

## Exclusive: Tapping premium trends to drive growth

Companies may capture growth in the premium marketplace through innovation, renovation or acquisition.

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Today's consumer seeks upgraded experiences in everyday occasions.

*This is the first in a four-part series covering the Hartman Group's "Driving Growth 2017" symposium.*

SEATTLE — Today's consumer seeks upgraded experiences in everyday occasions, driving growth of the small, yet important premium segment, said Laurie Demeritt, chief executive officer of the Hartman Group.



Laurie Demeritt, c.e.o. of the Hartman Group

"Premium currently represents 9% of the overall food and beverage marketplace, and we believe ... within the next decade that will probably double," Ms. Demeritt said. "And the question is, who are the winners, and who are the ones who will be left by the wayside?"

That was the topic of insightful discussion during the Hartman Group's "Driving Growth 2017" symposium on Sept. 27 at the Edgewater Hotel in Seattle, where senior leaders and analysts identified opportunities for packaged food firms to keep pace with consumers' evolving needs.



Premium products possess attributes such as grain-free or grass-fed.

Consumer perceptions of premium vary, but the Hartman Group defines premium as food and beverage experiences built on uncommon product attributes that reshape the definition of quality. Such attributes range from grass-fed to grain-free and are mostly found today among emerging brands. This amounts to a retail market worth about \$75 billion with average year-over-year growth of 10% over the past decade, Ms. Demeritt said.

“Who’s consuming premium today?” Ms. Demeritt said. “Simply put, some people, some of the time, in some categories. What we see is premium sprinkled throughout cabinets and cupboards.”

In food service, premium cues include freshness, customization and experience, often features of a fast-casual restaurant setting.



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In the coming years, premium is expected to expand in scope, moving from mainly health and performance benefits to include a desire for higher quality ingredients and complex, sophisticated tastes and textures. Consumers are reevaluating what is fundamentally good, healthy and distinctive, said Tamara Barnett, vice-president of strategic insights at the Hartman Group.



“Traditional food culture was about big brands that offered packaged food that was uniform, affordable, safe, reliable and very consistent,” she said. “We have now emerged into this participatory, experiential, transformational culture in which we are much more driven by diversity and fragmentation... We’re bringing much more purposefulness to our food, and the expectations we have for food experiences are now being elevated.”

A key pillar of premium is the notion of nutrient density, which has emerged out of a steady consumer shift away from low-fat or low-sodium toward fresh, less processed foods.

“Consumers believe all symbols of fresh, less processed add up to this food-driven experience of wellness, and nutrient density becomes the aspiration out of that food-driven experience of wellness, that you’re getting the most from the inherent goodness of foods,” Ms. Barnett said.

Tamara Barnett, vice-president of strategic insights at the Hartman Group



Emerging food values reflect a focus on such attributes as plant-based protein.



The notion of nutrient density challenges traditional food guidelines, which historically have overemphasized carbohydrates and animal products while underemphasizing the importance of food quality and the social and environmental impacts of food, Ms. Barnett said. Emerging food values reflect a focus on responsible sourcing and a diverse, nourishing diet of green and colorful vegetables, plant-based protein and healthy fats with limited meat, dairy and sugars.

“The consumer definition of nutrient density is evolving to mean much more than the nutrients in a product but also includes how the product was grown and treated,” Ms. Barnett said.

Manufacturers large and small may capture growth by tapping into the premium marketplace through innovation, renovation and acquisition.

“How far along the pathway to renovate, to build, or to buy depends on a lot of things,” including product category, desired growth trajectory, occasion relevance and brand positioning, Ms. Barnett said. “We think all three paths — renovating, innovating... or even buying — are all viable pathways to explore, but it requires a deeper and broader discussion about which one is right for you depending on the specifics of your situation.”