



# **Winter Fancy Food Show**

**San Francisco, CA January 2011**

**Entering the North American Organic Market**

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**What is a broker?  
How do I work with one ?  
Why would I want to ?**

**In this presentation, you will learn:**

- **Advise to Manufacturers specific to Brokers/Reps!**
- **If your new to US Natural Industry~ listen & learn!**
- **Broker/Buyer/Manufacturer “Roll play”**
- **Terminology demystified- Take Handouts, or ask for email version!**
- **What to expect from Brokers!**
- **What they will expect or ask of you!**
- **How to get the best results!**
- **Building partnerships to expands sales!!**
- **Don't micro-manage—trust Brokers know their job!**
- **Independent Contractor vs Employee (Advantages)**
- **Margin vs Mark up (Handout)**

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## Understand Industry Protocol.....

- **Brokers represent the manufacturer—not the distributors or retailers**
- **They work between all parties-your sales force/problem solvers**
- **Important to have a direct contact person for your brokers-update !**
- **Be clear on who they will invoice commissions & direct concerns to!**
- **Learn from their experiences. Let them guide you, if your new!**
- **Don't expect surveys & reports - these are sales people not desk jockeys! Unless that is what you want! Larger houses, doesn't mean better**
- **You want them working not sitting at their desks!**
- **Target Territories: start in a slower market—build with experience!**
- **Be clear @ your expectations!—Broker will help define a workable plan!**
- **Be clear @ what broker expects from you—most will tell you up front!**

## **Broker Role in coordinating with Retail Buyer:**

- **Broker represents Manufacturer at Retail & Distributor level**
- **Presents Deals in a timely manner**
- **Writes “Turnover Orders”, New Product Intros, arranges Demo’s, Brand News & strategizes with all to expand sales**
- **Works with Retail Buyer to “pull products through” off the shelves---once “placed”; “shelf turn” is IMPORTANT—refer to terminology sheets**
- **Coordinates ad allowances, coupons, leverage volume discounts, supports special events**
- **Assists & inspires resets on stagnant merchandise !**
- **Trades out slow merchandise (if possible & allowed by Manufacturer policy) –Please consider this option**
- **Increase territory sales !**

## **Goal—Highest profit & Sales for ALL!**

- **Uses “Bonus Buys” or Deep Distributor Deals often!**
- **“Compounding” or “Stacking” Deals from Broker--Many manufacturers won’t allow this, but, some will allow Broker to be creative—this works best!**
- **Coordinate use of Ad monies & arrange Demo’s often**
- **Set up “Loss Leaders”--”EDLP”-”contract pricing”**
- **Retailers ask Brokers & Distribs if there are deeper deals—Key accounts insist on deeper deals...some keep your intro deal—your Brokers need to have access to the deepest deals!**
- **Inspire stores to Pass the deal on---so more Products are sold !**
- **Fast Nickel vs. Slow Dime means.....turn...turn....turn...**

## **Manufacturer support:**

- **Assist Broker--through mailings, discounts/deals & sample allotments or trunk stock**
- **Respond to broker requests in a timely manner**
- **Provide rep, buyer or brokers product information as needed—be timely, when working on new items**
- **Train any, and all as requested**
- **Coordinate deep monthly, quarterly deals with Distributors-thru Brokers!**
- **Coordinate Brokers with cross over territories—this can be tricky!**
- **Pay commissions quickly – within 45 days is ideal**

## **Distributor Role:**

- **Watch for “what’s new” and “potentially profitable” --as well as TOP SELLERS!**
- **Bring in exciting inventory-Quickly!**
- **Coordinate and offer EDLP & Monthly specials--deep discounts**
- **Pass on Manufacturer Monthly Promos-and Intro deals timely!**
- **Work closely with Broker & Retail Buyer**
- **Deliver product timely & with Good Dating, not damaged**
- **Invoice & work out credits: miss-shipments, damaged and out dated goods**

**Goal for ALL: To increase sales and make a Profit !**

# **HOT TIPS!!!**

**to Retailers: Brokers write discounts, they are like “check writers”! They give you money off your invoices---respect them, work with them, it pays!**

- **Bring in New Items as they come to market, quick to get the best intro deals !**
- **If your late to market, some of the deeper New Product intro deals may be gone!**
- **Be aware: Copy your Broker Turn Over Orders---Put on a Calendar so you expect them, and are not surprised later!**
- **Keep Brokers phone, fax and Principles lists handy!**
- **Create & rotate exciting end caps**
- **If products seem to “die in sales”- change the set!**
- **Coordinate with Brokers/ reps to audit & help re-set shelves**

# Distributor math vs retail math

Distributors work w/ 25% margin

Sell at

1) Item cost \$1.00 divide by .75=\$1.33

2) Item costs 1.20 divide by .75 =\$1.60

SRP

Retailers like 33.3% margin (grocery)

Sell at

1) \$1.33 divide by .666 =\$1.99 SRP

2) \$1.60 divide by .666 = \$2.39

**\*\*Note these add up to equal 100% (25 +75) ( 33.6 +66.6)**  
These margins are increasing as the economies worsen!

**REMEMBER : 25% G.P.M. = 33.3 % Markup**

**33.3% Margin = 50% Markup**

**or MULTIPLY-- instead**

**Example**

**\$10.00 cost from manuf x 1.33 (distrib)= \$13.30**

**Retail buy @ \$13.30 x 1.50 = \$19.95 SRP**

## Mark-Up and Gross Profits

Few terms are more misunderstood than "Mark-Up" and "Gross Profit".  
You can go bankrupt by failing to know their meaning.

**MARK-UP** is the percentage of the amount you earn on the **COST** of an item you sell.

**GROSS PROFIT** is the percentage of the amount you earn on the **SELLING PRICE** of the item.  
**That's a big difference.**

**NOTE:** Mark-Up percentages are converted to Gross Profit percentages by rounding to nearest one tenth of 1 percent.

**Mark-Up to Gross Profit Conversion Table**

Mark-Up	Gross Profit	Mark-Up	Gross Profit
10 % added to cost is	9.09 % profit on selling price	41 % added to cost is	29.08 % profit on selling price
11 % added to cost is	9.91 % profit on selling price	42 % added to cost is	29.58 % profit on selling price
12 % added to cost is	10.71 % profit on selling price	43 % added to cost is	30.07 % profit on selling price
13 % added to cost is	11.51 % profit on selling price	44 % added to cost is	30.58 % profit on selling price
14 % added to cost is	12.28 % profit on selling price	45 % added to cost is	31.03 % profit on selling price
15 % added to cost is	13.04 % profit on selling price	46 % added to cost is	31.51 % profit on selling price
16 % added to cost is	13.79 % profit on selling price	47 % added to cost is	31.97 % profit on selling price
17 % added to cost is	14.53 % profit on selling price	48 % added to cost is	32.43 % profit on selling price
18 % added to cost is	15.25 % profit on selling price	49 % added to cost is	32.89 % profit on selling price
19 % added to cost is	15.97 % profit on selling price	50 % added to cost is	33.33 % profit on selling price
20 % added to cost is	16.67 % profit on selling price	51 % added to cost is	33.77 % profit on selling price
21 % added to cost is	17.36 % profit on selling price	52 % added to cost is	34.21 % profit on selling price
22 % added to cost is	18.03 % profit on selling price	53 % added to cost is	34.64 % profit on selling price
23 % added to cost is	18.70 % profit on selling price	54 % added to cost is	35.06 % profit on selling price
24 % added to cost is	19.35 % profit on selling price	55 % added to cost is	35.48 % profit on selling price
25 % added to cost is	20.00 % profit on selling price	60 % added to cost is	37.50 % profit on selling price
26 % added to cost is	20.63 % profit on selling price	65 % added to cost is	39.39 % profit on selling price
27 % added to cost is	21.26 % profit on selling price	66 2/3 % added to cost is	40.03 % profit on selling price
28 % added to cost is	21.88 % profit on selling price	70 % added to cost is	41.18 % profit on selling price
29 % added to cost is	22.48 % profit on selling price	75 % added to cost is	42.86 % profit on selling price
30 % added to cost is	23.08 % profit on selling price	80 % added to cost is	44.45 % profit on selling price
31 % added to cost is	23.66 % profit on selling price	85 % added to cost is	45.95 % profit on selling price
32 % added to cost is	24.24 % profit on selling price	90 % added to cost is	47.37 % profit on selling price
33 1/3 % added to cost is	25.00 % profit on selling price	95 % added to cost is	48.72 % profit on selling price
34 % added to cost is	25.37 % profit on selling price	100 % added to cost is	50.00 % profit on selling price
35 % added to cost is	25.93 % profit on selling price	150 % added to cost is	60.00 % profit on selling price
36 % added to cost is	26.47 % profit on selling price	200 % added to cost is	66.67 % profit on selling price
37 % added to cost is	27.00 % profit on selling price	250 % added to cost is	71.43 % profit on selling price
38 % added to cost is	27.53 % profit on selling price	300 % added to cost is	75.00 % profit on selling price
39 % added to cost is	28.06 % profit on selling price	350 % added to cost is	77.78 % profit on selling price
40 % added to cost is	28.57 % profit on selling price	400 % added to cost is	80.00 % profit on selling price

## **Brain drill.....**

- **For a Distributor to make 25% profit margin**
  - **they must Mark-up items 33.3%**
- **For a Retailer to make 33% profit margin**
  - **they must Mark-up items 50%**
- **For 40% margin mark up 66 2/3 %**



**Build & Trust your team!**

## Natural and Specialty Products Sales Terminology

**Advertising Dollars, a.k.a. Coop Ad \$:** Often an additional 5% can be given by the manufacturer straight to the store. This requires paperwork and administration. Sometimes, Retailer must keep all purchase invoices, and submit copies direct to the manufacturer for the 5% reimbursement check. More sophisticated stores can do “scan downs”, see later. \$ paid to retailer, or discounted off an invoice, is based on total sales during the promotion cycle (30 days), usually 5% of Buy-In) or trade for products. Retailer invoices Manufacturer for ad, providing “proof or performance”

**Bad Pull or short dated:** When a distributor or direct manufacturer delivers to retailer, products with “short dates”, spoiled or past dates etc. Retailers must watch their dates too! Try not to sell short dates, and credit when needed!

**BOGO:** Buy One Get One (free) (but the deals vary)

**Broker Hip Pocket Deals:** (this is like money, THINK discounts = \$\$)

These are unpublished discounts the Broker / Rep can give to the retailer -- usually out side of regular distributor promotions, and distrib any retail volume discounts.

**Buy-In:** The amount of product required to purchase for various promotion \$ or discounts; i.e. 5 cs get 15% off or 50 cs get 25% etc..

**Case or Floor Stacks:** Stack products around store....this Sells, catches customers eye ! Pass the discounts on...Please ? You'll see faster “turns” = more \$\$

**Cross Over:** This can be Broker territory boundaries, Distribution channels, Sales categories

**Category Management:** Chips, Cereal, Cheese, HBA (Herbs, Toothpaste)...

Managing each category for the best possible sales. This includes “positioning” in the store, where and how (don't be afraid of resets) .... promotions, demo's...whatever it takes..... Stagnant sales can mean boring sets or product is hard to locate.

**Compounded:** Putting discounts together --- “Stacking” or “stacked deals”, say a Distributor gives you a deal, then the broker gives you an MCB—these can sometimes be stacked/compounded, added together, for the deepest discounts.

**Cycle:** Determine acct/ad/promo cycle which best suits you. (Quarterly, bi-annual, annual)

**Demo's:** Product “sampling” --with a paid demonstrator talking, sampling, and informing customers. TIP: Assign a retail contact person to assist all demo persons in your store; during demo set up, with restocking needs, and break down/clean up. Keep product on the shelf, and “off shelf” promotions area. Demo's = good /expanded PR, not \$ per demo!

**Passive Demo:** A non paid — non person'ed demonstration:

Best with chips, salsas, cookies, (ready to eat) and HABA sample packs, or lotions etc. Manufacturers be generous = \$ TIP: Coordinate with your Brokers for their retail territory lists, and quarterly, send out a care package, with small samples, pouches, testers, hats & T-Shirts! The retailers will love you for it. Its nice to be appreciated— Manufacturers build teams, with you, your brokers, and your retail partners, or Retailers, your brokers, community and manufacturers! Working together = \$\$

**“Draw” to rear of store:** i.e. Milk---or whatever your customers buy often/regularly.....gets customers to walk through the aisles to the back of the store...Think “draw customers in”....especially down aisles that are missed too often.... Steer the customer where you want them to go...draw them to the back of the store.

**E.D.L.P.:** Every Day Low Price—(eg: baby food, tuna, milk, toilet paper) = \$

**End Caps:** Gondola ends, USE FOR TEMPORARY PROMOTIONS = more\$\$

**Fast Nickel vs Slow Dime:** Keep margins lower, and products sell faster vs a higher margin and slower sales. Good strategy for E.D.L.P.'s

**Floor or Case Stacks:** Same as a case stack deal (previously). Use your real estate = \$

**Go To Market Strategy:** Your Sales and Marketing plan

**Gondola:** The shelf rack unit, generally used in Grocery stores - 3 ft or 4 ft standard

**Grand Opening:** Special opening day events, supported by manufacturers, distributors and brokers with Active (paid) Demo's; Samplings (passive); Give-Aways (T-shirts etc.), Music, and retailer provides lots of PR. Have lots of DEEP DISCOUNT PROMOTIONS!

**Loss Leader:** Things like Milk, Baby Food, Cleaning Products, Toilet Paper, Bottled water products (sku) you are willing to take a lower margin on—in order to sell them faster, support a cause, or...use your imagination—”draw” customers! E.D.L.P.'s

**Margin:** Gross PROFIT Margin — Is the percentage of the amount you “earn” on the “SELLING price” of the item --- This is your “profit margin” —not “markup”. See math pages. Industry formula: Groc (33.3%) HBA (44 +%)

**Mark Up:** “Purchase price” for an item, plus a set % - “marks up” the item to a retail sales point! The percentage of the amount you “earn” on the “COST of an item” to you. When you add 25% on to the wholesale price — straight mark up. Current Industry standard uses margin not mark up.

**MCB:** “Manufacturers Charge Back” - The discount given to Distributors for retailers by the brokers (ONLY). This is \$ from the manufacturer, and are “outside” of regular distributor discounts. Sometimes given on top of or “stacked” distributor deals, but most often ONLY given alone or not “compounded”.

**Movement:** This is pretty self explanatory. Sales.. “turns” off the shelf, etc.

**New Store Offer:** Special deep discounts offered by manufacturers (Usually as a one time deal).

Depending on the size of the store (which reflects on the long range potential sales for each manufacturer), and the “placement” position given to the products. These discounts could be 100%, 50%, BOGO 35%, or less. Timeliness is of the utmost importance – if your new-ask your distrib for DEALS! Don’t be silent!

New stores, no matter the sq ft, can get significant discounts! \$\$

**O.I.---Off Invoice:** Discount tool given to Distrib or Retailer “off their invoices”, not the same as an MCB (Slightly different math) This is off the “front end” (when Manuf sells to Distrib)

**OFF SHELF:** Typically an “end cap” or floor stack—to promote a demo or sale!

**Opening Order:** The order placed for a New Store— FIND all the brokers, get deals !!!

**Organic (USA)-**Follows specific USDA requirements, refer to: <http://www.ams.usda.gov/AMSV1.0/nop>

**Order Board:** “Retail Order Guides”—helpful for buyers to enter item codes, price, margin, out of stock info-Used for ease of ordering. Can be set up by shelf (gondola) unit, department or whatever works for YOU! TIP: Calendar your Broker Case stacks/turnovers!

**Pull Through:** Buy products, “set” them on shelf, sell, sell, sell. Doing what it takes to “move the products off the shelf”, “pulling through” your cash register.

**Placement /Placed:** When a Broker sells the retailer an item. It is “placed” on the shelf. Placement also means—where it is placed in a store- key spots desired of course.

**Proof of Performance:** Copy of the “printed ad”, to accompany an ad invoice!

**Re-Opening Deal:** Manufacturers are typically not as generous with Re-Openings, but it doesn't hurt to ask the Broker to try to get you some deals. Manufacturers will usually offer deep deals on new stuff, that may not be on the shelf before reset-for “new placement” discounts, see a Broker!

**Reset:** Shelves get stagnant (products aren't “turning” off shelf) -- sales slump. Try a reset! **Reset** the shelves! (By area, category or the whole store) Remember to “draw customers” to the rear of your store. Ask Brokers & Distributors to help you.

**Scan Down:** Cash register software, that separates and totals individual “sku”/item — sales, “per ring”, and then generates an ad cycle “total bought” “turns” report. Manufacturers will pay retailers 5% of the scan (sold) total during the ad “cycle”, sometimes compounded.

**Set:** The process of “putting” products on the shelves in a concise, well flowing manner. **PURPOSE:** to entice or “invite Turns”. Turns = Sales \$\$

**Short Dates (Perishable usually):** When products are delivered with unacceptable dating. Too “short” to sell before expiration or already past expiration. Watch your expiration dates!

**Shorts or Out of Stocks:** When a Distributor or manufacturer doesn't have stock or inventory and “shorts” an order — often a turnover is then discarded and not delivered ---If you want a shorted item—be proactive—never assume it will be delivered later.....odds are it won't, as some Distrib's cancel/drop the order, they should log it & fill it - \$ - right?

**SKU:** Each item on your shelf has a Scan code; a UPC code. This is called a SKU. Say it like “sk- you”

**Skyline:** The top line of a shelf set ---- Best to get the skyline to flow smoothly, not be too jagged, with too many heights clashing. We want attracting lines...nice looking skylines!

**Specialty Foods:** Specialty food products are foods and beverages that exemplify quality, innovation and style in their category. They are often known for their authenticity, ethnic or cultural origin, commitment to specific processing rules or traditions, superior ingredients, limited supply or extraordinary packaging.

**Specialty (Special Diet needs):** Think categories like; Celiac's (Wheat & Gluten Free), Glucose Intolerant (Hypo, Hyper Glycemia, Syndrome X) Low Carb, High Protein, Sugar-Free, Gourmet, Vegan, Raw, and on & on.

**Stacking or compounding:** Stacking or stacked deals, are when a Distributor gives you a deal, AND the broker gives you an “MCB”— when added are called stacked/compounded.

**Transitional:** Crops that are in transition from commercial to organic. Provable, with documentation of their process towards Organic Certification.

**Truck/Trunk Stock (Broker Truck/Trunk Stock):** The samples or products that brokers carry in their trunks. Products that they give to the buyer in order to see and try the products, while deciding to buy or to carry them in their stores. Brokers need samples!

**Turn Over Orders:** Written by Brokers for Retailer to give “MCB's”. These are sent to the Distributors, usually by FAX. If a distributor is “out of stock” “shorted” --these very Special deals are often dropped from their systems. Some Distrib's call the Retail Buyer to see if they still want the order, “back ordered” - if you want it -Be Pro-Active, say Yes, tell them to “suspense” the “TO”, deliver when back in stock.

**Turns:** How many times a product “turns over” or is sold “off your shelves” per “cycle”. Helpful in auditing for accounting. You define your cycle.

**Volume Buy:** Large stores — chains etc., that buy product in volume, can often negotiate % discounts based on their volume/purchase power with Distributors or Direct Manufacturers, for “trade partnerships” exchanges.

## **Specialty Food Industry at a Glance:**

**According to NASFT's annual State of the Specialty Food Industry 2009:**

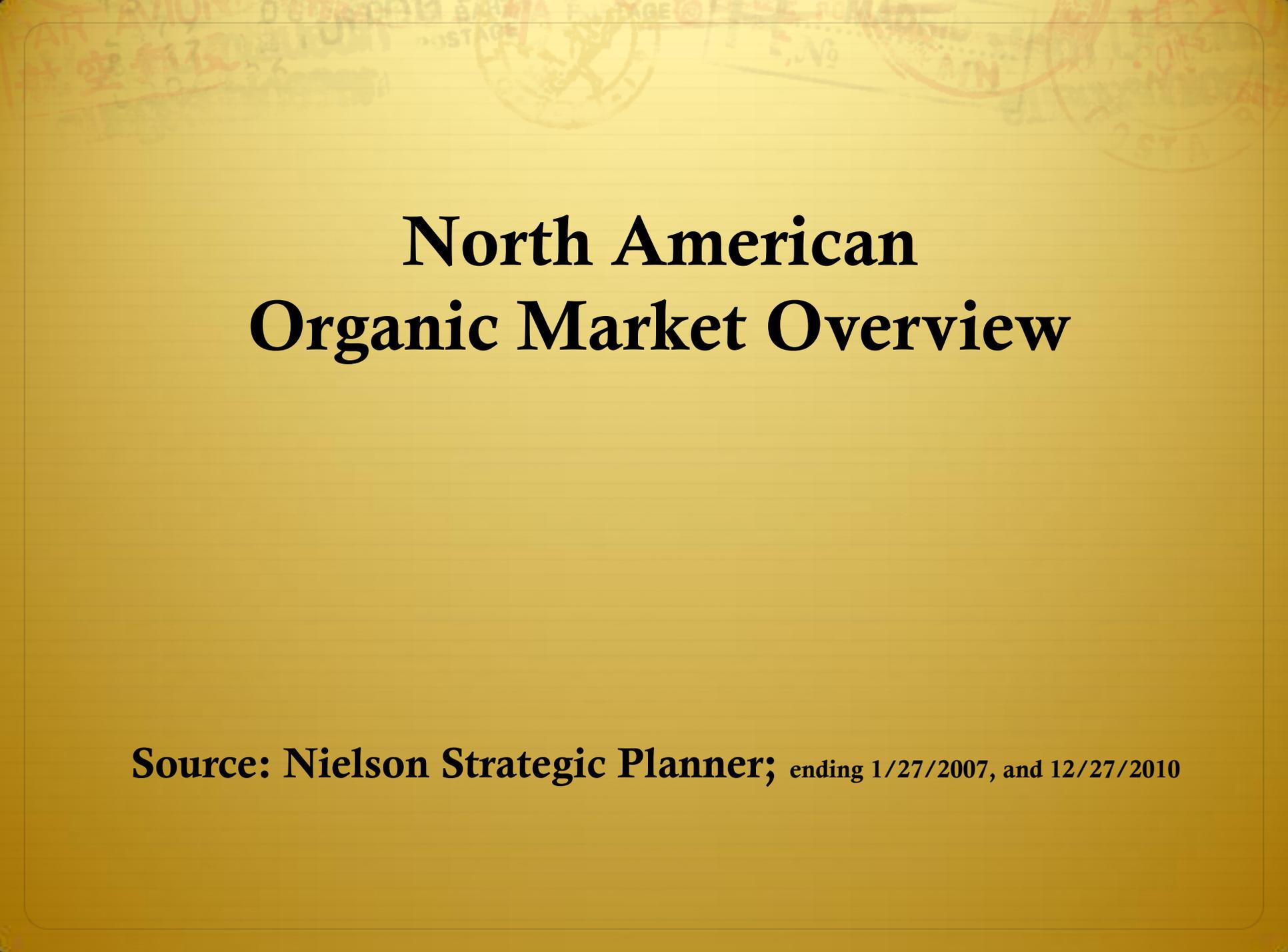
- \* The specialty food industry represents more than \$60 billion in U.S. sales.**
- \* Eighty percent of specialty foods and beverages are sold through retailers, including supermarkets, natural food stores and gourmet shops.**
- \* Specialty food accounts for 15.9 percent of all retail food sales.**
- \* Specialty food is purchased by 138 million American consumers.**
- \* Consumers ages 18 - 34 are most likely to purchase specialty foods.**
- \* Retail sales rose 8.4 percent in 2008 to reach \$48 billion.**
- \* Specialty food sales in natural food stores grew 17.4 percent in 2008 versus 2007.**
- \* Cheese and Cheese Alternatives is the largest specialty food category, with \$3.4 billion in sales in 2008.**
- \* There were 2,349 new product introductions in 2008, with significant growth in chocolate, confectionery products, desserts, ice cream and alcoholic beverages.**

**The US Natural & Specialty Products industry is a diverse community of passionate and creative entrepreneurs, who fuel the innovation and authenticity found in food today! It is founded on the basics of eating right, living well, and nurturing relationships that matter!**

**Interesting to note: These are smaller industries than Mass!  
Things change about: Persons working for you today, may one day be your boss! Don't burn any bridges!**

**Brokers are alchemists—blending relationships, products, and various manufacturer requirements, to create fusion!**



The background of the slide features several faint, overlapping postmarks and stamps in various colors (red, blue, black) and orientations, including circular and rectangular designs, set against a light yellowish-gold gradient.

# North American Organic Market Overview

**Source: Nielsen Strategic Planner;** ending 1/27/2007, and 12/27/2010

It's the economy! Organics enjoyed stratospheric growth in four of the last five years, but the economic crunch took a bite out of that trajectory in 2009. U.S. dollar sales surged 132% between 2004-2008, building the organics category to more than \$4.0 billion in food/drug/mass merchandise retailers, according to Nielsen. In 2008, organic dollar sales decelerated to 16% annual growth, expanding to \$4.6 billion. That rate fell to the single digits in 2009, with organics sprouting a modest 2.1% gain for total sales of \$4.7 billion in the food/drug/mass merchandiser channels.

The 2009 U.S. organic market size expands by an additional \$1.5 billion when natural channel sales captured by SPINS are added to the equation, bringing the all-channel total to \$6.2 billion. Mirroring the mainstream channel slowdown, organic sales lost pace in the natural channel as well, albeit to a lesser degree at 4.3%. This is thanks in large part to core loyalists who represent 20% of organic consumers and 80% of organic UPC-coded dollar volume in the natural channel.

Dedicated organic buyers will cross channel shop and purchase private label organics to sustain their lifestyle commitment. In another nod to the economy, organics fared better as house brands such as the Topco Full Circle and Safeway O Organics lines than branded offerings at higher price points. Increased availability and consumer acceptance of private label has expanded its share of organic sales to 24%.

In a survey by The Packer, a produce industry publication, almost 50% of consumers said they would buy organic fruits and vegetables if price was not an issue. The global nature of the economic crisis was underscored in a Nielsen study from Great Britain, where the percent of people who felt "it was worth paying extra for organic food" plunged from 27% to 18% between 2006 and 2009.

# Strategic User Benefits

- Keep track of key marketplace trends
  - What's hot and what's not
  - Forecast the future of these trends
  - How these trends have performed over the years
- Make informed decisions on new product introductions
  - When's the right time for market entry?
  - How well new intro's are performing, both at market and retailer level
  - Conduct business reviews with retailers to develop specific Trade programs for these products
  - Identify optimum assortment at retail
- Benchmark against industry
  - How your products are performing against competition
  - How you can get more shelf presence

## Top Fastest Growing Health & Wellness Claims Among Store Brands 2009

RANK	Wellness Claim	Store Brand \$ Sales	% Change vs. Year Ago
1	GMO free	\$60.2 million	+67%
2	Gluten free	\$279 million	+62%
3	Absence of specific fat	\$561 million	+53%
4	Lowers cholesterol	\$3.7 million	+45%
5	Probiotics	\$79.4 million	+39%
6	Calcium claim	\$1.0 billion	+29%
7	Carb conscious	\$60.7 million	+29%
8	No msg	\$105 million	+29%
9	Omega claim	\$153 million	+29%
10	High fructose corn syrup free	\$13 million	+28%
11	Hormone/antibiotic free	\$186 million	+27%

Source: The Nielsen Company

# LabelTrends™ —A Comprehensive View

## Market Positioning

1. Organic
2. Whole Grain
3. Low Fat / Fat Free
4. Low Carb
5. Soy
6. Low Sugar / Sugar Free
7. Low Calorie
8. Lactose Free
9. Low / No Sodium
10. Flax and/or Hemp
11. Calcium
12. Preservative Presence
13. Fiber
14. Vitamin & Mineral
15. Caffeine
16. Oil Presence
17. Iron Presence
18. Cholesterol
19. Protein Presence
20. Genetic Mod. Presence
21. Fruit & Vegetable Presence
22. Plant Sterol Presence
23. Antioxidant Presence
24. Omega 3 Presence
25. Gluten Free
26. **Natural**
27. Glycemic

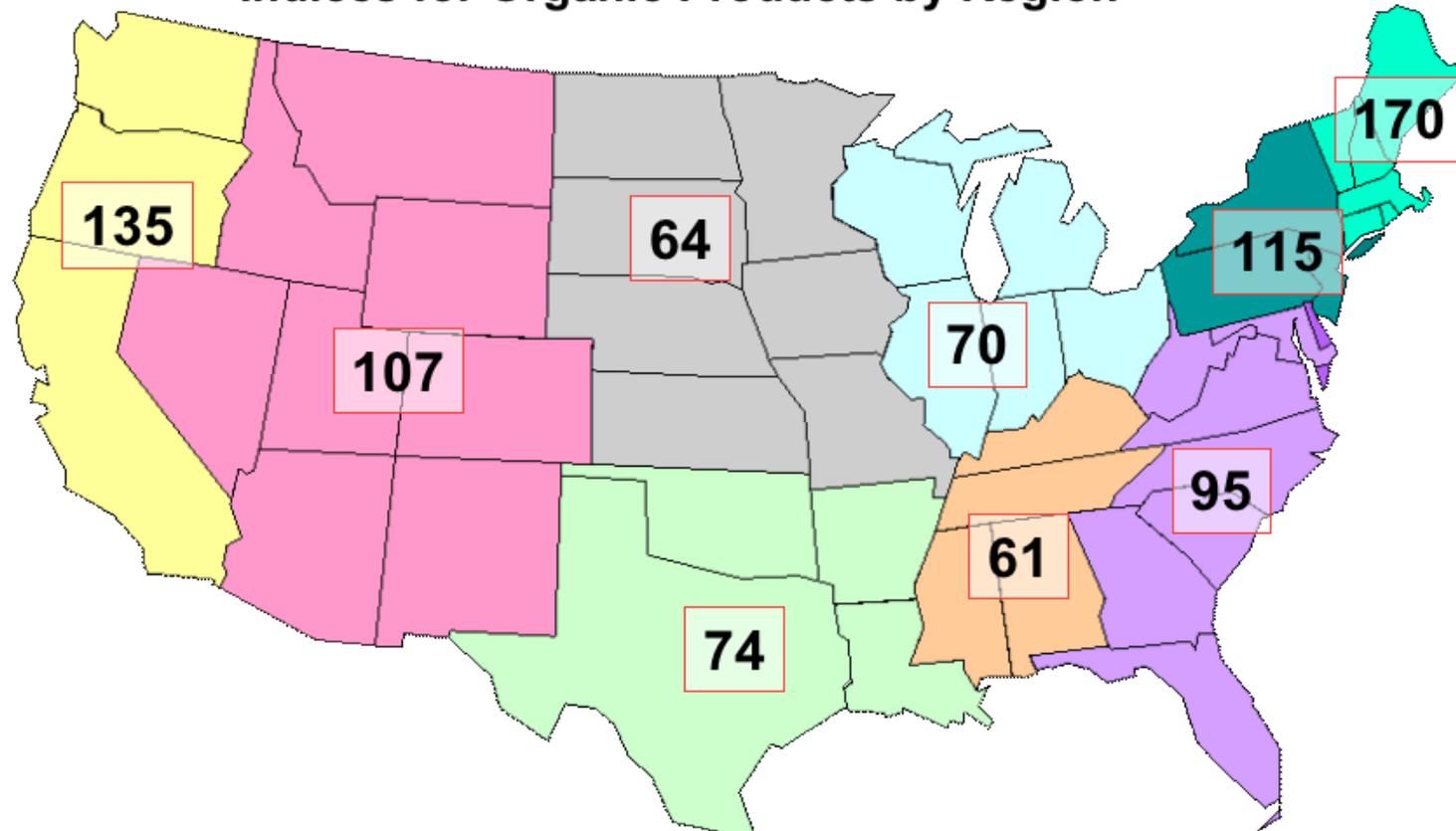
## Nutrition Facts

1. Calories (per serving size)
2. Fat (g, % cal)
3. Saturated Fat (g, % cal)
4. Cholesterol (mg)
5. Protein (g)
6. Carbohydrate (g)
7. Sugar (g, % cal)
8. Sodium (mg,mg per 100 cal)
9. Fiber (g)

***With 5 years of  
history***

# Regional Differences: Organic products are purchased heavily in the Northeast and the West

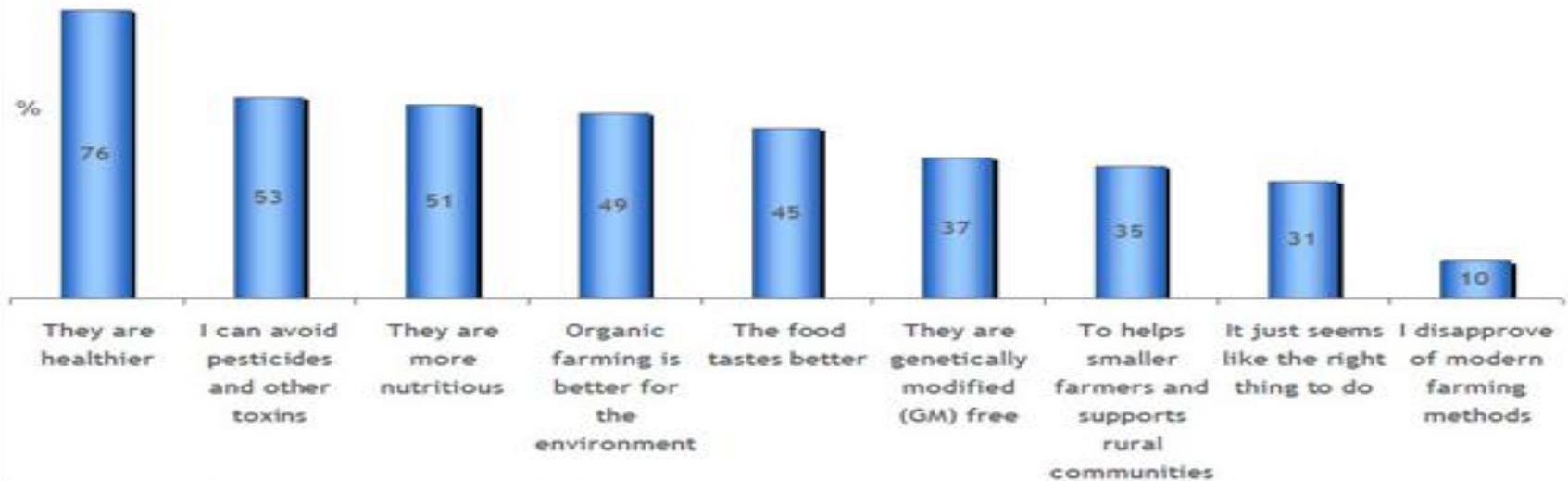
## Indices for Organic Products by Region



Source: Nielsen Strategic Planner: FDM 52 Weeks Ending 1/27/2007

Brokers territories can “cross over”—be sure to understand their territories!

## I Purchase Organic Products Because: Global Average

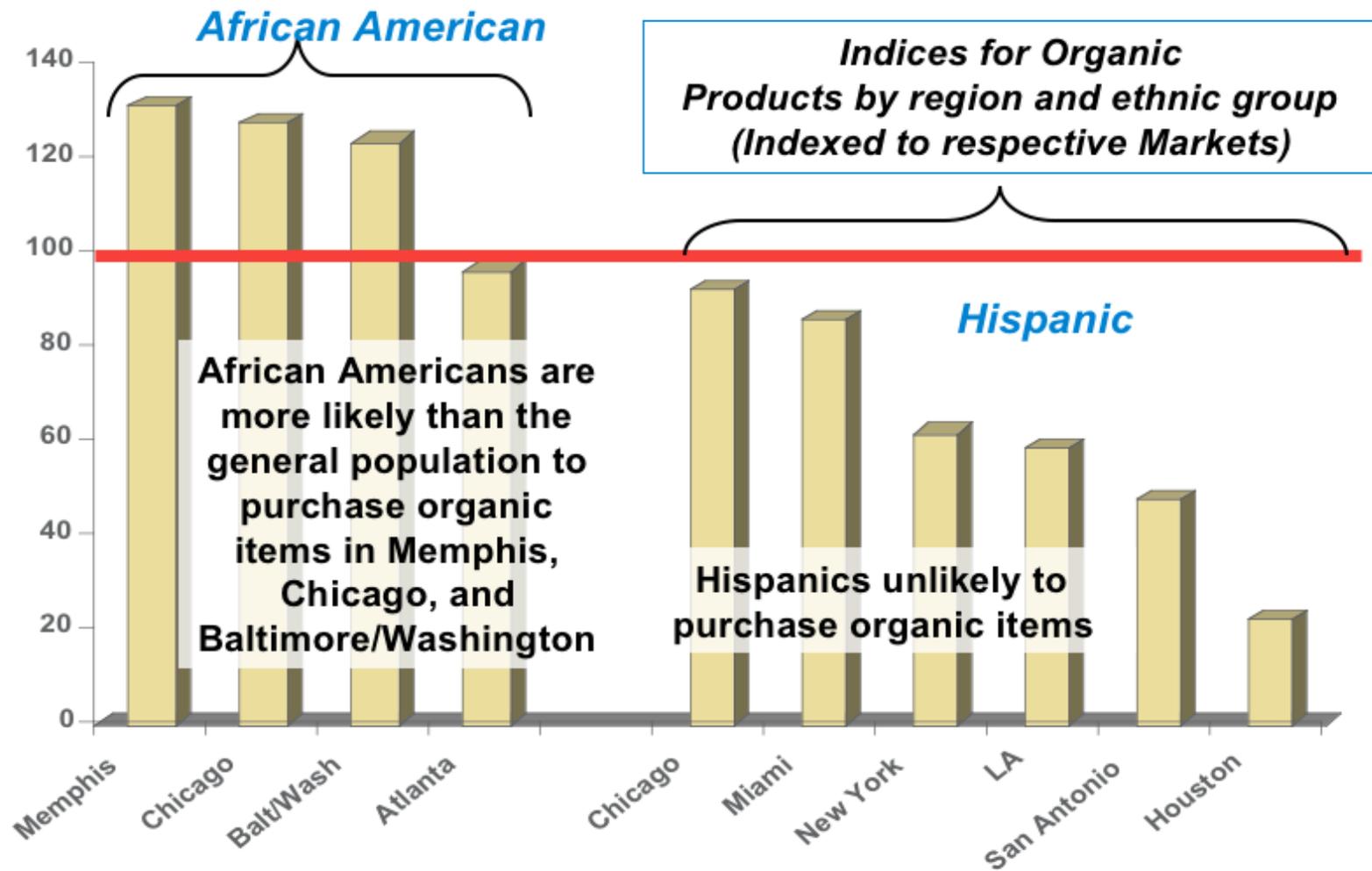


Source: The Nielsen Company, Global Online Survey, Q1 2010

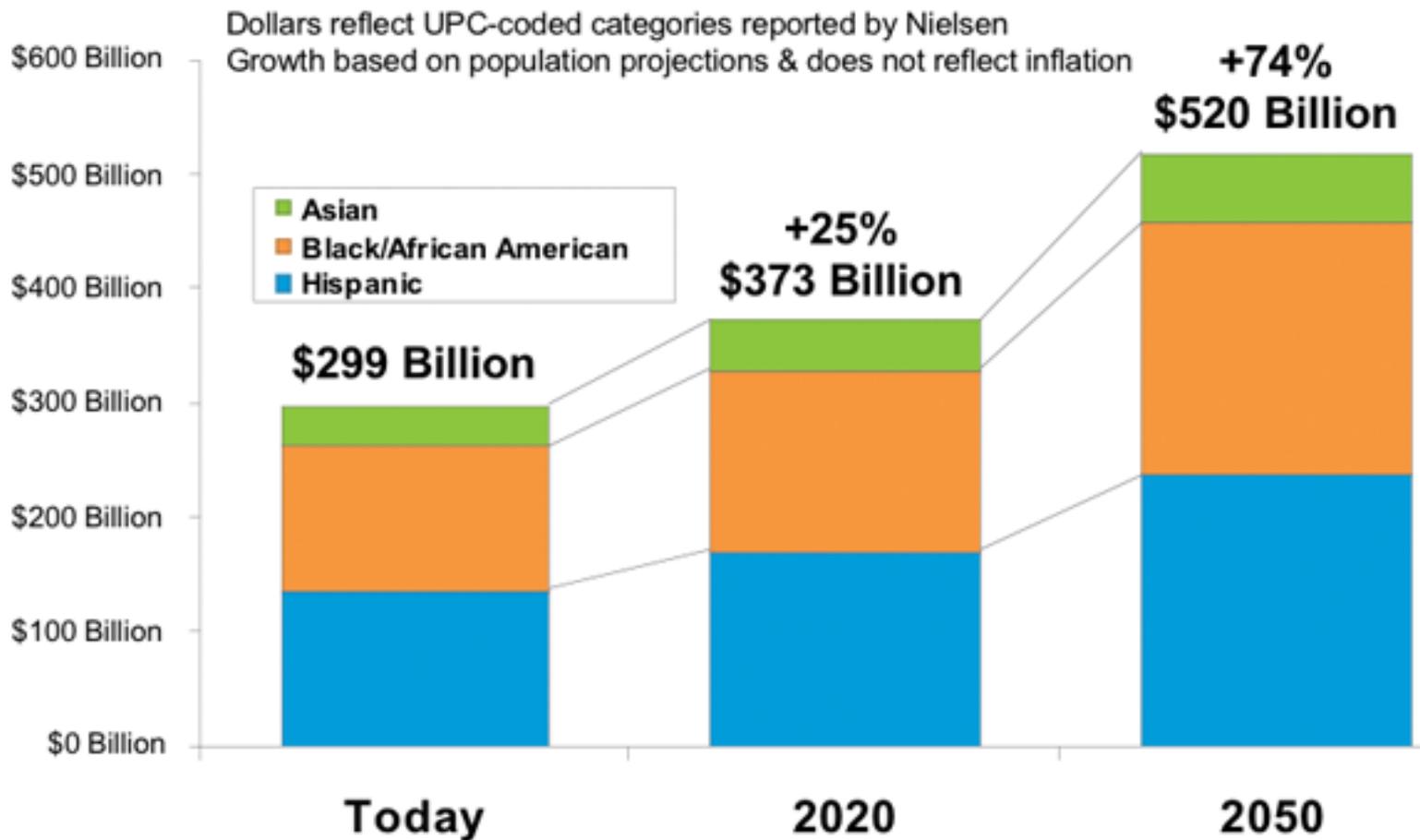
Asia Pacific shoppers lead the world in saying they buy organic because of the health and nutrition factors, while consumers in the Middle East/Africa/Pakistan region say they opt for organics as they taste better. But North American consumers lead the way on virtually every other criteria such as avoiding toxins, caring for the environment, keeping GMOs out of their diet, encouraging small farms, acting on principle, and rejecting current farming techniques.

In the U.S., annual dollar sales for products with label claims such as organic, natural, presence of fat, vitamins, fiber, caffeine, gluten, etc. range from a high of \$46.6 billion for products with fat claims to a low of \$56.6 million for foods with plant sterol claims. Organic sales dropped significantly as a result of the economic downturn. In 2006, 2007 and into the third quarter of 2008, organics' growth rates were strong, averaging between 18% and 30%+. After the September 15, 2008 financial crisis, growth rates for organics dropped dramatically. But there are signs of life in the last several periods, with growth rates nearing 10% in the four-weeks ending July 2010.

# Ethnic Purchasing Patterns in Major Ethnic-based Metro Areas



# Multicultural Opportunities in Packaged Goods

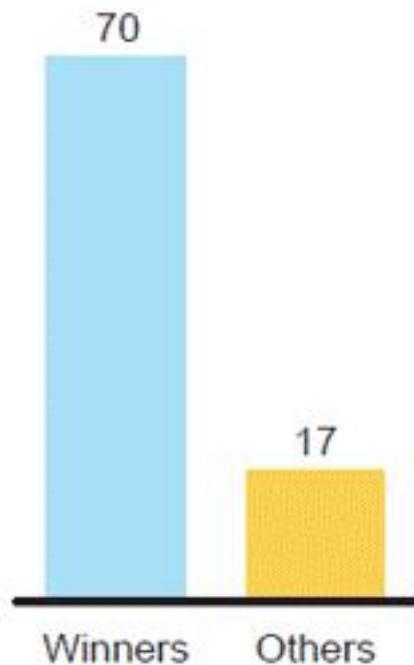


Source: The Nielsen Company / U.S. Census Projections

Being able to keep pace with these increasingly diverse and demanding segments will require marketers to have a detailed view of what ethnic households buy as well as how they consume media across TV, Internet and Mobile. When compared against the general population, minority households tend to over-index on some key shopping and media metrics.

## Winners proactively reshape their go-to-market models

**Winners make strengthening their go-to-market models a priority ...**



% of responding heads of sales

Source: The Nielsen Company

**... and plan to take several actions in the next 12–24 months**

- Half of the winners are boosting field sales and merchandising resources
- One-third of the winners are increasing the use of brokers
- One-fourth of the winners are covering more outlets with combined company/broker resources

To stir things up in a category, and drive sales to its premium offering: manufacturer X tried this “go-to-market” idea—eliminating two weeks of feature (distributor promo) activity and replaced them with two TPR (Broker driven) periods of three weeks each. Giving the Broker the MCB’s and not the OI’s to Distributors—often works far better.

## Consumers Are Reluctant to Buy Expensive Items on Display and for Temporary Price Reductions

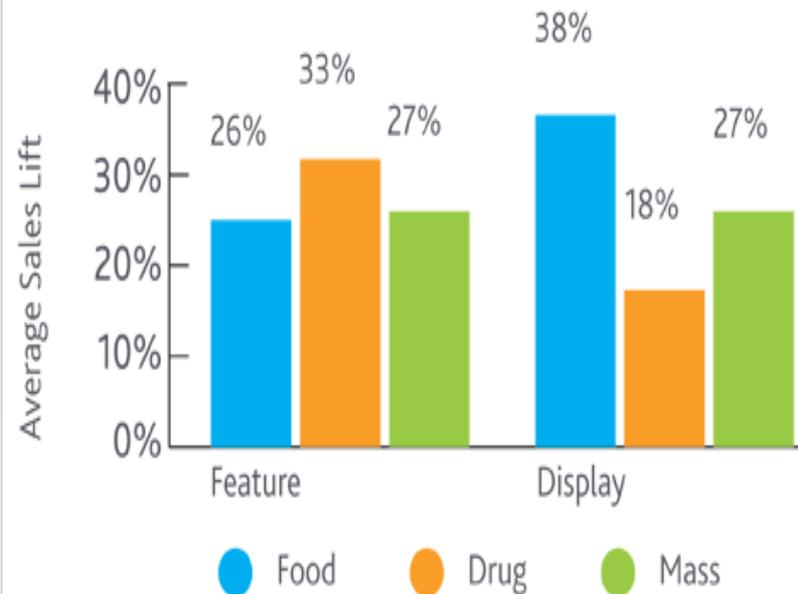
### Average Product Lift In Food Channel

Average Regular Price Per Unit		
	Greater than \$5	Less than \$5
Display	23%	43%
20% TPR	32%	44%
Feature	24%	27%

Source: The Nielsen Company, Nielsen PnP model norms database and Nielsen Strategic Planner

## Consumers Respond to Features in Drug Stores and Displays in Food Stores

### Channel Differences in Quality Promotion Responsiveness



Source: The Nielsen Company