#Young4Ever

Chief Health Officers

4 Out of 5 Doctors

Guilty and Defeated

Life Tastes Good

New Hope Natural Media's
Market Innovation

CONSUMER SEGMENTATION

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In This Report:

I. EXECUTIVE SUMMARY

Who buys natural, organic and other healthy products? The answer goes well beyond the typical label-obsessed mom with young children, as New Hope Natural Media has learned through our new consumer segmentation research. We conducted this research because we wanted to more deeply understand why consumers are buying (or are not buying) the health and wellness products exhibited at our Natural Products Expos and sold within retail. More important, we wanted to share this information with the broader natural products industry to help suppliers, manufacturers and retailers accurately predict which new product concepts will be most successful and know whom to target and how with these healthy offerings.

The result is New Hope's Market Innovation Consumer Segmentation study. The starting phase of this research was based on a survey of more than 5,000 U.S. consumers conducted in July 2013. The survey, which represents more than 90 percent of the U.S. population, identified a new breakout of five distinct consumer segments based on attitudes and behaviors regarding the acceptance and adoption of healthy habits and products. These five segments are:

#Young4Ever: Consumers in this segment take more aggressive actions toward health and wellness because they want to stay feeling and looking young. Early adopters of new products (particularly those that have been recommended by friends or social media networks), these consumers are impulsive brand switchers. They're also more likely to be younger, more racially diverse men who are willing to sacrifice taste and pay more to stay healthy and maintain their weight and appearance.

Chief Health Officers: These goal-oriented, family-focused health managers eat healthy and are avid label readers who know what nutrition cues to look for on packages. Often the mothers of young children, the Chief Health Officers will test out and even pay more for health products—but only if those products are backed by solid research. These consumers like to share what they know with others and are heavy influencers of their friends and family.

4 Out of 5 Doctors: Made up of mostly older consumers, this segment listens to doctors and actively follows traditional health and wellness advice. These consumers are less likely to try new things because they are happy with current choices and purchase fewer natural and organic products because of price. They do, however, tend to be active users of dietary supplements, particularly products that have been recommended by their doctors.

Guilty and Defeated: Time-strapped and stressed out, these consumers want to be healthy but don't actively pursue health and wellness. They feel guilty about this but busy, hectic lives prevent the Guilty and Defeated from taking control of their diets and wellness. The result is low-energy, defeated shoppers (many with young kids) who pay little attention to labels and focus on convenience and price.

Life Tastes Good: These relaxed, happy-go-lucky shoppers understand nutrition and health concerns but prioritize taste and living life to the fullest. They choose food because it is delicious and enjoy cooking meals at home with family and friends. The end result is a consumer segment that is relatively healthy, is satisfied with current brand choices, and avoids natural and organic foods because of taste perceptions.

The five segments within New Hope's Market Innovation Consumer Segmentation are defined by much more than demographics, such as age, income, family status and education level. Our research categorizes consumers based on attitudes and behaviors regarding nutrition and the acceptance and adoption of healthy habits and products.

Our Market Innovation Consumer Segmentation also includes a study mechanism that enables us to test healthy product concepts and ingredients with specific segments of the marketplace. For this portion of our research, we asked our consumer survey participants to evaluate 180 concepts, ranging from vegan protein powder to organic hummus to natural mint mouthwash. We measured participants' awareness of, interest in and purchase intent for each of the concepts tested.

This research was not a one-time endeavor. Each quarter we test 120 product concepts—some new and some repeats from our original study—with another 3,000-plus consumers. The findings from this quarterly survey improve the predictive value of the research by providing ongoing visibility into those product categories and concepts primed for rapid growth, both in the traditional natural channel and in the broader market. It also enables us to identify product concepts that are poised to bridge from natural to mainstream.

New Hope's Market Innovation Consumer Segmentation was designed to work closely with the company's NEXT Trend solution to create an interactive, dynamic tool that enables companies to predict how product concepts would perform with specific consumer segments in specific portions of the United States.

In addition to helping companies and retailers grow their businesses, New Hope's Market Innovation Consumer Segmentation was designed to help the natural products and broader CPG industry predict which healthy product concepts have the greatest success potential and understand how to make those offerings appealing to a wide variety of consumers, including those who traditionally may not have purchased healthy products. Our goal with this research is to fuel innovation within the natural products industry while supporting New Hope's mission of bringing more health to more people.

II. WHY NEW HOPE

New Hope Natural Media, a division of Penton, has been at the heart of the natural products industry for more than three decades. Through our annual Natural Products Expo events, we have served as the launch pad for tens of thousands of new natural, organic and healthy brands and products. Our events are viewed as an essential resource for manufacturers looking to grow their product distribution and for retailers in search of the latest, most innovative healthy products to stock for their customers.

In addition to our Expos and longstanding information products for the natural products industry, New Hope has published Delicious Living magazine for 30 years. Targeted to health and wellness enthusiasts who shop at natural products retailers, Delicious Living has provided New Hope with a longstanding and trusted touchpoint within the core consumer community for natural products. This has enabled us to support the success and growth of thousands of natural products brands and retailers in the United States and throughout the globe.

From our unique vantage point, New Hope possesses an unparalleled view of the natural products landscape, past and present. Yet, given how quickly consumer attitudes toward health and wellness are changing, we understand the importance of developing the tools that will provide us and the industry with a sharper, more actionable view into the future of natural, organic and healthy products.

III. OUR OBJECTIVES

As part of our effort to build these tools, in 2013 New Hope partnered with TNS North America to embark on our Market Innovation Consumer Segmentation study. The goal of the research was to more fully understand the continuum of consumer beliefs and behaviors regarding the acceptance and adoption of healthier eating habits and of a wide range of more nutritious and improved ingredients, products and packaging technologies.

This understanding will help us improve our Natural Products Expos and information services, but it will also enable us to fuel innovation within the natural products industry while supporting New Hope's mission of bringing more health to more people.

IV. STUDY OVERVIEW

Working with TNS, we surveyed more than 5,000 U.S. consumers in July 2013. The survey, which reflects more than 90 percent of the U.S. population, identified a new breakout of five distinct consumer segments based on attitudes and behaviors regarding the acceptance and adoption of healthy habits and products. These five segments are:

- #Young4Ever
- Chief Health Officers
- 4 Out of 5 Doctors
- Guilty and Defeated
- Life Tastes Good

The five segments within New Hope's Market Innovation Consumer Segmentation are defined by much more than demographics, such as age, income, family status and education level. Our research categorizes consumers based on attitudes and behaviors regarding nutrition and the acceptance and adoption of healthy habits and products. This approach to the research produced five highly differentiated consumer segments.

Predicting Future Product Success

Our Market Innovation Consumer Segmentation also includes a study mechanism that enables us to test healthy product concepts and ingredients with specific segments of the marketplace. For this portion of our research, we asked our consumer survey participants to evaluate 180 concepts, ranging from vegan protein powder to organic hummus to natural mint mouthwash. We measured participants' awareness of, interest in and purchase intent for each of the concepts tested.

We added this element to the survey to zero in on those products and ingredients with the highest growth potential in the overall market and among each consumer segment. This information will help brands and retailers predict which new product concepts will be most successful and then identify and target—with the right messaging—those consumers who are most likely to be early adopters of these natural, organic and healthy product offerings.

This research was not a one-time endeavor. Each quarter we test 120 product concepts—some new and some repeats from our original study—with another 3,000-plus consumers. The findings from this quarterly survey improve the predictive value of the research by providing ongoing visibility into those product categories and concepts primed for rapid growth, both in the traditional natural channel and in the broader market. It also enables us to identify product concepts that are poised to bridge from natural to mainstream.

V. WHY OUR SEGMENTATION IS DIFFERENT

Numerous consumer segmentations exist for the health and wellness market. However, we chose to conduct our own segmentation research to improve upon what currently exists in the marketplace.

The biggest differentiator is that our segmentation research is predictive in nature and serves as a market innovation tool. By testing concepts and ingredients with consumers, our segmentation identifies early adopters for a wide range of product categories and concepts. This creates a prognostic consumer segmentation that provides key insights on which segments to target for specific products and ideas for how to message based on the segment and product concept. Such information can help our clients determine which product concepts are a "triple crown" opportunity versus a "no go" proposition based on insights into which products are likely to take off and why.

Unlike other segmentations, New Hope's research has produced five highly differentiated segments. "We didn't get a lot of fuzziness between segments, which is often a problem in segmentation research," says Kirk Ward, executive vice president of market structure and analytics at TNS North America, New Hope's research partner for this study. "We were also able to identify some very interesting motivational drivers for each of the segments, as well as pinpoint those segments that have a higher proportion of early adopters of health and wellness products."

In addition, our Guilty and Defeated group identifies those consumers who want to be healthier but are not actively taking steps to do so. Because these consumers tend to say one thing and do another, the identification of this group helps solve for the "overstatement" that typically exists in traditional health and wellness segmentations.

Market Innovation Consumer Segmentation Unique Selling Points

- Identifies five highly *differentiated* segments
- Product adoption style incorporated — identifies *early adopters*
- Distinct orientations including the Guilty and Defeated, a critical "denial" group that solves for the traditional "overstatement" in health and wellness initiatives
- Provides targeting opportunities and strategies for a broad array of *product and ingredient ideas*
- Classifies product *momentum* such as triple crown versus "no go" products and provides *forecast* of trial potential
- Links to tracking to predict which products will "take off" and why

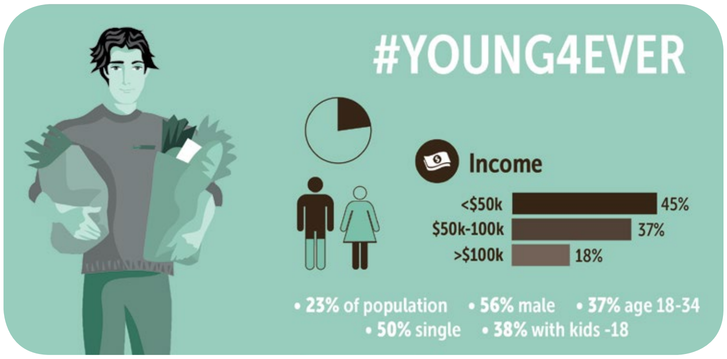
VI. THE FIVE SEGMENTS

The five consumer segments within New Hope's Market Innovation Consumer Segmentation are categorized based on attitudes and behaviors regarding nutrition and the acceptance and adoption of healthy habits and products.

In segmentation research, a segment is defined as a group of people who are more similar than different based on defined variables. It is important to note, however, that a range of behaviors and attitudes still exists within each segment. Although the Market Innovation Consumer Segmentation is based on much more than demographic variables, some clear demographic patterns emerge within each of the five consumer segments.

In our analysis of the five consumers segments, we are emphasizing the differences between each of the segments because this leads to more effective targeting and messaging.

Below is a deep dive into the five segments of New Hope's Market Innovation Consumer Segmentation and initial key takeaways for brands and retailers on how to target and message to each of these distinct consumer groups.



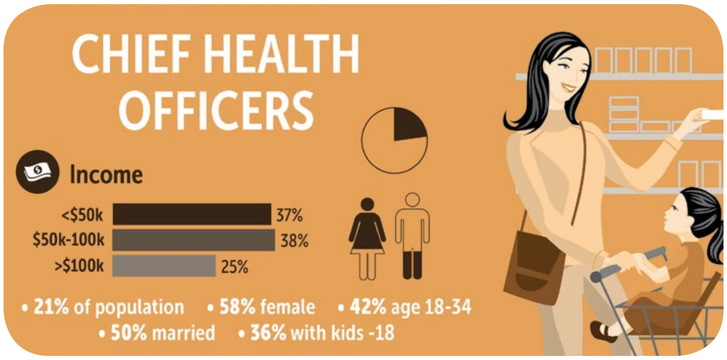
#Young4Ever: These members of the "in crowd" take more aggressive actions toward health and wellness because they want to stay feeling and looking young. Early adopters of new products (particularly those that are recommended by friends or social media networks), these consumers are impulsive brand switchers who are not as concerned with price as other shoppers might be.

Nutrition is a means to an end for the #Young4Ever shoppers. They are willing to sacrifice taste and pay more to stay healthy and maintain their weight and appearance. They're also more likely to be younger, more racially diverse males who focus on themselves and what others think of their health and wellness decisions. This group is more committed to natural and organic foods and dietary supplements, particularly sports nutrition supplements. The #Young4Ever segment also has a higher proportion of people who follow vegan and vegetarian diets.

Targeting takeaways:

- The #Young4Ever consumers are a high potential target for natural, organic and healthy product companies and retailers.
- Although they might not look like the traditionally defined health and wellness consumer, the #Young4Ever shoppers should be a key target for many natural, organic and healthy brands.
- To engage the #Young4Ever, messaging should:
    - Target anti-aging themes
    - Address their health worries
    - Focus benefits on how the product makes them appear to others
    - Promise youth
    - Leverage organic, natural, gluten free and vegan
    - Use easily accessible, broad-reach media vehicles
    - Create buzz and awareness
- Easily accessible, broad-reach media vehicles that skew male, younger and more ethnic are a good choice for reaching the #Young4Ever.
- Natural products retailers can cater to these lucrative wellness consumers by staying on top of and offering a rich assortment of products that tap into the latest health and diet trends, which today include vegan, paleo and personalized nutrition. Adding to their healthy aging and energy product sets—in ways that are inviting to both female and male shoppers—will also give retailers effective hooks for reeling in the #Young4Ever crowd.

To learn more about
#Young4Ever:
GO TO ARTICLE
GO TO VIDEO



Chief Health Officers: These goal-oriented, family-focused health managers eat healthy and are avid label readers who know what cues to look for on packages. Often the mothers of young children, the Chief Health Officers will test out and even pay more for health products—but only if those products are backed by research.

An important consumer segment for natural, organic and healthy brands, these active information seekers can be swayed by substantiated product benefit claims and clear and concise labeling. Their knowledge about food and nutrition also helps these shoppers to be good judges of food value and quality. They know what they are getting for the money and therefore are the least price-sensitive segment.

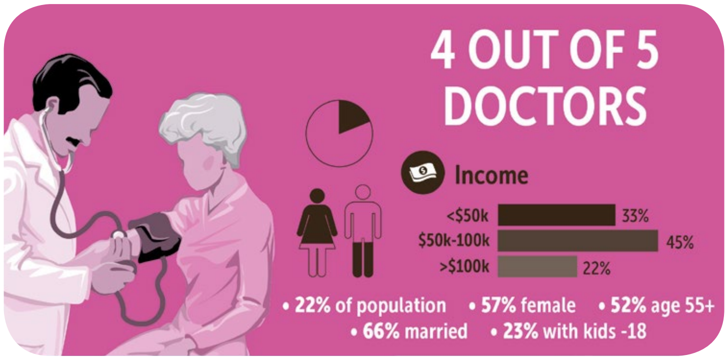
This consumer segment is also less likely to use supplements, in large part because they are skeptical that supplements provide any incremental boost over what they get from a good balanced diet. The Chief Health Officers rely on advice from trusted friends who have demonstrated knowledge to back up their advice. However, these consumers are more likely to be the advice givers than the advice receivers.

Targeting takeaways:

- The Chief Health Officers are a high potential target for natural, organic and healthy product companies and retailers.
- Targeting strategies and tactics for the #Young4Ever and Chief Health Officers are likely to be complementary. What you say to one group is unlikely to turn off the other. However, without claim substantiation, you will lose the Chief Health Officers.

- To engage the Chief Health Officers, messaging should:
  - Provide relevant benefits and explain new ideas clearly
  - Substantiate claims with data
  - Provide factual product ingredient information on labels
  - Target vegans and vegetarians
- Advertising vehicles that skew female, younger and higher income are a good choice for reaching the Chief Health Officers. Advertising buys should be based on frequency more than reach.
- The Chief Health Officers skew high in lead markets, so brands should consider implementing dedicated panels of these consumers for product development and test-marketing efforts.
- Natural products retailers focused on shopper education and product substantiation are in a great position to cater to the Chief Health Officers, who will view these stores as a trusted information and shopping resource.
- The Chief Health Officers love to share what they know with others, so brands and retailers who win them over are likely to win over their friends and family as well.

To learn more about
Chief Health Officers:
GO TO ARTICLE
GO TO VIDEO



4 Out of 5 Doctors: Made up of mostly older consumers (many of whom are married or widowed), the 4 Out of 5 Doctors segment is aptly named because these shoppers listen first and foremost to their doctors and actively follow traditional health and wellness advice. This is why these shoppers are the most likely to be on a diet, particularly one that eschews carbs, calories, fat and sodium.

The primary wellness goal of the 4 Out of 5 Doctors group is maintaining quality of life in the face of aging. These people strive to stay active both physically and mentally. They also tend to be active users of dietary supplements, particularly vitamins, minerals, fish oil and other stalwart products that been recommended by their doctors.

Although they care greatly about product safety, consumers in this group purchase fewer natural and organic products because of price. Consumers in this segment are also less likely to try new things because they are happy with current choices and are very brand loyal.

Targeting takeaways:

- The 4 Out of 5 Doctors group represents moderate potential for natural, organic and healthy product companies and retailers.
- To engage the 4 Out of 5 Doctors, messaging should:
  - Include practitioner testimonials or recommendations
  - Tie in benefits with conventional wisdom when possible
  - Build distribution in larger chains and outlets
- Gaining new trial with the 4 Out of 5 Doctors group isn't easy; however, it can be done by winning over these shoppers' practitioners.
- Partnering with longstanding community physicians for shopper education and senior lifestyle-related events is one way for retailers to connect with this consumer segment.
- Carrying more traditional brands—ones that are well known and liked by healthcare practitioners—is another way retailers can attract the 4 Out of 5 Doctors segment.

To learn more about
4 Out of 5 Doctors:
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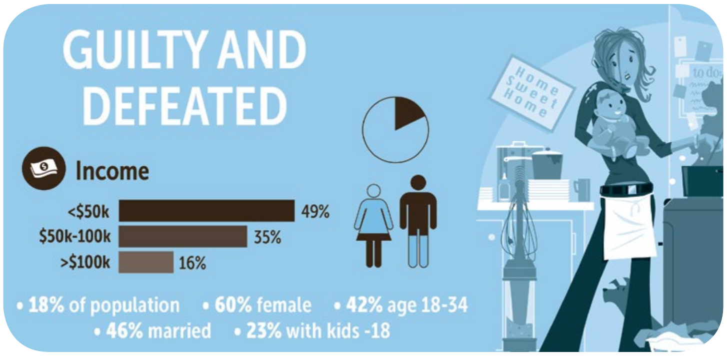
GO TO VIDEO



Guilty and Defeated: Time-strapped and stressed out, these consumers want to be healthy but don't actively pursue health and wellness. They feel guilty about this but busy, hectic lives prevent the Guilty and Defeated from taking control of their diets and wellness. The result is low-energy, defeated shoppers (many with young kids) who pay little attention to labels and focus on convenience and price.

Although they are not strict parents (the way the Chief Health Officers are), the Guilty and Defeated consumers care deeply about family—often to their own personal detriment. Their children (and usually they have more than one under the age of 12) are often actively engaged in sports and other activities.

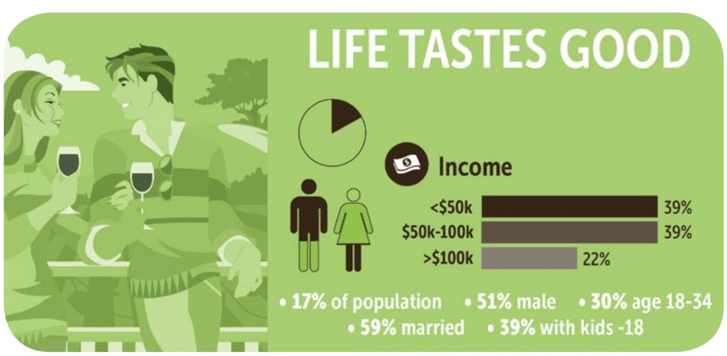
Given their time constraints, convenience is important to the Guilty and Defeated. They will almost always make expedient and pragmatic trade-offs when it comes to food choices and will frequently use snacks or treats as bargaining ploys to attempt to influence a desired behavior in their kids.

The good news is that these consumers are active on social media and tend to try new things, so gaining trial with the Guilty and Defeated isn't impossible for natural, organic and healthy products brands. The challenge is turning them into repeat buyers.

Targeting takeaways:

- The Guilty and Defeated group represents weak potential for natural, organic and healthy product companies and retailers.
- To engage the Guilty and Defeated, messaging should:
  - Reinforce compliance
  - Address stress and anxiety benefits
- The Guilty and Defeated shoppers are very "now" oriented, so create areas of your store where these consumers can easily find convenient,cost-conscious approaches to healthy family meals.
- Coupons and special promotions can also help retailers help these shoppers and their families.

To learn more about
Guilty and Defeated:
GO TO ARTICLE
GO TO VIDEO



Life Tastes Good: These relaxed, happy-go-lucky shoppers understand nutrition and health concerns but prioritize taste and living life to the fullest. They choose food because it is delicious and enjoy cooking meals at home with family and friends. The end result is a consumer segment that is relatively healthy, is satisfied with current brand choices, and avoids natural and organic foods because of taste perceptions.

Consumers in this segment tend to lead active lifestyles and are not particularly diet conscious. They are also aware of their bodies and know when to drawn the line on consumption; they do not binge, but they also do not deny themselves.

The Life Tastes Good shoppers are loyal to brands that they can count on for quality and good taste. As a result, they often avoid private-label brands. They are knowledgeable about ingredients in their meal preparation but they use that knowledge not to avoid certain foods but to moderate the use of those foods. These consumers also tend to steer clear of supplements, often because they have concerns about product safety.

Targeting takeaways:

- The Life Tastes Good group represents weak potential for natural, organic and healthy product companies and retailers.
- Natural, organic and healthy product brands face an uphill battle in convincing these consumers that taste and health can go hand in hand.
- Retailers can cater to these foodie shoppers by hosting healthy cooking classes and product demos that are yummy enough to prove that healthy can be delicious.

To learn more about
Life Tastes Good:
GO TO ARTICLE
GO TO VIDEO

Top early adopters

This segmentation clearly identifies two early-adopter segments: the #Young4Ever and Chief Health Officer groups. Both segments can be counted upon to embrace new healthy products if those products are positioned the proper way, carry the right claims and messaging and contain the proper ingredient set.

#Young4Ever

The #Young4Evers specifically pride themselves on their openness to try new products. This openness is affected by the fact that these consumers are fad influenced; rely on friends to validate their choices; operate socially/virally; and, by virtue of being motivated to stay young and healthy, can be especially engaged with the right messaging.

Increasing usage of:

- Antioxidants
- Calcium
- Fiber
- Natural & organic
- Proteins
- Vitamins/minerals
- Whole grains

Decreasing usage of:

- Trans fats
- Artificial sweeteners

Chief Health Officers

The Chief Health Officers operate similarly. Two prime differences between the groups are that 1) the Chief Health Officers have a "for the planet" value filter that the #Young4Evers do not (theirs is more about "for me" values); and 2) the level of validation and substantiation Chief Health Officers require for concept adoption is much higher because they are the rule makers and enforcers for their families.

Increasing usage of:

- Antioxidants
- Calcium
- Fiber
- Natural & organic
- Proteins
- Whole grains

Decreasing usage of:

- Carbs
- Fats
- Sugar
- High fructose corn syrup
- Trans fats
- Sodium
- Artificial sweeteners

VII. WORKING WITH THE SEGMENTATION

New Hope's Market Innovation Consumer Segmentation is a valuable stand-alone tool that can be used by brands and retailers to better understand the broader universe of potential customers for their healthy products and identify new high-potential targets for their offerings.

For example, this segmentation can help a brand with a healthy-aging supplement see that the #Young4Ever segment could be as good (if not better) a consumer target as Baby Boomers, who have traditionally been the target for products with healthy-aging benefits and positioning. Similarly, this segmentation makes it clear that other consumer groups—including the #Young4Ever segment—are high-potential targets for natural and organic food brands beyond the "uber mom" consumer, who has long been the typical target within the natural and organic industry.

NEXT Trend solution

In addition to serving as a stand-alone research piece, the Market Innovation Consumer Segmentation was designed to work closely with New Hope's Next Trend solution to create an interactive, dynamic tool that enables companies to predict how product concepts would perform with specific consumer segments in specific portions of the United States.

To date, the 180 product concepts tested within the initial phase of our segmentation research have been mapped across specific grocery categories within the NEXT Trend tool.

As part of this, we inferred other similar relationships for related product categories to create a comprehensive product view. This is currently displayed in the Concept Lab area of the NEXT Trend solution (see Figure 1).

The NEXT Trend Concept Lab is a tool for product formulators, marketers and innovators to measure the awareness of, interest in and purchase intent for individual product concepts among our five consumer segments. The result is an affinity score that when multiplied against the population and percentage of a segment within a region provides a quantified success score for each concept, by segment and region (see Figure 2).

Even at this stage, patterns begin to emerge regarding the value of the segmentation itself as part of the concept development and validation process—a purpose for which the research was originally uniquely designed.

Future work involves using Tipping Point analysis to measure additional concepts and categories and affinity toward ingredients, social values and claim and certification product modifiers.

Affinity toward healthy products and lifestyle

In addition to examining beliefs, values and behaviors related to health and wellness, New Hope's Market Innovation Consumer Segmentation tested product concepts that would typically be found on a Natural Products Expo show floor. Other traditional segmentations would theoretically, but not always, have identified affinity against a set of product benefits, cost and other factors, done as a mass screen to establish general patterns. Our segmentation is different because we tested specific product concepts versus ideas about products and values. We deliberately broke from segmentation norms and tested actual product concepts in an effort to help brands save time and money during the product development process.

Testing values to inform claims and certifications

Along with testing product concepts, we specifically investigated beliefs and affinities toward the values traditionally associated with health and healthy lifestyle products. We did this to help product marketers make more informed decisions regarding the claims and certifications they pursue for their products.

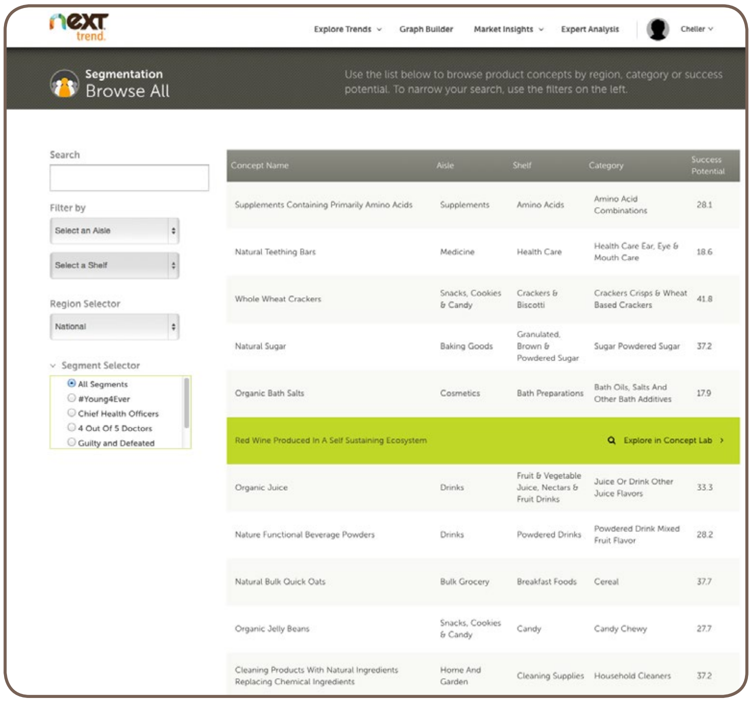


Figure 1

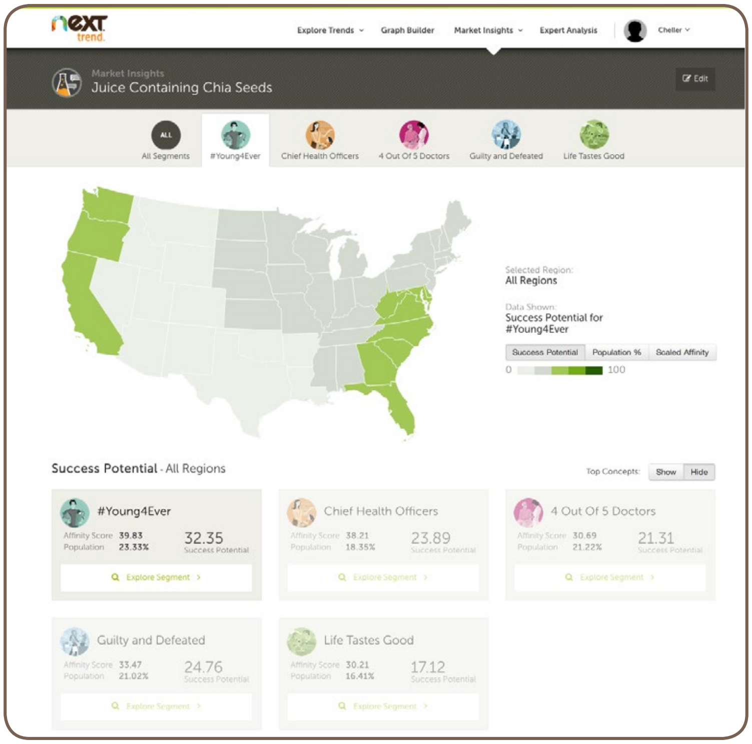


Figure 2

Interestingly, it was at this point of our study that core differences between the #Young4Ever and Chief Health Officers began to emerge. Although values such as natural, organic, gluten free and vegetarian resonated strongly with both groups, artificial sweeteners were a turn-off for Chief Health Officers, and values such as local, eco and sustainable, which resonated strongly for Chief Health Officers, were almost irrelevant to the decision-making process of #Young4Evers.

4 Out of 5 Doctors, while health conscious, did not voice strong opinions for or against particular social values but certainly did against ingredient values such as artificial sweeteners, trans fats and sodium. Although worry is high for the Guilty and Defeated group, these consumers are not motivated much by social values or ingredients. (They did, however, say they were staying away from artificial sweeteners.) Finally, for the Life Tastes Good segment values, ingredients and all other factors take a back seat to taste.

Shortening the product development cycle

A deliberate intent behind our segmentation was to create a tool that would help shorten the product development cycle. While we understand that this predictive tool could never completely replace traditional product development practices, the use of the segmentation within the NEXT Trend solution would certainly reduce the time, money and resources needed during the product development process, particularly for medium to large CPG companies. This is because the segmentation tool can help brands prescreen concepts before putting them through the traditional product development testing process, enabling brands to test fewer concepts and focus development resources on those concepts most likely to succeed.

In addition, the segmentation tool allows brands to align marketing and other targeting information to specific concepts, mapping that information against census population information and segment affinity scores to determine market potential and strategy. This enables more mature concepts to be vetted earlier in the process.

By optimizing at the front end, better concepts are run through traditional models, saving time and money. By adding marketing and other contextual data in an informed manner right at the outset, the product evaluation process is again optimized.

Supporting retailers

The segmentation tool as part of NEXT Trend also enables CPG companies to support retailers with product innovation. Knowing that their store shelf space is constrained and that consumers are constantly looking for new products, retailers are increasingly demanding novel, winning concepts from CPG partners. This tool allows CPG companies to proactively manage this pressure by bringing to their retail partners vetted concepts for which they have calculated market potential and developed messaging for specific consumer segments. The result is a better partnership with retailers, both conventional and natural.

This segmentation tool also helps both CPG companies and retailers because it enables the identification of concepts that consumers will want to trial and repeat purchase. This helps to solve the problem created by product concepts that do very well at trial but then prove to be weak in the area of repeat purchase. The result is stronger CPG credibility in the eyes of the retailer.

VIII. CONCLUSION

The use of New Hope's Market Innovation Consumer Segmentation does not fully replace more traditional and formal processes for concept testing and message modeling; instead, it optimizes it.

As competition increases across channels and as retailers drive to optimize finite space, this prefocusing solution assists all marketing, product development and retail shelf management to bring more successful, resonant products, with better described concepts, to market sooner.

The segmentation overlay of the NEXT Trend solution helps focus, optimize and reduce new product development risk. Everyone involved will have a much deeper understanding of what concepts appeal to which segments, where concepts will succeed, and what opportunity they represent.

APPENDIX A

TNS Research Approach

1 Discover

- Stakeholder interviews with New Hope key stakeholders
- Prior research review
- Natural Products Expo observations

2 Map the Market

- Multi-Domain Segmentation conducted via an online survey (5,500 respondents)
- 180 ingredients analyzed to see which are posed for future growth

3 Bring Segments to Life

- Through ethnographic interviews uncover insights into people's lifestyles and observe how they use the environment and objects
- Integrate findings into inspiring video to use on a website and at food shows

4 Predict Growth Opportunities

- "Tipping Point" Monitor predictive markets approach to be conducted quarterly (N=3000)
- Monitor products/ingredients among gen pop, segments and early adopters; leverage engagement measures
- Provides rough estimates of market success rates for up to 120 products
- Both options use segmentation typing tool to track segment makeup and direct clients for targeting

Study Methodology

For this study, TNS used an approach called **Multi-Domain Segmentation**. The main benefit of multi-domain segmentation (sometimes called holistic segmentation) is that it can build multiple types of variables into the segmentation and understand relationships between these variables. Given the ongoing objectives of segmenting on a wide range of variables, MDS was a perfect fit for New Hope's objectives. Traditional, stand-alone segmentation approaches such as attitudinal segmentation or occasion-based segmentations can inhibit an integrated picture of customers and their needs. Multi-domain segmentation (MDS) considers many domains—behaviors, attitudes, needs, motivations, demographics and lifestyles—and creates a holistic, informative map of the market and its customers.

How MDS Works

Multi-domain segmentation is based on the relationships between the different domains (or variable sets or classes). Such linkages are obtained by **Canonical Correlation**, which calculates factors common across domains, called canonical factors. These factors are the basis for deriving segments using cluster analysis.

The use of canonical factors forces segments to be maximally different on all domains simultaneously. Without the canonical correlation step, the cluster analysis tends to yield segments focused on only one domain.

For this study the key domains used for segmentation were:

- Dietary/lifestyle habits (consumption and frequency)
- Dietary/lifestyle beliefs (focus on health and nutrition beliefs)
- Awareness, usage and attitudes toward various nutritional ingredients
- Early Adopter classification (based on TNS's validated Early Adopter classification tool)
- Media habits (mainstream and social media)
- Food shopping behaviors (class of trade type and frequency)
- Demographics

The MDS process finds the optimum subset of these domains to create a consumer segmentation of the general population (18 years and older). The remaining domains were used to further profile the derived segments.

Data Collection and Sample

New Hope's Market Innovation Consumer Segmentation research was conducted as an online survey of the general U.S. population (18 years and older). The TNS LightSpeed panel was the source of our sample. The sample was drawn such that the returned survey responses correctly reflect U.S. population proportions for those 18 years and older. The return sample was balanced by sex, age and income levels. In addition, the sample was representative of the nine key census regions on those variables.

The ending sample size was just over 5,500. This ensured that there were adequate samples sizes among key subsamples, product/ingredient usage groups, census regions and especially among the derived segments so that inferences from these subsamples were made reliably.

TNS also identified hypothesized "lead" or "lag" markets to act as bellweather indicators of consumer trends.

We used the number of respondents that naturally fell out from our recruitment and supplemented those with enough additional respondents to be readable.

The questionnaire length was approximately 30 minutes. This was the maximum length for an online survey without incurring a significant risk of respondent dropout and less accurate responses.

In addition, in-home ethnographic interviews with representative segment members were conducted to help team members know, understand and identify with each segment.