

THE ATTRACTION OF TRANSPARENCY:

Getting to the Root of
What it Means for Your Brand
and Your Customers

Many consumers are now interested in the substance behind the products and brands they buy, from the ingredients used and how products are made, to what the brand stands for.

Their desire for more information is translating into what is likely the biggest trend in consumer packaged goods in a decade, which we now call it “transparency.” The concept is holding sway across all foods, with even indulgent products seeing a benefit from increased product and brand openness.

The concept has big implications for products and brands, but defining it is not so easy. Transparency is not a one-size-fits-all proposition, so companies are struggling to understand what the term means specifically for their customers – and how to translate those ideas into actionable strategies to meet consumer needs.

TRANSPARENCY DRIVES CONSUMER PURCHASE BEHAVIOR:

39% will switch to a new brand that provides clearer and more accurate information.

56% say they will be loyal for life if a brand provides complete transparency.

81% say they would consider a brand's entire product portfolio if they switched to a brand for increased transparency.

Source: 2016 Label Insights Transparency ROI Study

First of all, it's little wonder brands are having a tough time keeping up. The world is changing quickly, and access to brand information is only as far away as a consumer's smartphone. According to a recent study from SAP Hybris, transparency and brand trust are now more important for consumers than customer service. The study notes that more than half of the global population has access to the internet and/or uses a smartphone, and 39 percent are active social media users.¹

At the same time, consumers now want more detail about the products they purchase than what is required on a product label, according to the 2016 Label Insights Transparency ROI Study. And if a company does not provide this information, consumers are increasingly likely to look for another company or brand that will. What's more, product information is increasingly available at consumers' fingertips, and they are not afraid to look it up. More than nine in ten consumers now say they verify label claims on healthy and nutritious products in some way by checking the ingredients on the label (71%), looking at a third-party website (42%), or visiting the brand's website (27%).²

The trend is not limited to just a few product categories. When asked to rate the importance of transparency in food categories, in the Label Insights Study, consumers indicated it is important across the board. It is highest for dairy products and fresh foods like produce and meat, with more than 90 percent calling it at least “somewhat important,” and close to three in four calling it “very important” (Produce 75%, Dairy 73% and Meat 78%). Transparency also ranked as “very important” for close to half of respondents in all the product categories surveyed, and at “very or somewhat important” to at least eight in ten consumers for most other food categories, including frozen foods, bread and bakery, and snacks and candy.²

So how do most consumers define or determine if a company is being transparent? That’s the million-dollar question, but the LI Transparency ROI study does provide some insights (see chart below).

For brands that provide transparency, there is a significant upside. Not only does transparency influence consumer purchases, it also promotes brand loyalty and boosts a consumer’s willingness to pay more for a product. Nearly three in four consumers say they are willing to pay a premium price for a brand or product that they feel offers clarity about its ingredients, sourcing and nutritional value.²

However, the devil is in the details, so here are some tips and strategies for providing consistent, transparent messaging about your brand.

Ingredients Matter

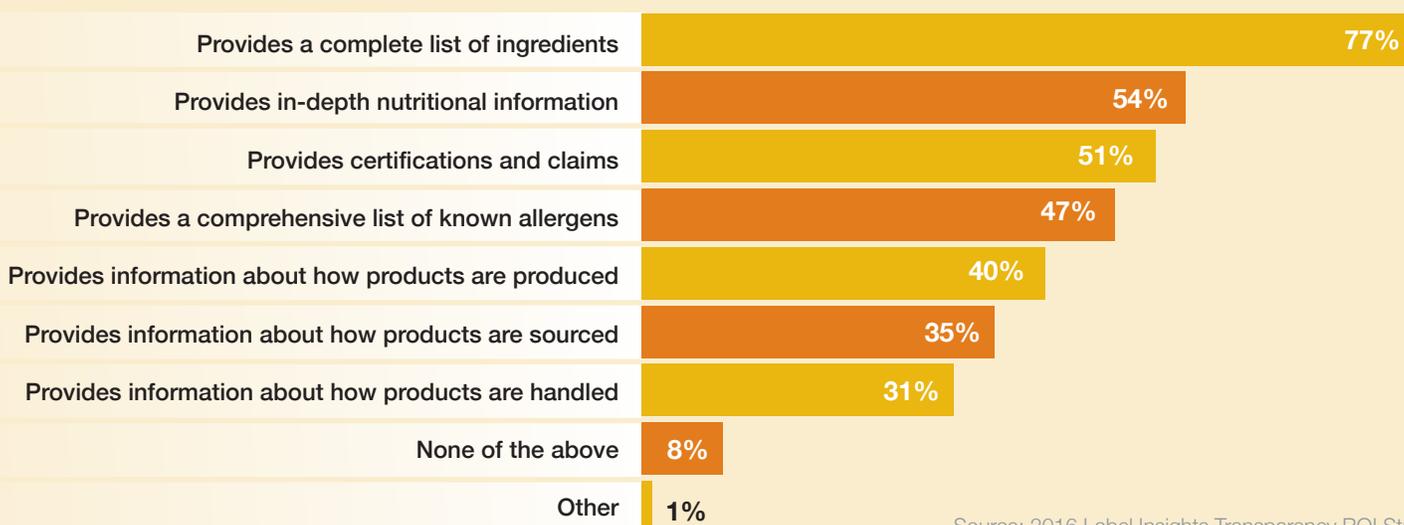
The concepts of transparency and clean label have become increasingly intertwined, as the push for transparency allows consumers to easily opt in on issues they care about by purchasing products that are sustainably or ethically produced or that are free from ingredients that they see as undesirable, such as artificial colors and flavors, GMOs, hormones and antibiotics. While most consumers have

a varying laundry list of product attributes they find appealing, many are showing heightened interest in clean-label products with simple, short ingredient lists, and are looking for ingredients that meet specific measures such as sustainability, agricultural standards like non-GMO and USDA Organic, or certifications for fair trade, humane treatment of workers, or animal welfare.³ This trend is likely to continue, and as consumers scrutinize ingredient decks and look further down the ingredient list at those secondary ingredients, like excipients, preservatives and additives, that may be an issue for them.

Messaging and Claims are Tricky

The Label insights Transparency study notes that some consumers are fairly distrustful of brands overall, and they are particularly picky when it comes to products making claims around health and nutrition. Only 51 percent said they believe a brand when it claims to be healthy or nutritious. This data is reiterated by the Edelman ad agency, whose 2017 Edelman Trust Barometer notes that overall trust in media is declining, and that consumers are particularly distrustful of ads preferring an approach that makes them feel “talked with” as opposed to being “talked at.”⁴

Consumers use the following factors to determine whether a food manufacturer is being transparent about its products:



Source: 2016 Label Insights Transparency ROI Study

PACKAGE CLAIMS THAT ARE GAINING GROUND:



Source: Nielsen Product Insider, powered by Label Insight, 52 weeks ended May 20, 2017

As a result, consumers are increasingly drawn to social media for their information. They find the more spontaneous style of information more personal and thus more credible.⁴

Get your story straight – and stick to it

The days of clever, slick ad campaigns may be over. The power of brand success is increasingly in the hands of discerning consumers.⁵ In other words, consumers, especially those in the younger generations, care not only about what a company does, but why they do it.

The Edelman brand study, for example, noted that a brand’s position on social and political issues is increasingly important, with half of the respondents noting they are belief-driven shoppers, and nearly two in three saying a company’s position on an issue could affect their purchase decision either positively or negatively. The takeaway is that, if you have a mission, tell your customers about it. If not, consider adopting an issue or cause that fits with your company or strategic objectives.

And even if all your processes are not where you want them to be, move in the direction of clarity. Tell your customers what you are doing to solve the issues.

Ultimately, these trends will continue to gain ground as younger consumers, both Gen X and millennials, continue to increase their earning power. If you are already establishing transparent practices, you are ahead of the game... and if not, it’s time to get on it.

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