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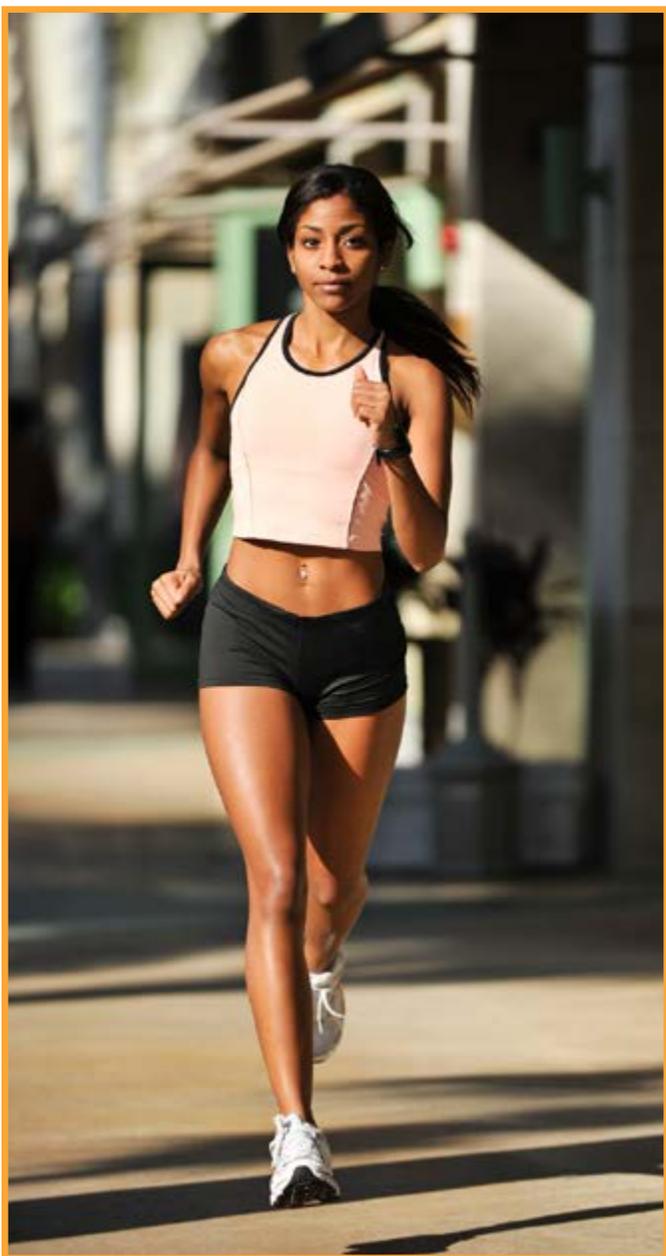
MAY 2013
INTELLIGENCE REPORT

healthy
IS THE NEW *sexy*

healthy

IS THE NEW

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There's a growing focus on health and fitness that's shaping consumer behavior. And for good reason. Factors like increasing rates of childhood obesity, longer life spans and the impact of future healthcare expenses have everyone's attention. What's showing up at retail is a fascinating response across industries and in surprising places.

Active apparel is mainstream fashion and players are turning healthy fare into on-the-go fuel. Innovative brands are extending their products into events, clubs and social movements and becoming ambassadors of health and wellness education. Even in the rarified world of beauty, airbrushed perfection is giving way to a more attainable standard that is meaningful and long lasting. When it comes to consumer goods, new products are demanding packaging that communicates what's inside. We've identified a few of the consumer demands that are shaping the trend right now, which brands are responding and how.



HEALTHY ON THE GO

Eating well and staying active on the road used to be an almost impossible task, but the desire to fuel an on-the-go lifestyle in a healthy way is demanding new responses. Today, many retailers are making healthy food choices convenient and fitness accessible beyond the gym.

Napa Farms Market, located in San Francisco's Terminal 2, brings local, fresh, sustainable food "from Farm to Flight." The concept is not unlike that of the San Francisco Ferry Building, known for its diverse, artisan food offer, and even features some of the same brands that are found in the famous marketplace. But that's not all the SFO Terminal 2 has to offer. Visitors traveling through the airport now have the opportunity to enjoy a truly Zen moment in a 24-hour yoga studio by taking a moment to stretch out and relax before dashing to their next destination.

Hotels are notably taking a hospitable approach to healthy. **Westin Hotels** partnered with **New Balance** for a "Gear Lending" program to provide guests with everything they need to workout on the road. Their commitment to fitness doesn't end there, though; they've mapped out three and five mile run routes so guests can keep to their exercise regimen while seeing the sites of a new city. Many of the hotels offer "run concierges" for guests who want the option of running with a hotel employee. While Westin is keeping travelers geared up to go, **MGM** takes the focus in-room with their "Stay Well" program at the MGM Grand Hotel in Las Vegas. MGM partnered with wellness real estate developer Delos, Dr. Deepak Chopra and the

FASHIONABLY FIT

Runway fashion always mirrors (even abstractly) elements of popular culture, and popular culture embraces the excitement of fashion. Never have the two been so closely aligned as now. As women stride confidently out of the gym and into their days wearing stylish Lululemon leggings, top designers like Stella McCartney and Marc Jacobs spiced their 2012 and 2013 designer collections with riffs on athletic wear. Fitness brand **Adidas** partnered with **McCartney** to create premium sports apparel; in 2012, the brand opened its first stand-alone store, Adidas by Stella McCartney, in London.

But what's behind the idea is the ideal. Activewear has become social signage, and is as aspirational as carrying a designer handbag—a badge that one leads an active, healthy and productive life. The proof is in the register rings: women's activewear alone has doubled in the last 10 years to become a \$14 billion industry, according to NPD research, and is expected to grow another 9% this year. Gone are the days of no-name loose tees and baggy sweats; women today want workout wear to be both body conscious and fashion-forward.

Cleveland Clinic to integrate 18 in-room wellness amenities including: vitamin C-infused showers, aromatherapy and an air purification system, LED night lighting and dawn simulator alarm clocks. This takes hospitality beyond just typical complimentary toiletries by offering a holistic and healthy approach.

SERVING UP HEALTHY

Offering healthy options isn't just good business, it's profitable. In 2012, restaurant chains providing lower-calorie food offers demonstrated superior same-store sales growth and increased customer traffic, according to a report from the Hudson Institute.

Sweetgreen, a fast-casual concept serving salads, wraps and frozen yogurt, was developed in 2008 by three Georgetown college students who were frustrated with the lack of healthy options available on campus. They wanted to create a concept that provided local, organic food at an affordable price in a cool environment—better yet, a sustainable environment. Sweetgreen offsets 100% of their energy with wind energy and uses high efficiency equipment, 100% plant-based compostable packaging and furniture made from reclaimed woods. They even compost

food scraps in their kitchens and, in some stores, they've added solar panels on the roof. This farm-to-table salad shop is growing in popularity with a total of 16 locations spanning the northeast.

LYFE Kitchen (an acronym for “Love Your Food Everyday”) was created in 2011 by former McDonald's chief operating officer Mike Roberts, and offers consumers freshly prepared, healthy foods in a quick-service setting. The menu features items that are made with organic and local ingredients and tally a mere 600 calories or less. When it comes to sustainability the menu is not the only focus; building materials include furniture made from recycled milk cartons and tables made of bamboo and salvaged wood. One of the signature elements in the space is an indoor herb wall featuring the various herbs that are found in the meals, including chives, basil, sage and thyme. Roberts aims to franchise the concept and make it as accessible as the Golden Arches that are found on most street corners.

Starbucks, the brand that successfully created the “third place,” saw an opportunity to cater to consumers beyond coffee. The brand identified the cold-crafted juice segment as a huge opportunity to reach health-minded consumers. In 2011, they purchased the brand **Evolution Fresh** and created four retail locations offering cold-pressed juices as well as wraps, salads, soups and more. The store design utilizes mostly white and neutrals, which allows the vibrancy of the vegetables and other ingredients to stand out through imagery and packaging. A beacon in the space is the “tap wall” with eight spigots offering a variety of juice flavors that can be enjoyed individually or blended together for a custom creation. The brand encourages consumers to “Drink It All In” and “Squeeze Life.”

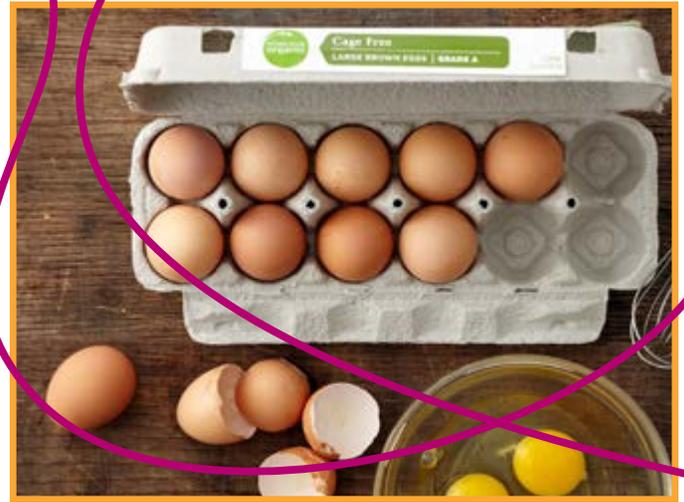


IDENTIFYING HEALTHY OPTIONS

What about consumers who are preparing meals themselves, at home? New shelf-level communications are being developed to help healthy-minded grocery shoppers cut through the clutter to make informed purchase decisions.

Earlier this year supermarket chain **Kroger** launched their **Simple Truth** line featuring 200 organic and natural foods. It should come as no surprise that the chain would make such a push into the organic and natural foods sector when 78% of U.S. families now say they buy organic foods, the highest level ever, according to the Organic Trade Association. And with the line consisting of private label or store branded products, Kroger is able to offer organic items at a more affordable price than competing national brands. Aligning with their goal of “keeping it simple,” the product packaging uses a circular green icon to make it easy to find the brand on store shelves and combines the mark with communication that is straightforward and easy to understand.

Supermarket brand **Giant Eagle** has also simplified the selection process for shoppers. In 2011, they launched the **NuVal Nutritional Scoring System**, which ranks food products on a scale of 1 to 100, with a score of 100 identifying the healthiest items available. The numeric scoring system reflects a variety of nutritional information, including sugar, fiber and trans fat content to calculate the item’s total score. What’s notable about the system is that it was created by nutrition and public health experts—giving the system credibility while also giving consumers confidence as they make their selections. The NuVal system is just a piece of



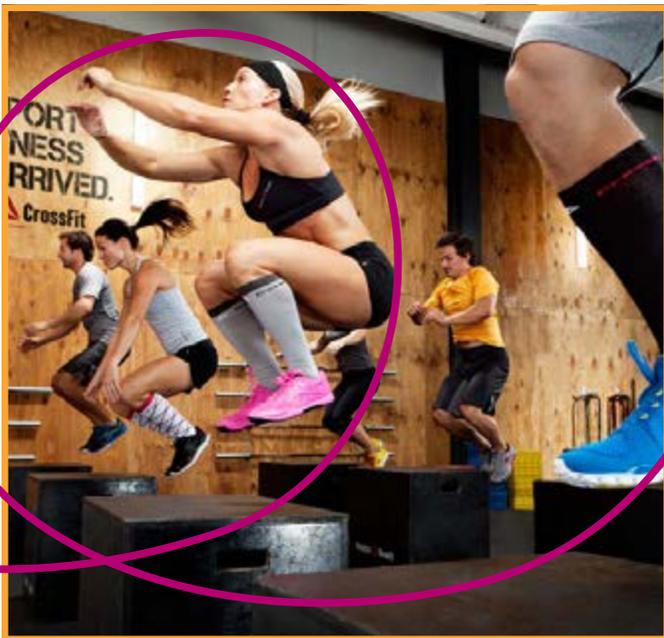
the chain’s larger initiative to be recognized as a “whole health destination.” An initiative that is also reflected in improvements to the health and beauty departments—making them more inclusive of products like vitamins and supplements in response to consumer demands.

BRANDS ARE FITNESS COACHES AND AMBASSADORS OF HEALTH

Consumers, especially millennials, value brands that stand for more than simply the products they sell. And some brands are recognizing that it’s not just good enough to provide healthy options; they have also taken on the responsibility of educating consumers on healthy options and helping to empower them to make better choices.

Whole Foods, known for their high standards in natural and organic products, also places a high importance on nutrition and wellness education specifically with children, through their **Whole Kids Foundation**. In an effort to end the childhood obesity epidemic, the brand supports and funds initiatives that help provide salad bars in schools—raising awareness and increasing kids’ exposure to healthier options.

To help support healthier communities, all stores in the Mid-Atlantic region are required to start or adopt a community garden. These gardens serve as an outdoor classroom and provide a hands-on learning opportunity for residents to learn about gardening from Whole Foods associates. Community members can become a part of the garden's continued growth by renting individual plots to cultivate. Foods grown in the garden are sold in-store or used by Whole Foods chefs to make the store's prepared food items, creating a true "field to store" farm.



SPORT & SPACE

Because consumers are looking for brands that support their active lifestyle, many retailers offer a social connection beyond simply selling product. One category that is making great strides in this approach is the sports apparel and footwear category. Brands like lululemon, a pioneer in the yoga lifestyle category, have paved the way for many to follow.

Reebok recently made the move to capitalize on one of the hottest fittest trends of the moment, CrossFit, a high-intensity workout that incorporates such activities as weightlifting,

powerlifting, kettlebells, medicine balls and box jumps. As the title sponsor for the annual CrossFit Games, it makes sense that Reebok would want to bring that energy into a retail space. The result is the **Reebok CrossFit** store on Fifth Avenue that combines both a retail space and a gym experience. The main level, referred to as the "Fit Hub," offers products for every skill level and expert staff to help shoppers find just the right product. On the lower level of the store is the CrossFit gym, referred to as "the Box." Those who are willing are able to utilize pull-up bars, ropes and rings, free weights, kettlebells, rowing machines and jump ropes for individual or team competitions. Trained CrossFit coaches are also available to lead weekly workout groups.

Reebok is not alone in their efforts to fuse sport and space. Earlier this year, **Nike** launched their first-ever **Nike Training Club** (NTC), geared to women's athletic wear and fitness. The space is designed to be a women's resource for "training, running and living." The two-story building in Chicago's Lincoln Park offers merchandise on the ground floor; the second level is where complimentary classes, like yoga and pilates, are offered.

Adidas launched a dedicated running concept store in Tokyo, **Adidas Runbase**, that combines aspects of a running club and a retail store, complete with lockers, shower stalls and refreshments. The store also holds running-themed workshops, clinics and events at least once a week. While you can still buy (and even customize) product in-store, this store is clearly about more than just selling product; by incorporating unique amenities in a convenient way, it's about creating a complete runner's experience.

Catching on to the popularity of specialty stores catering to niche consumer needs, **Dick's** launched the **True Runner** concept in Pittsburgh that is geared towards running enthusiasts. Customers will find footwear and apparel as well as complimentary services like gait analysis and sports bra fittings. The store connects at a more intimate level than their big-box stores by promoting local community events and activities. It's a store designed "for runners, by runners" and caters to the everyday needs of those trying to maintain an active lifestyle.

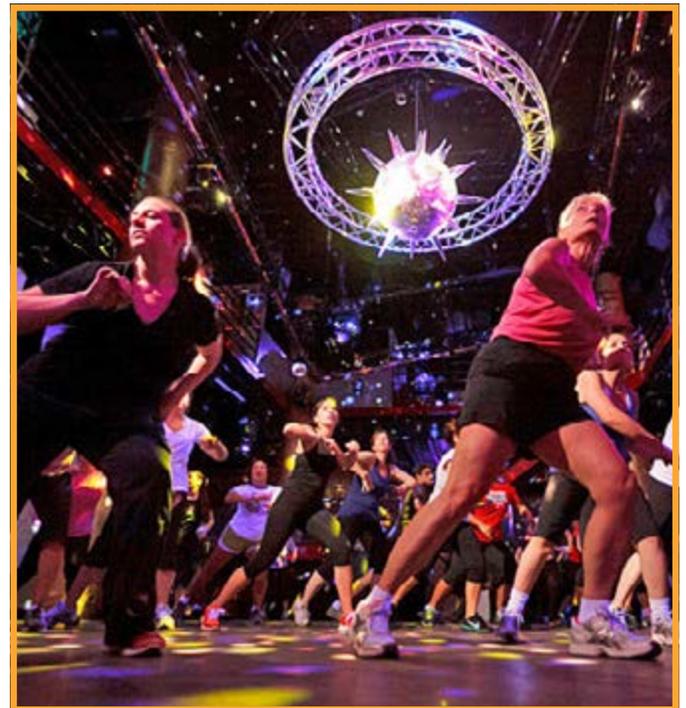
One brand catering to a younger fitness consumer should come as no surprise—it's the one and only **lululemon** with the launch of sister brand **ivivva athletica**. Geared to the 6 to 14 age group, ivivva was created for active girls, specifically dancers and gymnasts. And much like the weekly yoga classes that lululemon offers for their customers, ivivva offers weekly dance classes. The brand also utilizes "design parties," hosted in the ivivva stores, to gather feedback from their young consumers regarding product designs. The girls get to try on the product and weigh-in on designs for new products. Not only is this up-and-coming retailer creating brand followers at a young age, but they are also making a concerted effort to keep kids active and healthy.

MERGING FITNESS, FUN & FRIENDS

Taking the social connection and fitness one step further, we're seeing a trend where time spent at the gym is less about hardcore fitness and more about working out and truly having fun. More and more people are choosing to forgo traditional workouts and are instead exploring some new methods to enjoy exercise.

Indoor cycling brand **SoulCycle** combines inspirational coaching and high-energy music to create a full body workout that benefits both the mind and the body, all in a candle-lit environment. In some cases, these cycling workouts are even followed by refueling with champagne and smoothies.

Concepts like **Nightclub Cardio** are appearing as a result of the success of dance-inspired exercise workouts like Zumba. Guests at Nightclub Cardio get the experience of a nightclub setting while performing cardio dance moves like pop, hip-hop and Latin to today's trendiest tunes. Some are even using these venues as settings for events like birthday celebrations or bachelorette parties and ramping up the social aspect of this fit and fun trend.



Does your brand need to get healthy?

Our intelligence team can help you learn more about what motivates your customers and the best way to respond.

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