for Dietary Supplements



Q31: “What kinds of stores do you go to MOST OFTEN when shopping for Vitamins or minerals, Herbal supplements, or Specialty supplements? Please check up to TWO choices” | Base: Dietary supplement shoppers (n=427 Vitamins or minerals, 302 Herbal supplements, 254 Specialty supplements). | Source: GMDC 2010 Survey, Mar. 2010.

The following table shows that Mass maintains its channel dominance for both years of the study. The Health/Vitamin store loses its share of the market in 2010, especially for vitamins/minerals and specialty supplements.

Table 13 – Top Channels for Dietary Supplements 2009 vs. 2010

	Vitamins or minerals		Herbal supplements		Specialty supplements	
	2009	2010	2009	2010	2009	2010
Mass	43%	42%	39%	38%	37%	40%
Drug	34%	32%	28%	29%	32%	24%
Grocery	26%	22%	20%	17%	19%	20%
Health/Vitamin Store	23%	15%	30%	29%	30%	21%
Club	11%	14%	7%	12%	13%	10%
Natural/Specialty food store	11%	11%	15%	13%	13%	11%
Internet/Direct Mail/Catalog	11%	10%	17%	10%	10%	12%
Department store[4]	n/a	5%	n/a	2%	n/a	2%
Dollar store	5%	5%	3%	2%	8%	8%
Commissary	2%	2%	1%	1%	1%	1%
Specialty	n/a	2%	n/a	2%	n/a	4%
Convenience store	0%	1%	0%	1%	1%	1%

Q30/Q31: "What kinds of stores do you go to MOST OFTEN when shopping for Vitamins or minerals, Herbal supplements, or Specialty supplements? Please check up to TWO choices" | Base: Dietary supplement shoppers (n=479 Vitamins or minerals, 323 Herbal supplements, 276 Specialty supplements-2009; n=427 Vitamins or minerals, 302 Herbal supplements, 254 Specialty supplements-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Positive price perception drives much of the appeal of mass retailers. Generally consumers trust that they will be getting very good if not the absolute best pricing at mass stores. EDLP (Everyday Low Price) schemes associated with mass are looked upon quite favorably – consumers view that approach to pricing as "less of a hassle" than coupons and other common promotions.

Of course, the lure of other types of merchandise and the ability to purchase many diverse types of goods under one roof has its appeal to consumers, though consumers will almost invariably choose other channels for goods that show a high level of lifestyle involvement. For instance, "serious" purchases of sporting goods are often pursued at other, more sport-specialized channels like golf stores for example.

Several mass channel retailers – some to a much greater degree than others - suffer from a lack of positive store ambiance and environment that often tends to diminish their overall quality perception, and in turn, H+W perception. Consumers often feel that visiting mass retailers is somewhat of an ordeal due to crowding, a perception of long wait times during check-out, and difficulty finding certain types of merchandise. Overall appearances also tend to count negatively for mass retailers – stores are not particularly "nice" in look and feel, which makes consumers less willing to spend extra time there and preferring to get in and out as quickly as possible. There is great improvement opportunity here.

Drug

Mainstream drug stores have moderate H+W appeal for Periphery consumers, with declining relevance to more evolved consumers due to types of H+W goods offered. For instance, OTC

[4] Department store and Specialty stores are added to the channel list in 2010.

remedies as “health solutions” very much orients to the Periphery and a reactive mode of H+W. More visible, positive and preventative H+W goods that appeal to the Mid-level would be helpful in this channel. Pharmaca, as a specialty drug store, is an exception to this.

Much drug channel use is dominated by a theme of expediency and convenience. While drug is not a preferred option for many GM categories (e.g. home cleaning), it is considered a solid option when the trip mission is “grab and go” of a very specific item and little else – e.g. a consumer simply needs some dishwashing detergent and stops at a drug store because it is very nearby her/his home.

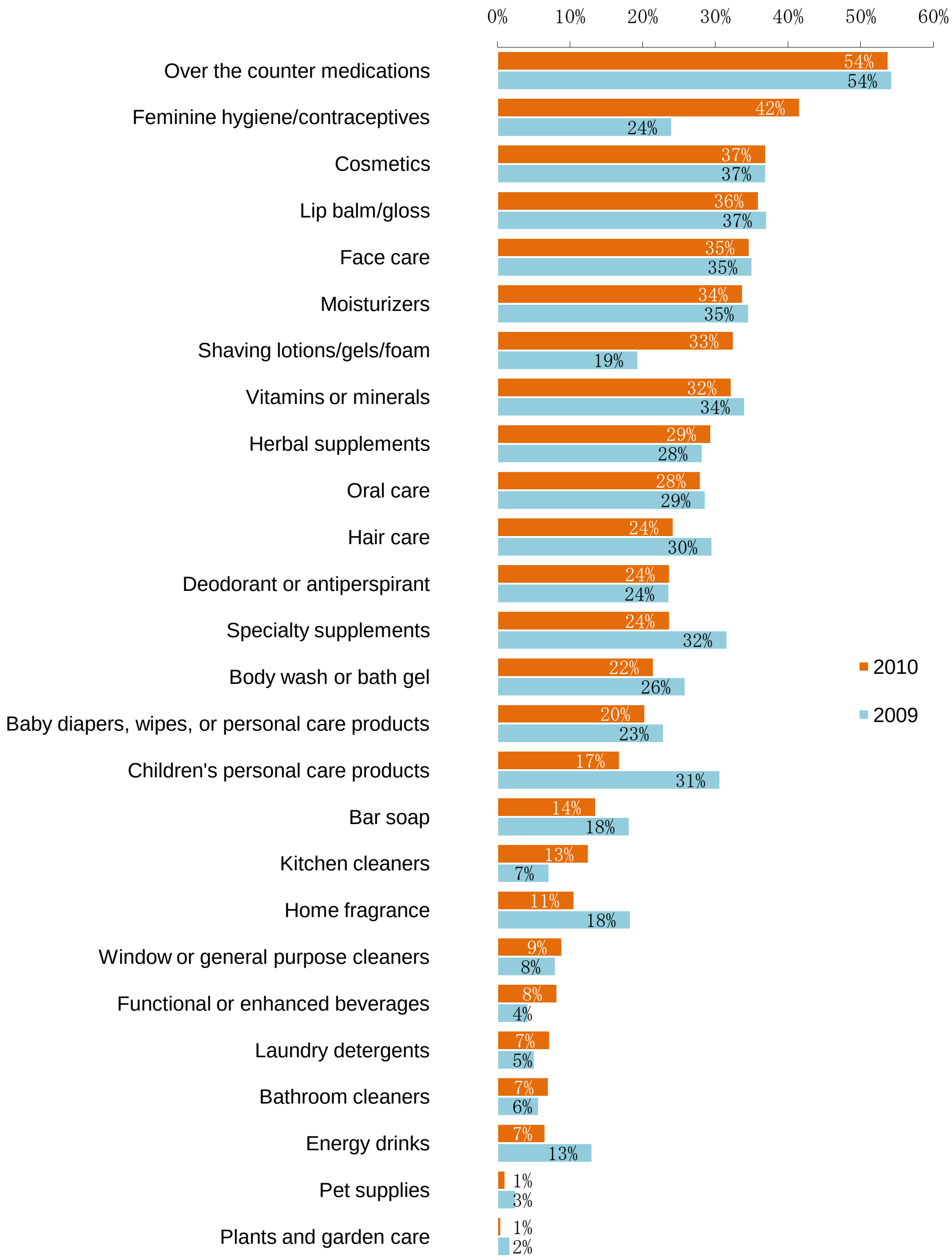
Like mass, many drug channel store environments are not optimal for facilitating longer times in-store – consumers often find the stores “junky” and uninviting, which does not help create a positive H+W-oriented atmosphere.

Drug stores often suffer more from H+W-segregated layouts (where the more “natural products” sit by themselves away from other same-category products) than other channels – the natural products are simply harder to find than they are in, say, grocery channel stores, where there is a larger, more recognizable natural section (though that in itself is not ideal).

Drug channel stores are preferred by some consumers for personal care/HBW goods but this seems to be slipping somewhat in favor of mass channels, which seem to have made notable inroads over the past several years in those categories.

The drug channel still is the first OTC choice for consumers this year and last as shown in Figure 132. Fifty four percent of OTC consumers shop most often at drug stores. In comparison, mass is often viewed as competitively priced in OTC, but lacking the same level of selection as drug. All other product categories, except for feminine hygiene are shopped less frequently at drug stores compared to mass.

Figure 132 –Top Products Purchased at Drug 2009 vs. 2010



Q30/Q31: "What kinds of stores do you go to MOST OFTEN when shopping for product? Please check up to TWO choices" | Base: Product shoppers (n varies from 155 for Energy drinks to 523 for Oral Care). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Club

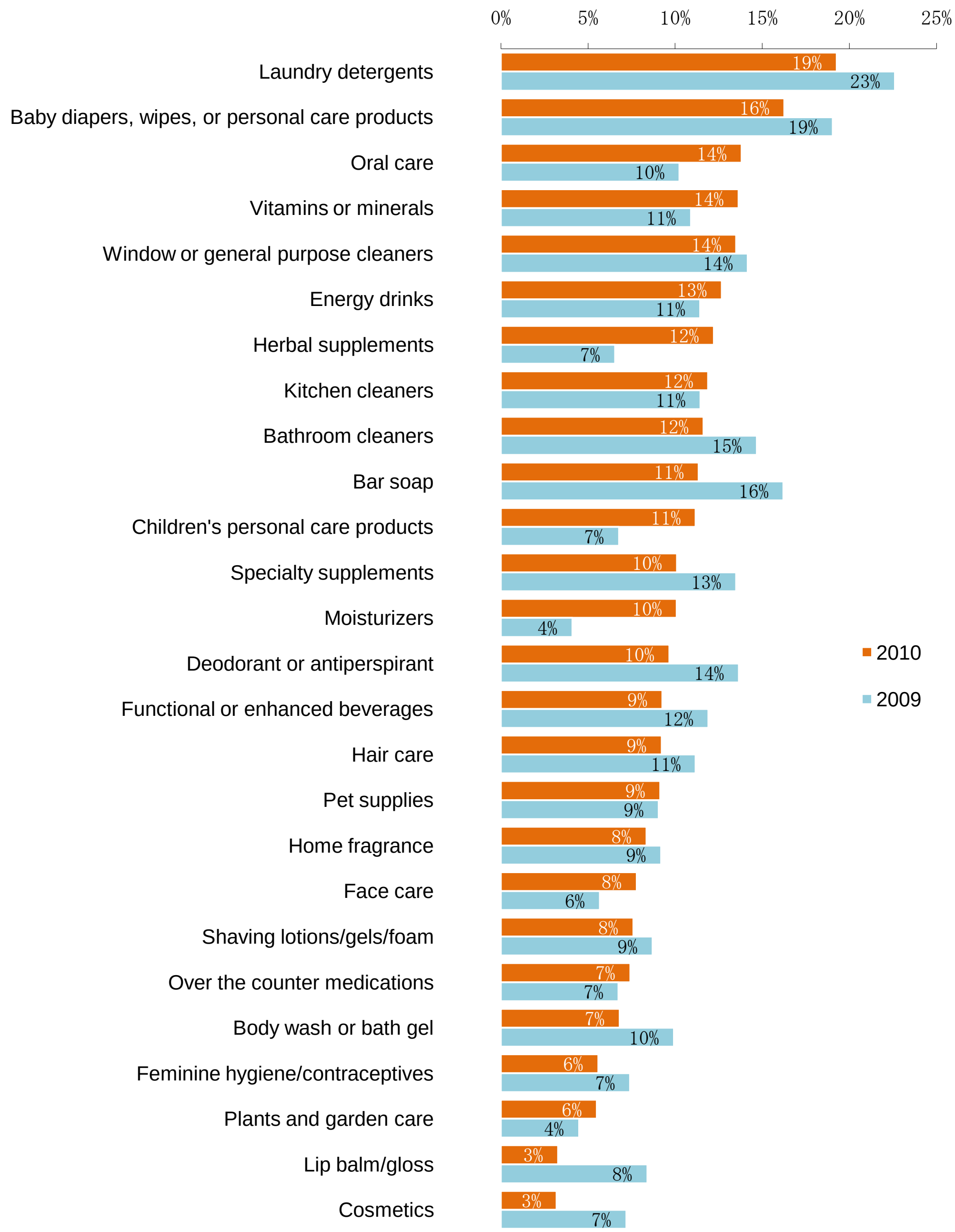
Club channel retailers exhibit a sort of “hit-or-miss” H+W resonance for most consumers. Some are happy to find a few, select H+W food items, depending on store region and type of consumer (e.g. Core consumers in Seattle will find Amy's frozen entrees at Costco). This impacts overall H+W perception, though not so much for the categories of interest in this report.

The club channel is preferred for a few select categories/subcategories. This includes some (non-specialty or herbal) supplements, some personal care/HBW (razor blades, some high volume items such as diapers and basic pain medications e.g. Advil), and some general household goods, but, again, it is “hit or miss” in a larger sense due to a perception of inconsistent selection across shopping trips. Shoppers often feel like “things are always moving around or are no longer in the store.”

Many consumers of Periphery H+W orientation prefer this channel for home cleaning goods, where they will find good deals on large quantities of traditional cleaning products, however, more evolved H+W consumers may have difficulty finding less traditional, more “natural,” Mid-level cleaning products in-channel, depending on the retailer.

As we see in Figure 133, among all product categories it is laundry detergent and baby diapers that are most often shopped at Club stores. These are the top products purchased at Club last year as well. These are products that are used in large volumes so the Club store format with their warehouse volumes suit many consumers. Oral care and vitamins/minerals show a slight increase in purchasing at Club this year.

Figure 133 –Top Products Purchased at Club 2009 vs. 2010



Q30/Q31: "What kinds of stores do you go to MOST OFTEN when shopping for product? Please check up to TWO choices" | Base: Product shoppers (n varies from 155 for Energy drinks to 523 for Oral Care). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Consumers generally agree that bulk pricing is the big motivator that prompts them to visit mass channel stores, but, predictably, many often balk at purchasing the sizes of packages that club stores offer (“it would take forever to use that much toilet paper”).

Large, warehouse-like spaces are often not conducive to H+W shopping, and difficulty of ingress and egress discourages visits for many shopping occasions. In many ways, club stores have similar ambiance and store environment issues as mass channel stores.

Consumer Channel Use by Health and Wellness Orientation

Periphery Consumers: Price and Convenience are Key Considerations

Periphery consumers, very strongly driven by convenience, will shop most intensively at stores immediately in their paths, near home and near other destinations (e.g. work) that they frequent. They are generally unwilling to go very far to secure any category of goods relating to H+W. Unsurprisingly, these consumers will tend to be quite unfamiliar with any store not in their immediate area e.g. a Periphery New Jersey shopper was almost completely unfamiliar with Wegmans stores 15 miles north of her immediate residential area, though in an area that she visited at least somewhat frequently.

Shopping for H+W goods is mostly a *chore* for Periphery consumers. They are not particularly engaged with shopping for H+W goods, because either they are not very interested, or they know so little about H+W goods that they quickly become frustrated while shopping for them. Making entry into H+W goods easier for these consumers – putting the goods in front of them and explaining key differentiators - is a critical function for retailers that serve them.

Periphery consumers are also strongly influenced by price perception in choosing retailers. They often seek out the least expensive retailers and shop there, often favoring mass and club channels for purchasing many of the categories explored in this report. This also has the effect of excluding certain retailers from their consideration sets, in the sense that they may avoid stores that seem “nice” (again, Wegmans is a good example) based on assumptions that “nice” also means “pricey.”

Periphery Consumer Example 1

Robert lives in the greater Charlotte, NC area. While Robert makes some use of Earth Fare and Trader Joes, which are both at least nominally in the Natural/Specialty channel, his use of these stores does not have much to do with his H+W practices, but, simply, represent him occasionally purchasing foods that are “better” in an overall sense, as well as his taking advantage of what he feels are favorable prices on some items at Trader Joe’s. In some ways Robert is mildly atypical as a Periphery consumer in that he isn’t quite as concerned with price as most are – mostly this is due to his status as a single, younger (20-something) male with no dependents. For the most part, he selects his retailers based on proximity, which more or less equates to convenience.

Table 14 – Example 1 of Periphery Consumer Channel Preferences

<table>
<tr><th>Macro-Category</th><th>Primary/Preferred</th><th>Secondary</th></tr>
<tr><td>Fresh Foods</td><td rowspan="2">Harris Teeter</td><td>Earth Fare, Trader Joe's</td></tr>
<tr><td>Packaged Foods</td><td>Bi-Lo</td></tr>
<tr><td>OTC</td><td>CVS, Walgreens</td><td rowspan="2">Harris Teeter, Bi-Lo</td></tr>
<tr><td>VMHS</td><td>GNC</td></tr>
<tr><td>Home Cleaning</td><td>Target</td><td>Harris Teeter, Bi-Lo, CVS, Walgreens</td></tr>
<tr><td>Personal Care</td><td>CVS</td><td>Harris Teeter</td></tr>
<tr><td>General Merchandise for the Home</td><td>Target</td><td>CVS, Walgreens</td></tr>
<tr><td>Lawn/Garden</td><td>Home Depot, Lowe's</td><td>None/NA</td></tr>
</table>

Periphery Consumer Example 2

Linda lives in roughly the middle of New Jersey. Unlike Robert she has a large family to feed and keep up a household for. She is very motivated by (low) prices, like many other Periphery consumers. Given the size of her family commitments, she finds club stores appealing, purchasing all that she can at Costco with bulk-oriented savings in mind. Grocery channel retailers serve most importantly as fresh food stores for Linda; in other categories (including many packaged food categories) she has found sources that she considers to be less expensive.

Table 15 - Example 2 of Periphery Consumer Channel Preferences

<table>
<tr><th>Macro-Category</th><th>Primary/Preferred</th><th>Secondary</th></tr>
<tr><td>Fresh Foods</td><td>Stop and Shop, Costco (meat)</td><td>ShopRite</td></tr>
<tr><td>Packaged Foods</td><td>Wal-Mart, Costco</td><td>Stop and Shop, ShopRite</td></tr>
<tr><td>OTC</td><td>Wal-Mart, Costco</td><td rowspan="5">Stop and Shop, ShopRite</td></tr>
<tr><td>VMHS</td><td>Wal-Mart, CVS, Walgreens</td></tr>
<tr><td>Home Cleaning</td><td rowspan="3">Wal-Mart, Costco</td></tr>
<tr><td>Personal Care</td></tr>
<tr><td>Infant Hygiene</td></tr>
<tr><td>General Merchandise for the Home</td><td>Target</td><td>Wal-Mart</td></tr>
</table>

When looking at Periphery consumers, we find that the mass retailer channel is often used for many different product categories. In other words, because they are perceived as lower-priced, many price-concerned Periphery shoppers buy nearly everything they are able to in this channel. Table 16 shows the main channels used for a sample of product categories.

Table 16 – Periphery Consumer Channel Preferences 2009 vs. 2010

	Functional or enhanced beverages		Vitamins or minerals		Deodorant or antiperspirant		Hair care	
	2009	2010	2009	2010	2009	2010	2009	2010
Grocery	68%	77%	19%	17%	39%	22%	36%	31%
Mass	44%	42%	50%	58%	60%	67%	60%	52%
Drug	5%	7%	37%	39%	26%	18%	30%	21%
Club	10%	7%	13%	9%	12%	7%	6%	7%
Dollar store	7%	3%	5%	14%	14%	16%	21%	26%
Health/Vitamin Store	4%	2%	23%	7%	0%	3%	0%	1%

	Oral care		Shaving lotions/gels /foam		Laundry detergents	
	2009	2010	2009	2010	2009	2010
Grocery	40%	36%	33%	35%	58%	56%
Mass	62%	59%	68%	67%	70%	53%
Drug	30%	34%	14%	28%	4%	5%
Club	10%	14%	8%	3%	16%	17%
Dollar store	16%	16%	34%	23%	21%	25%
Health/Vitamin Store	0%	0%	1%	0%	0%	0%

Q30/Q31: "What kinds of stores do you go to MOST OFTEN when shopping for product? Please check up to TWO choices" | Base: Periphery Product shoppers (n varies from 71 for Functional or enhanced beverages to 162 for Laundry Care-2009; n varies from 56 for Functional or enhanced beverages to 127 for Oral Care-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Mid-level Consumers: In-store Experience and Knowledge Come Strongly Into Play

Mid-level consumers, like Periphery consumers, are influenced by price and convenience, but to a lesser degree. They will still tend to stick with stores that are relatively close and convenient to areas they frequent, but they are willing to go a little further to seek out H+W goods if necessary. They tend to be much more familiar will *all* the shopping options (including specialty channels) in their area, as they tend to be quite a bit more exploratory in nature than those in the Periphery.

Mid-level consumers are not quite so discouraged by price perceptions of "nicer" stores in the way Periphery consumers are, and tend to visit stores such as Wegmans and Whole Foods Market with some degree of regularity, though still doing the *majority* of their shopping in less specialized channels. The use of more specialized channels shows the Experience dimension that becomes increasingly important to consumers as they evolve into the Mid-Level. While specialized channel use is not extensive, it conditions their overall expectations for H+W retail, providing a convenient reference point for H+W "done well."

Shopping for H+W goods is still *sometimes* a chore for these consumers, but it is often an adventure as well, which makes obvious sense; they have become more involved in their own H+W, and, accordingly approach H+W shopping with more interest.

There are two major aspects to this Experience dimension.

The first is the “thrill of the chase” as they research, locate, and evaluate new H+W products, and this strongly relates to the Knowledge dimension as well, as consumers continue to learn more about various options in H+W categories. This makes having a good H+W-oriented SKU mix critical in accommodating the Mid-level consumer’s desires to explore. (This is even more critical in areas that lack more developed cultures of health and wellness, where the consumer discovers most H+W products at retail rather than via recommendations from their social networks.)

The second major aspect of Experience has to do with the retail space more generally and all of the experiential aspects of it, including

- Aesthetics, lighting, noise level/music, and other ambient features
- Quality of staff interactions (e.g. the level of knowledge that store staff can bring to a discussion of product options)
- Interactive and/or informative store features

Mid-Level Consumer Example 1

Gaye lives in northern New Jersey, and shops a fairly wide variety of channels. She largely makes use of what could be called “conventional” channels e.g. grocery, mass, and drug, but, notably, makes fairly frequent use of Wegmans as well. Such a pattern is quite typical of the Mid-level consumer. Stop and Shop, as a “nicer” grocery store in her area, gets the nod in many fresh categories including produce, while Wegmans is the preferred destination when Gaye is looking for “the best” in fresh foods, often but not exclusively when shopping for special occasions is the trip mission. In other categories, she selects what she finds to be “nicer” conventional retailers (e.g. Target) as well, trusting that prices will be roughly comparable with other options. Again, she is typical of Mid-level shoppers in that she notices and prefers stores that have taken measures to make the in-store experience better.

Table 17 - Example 1 of Mid-Level Consumer Channel Preferences

<table>
<tr><th>Macro-Category</th><th>Primary/Preferred</th><th>Secondary</th></tr>
<tr><td>Fresh Foods</td><td rowspan="2">Stop and Shop, Wegmans</td><td rowspan="2">ShopRite</td></tr>
<tr><td>Packaged Foods</td></tr>
<tr><td>OTC</td><td rowspan="2">CVS, Target</td><td rowspan="4">Stop and Shop, Wegmans</td></tr>
<tr><td>VMHS</td></tr>
<tr><td>Home Cleaning</td><td>Target</td></tr>
<tr><td>Personal Care</td><td>CVS</td></tr>
<tr><td>General Merchandise for the Home</td><td>Target</td><td>-</td></tr>
</table>

Mid-Level Consumer Example 2

Gretchen (WA) is a Mid-level Seattle consumer that has recently had a child, and has increased noticeably her attention to H+W as a result. In some ways, her shopping patterns resemble a Core consumer, in that she makes fairly frequent use of a local Natural/Specialty co-op store in several categories, especially the categories that have anything to do with her child. For instance, she is perfectly happy to buy personal care items for herself at a conventional retailer (Rite-Aid), but goes to a specialty stores (PCC and to some degree Pharmaca) to meet most of her child's personal care needs. Like Gaye, above, she sings the praises of her local specialty retailers, holding them up as the standard for H+W retail, and thinking of them as great "places of discovery." In broad measure, however, she still uses mostly conventional retailers. Despite preferring the specialty retail experience, her pocketbook still exerts a visible pull on her channel choices.

Table 18 - Example 2 of Mid-Level Consumer Channel Preferences

Macro-Category	Primary/Preferred	Secondary
Fresh Foods	QFC (Kroger), PCC (Local Natural/Organic Co-Op)	Safeway
Packaged Foods	QFC	Safeway
OTC	Rite-Aid	Pharmaca, QFC, Safeway
VMHS	Rite-Aid, Costco, QFC	Safeway, Pharmaca, PCC
Home Cleaning	QFC, PCC	QFC, Safeway
Personal Care	Costco, Rite-Aid	QFC, Safeway, PCC
Infant Hygiene	PCC, Costco (diapers)	Pharmaca
General Merchandise for the Home	Target	-

Core Consumers – Looking for Authentic H+W Products and Retailers

Core consumers are driven by values that relate directly to H+W, seeking out "authentic" products and retailers wherever they may be. These consumers will tolerate fairly high amounts of inconvenience in order to get the products they seek; *they are generally not prone to compromise*. They also tend to be relatively insensitive when it comes to price – H+W is more important than saving money.

The Experience dimension that is so important to Mid-level consumers actually becomes a bit less relevant at the Core. While they often shop in "nicer" stores, they are willing to tolerate "less nice" so long as those stores have the H+W goods they seek and appear to be authentic, in the sense that those retailers and their employees appear highly knowledgeable about H+W. In some sense, the Experience dimension is attenuated by the Core H+W consumers' knowledge – there is not as much "discovery" at retail for them since they know so much already.

Core consumers are also often guided by their *social opinions* of retailers. In other words, they prefer to spend their money in stores that they think of as having similar social values to their own, in alignment with the Authenticity dimension. An authentic H+W retailer seeks out the right products *and* has the right values (according to Core consumers), consistent with a holistic H+W lifestyle, including ideas about the environment and sustainability. While consumers at other levels of H+W (Periphery and to a greater degree Mid-level) will avoid retailers (and manufacturers) that are widely reported to have practices they disagree with, Core consumers will ferret-out information about companies on their own. This generally means that they prefer to shop at smaller, local, and/or natural/specialty channel retailers whenever possible, which generally tend to have better reputations as far as social, environmental, and labor issues, though, in a pinch, they will shop at conventional channels.

Core Consumer Example 1

Suzie lives in Seattle, WA, and is fairly typical of Core consumers there. She makes extensive use of natural and specialty retailers, as well as local farmers markets for her food purchases. Relative to most consumers, she makes little use of conventional channels. Where she does, it is generally for purchases least relevant to her H+W lifestyle, though most categories of consumable and durable goods will be filtered through a H+W lens.

Table 19 - Example 1 of Core Consumer Channel Preferences

<table>
<tr><th>Macro-Category</th><th>Primary/Preferred</th><th>Secondary</th></tr>
<tr><td>Fresh Foods</td><td>PCC, Whole Foods Market, Farmers' Markets</td><td>QFC</td></tr>
<tr><td>Packaged Foods</td><td>PCC, Whole Foods, Trader Joe's</td><td>QFC</td></tr>
<tr><td>OTC</td><td rowspan="4">PCC, Whole Foods, Pharmaca (remedies are herbal/homeopathic - does not buy conventional OTC)</td><td>Internet Stores</td></tr>
<tr><td>VMHS</td><td>Bartell's (Local drug chain)</td></tr>
<tr><td>Home Cleaning</td><td>QFC</td></tr>
<tr><td>Personal Care</td><td>Bartell's (Local drug chain)</td></tr>
<tr><td>General Merchandise for the Home</td><td>Various small shops, Craigslist</td><td>Target</td></tr>
</table>

Core Consumer Example 2

Linda lives outside Charlotte, NC, and has far fewer brick-and-mortar options for her Core H+W shopping than Suzie does in Seattle. Due to the dearth of physical H+W retail in her area, Linda has adapted to using local stores as fully as possible, and to ordering the somewhat obscure H+W products she prefers in several categories via the internet. In some ways her pattern is quite revealing, showing that local grocers have been able to at least nominally fill her food needs, but generally don't have what she is looking for with respect to other categories of goods.

Table 20 - Example 2 of Core Consumer Channel Preferences

Macro-Category	Primary/Preferred	Secondary
Fresh Foods	Harris Teeter	Bi-Lo
Packaged Foods	Harris Teeter	Bi-Lo
OTC	Internet Stores, Local Vitamin Shop (remedies are herbal/homeopathic - does not buy conventional OTC)	NA
VMHS	Internet Stores, Local Vitamin Shop (remedies are herbal/homeopathic - does not buy conventional OTC)	CVS, Rite-Aid
Home Cleaning	Internet Stores	Harris Teeter, Bi-Lo
Personal Care	Internet Stores	Harris Teeter
General Merchandise for the Home	Target	-

Targeting Categories and SKU Mix to Health and Wellness Orientations

Channel and Consumer H+W Orientation

Retail channels vary with respect to their appeal to consumers of varying H+W orientations. Matching up retail channels to product pathways, one can strategize in a general sense about what type of product category and SKU mix should exist in any particular channel to please customers as they currently exist.

In another sense, retailer strategies should look a bit beyond the current “center of gravity” of H+W appeal that their channel corresponds to, in order to maintain H+W relevance as time moves forward. Recalling an earlier section of this report, both H+W consumers and the World of H+W itself evolve, generally in toward (but often not into) the Core. So, for example, at the moment a mainstream grocery store might largely appeal to those in the Periphery and outer portions of the Mid-Level, that same store should make moves toward accommodating consumers that have moved further into the Mid-Level to future-proof the store from a H+W standpoint. However, there are limits to this as well, for instance, specialty grocers may not want to push their appeal too far toward the Core given their existing, strong Mid-level appeal.

On the chart below, various channels are shown with both a “center of gravity” showing where their appeal is most intense in the context of H+W, as well as “tails” that show, generally, how wide the appeal extends (though to a less intense degree) into adjacent segments of H+W. For instance, Mainstream Drug appeals most intensely to Periphery consumers concerned with convenience and oriented toward more traditional OTC products (and Rx) in their understanding of “health.” However, their appeal also extends into the Mid-level, as they also offer some level of products that appeal to Mid-level consumers e.g. some level of specialty supplements are typically present in most Mainstream Drug stores. Definitions of each channel appear below the chart.

Please note that below we detail six channels, adding “specialty” versions of both grocery and drug, due the meaningful differences in category/SKU mix in comparison to the “mainstream” versions of those channels.

Figure 134 – Retail Channel Range of H+W Appeal

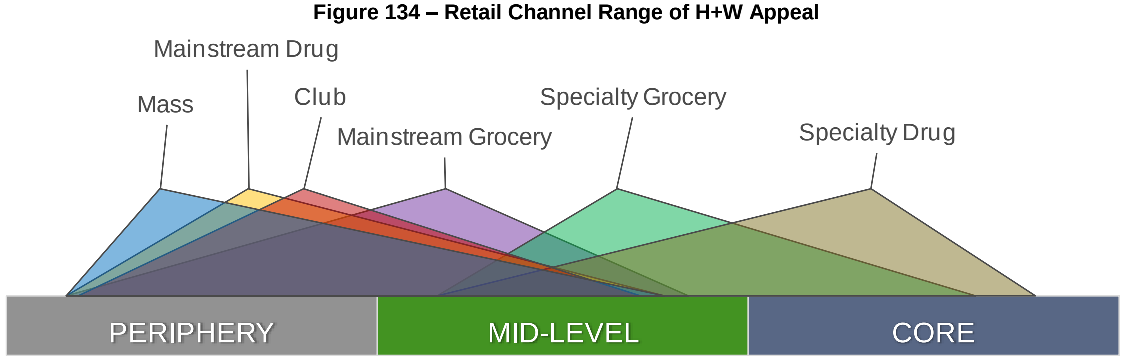


Table 21 – Retail Channel Definitions

Mainstream Grocery	Traditional grocery stores such as Safeway and Bi-Lo
Specialty Grocery	Specialized and often upscale grocers such as Central Market (HEB) and Wegmans
Mass	Larger stores such as Wal-Mart and Target
Club	Membership-based stores like Costco and BJ's
Mainstream Drug	Stores such as Walgreens, Rite-Aid, and CVS
Specialty Drug	Specialized stores often with a holistic emphasis, such as Pharmaca and some small independent stores. Currently there are very few players in this channel

Elaboration and Targeting of Key Categories

As we have mentioned in various places in this report, consumers link some categories more closely to their own H+W than other categories. The table below re-summarizes general relevance of various categories to H+W.

Table 22 – Summary of H+W Relevance of Categories

Gateway Categories	Non-Gateway Categories with Clear Ties to Health and Wellness	Non-Gateway Categories Lacking Clear Ties to Health and Wellness
Home Cleaning	Plant and Garden Care	Pet Supplies
Books, Magazines, and Education	OTC	Home Lighting
Functional Beverages	Oral Care	Office Supplies
Supplements	Eye Care	Sporting Equipment
Children's Hygiene & Toiletries	Feminine Hygiene	Toys and Games
Hair and Skin Care	Makeup & Cosmetics	

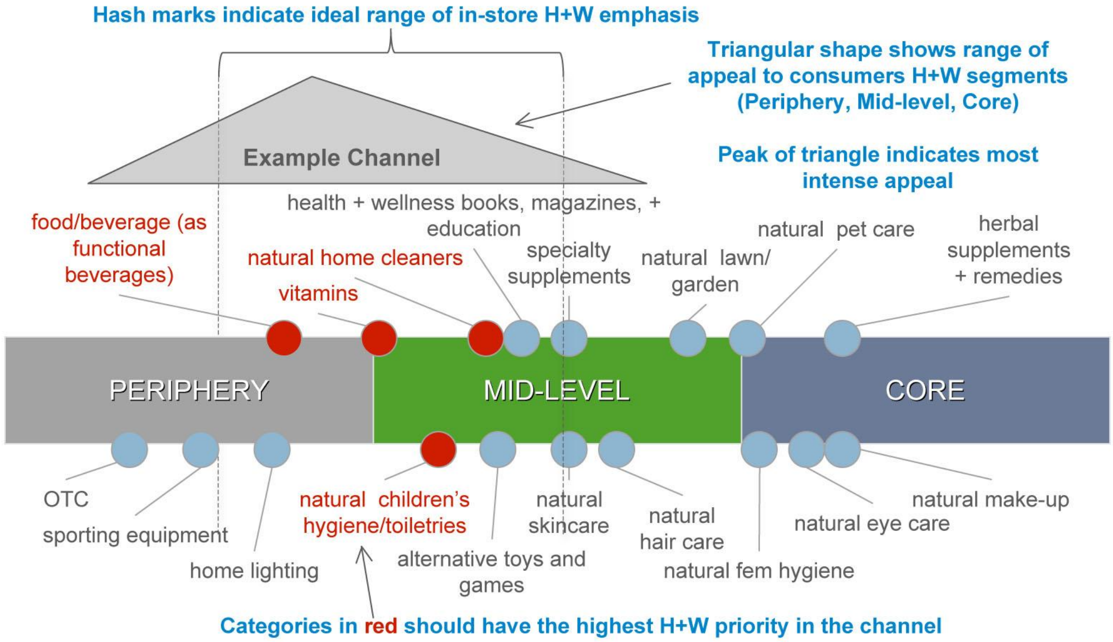
Moving beyond category H+W relevance in a general sense, the most relevant H+W categories also vary of course by consumer H+W orientations. What is relevant in the Periphery is often quite irrelevant in the Core, and vice-versa. The Mid-level is a very dynamic, transitional space.

Considering the typical range of consumer H+W orientation and general levels of H+W appeal of any particular retail channel, the next move is to construct corresponding category priorities. For each retailer type engaged in this study, we provide a mapping of the Product Pathway with a channel overlay, and explore the implications thereof.

How to Use Category Targeting Findings

The category-to-retailer mappings may be used in to construct promotional priorities by matching the charts to categories in your store (or notably lacking categories). "Prioritized" in the way we use it here means in **visible presence, not SKU count by itself**. In other words, there may be a low level of certain types of H+W goods, but we may suggest what is there being prominently placed. Please see the example diagram, below.

Figure 135 – Example Channel-Category Mapping



In considering what should be a prioritized category per channel, we have weighed

- Categories that have notable H+W consumer relevance, particularly gateway categories
- The range of H+W appeal of the channel, e.g. the strong Mid-level appeal we see in grocery stores
- The strategic trajectory we believe the channel should take to increase future H+W appeal – e.g. in several cases we suggest a "forward leaning" approach that puts the retailer reaching a bit beyond their current H+W range of appeal
- Recognized competences that the channel is already known to possess e.g. OTC as a core competence of the drug stores

Categories are presented as "priority categories" and "non-priority categories" in what follows, however, *beyond those two broad classifications, they are not ranked*, as further prioritization will vary from retailer to retailer.

In using these diagrams and accompanying text, it will be helpful to refer back to the previous chapter to interpret recommendations on category mix – e.g. if we suggest "strong presence of Mid-level products," look up the category and reference the charts that describe Mid-level examples and purchase decision criteria (i.e. the most consumer-relevant attributes to emphasize in promotional text/displays).

While for the most part we stick within a specific H+W range of appeal (indicated by dashed vertical hash marks on the diagrams below), we do move backwards outside of that range in some cases where we feel a channel has particularly strong category appeal. These exceptions are noted within the channel-specific text.

In some cases, we assume prior stages of H+W development e.g. in specialty grocery we do not recommend cultivating natural children's hygiene/toiletries with the assumption that that category is already fairly developed. Of course, if that is not the case for a particular retailer, it should be prioritized.

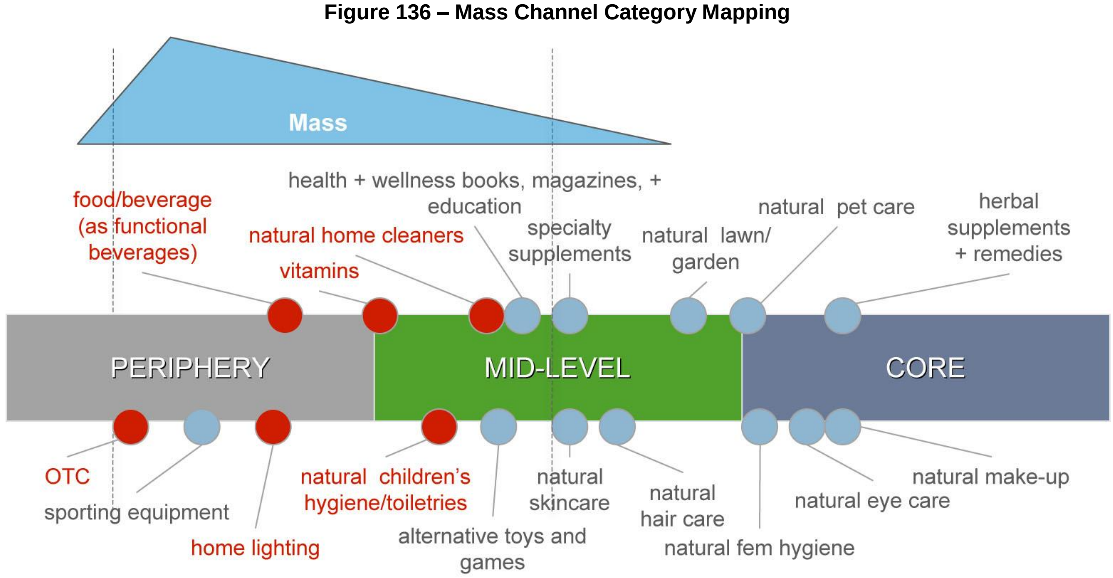
While gateway and more directly H+W-linked categories are generally the most highly prioritized, some categories are suggested for a higher level of promotion than the charts imply – these exceptions are noted on a per-channel basis.

Mass Channel

RANGE OF H+W APPEAL

Mass stores appeal to both Periphery and Mid-level audiences. However, the overall H+W appeal of most mass stores generally leans in the direction of more Periphery-oriented products and solutions. Superstores or supercenters featuring fresh food departments will lean a bit more toward the Mid-level.

Figure 136 – Mass Channel Category Mapping



OVERALL STRATEGY

Due to their nature as "mass" stores, where a large swath of consumers seeks basics at low prices, there are some limits here on pushing appeal to higher levels of H+W consumers. Consequently, our recommendations are somewhat conservative. Generally, mass channel stores should push H+W categories from the Periphery to the center of the Mid-level, but not much further.

That being said, supercenters/superstores are often used in different ways by consumers, in some cases as primary grocery stores, and we would *suggest following the priorities we lay out for the grocery channel*, below, particularly in any categories that are located proximate to the food-related sections of the store. We would also recommend moving key H+W categories such as personal care (skin, hair) to be close to food categories wherever possible if they are not so located at present.

PRIORITY CATEGORIES

- Home lighting
  - This category has obvious “green” and cost-savings potential for a wide range of shoppers; while not a direct H+W category, it is a “win” for the retailer as far as “doing the right thing” in the eyes of consumers.
- OTC
  - Mass has emerged as a strong player in OTC, with consumers looking to favorable pricing here. Given this strength, mass stores should accentuate here. Focus should be on a solid set of basics rather than achieving the breadth of coverage that consumers associate with the drug channel.
- Natural children’s hygiene/toiletries
  - This is a key H+W gateway category that can also be somewhat price-sensitive for many consumers, making it an ideal category to promote in the mass channel. We suggest a strong Mid-level mix of products (and promotions) sit alongside the more traditional, Periphery-oriented category products.
- Vitamins
  - Again, a key gateway category presents a good opportunity for mass retailers.
  - We suggest a fairly lean mix – consumers often think of basic vitamins as commodities thus there is no need for an extensive brand selection. Accordingly, this is a good category for private label development in the mass channel.
- Natural home cleaners
  - This is another H+W-relevant gateway category. Mass retailers have particular strength in this category to begin with. We suggest a mix of both conventional/Periphery products and a strong, visible preference of Mid-level, more natural alternative products (e.g. Method).
- Functional beverages
  - This category presents a fairly easy opportunity to add H+W resonance.
  - Such beverages may be placed in many places around the store, preferably near other important H+W goods, food in particular, though an additional cooler of such product near a vitamin section is fairly intuitive for most consumers.
  - We suggest a product mix that wades into the Mid-level with products such as vitamin-enhanced fruit drinks, but not past the center of the Mid-level e.g. product like Odwalla would be helpful, but more advanced products like kefirs and Kombucha would be “too much” in this context.

NON-PRIORITY CATEGORIES

- H+W books, magazines, and education

- We would constrain this category to more mainstream publications and other materials in this category, with basic health and healthy eating as the main focal points.

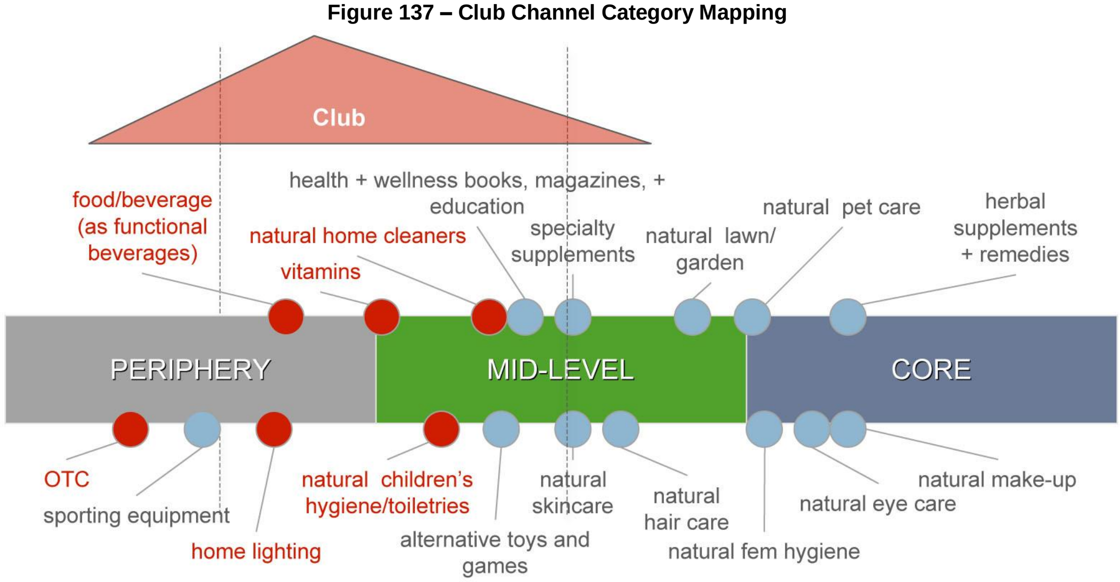
- Alternative toys and games
    - While mass is a key channel for mainstream toys and games, we do not see much consumer resonance here for more overtly H+W-oriented toys and games, however, mainstream learning-oriented toys/games should be a visible part of the SKU mix.
- Sporting equipment
    - As a general provider of non-specialized sporting equipment, the mass channel probably should not place extra emphasis here, however, some items with specific H+W appeal may be featured e.g. yoga mats.

Club Stores

RANGE OF H+W APPEAL

Club stores, like mass channel stores, do have some inherent limitations on their overall H+W appeal. They are associated largely with “bulk” and economy pricing that generally appeals most strongly to Periphery and “outer” (toward the Periphery) Mid-level consumers, and often there is not a predictable set of H+W goods across categories, making H+W shopping in these stores somewhat “opportunistic” rather than “a sure thing.”

Figure 137 – Club Channel Category Mapping



OVERALL STRATEGY

Club stores should place the bulk of their emphasis on the Periphery and outer-to-middle Mid-level, similar to the emphasis of the mass channel. This would push channel H+W appeal slightly forward of nexus of Periphery and Mid-level, where it currently sits.

Stores within highly H+W-oriented areas e.g. Portland, Oregon, should push a bit further into the Mid-level, offering favorable pricing on selected SKUs in specialty supplements and natural personal care products.

PRIORITY CATEGORIES

- Home lighting
    - Similar to the mass channel, while this is not a direct H+W category, it is a “win” for the retailer as far as “doing the right thing” in the eyes of consumers, with obvious purchase rationale.
- OTC
    - Like mass channel stores, club stores should concentrate on having a selection of value-priced basics, however, we do not see this category as being as strong of a H+W-related priority for Club stores – consumers are happy to “stock up” on basics when at club stores but the overall “pull” of the channel as an OTC destination is less.
- Vitamins
    - Viewed as relatively expensive commodities, the Club channel is an ideal place for consumers to “stock up” on bulk-discounted products in this H+W gateway category.
    - Like mass, we also suggest a fairly lean mix of basics in club, with very solid opportunity for private label sales.
- Natural children’s hygiene/toiletries
    - This key gateway category is an area of serious price concern for many consumers (though, to others, price is no barrier when considering their child). There are good opportunities in this channel to offer appealing, more natural products at bulk discount.
    - Promotions should center on Mid-level products; more conventional products should remain available as well.
- Natural home cleaners
    - The club channel is often a destination for consumers’ purchases of home cleaners, thus making this H+W gateway category worthy of particular attention here.
    - Mid-level products should be the focus, though some stores in highly H+W-oriented markets may consider some level of Core products e.g. Seventh Generation.
    - Like vitamins, this is also a good category for private label, assuming that private label offering meet desirable Mid-level purchase criteria (see previous chapter).
- Functional beverages
    - These beverages have a strong H+W resonance and are typically associated with high prices – buying them at a discount in bulk is appealing to those that use them on a more regular basis.
    - They should be sold both in bulk packs and individually in the quick-serve areas that typically inhabit the front areas of club stores.
    - Selections here should not push beyond the Mid-level. Like the mass channel, the enhanced fruit smoothie represents the appropriate Mid-level entry.

NON-PRIORITY CATEGORIES

- H+W books, magazines, and education

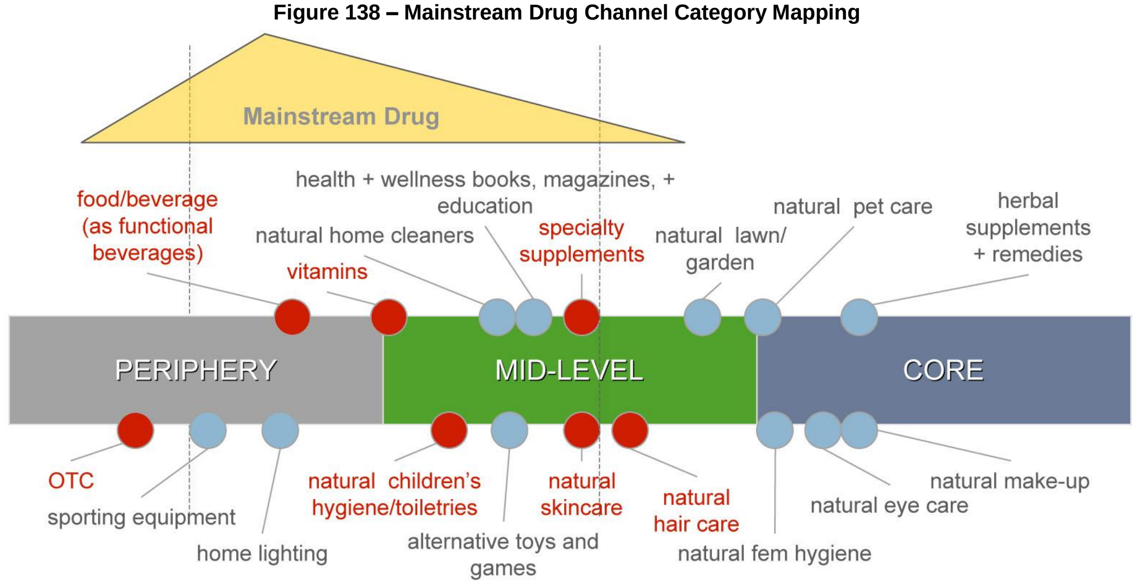
- Other than an occasional promotion, we would not imagine finding much traction in this category in club stores; it is simply not a category that consumers associate strongly with the channel.
- Alternative toys and games
    - We do not expect that alternative toys and games would be a big draw in this channel, or survive the category management techniques typical in club.

Mainstream Drug Channel

RANGE OF H+W APPEAL

Mainstream drug store appeal is strongly in the Periphery of the H+W world by its very nature; it is a channel largely dedicated to treating "problems" whether it be pain relievers for headache or prescription cholesterol-lowering drugs. In some respects, however, the appeal of the drug channel does extend into the Mid-level. This poses some challenge in orienting the channel for growth in the Mid-level without pushing too far away from its Periphery-oriented foundation.

Figure 138 – Mainstream Drug Channel Category Mapping



OVERALL STRATEGY

Mainstream drug stores should make noticeable nods to the Mid-level of the H+W world as it remains an anchor for Periphery H+W categories.

PRIORITY CATEGORIES

- Functional beverages
    - Since these channels largely lack any appreciable amount of fresh foods, functional beverages represent a good opportunity to impart some feeling of "freshness" into the drug channel, in a strong H+W category.
- OTC
    - Despite being outside the optimal H+W focus area, OTC remains a critical category for mainstream drug stores and their Periphery and Mid-level Shoppers.

    - Efforts should concentrate on offering a wide selection of conventional OTC products, consistent with the recognized strength in selection that consumers associate with the channel.
- Vitamins and specialty supplements
    - These are important gateway categories that consumers often look to this channel to provide.
    - Basic vitamins as commodities may largely take the form of private label products, however, some recognized "better" brands should be present, as keen Mid-level consumers often transition from price-based to brand-based purchases in the category.
    - "Better" brands should also be represented in specialty supplements, to provide for some brand continuity as Mid-level consumers evolve from basic vitamins use to including specialty supplements.
    - Of course, the emphasis here should be on Mid-level products.
    - Intuitive organization of this category is critical, and is detailed in a section, below.
- Natural personal care (skin and hair)
    - This is a somewhat marginal category in drug, just at the edge of the range of the channel's H+W appeal. However, given that it is a gateway category, and that drug is a preferred channel for at least some in-category goods, it remains important.
    - We would suggest emphasizing skin care more than hair care, as it generally appears earlier in a H+W product pathway.
- Natural children's hygiene/toiletries
    - Emphasizing hygiene (in the sense of kids' personal care items) rather than toiletries (diapers, et cetera) is recommended here - this channel has good resonance as a source of personal care items but not so much as a source of more bulk-oriented purchases like diapers.
    - Prioritize Mid-level products, with a small amount of Core-oriented products to accommodate the surprisingly large number of new moms who go "full tilt" into H+W for their children's personal care items.

NON-PRIORITY CATEGORIES

- Natural home cleaners
    - While this is a gateway category, we find that most in-category purchases in drug are irregular, either "emergency" (ran-out-of) or occasional "on special" opportunistic purchases. In any case, this channel is generally not a top-of-mind destination in the category.
    - Nevertheless, we would suggest having a visible presence of Mid-level more natural alternatives (e.g. Green Works) in important subcategories (spray cleaners, laundry detergent, et cetera).
- H+W books, magazines, and education
    - While drug stores are often noted for their magazine selections, consumers generally don't associate this channel strongly with H+W-oriented reading materials. This, however, could emerge as a future priority for progressive drug stores.
- Herbal supplements and remedies
    - This category as well could be an emergent, future category.
    - For now, drug channel may consider (the small number of) transitional products that use herbal formulas in more conventional packages, however, we do not see them

strongly appealing to the vast majority of Periphery and outer Mid-level shoppers in the channel.

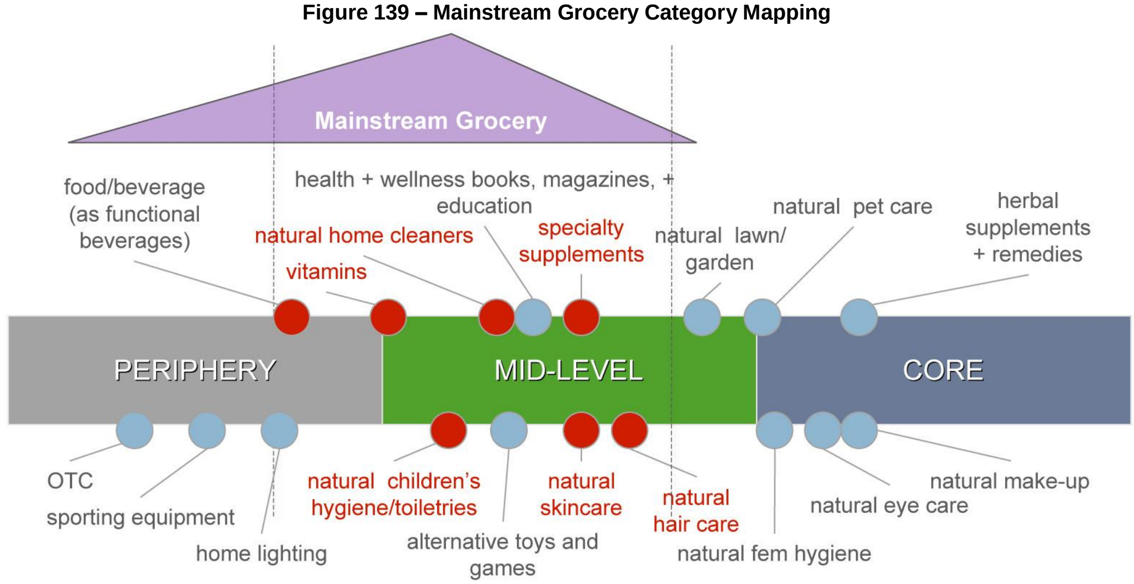
- Home lighting
    - While not being directly linked to H+W, promoting more efficient "green" alternatives in this category would likely be effective in promoting the store image, as virtually all consumers understand the benefits of such products.
    - However, drug is not a preferred channel for this type of purchase – for the most part, when consumers are shopping drug for lighting, it is out of immediate need. Drug retailers should offer some of the more "green" options here. At the same time we do not believe this category should hold the priority it does in other channels.
- Alternative toys and games
    - While drug channels do offer a small selection of mainstream toys and games, that selection is highly Periphery-oriented in nature, and there is not a great deal of consumer interest in more H+W-related versions in this channel.

Mainstream Grocery Channel

RANGE OF H+W APPEAL

In the grocery channel, there are two fairly distinct trajectories. Mainstream grocery stores generally appeal to consumers inhabiting the Periphery and Mid-level, with the "center of mass" being in the outer portion of the Mid-level. Specialty grocery stores also strongly appeal to consumers in the Mid-level, but their appeal also extends further toward the Core.

Figure 139 – Mainstream Grocery Category Mapping



OVERALL STRATEGY

Mainstream grocery should follow a *forward leaning* strategy, pushing more toward the center of the Mid-level than the Periphery. There are several reasons for this.

- A grocery store's primary identity as a "food store" pushes it toward the Mid-level, as Mid-level consumers tend to elaborate their H+W strongly through food choices.

- The strongly Periphery category of OTC is generally not a reason for consumers to visit grocery stores; they prefer to buy OTC in other channels.
- Grocery stores are generally well-poised to accommodate the H+W growth of their consumers (and will do so assuming a forward leaning strategy).

PRIORITY CATEGORIES

- Functional beverages
  - Moderate to high level of selection of functional beverages spanning the Mid-level, from fruit smoothies to probiotic drinks, but largely concentrating on the center of the Mid-level, and placed in high traffic areas.
- Vitamins and specialty supplements
  - Well-organized and fairly extensive selection of conventional vitamins and other common, non-specialty supplements.
  - Moderate but highly visible selection of specialty supplements with informational features.
- Natural children's hygiene/toiletries
  - Fairly extensive selection of natural alternatives (strong presence of Mid-level products, with a few Core products), integrated into existing product sets rather than apart from them in a special section.
- Natural home cleaning
  - Solid selection of natural alternatives with strong presence of transitional products such as Clorox Green Works – Largely Mid-level products but some limited (but visible) presence of Core-oriented products.
- Natural personal care (skin, hair care)
  - Strong presence of Mid-level products, with a few Core products, but largely avoiding more expensive, boutique-like brands.

NON-PRIORITY CATEGORIES

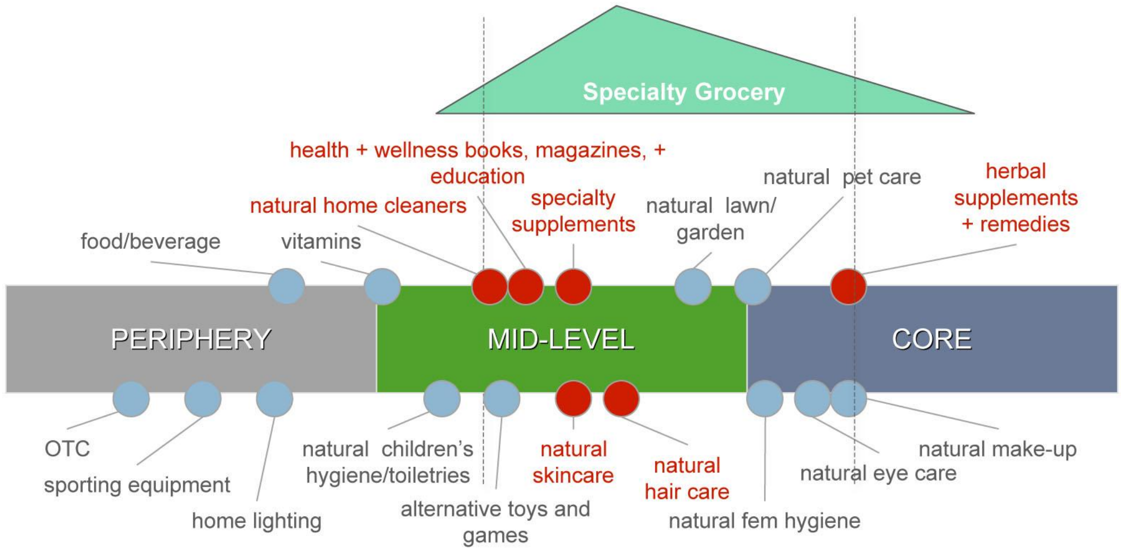
- Home lighting
  - Like the drug channel (see above), grocery is not top-of-mind for consumers when they are thinking about lighting, and generally functions for smaller purchases of immediate-needs items.
  - Accordingly, this category should not be prioritized; however, some level of more environmentally options should be present.
- H+W books, magazines, and education
  - Grocery stores have many other solid, category-based opportunities that should precede this one. A small selection of H+W-related publications is appropriate. Entries here should be Mid-level in nature, with food-related publications as a priority.
  - There is considerable potential benefit to grocery stores in presenting food-related publications near registers instead of the more typical pulp entertainment and gossip-related publications. Food publications help reinforce a store image as fresh foods-oriented and knowledgeable about food, the most important H+W category.
- Alternative toys and games
  - This category is a strong draw in neither a mainstream nor an alternative sense within the grocery channel, and in light of this, we would place H+W priorities elsewhere.

Specialty Grocery

RANGE OF H+W APPEAL

Specialty grocery tends to have its greatest heft in the middle of the Mid-level, and extends (though in much lesser measure) into the Core of H+W. This makes its optimal points of H+W emphasis somewhat different than its mainstream grocery sibling.

Figure 140 – Specialty Grocery Channel Category Mapping



OVERALL STRATEGY

Specialty grocery stores have long had a focus on providing high quality food options, and this more than anything else has established these stores as H+W destinations. A key strategy moving forward would, of course, be the continuous refinement of food departments, fresh food departments in particular.

In general, specialty grocery stores should be *slightly forward leaning* relative to their customer base, carrying and promoting some level of Core products while still keeping the overall emphasis on Mid-level consumers in the categories we have explored here. At some point there should be appropriate caution given to not going *too Core*, and becoming less relevant to the bulk of shoppers.

PRIORITY CATEGORIES

- Specialty supplements and, to a lesser degree, herbal supplements and remedies
  - Specialty supplements are a key growth category for Mid-level H+W consumers and should be prioritized accordingly - concentrate on offering well-recognized, "authentic" Mid-level products.
  - Herbal supplements and remedies are important to consumers in the inner Mid-level (near the Core) and the Core – while that range leans a bit Core-heavy relative to the channel's shopper base, it remains an important, "forward leaning" category.
  - Herbal supplements and remedies are inherently Core (or near-Core) products, so SKU mix will be fairly uni-dimensional. In that space, there should be a moderate amount of selection, however, cross-brand repetition may be kept to a minimum

(i.e. there is little need for multiple brands of Chinese herbs, assuming any existing brand is fully "authentic" to Core shoppers).

- Natural personal care (skin, hair)
    - This gateway category should be fully realized in this channel, with products spanning the Mid-level and into the Core, offering a good number of transitional product options for evolving H+W consumers.
    - Some more expensive lines (e.g. Dr. Hauschka) are appropriate, despite the fact that they will remain largely objects of aspiration for most shoppers.
    - H+W-oriented products should freely intermix with conventional products, rather than being blocked off in their own sections.
- Natural home cleaners
    - A full suite of H+W-spanning product offerings is nearly a "given" in this channel, including Core products.
    - As we note elsewhere, a key issue is making these products more visible, *even in specialty channels.*
- H+W books, magazines, and education
    - Most efforts here should focus on food-related materials, with a small general H+W section where other publications are sold, and some more intensive H+W books appearing near corresponding categories (e.g. guides on herbal remedies next to a rack of those remedies).
    - Food-related materials should be offered nearby cooking utensils and other accessories, in close proximity to fresh food departments where possible.
    - As we mentioned relative to mainstream grocery stores, food-related publications should appear near check-out. Titles, such as Cook's Illustrated here may be more lifestyle-involved than at mainstream grocery stores.

NON-PRIORITY CATEGORIES

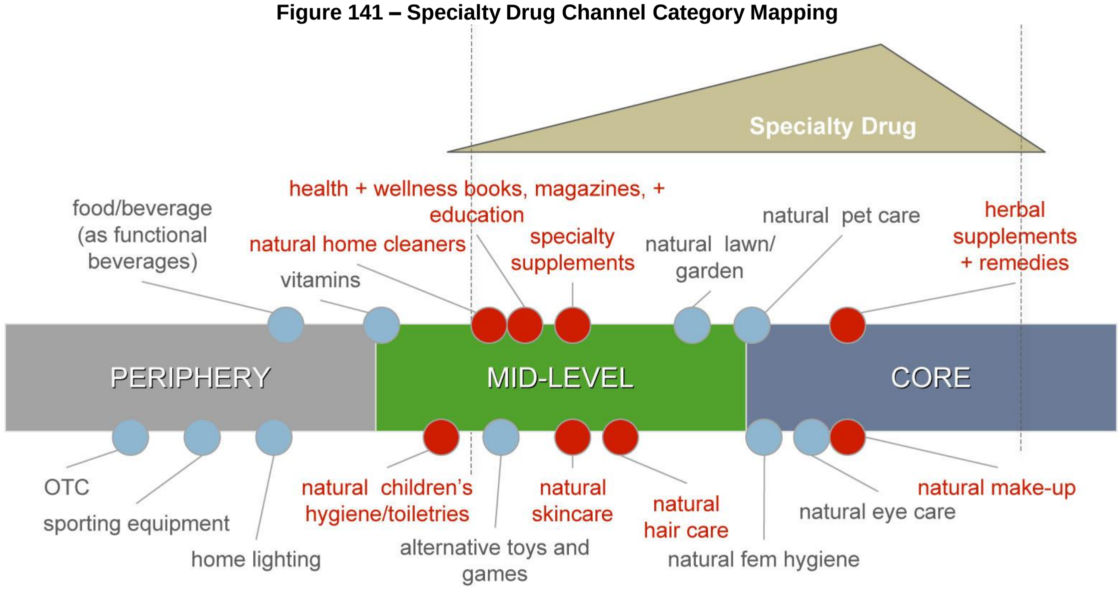
- Alternative toys and games
    - This category is not so much of a non-priority as it is a minor priority in this channel – there is some interest in such products in these channels.
    - A small section of these products would be most appropriate in center store, not far from supplements and personal care items, where a strong H+W resonance typically already exists.
- Natural make-up, natural eye care, natural fem hygiene
    - These represent some of the more challenging, non-gateway categories for budding H+W consumers, and as such should not be priorities for promotional efforts.
    - However, specialty grocery stores should offer at least a few options in each of these categories, with the most emphasis on natural make-up, locating it in close proximity to skin care.

Specialty Drug

RANGE OF H+W APPEAL

Specialty drug appeals to consumers who are at least in the center of the Mid-level in orientation, and may be somewhat intimidating or confusing to that have not reached such levels of H+W - naïve price perception (the assumption that prices would be high at such a retailer) and lack of knowledge in H+W categories both contribute to this.

Figure 141 – Specialty Drug Channel Category Mapping



OVERALL STRATEGY

Specialty drug retailers should continue their typically solid appeal to more developed Mid-level and Core consumers while making some overtures toward budding H+W consumers moving toward those higher H+W levels.

- Specialty supplements, herbal supplements and remedies, natural personal care (skin, hair)
  - These key H+W categories should be (and typically are) fully elaborated in this channel, with representation from Mid-level to Core with "authentic" brands.
- Natural make-up
  - There should be a notable presence of these products, which are almost invariably Core-oriented, as a complement to natural skin care products.
  - While this is a marginal category (in that it does not drive H+W growth), it is an intuitive fit at specialty drug retailers that Core consumers frequent.
- Natural home cleaners
  - While the drug channel in general is not a "first call" destination for home cleaning products, the specialty drug channel has evolved in consumers' minds as a source of *most things H+W,* including this category.
  - A mix of inner Mid-level and Core products should be present, meaning that the product catalog should start just beyond mainstream natural alternatives (e.g. Green Works) and continue into the Core.
- H+W books, magazines, and education
  - Again, given the overall H+W resonance of the channel, and its frequent role as a place of learning, there is a room here for a moderate selection of printed materials.
  - Materials should represent center Mid-level to Core interests such as use of medicinal herbs, with a conspicuous absence of more Periphery H+W topics such as dieting and more basic nutritional advice.
- Natural children's hygiene/toiletries
  - This category is assumed as already well-developed in the channel, however, it remains extremely important to note its pivotal role and tie-in to a key H+W trigger

(having a child) here. This category should thus be considered a "continuing priority" in the specialty drug channel, with full product representation across the Mid-level and Core.

NON-PRIORITY CATEGORIES

- Alternative toys and games
    - While it is fairly intuitive for consumers to find these products in such a highly H+W-oriented space, most consumers interested in such items have already found other specialty retailers to fill these needs, and, overall, this is a very small market niche.
- Natural eye care, natural fem hygiene
    - These two categories remain consistently difficult to attach strong H+W overtones to, despite that there are at least a small number of Core products in each category.
    - We suggest that specialty drug stores carry these products, but do not prioritize them in terms of space or promotion given their lack of ability to serve as transitional products.

Cultivating Wellness-Oriented Retail Spaces

This section provides information and recommendations on driving positive, in-store H+W experiences. There are four main areas that are covered:

- Sustainability at retail
- Health services *or* learning features?
    - These two items are set up as being somewhat dichotomous. This is appropriate given the nature of different retail channels and how consumers perceive them on a H+W continuum – where one is most appropriate, the other is least appropriate, though in some stores there is overlap.
- The use of the Pharmacist and what topics would be discussed
- Space arrangements and category/product placements
    - Prioritizing H+W goods and categories through careful space planning
- Creating H+W-friendly store aesthetics
    - Driving impressions of high quality, care and attention that reinforce H+W themes

Sustainability at Retail

As we have mentioned in other parts of this report, sustainability is often a difficult concept for the vast majority of consumers. Or, that is, sustainability is an industry concept that only a relatively small group of consumers understand fully, just as many of us do not fully understand what our auto mechanics do to our vehicles when we take them in for service; it's specialized knowledge we simply don't possess. Instead, as we detailed in Chapter 2, most consumers do have some notion of "responsibility" that serves as surrogate for a more integrated concept of sustainability.

In fact, most Periphery and Mid-level consumers are unable to name any particular brand, store, or manufacturer that has a good reputation with specific respect to sustainability issues – they simply don't hold sustainability concerns as top-of-mind.

Other than leveraging the now-ubiquitous re-usable shopping bags, most consumers have a difficult time elaborating how retailers can directly address environmentally-related sustainability issues. In fact, probing conversations with consumers often result in nominal guesses such as “Well, I suppose they could recycle paper in their home office, wherever that is.”

That being said, much of the impression that consumers gather about a store relative to issues of sustainability issues relates directly to items on the shelf – if a store carries products that appear better for the environment (or, less-directly, simply “healthier”), then, at least in a vague sense, then the store seems like it is being “responsible.” For instance, stores that carry a full (and visible) selection of natural home cleaners will be thought of as “better” in an environmental sense by consumers than stores that carry only conventional brands. Product selection is one reason why specialty retailers consistently deliver superior sustainability or responsibility impressions to consumers. Rolling out more natural products in the key categories we outline for each retail channel is perhaps the most immediately effective, sustainability-related step retailers could take. In addition, playing up specific category decision criteria that relate to sustainability or responsibility in displays and/or promotions may be quite helpful, e.g. “not animal tested” for certain personal care products.

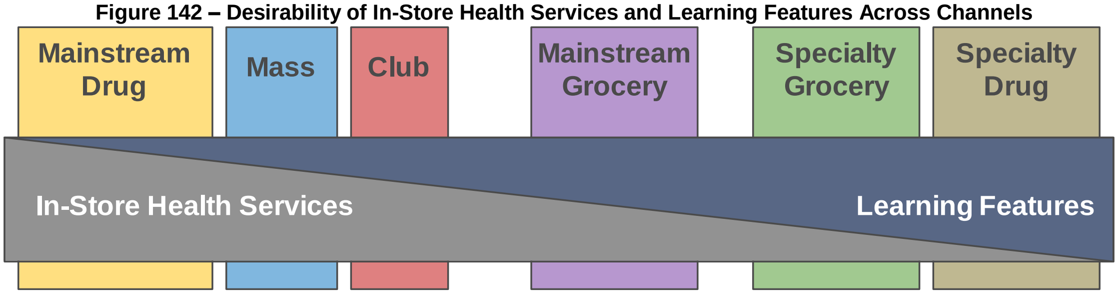
Labor issues also arise frequently. Many consumers move discussion toward “happy employees” when sustainability issues are brought into a conversation (usually by researchers, not consumers) – in some sense, consumers assume that if store employees seem pleasant, that they are being treated well, and that the store is “nice” in other respects as well, e.g. is “nice,” or, rather, responsible, when it comes to caring about the environment.

Store environment also impacts how consumers perceive sustainability. In many ways, the less “traditional” a store appears, and the more contemporary and “high quality” a store looks, the more sustainable it seems. For instance, consumers are generally unlikely to rate a conventional mass retailer with bright lighting and high, utilitarian metal shelving as particularly sustainable or responsible; such a setting seems like “retail’s past,” recalling an era that came before the current one and its “green” emphasis. Conversely, stores with contemporary lighting, flooring, shelving, et cetera appear “with it” and up-to-date, and presumably participating in this new era of sustainability/responsibility. While this sounds terribly superficial, we find that such appearances consistently produce better sustainability impressions (in addition to better H+W and overall quality impressions).

Health Services or Learning Features?

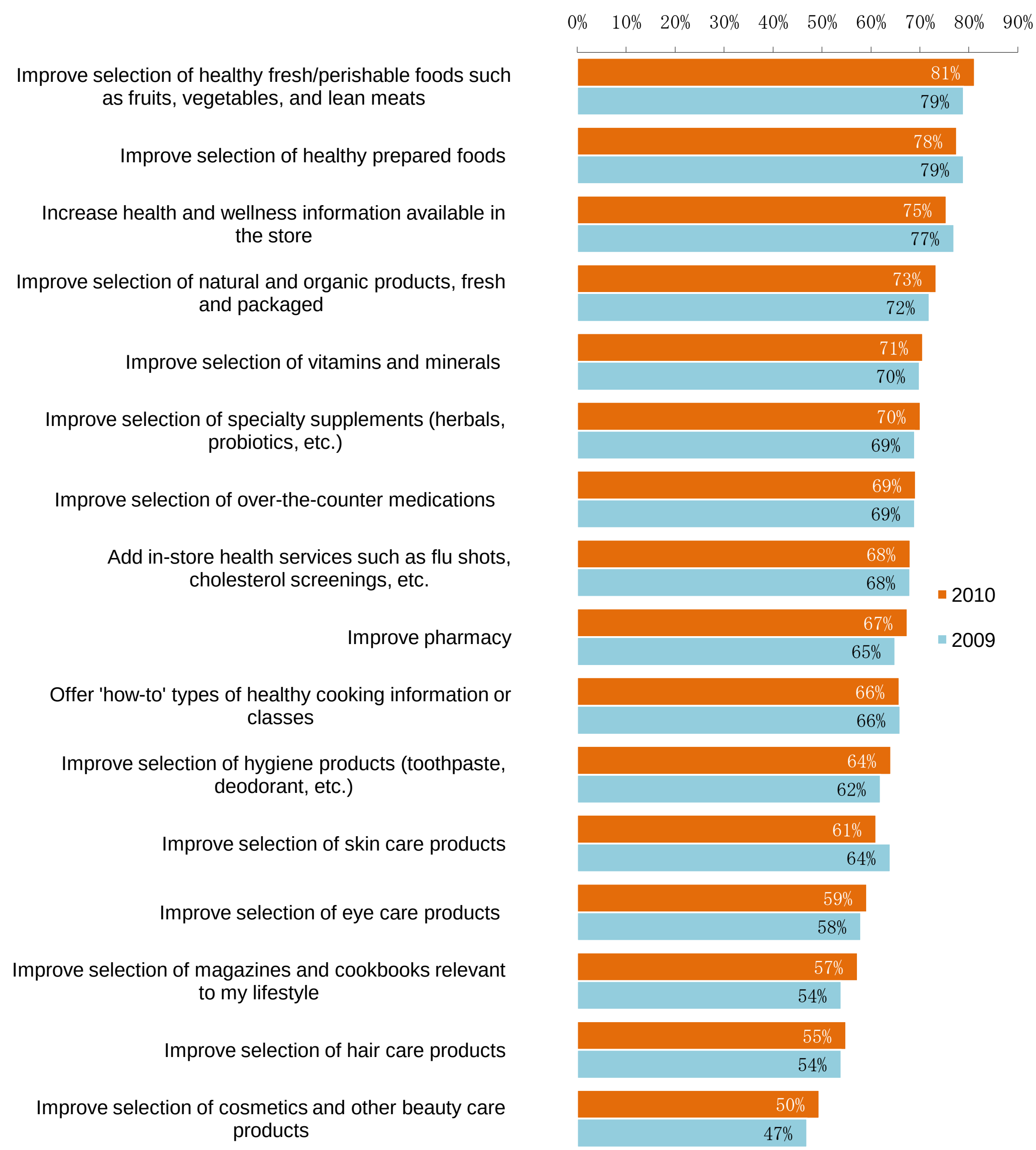
In-store health services and **learning features** stand apart from one another to some degree. Where there is a strong presence of one, typically the other has a weak presence. To be certain, it would seem odd to find a flu shot booth in proximity to specialist store employees explaining the virtues of all-natural skincare regimes. Unsurprisingly, consumer opinions of the appropriateness and desirability of health services and learning features are highly dependent on the type of retailer. For the most part, there is a continuum between the two, summarized in the diagram below. At the left of the diagram, we see the channels where services are most desirable, and at the right, where learning is most desirable. Mainstream grocery stores, appearing in the middle of the chart, are faced with a balancing act.

Figure 142 – Desirability of In-Store Health Services and Learning Features Across Channels



When we ask about services vs. learning features quantitatively (see Figure 143, below), we see that there is desirability in both camps. The chart below shows consumer responses to “now we would like you to think about the changes that a RETAIL STORE could make to meet your specific health and wellness needs. How important to you are the following changes?”

Figure 143 – Importance of Changes that a Retail Store Could Make to Meet Specific H+W Needs 2009 vs. 2010



Q19: “Now we would like you to think about the changes that a RETAIL STORE could make to meet your specific health and wellness needs. How important to you are the following changes?” | Base: Primary household shoppers (n=2176-2009; n=2031-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

In a general sense, the data for both years suggest that consumers are more interested in food (as a H+W lifestyle emphasis) than in-store health services, and that they have an interest in "learning features" such as cooking demonstrations. Results, however, here tend to understate interest in such learning features in specialty channels, as the question was posed across all channels, and interest at, say, a mass retailer would be significantly less.

There is still notable interest in in-store health services, though these results are biased toward mainstream stores, in that the rates of visiting specialty stores are significantly lower than specialty, and thus survey respondents *are answering in large part relative to mainstream, particularly mass and drug, stores*.

In-Store Health Services

Consumer Attitudes Toward Services are Context Dependent

Health services are a mixed bag as far as how consumers receive them, and are highly context-dependent. For the most part, they represent more Periphery aspects of H+W, and as such tend to play out better in more Periphery-oriented retail spaces, namely mainstream drug, mass, and club channels.

Mainstream drug channels are particularly acceptable to consumers for health services, due their already somewhat medical overtones and clinical feel, including, significantly, the medical expertise of the pharmacist(s).

Mass stores have such a breadth of offerings, departments, and often other retailers in-house (banks, fast food, et cetera) that consumers find the additional inclusion of quasi-clinical health services less conceptually difficult, than they would, say, at a store that had more of a singular focus.

Consumers also view **club stores** as an appropriate context for health services, in that, like mass channel stores, they often already offer a variety of services under one roof (optometrists, financial services, et cetera) and adding one more service to the already-lengthy roster does not seem to diminish the focus of the store.

Grocery stores, as the diagram above suggests, are somewhat on the fence with respect to in-store health services. Due to the overall focus of grocery stores on food, consumers have a harder time imagining health services in the store. We notice the consumer commentary (during Shop-and-Talk interviews) on "keeping it separate" is much stronger when consumers think about health services in grocery stores as compared to drug, mass, and club stores.

Services Desired

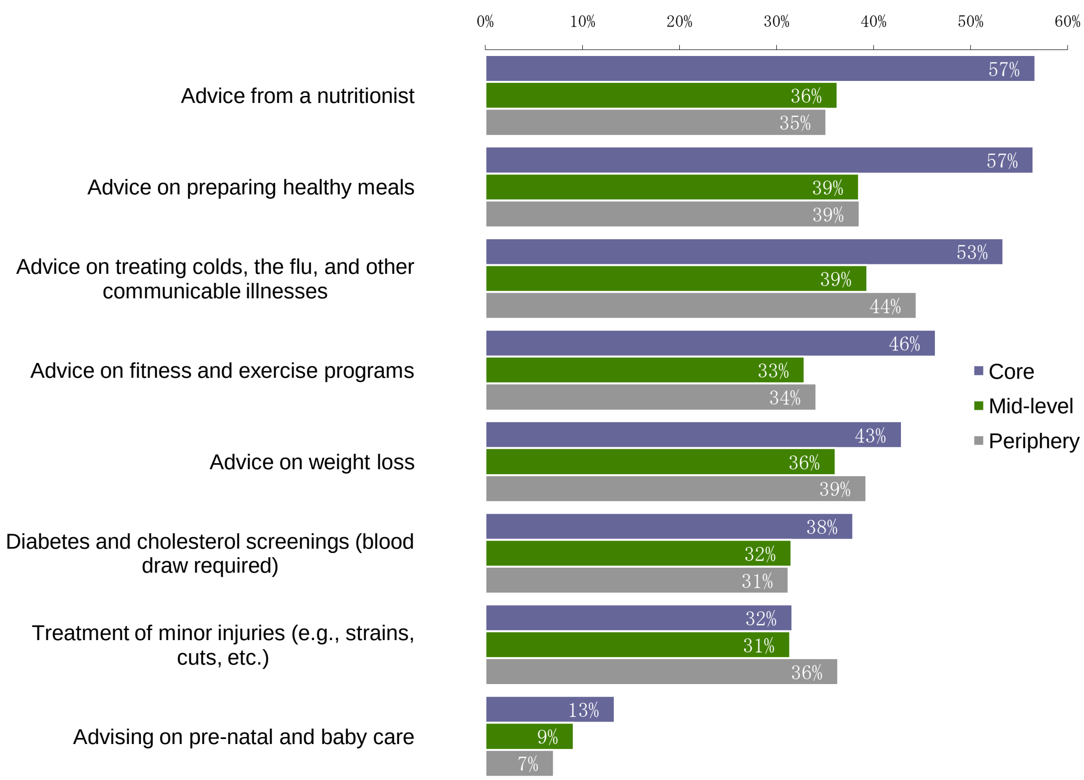
Consumers generally are looking for the most everyday and least immediately critical of health care functionality at retail stores. This includes:

- Routine screenings such as blood pressure and cholesterol levels
- Basic follow-up *after* first aid i.e. proper treatment and dressing of non-urgent cuts and other minor injuries
- Testing/diagnosis and of minor illnesses such as head colds, with ability to prescribe/provide basics such as antibiotics and symptom-relieving medications

- Routine inoculations

We examine the interest level for eight different services that consumers currently use or would likely use. As shown in the following chart, Core consumers generally currently use or would likely use these services more than other consumer segments. However, **this does not apply equally across retail contexts**, but, rather to contexts that consumers already believe to be appropriate for such services.

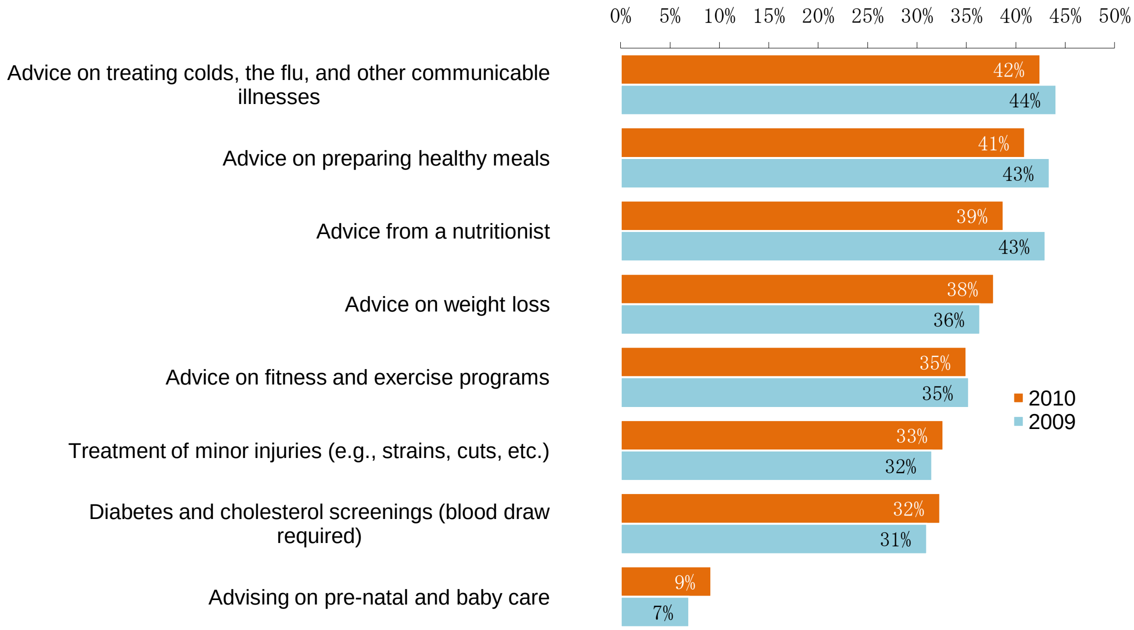
Figure 144 – Services Currently Used or Would Likely to Use



Q20: "Which of the following services do you currently use or would likely use if they were offered at your favorite retailers?" | Base: Primary household shoppers (n = 158 Core, 1424 Mid-level, 449 Periphery). | Source: GMDC 2010 Survey, Mar. 2010.

When comparing between 2009 and 2010, we find that getting advice on treating colds or other illnesses is the top service that would be of interest to consumers for both years. This is followed closely by advice on preparing healthy meals and advice from a nutritionist.

Figure 145 – Services Currently Used or Would Likely to Use 2009 vs. 2010



Q20: "Which of the following services do you currently use or would likely use if they were offered at your favorite retailers?" | Base: Primary household shoppers (n=2176-2009; n=2031-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

It should be noted that even in Periphery-oriented spaces, qualitative research interviewees indicate that there is a threshold of "too much," where consumers feel that they should be at a medical facility rather than a retail space.

Health-Based Consultations (Nutritionist/Dietician)

The services of a nutritionist and/or dietician are somewhat transitional between health services and (human) knowledge features, though the clinical overtones are lent more toward the former. Many consumers *say* they would like to visit with a nutritionist and/or dietician in a retail context. However, we find that consumers do not expect that they would take advantage of a nutritionist/dietician very frequently. In other words, they would expect to go and get some initial advice, but probably not make repeated use of the service. In addition, we also find that *in a grocery channel context*, food-related learning of a less-clinical nature (e.g. a cooking demonstration) is a somewhat more popular idea in quantitative survey data and an overwhelmingly more popular idea when consumers discuss it at length.

Services Should be Physically Separate

Regardless of store context, consumers generally feel that any quasi-clinical services should be performed in a closed off, spatially distinct area, apart from other parts of the store. In many instances this is driven by privacy concerns, however, in stores where food is a focus, this is also motivated by a strong urge to keep food and anything that may involve bodily fluids and/or sick people separate from the rest of the store.

Expertise Drawn from Outside the Store

Consumers look to authorities outside of the retailer to confirm that personnel performing health services have received the proper training. In other words, a "regular store employee" should not be administering such service; consumers don't trust "someone who might as well be slicing turkey" to provide such services. Instead, they expect a "real nurse" or equivalent, just like, for years, they have trusted that pharmacists have been through a specific educational and certification process prior to working as pharmacists.

Who Pays What?

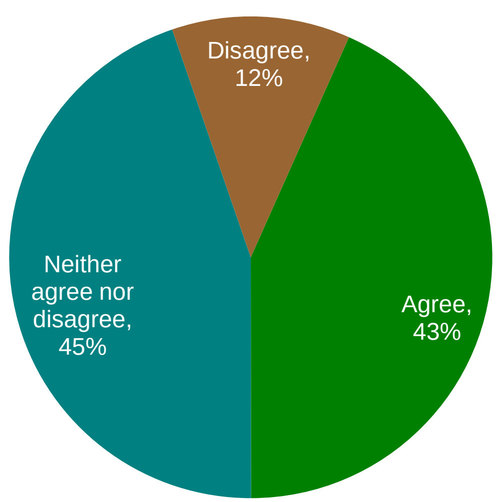
The tangled web of health insurance is a top-of-mind concern for consumers when they consider the idea of in-store services. Consumers want to know who will pay for what, and seek to avoid many of the complications of insurance that they have experienced in the past. This strongly suggests that any retailer offering such services make insurance/payment details immediately available and as uncomplicated as possible. Of course, those lacking health insurance have no such concerns, and would look toward in-store health services as perhaps a less-expensive way to get basic care.

NEW IN 2010

Pharmacist Usage

This year, we wanted to examine the attitudes of consumer's use of pharmacists within the stores.

Figure 146 – Preferring My Pharmacist Devote More Time and Attention



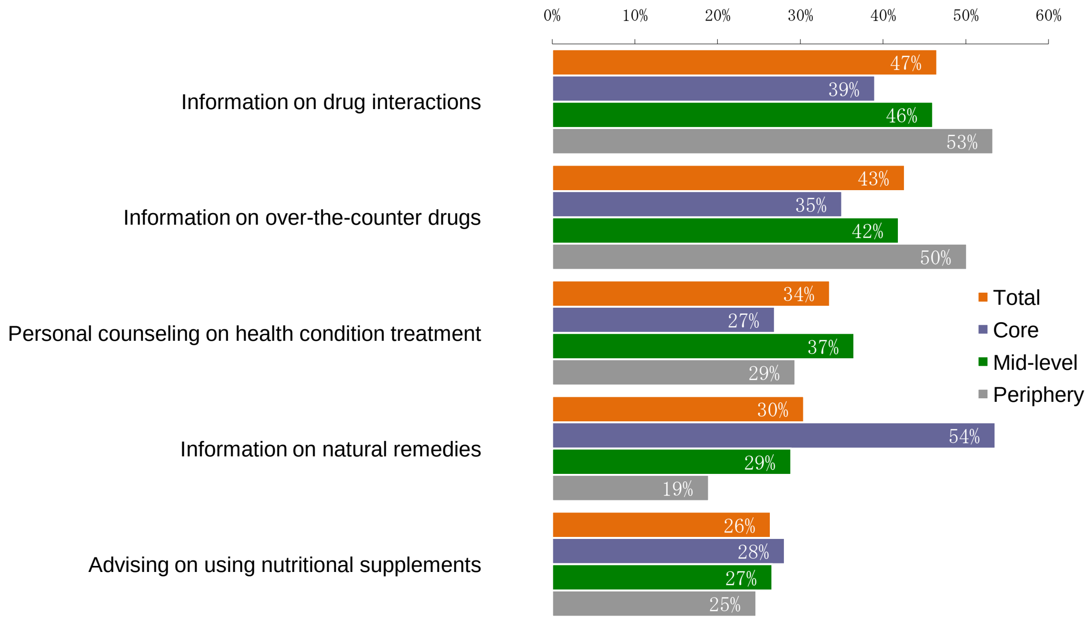
Q45: "Please indicate your level of agreement with the following statement: I would prefer if my pharmacist had more time to devote to personal attention to me" | Base: Primary household shoppers (n=2031). | Source: GMDC 2010 Survey, Mar. 2010.

We first examine what proportion of consumers is interested in having more time and attention from their pharmacist. As shown in Figure 146, we see that slightly less than half of all consumers (43%) would prefer to have their pharmacist spend more time and attention with them. What is just as striking is more than half of all consumers (57%) are indifferent or would not prefer this. This shows that that pharmacist attention is not compelling for most consumers.

Looking further into those consumers that agree, we find they are more likely to be between the ages of 25-35, have children under 18, Latino, male, have health issues such as digestive irregularity or stress, or have changed their views on H+W in the past few years.

In addition, among the consumers that want to have more time with the pharmacist, we see that the top two ways to spend the time involve getting more information. As Figure 147 shows, information that consumers want more are drug interactions (47% overall) and OTC drugs (43%). This is especially true for the periphery consumers who have less information regarding health overall. The Core consumer is much more likely to approach the Pharmacist regarding information on natural remedies for their health issues (54%)

Figure 147 – Ways to Spend More Time with the Pharmacist



Q46: "If you had that extra time with the pharmacist, how would you want to spend it? Please select your top two ways to spend that time" | Base: Consumers that prefer to have their pharmacist devote more time to them (n = 889 Total, 78 Core, 638 Mid-level, 173 Periphery). | Source: GMDC 2010 Survey, Mar. 2010.

Learning Features

By learning features, we mean in-store features that inform consumers about H+W in almost any form, however, in large part we mean **advice from store employees** and **signage and other fixed materials that serve as information resources**.

As we've mentioned in several places in this report, the thirst for knowledge that consumers tend to exhibit in the Mid-level is very important to keep in mind when constructing H+W strategies. This is particularly important in retail spaces, which for many consumers, serves as the primary source of H+W information.

There are some unique challenges for some retailers here. In an ideal world, a retailer would be able to devote significant resources to providing informational features, especially dynamic elements such as staffed displays. But, of course, the reality is that resources (and space) are limited, and often fixed displays are the only option.

Focus for Learning Features

Learning features should focus on explaining, in compact language, what distinguishes products and what particular attributes make products desirable. For instance, if building a display to explain the advantages of an entry-level natural cleaning product, which typically begins to have appeal to consumers in the "shallow" Mid-level (i.e. just into the Mid-level near the Periphery) there are three key attributes (effectiveness, non-irritating, and unscented/natural scent) to point toward and explain. (See previous chapter for category-by-category details.)

Expertise is Ideally Internal to the Store

Learning features work best when shoppers believe that a store and its employees are very knowledgeable about the goods they sell and the contexts in which those goods are used. Unlike in-store health services, which rely on formal, outside certifications for their legitimacy, learning features often are trusted as reflections of "in house" expertise in specialty grocery and drug channels.[5]

Mainstream grocery stores have more challenges here than other channels. Consumers are less fond of quasi-clinical in-store health services in mainstream grocery than they are in drug, mass, and club, yet, at the same time, the ground is not as fertile as specialty channels for learning features. Consumers just don't expect employees of mainstream grocery stores to be particularly engaged with the goods they sell ("they just stock the shelves") to the point where they could offer good advice. Because of this, mainstream grocery stores should rely more on display and signage-oriented information features than human ones.

Food is the Most Desirable Topic for Grocery Channels

Due to its status as the preeminent H+W category, food (and beverages to a lesser degree) is the most desirable topic for consumers in a grocery context, whether it is mainstream or specialty grocery. In addition, consumers tend to prefer the emphasis of food topics to be more on cooking and less on nutrition by itself. For instance, consumers consistently prefer the idea of an in-store chef (or chef-like employee) giving a cooking demonstration rather than having an in-store nutritionist available on occasion for advice, showing a clear preference for the enjoyment aspects of H+W (through good food) rather than the more clinical aspects.

Supplements also a Desirable Topic

Supplements, as an important but often perplexing H+W gateway category, are an area where advice and other information are very much welcomed by consumers. Personal guidance from a specialized employee is the gold standard here. Creative signage is very useful in addition to or where personal guidance is not an option for the retailer.

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[5] Specialty drug channels often feature employees with medical and/or technical qualifications, which is helpful, however, consumers tend to trust employee expertise in that context regardless of formal qualification, as the stores are typically have very strong H+W resonance to begin with.

Several Other Categories are Ripe for Learning Features

While perhaps not as immediately top-of-mind for most H+W consumers as foods and vitamins/supplements, several other categories often represent good platforms for learning features, including:

- Personal care items (skin, hair)
- Home cleaning goods
- Children's hygiene/toiletries
- Other categories in order of preference according to how directly consumers associate them with H+W (see previous chapter)

Learning Feature Examples

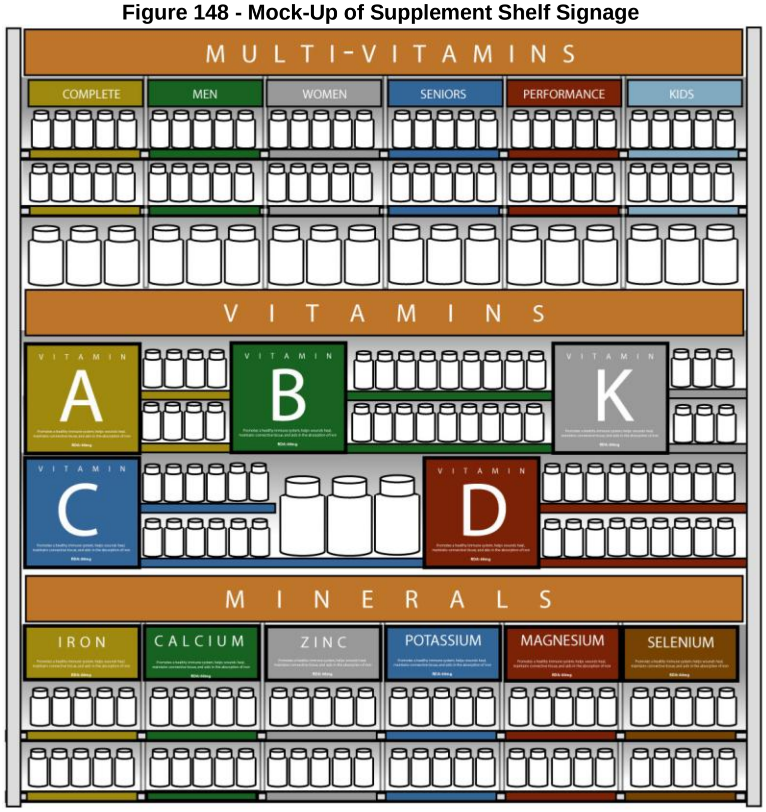
ADVICE FROM SPECIALIZED EMPLOYEE

One example of a "human" learning feature is personal care specialist employees in specialty channel retailers. These employees are often highly engaged with the store's personal care products and the lifestyle that surrounds their use. They are able to offer advice to consumers based on a multitude of factors such as skin type and color, and can discuss product at length, having a high degree of familiarity with each manufacturer and their approach. In many ways, these employees are similar to the specialized employees one would find working at a store like Aveda, where personal care is the focus of the entire store. Consumers become quite confident in the advice and judgment of these personnel fairly quickly as they engage them in-store. Similar types of knowledgeable and engaged employees may work in vitamin/supplement departments, and of course, food departments, fresh food departments in particular.

SIGNAGE/DISPLAY

In the mock-up below, we show how a section of vitamin supplements could be constructed as a learning feature, to help consumers guide themselves. Key information for each type of vitamin is provided, along with big, clear indications of basic products types to help mitigate the “tyranny of choice” (see details in a section below) that often confuses and frustrates consumers.

Figure 148 - Mock-Up of Supplement Shelf Signage



In terms of providing specific information at the shelf, the following sign is ideal as it provides easy to read details on product attributes to seek and attributes to avoid when choosing a Health and Wellness product. Additionally, it doesn’t provide unnecessary information of limited interest to consumers such as scientific or technical data.

Arranging Spaces and Placing Products

Layouts Impact H+W Perceptions

The store layout, which determines where departments are placed relative to one another and to how a shopper moves through the store, has a noticeable impact on shopper H+W perception. Very simply, if key H+W categories are more prominently placed in the store, there is better H+W resonance with shoppers. Conversely, if those categories are “buried,” then store H+W impressions will suffer.

Generally, here we would prioritize categories and departments in the same order we did above, in relation to learning features, beginning with gateway categories that have the most direct H+W resonance e.g. supplements. We would also prioritize the sympathies between H+W-relevant categories to create more intensive H+W zones on the floor. Of course, the specifics of this would need to be worked out on a case-by-case basis, considering the nature of the channel, space availability, et cetera.

Entrance and Exit Experience

Entrance and exit experiences form shoppers’ first and last impressions of a retailer, and in those functions they are critical to building and maintaining H+W perceptions. As such, they should accentuate product categories with strong H+W resonance and avoid categories and products that have neutral or sometimes negative H+W resonance.

At the entrance, we suggest the following

- If fresh food departments are present in the store, leverage them at the store entrance. Produce and floral departments work particularly well at greeting a consumer with “freshness,” with fresh being key H+W attribute.
- If fresh food departments are not present, prioritizing placement of other key H+W categories where they will be most immediately visible
- Avoiding the type of random sale tables, displays, and merchandise we described above.

At the exit, relevant actions include:

- Reduce or eliminate “impulse items” such as candy, gum, sugary sodas, and gossip magazines near checkout and the store exit, and replace them with products with that carry positive H+W overtones such as functional beverages.
- Remove vending machines wherever possible from the store exit. Exiting into a “sea of vending machines” can have a negative effect on H+W perceptions, as those machines typically contain items that are cheap and/or sugary. As alternatives, vending machines could be replaced with H+W-enhancing props such as fresh plants, a floral department could be placed strategically so consumers “exit through freshness,” or H+W informational feature could be placed in the exit area.
- Manage shopping carts in a way that makes them less visible and less likely to serve as obstacles at the store exit.

Visibility of H+W SKUs

SEGREGATED H+W PRODUCTS ARE HARD TO FIND

We found a lack of integrated H+W products in almost every channel and category (at least where there is a range of products across the H+W continuum). In some cases we found multiple categories jumbled together in a nominal H+W-oriented subsection of the store. In the photo, one can pick out several different categories of personal care products. This shelf was found at a notable distance from an extensive selection of conventional personal care products. Again, the shopper is fairly unlikely to find these products.

Figure 149 – Example Set of Difficult to Find H+W Personal Care Products

Products need to be in places that consumers will find them, not segregated off in remote corners of the store/section. Segregation separates "apples from apples" and inhibits direct product comparisons in categories which tends to frustrate Periphery and Mid-level consumers.

In less-extreme cases, we still find what seems to be a minimal separation in space impeding the shopper's chances of new product discovery. In many ways this is caused by traditional **brand-blocking**, with the more progressive products often being outside the more traditional brands that tend to dominate preferred shelf spaces.

SUB-PRIME SHELF LOCATIONS INHIBIT DISCOVERY OF H+W PRODUCTS

In many cases where we also find H+W oriented products within their broader category sets, they still appear in fairly obscure locations. For instance, in the picture below, the Tom's of Maine toothpaste SKUs are placed at the very bottom of the shelf, near the floor, where they are somewhat unlikely to be discovered.

Unsurprisingly, this is more of an issue at mainstream channels (grocery, mass, drug) than it is at more specialized retailers. At those mainstream channels, the consumers leaves with the feeling that the H+W are more afterthoughts or concessions ("I guess we need to start carrying that stuff") rather than well-planned parts of a store's suite of products.

Figure 150 – H+W Oral Care Product at Bottom of Shelf Set

Often Consumers Face a Tyranny of Choice

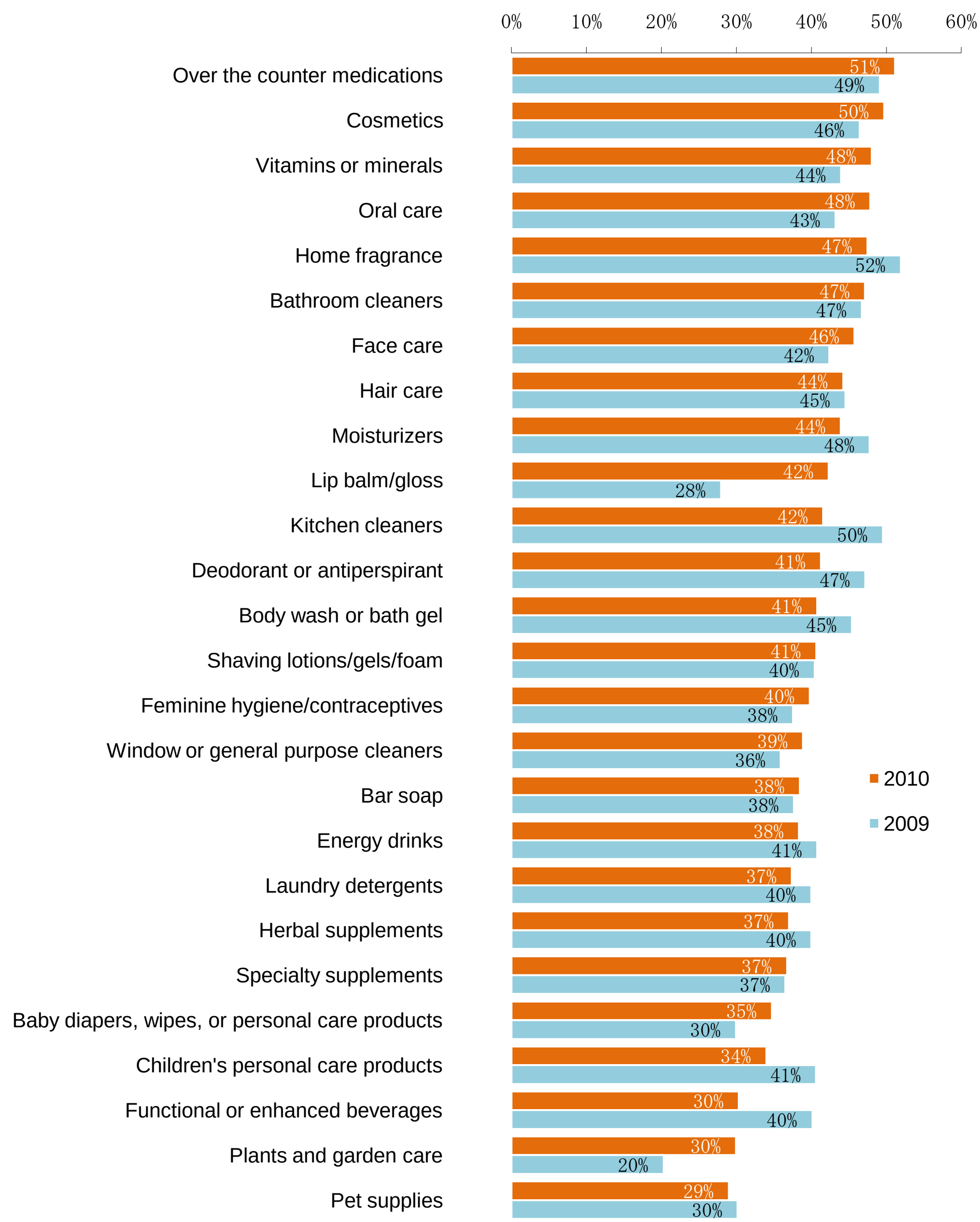
In many categories, we find that consumers are simply overwhelmed with the level of choice they are presented with. While some, typically Periphery consumers, will react negatively to a store not carrying "my (their) brand," most consumers strongly prefer to have *fewer options* in categories where there are no discernable quality differences across products. Not knowing the differences between the various products, and simply seeking pain relief, a consumer will often default back to a "reliable standard" product such as Advil. This tends to stifle experimentation with new products.

These issues may be at least partially addressed through some combination of signage and shelf organization, however, we would suggest re-rationalizing SKUs, category-by-category, to reduce the amount of redundancy (from a consumer standpoint). Most consumers rely on retailers to help “edit” products for them to make their shopping task less onerous.

Figure 151 – Consumer collage Excerpt Showing Concern Over Too Many Choices

In the figure below is a review of the categories where consumers believe there are too many choices. OTC medications and cosmetics top the list. However, the gradient as you move down the list is not severe at all. The relatively tight numerical intervals between category rankings show that this issue has quite a significant effect across a wide range of categories.

Figure 152 –Product Categories with Too Many Choices 2009 vs. 2010



Q34: "Other than price, what is the worst aspect of shopping for Product? Please check your top TWO choices" – Too many choices | Base: Product shoppers (n varies from 160 for Energy drinks to 544 for Kitchen cleaners-2009; n varies from 155 for Energy drinks to 523 for Oral care-2010). | Source: GMDC 2009/2010 Surveys, Mar. 2009/2010.

Slippery Category Boundaries

Closely related to the tyranny of choice issue are slippery category boundaries. This occurs when shelves full of goods modulate between categories or subcategories without well-defined borders. The net effect is that shoppers become frustrated as they struggle to decide where they should be looking at a shelf.

Creating H+W-Friendly Store Aesthetics

There are two levels of attention here. The first relates more to basic maintenance of store aesthetics, and keeping the store looking good on a day-to-day basis. While this seems like something obvious to pay attention to, it is often found lacking in mainstream shopping channels. The second reflects longer term, more permanent aesthetic planning and design.

Maintaining Appearances that Indicate a Higher Standard of Care

There are a few particular practices (or, rather, omissions), highly visible to consumers, which quickly minimize standard-of-care (and quality) impressions:

- Partially empty bins, where restocking looks "spotty."
- Shelf facings with obvious "holes" that are not maintained vigorously.
- Random pieces of equipment e.g. reusable plastic shipping containers left in aisles with random merchandise in them.

For instance, below are two pictures of personal care items, showing conditions (crisply-faced at top vs. "gapped" facing below) that lead to two different levels of quality perception.

Figure 153 - Comparison of Shelf Facings

Building Positive H+W Impressions through Aesthetics

Consumers associate higher quality levels with better looking store spaces. Higher quality generally correlates quite closely with overall impressions of H+W as well; they are in many ways two sides of the same coin. The reverse is also the case, where a lack of detailed attention to aesthetics tends to convince consumers that something other than quality (most likely, cost containment) is guiding the choices that a retailer makes.

In a thematic sense, the objective here should be to move away from the more industrial and warehouse-like looks of the past (imagine a grocery store in the 1970s) that reflected ideas of utility, efficiency, and economy, and instead move toward looks that convey today's consumer, who is increasingly oriented more toward quality than utility, even in tougher economic times. For instance, compare the top photo to the bottom photo, showing differences in shelf materials. The top photo creates a much starker, utilitarian feel. The bottom photo carries more of a message of quality and H+W, simply through the use of updated shelving materials.

Figure 154 - Comparison of Shelving Materials

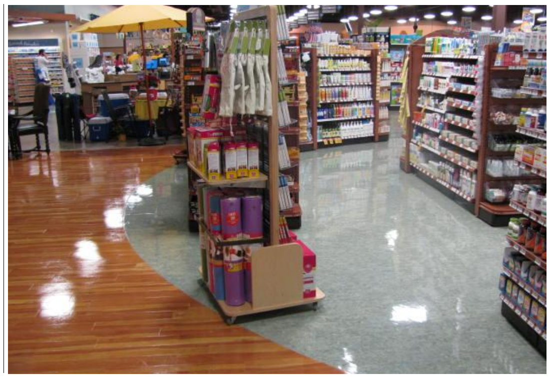
Below, we summarize the key variables to manipulate in making a store look and feel contemporary and oriented toward higher quality levels.

- Shelving
  - Move away from utilitarian shelving (typically metal, often painted off-white) toward more natural (e.g., wood) or higher-end (e.g. chromed) shelving particularly in areas where H+W goods are a focus.
  - Avoid high-stacked shelving and boxes on top of shelves, which produce warehouse-like impressions, and use lower shelving where possible, to provide a feeling of spaciousness and elegance.
  - Avoid "busy" shelves with excessive POS materials hanging off of them. Interesting products tend to be visually lost when a shelf is too busy, and too much POS often looks "junky" to consumers. Instead use simple, elegant shelf facings that are not visually distracting.

- Displays
    - Temporary displays made of flimsy and/or inexpensive materials tend to suffer visible wear, and generally look "cheap" to consumers. H+W-oriented spaces are greatly enhanced by the use of *permanent* displays utilizing more durable materials such as wood and (non wire-like) metals. Natural materials are best.
    - *Permanence* here is also important, in that display spaces should be dedicated. Temporary displays often violate layout lines (e.g. prominently projecting into an aisle from an otherwise flat shelf) and/or appear in seemingly random spaces, serving as obstacles to shoppers.
- Flooring
    - Traditional tile flooring is generally a thing of the past. Often those tiles are difficult to make look clean regardless of scrubbing or polishing. More contemporary floorings such as wood or lacquered concrete convey far more positive impressions to shoppers, as well as tone down the sometimes "harsh" visual feel of tile flooring in stark shades (e.g. white tile that reflects overhead lighting).
- Lighting
    - Industrial and/or florescent lighting fixtures are often "bright white" in their spectrum and lend retail spaces a more "institutional" appearance. Using softer, often indirect lighting increases the level of felt elegance in a store or department.
- Color
    - Color scheme(s) should not include significant amounts of bright, highly saturated primary colors, which often produce childlike or cartoonish looks when used extensively.

As a final note, consistency is critical across the store design elements. Combinations of several different materials, color schemes, displays, et cetera tend to leave consumers with a feeling that a store was designed and assembled at different times, in a perhaps random fashion. In contrast, consumers react very positively to stores that have the appearance of design that is coordinated across departments and various design elements.

The following are some examples of "best practices" when it comes to positive in-store aesthetics.

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CONCLUSION

We have observed many trends in the Health and Wellness market place within the past year. We maintain that the burgeoning Health and Wellness marketplace is an area of vast opportunity for companies able to appropriately target and resonate with the mainstream consumer. Economic conditions are slowly improving and have not stymied the growth of Health and Wellness products and services. Consumers will continue to look to Health and Wellness products in their lifestyles. The pace at which companies are entering the market and consumers are evolving is brisk and it is imperative that companies determine how their products and services can elevate their Health and Wellness cues and attributes to compete in tomorrow's marketplace.

There are many opportunities to pursue with consumers embracing Health and Wellness products now and continuing to do so in the exciting future.

List of Tables

Table of Figures

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