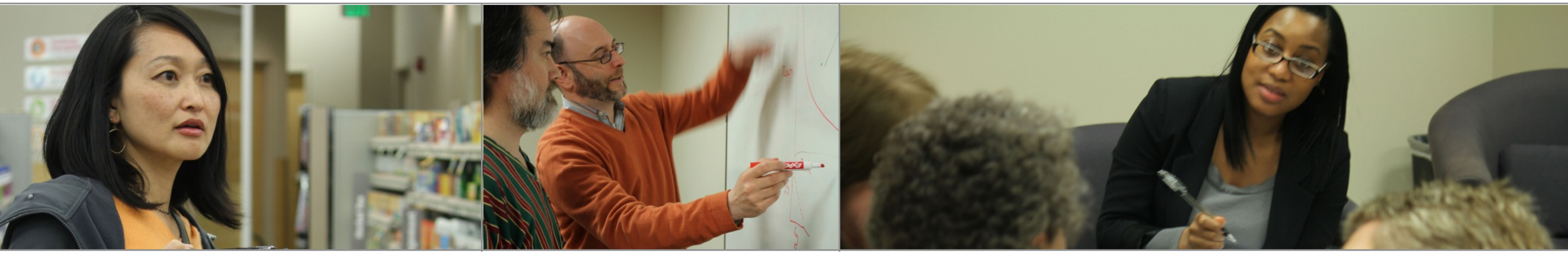
hartman GROUP

RESEARCH CONSULTING : CUSTOMIZED

HEALTH + WELLNESS DEEP DIVE

A CUSTOMIZED PRESENTATION FOR OLDWAYS

The Hartman Group



Founded	1989
Headquarters	Bellevue, Washington
Staff Composition	Social scientists (full-time PhDs) with backgrounds in anthropology, sociology, psychology, visual analysis and linguistics, MBAs, marketers and strategic thought leaders

Our expertise includes but is not limited to the following industries and channels:

- Food and Beverage
- Health and Wellness
- Sustainability
- Organic and Natural
- Consumer Products
- Personal Care
- Lifestyle Branding
- Generational Segmentation and Analysis

Report methodology

Phase I: Data mining

- In-house expertise and previous Hartman Group studies were utilized for context and insights

Phase II: Qualitative research

- 28 exploratory ethnographic interviews in two markets (Seattle and Atlanta)

Phase III: Quantitative research

- Online survey of 1,713 respondents
- Survey was fielded August 19-26, 2011 to nationally representative sampling frame (18+ yrs.), with sampling error less than ±2.4% at 95% confidence level

The World of Health + Wellness

We are witnessing a cultural shift from “health” toward “quality of life”

- “Wellness” is no longer equivalent with simple notions of physical well-being

- American consumers are increasingly thinking and talking about wellness in terms of “quality of life” where non-physical notions of well-being (mental, emotional, and spiritual) are just as important as physical well-being

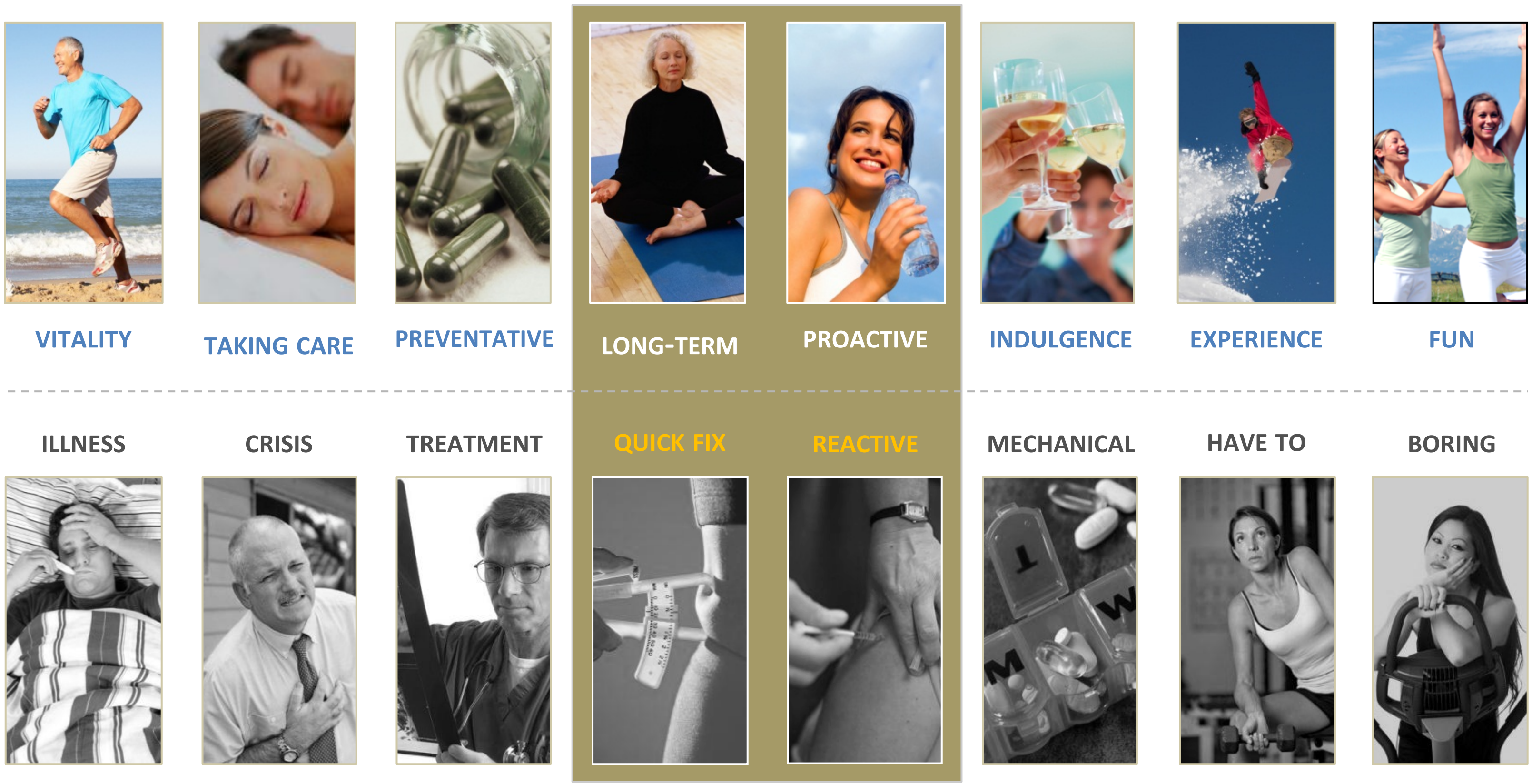
- “Quality of life” now represents the major aspirations of most consumers

This collage was created by a Mid-level consumer

Consumers increasingly understand Wellness to be "positive" rather than "perfunctory"

CONSUMERS MOVING TOWARD THIS MODE

POSITIVE, EXPERIENTIAL | CONTEMPORARY + GROWING



PERFUNCTORY | DOMINANT MODE OF THE PAST

CONSUMERS MOVING AWAY FROM THIS MODE

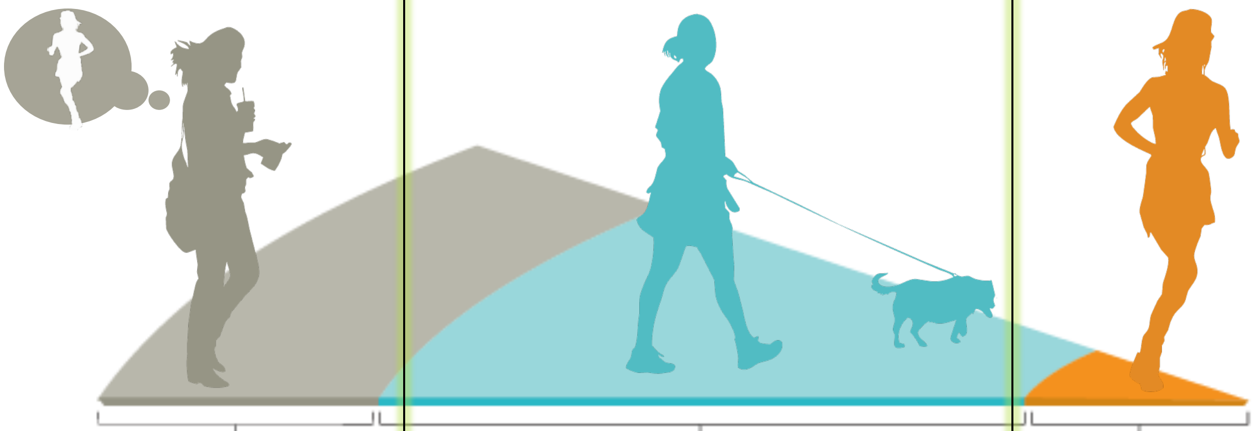
Consumers' orientation toward Health + Wellness manifests itself in "worlds of activity"

OPPORTUNITY

Aspirational, without the behaviors to match

Behaviors often match *some* ideals

Behaviors close to matching ideals



Periphery

Mid-level

Core

Periphery (25%) is where consumers least involved in Wellness reside

Mid-level (62%) is not as intensely involved with or committed to H+W as **Core** consumers, though they exhibit *some* of the same characteristics

Core (13%) is the smallest segment and most intensely involved

Dimensions of Consumption form the foundations of the World of H+W

- A clear understanding of these Dimensions will contribute to sound strategic and tactical decisions at the product, brand and retail levels by
  - Defining the key values driving consumer behavior
  - Revealing touch points for companies and brands to engage
  - Describing how specific dimensions connect to each other
  - Providing insight on how different segments evaluate companies and brands

*Green indicates both Core & Mid-level

Understanding and executing on the key Dimensions of Consumption presents a great opportunity

	Periphery	Mid-level	Core
Dimension Cluster	Price Convenience Brand	Experience, Expert Opinion Fun/Enjoyment Quality	Authenticity Sustainability Knowledge Quality

Opportunity ← **Trends**

(Periphery borrows quality cues from the Mid-level)

(Mid-level is influenced by the Core)

	Periphery	Mid-level	Core
Strategic Implication	Add value beyond **Price**, **Convenience**	Combine **pragmatic sensibilities** with **Core** aspirations and **quality distinctions**	Track their **dynamic values** and behavior due to their influence on future market trends

Health + Wellness at Retail

The Grocery channel is the most important H+W shopping destination

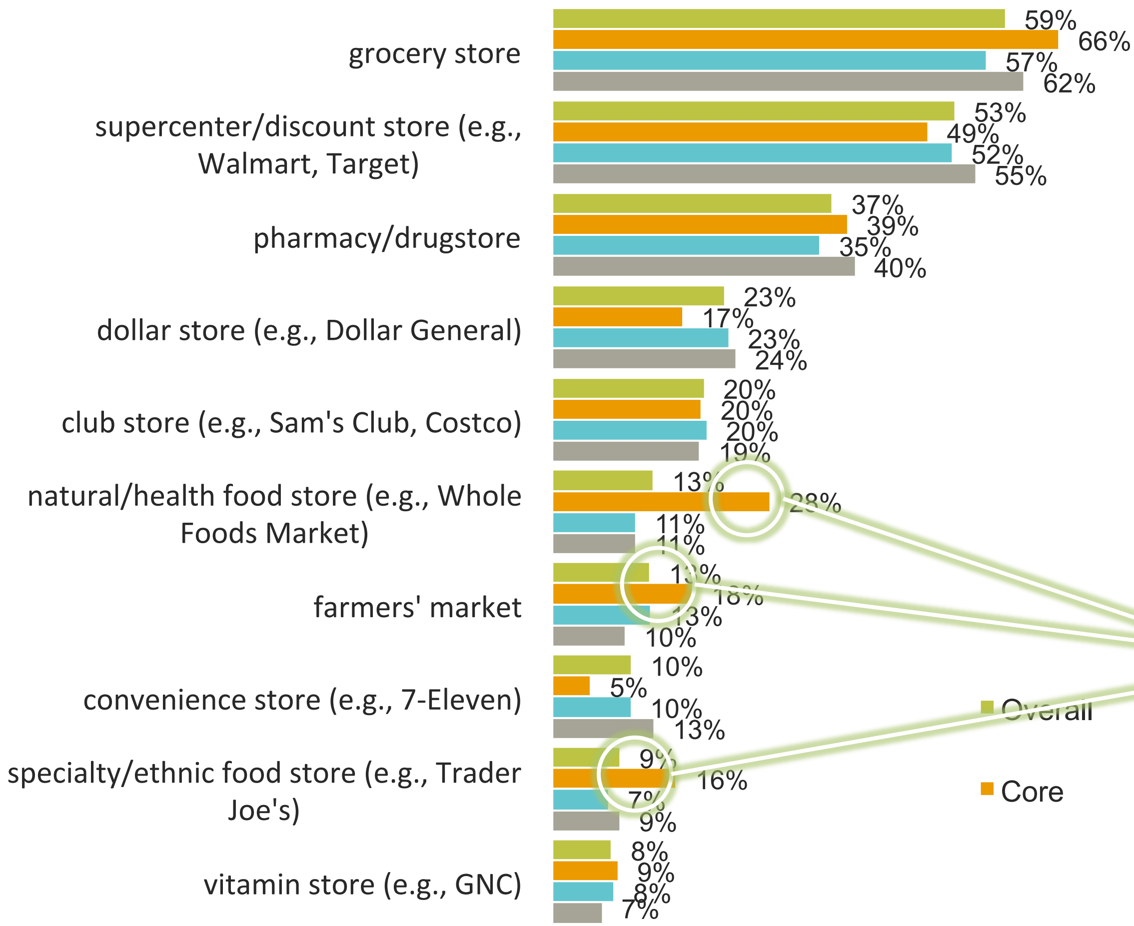
- Grocery stores are the most frequently visited and preferred destinations for food, and therefore have the highest overall H+W resonance of any retail channel
  - While other channels may be most preferred for many general merchandise categories, grocery is still generally considered a good option for most of those categories

- The Drug channel is typically associated with Health… not always Wellness
  - A majority of shopping trips made to drug stores are dominated by the Convenience dimension
  - Mainstream drug stores have H+W appeal for Periphery consumers, but are declining in relevance to **Core** consumers because of the narrow range of H+W goods offered

- Mass channel retailers are becoming a more important destination for H+W
  - Shoppers are typically task-oriented in the Mass channel (e.g., back to school supplies, personal care items), and advertised sales are often the trigger

Grocery is a key destination for H+W products

WHERE DO YOU SHOP FOR H+W PRODUCTS?



The Core is more likely to seek H+W in specialty and natural food channels.

Look to these stores as inspiration.

Q37. Which of the following kinds of stores do you regularly shop (i.e., at least 4 times a month) for health and wellness products?
Bases: Overall (n=1,713), Core (n=217), Mid-level (n=1,198), Periphery (n=298).

A large selection of products and product categories is the most important consideration in assessing food stores as H+W destinations

Important Health-Related Attributes – Food Stores	Overall	Core	Mid-level	Periphery
Large selection of healthy fresh/perishable foods such as fruits, vegetables, and lean meats	56%	76%	56%	45%
Large selection of personal care products	40%	38%	41%	35%
Large selection of over-the-counter (i.e., non-prescription) medications	39%	39%	39%	37%
Signs or labels at shelf indicating products' nutritional value	36%	37%	37%	32%
Large selection of vitamins and minerals	36%	37%	37%	32%
Large selection of healthy prepared foods	34%	41%	34%	28%
Large selection of natural and organic products, fresh and packaged	33%	50%	32%	27%
Special section of the store for natural and healthy foods, beverages and products	32%	46%	32%	26%
Pharmacist who supports complementary healthcare practices (e.g., naturopathy)	31%	34%	30%	29%
Large selection of specialty supplements (herbals, probiotics, etc.)	30%	34%	29%	29%
Health and wellness information oriented to prevention rather than treatment	28%	34%	28%	25%
Health and wellness information to treat/manage specific health conditions	28%	27%	30%	23%
Health and wellness education programs about specific health topics (e.g., weight management, diabetes, heart health)	23%	21%	25%	19%
Health and wellness education programs about general health management	22%	20%	24%	18%
Large selection of magazines and cookbooks relevant to my lifestyle	20%	14%	23%	16%
Healthy cooking "how-to" classes/demonstrations	19%	14%	21%	16%

Core consumers are overwhelmingly more interested in a large selection of fresh foods and natural and organic products

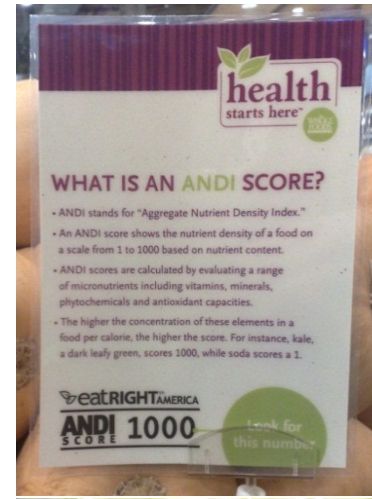
The Core are also the most interested in prevention

Mid-level consumers are more interested than other segments in Expert Opinion and Knowledge on H+W lifestyles, since they are often exploring new, different wellness offerings

Q75. How important are the following in-store features to making the [food] store a health and wellness destination for you? (Top-2 box: Extremely/Fairly important).
Bases: Overall (n=1,298), Core (n=160), Mid-level (n=910), Periphery (n=228). *Note: Callouts on the right are referenced in the table by dark shading of cells

In-store nutrition programs are not currently of great importance to most consumers

- Consumers appreciate the effort on the part of the retailer to demonstrate concern for its shoppers' well being
  - "At least they are trying to make it easier for us" - **Mid-level** consumer
- However… The implementation of nutritional scoring programs go basically unnoticed by most shoppers without a well executed rollout of the programs supported by information and staff
  - Most grocery shopping is perfunctory rather than exploratory - the goal is to "get in & get out" and so most don't take the time to learn about the scoring
  - Shoppers examine shelf tags for Price information, not H+W information
  - They don't understand how ratings are derived, leading to mistrust and/or skepticism



Nutritional scoring provides limited value to consumers that already value the Knowledge dimension of H+W

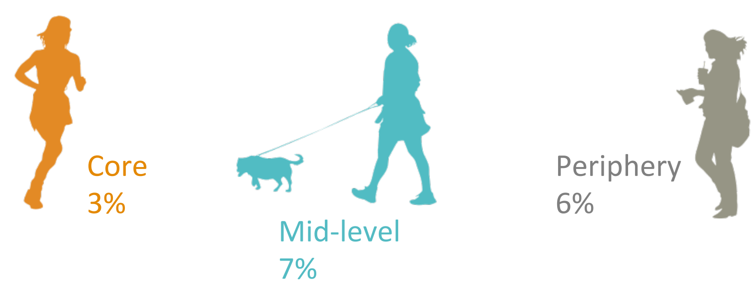
Most consumers have never noticed nutritional labeling programs instituted in grocery channels and less than 10% actually look for them

Core and Mid-level consumers are already looking at product labels for ingredients and nutritional information, i.e., scoring systems tend to point out what they already *know!*

Most consumers like to think of grocers as purveyors of food Quality

"Not at all aware, I've never noticed them"

"Extremely aware, I always look for them"



Q52. How aware have you been of such labeling systems when shopping for food and beverages?
Bases: All respondents: Core (n=217), Mid-level (n=1,198), Periphery (n=298).

OLDWAYS

The Dimensions of Consumptions are critical to understanding retail channel choice and usage when shopping with H+W in mind



	Periphery	Mid-level	Core
Dimension Cluster	Price Convenience Brand	Experience, Expert Opinion Fun/Enjoyment Quality	Authenticity Sustainability Knowledge Quality
Brand Promise	Inexpensive, close-by store that carries familiar brands (including private label) and products	A place of discovery and theater where everyday favorites meet unique and natural products	Small, local and/or natural/ specialty retailers whose products and corporate image reflect a commitment to social, environmental and labor issues

Most Dynamic Dimensions

Fun and Enjoyment	Fun and enjoyment represent a departure from an overly rational approach to H+W where H+W is less about work and restraint and more about sophisticated indulgence. This dimension is most important when consumer action (e.g., exercise, change in diet) is perceived to be difficult, unpleasant, time consuming or requires self-discipline.
Authenticity	Authenticity refers to the truthfulness or sincerity regarding the origins, benefits, commitments, and intentions of H+W products and services.
Sustainability	Relates to the importance given to environmental, social and economic impacts of production, distribution and consumption of consumer goods and services. Core consumers are the most heavily influenced due to the holistic perspective they possess in which personal H+W goals intersect with broader notions of well-being (e.g., in the body, on the body, around the body).
Quality	Relates to the range, depth, and level of sophistication with which consumers evaluate H+W products and services. Evaluations of quality often increase as one moves from Periphery to Core.

Fun/Enjoyment

TRADER JOE'S®

Wellness sans the frumpiness and dowdiness of yesterday's co-ops

- **Fun Messaging:** Fun begins with the weekly "frequent flyer" which weaves playful narratives and recipe ideas into product promotions
- **Shopping Experience:** Playful (Hawaiian shirt clad) yet helpful employees.
- **Irony and Humor in Décor:** Hand-written signage, crafted by locally hired artists add a sense of "local" in the space
    - Shoppers are even able to find humor in hand painted murals with local themes in the restrooms

Takeaway for Activation …

- ✓ A fun, enjoyable shopping experience translates to wellness (if not traditional notions of health)
- ✓ Injecting playfulness into existing programs, messaging tone, store atmosphere
- ✓ This doesn't have to be at a cost to sophistication
- ✓ Opportunities to go beyond traditional health platforms of OTC, VMHS, and even Food and engage around general lifestyle themes

OLDWAYS

BEST IN CLASS RETAIL

Authenticity

Dandelion Botanical Company

Family-owned herbal, natural apothecary

- **Store Design:** Finishes, layout and design choices conjure nostalgia and authenticity
- **Offerings:** Organic and ethically “wild-crafted” ingredients
- **Expertise:** Specialized classes on everything from DIY home remedies and water color painting to preparation for the entrance exam of the American Herbalists Guild.
- **Local Whimsy:** Owners provide vacation photos and introduce some of their “animal customers” on their website.

Takeaway for Activation …

✓ Your store’s brand promise (intended or unintended) and how it fits in the World of Wellness is important to making sure your resonate as Authentic
  - Assertions about Wellness must be credible in light of your positioning in the World

✓ Opportunity to cue nostalgia in various store departments—OTC, fresh foods—through design, messaging, staff interaction

✓ Store programming or tips in newsletters that provide consumers opportunities to recapture the past through nostalgic recipes, household remedies, etc.

Sustainability

LUSH
FRESH HANDMADE COSMETICS

Raw and rustic meets modern-day sensibilities of pampering without losing its soul

- **Product:** 100% PET PCR packaging, and employee “naked” campaign emphasizing the impact of packaging on green house gases
- **Sustainable Causes:** Strong positions with regard to animal testing, ethical sourcing, and contemporary issues such as tar sands and nuclear power
- **Retail Theater:** Staff lop off chunks of unpackaged soaps within a sea of hand-written chalkboards communicating everything from fresh ingredients to recently hired employees

Takeaway for Activation …

✓ Opportunities to intersect with Sustainability exist not just in the environmental zone, but social, and economic zones

✓ Product selection and retail theater are more likely to go much farther in cuing sustainability than any other initiative

✓ Be prepared to speak to consumers’ awareness and desire to incorporate sustainable practices into the everyday

Quality

Central Market H-E-B

Quality food purveyor feels healthy without telling you

- **No Overt H+W Emphasis:** Focus is on commitment to culinary distinction; health is often implicit
  - "Huge" selection of fresh, organic and natural categories
  - Store ambiance is clean and contemporary
- **Food focus:** Communication, store activities present store as a passionate expert on quality food
  - Cooking school by local, respected chefs
  - eFoodie monthly newsletter with latest information on the "world of food"
  - Recipe center with seasonal, culinary-forward ideas
- **Knowledgeable Employees:** (called "Foodies") Have breadth of knowledge of products and their H+W benefits

Takeaway for Activation …

✓ Emphasizing the quality of products and how they aid to shopper's quality of life should be the crux of all communications and store programming

✓ Start with food and move out to on the body (personal care) and around the body (household products)

Thank you

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