

IMPORTANCE OF THE NATURAL RETAILER

SCHAUMBURG, IL November 4, 2008 – SPINS, the leading information and services provider for the Natural Products Industry, today released the results of recent research focused on Natural retailers. The findings conclude that Natural retailers continue to experience strong consumer loyalty and sales momentum despite concerns of economic slowdown. The 800+ Natural retail supermarkets range from independent retailers to larger regional chains that have the majority of their sales generated from natural and organic products.

Ongoing emphasis on healthier lifestyles have led to an intensified level of demand for natural and organic products expanding into Conventional Food, Drug, and Mass retail stores, increasing its exposure and resulting in an evolving, multi-channel industry. Despite the changing dynamic of the industry and intensified competition, Natural retailers continue to play a central role, fostering growth and innovation while adhering to their core values and elevating the level of product standards.

Even as natural products become more readily available in the marketplace by way of new distribution channels, consumers continue to not only sustain, but strengthen their relationships with Natural retailers. In the latest 12 weeks ending October 4th, 2008, natural and organic product (NPI) growth rates from Natural retailers were more than triple those of Conventional with an aggregate sales growth of 10% for Natural retailers while Conventional Food retailers experienced growth of 3.2% during this same time period. Unit sales mirrored these trends with continued growth in Natural retailers while flat in Conventional Food. Focusing on the organic element of the natural industry (products with over 70% of organic content), Natural retailers are also leading the trends with a 13.4% sales improvement versus prior year over the most recent 12 weeks versus Conventional Food growth at 4.9%. In addition to Natural retailers' stronger sales growth, new Natural retail store openings have outpaced Conventional openings at a ratio of 2 to 1 annually including 2008.

The success of the Natural channel can be attributed to its lifestyle commitment and dedication which further cements its relationship with natural product consumers. Consumers recognize that natural retailers are better aligned with their philosophies and are fully committed to natural and organic products. Natural retailers have high standards for and extensive knowledge of NPI products, providing their consumers with confidence in the superior quality and authenticity of the items they sell.

Additionally, consumers can trust that the products available in Natural retailers have been assessed in terms of their ingredient quality and Natural standards, which frees them from having to carefully scrutinize labels and gives them the opportunity to broaden their palettes via trusted product offerings. Natural retailers enjoy tremendous variety with over 205,000 unique items featuring full brand depth and breadth offerings and priced more competitively – on average 2.4% lower than the same core items sold in the Conventional Food Channel. Price elasticity studies recently conducted by SPINS have also demonstrated that the Natural retailer is slightly more insulated from price inflation than its Conventional counterpart. The SPINS research determined that conventional retailers experience approximately 20% more base price elasticity on average on a core group of natural and organic items. The difference appears to source from organic items, whose base price elasticity in Conventional retailers is approximately twice that of natural retailers. This difference in base price elasticity seems to indicate a stronger relationship and trust between the consumer and the natural food retailer which transcends price. Such a concept may elucidate the success of Sunflower Farmers Market, a Colorado-based natural retailer that plans

on expanding its chain by nearly 30% this year. “Sunflower continues to experience strong growth, consumer loyalty, and a competitive edge. Our growth plans remain undeterred even as the economy slows,” says CEO Mike Gilliland.

Natural channel consumers find value in the trust and superior service they receive in their buying experience, creating loyalty in a market where integrity and innovation are deemed critical. This dedication leads to consistent consumer buying behavior and a relatively low reaction to price change across the channel, a key benefit not only to retailers, but to their manufacturers as well, particularly as prices across the US begin to rise. Manufacturers can also enjoy lower barriers to entry into Natural retailers, given the typical lack of slotting fees, in addition to lower trade spending requirements due to targeted promotional programs. They also face less risk of reduced distribution in the wake of economic recession in the Natural channel, as opposed to the Conventional channel, whose retailers may cut back on natural and organic products and promote their private label brands.

To maximize success in the Natural channel, manufacturers need to demonstrate their understanding, knowledge and support of their retailers and consumers, utilize enhanced facts to design most efficient spending, and leverage key account and store level data to best track distribution, price consistency, and promotional compliance among other Key Performance Indicators to continue to succeed in this dynamic channel.

“We remain committed to the success of Natural retailers and the natural products industry, and we are pleased to see strong growth continuing in these retailers despite the ailing economy,” said SPINS CEO Tony Olson. “It is encouraging to see our Natural retailer product sales growing at over 8% in the most recent 4 weeks ending in October and Organics still growing at over 11%. I strongly encourage manufacturers who are committed to product authenticity and the natural product industry’s guiding principles to stay committed to this critical element of their business.”

About SPINS

SPINS was founded in 1995 as the first company to offer Natural Products sales data to the industry. Today, it is the premier provider of industry reporting and consulting services for this rapidly expanding sector. SPINS’ comprehensive offering includes retail measurement services, content-based reporting, consumer information and consulting services. Learn more at www.spins.com.