



SPINS®

STATE OF THE NATURAL INDUSTRY

ECRM

8.19.2019



EDRICCO REINA

Principal, SPINS

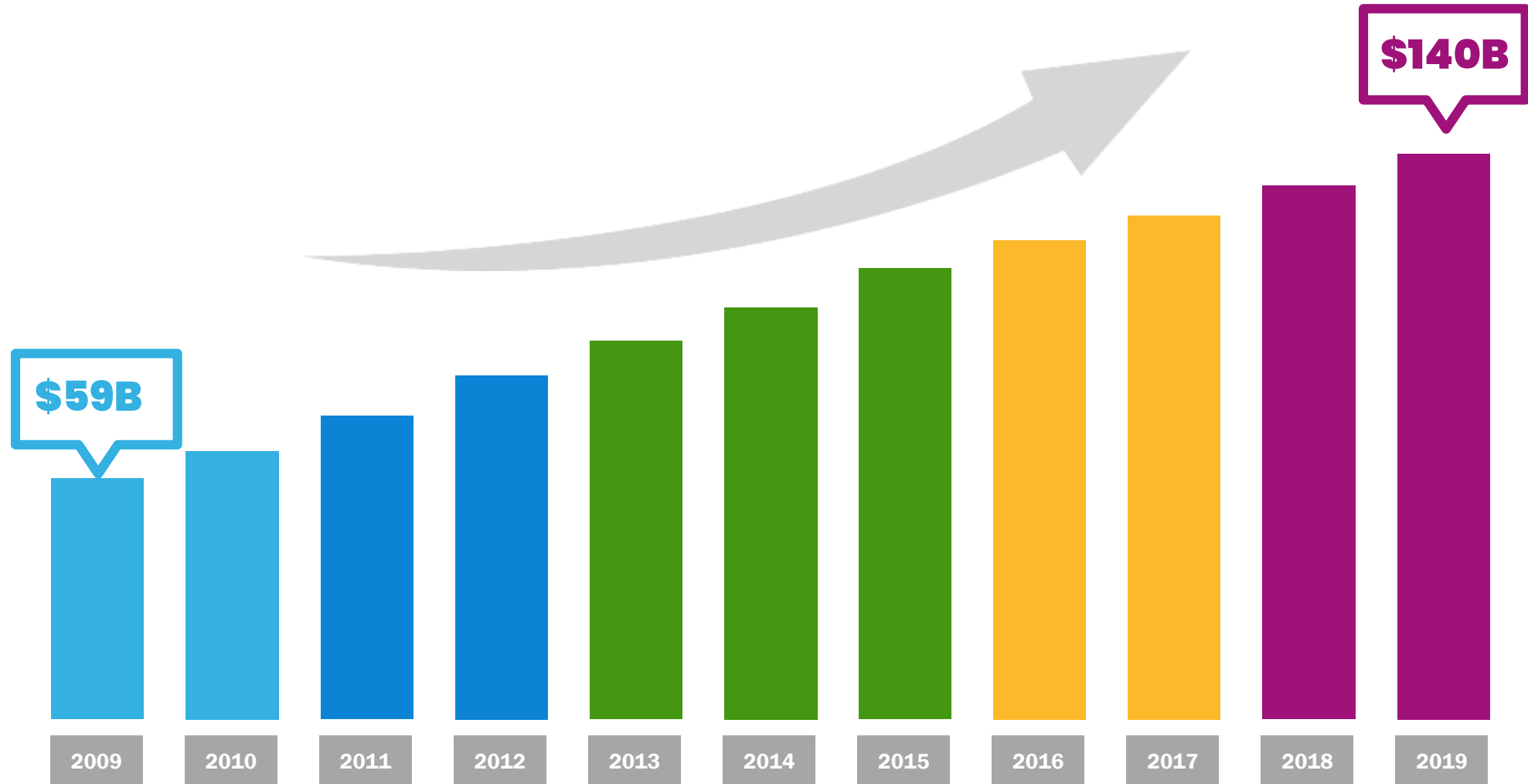
ereina@spins.com



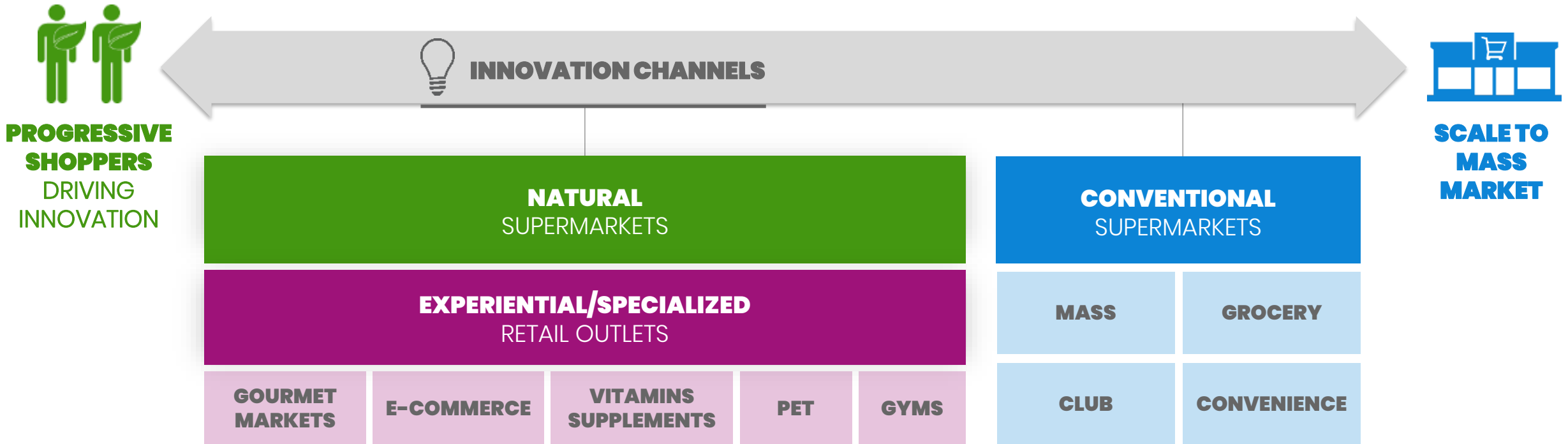
WE EMPOWER THE INDUSTRY WITH

**WELLNESS-FOCUSED
DATA TECHNOLOGY**

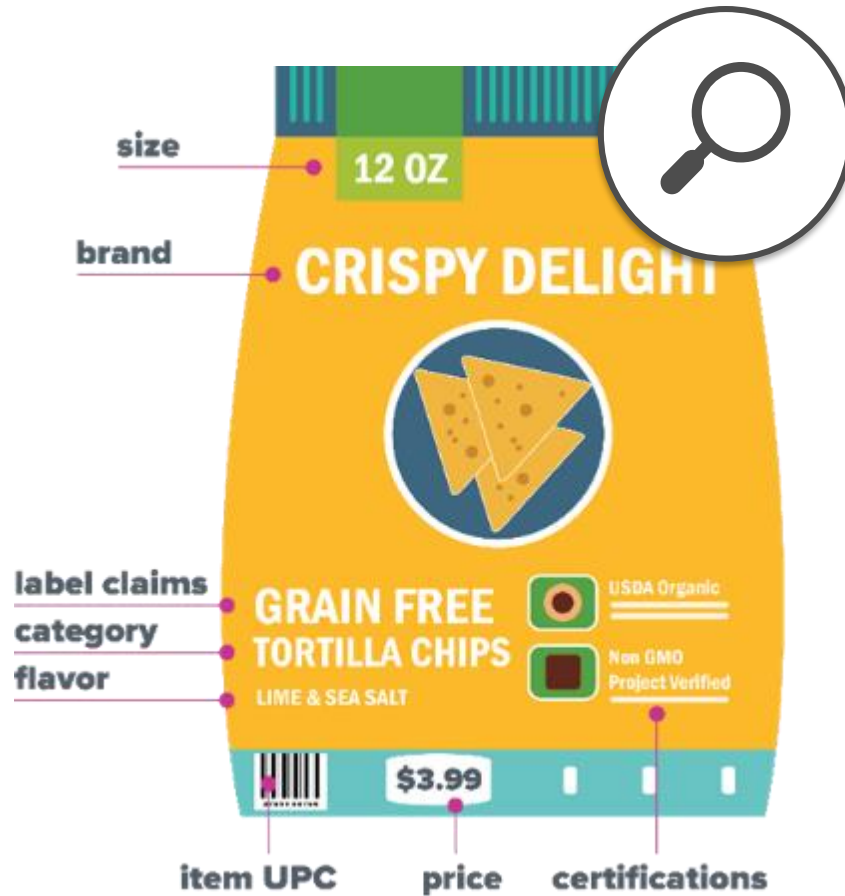
The Natural Products Industry has more than doubled over the past decade



Our complete picture of the retail landscape allows us to observe trends as they unfold and scale



Product Intelligence illuminates the unseen dynamics driving consumer decisions at shelf



Product Attributes Beyond the Label

Combining our **industry expertise**, **advanced technology**, and **comprehensive product view**, SPINS demystifies the label and deconstructs complex characteristics to bring forward valuable attributes like:

Brand Positioning	Health Condition Support	Clean Label	Lifeways & Eating Plans
Sustainability	Wellness Goals	Social Impact	Ingredient Insights



We provide a common language for the Natural Products Industry fostering data-driven collaboration, fueling innovation & growth

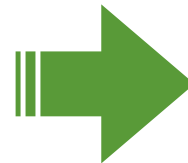
A photograph of a wooden crate filled with fresh vegetables, including tomatoes, peppers, and leafy greens, held by hands. The image is overlaid with a semi-transparent white filter. The text is positioned on the left side of the image.

STATE OF THE NATURAL INDUSTRY

NATURAL PRODUCTS' EVOLUTION

Natural and organic – early days

Industrialized luxury of processed food.
Cheap, convenient, and delicious



Natural and organic food becomes part of our culture in response



We're on the verge of a new phase within the Natural Products Industry

The Natural Products Industry, by definition, is an ever evolving landscape
Innovation and change are part of the Natural Product Industry's DNA

Natural 1.0

All natural
Alternative culture
Community oriented



Bulk granola
Soy milk
Vegetarian

Natural 2.0

Better for you
Better for people
Better for planet



Fair trade
Gluten-free
USDA Organic

Natural 3.0

Ubiquitous
High growth
Everything is differentiated



Non-GMO
Plant-based
Kombucha

Big CPG continues to part ways with the Grocery Manufacturers Association

Kraft*Heinz*

Campbell's

 **Nestlé**

Tyson



Unilever

 **Dean**
FOODS



The Association of Food, Beverage
and Consumer Products Companies

- Together these companies represent \$74 B
- Together these companies lost **-\$703** M in 2017

Big CPG goes all in with incubators and accelerators, to find the edge of innovation

KraftHeinz

 **PEPSICO**

 **GENERAL MILLS**

 **SPRING BOARD**


THE HATCHERY
WHERE FOOD BUSINESSES GROW


301 INC
EMERGING BRAND ELEVATOR

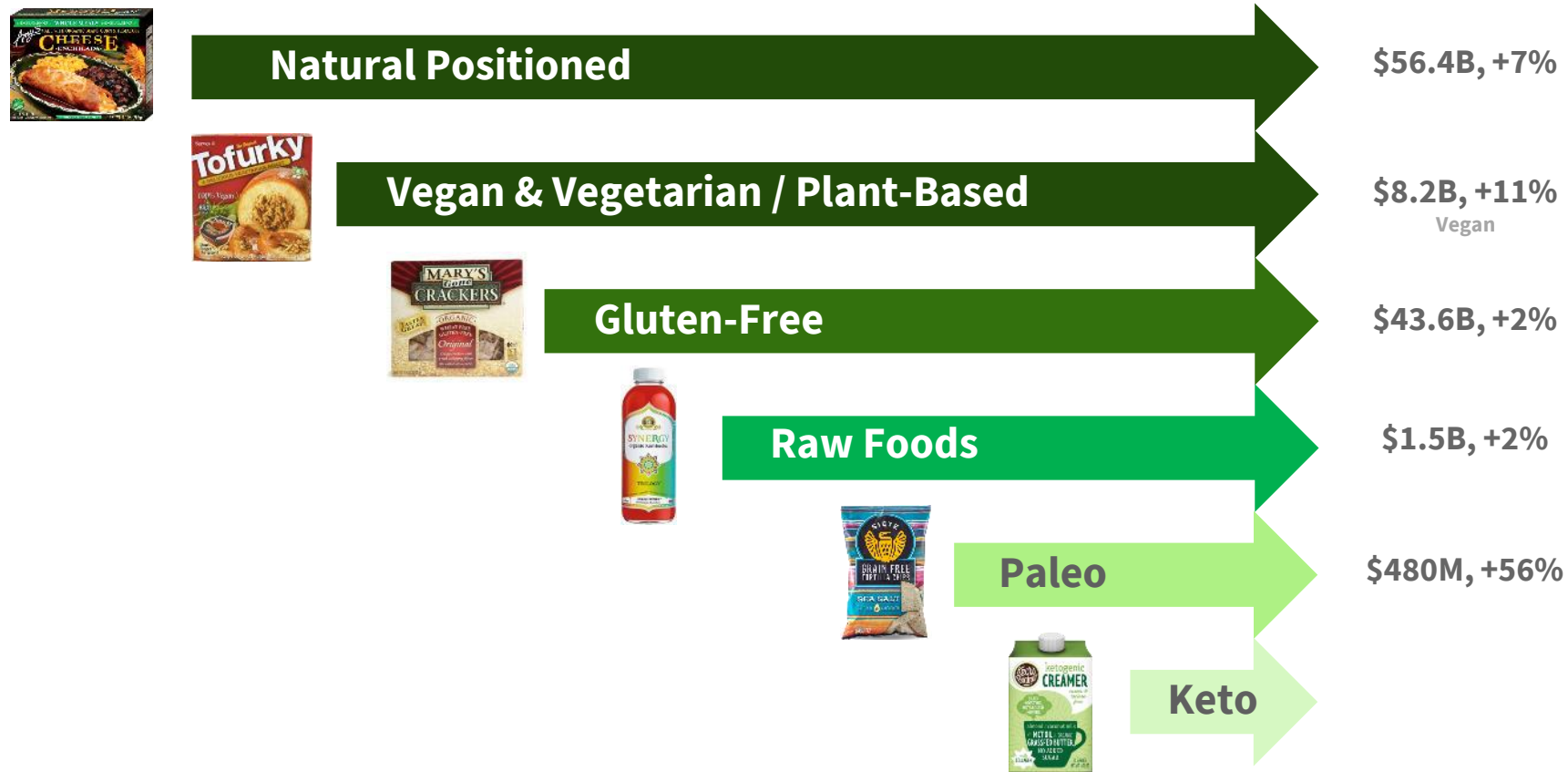


Food tribes are at the core of the Natural Products Industry and continue their influence today

These food tribes are core influencers for the broad NPI ways of eating

Whole foods nutrition is at the center of food tribe philosophy

Each food tribe has different approaches to wellness, nutrition, ingredient, and lifestyle



Food Tribes and diet types are evolving to be your own *Way Of Eating (WOE)*

Attributes important to Food Tribes continue to influence CPG and drive innovation
 Natural consumers seek and avoid a variety of ingredients, attributes, and qualities



1996 — Evolution of Natural Food & Bev Attributes — 2017

Now, food-tribe association isn't just based on whether or not you eat animal-based ingredients



STATE OF THE NATURAL INDUSTRY

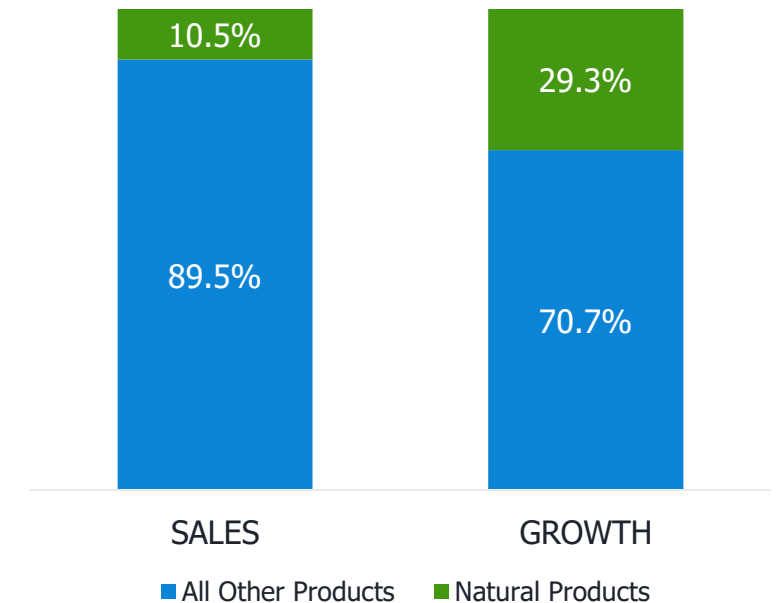
NATURAL PRODUCTS' PERFORMANCE

In 2019, as in years prior, Natural products are outpacing the growth of the total marketplace

The total marketplace is growing only slightly year over year. Natural products in the same categories are growing at a much higher rate, although growth has decelerated versus prior years.

	Natural Products		All Products	
	\$ Volume	% Growth	\$ Volume	% Growth
2016	\$38.7B	-	\$429.1B	-
2017	\$41.7B	7.8%	\$431.6B	0.6%
2018	\$45.0B	7.9%	\$440.5B	2.1%
2019	\$47.2B	5.0%	\$448.2B	1.7%

Natural Products Contributions to Sales and Growth
Year Ending May 2019



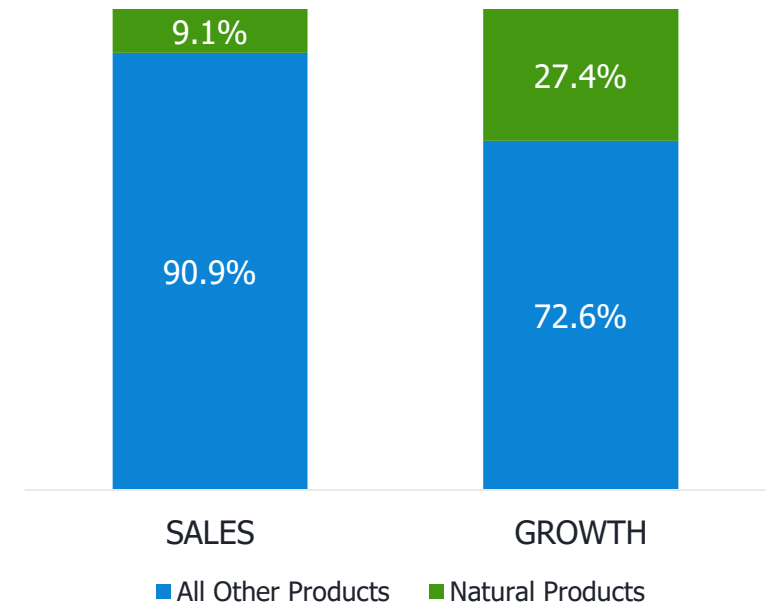
Conventional retailers show the highest growth for natural products

Despite decelerating dollar growth in 2019, natural products have consistently grown their market share of the Conventional Multi Outlet Channel over the years, amounting to 9.1% of sales in the current year.

Natural Products' Growth by Retail Channel

	Natural and Specialty Gourmet Channels		Conventional Multi Outlet Channel	
	\$ Volume	% Growth	\$ Volume	% Growth
2016	\$6.7B	-	\$32.0B	-
2017	\$7.0B	4.9%	\$34.7B	8.4%
2018	\$7.3B	4.5%	\$37.6B	8.6%
2019	\$7.6B	4.2%	\$39.6B	5.2%

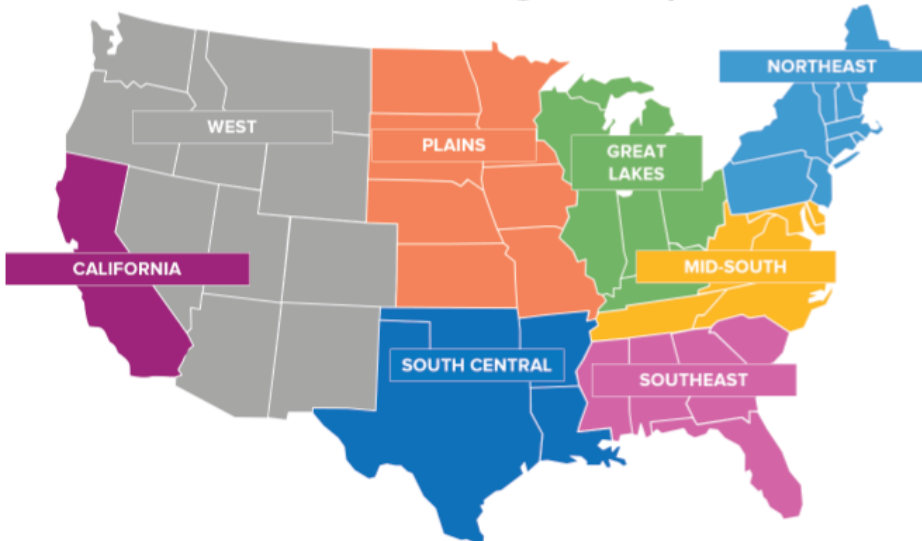
Natural Products' Contributions to Sales and Growth in MULO
Year Ending May 2019



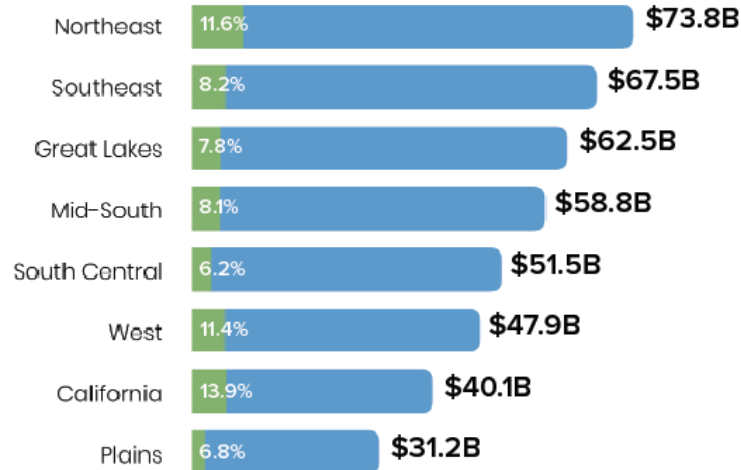
California and the Northeast region are at the leading edge of natural products adoption in the mainstream

Natural products are growing in every U.S. region, but rates have slowed in all but one: the Plains.

Conventional Multi Outlet Channel Region Map

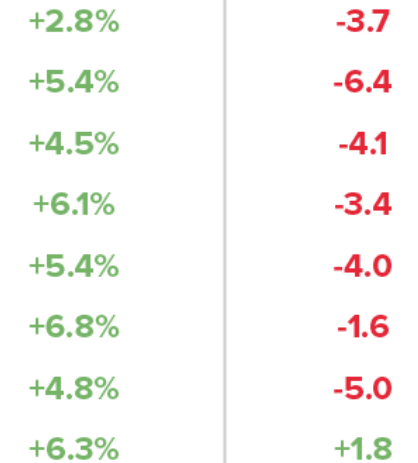


Dollar Sales (\$B) and Natural Product Share by Region



Dollar Growth

Current Year \$% Chg Point Growth vs. YA



Key Growth Categories for Natural Products

Fresh perimeter categories such as produce; eggs; and meat, poultry, & seafood show some of the fastest growth for natural products, as do better-for-you beverages.

Top Five Fastest-Growing Categories for Natural Products

	\$ Volume	\$ Growth	% Growth	% Growth Indexed to Total Category Growth
Produce	\$3.8B	+\$249.3M	+7.0%	292
Shelf-Stable Water	\$1.8B	+\$239.3M	+15.0%	197
Refrigerated Eggs	\$2.2B	+\$131.7M	+6.4%	149
Shelf-Stable Functional Beverages	\$275.7M	+\$117.1M	+73.9%	960
Frozen & Refrigerated Meat, Poultry, & Seafood	\$1.8B	+\$115.7M	+7.0%	438



Insights from the Leading Edge of Retail

In SPINS' Natural & Specialty Gourmet Channels, **natural candy** and **salty snacks** make the fastest-growing list, ranking third and fourth.

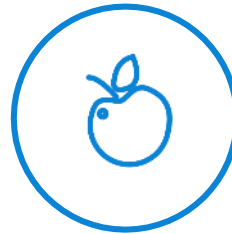
Top Macro Trends

SPINS' Product Intelligence and exclusive access to innovative retailers offer visibility into trends across their lifecycle, from an emerging niche into mainstream maturity.



ORGANIC

Certified organic items represent 3.0% of food and beverage sales and \$13.4 billion, outpacing the total market's growth rate (2.8% vs. 1.8%).



PLANT-BASED

Products labeled as vegan represent a \$7.1 billion market, growing at 10.1%, with especially impressive growth in salty snacks and yogurt & kefir.

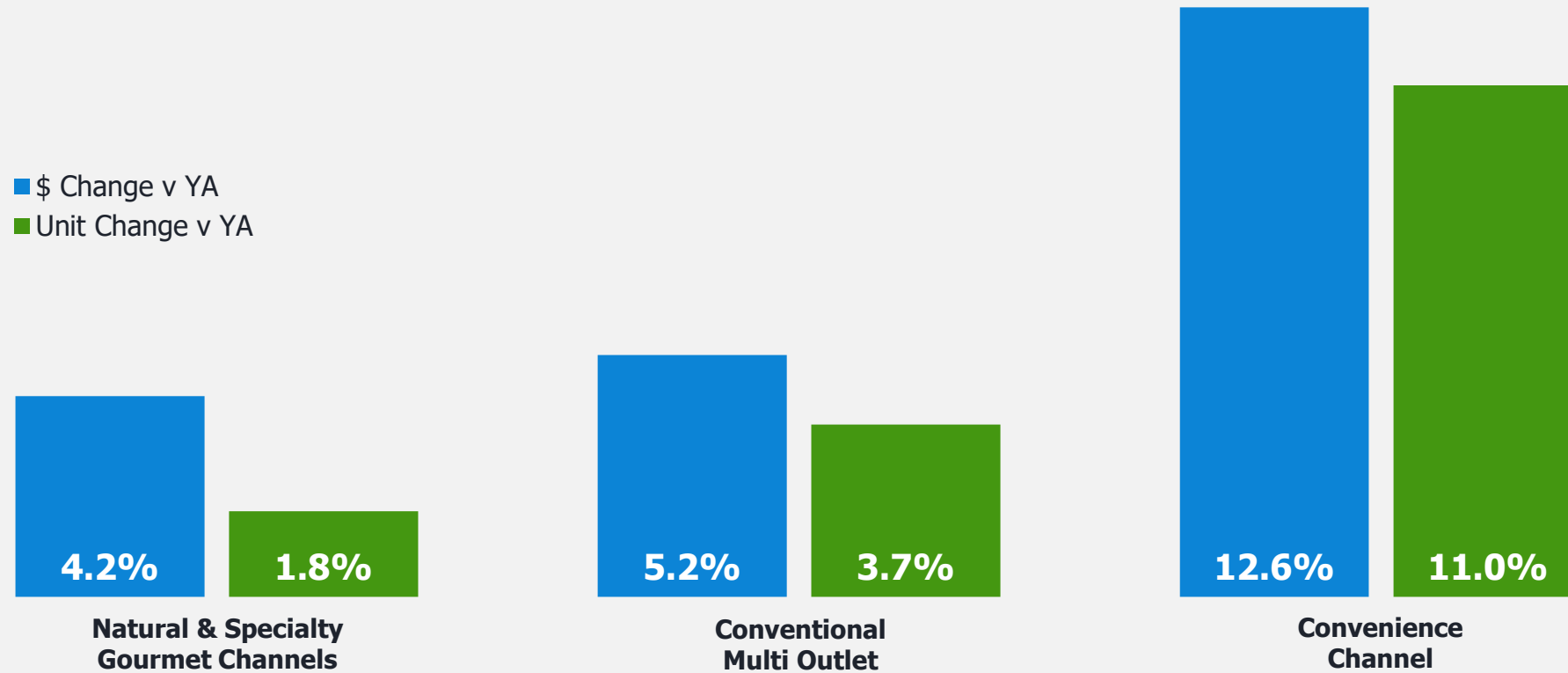


PALEO

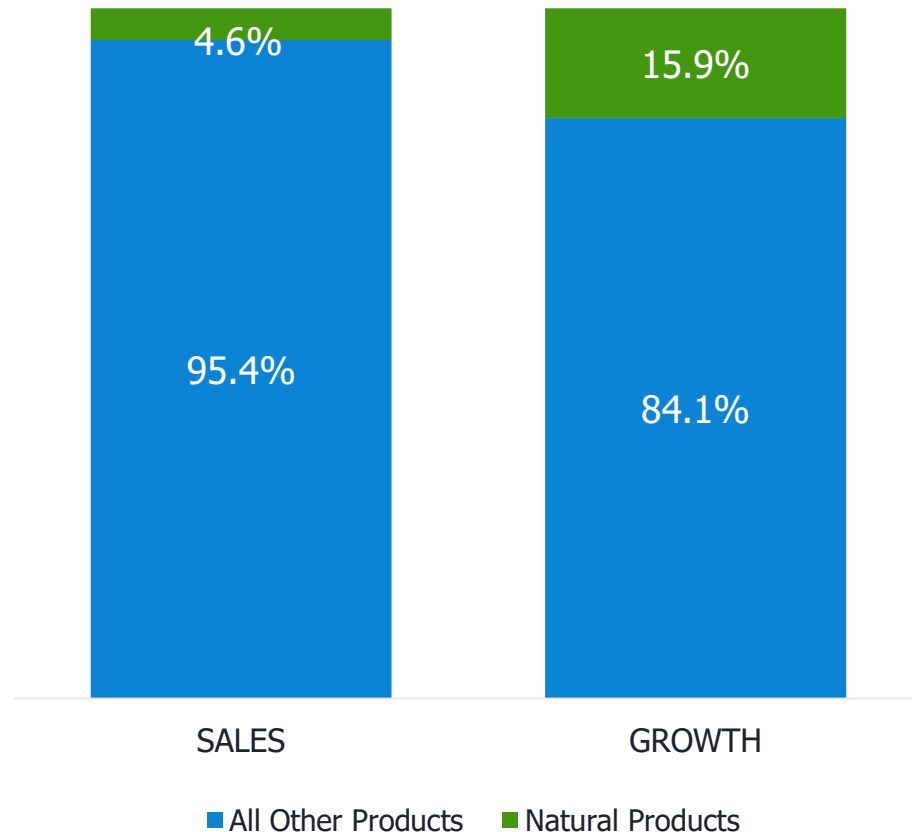
Paleo-positioned products are up to \$536.7 million, growing at 45.3%. Grain-free items are up to \$271.5 million, growing at 76.0% - with even faster growth in the Conventional Multi Outlet Channel.

Looking across channels, Natural food and beverages show noteworthy growth in Convenience

Natural Products' \$ and Unit Growth by Retail Channel



Natural Products are less than 5% of sales but are contributing 3x the sales growth for Convenience



Natural Products' Contributions to Sales and Growth in Convenience

Year Ending May 2019

Key segments driving natural products' growth in Convenience include:

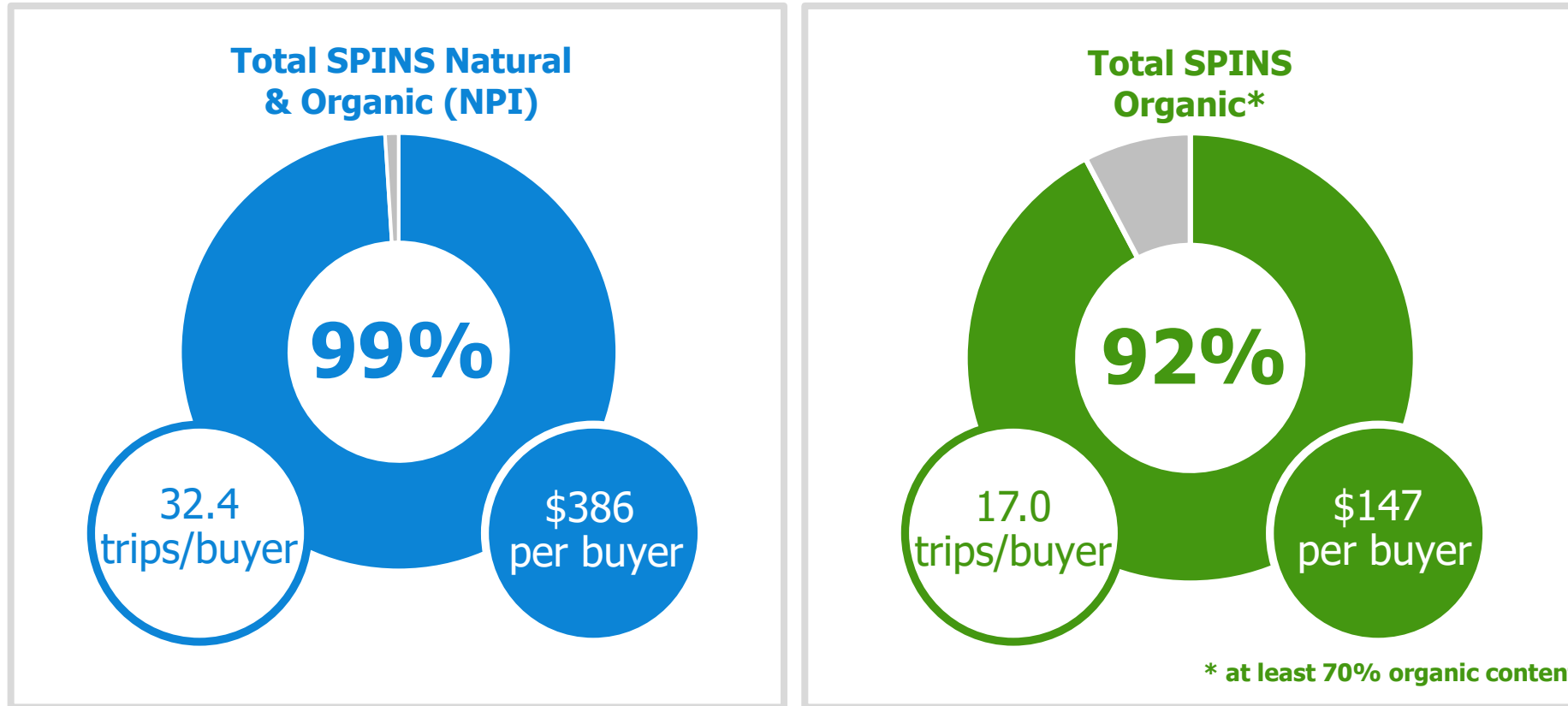
- Natural performance beverages
- Enhanced waters
- Puffed snacks
- Kombucha



STATE OF THE NATURAL INDUSTRY

STATE OF THE NATURAL
CONSUMER

Natural and Organic Products are purchased by nearly all households...



Percent of Households Buying at Least Once in the Last Year

Total Panel, Edible & Non-Edible Categories | Total US All Outlets | 52 Weeks Ending 12/30/18

...But cohorts purchase Natural for distinctly different reasons

The differing motivations behind consumer engagement with Natural provide opportunities for manufacturers and retailers



The environment and sustainability are important to me



I want my kids to be as healthy and happy as possible



Natural & organic are healthy, but they also need to be convenient!



I trust the brands I have always used to be healthy

Categories are evolving quickly to meet the needs of conscious consumers and their ways of eating



Natural products are no longer just in dedicated natural stores. Rather, they have proliferated, reaching new segments and new retail outlets.



Core Natural Buyers drive an out-sized percentage of sales

NaturaLink Segment

CORE
ASPIRING

True Believers
Enlightened Environmentalists



Healthy Realists
Strapped Seekers



MAINSTREAM

Indifferent Traditionalists



Struggling Switchers



Resistant Non-Believers





STATE OF THE NATURAL INDUSTRY

**NATURAL
TRENDS SPOTLIGHT**



PALEO PRINCIPLES GO MAINSTREAM

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Paleo is now expanding from core-natural consumers to mainstream awareness and becoming available in more outlets, for more eating occasions.

Paleo is showing considerable influence on broader CPG:

- ✓ Grain-free foods
- ✓ Non-dairy alternatives
- ✓ Reduction of refined sweeteners
- ✓ Animal-welfare attributes
- ✓ Nutrient-dense foods
- ✓ Collagen and bone broth



Pamela's Products, whose original product lines are made from grains, is innovating to include grain-free baking options.

Acquisitions are another indicator that the stage is set for more big bets on Paleo.

Kellogg | RXBar

Kraft Heinz | Primal Kitchen

Has **CAULIFLOWER CRUST** officially “jumped the shark?”

Sort of...

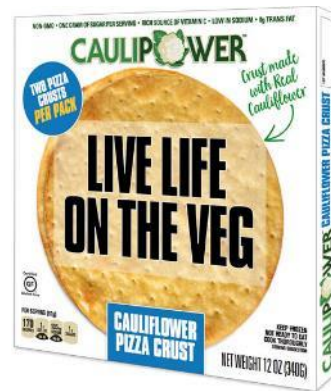
Core-natural brands and early movers stay authentic to original ways of eating, while continuing to innovate
Cauliflower as a go-to base ingredient is part of everyday conventional now



Cali'flour Foods



Outer Aisle



Caulipower



Green Giant



O That's Good

NATURAL TRENDS SUPER SNACKS

Premium choices with on-plan macros are setting a new tone for snacking.

Grain-free, nutrient-dense, protein-rich, and sustainable options satisfy natural consumers' hunger and showcase emerging product types.



Fishpeople's new jerkies offer the same signature traceability as the brand's other products, plus convenient protein and great seasonings.



Rooted in a mission to celebrate Latino culture, **Soñar's** grain-free chips also offer protein and fiber from garbanzos, cassava, hemp, chia, and flax.



Many of **Highkey Snacks'** keto-positioned crisps include egg whites for added protein. A new goat cheese flavor adds variety to the growing cheese-snack segment.



Starseed's Peruvian sacha inchi seeds serve up protein, fiber, and omega-3s, plus new flavors like Caramelized and Dark Chocolate.

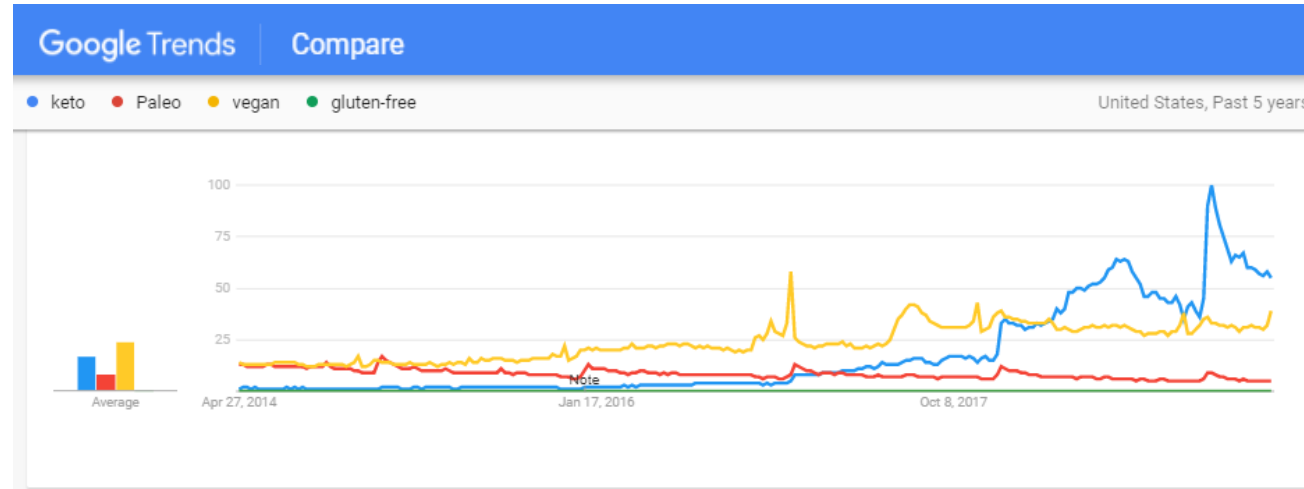
SPINS NATURAL INSIGHTS

HAVE YOUR CAKE AND KETO, TOO



Low carb is back, and this time it has gone keto

The ketogenic way of eating is a food tribe that is here to stay
Keto is socially driven with weight loss and wellness success stories
In addition to weight loss, some are using keto for athletics and strength gains



- Front-label nutrition info and carb counts
- Primarily unsweetened/sugar alcohols for indulgent occasion



HAVE YOUR CAKE **AND KETO, TOO**

**we're watching two main segments closely:
keto-indulgence offerings and everyday-lifestyle foods.**



Among emerging keto-indulgence foods, ice cream seems to be the product type of the moment.

Mammoth Creameries incorporates grass-fed butter in its four classic flavors, sweetened with xylitol.

Liviva organic pastas are keto-certified and made from black bean, edamame, or shirataki and oat fiber.



SPINS NATURAL INSIGHTS

A NATURAL WAY WITH WASTE



A NATURAL WAY WITH WASTE

Foodservice is no longer the only outlet for creative reuse.

Innovation brings new ingredients into the supply chain and the spotlight to reduced waste, creating new value for consumers and producers alike.



Salute Santé



Barukas



MediDate



Spudsy

SPINS NATURAL INSIGHTS

THE STATE OF CBD



CANNABINOID CRAZE: KEY CATEGORIES

CBD has quickly migrated out of its origin category and into new product types. Perhaps some have greater authenticity (and staying power) than others.



SUPPLEMENTS

FUNCTIONAL BEVERAGES

FUNCTIONAL FOODS

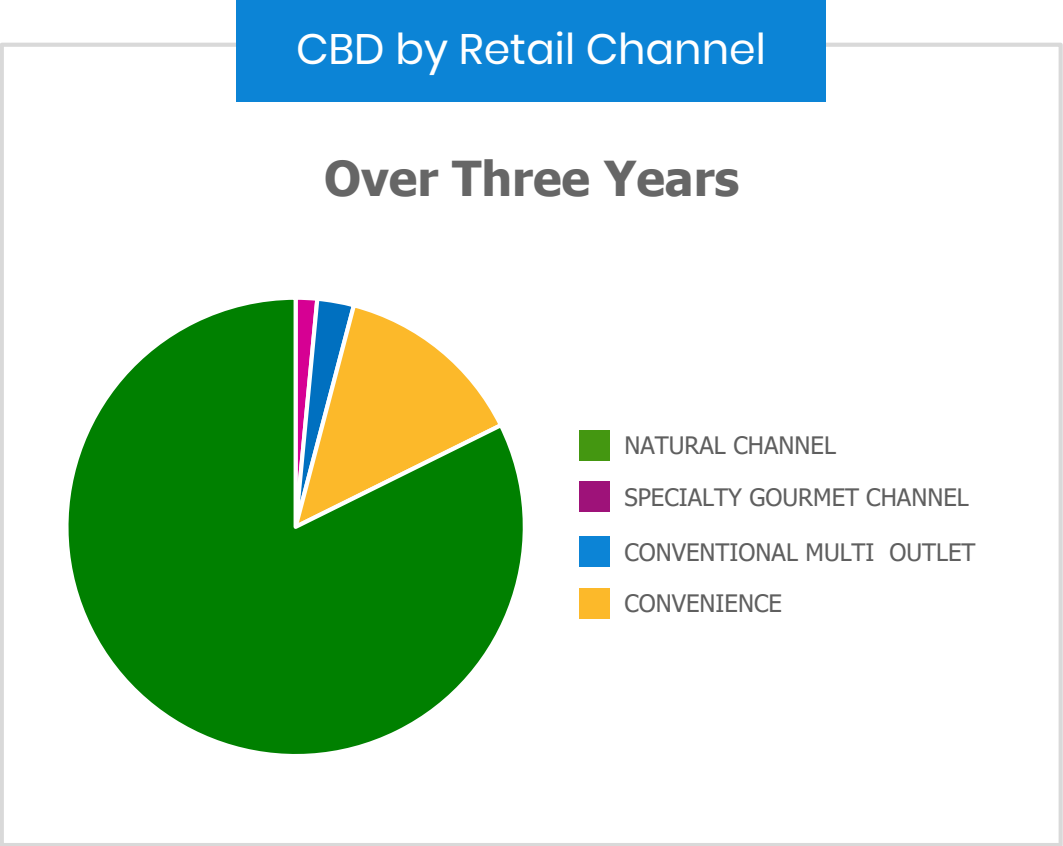
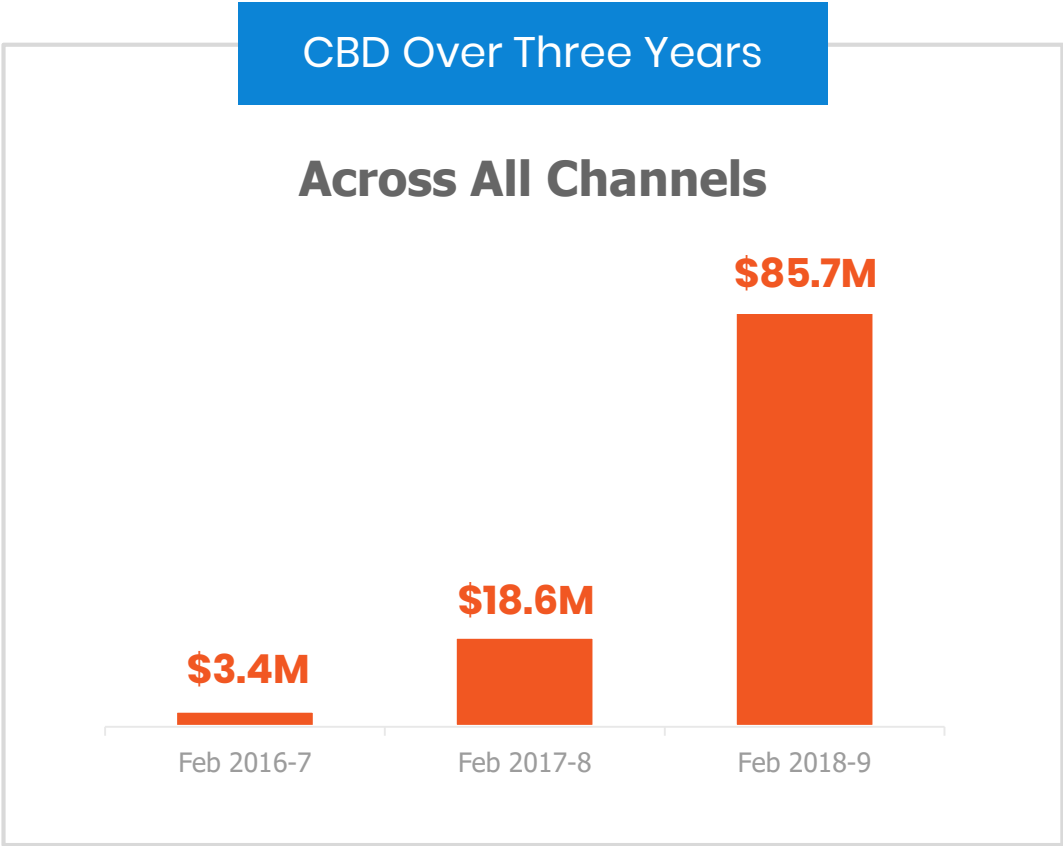
PREMIUM SKIN CARE

THERAPEUTIC TOPICALS

PET

CBD shows triple-digit sales growth

Through proprietary attribution and retailer relationships, SPINS' data shows CBD's tremendous early-stage growth: **up 375% over three years**





 **SPINS**[®]
THANK YOU!



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