



Ingredient Manufacturer Study

December 2019



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Background, Objectives & Methodology

Project Background & Objectives

PROJECT BACKGROUND:

With the current vilification of sugar, manufacturers are looking for ways to decrease their sugar content and replace traditional sugars with “healthier” sugar alternatives. Despite honey’s positioning as a natural sweetener, the Brightly Creative team has experienced increased challenges in motivating manufacturers to use honey.

The purpose of this study is to survey ingredient manufacturers to understand the role of natural sweeteners in products, what makes a good or bad natural sweetener, what drives their decision criteria, how honey fits into their consideration set, and why are they buying more/same/less vs year ago?

PROJECT GOAL:

Identify the most effective way to position honey to ingredient manufacturers to protect and grow future usage.



Methodology

METHODOLOGY:

- + A quali-quant approach using a combination of online and phone interviews with ingredient manufacturers.
- + Combination of open ended questions to get an unbiased response from our expert interviews with close ended responses, to provide consistency and understand behaviors year over year.
- + This flexible approach in study design and questioning provided rich depth of understanding around natural sweetener ingredient attitudes & behaviors.



Manufacturers surveyed represented a variety of food and beverage companies. Some of these companies included:

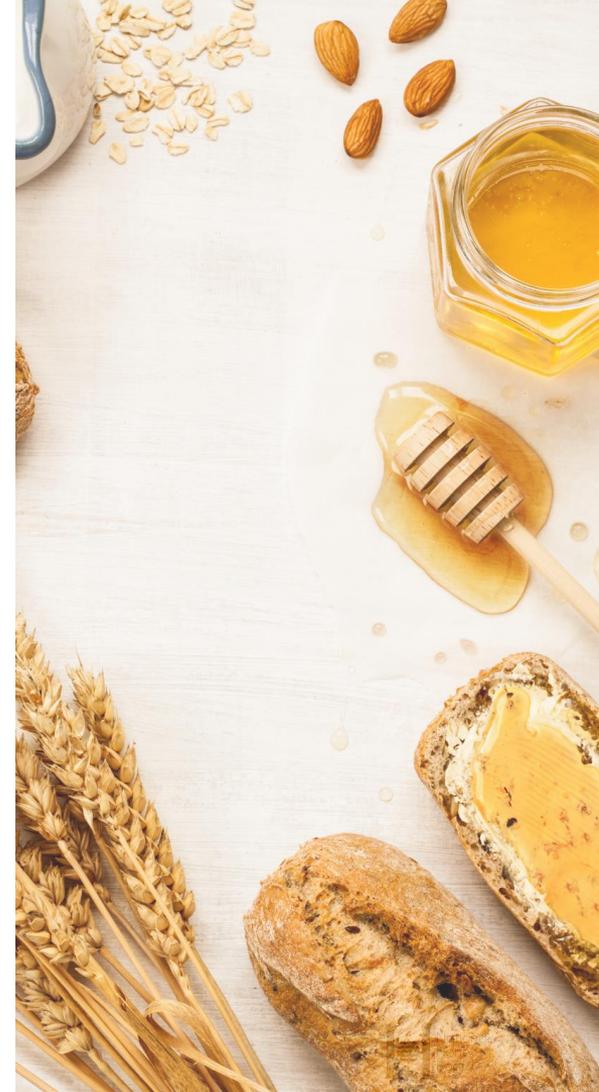
AriZona Beverage Co	Hostess Brands, LLC	Pepperidge Farm, Incorporated
Au Bon Pain	J&J Snack Foods Corp.	Polar Corp.
Bai Brands	Jamba Juice Company	Post Foods
Bob's Red Mill company	John B. Sanfilippo & Son	Reily Foods Company
City Brewing Company	Kellogg Company	Royal Hawaiian Bakery
Constellation Brands	Kind LLC	Sara Lee Frozen Bakery
Cott Corp	Lamb Weston Holdings Inc	Shearer's Foods, LLC
CSM Bakery Solutions	Mars Inc	Snak-King Corp
Dr Pepper Snapple Group Inc	McKee Foods Corporation	Snyders-Lance
Florida's Natural Growers	Molson Coors Brewing Company	Sunsweet Growers Inc
Flowers Foods Inc	Mondelez International, Inc.	The American Bottling Company
Franz Bakery	Monster Beverage Corporation	The Hain Celestial Group, Inc.
Frito-Lay North America, Inc.	National Beverage Corp.	The Jel Sert Company
Gilster-Mary Lee Corp	New Age Beverages Corporation	The Quaker Oats Company
Golden Flake Snack Foods, Inc	Niagara Bottling	Tropicana
H&S Bakery Inc	Old Dutch Foods Inc	Utz Quality Foods , Inc

Manufacturers surveyed were focused on NHB's categories of interest and represented the following:

Categories

N=103

Sweet Goods, including cakes, pastries, etc.	61%
Breads, rolls, buns and bagels	58%
Snack bars	56%
Snacks, including salty and savory	43%
RTD teas and juices	39%
Functional beverages (emerging categories)	37%
Carbonated soft drinks	33%





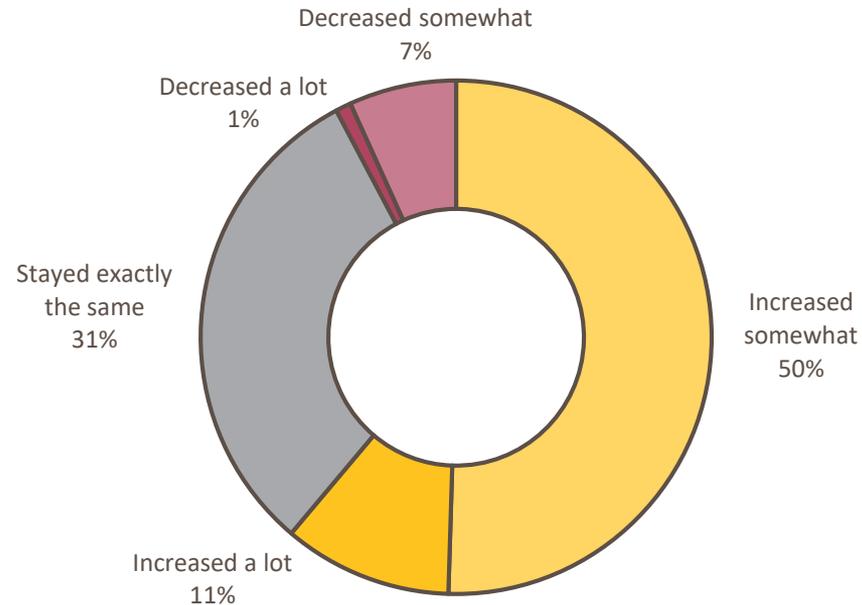
Key Takeaways

Key Takeaways

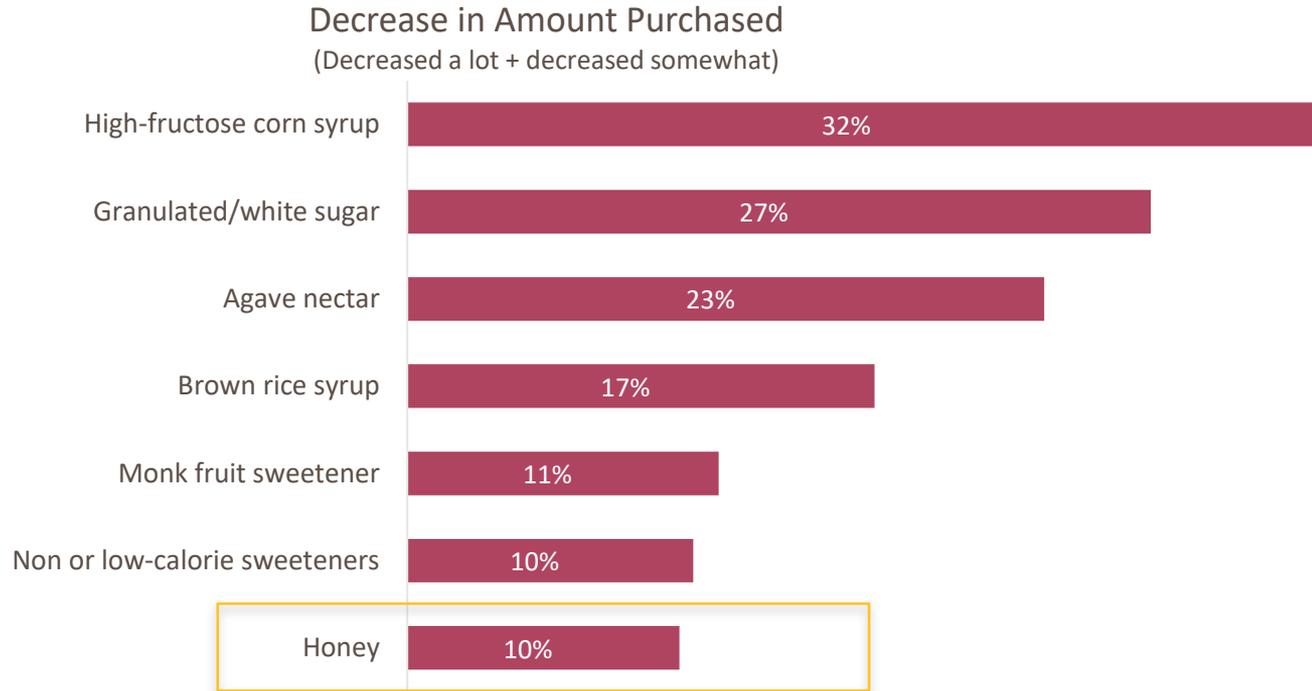
1. Although we've qualitatively experienced challenges, compared to other sweetener ingredients, **the story around honey remains positive.**
2. Honey had the lowest decrease in stated purchase compared to last year and looking forward, over **half of manufacturers are planning to increase their purchase of honey.**
3. Honey ranks as **first or second in performance** on three of the top five most important manufacturer decision criteria:
 - Taste and flavor cues
 - Health cues
 - Good value for the price
4. There is an opportunity to **improve perceptions around stability of supply, price, and manufacturability.**
5. Although manufacturers consider other sweeteners to be more competitively priced, they'd be **most willing to pay a premium for honey as an ingredient.**
6. White sugar remains honey's biggest competitor, however, it will also be important to **keep an eye on Monk fruit.** Manufacturers report using more Monk fruit compared to last year and the sweetener performs well on both health and price.

Nearly two-thirds of manufacturers say their overall purchase of sweeteners has increased compared to last year.

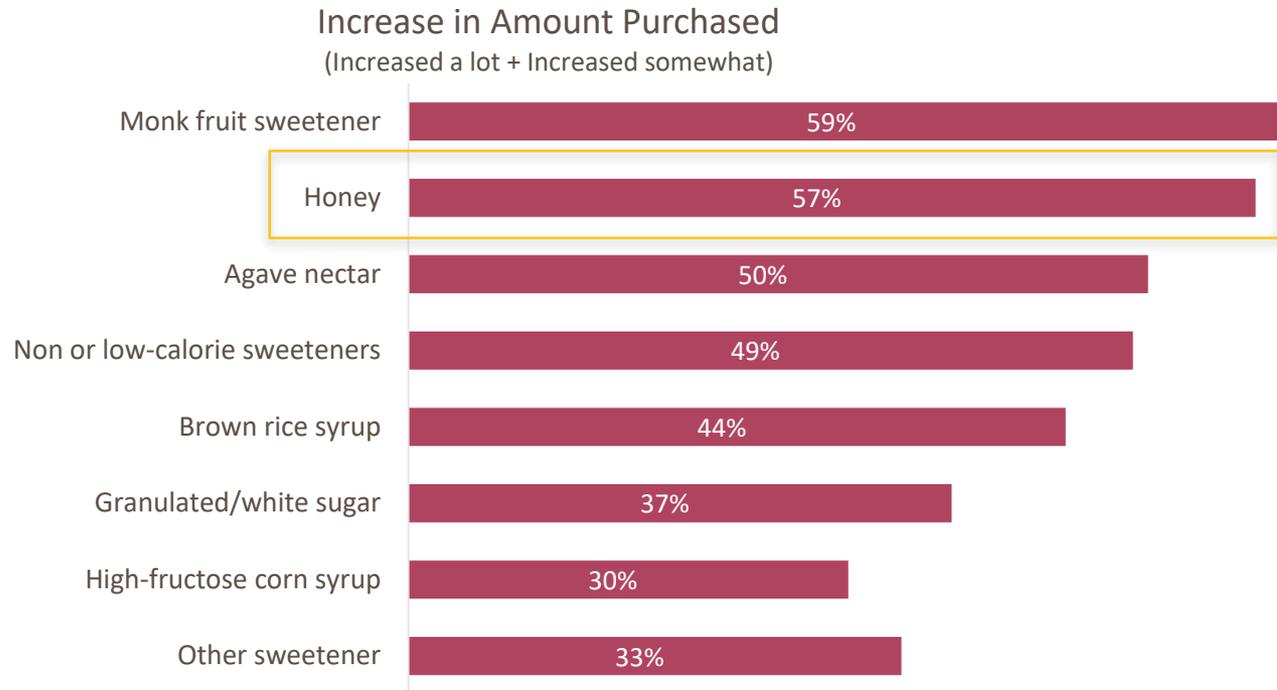
Change in sweetener consumption over past year



Among those manufactures who cut back on sweeteners, honey and non/low-calorie sweeteners were the least likely to be impacted. As expected, processed sweeteners took the biggest hit.

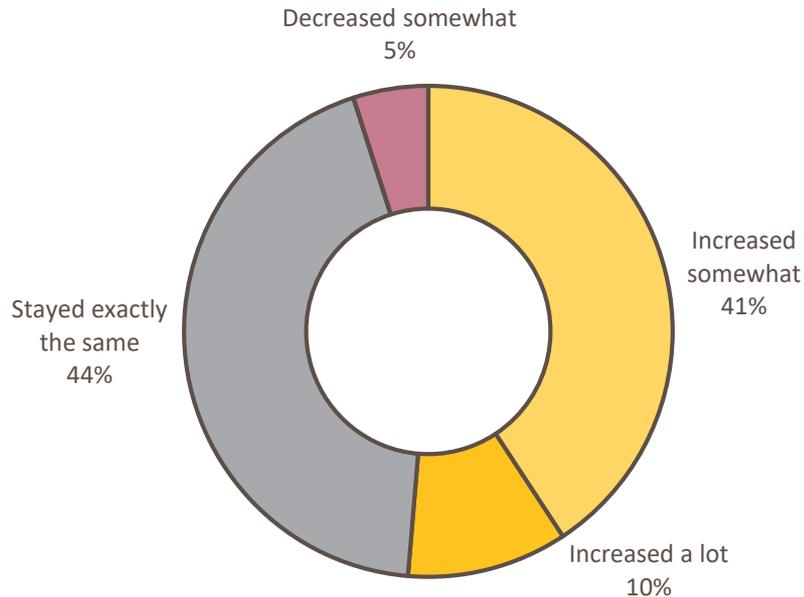


Monk fruit and honey are the two categories that saw the largest increase in amount purchased in the past year.



Looking forward: More than half of manufacturers plan on increasing the amount of honey they will purchase next year.

Next year honey consumption



Increase purchase:

*“We want to add more natural sweeteners to our products **and honey is healthier for you as it contains many nutrients**”*

“Honey in soft drinks is becoming more popular. It adds unique flavor, sweetness, and is all natural. It’s gaining attractiveness among producers and consumers.”

Decrease purchase:

“Honey is expensive, and availability is a big issue. Our suppliers don’t promise to provide the same amount of honey for the same cost. So, we don’t want to take on the risk.”

The same:

“We also have other sweeteners that we use in our product line so we will stick to what we typically buy.”



Manufacturer Decision Criteria

Taste, health and value are the leading factors manufacturers consider when choosing a sweetener.

Top five decision criteria:

1. Taste and flavor cues
2. Health cues
3. Good value for the price
4. Stability of supply
5. Competitive price

Q8. You may have mentioned a few of these earlier. How important are each of the following decision criteria when you think about which sweeteners you are going to add to [INSERT CATEGORY]?



Natural sweeteners such as honey, agave, and monk fruit perform well in taste and health; while processed sweeteners rank higher in price, manufacturability and supply stability.

Sweeteners' top 5 performing decision criteria:

How well does [INSERT SWEETENER] perform on each of the following metrics?

Honey
Taste and flavor cues
Health cues
Ability to make "natural" or "unprocessed" claims
Ability to make "organic" claims
Ability to make "local" claims

Agave
Ability to make "organic" claims
Ability to make "natural" or "unprocessed" claims
Health cues
Taste and flavor cues
Ability to make "local" claims

Monk Fruit
Health cues
Ability to make "local" claims
Competitive price
Stability of supply
Good value for the price

White Sugar
Stability of supply
Taste and flavor cues
Competitive price
Good value for the price
Manufacturability

Low Cal Sweetener
Stability of supply
Manufacturability
Taste and flavor cues
Country of origin
Good value for the price

HFCS
Stability of supply
Competitive price
Taste and flavor cues
Good value for the price
Ability to make "local" claims

Brown Rice Syrup
Stability of supply
Ability to make "natural" or "unprocessed" claims
Ability to make "organic" claims
Health cues
Manufacturability

Honey performs well on priority decision criteria; ranking first or second on three of the top five drivers of choice.

- White sugar beats honey on price and stability of supply.
- Monk fruit is a key competitor to honey performing well on both health and price.
- There is an opportunity for honey to improve perceptions around supply stability and price.

Best performing sweeteners for key decision criteria:

How well does [INSERT SWEETENER] perform on each of the following metrics?

	Decision Criteria (ranked by importance)	Honey	White Sugar	Agave Nectar	Monk Fruit	Non/low Calorie Sweetener	High Fructose Corn Syrup	Brown Rice Syrup
1	Taste and flavor cues	1st	2nd				3rd	
2	Health cues	1st		3rd	2nd			
3	Good value for the price	2nd	1st		2nd		2nd	
4	Stability of supply	4th	1st		3rd		2nd	
5	Competitive price	4th	1st		3rd		2nd	

Looking at second tier of decision criteria, manufacturers give honey credit for being natural, unprocessed and organic.

- White sugar wins in the ease of manufacturability.
- It's important to watch Monk fruit as it's honey's biggest competitor in the natural sweetener space and is growing in popularity.

Best performing sweeteners for key decision criteria:

How well does [INSERT SWEETENER] perform on each of the following metrics?

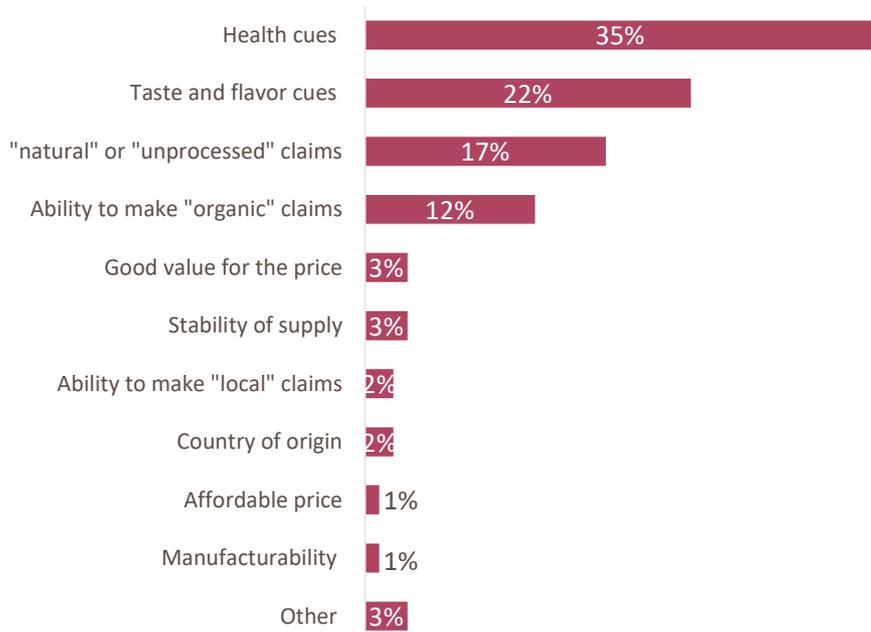
	Decision Criteria (ranked by importance)	Honey	White Sugar	Agave Nectar	Monk Fruit	Non/low Calorie Sweetener	High Fructose Corn Syrup	Brown Rice Syrup
6	Ability to make "natural" or "unprocessed" claims	1st		2nd	3rd			3rd
7	Manufacturability	4th	1st		3rd		2nd	
8	Ability to make "organic" claims	1st		2nd	3rd			
9	Country of origin	2nd	1st		3rd			
10	Ability to make "local" claims	2nd			1st		3rd	



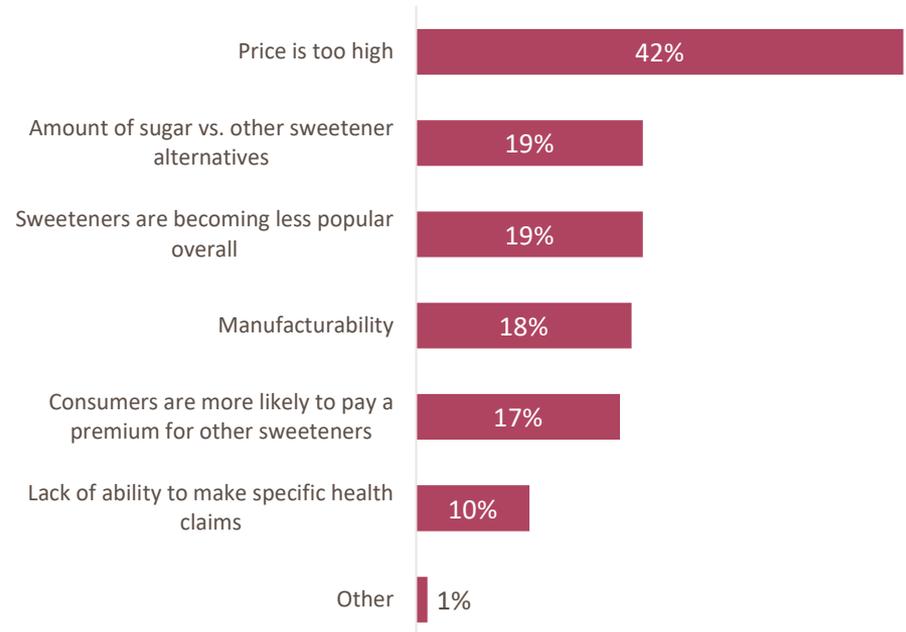
Honey usage and perceptions

Manufacturers say health, taste, and flavor are the key benefits to using honey, consistent with stated drivers of choice. Price is the largest barrier, mentioned twice as often as any other challenge.

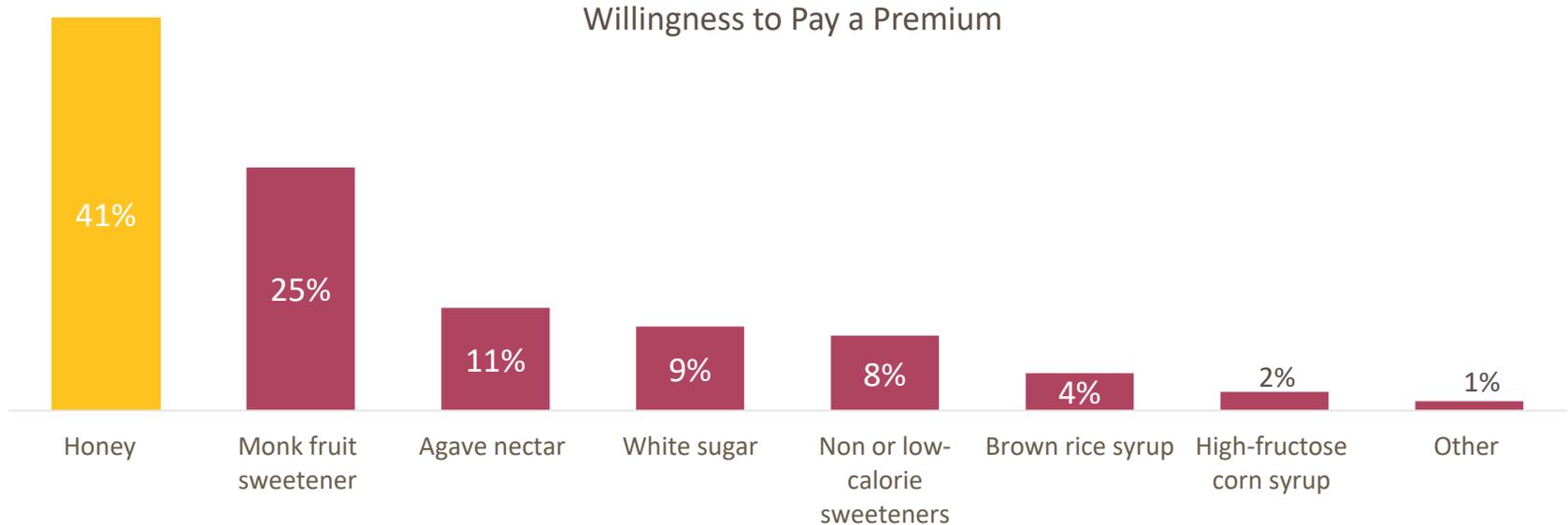
Benefits to Using Honey



Barriers to Using Honey



Although price can be a barrier for honey, manufacturers would be **more willing** to pay a premium for honey as an ingredient.



Taste, health, and value are the primary reasons manufacturers purchased more honey over the past year.

Top of mind reasons to increased purchase:

- Health benefits
 - It has antioxidants
 - Healing properties (ex. Sore throats)
 - Boosts your immune system
 - Includes vitamins that are good for you
- Unique flavor
 - Sweeter flavor than most sweeteners and adds a distinctive taste to products
- Natural and wholesome
 - Natural source of energy
 - Unprocessed/authentic
- High quality

*“We've started to use less artificial sugar in our products considering its effect on consumer health and we found **honey as the best alternative for it.**”*

*Honey is a **natural sweetener, at a reasonable price and adds a unique taste to products.***

*“Honey has an ever-lasting life, it never degrades **it's quality which is a reason we've begun buying it more.**”*



Among the manufacturers purchasing less honey, the top reasons were price, amount of sugar content versus alternatives, and the overall stigma around sweeteners .

Top of mind reasons to decreased purchase:

- Overall sweetener usage decrease
- Expensive
 - Processed sweeteners are often cheaper than honey
- High sugar content
 - Has a higher sugar content than some alternatives
- Incorporation of different sweeteners
 - The list of sweeteners is expanding, and many are exploring low sugar/calorie options

*“We’ve started using monk fruit sweetener **which is cheaper than honey.**”*

*“**Global honey prices are at their highest levels in years, due to a new wave of consumer demand for natural sweeteners and declining bee populations that are hampering mass production.**”*

*“We’re **reducing the amount of sweeteners used in our products. We are going for more spice and salt flavors.**”*



Key trends impacting manufacturers are incorporating more natural ingredients and catering to low calorie/low sugar diets.

Consumer Trends:

- All natural and organic
- Lower calorie/sugar diet
- New sweetener introductions

“Honey is an acceptable sugar substitute therefore demand will continue to increase.”

Flavor Trends:

- Monk fruit
- Stevia
- Natural fruit flavors

“Monk fruit and Stevia have a lot of natural value and health benefits. If this trend continues it might reduce the consumption of honey.”





Implications

Implications

1. The “good for me” and “good for the planet” key message strategy can be applied to manufacturers – they think of honey as the healthiest sweetener with the most credible natural and organic claims.
2. White sugar and HFCS will ‘continue’ to be villains as it relates to the battle against sugar. We need to overcome manufacturer concerns around supply stability, price vs other sweeteners (sugar and HFCS), and ease of use.
 - Supply chain sustainability can be mitigated with “carefully crafted” messaging around benefits and value of imported honey.
 - Consider reframing conversation from price to value to help balance cost vs benefits.
 - Consistently reinforce “health benefits” of honey vs other sweetener options.
3. Carefully watch Monk Fruit - consider side-by-side ingredient, nutrition, and manufacturing process comparison to help manufacturers lift the veil around its weak nutritional and natural claim story.
4. Highlight the natural aspects of honey; how it aligns with consumer trends and how the processing is truly different from other sweetener options.



Thank You