

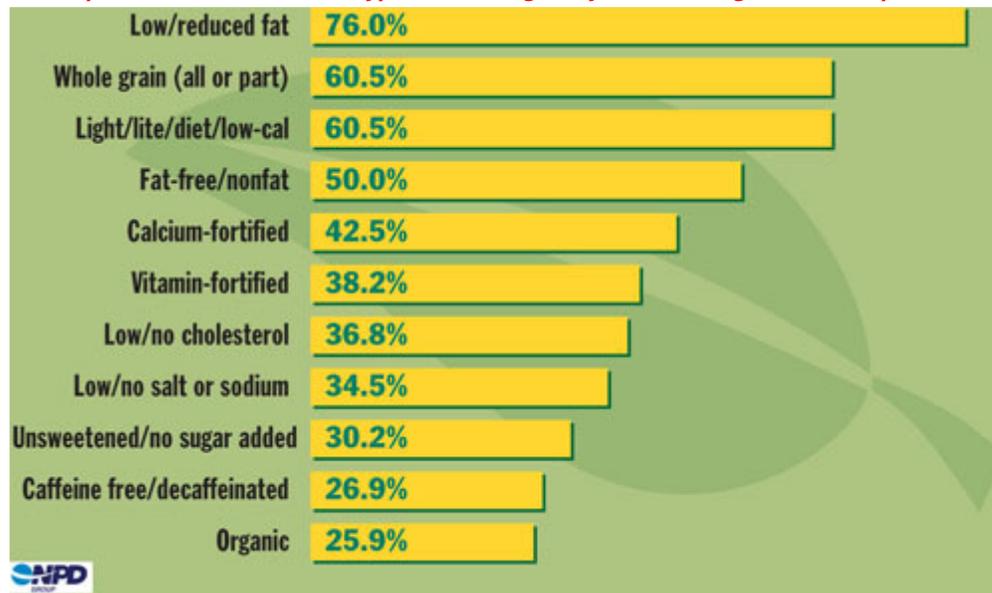
Organic foods' popularity spreads to all demographic groups

By FERN GLAZER

(Oct. 20, 2008) Organic consumers are no longer the hippie health nuts of decades past or even the affluent, thirty-something women of just a few years ago. Today's organic consumers come from all demographic groups and spend more money than ever on organic foods and beverages, according to new data from market research firm The NPD Group and the Organic Trade Association.

Low-fat, whole-grain items among most popular food trends

Percentage of respondents who eat each type of food regularly in an average two-week period



SOURCE: THE NPD GROUP/NATIONAL EATING TRENDS; FOR THE 2 YEARS ENDED FEBRUARY 2008

While the growth in organic purchases is primarily in the retail category, consumers are demanding these offerings more when they dine out, and restaurant operators need to meet these demands, said officials of Port Washington, N.Y.-based NPD. "It really is growing, so restaurant operators will have to provide some of these kinds of products," said Bonnie Riggs, an NPD analyst.

Sales of organic foods and beverages—typically described as items produced without the use of artificial pesticides, herbicides and genetically modified organisms—have experienced double-digit sales growth each year since the 1990s, according to a recent Manufacturer Survey conducted by the Organic Trade Association, a Greenfield, Mass.-based group that encourages global sustainability by promoting organic trade. In 2007, retail sales of organic foods and beverages reached \$20 billion, up from about \$4 billion in 1997. That growth is expected to continue, and sales are expected to exceed well beyond \$20 billion by the end of 2008.

"The group is growing bigger and bigger, and they are buying more items per person," said Barbara Haumann, a spokeswoman for the Organic Trade Association. "When they eat, they want organic." A recent NPD study provides further proof that a significant number of Americans want organics. In the two years ended February, approximately one-fourth of those surveyed said they eat at least one organic product in an average two-week period.

In the six-month period ended in January, 26 percent of those surveyed said they considered themselves regular organic users. "Organic is mainstream," said Darren Seifer, food and beverage analyst at NPD. Just a decade ago the organic user was typically described as woman in her thirties with one or two children. Today, organic users are no marginal group. "That whole profile has been thrown out the window," Haumann said. "Now it covers all demographics."

The definition of the organic consumer has continued to evolve even in the past few years, NPD data reveal. Just three years ago, adults older than 55 were the primary users of organic foods and beverages, but today it's young adults and kids. In the 24-month period ended February 2008, adults aged 35 to 44 consumed organic food and beverages nearly 55 times annually, up from about 22 times in the 24-month period ended February 2005. During the same period, children younger than 6 ate organics 50 times a year, up from 20 times, and adults aged 18 to 34 consumed organics about 40 times a year, up from just 12 times. Older adults continued to contribute to the growth, just not as strongly. In the 24-month period ended February 2008, adults aged 55 to 64 ate organics 45 times annually, up from about 32 times a year in the 24-month period ended February 2005.

Organic users may be from different generations, but they have a lot in common when it comes to the environment, NPD discovered. In the six-month period ended in January, of those consumers surveyed that consider themselves organic users, more than 70 percent said they are very or somewhat concerned about the environment, compared to just 52 percent of all respondents. Organic users also have a higher awareness of environmental terminology, NPD found. In the six-month period ended in January, more than half of organic users surveyed said they are familiar with the term "carbon footprint," compared with just 39 percent of all respondents. In addition, more than 60 percent of organic users said they are familiar with "sustainability," compared with just 50 percent of all respondents. "It's important for companies to have that green halo around them," Seifer said. "These kinds of messages resonate with these consumers."

Perhaps because the morning meal is most often associated with healthful eating or because organics have a health halo around them, consumers eat organics most often at breakfast, NPD found. In the 12 months ended in February, on average consumers ate an organic product for breakfast at home approximately 11 times, up from 10 times a year earlier. During the same period, consumers ate an organic product for lunch at home five times, up from four times. There was no increase in consumption of organic fare for dinner at home, which remained flat at eight times. "It's still breakfast that seems to be the biggest opportunity," Riggs said.

As the demand for organics grows, more restaurant operators are considering traveling the organic road, and many are seeking out consultants well versed in the subject to help them navigate it. Aaron Noveshen, founder of The Culinary Edge, a San Francisco-based consulting firm, has seen significant growth in the number of clients seeking advice on going organic. The first thing he tells operators is to figure out if organic is right for their brand. "Is it important to your guests?" Noveshen said. "Understand your guests. Ask them." But even when increasing the number of organic offerings is the right move, many operators are overwhelmed at where to start and at the high cost of doing so, Noveshen said. "[Organic] chicken costs a fortune," Noveshen said. "One great place to start is the commodity area...lower-priced items [such as] rice, greens, vegetables, bread...dairy. Two of the biggest [organic categories] are milk and baby food, so another great place to start is your kids' menu."

As recently as three years ago Denver-based National Restaurant Consultants wasn't dealing with any organics. Today, 35 percent to 40 percent of the firm's business is "organically involved," said chief executive Kevin Moll.

"It's a major long-term trend with legs on it," Moll said. "[Operators] can't ignore it."

Before operators go the organic route, Moll advises them to first educate themselves about the industry, understand how organic items fit into their restaurant, conduct a complete menu analysis and then roll out a menu that makes "blended sense both for the operator and the guests." However, among the most important pieces of advice the firm doles out is not whether or not to go 100 percent organic or what products to add to the menu, but how to market and advertise it all, Moll said.

"The ultimate mistake for a restaurant operator would be to purchase organic items and not explain [it] to the consumer," Moll said. "You have to avoid marketing disconnects...when consumers don't know what they're buying."

As for the price issue, even during these tough economic times Moll says operators should pass the increased cost of organics, which can be up to 20 percent more than conventional foods, on to consumers. But he says that doesn't mean that the products can't still be perceived as a good value.

"The wording on your menu is of the utmost importance, now more than ever," Moll said. "It helps soften the blow of a high menu price. People are going to be more aware of what they are buying.... [Tell them] why it's a better item today than a year ago."