

EXCERPT

# natural products marketing

---

benchmark report  
2011

pure | branding

Pure Branding, Inc.  
196 Pleasant Street, Suite 301  
Northampton MA 01060

413-548-9900  
www.purebranding.com

## Natural Products Marketing Benchmark Report 2011

MAY 2011

*Natural Products Marketing Benchmark Report 2011* was prepared by Pure Branding with support from SPINS. Pure Branding serves natural products companies in the United States and abroad with brand strategy, creative and market research services.

Pure Branding market intelligence reports are specifically designed to aid the action-oriented natural products marketing executive by providing a thorough presentation of essential data and concise analysis.

Head of Research and co-author	David Poole
Co-author	Peter Littell
Principal	Yadim Medore
Principal Brand Strategist	Kevin Williams
Brand Activist	Josh Lynn
Publication date	May 2011

All rights reserved. No part of this report may be reproduced without permission of the publisher. Copyright © 2011 Pure Branding, Inc.

# Table of Contents

<b>Introduction .....</b>	<b>8</b>
<b>Executive Summary .....</b>	<b>9</b>
<b>Chapter 1: Profile of the Natural Product Marketer .....</b>	<b>13</b>
<b>Company size .....</b>	<b>14</b>
Figure 1-1 Gross revenue in 2010 (percent).....	14
Figure 1-2 Number of employees (percent).....	14
Figure 1-3 Numbers of companies with gross revenue over \$250M .....	15
Figure 1-4 Number of employees, by company size (percent) .....	16
<b>Company category.....</b>	<b>17</b>
Figure 1-5 Company category .....	17
<b>Store department sales volume.....</b>	<b>18</b>
Figure 1-5-1 Natural products dollar sales in 2010 by department, excluding alcohol (source: SPINS) .....	18
<b>Who makes the marketing decisions?.....</b>	<b>19</b>
Figure 1-6 Job title (percent).....	19
Figure 1-7 Role in company (percent).....	19
Figure 1-8 Size of marketing department measured in full-time-employee equivalent (percent).....	20
Figure 1-9 Years worked in marketing natural or organic products (percent).....	21
Figure 1-10 Years worked in marketing natural or organic products, by company category (percent).....	22
Figure 1-11 Years worked in marketing natural or organic products, by company size (percent).....	23
<b>Attitude.....</b>	<b>24</b>
Figure 1-12 “What brought you to the natural products industry?” (percent).....	24
Figure 1-13 “Marketing Natural is like...” (percent) .....	25
Figure 1-14 “Marketing Natural is like...” by company size (percent).....	26
Figure 1-15 “Marketing Natural is like...” by company category (percent).....	27
<b>Chapter 2: How Marketers Define Natural Products .....</b>	<b>28</b>
<b>Definition of “natural product” .....</b>	<b>29</b>
Figure 2-1 Definition of natural product (percent) .....	29
Figure 2-2 Definition of natural product, by company size (percent) .....	30
<b>Regulation of the term “100% natural” .....</b>	<b>31</b>
Figure 2-3 Agreement that the term “100% natural” should be regulated (percent).....	31
Figure 2-4 Agreement that the term “100% natural” should be regulated, by company size (percent).....	32
<b>Chapter 3: Challenges .....</b>	<b>33</b>
<b>Identifying challenges.....</b>	<b>34</b>
Figure 3-1 Greatest external challenges faced in marketing natural or organic products (percent).....	34
Figure 3-2 Greatest external challenges faced in marketing natural or organic products, by company size (percent) .....	35
Figure 3-3 Greatest internal challenges faced in marketing natural or organic products (percent).....	36

Figure 3-4 Marketing budget as % revenue across all conventional industries (source: 2010 CMO Council Outlook).....	38
Figure 3-5 Greatest internal challenges faced in marketing natural or organic products, by company size (percent) .....	39
Figure 3-6 How companies are overcoming internal and external marketing challenges (percent).....	40
Figure 3-7 How companies are overcoming these challenges, by company size (percent) .	42
Figure 3-8 Natural product sales in natural food store 2010 excluding Whole Foods Market (percent). (Source: SPINS) .....	43
Figure 3-9 Natural product sales in conventional food store 2010 excluding Walmart (percent). (Source: SPINS) .....	43
<b>Chapter 4: Marketing Measurements and Research.....</b>	<b>45</b>
<b>Market research .....</b>	<b>46</b>
Figure 4-1 Types of market research conducted in past 24 months (percent) .....	46
Figure 4-2 Market research services used in past 24 months (percent) .....	47
<b>Brand awareness .....</b>	<b>48</b>
Figure 4-3 Method for quantifying brand awareness (percent).....	48
<b>Category share .....</b>	<b>49</b>
Figure 4-4 Category share — dollar sales as a percentage of the total category sales (percent).....	49
Figure 4-5 Total US sales for 2010 over 2009 in natural products in billions of dollars, for selected channels (source: SPINS).....	50
Figure 4-6 Category share — dollar sales as a percentage of the total category sales, by company size (percent) .....	51
<b>Distribution .....</b>	<b>53</b>
Figure 4-6-1 Minimum all commodity volume (percentage ACV) for most widely distributed brands in natural channel excluding Whole Foods Market (source: SPINS) .....	54
<b>Return on investment.....</b>	<b>55</b>
Figure 4-7 Method for quantifying the ROI (return on investment) from marketing programs (percent) .....	55
Figure 4-8 Methods used to track ROI (return on investment) from marketing programs (percent).....	56
<b>Perception of consumer and brand awareness .....</b>	<b>57</b>
Figure 4-9 Depth of involvement in health and wellness for your consumer (percent) .....	57
Figure 4-10 If asked to list the brands in your category, estimate what percentage of the US public would name your brand (percent) .....	58
<b>Chapter 5: Channels and Competition.....</b>	<b>59</b>
<b>Channels .....</b>	<b>60</b>
Figure 5-1 Channels where your products are sold (percent).....	60
Figure 5-2 Total US sales for 2010 over 2009 in natural products in billions of dollars, for selected channels (source: SPINS).....	61
Figure 5-3 Channels where your products are sold, by company size (percent) .....	62
Figure 5-4 Channel representing greatest opportunity, by company size (percent) .....	63
Figure 5-5 Channel where your products are sold versus channel representing greatest perceived opportunity (percent).....	64
<b>Competition .....</b>	<b>66</b>
Figure 5-6 Types of businesses of main competitors (percent) .....	66

<b>Chapter 6: Marketing Budgets .....</b>	<b>67</b>
<b>Trade and consumer marketing budgets.....</b>	<b>68</b>
Figure 6-1 Percent split between trade and consumer marketing (percent).....	68
Figure 6-2 Percent of marketing budget allocated to trade (percent).....	68
Figure 6-3 Percent split between trade and consumer marketing, by company size .....	69
Figure 6-4 Percent of marketing budget allocated to trade, by company size (percent).....	70
<b>Dollars spent with retailers .....</b>	<b>71</b>
Figure 6-5 Split of dollars spent on retailers (percent).....	72
Figure 6-6 Split of dollars spent on retailers, by company size (percent) .....	73
<b>Annual trade marketing budget.....</b>	<b>74</b>
Figure 6-7 Annual trade marketing budget (percent) .....	74
Figure 6-8 Annual trade marketing budget, by company size (percent).....	75
<b>ROI for trade spend .....</b>	<b>76</b>
Figure 6-9 Percent that measure ROI for trade spend .....	76
Figure 6-10 Percent that measure ROI for trade spend, by company size.....	77
<b>Consumer marketing budgets.....</b>	<b>78</b>
Figure 6-11 Annual marketing budget, excluding trade, staff and overhead (percent).....	78
Figure 6-12 Annual marketing budget (excluding trade, staff and overhead), by company size (percent).....	79
Figure 6-13 Marketing budget as percent of revenue, by company size (percent) .....	80
<b>Changes in marketing budgets.....</b>	<b>81</b>
Figure 6-14 Year-over-year change in marketing budgets (percent) .....	81
Figure 6-15 Year-over-year change in marketing budgets, by company size (percent).....	82
Figure 6-16 2010/2011 change in marketing budgets, by percent increments and company size (percent).....	83
<b>Factors determining future budgets .....</b>	<b>85</b>
Figure 6-17 Factors most determining future marketing budgets (percent) .....	85
Figure 6-18 Factors most determining future marketing budgets, by company size (percent) .....	86
<b>Chapter 7: New Product Introductions.....</b>	<b>88</b>
Figure 7-1 Number of new product introductions in past 24 months (percent).....	88
Figure 7-2 Number of new product introductions in past 24 months, by company size (percent).....	89
Figure 7-3 Budget allocation for new product introductions (percent) .....	90
Figure 7-4 Budget allocation for new product introductions, by company size .....	91
Figure 7-5 Use of same marketing channels and tactics for new product launches as for ongoing marketing (percent) .....	92
Figure 7-6 Use of same marketing channels and tactics for new product launches as for ongoing marketing, by company size (percent) .....	92
<b>Chapter 8: Marketing Tactics .....</b>	<b>93</b>
Figure 8-1 Marketing tactics used (percent) .....	94
Figure 8-2 Most and least effective marketing tactics (percent) .....	96
Figure 8-3 Marketing tactics — most effective plotted against most used (percent).....	98
<b>Content: Website .....</b>	<b>100</b>
<b>Social Media: Facebook.....</b>	<b>101</b>
<b>Content: Sales Collateral .....</b>	<b>102</b>
<b>Content: Email Newsletter .....</b>	<b>103</b>

Demo: Live .....	104
Coupons .....	105
Social Media: Twitter .....	106
Event Marketing .....	107
Press Relations .....	108
Consumer Advertising: Online .....	109
Consumer Advertising: Print .....	110
Point of Purchase .....	111
Buzz Marketing .....	112
Search Engine Optimization .....	113
Direct Marketing: Email .....	114
Sponsorships .....	115
Social Media: Blogging .....	116
Education: In-Person Training .....	117
Content: Video .....	118
Product Placement .....	119
Demo: Passive .....	120
Search Engine Marketing — PPC .....	121
Consumer Advertising: Advertorials .....	122
Direct Marketing: Mail .....	123
Social Media: LinkedIn .....	124
Content: User Generated .....	125
Consumer Advertising: Radio .....	126
Loyalty Programs .....	127
Education: Online Training .....	128
Content: Webinars/Virtual Events .....	129
Personalized Data-Driven Marketing .....	130
Direct Marketing: Telemarketing .....	131
Consumer Advertising: Television .....	132
Content: Mobile Phone Applications .....	133
<b>Chapter 9: Social Media .....</b>	<b>134</b>
<b>Chapter 10: In-House vs. Outsource .....</b>	<b>136</b>
<b>Size of marketing departments .....</b>	<b>137</b>
Figure 10-1 Size of marketing department measured in full-time-employee equivalent (percent) .....	137
Figure 10-2 Size of marketing department measured in full-time-employee equivalent, by company size (percent) .....	138
<b>Outsourcing .....</b>	<b>139</b>
Figure 10-3 Marketing services outsourced (percent) .....	139
Figure 10-4 Marketing services outsourced, by company size (percent) .....	140
Figure 10-5 Proportion of marketing handled in-house (percent) .....	141
<b>Chapter 11: Trade Show Involvement .....</b>	<b>142</b>
<b>Profile of respondents in relation to trade show exhibitors .....</b>	<b>143</b>
Figure 11-1 Respondents by company category in survey versus exhibiting at Expo West 2011 (percent) .....	143
<b>Attendance .....</b>	<b>144</b>

Figure 11-2 Trade shows attended as exhibitor in prior 24 months (percent) .....	144
Figure 11-3 Trade show attendance figures for 2010 (number of people).....	145
Figure 11-4 Trade shows visited as attendee in prior 24 months (percent) .....	146
Figure 11-5 Trade shows visited as attendee in prior 24 months, by company size (percent) .....	147
<b>Appendices.....</b>	<b>149</b>
<b>Words of Wisdom.....</b>	<b>149</b>
Financial Advice.....	149
Research Advice .....	150
Employee Advice .....	151
Strategic Advice.....	152
Tactical Advice.....	156
<b>Company Background.....</b>	<b>158</b>
<b>Scope and Methodology.....</b>	<b>159</b>

## Introduction

During the years of our involvement in the natural products industry, we've frequently encountered questions from clients asking how others in the industry were marketing their products. What we've found was that while some strategies were widely used, there were many more that had conflicting results. What worked for one was a disaster for another. It soon became evident to us that the natural products industry is unique and conventional models do not always apply. The industry could benefit from a benchmark that demonstrated how companies were marketing, the amount of dollars they were committing to their marketing, and what worked and what did not.

To our knowledge, the *Natural Products Marketing Benchmark Report 2011* is the first of its kind in the natural products industry. And it's about time.

We are like many of the respondents to this survey — passionate about natural and organic brands and the values they embody. We work hard to empower these companies, and our hope is that this report will provide data-based knowledge and insights of immediate use to natural products companies serious about marketing.

We thank our co-sponsors who helped with their insights and provided additional data (SPINS, Ignite Sales Management and Consulting, Natural Products Consulting, Organic Processing magazine, Nutritional Outlook magazine, Organic and Wellness news). But most of all, we thank all those marketing decision makers who took the time to fill out our survey. Without them, there would be no report.

When all is said and done, we're proud of this report. We think it will provide a much needed benchmark for natural products marketers. It will help them during budgeting to see what other companies their size or in their category are spending on marketing. With so many marketing tactics to choose from, it will show them what tactics companies are using and which ones are most effective.

We welcome any and all feedback to ensure our 2012 edition is even more useful.

Sincerely,

David Poole, Co-author and Head of Research, Pure Branding  
Peter Littell, Co-author and Marketing Consultant, Pioneer Communications Group  
Yadim Medore, Principal, Pure Branding  
Kevin Williams, Principal Brand Strategist, Pure Branding

## Executive Summary

During the months of January, February and March 2011, 411 marketing decision makers from small, medium and large natural products companies completed Pure Branding's 44-question survey. This marked the first time that a benchmark for natural products marketing had ever been done on this scale.

The natural products industry as a whole is a strong one in terms of sales. According to SPINS, the industry grew 9% during the past year. What makes this industry so strong is that it is diverse in its make-up, made up of thousands of start-up, small, medium and large companies, all trying to provide consumers with healthy and/or environmentally-friendly products.

These companies share similar stages of growth and evolution. There is the incubator stage of microbusinesses that bring fresh ideas and new products to the market. Many of them fail, but those that don't grow to become medium in size. These medium businesses achieve a degree of maturation and stability. Many of them have reached a saturation point in terms of distribution within natural channels. Their next step is to compete with the larger companies, who are now focusing more and more of their attention on distributing their products in more conventional outlets like grocery, drug and mass merchant stores.

The *Natural Products Marketing Benchmark Report 2011* shows how the industry as a whole and how each of these different size companies are succeeding in their marketing efforts. For example, if you are a small natural products company and have aspirations to grow, you can see how medium and large companies are allocating their marketing budgets, and what tactics they find most effective. If you are a large company, you may benefit from finding what works best for your smaller-sized competition.

*This is an abbreviated executive summary created for this excerpt of the report. In the full executive summary, each chapter is reviewed more fully than what is here.*

### Key Findings for the Excerpt

#### Profile:

The typical natural products marketing decision maker has been in this industry for a long time. More than a third have been involved with natural products for more than 10 years and the majority has worked in the industry for more than five years. They are drawn to natural products because of their personal values and belief in the mission of the company they work for. They are passionate about work, and often view marketing products as being the same as living their personal values.

**Defining Natural Products:**

As a group, marketers in the natural products industry find it difficult to agree on the definition of “natural,” which could explain why consumers have such confusion over the terms “natural” and “organic.” In fact, the term natural is more often defined by what it is *not*, rather than what it is. That being said, this same group overwhelmingly believes the term “natural” should be standardized and regulated.

**Marketing Measurements and Research:**

While many see the value in market research, few conduct it with any depth. The most popular form of market research is social media analysis. This is closely followed by retailer interviews, which underscores the important role the retailer plays in marketing natural products.

**Marketing Budgets:**

Marketers tend to split their budgets between trade (43%) and consumer (57%). Much of their trade dollars are spent on what Kent Pilakowski of Ignite describes as “nonworking” marketing expenses and other tactics that can be categorized as the cost of doing business with retailers and distributors.

**Marketing Tactics:**

In determining the optimal marketing mix, the Marketing Mix Model (MMM) applied at large conventional companies like Kraft and Pepsi simply does not fit a natural brand. The segment for natural brands is based on a higher level of affiliation and referral, notably by store staff, conducive to more dynamic marketing. This is in contrast to the passive, television advertising still dominating the mix among conventional marketers, with \$59B spent annually on television advertising in the US for 2010 (source: eMarketer) compared to a growing, yet smaller digital budget among conventional marketers of \$27.7B. Certainly, the prohibitive expense of traditional media for natural brands is a factor, and the few that run TV spots cite them as effective. Yet the predominant emphasis is on interaction and direct engagement. Of the top 10 most used marketing tactics, five are online: websites, Facebook, email newsletters, Twitter, and online advertising. The top five most used traditional tactics are sales collateral, live demos, coupons, event marketing and press relations.

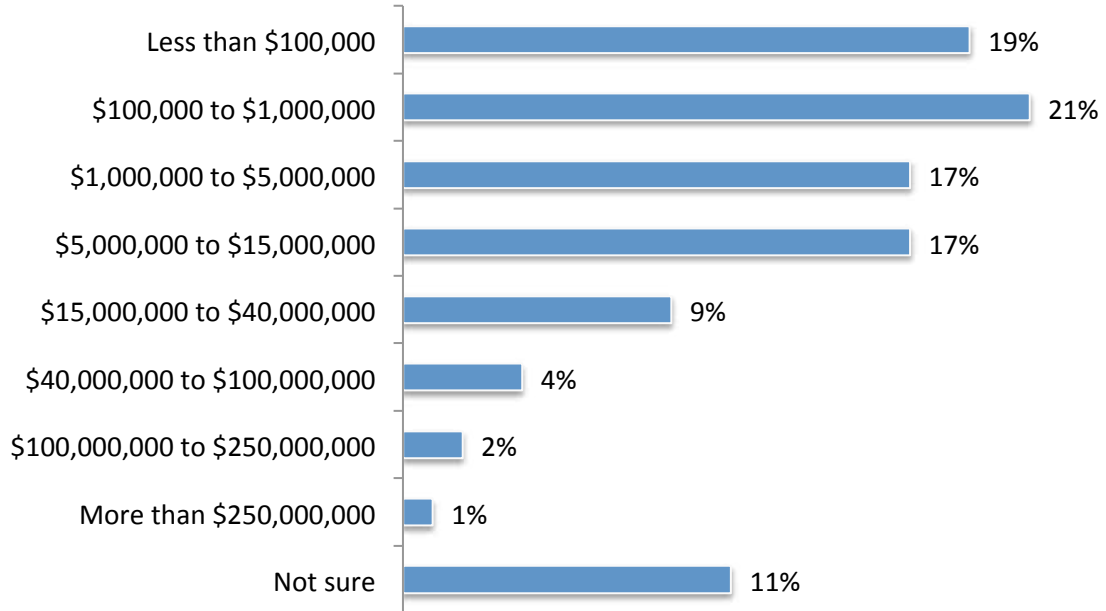
## **Chapter 1: Profile of the Natural Product Marketer**

This benchmark survey of marketing practices in the natural products industry was completed by 411 natural products marketing decision makers in North America.

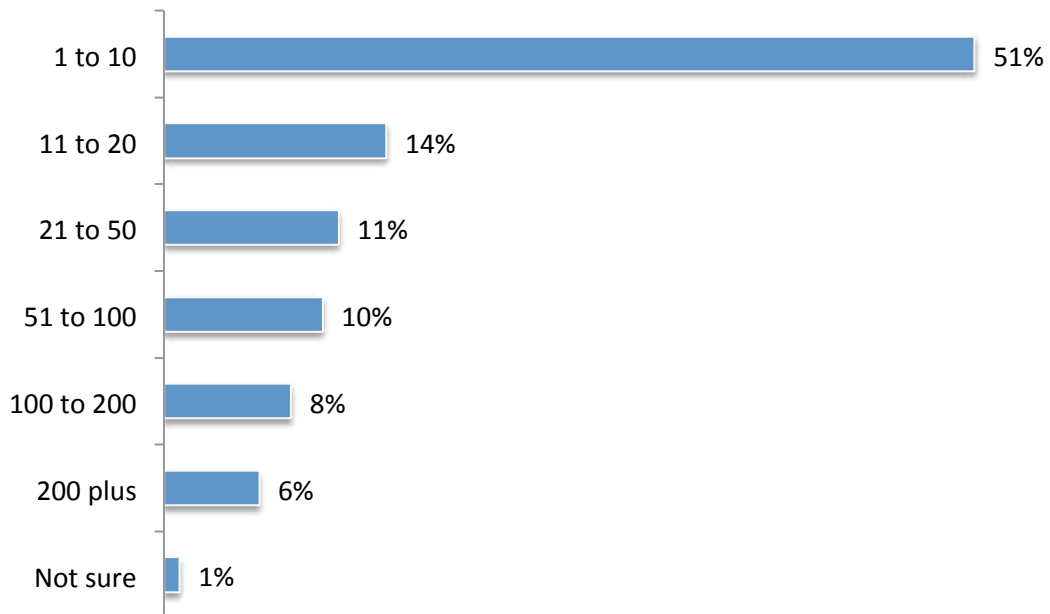
The following is a breakdown of the size and product category description of the participating companies, who the decision makers are and what motivates them to be in this industry.

## Company size

**Figure 1-1 Gross revenue in 2010 (percent)**



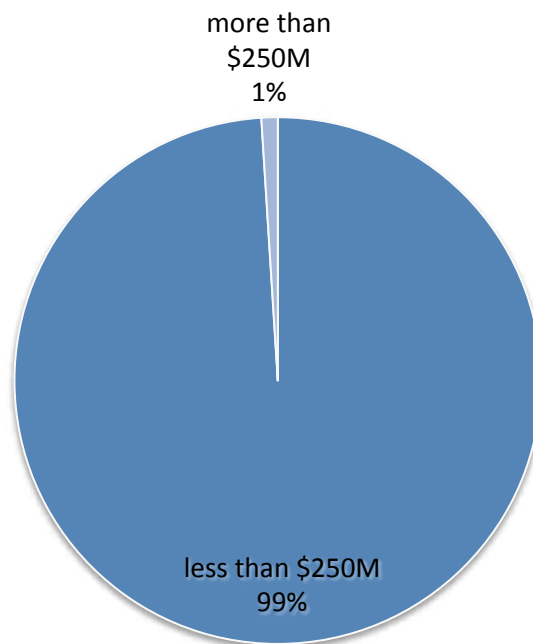
**Figure 1-2 Number of employees (percent)**



When we think of natural brands, the household names come to mind: Horizon, Stonyfield, Organic Valley, Seventh Generation. For every Stonyfield, there are hundreds of microbusinesses, and that's reflected in the revenue figures.

The natural product industry has been a factor in American life for more than 30 years and it is still characterized by startups, family-run operations, local businesses and labors of love for passionate founders. This is not "small" business. This is microbusiness, defined as companies with fewer than 10 employees.

**Figure 1-3 Numbers of companies with gross revenue over \$250M**

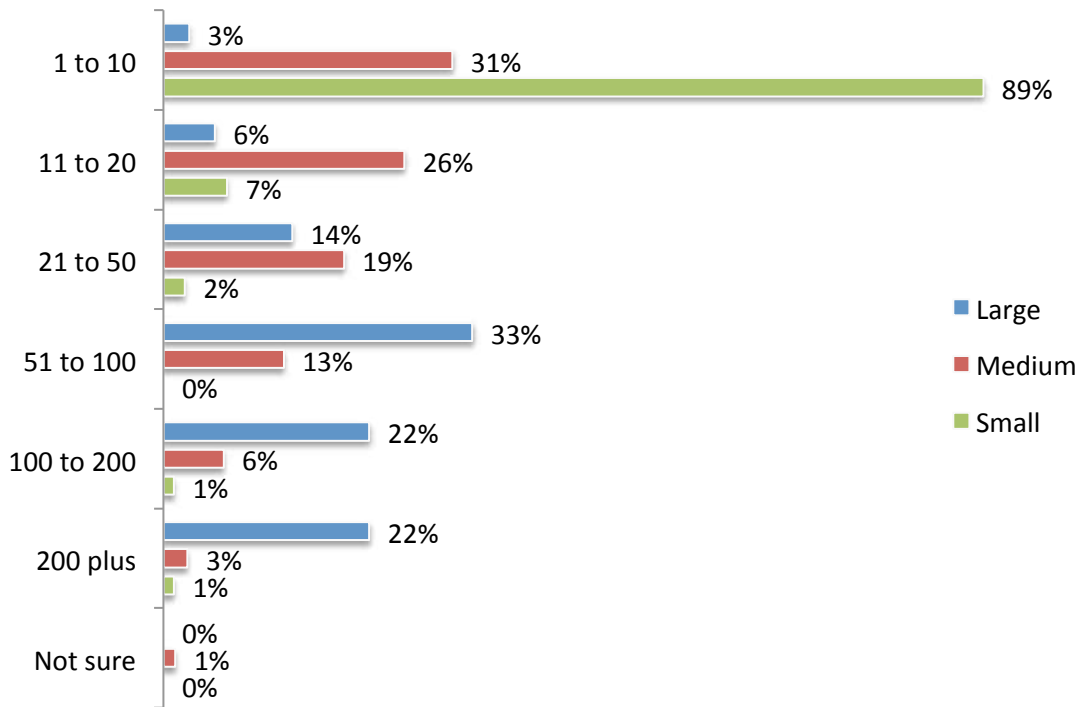


However, it's also worth noting that many national, well-established natural brands can be a lot smaller than industry insiders might imagine based on their familiarity. The lower end of the "large" bracket of \$15M–\$40M and \$40M–\$100M contains leaders within their own category.

For the purposes of this report, we define small/medium/large businesses differently from other industries. We base them on gross revenue:

- Small: <\$1M
- Medium: \$1M–\$15M
- Large: \$15M+

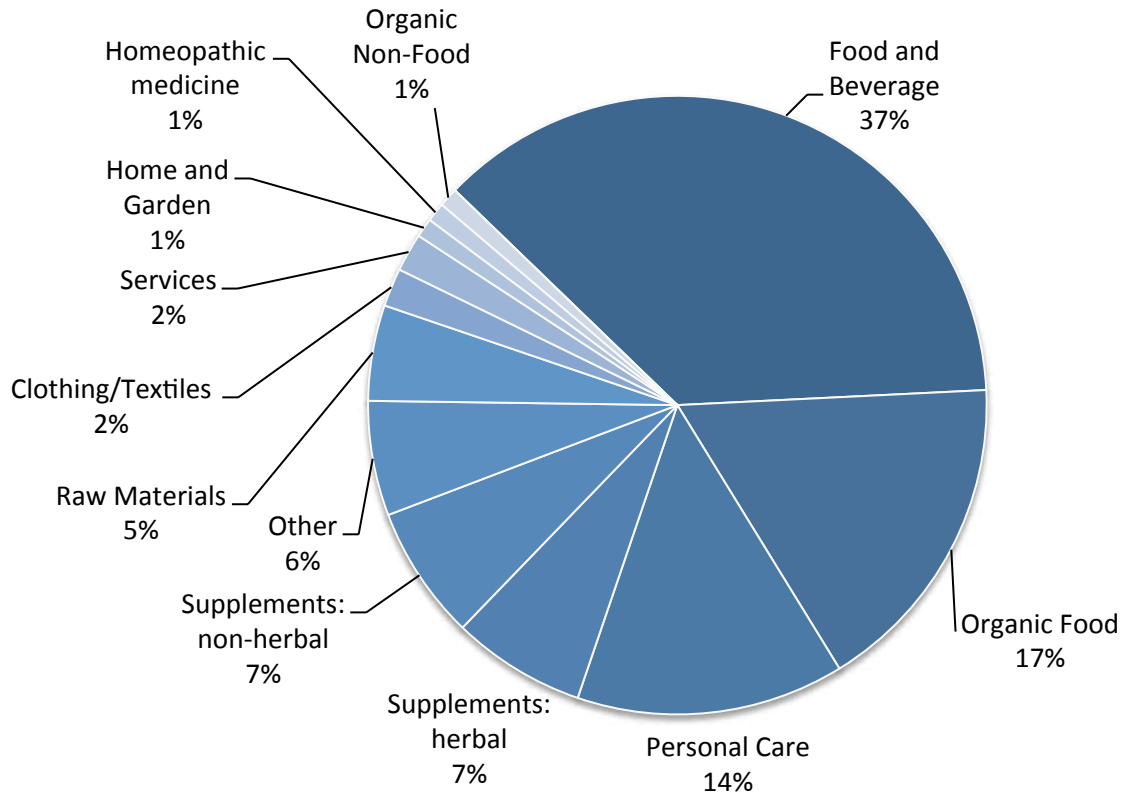
**Figure 1-4 Number of employees, by company size (percent)**



The natural products industry is characterized by startups, family run operations, local businesses, and labors of love. The majority of respondents (51%) are microbusiness, defined as companies with fewer than ten employees.

## Company category

Figure 1-5 Company category

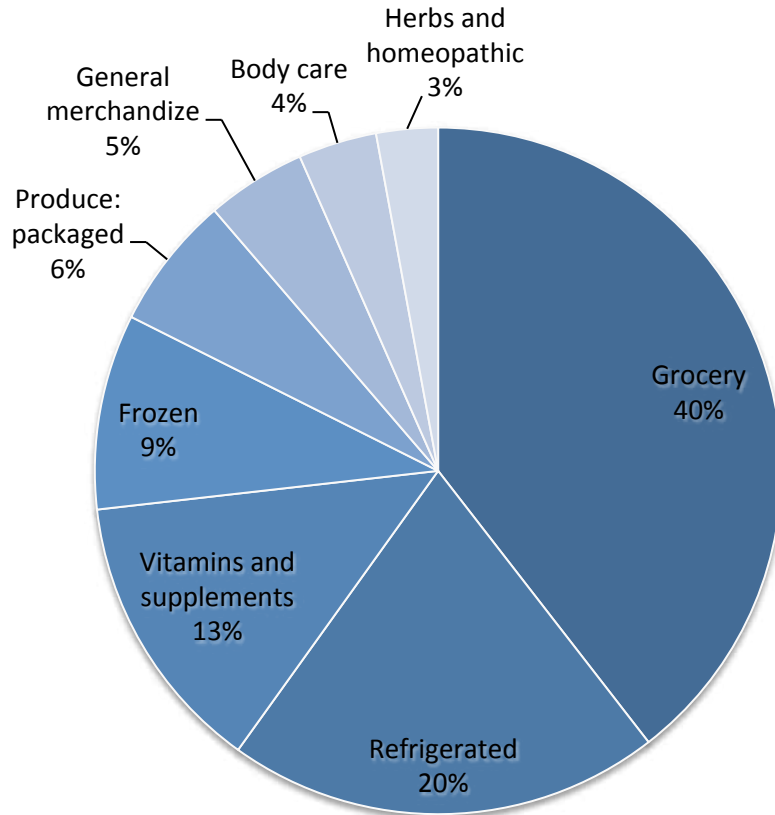


Respondents are primarily in Food and Beverage. If Organic Food is added to Food and Beverage, that total comprises 54%. This supports what you see on the Expo West trade show floor (Figure 11-1) with a predominance of food brands. The industry has historically been dominated by Food and Beverage, yet the “Whole Body” categories of Personal Care (14%), and Supplements both Herbal (7%) and Nonherbal (7%) combined are more than half the Food and Beverage total at 28%.

It will be interesting to see whether as the industry grows, the proportions remain consistent, or whether natural diversifies and food becomes a less dominant category. The hierarchy reflects the priorities of the healthy lifestyle consumer. The highest-impact decisions are around what they eat or put in their bodies, then what they put on their bodies and then what they put in their homes. Each appears one step removed from our well-being. As awareness of the toxicity of everyday products increases, the relative importance of these secondary and tertiary categories will increase, and their growth may outpace the growth of the industry. Conversely, as household budgets remain pinched, the priority given to Food trumps Whole Body categories.

## Store department sales volume

**Figure 1-5-1 Natural products dollar sales in 2010 by department, excluding alcohol (source: SPINS)**



For context, we looked at the size of natural products categories by dollar sales in store departments across the natural channel (excluding Whole Foods Market), specialty and gourmet, and FDM (excluding Walmart).

Store departments provide a different breakout from company categories that prevents direct comparison. Yet we can see that food still dominates (75%), while personal care and supplements are secondary (20%).

## Chapter 2: How Marketers Define Natural Products

While everyone agrees that there is a natural products industry, where many disagree is in the definition “natural products.” The term “natural” means different things to different people. Keeping it undefined, anyone can slap the label “natural” on anything.

The USDA has a legal definition for "natural", but it applies only to meat and poultry: "Those products carrying the “natural” claim must not contain any artificial flavoring, color ingredients, chemical preservatives, or artificial or synthetic ingredients, and are only “minimally processed” defined by USDA as a process that does not fundamentally alter the raw product." This definition is subject to interpretation.

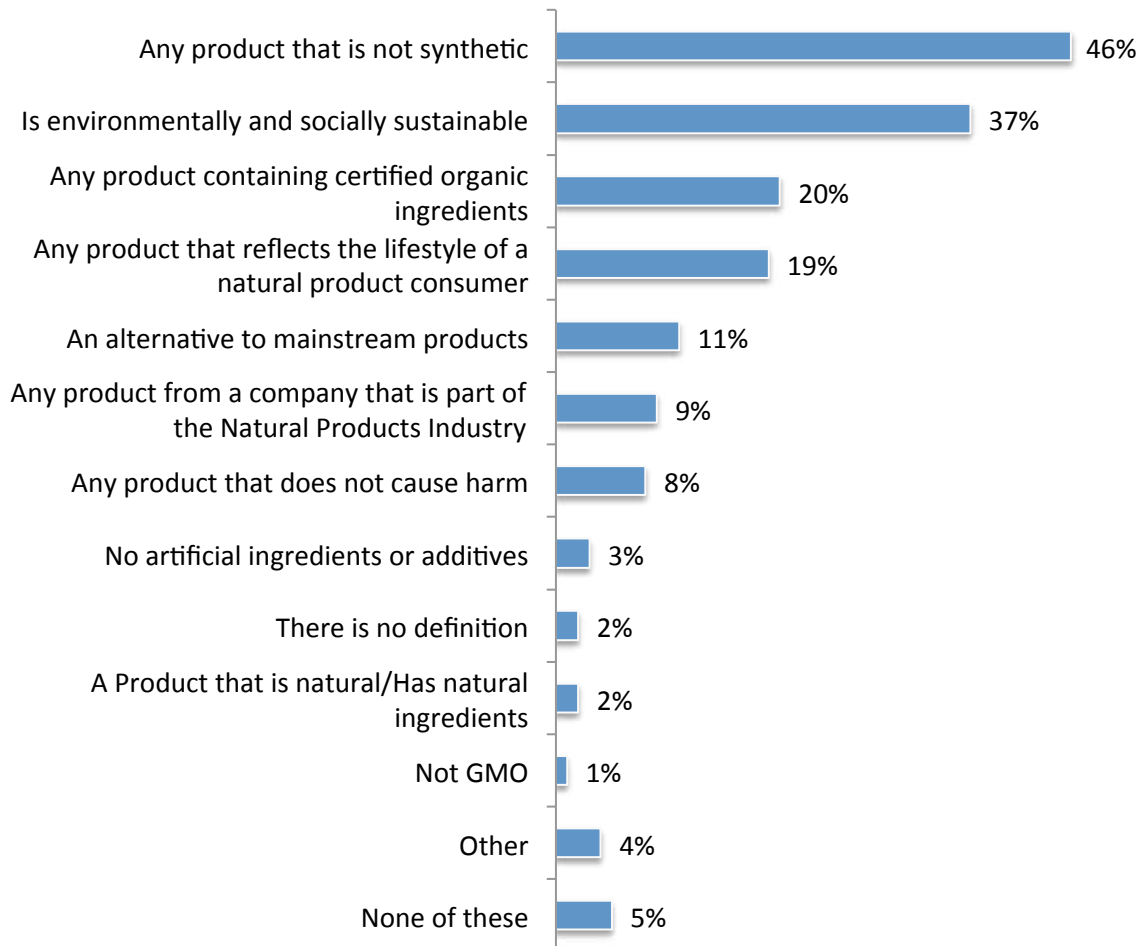
The Food and Drug Administration (FDA) refers to natural ingredients as “ingredients extracted directly from plants or animal products as opposed to being produced synthetically.” This begs the question of what “synthetic” means. The US Department of Agriculture (USDA) defines “nonsynthetic” as “a substance that is derived from mineral, plant, or animal matter and does not undergo a synthetic process.” That leaves an ambiguous term like “synthetic” ill equipped to resolve the argument, for everything is synthetic in some sense if it’s “man-made,” since there’s always some human touch point, or “combining separate elements to form a coherent whole.”

Following this line of investigation, the term is still fuzzy, a factor that undermines the ability to market “natural” to consumers.

Yet how do marketers and company owners define a natural product, and what does that say about their ability to market their natural products to consumers?

## Definition of “natural product”

**Figure 2-1 Definition of natural product (percent)**



Respondents had to choose from a range of definitions, and one of the options was to write their own definition. What’s interesting is that there is no majority opinion. The largest group defines natural by what it is not, specifically “not synthetic” (46%). Being environmentally and socially sustainable came in second (37%). After that there is no clear definition.

In fact, this survey reflects why there is confusion in the marketplace around what distinguishes organic and natural products, with 20% of respondents tying natural to organic.

The natural products industry came out of a movement that fought being defined by the mainstream. The lack of consensus among its marketers and company owners on the definition of “natural” reflects the industry’s desire to remain independent from preconceived definitions.

## Chapter 4: Marketing Measurements and Research

If you can show how your marketing works and back it up with data, you will be in a better position when it comes time to arguing for your marketing budget.

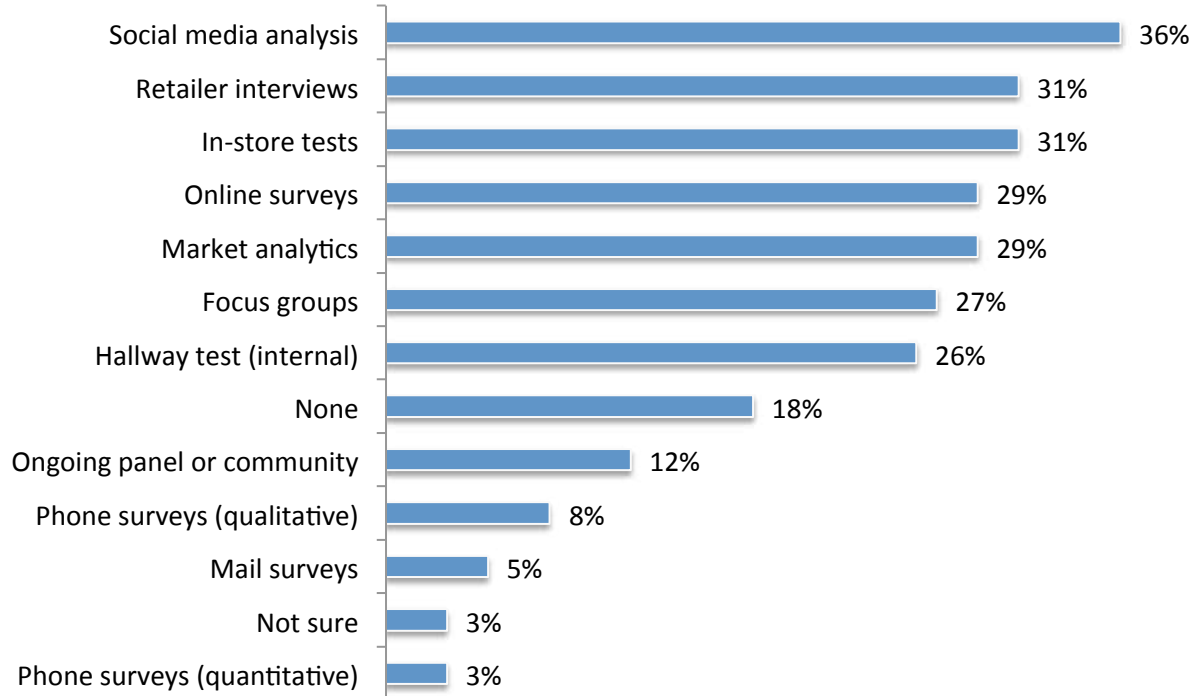
The days when marketing was based on intuition are long past. We now live in the world of segmentation, customization, personalization and ROI. Some industries can't get enough data, especially if their sales are predominantly online.

Where does the natural products industry stand when it comes to metrics and research?

We asked respondents to tell us what types of market research they use, and how much or little they measure brand awareness and ROI. We also asked them to provide us with their perception of their consumer as well as what they think their category share is and their brand's level of awareness. The following are their answers.

## Market research

**Figure 4-1 Types of market research conducted in past 24 months (percent)**



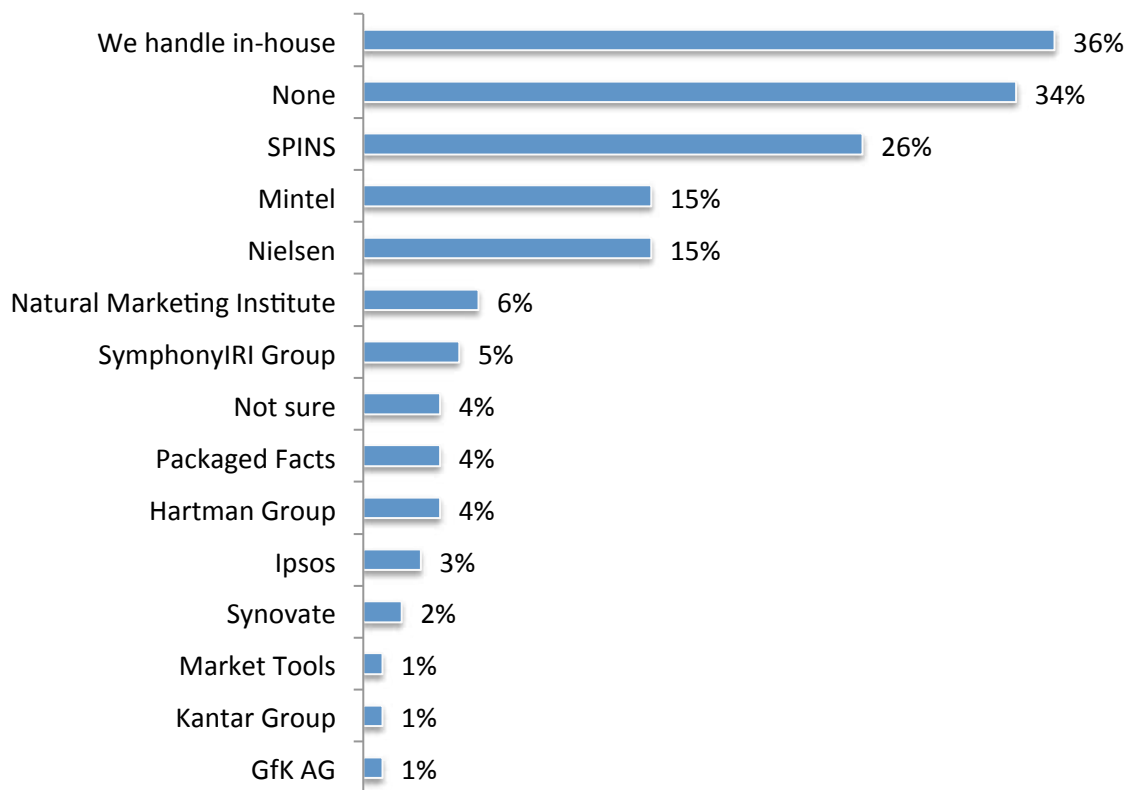
The main type of market research is social media analysis (36%). Most brands can learn something useful by just searching online for their company name and reading what consumers are saying. There are parts of the marketing tools suite to rigorously analyze your market through social media, from a dashboard like Radian6 to Web metrics and consultants that specialize in both the measurement and support in leveraging social media for your brand. It is unclear whether the respondent is simply checking the company Facebook page every few days or conducting methodical analysis. Either way, the accessibility and affordability of this form of market research makes it a popular choice.

The popularity of retailer interviews (31%) reinforces the importance of these gatekeepers for natural brands. Understanding the retailers' pain points and perspective on their own customers is critical. This exercise can be as informal as your sales rep or broker simply asking probing questions of retailers in the course of business. It can also be more methodical, with a series of dedicated interviews across a representative range of channels, stores and markets. The emphasis on retailer interviews reinforces the priority given to solving marketing challenges by expanding distribution.

In-store tests (31%) are yet another valuable source of market intelligence about behavior at the point of sale. Live demos can double as testing opportunities. Dedicated store intercepts with audio or video interviews can be revealing about consumer behavior at shelf — often counterintuitive to what they might claim.

Online surveys (29%) can range from short Facebook polls to in-depth surveys or even longitudinal studies with a social media component. These are inexpensive and offer quick insights.

**Figure 4-2 Market research services used in past 24 months (percent)**



On the whole, respondents do not engage market research vendors. It is handled in-house (36%) or avoided altogether (34%). SPINS is the most popular paid resource (26%) for its exclusive scan sales data for the natural products industry. “We handle in-house” indicates the company uses the ledger of what shipped, internal sales data or the reports from retailers (e.g., Whole Foods Market) and distributors.

Mintel (15%) covers most of the broad categories in the industry with its rigorous market research reports. Nielsen (15%) is indicative of the penetration into conventional retail channels where Nielsen provides extensive sales data.

## Chapter 6: Marketing Budgets

Respondents to this survey said that their greatest internal marketing challenge is budget limitations (see Chapter 3). So what are their budgets? What is a typical budget and what percent of their revenues is allocated to marketing? Do they have cause to complain?

In the natural products industry, marketing budgets are often split between consumer and trade marketing. While no two marketers divide up their budgets the same way, we've taken a stab at how a fairly typical split might look.

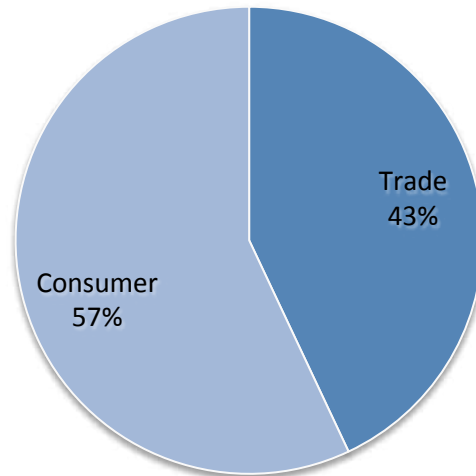
By “trade” we mean dollars that are allocated for marketing to distributors, wholesalers, and retailers. This includes tactics like trade advertising to retailers, trade shows, distributor advertising, sales sheets, distributor fees, manufacturer charge backs (MCBs), retailer education and retailer fees.

By “consumer” we mean dollars that are allocated to marketing to the end consumer. This includes tactics like social media marketing, advertising in circulars, online and off-line advertising, public relations, SEO, point of purchase, branding, market research, outdoor advertising, brochures, fliers, demos — the list goes on.

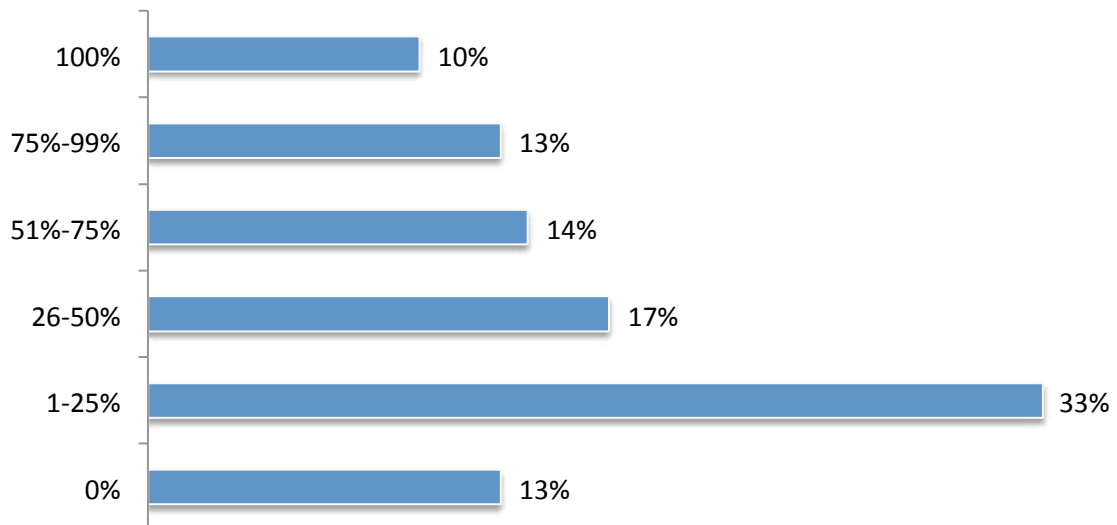
So what percentage of the limited marketing dollars goes toward trade and what percentage toward consumer?

## Trade and consumer marketing budgets

**Figure 6-1 Percent split between trade and consumer marketing (percent)**



**Figure 6-2 Percent of marketing budget allocated to trade (percent)**



These figures surprised us. Our direct experience is that the lion's share of a natural brand's spend is with retailers. Yet respondents indicated that they spend more on consumer marketing than trade, with only 40% of their hard-to-come-by marketing dollars on trade marketing. That said, 37% of respondents spend more than 50%. How any company can operate with no trade spend at all (13% of respondents) is puzzling.

## Chapter 8: Marketing Tactics

When the natural products industry began in earnest in the late 1970s, there was no Internet, no Google, no email, no social media, no mobile phones. Faxes were a big deal and marketing had far fewer tactics to play with. There was print, radio, television and outdoor advertising. There was public relations and print collateral. It was not uncommon for a television show to gain 30% to 40% of the watching audience.

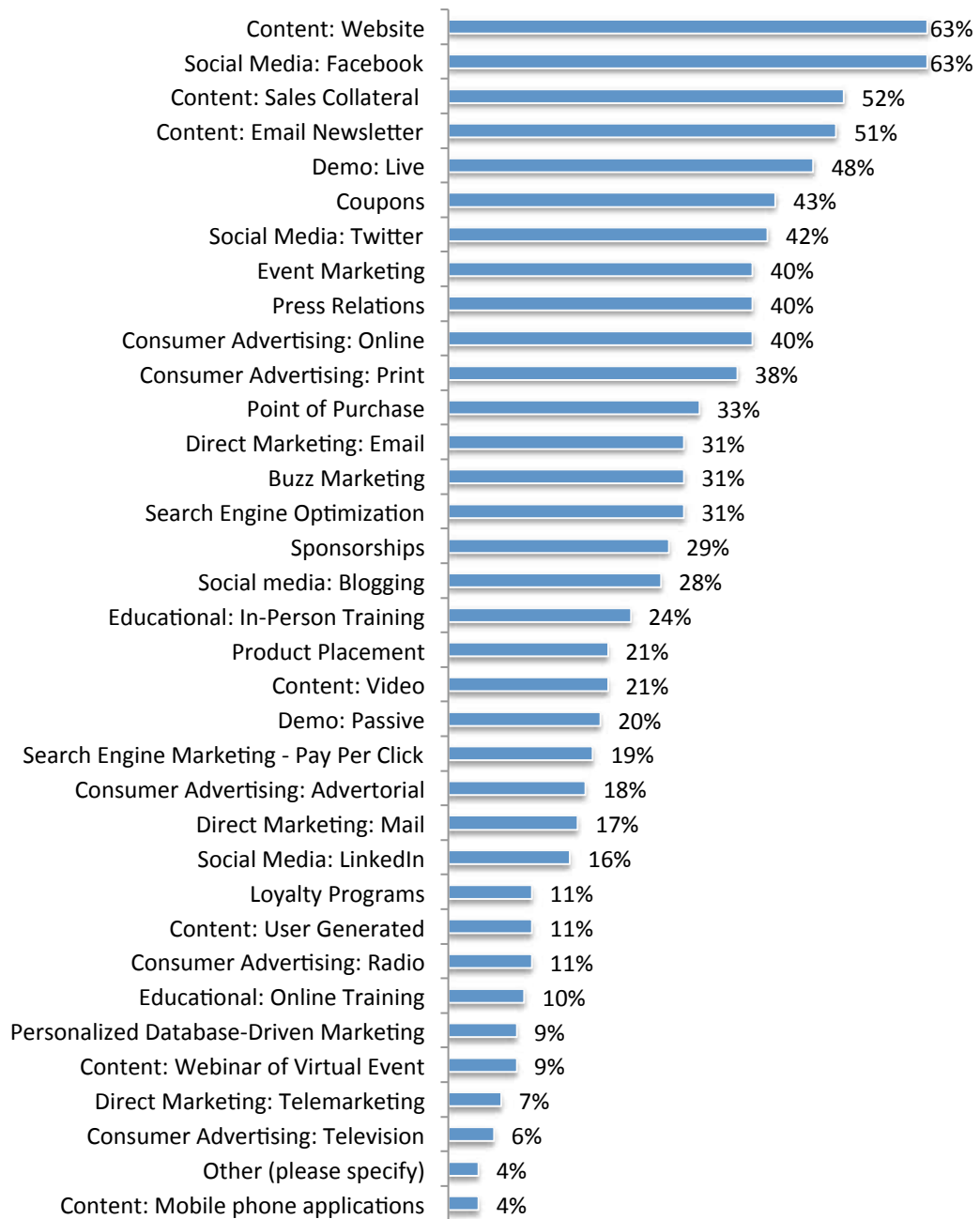
Today, reaching targeted audiences is far more complex, in part because of the multitude of marketing tactics at our disposal. The reality is, marketers can't use them all. Choices have to be made about which tactics to implement. It's not just a matter of budget. It's a matter of time, prioritizing and determining a manageable workload.

So what tactics are natural products companies using and which ones are the most effective for them?

In this first chart (Figure 8-1), we show what percentage of respondents used 34 tactics.

Yet what is used the most is not necessarily the most effective. To show the level of effectiveness of a tactic, we offer a follow-up chart (Figure 8-2) that shows the effectiveness in relation to those who use it.

**Figure 8-1 Marketing tactics used (percent)**



The natural products industry has one foot in online and the other in more traditional forms of marketing. Five of the top 10 tactics used are online (website, Facebook, email newsletter, Twitter, online advertising). The other five are the more traditional forms of marketing that have worked for them in the past (sales collateral, live demos, coupons, PR and event marketing).

The industry has embraced social media marketing. Facebook is equal in use to a company's website, and Twitter is the seventh-most-used tactic. However, only 28% say they blog. Most social media marketing experts emphasize the importance of blogging for a more integrated social marketing program.

There are some surprises in terms of use.

While a company's website is the number one tactic, only 31% used SEO, a critical component to any website marketing.

Respondents still prefer to do their training live and have not yet embraced the less expensive online trainings or webinars. This is in part because it's not viewed as effective (see next chart). Also, when doing it live, you have a captive audience; when virtual, you don't know how attentive your audience is. However, one wonders if an ROI on both versions has been done.

Coupons are used primarily by midsize and large companies (see individual section on Coupons). Smaller companies can find the whole coupon process overwhelming for their small staffs.

## Company Background

Pure Branding is a leading consultancy dedicated exclusively to growing natural brands. Global clients include Gaia Herbs, Traditional Medicinals, Aura Cacia, Organic India, Vitamin Angels and Dr. Hauschka Skin Care.

### About the authors



#### **David Poole**

Head of Research, Pure Branding

In 2008, David established the research division of Pure Branding, bringing 18 years' experience in communications and research. David applies best practices from prior work managing programs for global Fortune 500 companies including Nokia, IBM, Canon and AT&T. He now oversees consumer, organizational and trade research for leading natural brands.



#### **Peter Littell**

Principal, Pioneer Communications Group

Peter has worked as a marketing consultant in the natural products industry since 1993. He has also marketed in many different industries, including fitness, high-tech, education and publishing, providing him the opportunity to get hands-on experience on the many different marketing tactics in play. As former acting Director of Marketing for MarketingSherpa, he helped market that company's benchmark reports and grew to understand the value of these kinds of reports for marketers.

Thanks also to Mary Ellen Lynch, Director of Consumer Insights and Strategic Partnerships, SPINS, for providing additional data points.

And for support in compiling data, Anqi Li, undergraduate at Isenberg School of Management, University of Massachusetts, Amherst, MA.

## Scope and Methodology

### Objective:

This report examines marketing practices in the natural products industry. It represents the industry's first-ever survey of best practices in marketing, and fills a significant gap in the data available to marketers in our industry. Specifically, benchmark reports that marketers at larger, conventional corporations take for granted in making informed business decisions.

### Methodology:

The online survey comprised 44 questions across a broad range of marketing topics. It launched January 2011, and ended March 31, 2011.

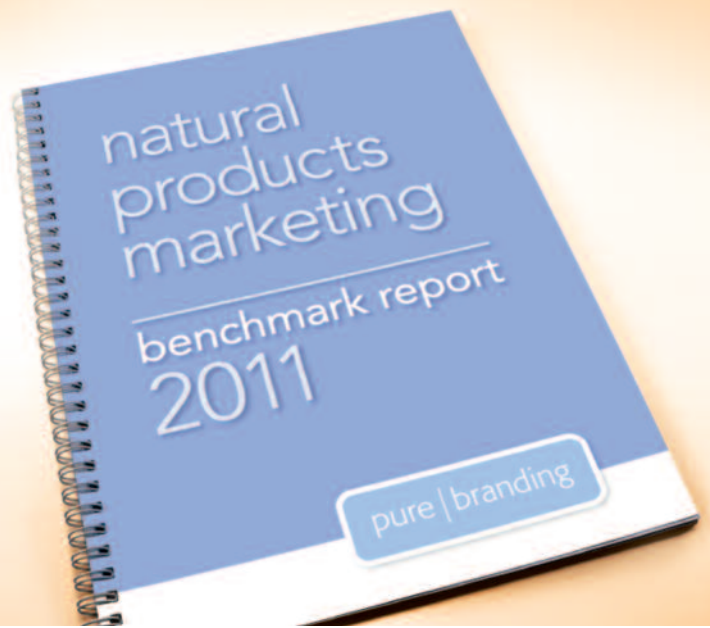
We'd like to thank the co-sponsor organizations that helped promote the survey to their database of marketing decision makers:



We are proud to have made a donation on behalf of each participant to the nonprofit Vitamin Angels:



order your  
copy today!



# Natural Products Marketing Benchmark Report 2011

Research and insights from 411 marketing decision makers from small, medium and large natural products companies that will help you:

- **Support your annual budget rationale** with real numbers based on industry standards
- **Write a more successful marketing plan** informed by best practices for a company of your size in your category
- **Develop effective campaigns** based on the experiences of hundreds of marketers facing similar challenge

Pure Branding, in association with SPINS, has created the first ever-marketing benchmark for the natural products industry. It shows how companies of different sizes and categories are succeeding in their marketing efforts.

**Price:** \$295.00

**Order today:** [www.purebranding.com/benchmark](http://www.purebranding.com/benchmark)



**PURCHASE THE REPORT: \$295 USD** ►