2023 Mid-Year Trends: Health & Wellness Trend Update

Introduction

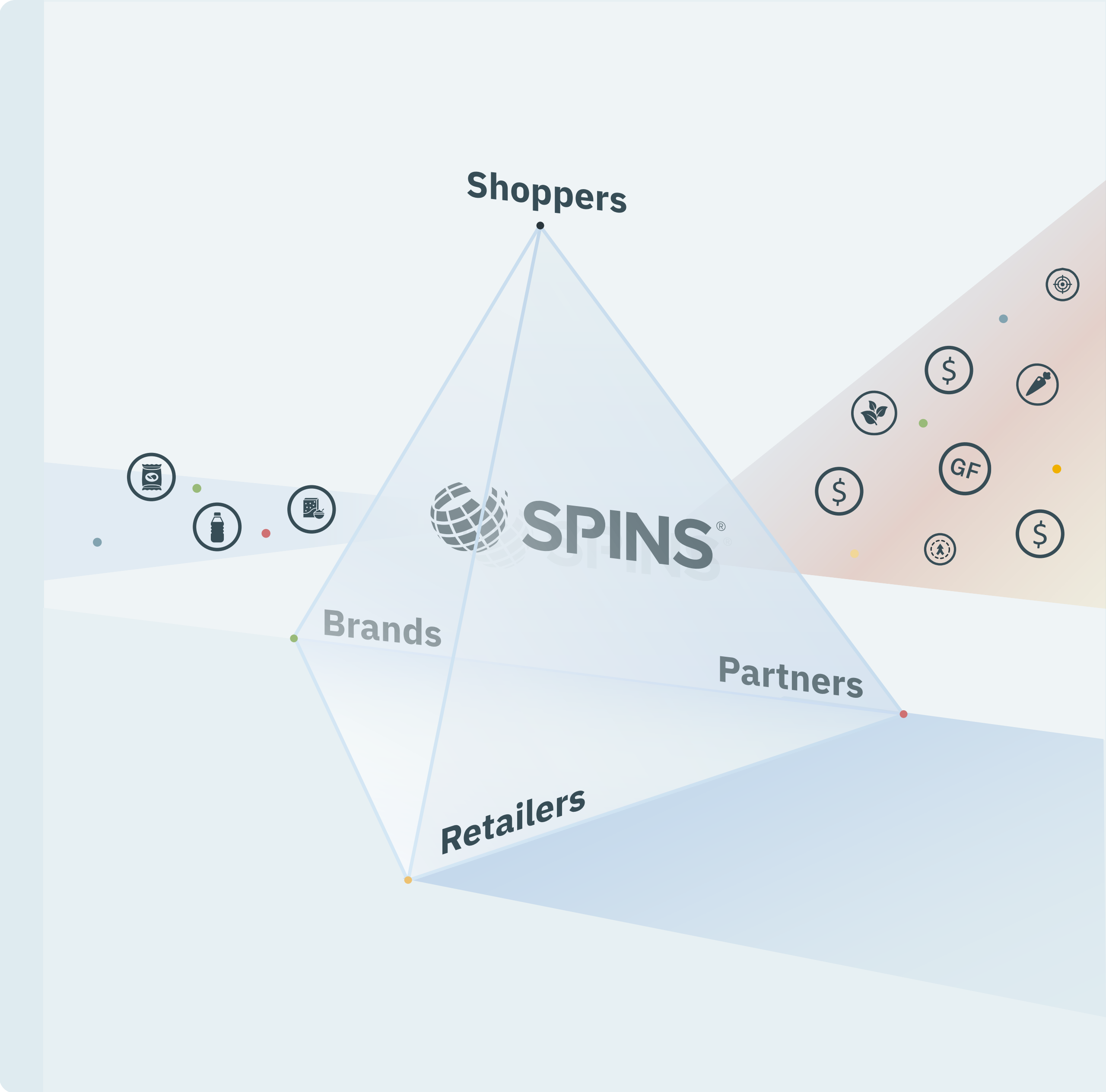
Welcome to our mid-year trends report, where we'll explore the major factors shaping the retail landscape in 2023 -- a year filled with challenges and opportunities. In this thought leadership piece, we will delve into the driving forces influencing product innovation, the rise of the values-oriented consumer, the impact of inflation, the changing face of grocery retail, and the significance of personalization and technology in shaping shopper behavior.

Connecting **Shopper Values** to **Product Innovation**

The retail landscape is experiencing a paradigm shift, where consumers are increasingly seeking products that align with their values. SPINS, with its diverse data sources, is uniquely positioned to help brands and retailers cater to the values-oriented shopper throughout their journey. By identifying trends and understanding consumer preferences, brands and retailers can effectively implement strategies that resonate with their target audience. Understanding shopper values is crucial as nearly half of all consumers fall into this category.

RECOMMENDATIONS

Leverage Data Insights for Values-Oriented Consumer Engagement: Retailers and brands should collaborate with data analytics firms like SPINS to gain a comprehensive understanding of shopper values and preferences. By identifying trends and incorporating these insights into product innovation and marketing strategies, businesses can better cater to the values-oriented consumer segment. Implement data-driven approaches to tailor offerings that align with consumers' sustainability, ethical, and dietary considerations.

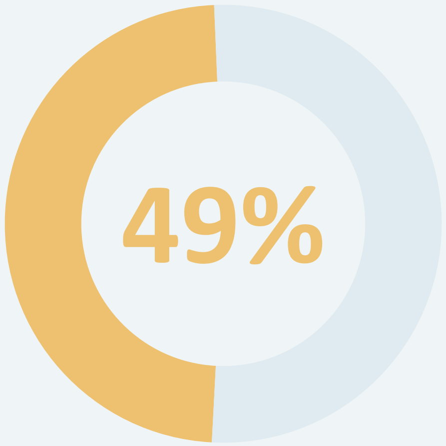


The Rise of the
Values-Oriented Consumer

Consumer behavior is undergoing a significant transformation, driven by shoppers' increasing focus on values and sustainability. As consumers embrace various attributes like ingredient sourcing, environmental practices, labor standards, and dietary importance, retailers and brands need to align their offerings accordingly. Values-oriented shoppers are more frequent, adventurous, and willing to pay a premium for products that align with their values. Emphasizing personalization and digitalization becomes vital to engage these consumers effectively.

RECOMMENDATIONS

Invest in Sustainability Initiatives: With the rise of values-oriented consumers, sustainability has become a critical factor in purchasing decisions. Retailers and brands should prioritize sustainability efforts, such as eco-friendly packaging, responsible sourcing, and transparent supply chains. Communicate these initiatives to consumers through clear and engaging messaging to build trust and loyalty.



of Consumers are Values-Oriented Shoppers*

88% of values-oriented shoppers purchase groceries at least once a week

65% of values-oriented shoppers are extremely or very adventurous to try new brands/products

*N = 401 "For each of the product and packaging characteristics, please rate the level of importance to you when shopping for groceries. Product Certification, Label Claims, Specific Diet Types, Presence of Functional Ingredients, and Ingredients" *N = 199 "Which of the following are personally important to you?"; Which of the following would you be willing to pay a premium for? Source: SPINS

Inflation's Impact on Grocery Retail

Inflation has emerged as a major disruptor in the grocery space, impacting all facets of the industry. Rising ingredient and product costs, packaging expenses, and supply chain challenges have resulted in higher retail prices. This has led to trends like shrinkflation, where consumers receive less product for the same or slightly higher price. In response, retailers are striving to offer promotions and loyalty programs to maintain shopper engagement while preserving value.

RECOMMENDATIONS

Mitigate the Impact of Inflation with Value-Driven Strategies:
As inflation continues to impact grocery retail, retailers must find innovative ways to maintain shopper engagement while managing costs. Implement value-driven strategies like loyalty programs, promotions, and bundled offers to provide perceived value to customers. Highlight the benefits of these initiatives to show consumers that they are getting more for their money.

Products
- Packaging costs
- Profit Taking /Excuseflation

Shrinkflation
A price increase brought about by a reduction in the weight or size of the item sold

Supply Chain
- Transportation
- Labor

Brand Trading
- Trading from Top Tier
- Private Label winning

Source: https://www.cnn.com/2023/03/08/economy/food-prices-inflation/index.html

The Power of **Personalization and Technology**

Personalization and technology have transformed the way consumers engage with retail. As smartphone users increasingly purchase products through digital platforms, retailers must leverage personalization strategies to enhance the shopping experience. Loyalty programs, promotions, and customized digital content can attract and retain value-oriented consumers. Technology has also shifted the employment landscape, with employees now required to understand various systems and be valued, engaged, and adaptable.

RECOMMENDATIONS

Enhance Personalization through Digitalization: Invest in technology and digital platforms to enable personalized shopping experiences. Implement loyalty programs that offer tailored discounts and rewards based on individual preferences. Use customer data to deliver personalized digital content, product recommendations, and targeted marketing campaigns, fostering stronger connections with consumers.

Loyalty

-3.6 Channels

+5.2 Stores

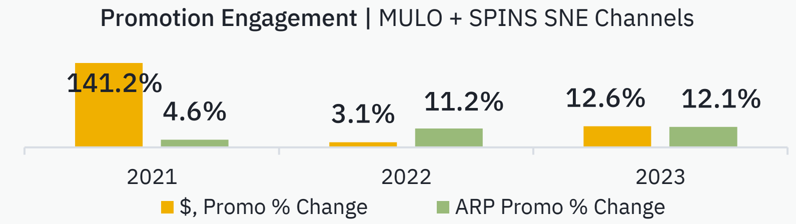
50% of shoppers actively participate in loyalty programs

59% of shoppers use loyalty points to save money

Promotions

70% of coupons clipped digitally

(+50% vs 2019)



Promotions

79% of smartphone users made an online purchase using a smartphone in the past 6 months

59% of consumers are likely to purchase a certain brand or shop a certain store if they received personalized content

https://retail-today.com/2023-u-s-grocery-shopper-trends-report-reveals-fewer-shoppers-cutting-back-on-items-purchased-despite-higher-prices/, https://www.upside.com/blog/grocery-personalization-for-customer-loyalty, https://www.winsightgrocerybusiness.com/technology/improving-digital-loyalty-grocery-executives-2023-do-list, SPINS TPL Universe, Total US – MULO and Total US – Natural Channels, All Departments 156 WE 6/18/23, https://www.pymnts.com/news/loyalty-and-rewards-news/2023/5-ways-grocers-are-using-digital-to-drive-loyalty/, https://ninetailed.io/blog/personalization-trends/, https://www.winsightgrocerybusiness.com/technology/kroger-pilot-aims-put-digital-offers-hands-store-shoppers

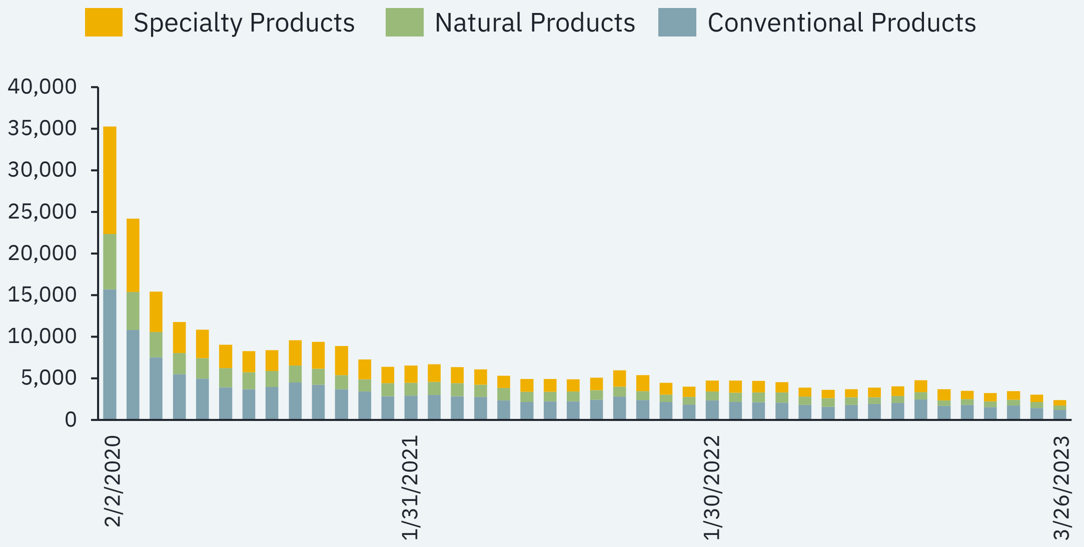
The Decrease in **Innovation**

The industry has experienced a sharp pullback in innovation, with fewer new product launches compared to previous years. Factors like supply chain disruptions, labor shortages, and sourcing issues have hindered new product development. However, retailers and brands must embrace health claims and better-for-you attributes to attract consumers seeking value and quality. As shoppers look for cheaper alternatives amid inflation, health-focused products have the potential to stand out in the market.

RECOMMENDATIONS

Overcome Innovation Challenges with Agile Solutions:
Acknowledge the obstacles hindering new product development, such as supply chain disruptions and labor shortages, and find agile solutions to adapt to the current market landscape. Encourage cross-functional teams to collaborate and brainstorm innovative ideas that address consumer needs and preferences. Focus on health-focused product development, as they have the potential to resonate well with cost-conscious consumers seeking quality and value.

New Product Launches by 4 Week Quad, Feb 2020 to March 2023



Issue/Year	2020	2021	2022	2023
Out of Stocks	Product shortages due to lockdowns			
Supply Chain Disruption		Shifts in demand, shipping & cargo delays, labor shortages, Ukraine war		
Capital Squeeze			Inflation & rising interest rates	

Source: SPINS Total US Natural Enhanced Channel + Multioutlet (powered by Circana), Frozen, Grocery and Refrigerated Departments; UPC Level; First Week Selling Used to Calculate New Items Launched Per Quad

Segment Trends:
Snacks

Shifting Dynamics in Channel Sales: **Units Down, Sales Up**

One overarching trend that characterizes the snack category is the intriguing discrepancy between unit sales and overall sales figures. Across various sales channels, including cross-channel, there is a noticeable trend where units purchased are on the decline, while sales revenue registers an upward trajectory.

This intriguing phenomenon indicates a substantial increase in the average retail price (ARP) of snacks, signifying potential pricing strategies that brands have adopted. This is trend that we've seen across the grocery store, but it is a noteworthy point for CPG leaders to consider as they strategize pricing and revenue optimization.

Natural Channel

Total Channel Sales	Total Units	ARP
+5.6%	-6.5%	+10.3%

Conventional Multi Outlet (MULO) Channel

Total Channel Sales	Total Units	ARP
+11.2%	-3.2%	+14.8%

Regional & Independent Grocery Channel

Total Channel Sales	Total Units	ARP
+11.2%	-3.2%	+14.8%

Cross Channel (MULO + Natural)

Total Channel Sales	Total Units	ARP
+11.0%	-3.2%	+14.7%

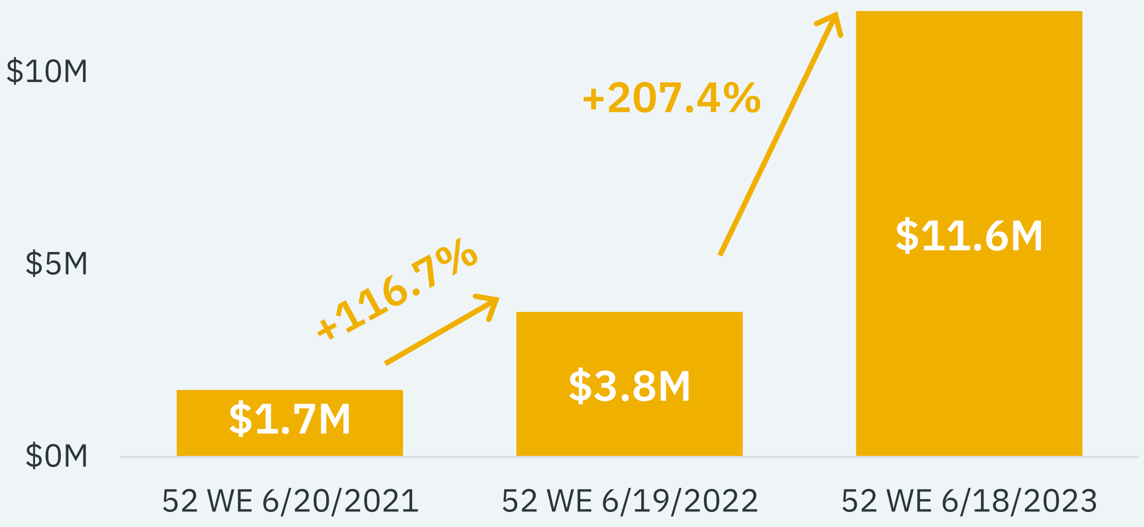
Source: SPINS Natural Enhanced Channel & Conventional Multi-Outlet (powered by Circana); 52 Weeks Ending 06.18.23

The Rise of Upcycled Ingredients: **A Sustainable Innovation**

A prominent trend that deserves attention is the adoption of upcycled ingredients within the snack category. Numerous brands are leveraging upcycled ingredients, aligning with the Certified Upcycled certification.

This approach not only addresses sustainability concerns but also contributes to the reduction of food waste. CPG companies in the snack sector should explore opportunities to collaborate with such certifications and integrate upcycled ingredients, thus enhancing their brand's environmental credentials.

Dollar Sales of Certified Upcycled Snack Products



UP CYCLED CERTIFIED UPCYCLED

UNITS %CHG, 2YA	UNITS %CHG, 1YA
+566.3%	+183.5%

Source: SPINS Natural Enhanced Channel & Conventional Multi-Outlet (powered by Circana); 52 Weeks Ending 06.18.23 ; 06.19.22 ; 06.20.2021 Attribute: Certified Upcycled

Functional Ingredients and Innovation

Functional ingredients have gained mainstream prominence, extending beyond the supplement and beverage categories to snacks.

Brands are integrating functional ingredients such as super mushrooms and prebiotic fiber, capitalizing on the growing consumer interest in gut health and wellness. Industry leaders should consider aligning their product innovation strategies with these functional ingredient trends to enhance the nutritional value of their snack offerings.

Chips, Pretzels, & Snacks

Category	$	Unit
Whey (Protein)	**+322%**	**+460%**
Chia Seed or Oil	**+201%**	**+166%**
Coconut Oil	**+145%**	**+133%**

Cookies & Snack Bars

Category	$	Unit
Whey (Protein)	**+92%**	**+68%**
Plant (Protein)	**+69%**	**+53%**
Grain Based	**+24%**	**+12%**

Source: Sources: Google Trends May 2020-May 2023, Tik Tok, NYT.com

The Flavor Revolution: **Global Flavors and Diverse Consumer Base**

An emerging trend in the snack sector is the increasing popularity of global flavors, underpinned by a more diverse brand ownership landscape. This trend resonates well with a broad spectrum of consumers and reflects a shift towards appealing to culturally diverse palates.

Brands that infuse their snacks with global flavors can establish a unique selling proposition, capturing the attention of a wider consumer base. Industry players should explore collaborations that bring authentic global flavors to their product lines.

Milk Tea – New Standout?

Bev in a Snack Bar

The New Caramel?

Candy Giant

International Heavyweight

Global Flavors Continued

Berbere

Ancho Kimchi

Olive & Za'atar

Chili Chaat

Source: Sources: Google Trends May 2020-May 2023, Tik Tok, NYT.com

Allergen-Friendly and Grain-Free Focus

Another pivotal development is the industry's focus on allergen-friendly and grain-free products. Wellness bars, snack bars, and even candy are being formulated to be major 9 allergen-friendly, aligning with the preferences of health-conscious consumers.

Moreover, certain grain-based categories are venturing into grain-free alternatives, indicating a potential avenue for growth. CPG companies should consider incorporating these designations to attract consumers with specific dietary needs.

Major 9 Allergen Free

Category	$	Unit
Wellness Bars & Gels	+29%	+3%
Cookies & Snack Bars	+24%	+11%
Candy	+10%	-6%

Labeled Grain Free

Category	$	Unit
Cookies & Snack Bars	+38%	+27%
Chips, Pretzels, & Snacks	+18%	+11%
Crackers & Crispbreads	+13%	+7%

Source: SPINS Natural Enhanced Channel & Conventional Multi-Outlet (powered by Circana); 52 Weeks Ending 06.18.23

Recommendations

1. **INNOVATIVE PRICING STRATEGIES**
   Given the disparity between declining unit sales and rising revenue, CPG companies should explore innovative pricing strategies that consider consumer perceptions, brand value, and the competitive landscape.

2. **SUSTAINABILITY INTEGRATION**
   Consumers care about sustainability and they're voting with their wallets to show it. Brands should be loud and proud about their sustainability efforts be it using upcycled ingredients or otherwise.

3. **FUNCTIONAL INGREDIENT FORMULATION**
   Capitalize on the functional ingredient trend by investing in research and development to incorporate health-enhancing elements like super mushrooms and prebiotic fiber into snack products. Look out for what's trending in the Vitamins & Supplements category to predict what's the next hot functional ingredient.

Recommendations

4. **CULTURAL SENSITIVITY IN FLAVOR INNOVATION**
   Watch for trending flavors and collaborate with diverse flavor experts to develop snacks that cater to global tastes, providing a unique and inclusive experience for consumers.

5. **SPECIALIZED DIETARY OPTIONS**
   Cater to health-conscious and allergen-sensitive consumers by formulating products that are allergen-friendly and grain-free, tapping into the growing demand for specialized dietary options.

Segment Trends:
Beverages

Functional Beverages as Medicine

One of the most significant trends in the beverage industry is the emergence of functional beverages positioned as medicine. Consumers are increasingly seeking beverages that offer health benefits and contribute to their overall well-being. This trend presents a unique opportunity for CPG companies to invest in research and development to create functional beverages that address specific health concerns.

RECOMMENDATIONS

CPG companies should focus on developing and marketing beverages that provide genuine health benefits, supported by scientific research. Transparently communicate these benefits to consumers, ensuring they understand how these functional beverages can improve their health and wellness.

Top Performing Health Focuses Tracked in Beverage

Health Focus	Sales	%Growth YoY
Cleanse & Detox	**$15.0M**	**+38.4%**
Mood Support	**$21.5M**	**+27.5%**
Hair Skin & Nails	**$8.6M**	**+15.5%**
Digestive Health	**$1.07B**	**+14.7%**
Pain & Inflammation	**$4.1M**	**+12.8%**
Cognitive Health	**$51.0M**	**+11.8%**
Hydration	**$445M**	**+11.0%**
Weight Loss	**$748K**	**8.5%**
Cold & Flu	**$69.4M**	**+7.8%**
Immune Health	**$43.0M**	**+5.8%**

Soda Category

Health Focus	YoY Growth
Digestive Health	**+218.5%**
Performance	**+26.8%**
Cognitive Health	**+1.9%**

Water Category

Health Focus	YoY Growth
Sleep	**+295.2%**
Cold & Flu	**+83.5%**
Hydration	**+39.9%**

Source: SPINS Natural Channel, MULO (powered by Circana), 52 Weeks Ending 6/18/23
Powered by SPINS Product Intelligence: Health Focus

Reimagining **Kombucha**

Kombucha has gained popularity as a fermented beverage with gut health benefits. However, there is room for innovation and market expansion. Consumers are interested in shelf-stable options with milder flavors and accessible price points. Additionally, there is an opportunity to explore kid-positioned non-alcoholic kombuchas.

RECOMMENDATIONS

CPG companies should explore innovative variations of kombucha that appeal to a broader audience, including children and those seeking a more approachable taste. Develop shelf-stable options and consider different packaging formats to meet consumer needs.

Kombucha Reimagined

Kombucha but No Vinegary Taste

Kid-Positioned Kombucha

Leveraging **Novel Ingredients**

Super Nirvana's use of HMB in functional beverages demonstrates the potential of leveraging novel ingredients to cater to specific consumer demands. Ingredients like HMB, known for their muscle recovery and aging population benefits, can differentiate products and attract health-conscious consumers.

RECOMMENDATIONS

CPG companies should invest in research to identify and incorporate novel, scientifically backed ingredients into their beverage formulations. Demonstrating the health benefits of such ingredients will enhance the appeal of their products to consumers seeking functional beverages.

Functional Beverages

Muscle Recovery – HMB

All-in-One – Mood, Immunity, Cognition

Natural and Low-Calorie **Sweeteners**

Consumer demand for natural and healthier alternatives to artificial sweeteners is growing. While artificial sweeteners are still popular in certain beverages, there is an opportunity for CPG companies to explore natural, low-calorie sweeteners and unsweetened options in functional beverages.

RECOMMENDATIONS

CPG companies should prioritize the use of natural sweeteners and reduce dependence on artificial ones. Offering low-calorie and unsweetened options can cater to health-conscious consumers looking to reduce sugar intake while maintaining the taste experience.

+10.5%

RTD Beverage

Dol % Change L52 Weeks

Sugar Alcohols	
+5%	Sugar Alcohols
+6%	Erythritol
Natural Low/No Cal Sweeteners	
+10%	Natural Low Cal Swt.
+92%	Allulose
+11%	Stevia
+1%	Monk Fruit
Artificial & Controversial Sweeteners	
+12%	Artificial Sweeteners
+16%	Aspartame
+10%	High Fructose Corn Syrup
+9%	Sucralose

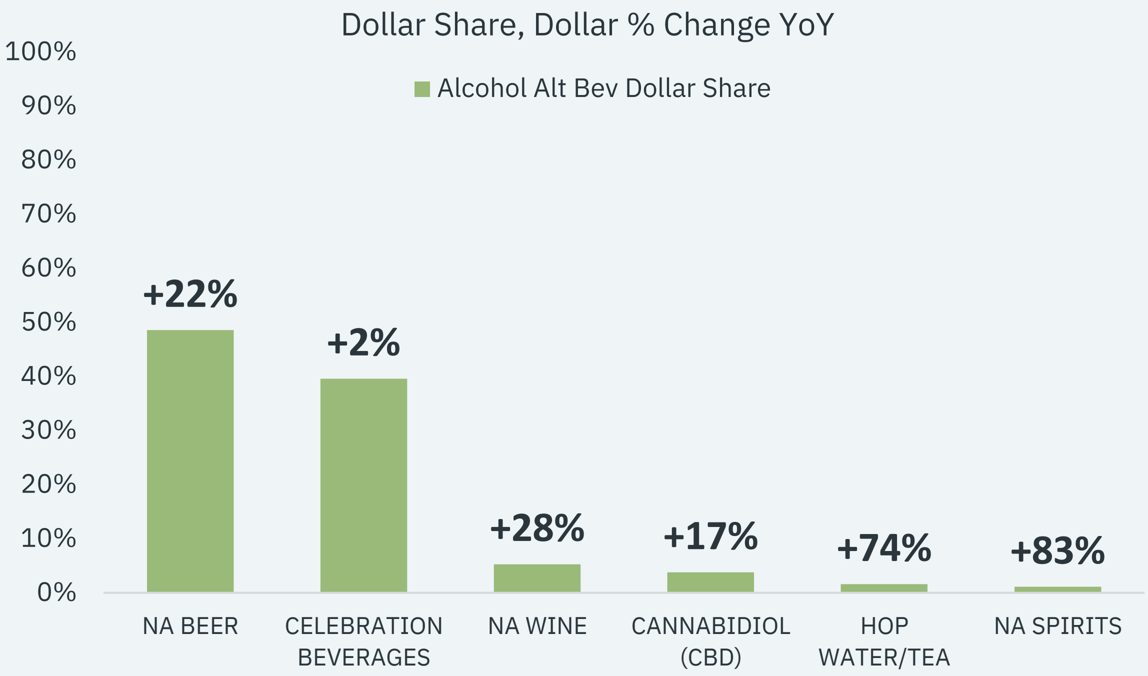
Source: 52 weeks ending 6.18.23 SPINS SNE, MULO, powered by Circana. Filtered by SPINS Product Intelligence

Non-Alcoholic Sector

The rise of the non-alcoholic sector presents a unique opportunity for CPG companies to cater to consumers seeking alcohol-free alternatives that still provide a premium experience. This trend extends to non-alcoholic beers, wines, and spirits, offering consumers a variety of choices.

RECOMMENDATIONS

CPG companies should diversify their product offerings by developing and promoting non-alcoholic versions of popular alcoholic beverages. Creative marketing and innovative packaging can further elevate the appeal of these products to a wider audience.



Source: SPINS Natural Channel, MULO (powered by Circana), 52 Weeks Ending 6/18/23

Segment Trends:
Center Store

The Center Store:
A Premium Frontier

A noteworthy shift towards premiumization within the Center Store is apparent. Categories like condiments and sauces have experienced significant growth in unique and bold flavors such as truffle, jalapeno, and sweet and sour.

Premiumization extends beyond flavors and is reflected in pricing dynamics. While some growth is attributed to price increases, it's noteworthy that specialty products like truffle sauces are driving unit sales more than price hikes, indicating a willingness to invest in higher-end offerings.

Sauces Flavors

Flavor Minimum of 10 Distinct UPCs	YoY Growth	
	$	Unit
Truffle	+66%	+77%
Jalapeño	+41%	+29%
Sweet & Sour	+33%	+17%
Carolina BBQ	+24%	+10%
Buffalo	+19%	+5%
Chipotle	+13%	+1%

Source: 52 weeks ending 6.18.23 SPINS SNE, MULO, powered by Circana.

Dietary Preferences Drive Innovation

The Center Store is becoming a haven for consumers adhering to diverse dietary preferences. The condiments and sauces segments reveal a correlation between certain diets and purchasing patterns.

Observations indicate that consumers following diets such as Paleo, plant-based, or allergen-friendly are willing to invest more in these products, leading to growth in dollar sales but not necessarily unit sales. CPG brands should capitalize on this trend by offering clear labeling and formulations that cater to these specific dietary needs, while recognizing the price sensitivity of these consumer segments.

RF Condiments

Diet	$	Unit
Paleo	**+9.4%**	**+2.0%**
Plant-Based	**+6.5%**	**-2.5%**
Major 9 Allergen Free	**+6.3%**	**-2.9%**

SS Condiments, Dressings, & Marinades

Diet	$	Unit
FODMAP	**+15.6%**	**-1.9%**
Vegetarian	**+11.4%**	**-4.9%**
Whole 30 Friendly	**+12.4%**	**-3.2%**

Source: SPINS Natural Enhanced Channel & Conventional Multi-Outlet (powered by Circana); 52 Weeks Ending 6.18.23

Sweeteners and Ingredients:
A New Paradigm

Traditionally overlooked, the role of sweeteners and ingredients within sauces and marinades is gaining prominence. Observations highlight a move away from aspartame and sugar alcohols.

Consumers are gravitating towards more natural, low-calorie sweeteners like allulose and monk fruit. This indicates an increasing demand for these sweeteners in low sugar products. Brands can seize this opportunity by reformulating products to align with these preferences and by clearly communicating ingredient choices to consumers.

+12.4%

RF & SS Condiments, Dressings, & Marinades
Dol % Change L52 Weeks

Sugar Alcohols	
-8%	Sugar Alcohols
-56%	Erythritol
Natural Low/No Cal Sweeteners	
+11%	Natural Low Cal Swt.
+17%	Allulose
+9%	Stevia
+16%	Monk Fruit
Artificial & Controversial Sweeteners	
+7%	Artificial Sweeteners
-83%	Aspartame
+9%	High Fructose Corn Syrup
+7%	Sucralose

Source: 52 weeks ending 6.18.23 SPINS SNE, MULO, powered by Circana. Filtered by SPINS Product Intelligence

Cereal's Transformation: From Cheat Meal to Premium Offering

The cereal category stands out as an illustrative case of premiumization. Traditionally considered a "cheat meal," cereals are undergoing a transformation driven by premiumization.

With price increases across the cereal category, there has been a shrinkage in the price gap between conventional cereal products and premium cereal products. This has enabled premium products to find a foothold, as consumers are willing to pay slightly more for enhanced quality. The growth protein-rich cereals have seen indicate a growing emphasis on both nutrition and personalized dietary preferences.

10 TO <15G PROTEIN

+24%

$ % Change vs Year Ago

15 TO <20G PROTEIN

+5%

$ % Change vs Year Ago

20 TO <25G PROTEIN

+126%

$ % Change vs Year Ago

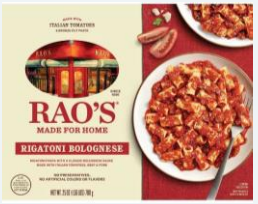
Source: SPINS Natural Channel and MULO, 52 Weeks Ending 6.18.23

Innovation in Frozen Meals and Global Flavors

Frozen meals are evolving from single-serve convenience to multi-serve family options. This aligns with changing lifestyles, where consumers seek convenience without compromising on quality or variety.

Global flavors, particularly Indian and Korean, are gaining traction, reflecting consumers' desire for adventurous culinary experiences even in frozen offerings. Additionally, the incorporation of hidden vegetables in products addresses the challenge of balancing nutrition and convenience, especially for families.

MULTI-SERVE MEALS



CONTINUED GLOBAL FLAVORS

HIDDEN VEGGIES

Recommendations

1. **LEVERAGE PREMIUMIZATION**
   Recognize the shift towards premium products across categories. Develop and market premium variants that justify a slightly higher price point through enhanced quality and unique features.

2. **EMBRACE DIETARY DIVERSITY**
   Tailor products to cater to various dietary preferences such as Paleo, plant-based, allergen-friendly, and more. Clearly label products to attract consumers seeking specific dietary attributes.

3. **CLEAN LABEL FORMULATIONS**
   Reformulate products to exclude artificial sweeteners and sugar alcohols. Prioritize natural, low-calorie sweeteners and ingredients that align with consumer demand for clean labels and healthier options.

Recommendations

4. **FROZEN MEALS FOR FAMILIES**

   Develop multi-serve frozen meal options that appeal to families seeking convenience without compromising on quality. Experiment with global flavors to enhance culinary experiences.

5. **HIDDEN VEGETABLES AND NUTRITION**

   Explore incorporating hidden vegetables into various products to address nutritional gaps while maintaining convenience, particularly targeting families and health-conscious consumers.

Segment Trends:
Pets

Inflation Impact

Inflation has had a significant effect on the pet industry, leading to double-digit increases in average retail prices across all channels. Due to the price increases, total unit sales are declining, indicating changes in pet parent shopper behavior.

SPINS Pet Channel

+4.1%	-7.0%	+11.9%
Total Channel Sales	Total Units	ARP

Natural Channel

+4.5%	-8.0%	+13.6%
Total Channel Sales	Total Units	ARP

Conventional Channel

+13.8%	-6.3%	+21.4%
Total Channel Sales	Total Units	ARP

Source: SPINS Pet Channel, SPINS Natural Channel, Conventional (Powered by Circana) All Categories YTD Week Ending 6/18/23
* % Represents % Change YoY (vs same time LY)

Shift to **Specialty and Wellness Products**

Pet parents are increasingly seeking pet products that align with their pets' lifestyle and dietary needs. This has resulted in a shift towards specialty and wellness products, which are experiencing the highest dollar growth and the lowest amount of unit declines.

RECOMMENDATIONS

Focus on Specialty and Wellness: CPG companies should invest in developing and promoting specialty and wellness products that cater to specific lifestyle and dietary needs of pets.

Natural

Dollars	Units
+3.3%	-7.6%

Specialty & Wellness

Dollars	Units
+16.3%	-3.3%

Conventional

Dollars	Units
+11.4%	-14.8%

Source: SPINS Pet Channel
Category: Pet Food & Treats – Dog and Cat Food & Treats , Rawhides Only Attribute: Positioning Groups
YTD Week Ending 6/18/23

Functional Ingredients Driving Purchasing Decisions

Functional ingredients are gaining importance among pet parents, and they continue to shop for products that offer specific benefits. Some ingredients, such as probiotics, hemp seeds, and collagen are standing out and driving growth in various health focus areas.

RECOMMENDATIONS

Emphasize Functional Ingredients: Products with clear and beneficial functional ingredients, such as probiotics, hemp seeds, and collagen, should be highlighted to attract health-conscious pet parents.

Pet Treats, Pet Care & Wellness Functional Ingredients Dol % Chg, YTD Week Ending 6/18/23

Antioxidant, Immunity, Total Health	+27.5%	Thiamine (Vitamin B1)
	+7.9%	Homeopathic Remedies
	+0.4%	Multi-vitamin – Adult
Gut Health	+14.2%	Probiotic Supplement
	-2.1%	Pumpkin
	-5.2%	Digestive Enzymes – Other
Anti-Inflammatory	+37.1%	Hemp Seeds & Derivatives
	-3.2%	Glucosamine Chondroitin Combo
	-18.6%	Cannabidiol (CBD)
Skin & Coat Health	+76.6%	DHA Products
	+17.8%	Collagen Products
	-0.0%	Fish Oil Concentrate

Source: SPINS Pet Channel, Categories: Pet Treats, Pet Care & Wellness
Subcategories: Rawhides & Animal Chews, Pet Treats Cat, Pet Treats Dog, Vitamins & Supplements Attribute: Functional Ingredient
YTD Week Ending 6/18/23

Humanization of Pets

The humanization of pets is a long-standing trend that continues to influence the pet industry. Pet parents are treating their pets more like family members, leading to increased demand for services like pet travel and pet insurance.

RECOMMENDATIONS

Humanization is a Priority: Pet brands should recognize the humanization trend and tailor their products and marketing strategies to appeal to pet parents who treat their pets as part of the family.

KEY TAKEAWAYS

Pet Travel Services have been on the rise and are expected to reach 1.3 billion by 2031

As Pet Health Care costs continue to rise, **Pet Insurance** has continued to grow

Source: https://www.prnewswire.com/news-releases/pet-travel-services-market-to-reach-1-3-billion-globally-by-2031-at-5-4-cagr-allied-market-research-301730720.html
https://www.petfoodprocessing.net/articles/16524-humanization-premiumization-drives-petflation

Sustainability and Alternative Proteins

Sustainability is becoming a significant focus in the pet industry. Alternative protein sources, such as alt proteins and regenerative agriculture, are gaining traction. Unique protein sources like seaweed, mussels, and lionfish are entering the consumables space.

RECOMMENDATIONS

Sustainability and Alternative Proteins: Brands should explore sustainable practices and incorporate alternative protein sources into their product offerings to meet the growing demand for eco-friendly and ethical choices.

KEY TAKEAWAYS

Regenerative Agriculture making a push into pet

New and unique protein sources like **seaweed, mussels, and lionfish** enter the pet consumables space

Source: https://www.petfoodindustry.com/articles/11912-human-cuisine-trends-with-pet-food-potential-in-2023

Mental Stimulation and Health

With many pet parents working from home, there is a growing need for products that stimulate pets' minds and keep them mentally healthy.

RECOMMENDATIONS

Mental Stimulation Products: CPG companies should develop products that stimulate pets' minds and keep them engaged, especially considering the increasing number of pets spending time at home with their owners.

KEY TAKEAWAYS

Many **canine behavior problems** can be caused by boredom or lack of mental stimulation

Mental stimulation can help our older dogs stay **mentally healthy**

Source: https://animalwellnessmagazine.com/mental-enrichment-dog/#:~:text=Incorporating%20mental%20enrichment%20into%20your,better%20for%20both%20of%20you!

Declining Trends

Some trends are losing steam in the pet industry, such as CBD products, due to rising regulations and concerns over pet safety. Dry kibble sales are declining as consumers seek fresher and less processed options. Additionally, freeze-dried and minimally processed foods are becoming popular choices to preserve raw nutritional ingredients.

KEY TAKEAWAYS

CBD saw a major decrease in 2022 due to rising regulations and concern for pet safety

Pet parents are turning away from **dry kibble** and towards increasing fresh options and unique proteins

The FDA will no longer release updates on **Dilated cardiomyopathy (DCM)**

Sources: https://www.petfoodindustry.com/articles/10892-decade-long-fresh-raw-pet-food-sales-growth-trend, https://www.petfoodindustry.com/blogs/7-adventures-in-pet-food/post/10859-wet-pet-food-continues-ascent-especially-for-cats#:~:text=Wet%20cat%20foods%20and%20treats%20on%20the%20march&text=In%20a%20period%20spanning%202020,44%25%20in%202020%2D21 ., https://www.fda.gov/animal-veterinary/outbreaks-and-advisories/fda-investigation-potential-link-between-certain-diets-and-canine-dilated-cardiomyopathy

Segment Trends:
Vitamins & Supplements

Performance Across Channels

The VMS segment has shown a mixed performance across different channels in the first half of the year. Here's a breakdown of the trends in the three main channels of trade:

1. **Natural Channel:** Sales are slightly down, mainly due to fewer units being sold. The channel experienced a 5% increase in average retail price.
2. **MULO Channel (Food, Drug, Mass Dollar, Military, and Club):** This channel saw a decline in units sold, but the average retail price was higher.
3. **Regional and Independent Grocery:** Sales are up, but there was a decrease in the number of units sold. The average retail price increased by nearly 6%.

Natural Channel

Total Channel Sales	Total Units	ARP
-1.3%	-6.0%	+5.0%

MULO Channel

Total Channel Sales	Total Units	ARP
+3.9%	-3.9%	+8.1%

Regional & Independent Grocery Channel

Total Channel Sales	Total Units	ARP
+2.1%	-3.6%	+5.9%

Source: 52 weeks ending 6.18.23 SPINS SNE, MULO, powered by Circana

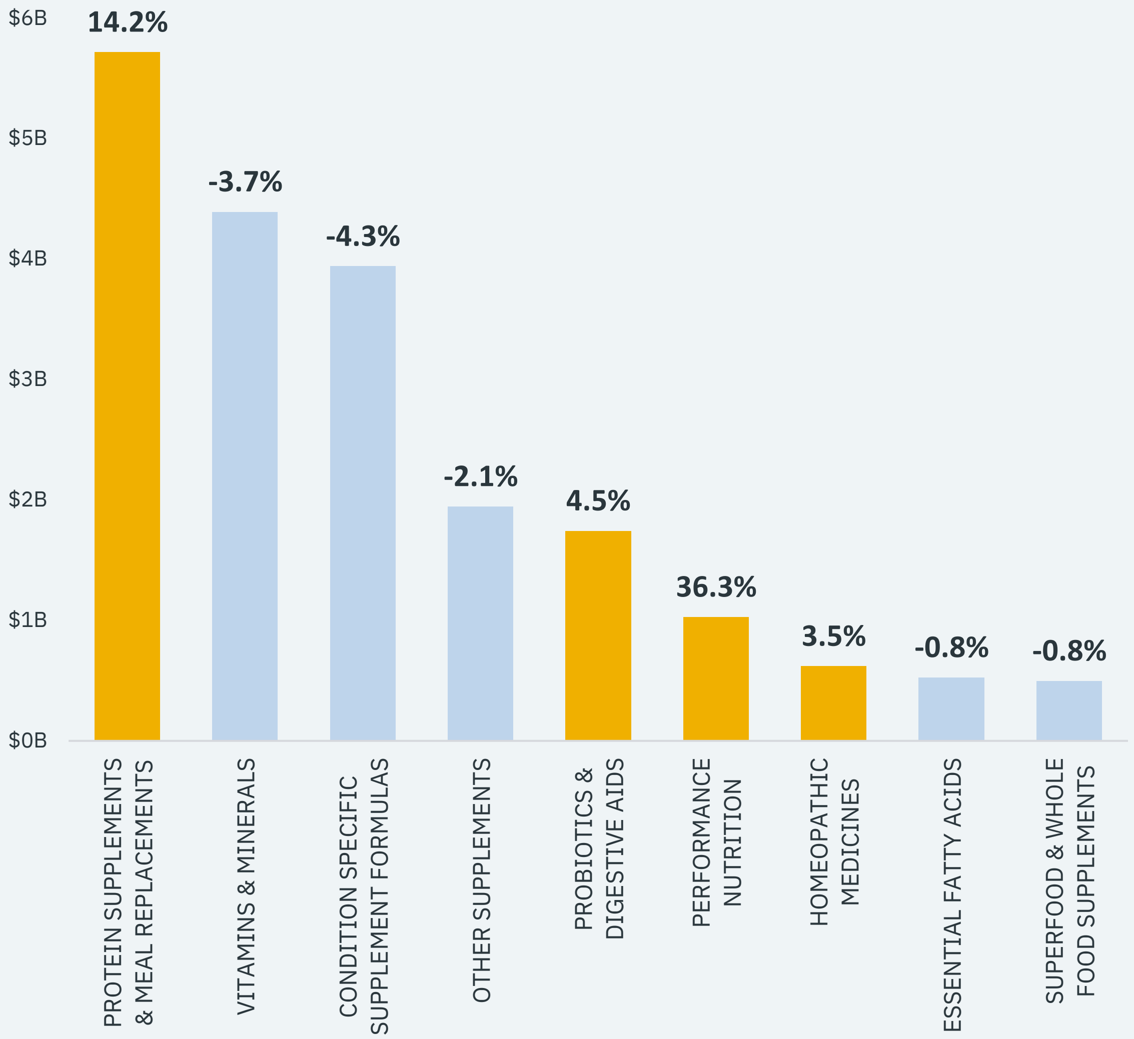
Growth Categories in VMS

The VMS segment has witnessed significant growth in certain categories despite some overall declines. Among the notable growth areas are:

1. **Protein and Meal Replacements:** These categories have shown promising growth, bucking the trend of declines in other VMS categories.
2. **Trending Natural Ingredients:** In the natural channel, several natural ingredients have gained traction, appealing to health-conscious consumers. Some of the highest growth ingredients include saffron for mood support, berberine for weight loss, algae for brain and heart health, and inositol for joint and cellular health.
3. **Green Supplements:** The greens category has seen steady growth, driven by the increasing popularity of alternative ways for weight control and incorporating greens into diets. Various brands, both traditional and DTC, are contributing to the category's expansion.

Vitamins & Supplements Category Growth

Dollar Sales, Dollar % Change YoY

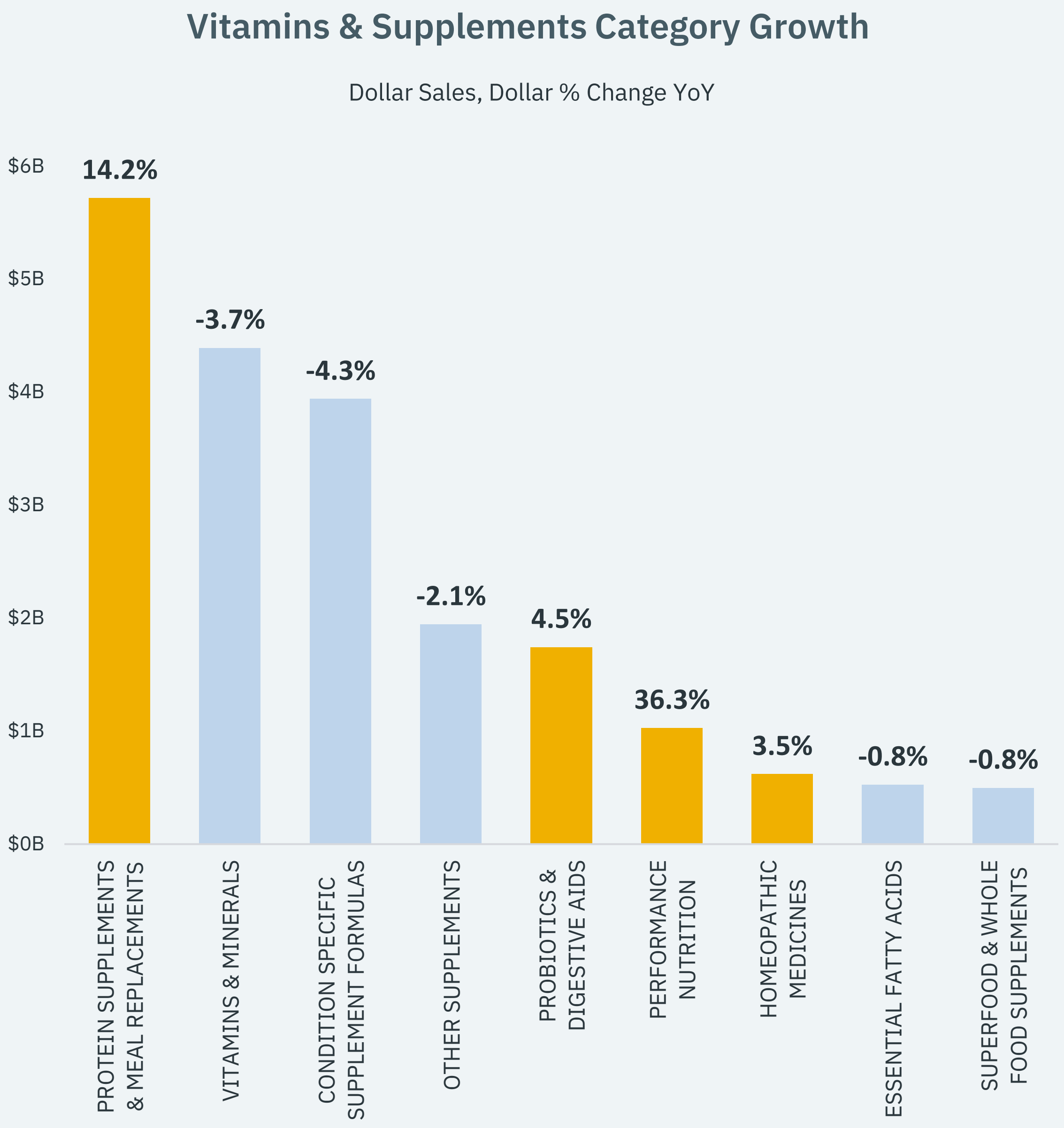


Source: SPINS Natural Channel, MULO Department: Vitamins & Supplements 52 Weeks Ending 6.18.23
* % Represents Dollar % Change YoY (vs same time LY)

Growth Categories in VMS

RECOMMENDATIONS

Emphasize Value-Oriented Products: As the rise of values-oriented consumers continues, focus on offering products that align with their values, such as sustainability, clean label, and healthfulness. Clearly communicate these attributes on product packaging and in marketing materials to appeal to this growing segment of conscious shoppers.



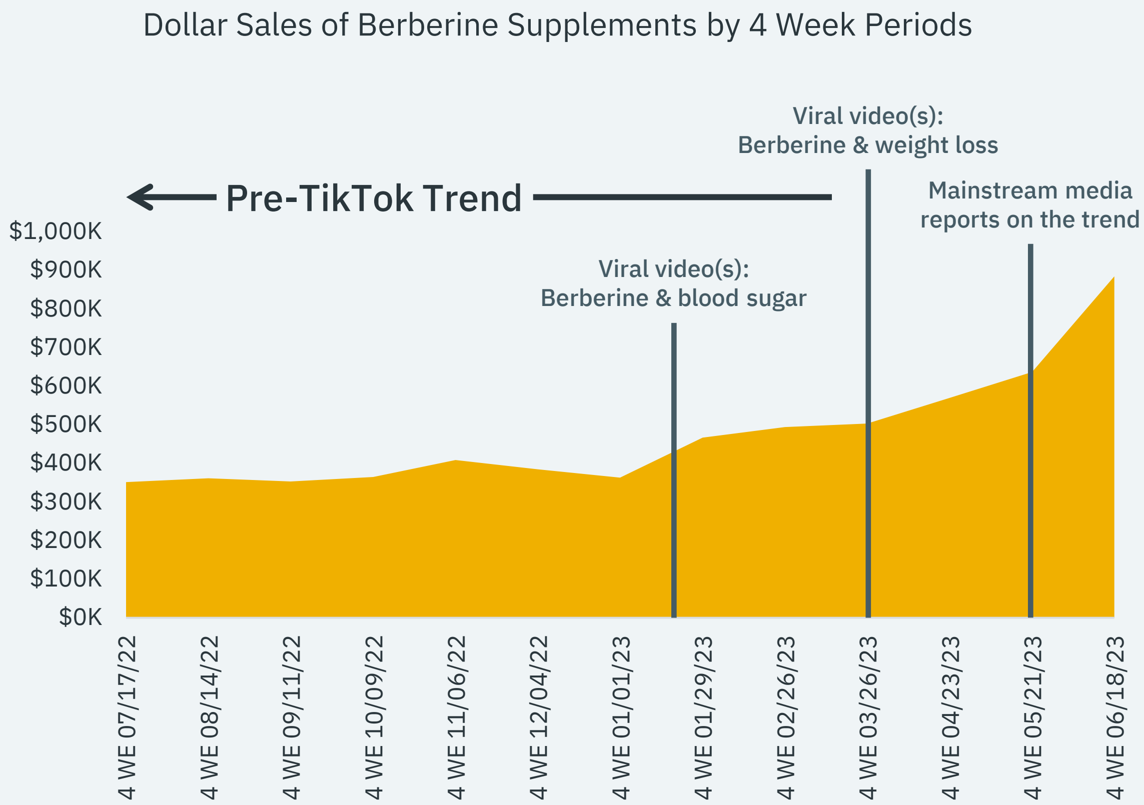
Source: SPINS Natural Channel, MULO Department: Vitamins & Supplements 52 Weeks Ending 6.18.23
* % Represents Dollar % Change YoY (vs same time LY)

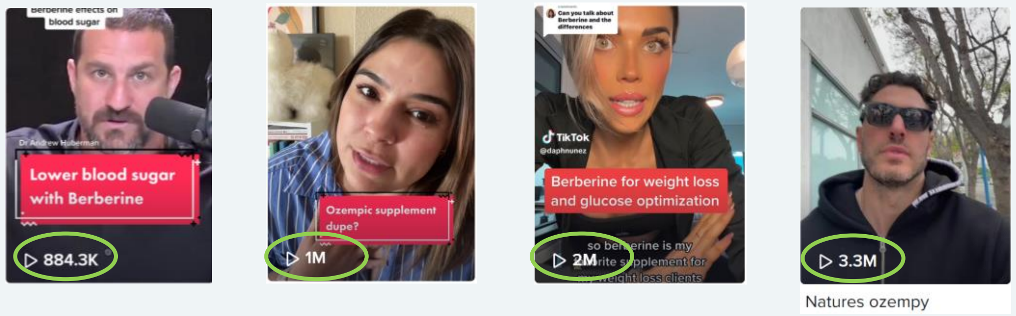
The TikTok Trend for **Berberine**

Social media platforms like TikTok are playing a significant role in influencing consumer preferences. The recent TikTok trend dubbing berberine as "nature's Ozempic" has garnered attention and resulted in a noticeable increase in retail sales. Health and Wellness influencers, along with viral videos, have contributed to this trend's popularity. However, it remains to be seen if the trend sustains its momentum or experiences a decline over time.

RECOMMENDATIONS

Monitor Social Media Trends: Social media platforms like TikTok can significantly impact consumer preferences. Stay vigilant in monitoring emerging trends and viral content related to your products. Consider partnering with influencers to amplify positive messages about your brand and products.





Segment Trends:
Plant-Based

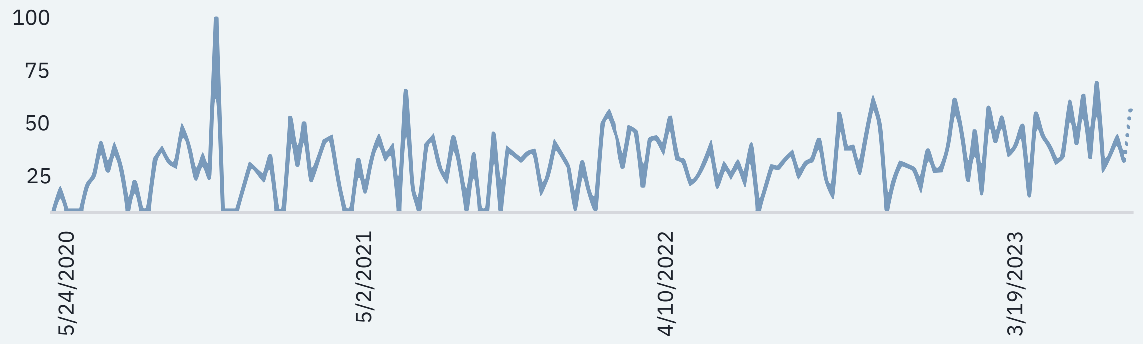
Plant-Based Continues to Spark Interest

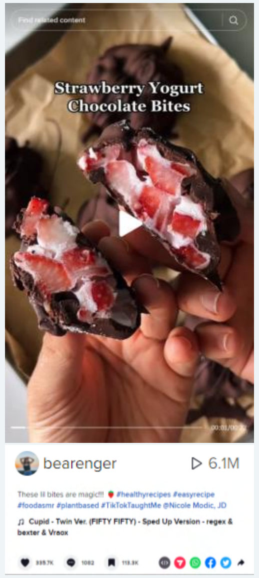
Despite a slight slump in the past eight months, we observe a sustained global interest in plant-based products. The rise in online searches, led by Australia, Ireland, and the US, confirms this continued curiosity. Social media influencers and popular accounts further fuel the plant-based movement by incorporating these ingredients into their recipes.

TOP REGIONS OF INTEREST IN PLANT-BASED DAIRY

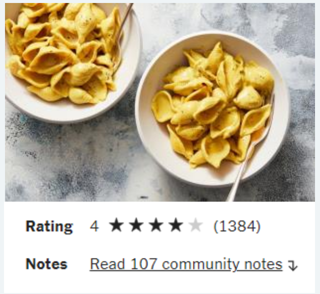
1. Australia
2. Ireland
3. United States
4. Canada
5. United Kingdom

Worldwide Plant-Based Dairy Web Searches
3 Year Timeframe





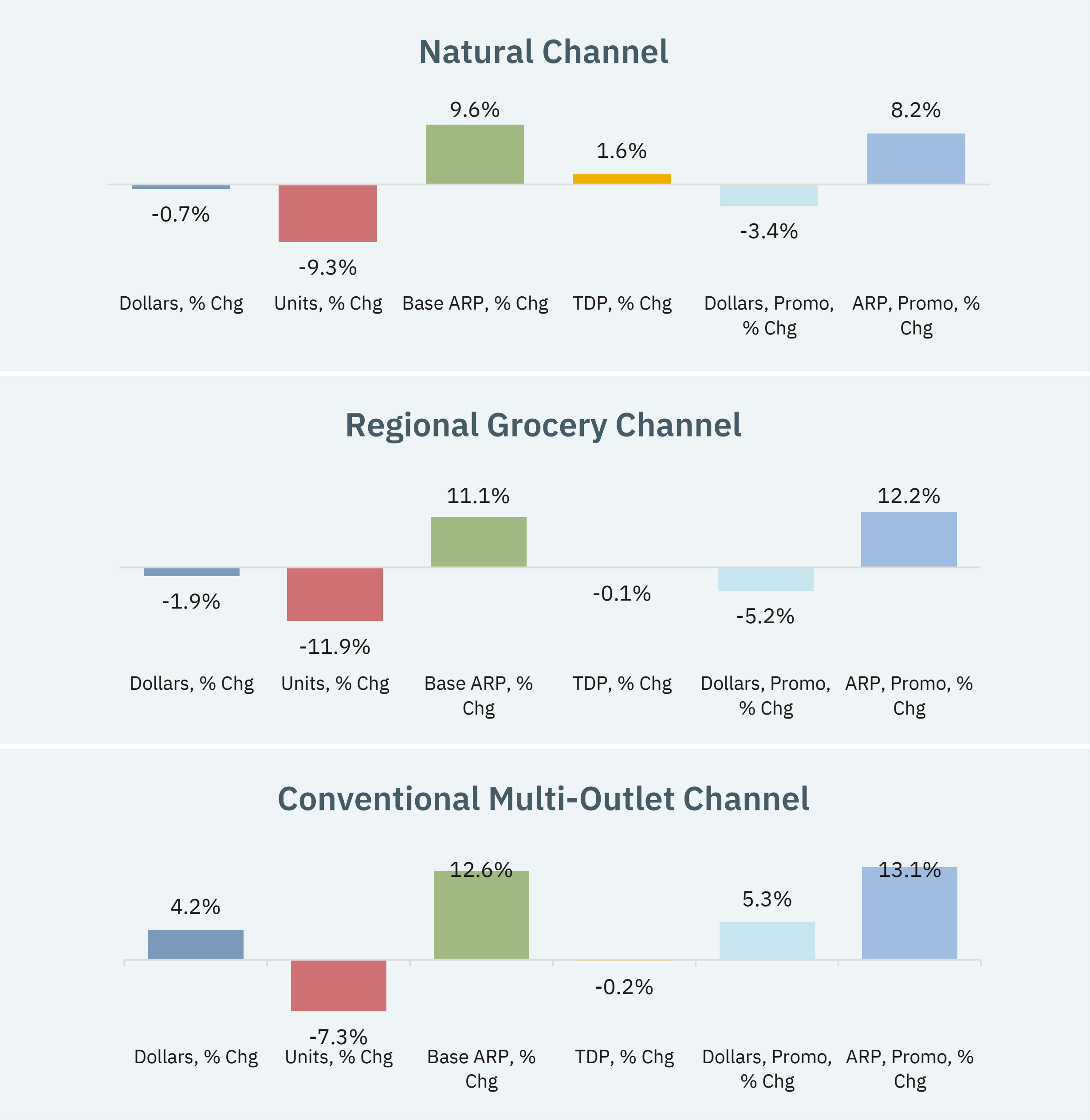
New York Times
Vegan Mac & Cheese



Source: Sources: Google Trends May 2020-May 2023, Tik Tok, NYT.com

Adopting the Right Strategy for **Success**

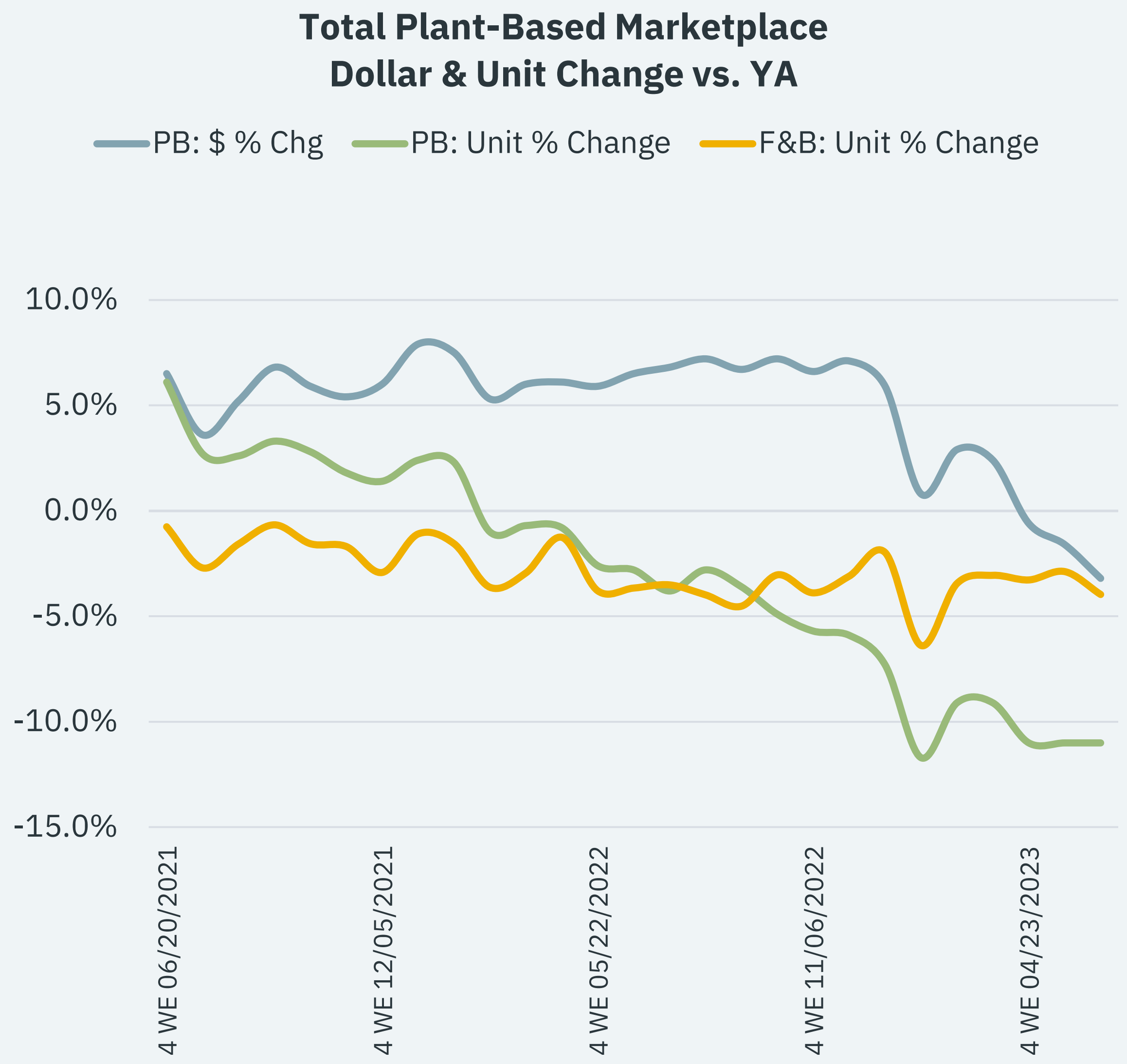
Grounding our analysis in cross-channel data is key to understanding this dynamic segment better. Conventional channels witness growth in dollars but experience a decline in units, mostly due to inflation and increased promotion. On the other hand, natural and regional channels see an overall expansion in distribution, particularly in the natural channel, where base average retail price changes are minimal. Consistent households remain loyal within the plant-based meat category despite fewer total households engaging.



Source: SPINS Total US Natural Enhanced Channel + Multioutlet (powered by Circana), Powered By SPINS Proprietary PI 52 Weeks ending 6/18/2023

Plant-Based Segment Performance Over Time

While overall food and beverage remain relatively stable in terms of dollars, the plant-based segment has seen a downward trajectory in recent years. Factors influencing this trend include taste and health concerns, and the higher cost associated with plant-based alternatives.



Source: SPINS Total US Natural Enhanced Channel + Multioutlet (powered by Circana), Powered By SPINS Proprietary PI 156
Weeks ending 6/18/2023

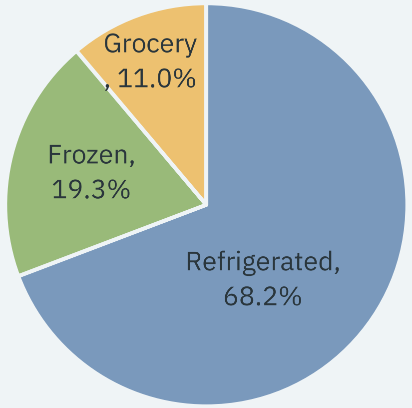
Diving Deeper into Departments and Categories

Refrigerated and frozen products dominate the plant-based segment. Within these departments, categories such as refrigerated milk and frozen meat alternatives hold significant market share. Almond milk remains a dominant player in the milk category, but oat milk gains traction, experiencing double-digit growth in both units and dollars.

TOP 10 PLANT-BASED CATEGORIES

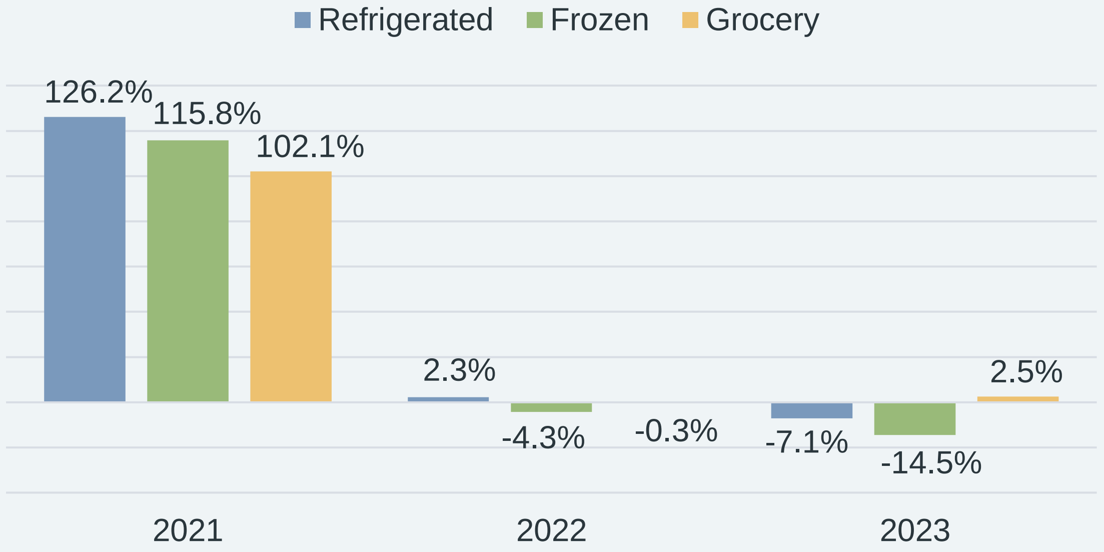
1. RF Milk
2. FZ Meat Alternatives
3. Creams & Creamers
4. RF Meat Alternatives
5. FZ Desserts
6. RF Yogurt & Yogurt
7. Protein Supplements & Meal Replacement
8. FZ Entrees
9. Dairy & PB Dairy Alternatives Other
10. SS Milk

Contribution by Department



Top 3 Plant-Based Categories By Department			
Refrig.	RF Milks	RF Yogurt	Creams & Creamers
Frozen	Meat Alternatives	Desserts	Entrees
Grocery	SS Milk	Wellness Bars & Gels	SS Condiments & Dressings

Unit Performance Over Time



Source: SPINS Total US Natural Enhanced Channel + Multioutlet (powered by Circana), Powered By SPINS Proprietary PI 156 Weeks ending 6/18/2023

Plant-Based **Meat Alternatives**

Plant-based meat alternatives have garnered immense attention, being considered a sustainable solution to combat climate emissions. However, this segment faced challenges during COVID, where cheaper proteins saw greater demand. Concerns over high costs, taste, and health issues have impacted sales, leading some shoppers to revert to conventional meats. Nonetheless, select products within this category continue to perform positively.

BRIGHT SPOTS IN PLANT-BASED MEAT

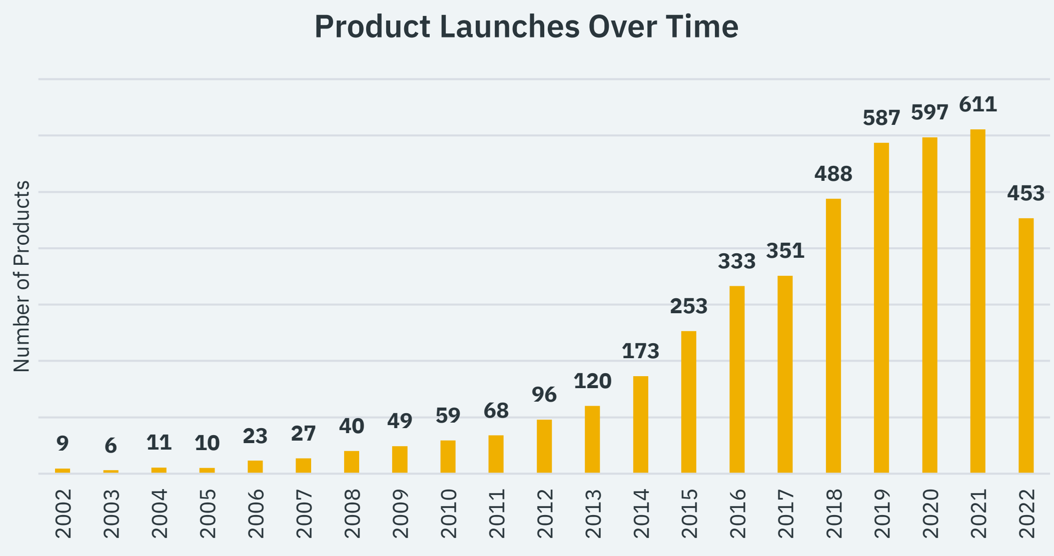
Product Type Performance Ranked by Volume

Plant-Based RF & FZ Meat	$1.2B	-8%	-16%
Product Type	Sales	$ Chg YoY	U Chg YoY
Burgers	**$280M**	**-15.4%**	**-25.0%**
Grounds	**$150M**	**-15.3%**	**-16.7%**
Nuggets	**$108M**	**-2.1%**	**-13.2%**
Dinner Links	**$103M**	**-10.4%**	**-13.0%**
Breakfast Patties	**$90M**	**-6.3%**	**-12.7%**
Breaded Patties	**$89M**	**2.0%**	**-13.2%**
Strips & Chunks	**$72M**	**8.5%**	**-5.5%**
Breaded Tenders & Sticks	**$46M**	**-6.0%**	**-19.0%**
Deli Slices	**$44M**	**-0.8%**	**-8.5%**
Meatballs	**$43M**	**-2.8%**	**-15.2%**
Breakfast Links	**$35M**	**-4.6%**	**-9.0%**

Source: SPINS Total US Natural Enhanced Channel + Multioutlet (powered by Circana), Powered By SPINS Proprietary PI 52 Weeks ending 6/18/2023

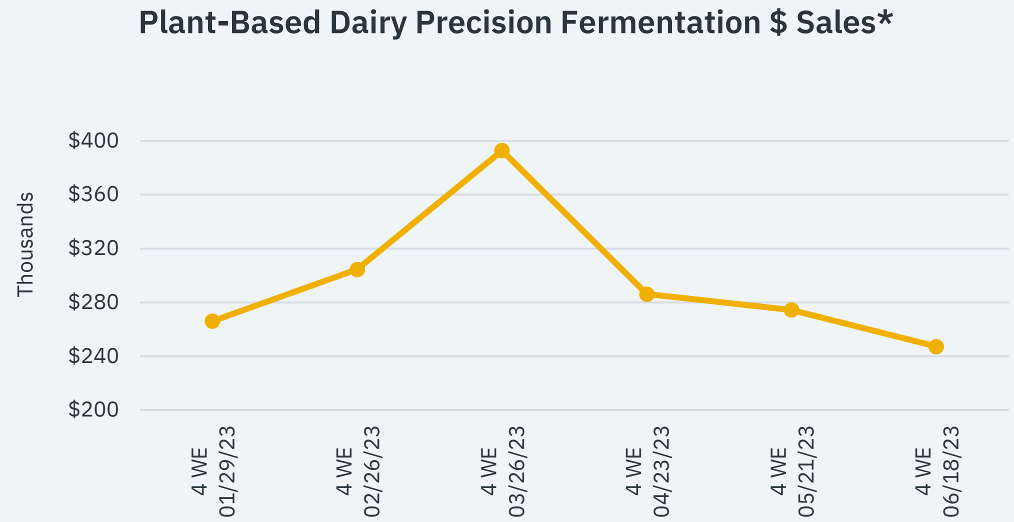
The Rise of **Precision Fermentation**

Technology is driving innovation in both plant-based and animal-based products. Precision fermentation, involving yeast, fungi, and microorganisms, is creating ingredients identical to animal proteins. Although still in its infancy, the market shows strong potential for growth.



PRECISION FERMENTATION TOP CATEGORIES

1. Bakery (1,371 Products)
2. **Yogurt** (420 Products)
3. **Cheese** (539 Products)
4. Ice Cream (100 Products)
5. Drinks (50 Products)



Sources: https://www.kehe.com/news-blog/blog/ten-macro-trends-to-watch-in-2022-according-to-kehe-experts/,, https://health.usnews.com/healthnews/blogs/eat-run/slideshows/top-food-trends-for-2022, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC10000644/, SPINS Total US Natural Enhanced Channel + Multioutlet (powered by Circana), Powered By SPINS Proprietary PI 52 Weeks ending 6/18/2023

Plant-Based **Creams & Creamers**

Creams and creamers experience the strongest momentum within the dairy category. Oat, hemp, and pea-based products lead this segment, with unique flavors and better-for-you options driving consumer interest.

INNOVATIVE NEW CREAMS & CREAMERS

Product Type Performance Ranked by Volume

Product Type	Sales	$ Chg YoY	U Chg YoY
Creams & Creamers	$673M	+21%	+8%
Almond	**$231M**	**+13%**	**0%**
Oat	**$191M**	**+49%**	**+37%**
Blend	**$143M**	**+5%**	**-7%**
Coconut	**$45M**	**-3%**	**-15%**
Soy	**$25M**	**+1%**	**-14%**
Pea	**$20M**	**+56%**	**+41%**
Other	**$9M**	**+416%**	**+322%**
Other Seed	**$5M**	**-**	**-**
Hemp	**$909K**	**+220%**	**+199%**
Cashew	**$125K**	**-93%**	**-94%**
Other Tree Nut	**$14K**	**-94%**	**-95%**

Source: SPINS Total US Natural Enhanced Channel + Multioutlet (powered by Circana), Powered By SPINS Proprietary PI 52 Weeks ending 6/18/2023

Segment Trends:

Meat & Dairy

Embrace **Regenerative Dairy**

To be certified Regenerative Organic, farms must prove that their farming practices take soil health and animal welfare into consideration and that workers on the farm are treated fairly.

Regenerative dairy is becoming a differentiator for value-oriented consumers who seek products that are better for the planet, animals and workers.

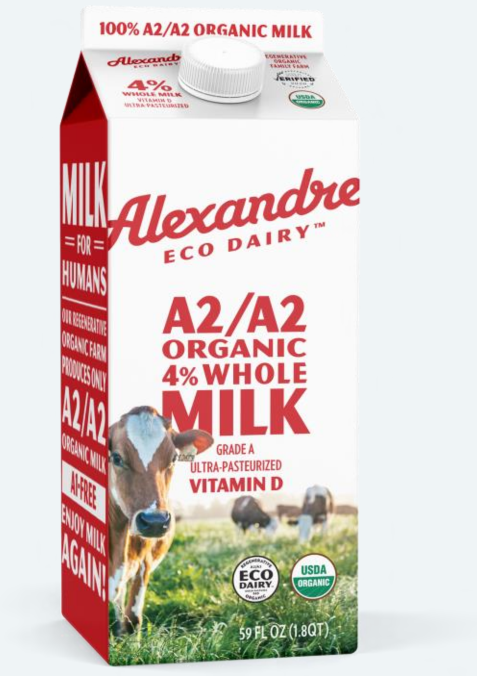
Recommendations include:

1. **Explore Regenerative Practices:** Invest in regenerative agriculture and obtain relevant certifications to appeal to sustainability-conscious consumers.
2. **Educate Consumers:** Emphasize the environmental and social benefits of regenerative dairy through marketing campaigns and clear labeling.

% Chg, $ Growth YoY of Regenerative Dairy Products

+93%
MILK

+53%
REFRIGERATED EGGS



Source: SPINS Natural Channel, MULO (powered by Circana), 52 Weeks Ending 6/18/23
Powered by SPINS Product Intelligence: Certified Regenerative Organic

Plant-Based Milk's Growth and Opportunity

The plant-based milk sector is witnessing significant growth, with oat milk and coconut milk being the top performers. However, rice milk is experiencing a decline. Recommendations for the CPG industry in this context are:

1. **Innovate and Diversify Product Offerings:** Capitalize on the popularity of oat and coconut milk and explore innovative flavors and variants to cater to different consumer preferences.
2. **Address Price Sensitivity:** As price increases affect unit sales, focus on cost-efficient production methods to maintain competitive pricing.
3. **Monitor Private Label Trends:** Keep an eye on private label products gaining share in inflationary environments, and consider collaborating with private labels to expand market reach.

Performance Ranked by Volume

Subcategory	Sales	$ Growth YoY
Milk	$14.8B	6.1%
RF Plant Based Milk Almond	$1.46B	2.6%
RF Plant Based Milk Oat	$593M	18.7%
Egg Nog & Buttermilk	$395M	4.8%
RF Plant Based Milk Other & Blends	$194M	9.3%
RF Plant Based Milk Soy	$182M	4.4%
RF Plant Based Milk Coconut	$86M	24.0%
RF Plant Based Milk Rice	$11M	-5.9%

Source: SPINS Natural Channel, MULO (powered by IRI), 52 Weeks Ending 6.18.23
Powered by SPINS Product Intelligence: Product Type and Flavor

Sustainability and **Yogurt Products**

Consumers are increasingly choosing dairy products with sustainability attributes. Brands can leverage this trend by:

1. **Highlighting Sustainability Efforts:** Communicate sustainability initiatives, such as certified B-Corp status, animal welfare labeling, and eco-friendly packaging, to resonate with conscious consumers.
2. **Offering Better Versions:** Create yogurt products with higher nutritional value, animal welfare focus, and non-GMO ingredients to attract health-conscious customers seeking classic products with upgraded attributes.

% Chg, $ Growth YoY, Yogurt Products

+407%	CERTIFIED REGENERATIVE ORGANIC
+20%	LABELED FAIR TRADE
+11%	CERTIFIED B CORP
+16%	LABELED ANTIBIOTIC FREE
+7%	LABELED ANIMAL WELFARE
+10%	LABELED ORGANIC INGREDIENTS
+28%	LABELED GRASS FED
+12%	CERTIFIED NON-GMO PROJECT

Source: SPINS Natural Channel, MULO (powered by IRI), 52 Weeks Ending 6.18.23

Challenges in **Plant-Based Cheese**

Dairy cheese is gaining share over plant-based cheese due to its taste and functionality. For plant-based cheese to remain competitive:

1. **Improve Taste and Texture:** Focus on enhancing the taste and texture of plant-based cheese to meet or exceed consumer expectations.
2. **Price Competitiveness:** Narrow the price gap between animal and plant-based cheese to attract flexitarians and price-conscious consumers.

Top Segments for Cheese

Subcategory	Sales	$ Growth YoY
RF Cheese Shredded & Grated	$8.1B	9.0%
RF Cheese Sliced & Snack	$6.9B	7.8%
RF Cheese	$5.4B	6.6%
RF Cottage & Ricotta & Farmer Cheese	$1.6B	16%
RF Plant Based Cheese Shredded & Grated	$112M	-0.1%
RF Plant Based Cheese Sliced & Snack	$85M	-7.3%
RF Plant Based Cream Cheese & Sour Cream & Other	$72M	-5.2%
RF Plant Based Cheese	$28M	-8.1%

Dairy Cheese

Sales
$22B

$ Growth YoY
+8.5%

Plant-Based Cheese

Sales
$298M

$ Growth YoY
-4.2%

Source: SPINS Natural Channel, MULO (powered by IRI), 52 Weeks Ending 6.18.23

Cottage Cheese Reinvention

Cottage cheese, a high protein low carb snack has been witnessing renewed popularity, mainly driven by viral videos on social media. The videos highlight creative and delicious ways cottage cheese can increase the protein content of familiar dishes or snacks

Recommendations include:

1. **Promote Versatility:** Highlight the versatility of cottage cheese as a high-protein, clean ingredient in recipes and snacks.
2. **Social Media Marketing:** Leverage social media platforms to showcase innovative uses of cottage cheese and engage with consumers.

HIGH PROTEIN BREAKFAST

brooklynsbites Brooklyn's Bites

Hopped on the cottage cheese toast train & im here to stay 👏 #c #cottagecheese #cottagecheeserecipe

77.4K Likes, 241 Comments. TikTok video from Brooklyn's Bites (@brooklynsbites): "I

1.5M views | ♫ Sure Thing (sped up) - Miguel

HIGH PROTEIN ICE CREAM

feelgoodfoodie Feel Good Foodie

Have you tried the viral #cottagecheeseicecream? There are with it. What flavor should I try next? #highproteinicecream #

128.5K Likes, 372 Comments. TikTok video from Feel Good Foodie (@feelgood

3M views | ♫ original sound - Feel Good Foodie

HIGH PROTEIN DIP

janellerohner JanelleRohner

Whipped cottage cheese is having a moment and I'm here for it! # #easyrecipe #cottagecheese

34.3K Likes, 185 Comments. TikTok video from JanelleRohner (@janellerohner): "Whip

799.9K views | ♫ Aesthetic - Tollan Kim

Clean Label Movement in Meat and Dairy

Critics of the meat/dairy industry have often voiced that the industry is both bad for the environment and for the animals. Brands have begun to respond to that by moving towards more sustainable practices as consumers show that there is growing interest in products with labels such as Grass Fed and Certified Regenerative Organic.

Brands can capitalize on this trend by:

1. **Emphasizing Clean Label:** Clearly label organic, grass-fed, and humanely raised attributes to appeal to conscious consumers.
2. **Pricing Strategy:** Price premium products appropriately, considering the impact on consumer behavior and demand.

Certification/Label & Claims Performance: Meat

+2.9% RF & FZ MEAT

+17% | $379M	Labeled Grass Fed
+6% | $815M	Labeled Animal Welfare
+3% | $347M	Labeled Organic

Certification/Label & Claims Performance: Milk & Dairy

+11.1% MILK & DAIRY

+173% | $3M	Certified Regenerative Organic
+19% | $1B	Labeled Grass Fed
+15% | $507M	Labeled Animal Welfare

Source: SPINS Total US Natural Enhanced Channel + Multioutlet (powered by Circana), Powered By SPINS Proprietary PI 52 Weeks ending 6/18/2023

Non-Animal Dairy Protein

Through the process of precision fermentation, companies can make animal protein equivalents like whey, by using microbes. Thus, creating non-animal dairy proteins.

The emergence of non-animal dairy products, such as non-animal dairy protein in frozen desserts, presents a new opportunity for the industry. Recommendations include:

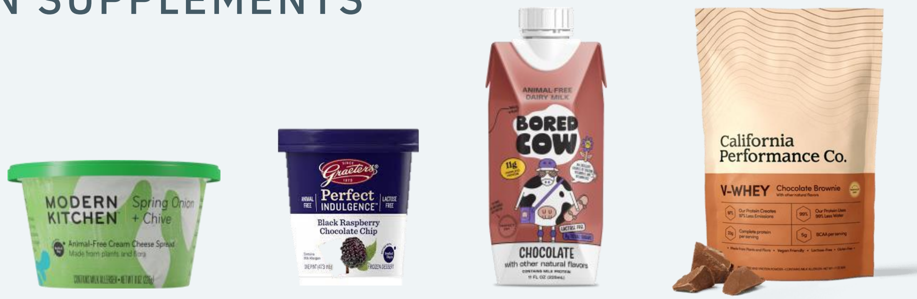
1. **Monitor Consumer Response:** Observe consumer reception towards non-animal dairy products as an indicator of potential for lab-grown meat products.
2. **Innovation and R&D:** Invest in research and development to create appealing and sustainable non-animal dairy alternatives.

Total Sales of Products Containing Non-Animal Dairy Protein

$2.8M
FROZEN DESSERTS

$732K
DAIRY & DAIRY ALTS

$61K
PROTEIN SUPPLEMENTS



Source: SPINS Natural Channel, MULO (powered by IRI), 52 Weeks Ending 6.18.23
Powered by SPINS Product Intelligence: Ingredient – Non-Animal Dairy Protein

Thank you!

For more information, contact
growth@spins.com