



**SPINS**<sup>®</sup> 118 2nd Street, 3rd Floor  
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*Information-based Services to Grow Your Natural Products Business.*

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## Bi-Monthly Newsletter

Volume 6, June 2004

# Retailer News

**GNC LiveWell**

## GNC files for IPO

GNC Corp. ([www.gnc.com](http://www.gnc.com)) filed registration paperwork on May 28 with the Security and Exchange Commission for an initial public offering of as much as \$345 million in common stock. In the application, the company said it planned to list its stock on the New York Stock Exchange under the symbol "GNC."

The proceeds from the IPO will be used to repurchase shares from GNC Investors, the company's principal stockholder. Apollo Management LP purchased GNC from Royal Numico in December 2003 for approximately \$750 million. For its quarter ended March 31, GNC posted net revenues of \$372.6 million, with net income of \$16.2 million. *Natural Products Industry Insider, 5/28/04*

## **Naturals stores are letting go of tape registers and embracing computerized point-of-sale systems**



Taking the plunge and moving into a world of scanners and databases can be daunting. Small retailers with one or two checkout lanes and less than 2,000 square feet of store space are hard-pressed to lay out \$20,000 to \$30,000 for a high-end POS system. Old-fashioned registers work just fine, many of them say.

Except they really don't. Even basic point-of-sale systems offer quicker checkout, better sales tracking and inventory management, fewer pricing mistakes and, perhaps most importantly, a broad spectrum of financial data and reports that help merchants run their stores more efficiently. South Windsor, Conn., systems consultant Dick Calio said the general rule holds that a POS system can add between 3 percent and 4 percent to the bottom line.

Eliminating pricing mistakes is a primary money saver, Calio said. But even more important is knowing how to use to your advantage the data generated by a POS platform. Three key indicators are most important to track, Calio said. 1) Cash control. 2) Gross margin management. "You need to run a report daily that shows your target gross margin percent by department, and the actual gross margin percent attained from sales." 3) Inventory turn. According to Calio, excess inventory results in profit erosion. *Natural Food Merchandiser, 6/1/04*

## **Being friendly, calling customers by name, and having great locations make these grocery stores competitive**



Washington Street in the South End is chockablock with juxtapositions: low-income housing developments across the street from million-dollar loft spaces, and a restaurant that serves sautéed pea tendrils next to a dollar store that sells frilly wall hangings labeled "Grandma's House." The contrasts in this still-diverse section of a gentrified neighborhood continue right into the aisles of Foodie's Urban Market.

"We feel like we need to be just what most stores don't like to be -- and that's all things to all people," said David Erickson, the market's cheese and specialties buyer.

In the Boston area, some small, independent markets have managed to succeed by carving out a niche in the neighborhoods. Store owners at Foodie's -- and at Cambridge's Fresh Pond Market and Jamaica Plain's City Feed and Supply -- say a friendly attitude, a focus on customer service, a location near pedestrian commuter routes, and smart product choices have helped keep them competitive against stores 10 times their size, some only a mile or two away. As the median space of supermarkets nationwide hovers around 44,000 square feet (up from 35,000 a decade ago) and chains represent an ever-larger share, small markets struggle to show that they still have a place. Despite consolidation in the industry, analysts say competition is alive and well. "Small retailers not only compete with supermarket chains and other independent operators but with everyone who sells food, and that can be drug stores, club stores, convenience stores, sometimes even bookstores," said Michael Sansolo, senior vice president of the Food Marketing Institute, a trade association of food retailers and wholesalers.

The store has added an organic produce section and expanded their cheeses. Produce and butcher work that previously had been done on the other side of a wall have been brought into the open. *The Boston Globe, 5/12/04*



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### Manufacturer News

#### Hold the fat please! CPG companies move toward removing trans-fat from products



Corn chips and crackers that are better for your heart are hitting supermarket shelves, and lower-fat french fries you nibble at restaurants are out there too, if you know where to find them.

The secret? Food makers and restaurants are starting to remove artery-clogging trans fats from products because of a consumer concern and a government decision to require disclosure of trans-fat content on nutrition labels. The culprit is that familiar item on ingredient lists: "partially hydrogenated soybean oil."

Taking the trans fats out of food, a major challenge for plant breeders and food chemists, will mean better foods for Scientists at Iowa State University and Des Moines-based Pioneer Hi-Bred International have developed new soybean varieties that could fill part of the demand. Some food makers, meanwhile, are switching to canola and corn oil. **Frito-Lay** has sworn off trans fats entirely. Its potato chips were already free of trans fats. **Kraft Foods** is removing trans fats from Triscuit crackers and is looking for ways to reduce the trans fat content of Oreos. By June, **Unilever Bestfoods** will remove the trans fat from its 'I Can't Believe It's Not Butter!' spreads. **Campbell Foods** is going trans-free in Goldfish crackers. **Tyson Foods** is getting trans fats out of its cooked meat products like chicken nuggets. *De Moines Register, 4/13/04*



#### Folate Fights Depression

Evidence continues to mount suggesting a link between various stages of depression and low blood levels of the B vitamin folate, according to research funded by the Agricultural Research Service in the US.

The data showed that individuals with either major or mild forms of depression had lower blood levels of folate than did those who had never been depressed. *NutraIngredients, 4/13/04*

**J/Ä/S/Ö/N**  
PURE, NATURAL & ORGANIC



#### Hain purchases Jason Natural Products

The Hain Celestial Group acquired Jason Natural Products, a leading natural personal care product manufacturer, marking Hain's entry into the health and beauty category. While purchase details were not disclosed, Jason Natural's 2003 fiscal sales were estimated to be around \$20 million.

"This is an exciting acquisition for Hain Celestial, giving us another excellent brand in a different aisle of the natural channel," said Irwin D. Simon, president and chief executive officer of Hain ([www.hain-celestial.com](http://www.hain-celestial.com)). "We share many of Jason Natural's existing customers, and can now offer them and our many other customers Jason Natural products through our own distribution system." Simon added Hain plans to expand distribution of Jason Natural products into Canada and Europe, and to leverage the personal care expertise into product launches under Hain's Earth's Best and Celestial Seasonings brands. *Natural Products Industry Insider, 6/04/04*

**NCCAM** National Center for  
Complementary and Alternative Medicine

#### CAM use on the rise in US Americans

According to a nationwide survey conducted as part of the Centers for Disease and Prevention's (CDC) 2002 National Health Interview Survey (NHIS), 36 percent of U.S. adults used some form of complementary and alternative medicine (CAM) during the previous 12 months.

The reasons people use CAM therapies was discussed in the survey results. Fifty-five percent of adults said they were most likely to use CAM because they believed CAM combined with conventional medical treatments would help them. Half used CAM because they thought it would be interesting to try, a quarter used CAM because a conventional medical professional suggested they try it, a quarter used CAM because they felt conventional medicine would not help them with their health problem, and 13 percent used CAM because they felt conventional medicine was too expensive.

Researchers also found CAM use was greater among women, people with higher education, those who had been hospitalized within the past year and former smokers. *Natural Product Industry Insider, 5/27/04*



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# Content Development Corner

From the desk of Matt Levine ([mlevine@spins.com](mailto:mlevine@spins.com)), SPINS Content Development Coordinator

### More Cheese Please

**Horizon Organic** has introduced seven new cheeses including a one-pound cheddar brick, which the manufacturer claims is the first one-pound organic cheese available to consumers. Other new items include sliced provolone, sliced swiss, sliced cheddar, a sharp cheddar bar, thick cut cheddar shreds, and a parmesan wedge.

In the current 52 weeks ending April 17, 2004, packaged organic cheese sales have grown 24.6% in Natural Product Supermarkets and 20.9% in Conventional Food, Drug and Mass stores. Combined sales have reached over 40 million dollars.

### The Wizard adds more crunch!



The **Garden of Eatin'** has introduced toasted corn snacks made with organic white and blue corn. Packed in 4-ounce bags, the new snacks are available in 'honey salted' and 'sweet and spicy varieties. These all-natural 'corn nuts' are made with expeller pressed oil, sea salt and contain no hydrogenated oils or genetically engineered ingredients.

### Soyfood partnership

Soy foods manufacturer **Wildwood Natural Foods** announced the formation of an alliance with the U.S. division of tofu and soy foods manufacturer **Pulmuone**. In a statement, Wildwood said that the partnership allows for shared equity investments in research, production, and marketing efforts. Wildwood, founded in 1980, is a producer of tofu, soy foods and vegetarian products.

According to the 2004 Soyfoods Report published by Soyatech and SPINS Inc., retail sales of soyfoods have reached 4 billion dollars and continue to grow at a 14% annual growth rate.



### No carbs, no calories, and no Splenda?

The **Republic of Tea** introduced nine ready-to-drink teas that the company says meet the needs of both low carb dieters as well as tea connoisseurs. The 12-ounce all natural drinks, with a suggested retail price of \$1.99, are packaged in unique plastic bottles and come in herbal, green, white and red tea varieties. According to the self-appointed 'Ministers' at the Republic of Tea, the new products taste like tea... not sugar.

### Controversial Anti-Depressant Pulled from Market

**Bristol Meyers Squibb** announced in May that it was ending domestic sales of the prescription drug Serzone. Linked to dozens of cases of liver failure and possibly 20 deaths, the manufacturer cited declining sales, rather than concerns over legal risks, as the reason for pulling the drug. Last October Canadian officials halted sales of Serzone due to health concerns, and in January of 2003 sales were discontinued in the European Union. The consumer group Public Citizen had petitioned the FDA in October 2003 to ban the sale of Serzone. <http://www.thatsracin.com/mld/philly/business/8719215.htm>  
[http://www.citizen.org/publications/release.cfm?id=7288\\_05/12/04](http://www.citizen.org/publications/release.cfm?id=7288_05/12/04)



### Celestial Gets Cooler with launch of new Zingerade

Celestial Seasonings moves into the refrigerator case with the introduction of **Zingerade** a ready-to-drink beverages combining herbal tea, fruit juices and lemonade. Packaged in colorful 64-ounce gable-top containers, the all-natural drinks are available in Wild Berry, Sweet Peach Delight, and Tropical Ruby Red and contain 100% of the RDA of Vitamin C in every glass.

### Quick note on Matt

Veteran SPINS Content team member Matt Levine, was appointed President of the Board of the Quan Yin Healing Arts Center, the nation's first non-profit Chinese Medical Clinic. Earlier this year SPINS contributed \$500 to the clinic's 20<sup>th</sup> Anniversary Fundraising Campaign. Quan Yin, located in San Francisco's Mission District, provides acupuncture, herbal medicine, and massage to clients regardless of income and also provides professional training to practitioners. For more information on the clinic or how to contribute, visit [quanyinhealingarts.com](http://quanyinhealingarts.com)



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## SPINS Partnerships

### Natural & Organic Foodservice Marketplace Report

- The report offers insightful, comprehensive and strategic views of the foodservice business opportunity for manufacturers seeking to significantly expand their natural and organic foods franchise.

**Partner:** The Hale Group

**Available:** Now

**Price:** \$4,995

### NBJ/SPINS Organic Foods Report

- Comprehensive report that details the cultivation, production & distribution of organic products

**Partner:** Nutrition Business Journal

**Available:** End of June

**Price:** \$1,995

### NBJ/SPINS Supplement Report

- Comprehensive report on supplements

**Partner:** Nutrition Business Journal

**Available:** Fall

**Price:** TBD

### Soyfoods: The U.S. Market 2004

- Contains detailed information on the U.S. market by category, sub-category, brand, and distribution channel for the \$4 million retail business for soyfoods.

**Partner:** Soyatech

**Available:** End of June

**Price:** \$2,900 macro, additional sections available

*Please call Amy Jacobsen at 415.957.4410 for more information on any report.*

### Specialty Foods - NASFT Gourmet Specialty State of the Industry Report

- Encompasses three years of sales data (2001-2003) for 36 specialty food segments. In addition, Mintel surveyed 448 specialty food manufacturers, imports, distributors and brokers, plus 349 specialty food retailers to develop the statistics presented in this report.

**Partner:** NASFT & Mintel

**Available:** Now

**Price:** \$4,000 (40% discount for NASFT members)

**\*\*highlighted report of this newsletter. See page 5 for more detail.**

### NMI/SPINS Organic Consumer Trends Report

- A report providing in-depth attitudinal and product usage analysis of the organic consumer. Identifies who is purchasing organic, what influences their decisions, and how to influence the organic consumer with effective marketing.

**Partner:** Natural Marketing Institute

**Available:** End of June

**Price:** \$3,995

### Tea is 'HOT' report

- A unique hybrid information package filled with hard market statistics, trends, new product concepts, science, expert opinions, tea business resources and much more. The Tea Is "Hot" Report combines data, analysis, commentary and resources into a 275-page information packed compendium.

**Partner:** The Sage Group

**Available:** Now

**Price:** \$895

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### Meet Diana Dixon Midwest Regional Sales Manager



- Illinois born and bred Diana Dixon is SPINS' latest addition to the Account Manager Team. Diana joined SPINS last month after a seven-year tenure with AC Nielsen.
- Diana will be and already has been a great asset to SPINS as her experience in identifying and illustrating client success stories that result in positive returns on their investments. She has worked with leading CPG companies focusing and specializing in training and support.
- A self-professed 'digit head' Diana loves data, but not as much as her family. She graduated from Illinois State University with a BA in Marketing and currently lives with her husband and seven-year-old son, just outside of Chicago.
- She's passionate about work and family, and has often been accused of being annoyingly perky, especially in the morning, even before her first cup of coffee. Energy, passion, and a sense of humor –that makes for a Spinner we're all happy to welcome to our team.

### SPINS News

In celebration of Fair Trade Day on May 8th, SPINS has donated and joined the **Fair Trade Federation** ([www.fairtradefederation.org](http://www.fairtradefederation.org)).

The Fair Trade Federation (FTF) is an association of fair trade businesses who are committed to providing fair wages and employment opportunities to low-income artisans and farmers worldwide.

FTF is committed to fair wages; cooperative workplaces; consumer education; environmental sustainability; financial and technical support; respect for cultural identity; public accountability.

### SPINS' highlighted report offering

NASFT, Mintel, and SPINS team up to identify, segment, and forecast the **Specialty and Gourmet Industry!**

The NASFT *State of the Specialty Food Industry* is a joint research project prepared by Mintel International Group and SPINS. The research encompasses three years of sales data (2001-2003) for 36 specialty food segments, pulled from the SPINS database of mainstream and natural food stores. In addition, Mintel surveyed 448 specialty food manufacturers, imports, distributors and brokers, plus 349 specialty food retailers to develop the statistics presented in this report.

Here are some of the highlights:

- Sales of specialty foods increased 20.4% between 2001 and 2003 to \$22.8 billion
- 12.5% of specialty food distributor sales are to restaurants and other foodservice establishments
- Supermarkets represent 67% of specialty food retail sales

*The report will be published May 5th.  
Cost is \$4,000 (40% discount available for current NASFT members).  
To order, contact Amy Jacobsen*