

“Every dollar you spend... or don’t spend... is a vote cast for the world you want.”

– L.N. Smith

It’s hard to believe that not long ago, our industry was supported entirely by a handful of small, innovative retailers. With kale, chia, kombucha, and even African super foods springing up in the most unlikely of stores these days, it’s clear that health and wellness products are thriving and have proliferated across retail formats. Natural retailers remain the foremost source of innovation and quality standards within this expanding marketplace, and committed consumers recognize their passion and alignment with their own personal philosophies. As a result, the number of large, full-format natural supermarkets has shot up to over a thousand with annual sales exceeding \$11 billion. Even more tremendous than their growth, however, is their impact on the food industry at large.



Passion, personal connection and a promise for change.

Despite their relatively small grocery market share, natural retailers have created, shaped and inspired the overall health and wellness market that has now permeated across retail channels. They understand that selling better-for-you products is not solely about providing higher nutritional quality. It’s about making true connections with their customers and helping them realize their potential to do better, to never compromise their well-being, and to shift their focus beyond their own personal motivations for eating a healthy diet to our collective social responsibility for creating a sustainable food system.

As the market expands, those who started the movement through their passion and personal convictions will continue to adhere to their core values, inspire change and serve as the platform for further development and elevated product standards that define our industry.

Who are natural retailers?

INDEPENDENTS

- Independently owned & operated
- Often are family owned
- Cornerstones of their communities
- Stores vary in size and format

Example stores include Mustard Seed Market and Alameda Natural Foods

CO-OPS

- Consumers become members and actively invest in and partake in decisions for the co-op’s stores
- Focus heavily on the needs of their local communities

Example stores include The Wedge and Community Food Co-op

REGIONAL CHAINS

- Help spread core messaging and philosophies because of their wider consumer base
- Often have more reach, yet less opportunity for deep customer relationships

Example stores include Natural Grocers and Sprouts Farmers Market

THE NATURAL UNIVERSE

1,047

INDEPENDENT & REGIONAL
NATURAL RETAILERS
YEAR END 2013

+45

STORE COUNT
GROWTH IN 2013

as estimated by SPINS

INCLUDING
WHOLE FOODS
MARKETS, NATURAL
SUPERMARKETS
REPRESENT OVER
\$23B WITH 1,400+
LOCATIONS!

What do they have in common?

Education and Awareness

As part of their core mission, Natural retailers strive not only to provide, but also to help their customers navigate the spectrum of supplements, “better for you” foods, health & wellness items and less environmentally toxic alternatives. By educating their shoppers on how to make more conscious decisions and offering them unique and innovative products, they challenge them to broaden their perspectives - and their palettes - so they can live more vibrantly.

Personal Motivation

Many natural stores were started because their founders were affected by a personal health situation, discovered the impact of lifestyle choices on well-being, and felt compelled to share their experiences with their communities. That personal passion along with a love of food and a true appreciation for a ‘back to basics’ approach is what helps these retailers hit the mark when it comes to making a healthful lifestyle attainable for its shoppers.

Catalysts for Change

Natural retailers continually push for better quality standards and production practices, having a widespread impact across the supply chain on the way we grow, produce and enjoy our foods. As they continue to open new stores and reach a wider consumer base, more of us have the opportunity to understand the importance of making conscious, every day decisions to better our lives, as well as those of our families and the environment.

SPINS TRENDWATCH

NATURAL RETAILERS

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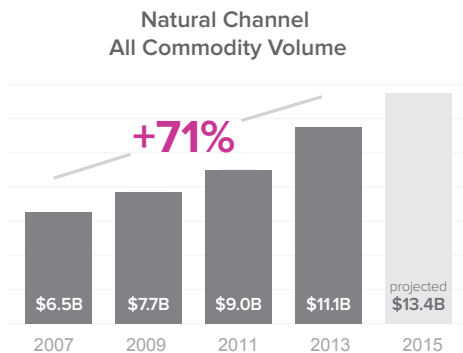
— L.N. Smith

Exceptional growth, sustained.

Natural retailers started a revolution that some once regarded as a fad, but in reality, rose from a need for change within our food system. The staggering growth within these stores is indicative that change was indeed welcome and needed.

CLIMBING ACV

Channel growth has exceeded expectations year after year with ACV up over 70% since 2007, and shows no signs of slowdown in coming years.

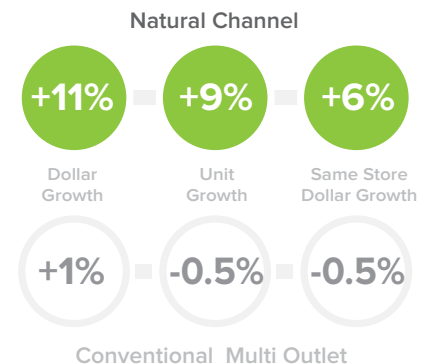


Double digits are nothing new.

In contrast to the relatively flat level of growth that has become the new norm in mainstream grocers, natural supermarkets have experienced double digit growth for years, even through the period of economic slowdown.

FAB VS. FLAT

Total channel sales growth rates within Natural retailers were **eleven times** those of Conventional in the current 52 weeks. Unit sales and same store growth mirrored these trends!



Conventional takes cue.

As demand for health and wellness intensifies, these products expanding far outside the Natural retail realm and into the world of the Mainstream. Major conventional grocers, mass outlets and even Walmart want a piece of the pie, and while their value proposition differs from their Natural counterparts, they are an integral part of our evolving, multi-channel industry.



Natural retailers: No love lost in the face of the changing landscape.

Even as natural products become more readily available in the marketplace by way of new distribution channels, consumers and brands recognize the passion and innovation that is unique to Natural retailers, and thus continue to not only sustain, but strengthen their relationships with them.

WHY CONSUMERS LOVE NATURAL RETAILERS:

THEY HELP THEM EXPERIMENT FREELY.

Consumers trust that the products they find in Natural stores are carefully assessed and come from high integrity brands, giving them the opportunity to broaden their palettes via quality product offerings. They also enjoy tremendous variety!

130,000

ITEMS UNIQUE TO THE NATURAL CHANNEL

THEIR COMMITMENT SPEAKS VOLUMES.

The vast majority of natural retailers' total volume comes from natural and organic items. Specialty items are a distant second runner up, now driving 11% of total volume thanks to their growing gourmet appeal!

NATURAL ITEMS
+82%
OF TOTAL NATURAL CHANNEL VOLUME

THEY SEE EYE-TO-EYE.

Consumers and brands alike recognize that natural retailers are better aligned with their philosophies and are fully committed to providing quality products. As part of an industry that wholeheartedly believes in and works towards the greater good, they find great value in investing in mission-driven partners that share their commitment to a healthier, more vibrant life.

WHY BRANDS LOVE NATURAL RETAILERS:

THEY OFFER MORE OF THEIR PRODUCTS.

Natural Supermarkets are incubators for innovation and trend catalysts. Not only do consumers get to reap the benefits of finding new and exciting products in store, but manufacturers have a platform to build brand equity and loyalty through full brand depth & breadth offerings.

THEY SAVE THEM GREEN.

Manufacturers can also enjoy lower barriers of entry into Natural retailers, given the typical lack of slotting fees, in addition to lower trade spending requirements due to targeted promotional programs. Plus, consumer loyalty within these stores leads to consistent buying behavior and a lower reaction to price change across the channel.