Natural Product Industry Trends

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August 16, 2012

What is happening today in the industry?

- Consumer confidence is building
- Natural and Specialty products and retailers outpace overall grocery growth
- The count of new product launches and start ups is increasing rapidly

The Product Life Cycle is Hastening

A ‘natural’ progression

1970’s

Natural Supermarkets

NPI-Focused
Innovation
Total Wellness

Specialty Gourmet Supermarkets

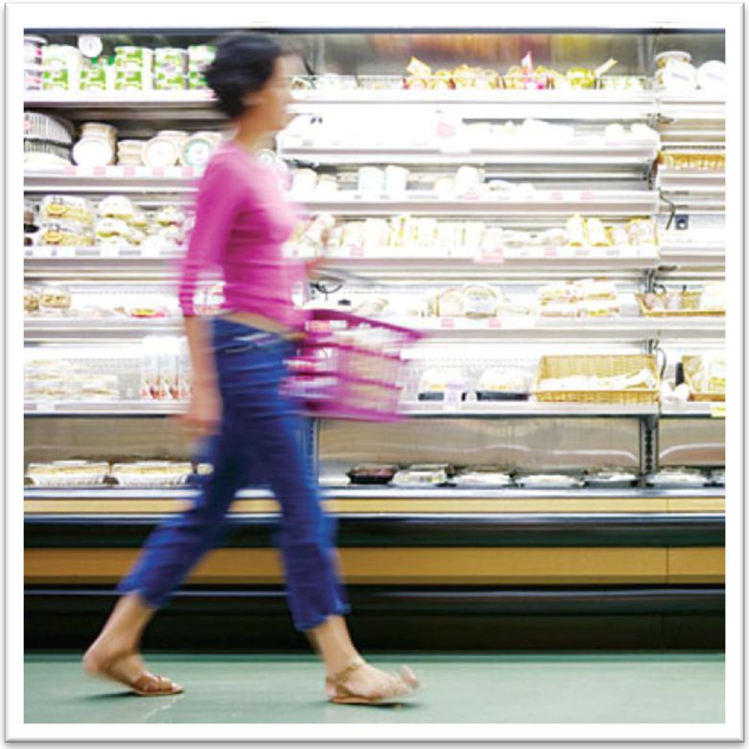
Also early adopters
Mostly Food-oriented
Knowledgeable service supports success of niche items

Conventional Supermarkets

Items are easily accessible
Ubiquitous brands often win so brands must be able to ‘stand on their own’

Natural and Specialty is Compelling

Natural is a key driver of innovation and variety in the marketplace driven by consumer demand



- Growth outpaces the rest of the conventional market and momentum is increasing
- Has a more economically- resilient, upscale consumer target
  - Committed, Adventurous, Loves Food
- Funding and talent are pouring into the marketplace

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SPINS Primary Data Sources

SPINSscan Natural

Proprietary POS collection and reporting service for Natural Supermarkets

- $2mm+ annual volume, sales in all depts, >50% Natural/Organic sales and <50% supplement sales

SPINSscan Specialty-Gourmet

Proprietary POS collection and reporting service for Gourmet supermarkets

- $2 mm+ annual volume, sales in all depts, >25% SPINS-defined specialty product sales (includes natural items)

SPINSscan Conventional

POS reporting for SPINS-defined natural/organic UPC universe in AOC through a strategic partnership with The Nielsen Company

- Combines the integrity of Nielsen data with SPINS expertise in coding

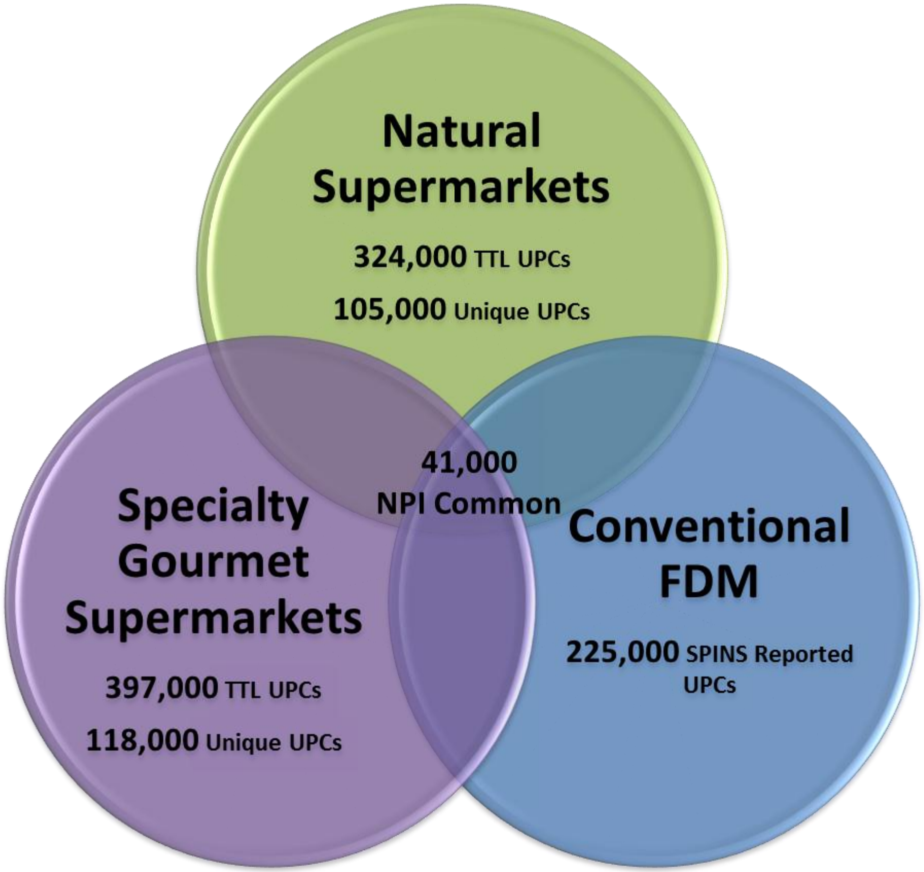
SPINSscan Consumer

Consumer behavior reporting combining SPINS' industry definitions with consumer panel data collected by The Nielsen Company

- Data collected from over 100,000 households
- Scanners used by consumer panelists to capture actual purchases across all outlets

SPINS Product Library: A Common Language

The SPINS Product Library tracks dozens of product characteristics across its 836,000 UPC's to pinpoint dynamics and innovation within the Natural Products Industry (NPI).



Natural & Specialty
Brand Position Coding

Leverage SPINS' proprietary brand position coding to understand the deeper dynamics within the industry and take actions based on these insights

SPINS considers five factors in coding product position, based on a natural and specialty consumer bias:

- Ingredient Standards
- Product Category Rules
- Brand Intention
- (Natural) Consumer Perception
- Channel Distribution

Natural Products Industry (The NPI)

Natural Brand Position Coding

Positioning	Grocery	Body Care
Natural Standard Brands/Products are marketed and approved for distribution and sale in Natural retailers because they meet the most strict and closely monitored standards set by these retailers and demanded by consumers that shop in these outlets.	 Garden of Eatin'	 Dr. Bronner's
Specialty Natural Brands/Products are marketed as artisan, premium quality, imported/regional or ethnic/cultural with quality standards similar to a Natural Standard brand.	 Wolfgang Puck Organic	 Method
Naturally Perceived Brands/Products are often made specifically for the conventional (FDM) channels. These target the conventional shopper looking for an 'entry point' to make better Health & Wellness or environmental choices in their purchasing decisions.	 Newman's Own	 Organix
Conventional Natural Brands/Products are developed by traditional CPG brands that meet the criteria for natural positioned versions of their conventional counterparts. These have added value such as organic content, allergy free, fair trade, or environmentally friendly.	 Gerber Organic	 Tresemme Naturals

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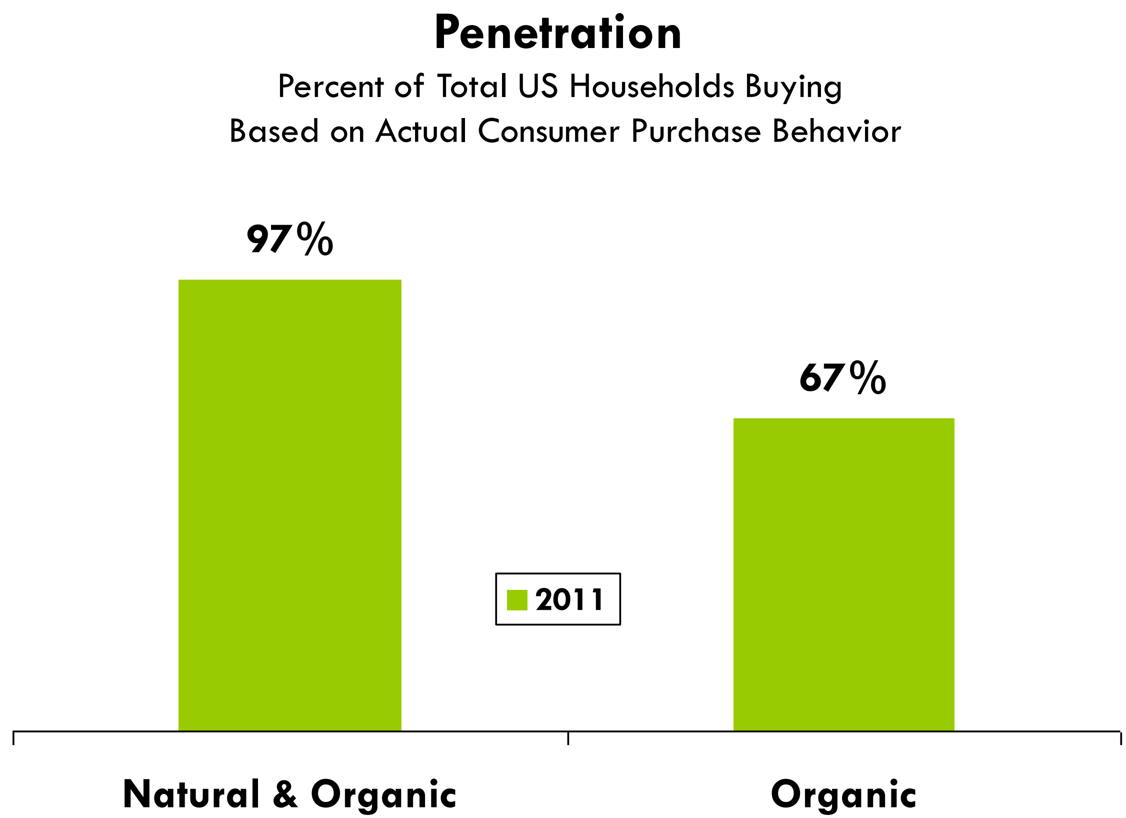
Beyond the NPI:
Specialty Brand Position Coding

Positioning	Grocery	Body Care
Specialty Gourmet Brands/Products marketed to the "foodie" with a discriminating palate. The focus of these brands is more on the high quality or unique taste profile more than its health or environmental component.	 Lake Champlain	 Thymes
Specialty Conventional Brands/Products have a unique or ethnic profile but are mass produced, usually lacking premium quality (including use of artificial ingredients), or have sales & distribution heavily weighted in FDM.	 Goya	 Crabtree & Evelyn
Specialty Natural Brands/Products are marketed as artisan, premium quality, imported/regional or ethnic/cultural with quality standards similar to a Natural Standard brand.	 Wolfgang Puck Organic	 Method

Shopper Habits

Nearly Every Household Buys 'Natural & Organic" and Most Buy 'Organic"



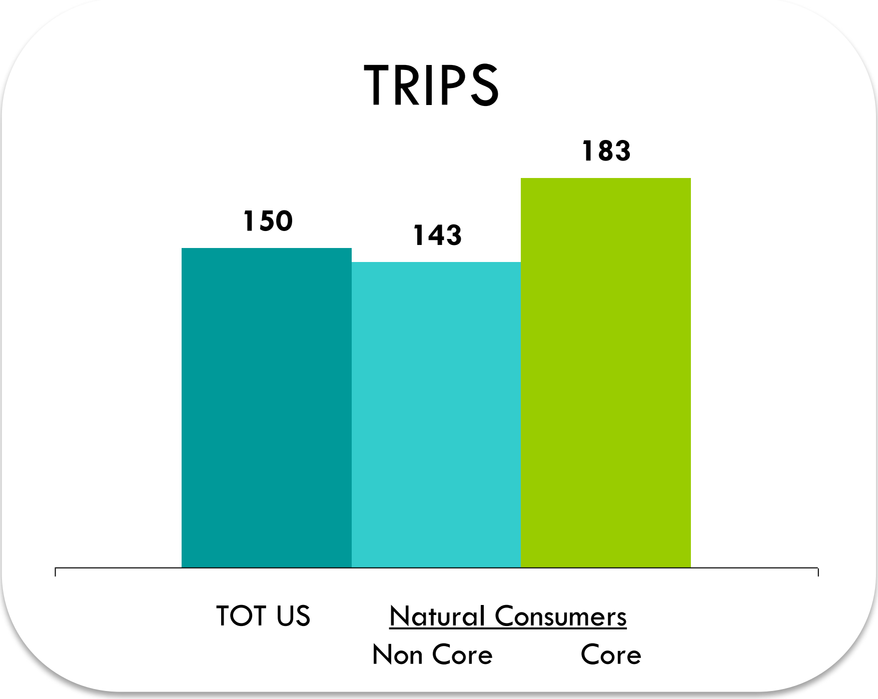
Organic defined as 70%+ organic content

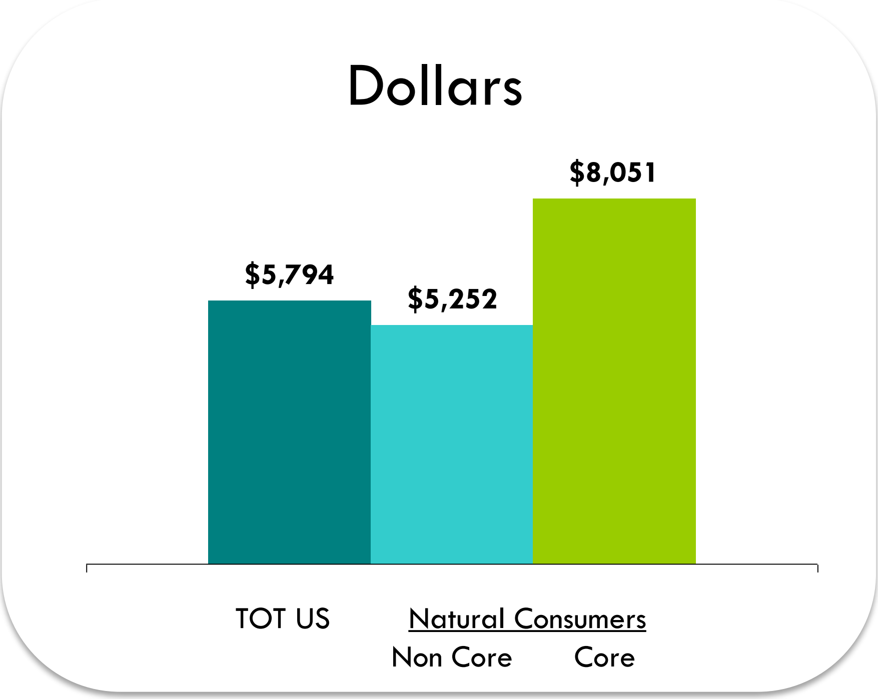
Source: SPINSscan Consumer Insights, TUS, All Outlet, 52we 12/31/2011
SPINS-defined Naturally Positioned UPC products only

Shopper Habits

The CORE natural consumer spends 39%, or $2300* more annually than the average consumer

Annual All Outlet Trips and Dollars per Household per Year





*Sales based on natural and non-natural items

Core: Top 20% of Natural consumers based on total dollar expenditure to Natural products

Source: SPINSscan Consumer Insights, TUS, All Outlet, 52we 12/31/2011
SPINS-defined Naturally Positioned UPC products only

Shopper Habits

Most Natural & Organic Product Departments Continue to Attract New Consumers

	2011 Penetration	2011 vs. YA Point Change
REFRIGERATED	58.4	5.5
FROZEN	47.1	1.1
GROCERY	86.8	0.6
PRODUCE PACKAGED	42.0	2.7
GENERAL MERCHANDISE	55.1	-0.3
BODY CARE	28.9	0.8

Penetration: percent of total US households purchasing the item at least once during the year
Penetration is a NON ADDITIVE measure

Source: SPINSscan Consumer Insights, TUS, All Outlet, 52we 12/31/2011 and YA
SPINS-defined Naturally Positioned UPC products only

Channel Performance

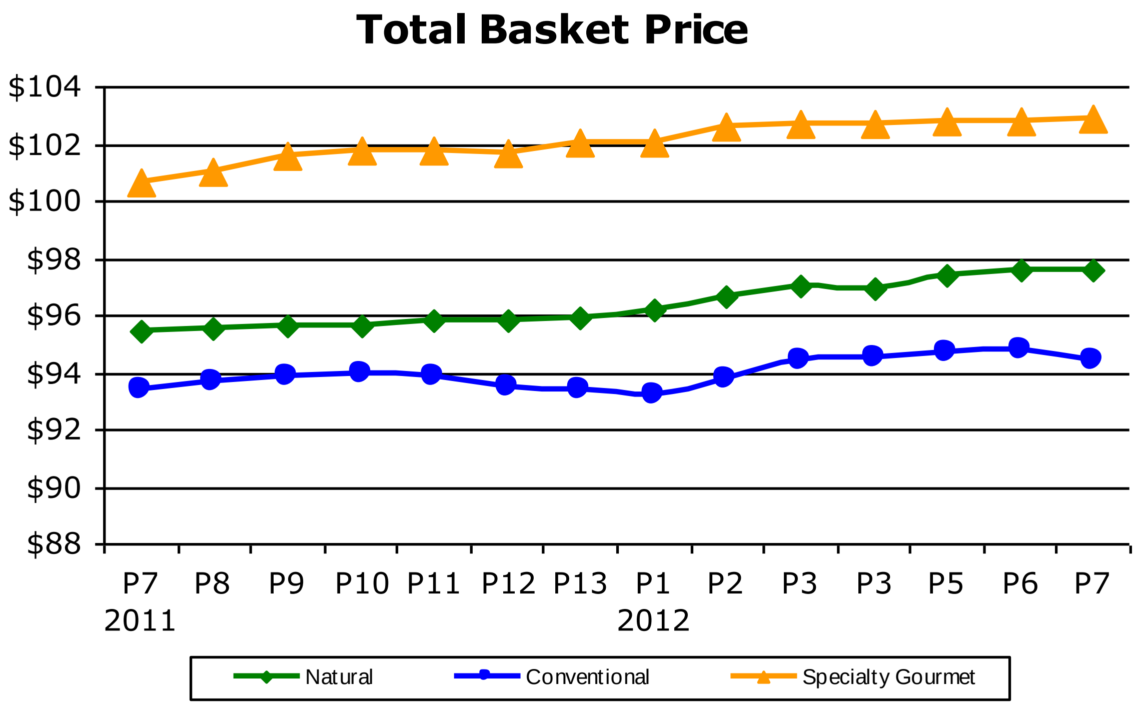
	Natural Supermarkets		Specialty Supermarkets		Conventional Supermarkets	
Total Natural and Specialty Products	**$5,008,977,754**	**13.3%**	**$3,033,213,333**	**8.6%**	**$34,342,783,389**	**8.8%**
Natural - Standards	$3,948,625,012	12.4%	$868,734,850	12.0%	$8,382,965,050	13.8%
Specialty Natural	$383,269,749	19.4%	$457,666,296	9.3%	$2,870,756,645	24.0%
Naturally Perceived	$142,532,588	18.1%	$140,080,982	13.3%	$4,127,102,328	7.4%
Conventional Natural	$8,813,773	7.1%	$21,556,478	2.9%	$2,193,120,615	6.3%
Specialty Gourmet	$419,265,805	13.5%	$1,069,767,613	5.1%	$6,402,733,842	6.6%
Specialty Conventional	$106,470,828	17.9%	$475,407,113	9.2%	$10,366,104,909	3.9%

All channels continue growth with the Natural channel clearly in the lead further gaining momentum and Conventional supermarkets also picking up speed.

SPINSscan Natural, Specialty Gourmet, and Conventional Food (powered by Nielsen Scantrack)
52 weeks ending 7/7/ 2012

SPINS 30 Market Basket

How does the regular price of an identical set of natural items compare in the Natural versus Conventional Food versus Specialty Gourmet Channels?



Total Basket Cost and Period to Period Change:
A big drop in Conventional Food; stable elsewhere.

SPINS 30 Market Basket

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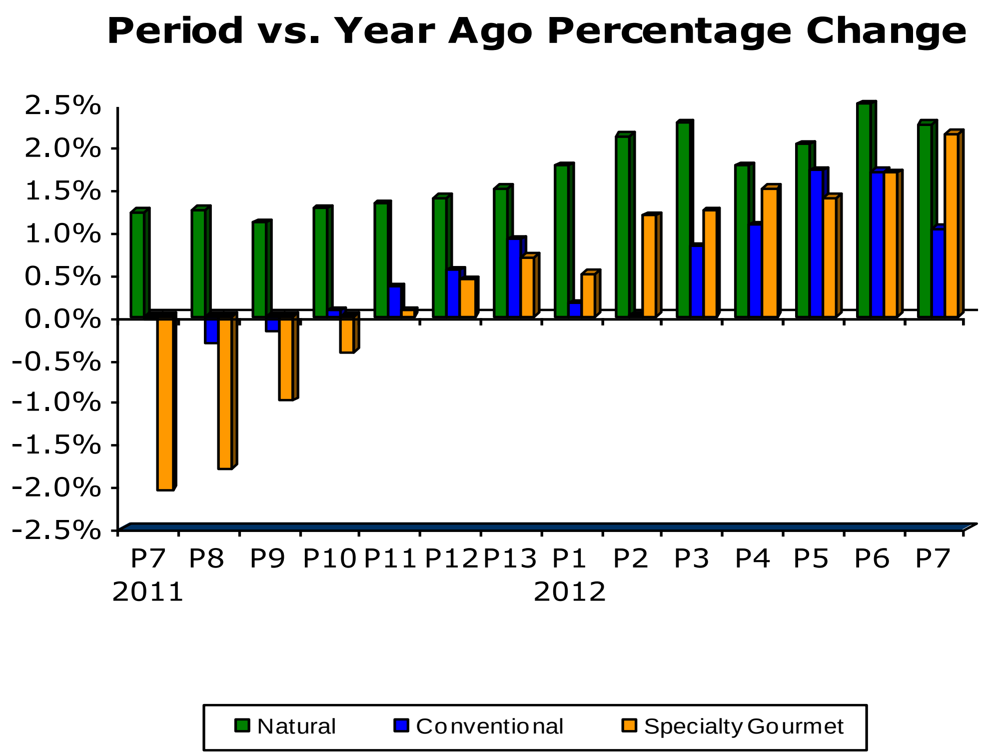
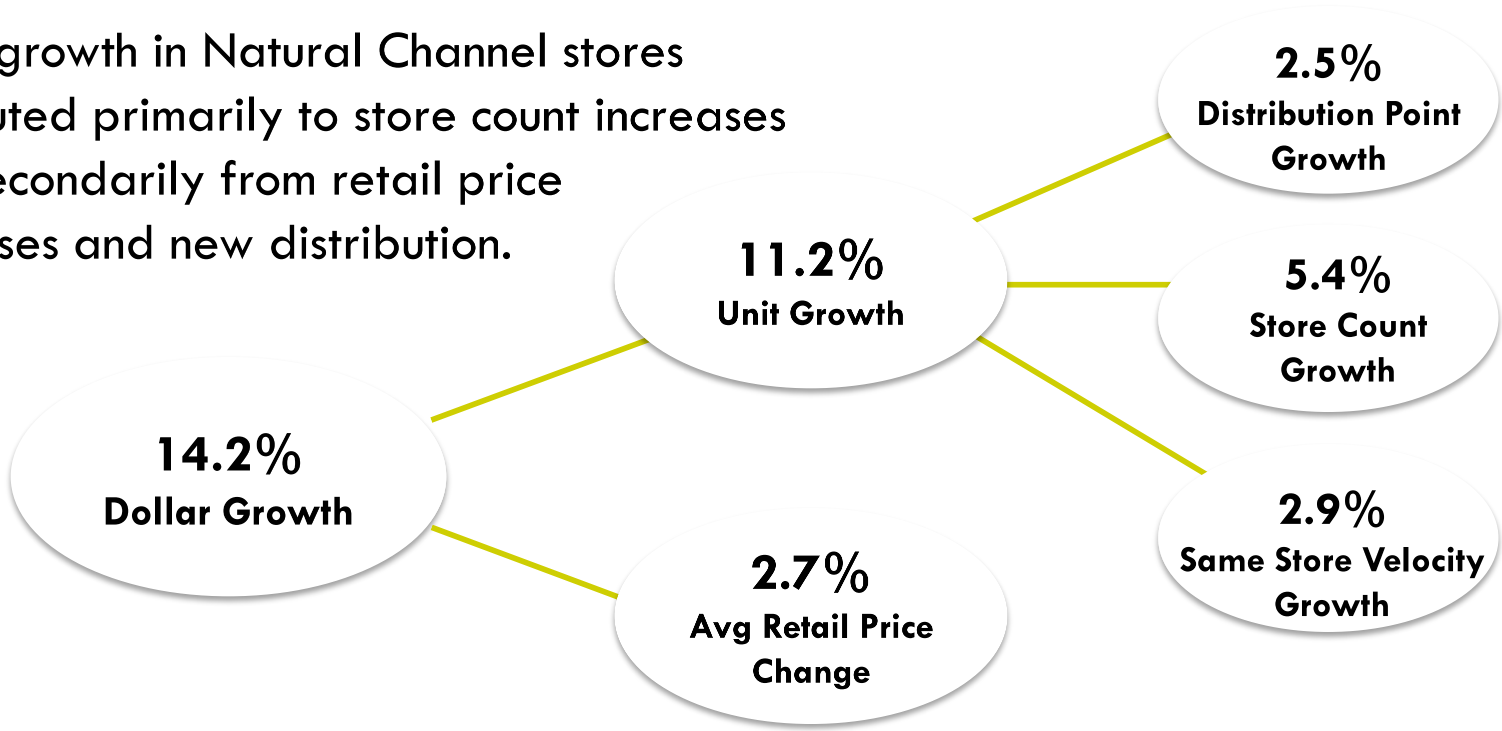


Annual Change: Still modest to flat in all the channels.

Natural & Organic Product Sales: Natural Channel

Sales growth in Natural Channel stores attributed primarily to store count increases and secondarily from retail price increases and new distribution.



SPINSscan Natural – 52 weeks ending 7/7/12.
Food and Beverage Only.

Natural & Organic Product Sales: Specialty Gourmet Channel

Strong overall dollar growth in Specialty Gourmet stores was driven by growth in distribution, same store growth and store count.

12.1%
Dollar Growth

11.7%
Unit Growth

0.3%
Avg Retail Price Change

4.6%
Distribution Point Growth

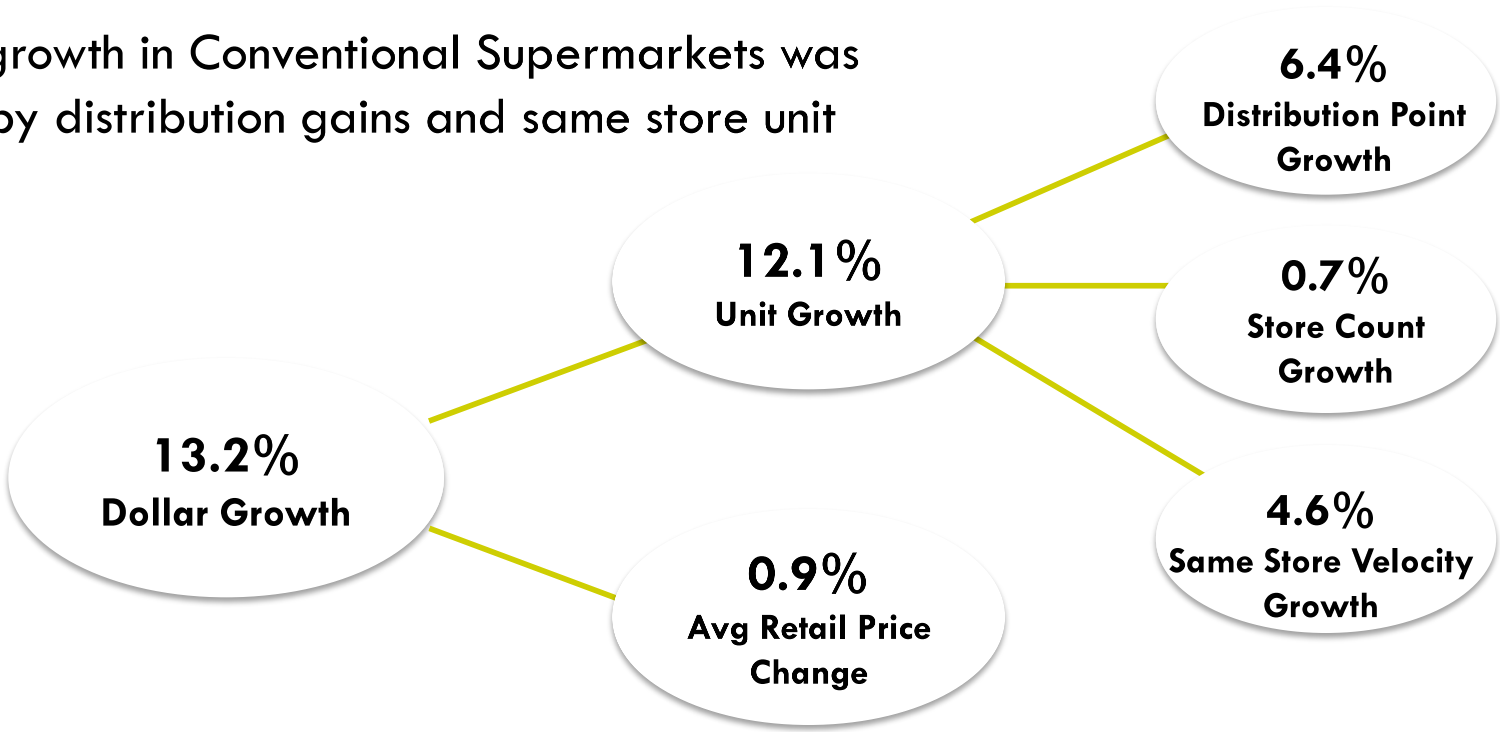
4.5%
Store Count Growth

2.2%
Same Store Velocity Growth

SPINSscan Specialty Gourmet – 52 weeks ending 7/7/12.
Food and Bev Only.

Natural & Organic Product Sales: Conventional Food Channel

Dollar growth in Conventional Supermarkets was fueled by distribution gains and same store unit growth.



SPINSscan Conventional Food (powered by Nielsen Scantrack)– 52 weeks ending 7/7/12. Food .and Beverage Only.

Natural and Specialty Continue to Converge

- Specialty Growing faster In Natural Channel; Natural-Standards Growing faster in Specialty Channel
- The convergence of the Natural and Specialty continues as specialty items are incorporated and show growth in natural stores, and as natural & organic items do the same within specialty stores.

SPINS Brand Positioning

52 week sales	Natural Supermarkets	Specialty Supermarkets	Conventional Supermarkets
NATURAL - STANDARDS	12.4%	12.0%	13.8%
SPECIALTY GOURMET	13.5%	5.1%	6.6%
SPECIALTY NATURAL	19.4%	9.3%	24.0%
NATURALLY PERCEIVED	18.1%	13.3%	7.1%
SPECIALTY CONVENTIONAL	17.9%	9.2%	3.9%
CONVENTIONAL NATURAL	7.1%	2.9%	6.3%

Ranked on annual Natural Channel sales

SPINSscan Natural, Specialty Gourmet, and Conventional Food (powered by Nielsen Scantrack)
52 weeks ending 7/7/ 2012

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Natural and Specialty Category Performance

There are many similarities in the top categories across channels!

Top 10 Natural & Specialty Categories ($ Sales)

Dollar Growth

Natural Supermarkets

Dollar Growth	
3.9%	Vitamins & Minerals
8.9%	**Bread & Baked Goods**
9.2%	Food Supplements
12.6%	**Yogurt & Kefir**
9.2%	**Wine**
22.2%	**Packaged Fresh Produce**
17.8%	**Chips Pretzels & Snacks**
20.2%	**Frozen & Refr Meats Poultry & Seafood**
32.6%	Refrigerated Juices & Functional Beverages
12.8%	**Cheese & Cheese Alternatives**

Specialty Gourmet Supermarkets

Dollar Growth	
2.6%	**Wine**
7.4%	**Packaged Fresh Produce**
16.0%	**Cheese & Cheese Alternatives**
13.4%	Beer
19.6%	**Chips Pretzels & Snacks**
13.0%	**Frozen & Refr Meats Poultry & Seafood**
16.1%	**Yogurt & Kefir**
4.9%	**Bread & Baked Goods**
(6.2%)	Rf Entrees & Sushi & Grab N Go Meals
2.4%	Candy & Individual Snacks

Natural & Specialty Products Only

SPINSscan Natural, and Specialty Gourmet – 52 weeks ending 7/7/12

Natural and Specialty Brand Performance

Natural channel leading brands are Natural Standards while more diverse brand positioning evident in top SG channel brands

Top Natural and Specialty Brands

Natural Supermarkets	Specialty Gourmet Supermarkets
ORGANIC VALLEY	EARTHBOUND FARM
AMYS KITCHEN	SUSHI WITH GUSTO
APPLEGATE FARMS	HORIZON
NOW	CHOBANI
NEW CHAPTER	**ORGANIC VALLEY**
GT KOMBUCHA	TILLAMOOK
NATURES WAY	HAAGEN-DAZS
SOLARAY	**AMY'S KITCHEN**
CASCADIAN FARM	FAGE
GARDEN OF LIFE	HISSHO SUSHI

Natural & Specialty Products Only

SPINSscan Natural, and Specialty Gourmet – 52 weeks ending 7/7/2012

Transparency and Authenticity Reigns!

- Consumers are seeking transparency and authenticity
- These are savvy shoppers who are looking at ‘specifics’ and this will accelerate

52 Week Food & Beverage Dollar Sales	Natural Supermarket	Specialty Gourmet	Conventional Supermarkets
Natural & Specialty Product Sales	**13.3%**	**8.6%**	**8.8%**
Organic (70%+ organic content)	14.5%	9.4%	9.8%
Fair Trade USA Certified	13.2%	22.7%	21.4%
B-Corp Certified	15.9%	19.6%	19.7%
Non GMO (verified)	18.4%	17.3%	14.4%
Gluten Free (labeled)	18.6%	25.8%	22.1%
Vegan	10.3%	15.4%	17.3%
Raw (labeled)	40.8%	48.9%	21.2%
Natural Standards	12.4%	12.0%	13.8%
Specialty Natural	19.4%	9.3%	24.0%
Specialty Gourmet	13.5%	5.1%	6.6%

SPINSscan Natural, Specialty Gourmet, and Conventional Food (powered by Nielsen Scantrack)
52 weeks ending 7/7/2012, Food and Beverage

Key Takeaways

- After closing out a strong 2011, 2012 has proven even stronger relative to both shoppers' habits and dollar growth.
- The race is on – competition is heating up as new product launches increases and the pace of success quickens.
- The 'winning' manufacturers and retailers are positioning themselves carefully and remaining vigilant….. Authenticity reigns!
- The blurring in products and trends across Natural and Specialty not only continues – it accelerates.

Thank you!

For questions or to learn more about working with SPINS, please reach out:

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