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Content and Consulting services to grow the Natural Products industry.

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SPINS Newsletter

Volume 2, October 2003

Retailer News



Wild Oats Moves to Decentralize Buying

As Wild Oats Markets, a national natural-food grocer based in Boulder, plans to increase the size of its chain by 60% over the next two and a half years (which works out to 25 stores a year), it is swinging back to a less centralized policy of buying, said Stephen Kacynski at a session of the GMA-MSM conference here last week. Tightening up was essential two years ago, said Kacynski, who is senior vice president of sales and marketing, but as Wild Oats' turnaround has progressed, it is now introducing more flexibility. Regions can select what products they want to offer, along with others that will be offered nationwide. *COLORADO SPRINGS, Colo. (September 22, 2003)*

TRADER JOE'S

Analysts say Trader Joe's strategy of using wine as a loss-leader - a ploy that served to depress prices throughout California's struggling wine industry - **likely will help the firm break out of its specialty category and fuel an expansion that will include adding an estimated 20 stores to its roster of 200-plus outlets this year**, examined *The San Diego Union-Tribune*. Trader Joe's sold more than two million cases of Charles Shaw merlot and Chardonnay since it began marketing the surplus beverage at \$1.99 a bottle earlier this year. *San Diego Tribune 9/26/03*

Grocery stores take the lead in self-checkout kiosks

Nearly 30% of all supermarket chains now have "u-ring" technology in their stores that allow customers to ring up their purchases, and Home Depot also is experimenting with the technology. Companies say the kiosks give customers the option of a speedier checkout, but one analyst says it is merely a move to cut labor costs. *San Jose Mercury News (9/9)*

Manufacturer News



Kraft Foods purchases Back to Nature

Kraft Foods North America (KFNA), the largest branded food company in North America (NYSE:KFT), announced today that it is acquiring the Back to Nature brand cereal and granola business from Organic Milling, Inc., a privately held manufacturer of natural products. Back to Nature cereal and granola products are sold in retail grocery and natural product stores across the United States. *NORTHFIELD, Ill.--(BUSINESS WIRE)*

Hain Goes Low-Carb and expands business



Hain Celestial Group plans to bring out its **first cereal lines, low-carbohydrate pastas, and cookies that contain no trans-fatty acids or hydrogenated oils**. Hain president and CEO Irwin Simon said Terra and Garden of Eatin' snacks were introduced to thousands of 7-Eleven stores nationwide. He also said the firm's test of McVeggie burgers in 600 Southern California McDonald's restaurants was expanded to Houston and Austin, TX. *Newsday.com*



Burt's Bees for Sale

Burt's Bees, a US-based natural personal care company, has put itself up for sale, but has not found a buyer in the past four months. The company had sales of US\$43.5 million last year, and is estimated to be valued at over US\$150 million. However, many analysts say the gamble for acquirers is how well the Burt's Bees line will be received in the mass market. *News & Observer*



Ephedra Sales Banned

California State Assembly passed a bill September 8 that would ban the sale of ephedra-based pills. The bill was approved by a 44-23 vote and will have to make it through the state senate and pass the Governor's desk before it becomes law. *San Diego Union Tribune*



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Tony Olson promoted to CEO

SPINS announces the promotion of Tony Olson to Chief Executive Officer.

As SPINS President for the past eighteen months, Tony has been responsible for day-to-day operations of the company, including sales and marketing, content development, information technology, and finance. He will retain these responsibilities, and will assume the additional role of guiding the company's strategic direction, brand building, product development, and strengthening SPINS strategic partnerships. He will also serve on the SPINS Board of Directors.



Tony began with SPINS four years ago assuming various roles along the way, including National Sales Manager, Vice President of Sales and most recently President.

Prior to joining SPINS, Tony was Regional Manager - Rocky Mountain Region for Odwalla, Inc., the Half Moon Bay, California manufacturer of natural beverages and foods. He holds a B.S. in Business Administration from Carthage College in Kenosha, Wisconsin.

"Tony's done an excellent job as President over the past eighteen months," said Paddy Spence, SPINS' Founder and Chairman. "His combination of strong operational experience and strategic insight has served the company well, and I am confident in his ability to continue to build and deliver services that add value to the health and wellness industry." *SPINS press-release September 2nd, 2003*

The Tea is "Hot" Report will be published November 10th. Contact the Sage Group to order: (206) 282-1789, usteareport@aol.com

Business Development Corner

Foodservice Report

SPINS and the Hale Group have teamed up to develop a comprehensive report on the dynamics and opportunities within the natural and organic food, produce and beverages segments of the foodservice marketplace.

The 2003 Natural & Organic Foodservice Marketplace Report (FSMR) will provide a detailed view into market dynamics driving opportunities for industry players. Insights and highlights include:

- ? *Market size and growth forecasts by natural/organic food, produce, and beverage segment*
- ? *Overview of the supply and value-chains*
- ? *Key barriers to growth and entrance*
- ? *Key opportunities for new and existing players*
- ? *Consumer drivers and demands, profiles of the natural/organic consumer*
- ? *Company profiles of key industry/channel players*

Natural Products Marketplace Report

Take advantage of our promotion for the NPMR and gain insight into the Natural Products Industry!

The NPMR is the Natural Product Industry's single most comprehensive source of information on marketplace growth and the factors driving that growth. The 124 page report details information of retailer statistics, strategies, positioning, and sales trends at the channel, category, brand, and item level. The report also includes an analysis of the impact of new items and macro trends through to profiles of leading players.

Price is now \$1,995

Contact Amy Jacobsen for more information



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Content Development Corner

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

Insight into Coral Calcium performance

Despite some controversy surrounding dramatic marketing claims and environmental concerns with Coral Calcium, sales of the dietary supplement continue to surge. According to SPINS data, Coral Calcium has seen an almost 2,500% sales increase in Natural Product Supermarkets for the 52 weeks ending August 9, 2003. Comparatively, all other calcium supplements have experienced growth of just 16%. In the Mainstream channel, sales trends are much the same. Coral Calcium supplements have only started moving through this channel in the last 12 months, and already sales are three times the sales through the Natural Channel.

New Item Introductions

Organic Valley Perfect for those on the go, Organic Valley introduces new 11oz single serving sizes of their Organic 2% and Chocolate Milk.

Pure Essence hits the market with two new powdered drinks, Ionic Fizz Calcium Plus and Ionic Fizz Magnesium Plus, in raspberry lemonade flavor and sweetened with Stevia. Both products reach the stomach in 100% liquid, ionic form.

Annie's Homegrown has introduced its first non-pasta extension, expanding into the snack category with Cheddar Bunnies baked snack crackers.

Hain Pure Foods launched a line of vegetable-juices fortified with FlorGlo lutein, an ingredient touted to improve eye health. Veggie Juice and Carrot Juice are packaged in 32oz aseptic containers and promote lutein prominently on the label.

Client/Consulting Service Corner

USDA Organic Standards Anniversary!



With the new NOP standard now almost a year old, we took a look at the effects of sales for organic products in both the Natural and Mainstream channel sales. Products which contain certified organic ingredients in the 95-100% range are eligible to bear the USDA seal; and indications are that consumers find the seal to be very important to their buying decisions. Across channels, 100% certified organic sales are growing at 21% while the 95-99% organic ingredient classification is booming at 26%. With a 60,000+ store universe, mainstream retailers are now moving more volume in organic food and beverage products and seeing faster rates of growth across NOP organic class than in the 843-store Natural Channel 'A'-size universe. SPINSScan and ACNielsen ScanTrack/SPINS NaturalTrack data: 52 weeks ending 7/12/03

New Subcategory Breakout

Frozen Potatoes is now it's own subcategory. Frozen potatoes are growing at a rapid pace of **59%** in the Natural Channel lead by growth from **Alexia**.



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Meet Chris Meyer Client Services Manager



Chris graduated from UC Santa Cruz with degrees in economics and environmental studies while pursuing his interest on the organic consumer. He gained experience in database management and personnel management in the Internet and aerospace industry.

In 2000, Chris joined SPINS' Client Services Team as an analyst and through his hard work and support, he quickly advanced to Senior Sales Analyst.

In January of 2002, Chris was promoted to **Client Services Manager**, focusing on work flow and data integrity processes while assisting the team in in-depth analysis work. With the inception of our Dedicated Analyst service, the level of support and insight from SPINS has greatly increased, and Chris Meyer has been integral in the development.

Feel free to contact Chris Meyer about our Dedicated Analyst service, data questions, or any custom report.

Chris Meyer

Client Services Manager, 415-957-4414,
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Retailer Industry Insights

Buying Organic Is Easier as New Retailers Sign On

Sun October 5, 2003 10:40 AM ET By Lauren Weber

NEW YORK (Reuters) - Imagine this family outing. Lunch at a restaurant, a football game at the local stadium and snacks on the way home -- and nothing but organic food all day. It's not far-fetched.

Experts say the day is coming when all sorts of retail outlets, not just the local food co-op and the nearby Wild Oats Markets Inc. market, will offer organic products -- those grown or made without pesticides, hormones, antibiotics or other additives. "In five years, organic products will be everywhere," said Scott Van Winkle, an analyst at investment bank Adams, Harkness & Hill.

While conventional food sales are virtually flat, the overall annual growth rate for organic food is around 20 percent, according to the Organic Trade Association. And these products are drawing in coveted consumers -- affluent, educated, and willing to spend more on safer, more healthful foods.

Conventional supermarkets have been slowly allocating valuable shelf space to organic products, partly to distance themselves from the looming threat of Wal-Mart Stores Inc., now the largest U.S. seller of groceries.

For instance, Kroger Co., the No. 1 U.S. grocery chain, has been expanding its line of private-label organic items.

But even Wal-Mart has gotten into the act, adding organic foods in the "healthy living" section of some stores.

"Today, you probably see a 10 to 15 percent difference on price," said Irwin Simon, chief executive of Hain Celestial Group Inc.

BEYOND THE OBVIOUS

Organic food companies are looking beyond the obvious and plotting expansion into nontraditional markets like convenience stores, sports stadiums and foodservice channels that serve schools, hospitals and other institutions.

Hain approached 7-Eleven two years ago and now the chain will carry about 40 Hain products, some of them organic or made with organic ingredients.

Hain also sees a potential gold mine in foodservice operations. With more parents insisting on healthful, hormone and pesticide free foods for their children, primary schools could become a big market.

To learn more about organic and natural product sales and opportunities in foodservice, contact Amy Jacobsen, 415-957-4410, ajacobsen@spins.com