



Take advantage of a growing market

Retailers could capitalize on a strong organic and all-natural beverage market by offering store brand products with innovative flavors, textures and ingredients.

By Michal Christine Escobar

Up until the 20th Century, agriculture and its byproducts were primarily “organic,” or free from synthetic pesticides and chemical fertilizers, in nature. During the 20th Century, however, a large supply of new chemical pesticides and fertilizers was presented to and accepted by farmers. Almost as soon as these chemicals were introduced, a small but vocal movement for organic farming began. Eventually, the term “organic” became regulated by the federal government to mean produce grown without the use of pesticides, synthetic fertilizers, sewage sludge or ionizing radiation. Regulations prohibit organically processed foods from containing artificial preservatives, colors, or flavors and require that their ingredients are organic. And no organic food can be grown or handled using genetically modified organisms.

“One of the great misconceptions is that organic is just becoming popular,” says Clay Dockery, division vice president for Massimo Zanetti Beverage USA, Suffolk, Va.

During this same time frame, “natural” food products became popular among consumers as well. Although the term is unregulated, natural typically refers to a product that contains no preservatives, artificial colors or artificial flavors.

Snapple was one of the first brands to make natural claims an integral part of its brand and product positioning, says Ilana Orlofsky, marketing coordinator, Imbibe, Niles, Ill. According to Snapple’s own website, the company launched in 1972 when three men decided they wanted to create “an all-natural beverage New Yorkers will love.”

When it comes to measurable sales, it wasn’t until 2004 that the organic industry as a whole began to grow rapidly, states Jamie Bradford, director, product and package innovation, Lassonde Pappas, Carneys Point, N.J. From 2004 to 2014, organic sales grew 225 percent and are expected to reach more than \$60 billion by 2018. Sales of natural and organic non-dairy beverages grew 87 percent since 2009 and are expected to continue to grow through 2020.

“Organic will be one of the key platforms in product development going forward in the beverage industry as more consumers put a focus on health and wellness and the environment,” she adds.

James Gratzek, Ph.D., senior vice president of research and development for Edina, Minn.-based SunOpta Inc., agrees.

“SunOpta sees the natural and organic beverage category growing as consumers continue to see the benefit of healthier beverages made with quality ingredients,” he says.

Have fun with product development

With so much revenue potential, retailers might be interested in offering or expanding their line of organic or all-natural store brand beverages. But to attract consumers to their stores, retailers must offer beverages consumers want.





Special Report: Natural and Organic Beverages

According to Orlofsky, consumers are looking for minimally processed products. They want a product with ingredients that are as close as possible to the way they are found in nature.

Additionally, they're looking for beverages with functional benefits derived from natural ingredients, Bradford says. For example, coconut and birch water are currently popular for being high in electrolytes, while yerba mate, matcha and green coffee are popular for their ability to provide energy.

Milk alternatives, too, are gaining in popularity among organic and all-natural beverage consumers. Almond milk, a mature market, is beginning to slow, but coconut milk is gaining widespread acceptance and hemp, oat and macademia milk have all recently entered the market, Gratzek says.

"The sky is the limit right now with alternative milks and flavor combinations," agrees Joe Arends, director of marketing for Glenview, Ill.-based Leahy IFP. "We're going to continue to see this expansion into smoothies and other beverages, providing customers with non-dairy alternatives."

While not all organic or all-natural beverages need to be functional, they do need to appeal to consumer tastes.

For instance, consumers are looking for new sensory experiences from their beverages, especially when it comes to texture and mouthfeel, Orlofsky says. Ingredients such as chia and quinoa, as well as spicy peppers such as chili, cayenne and habanero, are all currently trending.

And, of course, consumers are always on the lookout for new flavors; in fact, "the more exotic the better," she says. She recommends that retailers offer flavors that revolve around superfruits, herbs, flowers and spices — for example, pomegranate, huckleberry, hibiscus, turmeric and blood orange.

And retailers are free to "go crazy" by offering innovative, non-traditional flavor combinations such as grapefruit-pomelo-peach, lime-hibiscus-clove or lemon-watermelon, Orlofsky suggests.

"The more descriptive the flavor profile, the more premium the product seems," she adds.

Retailers could also win points with consumers by including the origin of the fruit on the packaging. Examples include Valencia orange, Meyer lemon, Alphonso mango and Georgia peach, Orlofsky says.

Dockery agrees. Point of origin is important among organic coffee drinkers, he says. Luckily, with several countries actively involved in organic farming, it's becoming easier to determine the specific coffee-growing region within a country from where those particular coffee beans came.

As for sugar, a much discussed topic within beverages, the natural and organic industry is at the forefront of a "huge" movement toward reducing sugar in beverages, Gratzek says.

For this reason, retailers should not sweeten natural and organic beverages with sugar or high-fructose corn syrup, Orlofsky warns. Instead, she recommends that they use alternatives such as agave, honey, date sugar, fruit juice, monk fruit or maple syrup.

Retailers might also want to consider what certifications might be important to natural and organic beverage consumers and include those on the packaging. Natural and organic beverages are leading the way for labeling such as non-GMO, gluten-free, dairy-free and no sugar added, Gratzek states.

And natural and organic beverage consumers are also concerned about where products originate and how they are made.

Natural and organic consumers are continuing to make sustainability a real priority when considering what beverages to purchase, Bradford says. They're engaging more and more in what she calls "proactive wellness."

Therefore, Dockery recommends that retailers ensure the packaging of their private brand organic

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and natural beverages is consistent with the values of the consumer buying the product.

"There is a strong link between healthy eating and environmental responsibility, so you must be cautious in this step," he adds.

Another way for retailers to appeal to consumers' ethics is by offering third-party certification, Dockery says. While there are many certification agencies available, he recommends that retailers looking to sell organic coffee seek out Fair Trade USA because it is one of the most widely recognized certifications by consumers.

Be proactive

It does a retailer no good to offer a unique and delicious store brand beverage if the consumer doesn't even know about it.



"Consumers are busier now more than ever and are continuously on the go," Bradford says. "Leisurely browsing the grocery store [for new items] is not practical for the majority."

Therefore, retailers must be willing to promote their products by any means necessary. Bradford suggests that retailers use every marketing tactic at their disposal to increase consumer awareness of these particular private brand products. For example, they could invest in weekly circulars, placement within high-traffic areas of the store and activating trial through in-store demonstrations as well as couponing.

Once the retailer has managed to get consumers to notice the product, the packaging's visual appeal becomes tantamount.

"Many products are competing on the retail shelf [for the consumer's attention]," Orlofsky says. "Your product needs to stand out."

She recommends that the front panel clearly communicate the claims and the contents of the product, and that the packaging be crisp and clean to reinforce the idea that the product is fresh, raw and/or natural.

However, don't overdo it on front-of-package claims, Arends warns.

"Simplify ingredient statements and do not overwhelm the consumer with too many claims on packaging," he says. "A lot of packaging right now is stating 'no this, this and this' without simply telling the customer what it does have."

And Dockery suggests that the packaging clearly differentiate and delineate the organic store brand products from the core assortment.

He also recommends that retailers' private brand organic products be sold within 15 to 20 percent of the price of the retailer's core store brand product line.

And because organic beverages typically cost more than standard beverages, retailers must be willing to educate their customers on the benefits of these high-quality beverages, Gratzek says.

"There is a lot of confusion about non-GMO, organic, sugar quantity, etc.," he says. "The more the consumers know, the better educated of a decision they can make."

Get inspired

"Consumers are becoming increasingly comfortable with retail brands," Gratzek says. "[Organic and natural beverages are] an opportunity for retailers to innovate with their own brand, offer exclusive products that

drive foot traffic and potentially greater margins."

Bradford agrees.

"Private label has historically created close to or exact formula matches of national brands," she says. "But more and more consumers are seeking out organic beverages that are unique and provide more of an 'experience.'"

When retailers offer more private label natural and organic beverage options that are higher in quality with unique attributes, consumers will see that retailer as their go-to store, Bradford adds.

To find inspiration for store brand organic beverages, Gratzek suggests retailers watch what is going on in the start-up world, as well as overseas.

"Additionally, look outside of the refrigerated beverage category," he adds. "There are a lot of exciting shelf-stable beverages that can draw the consumers into the middle of the store." **SB**