



# Give consumers the chills

Natural and organic food options are sorely lacking in the refrigerated and frozen food space, creating opportunity for retailers' private brands.

By Michal Christine Escobar

**M**anufacturers, retailers and wholesalers/distributors continue to recognize that private brand products are important for revenue growth. In the “2016 Food and Beverage Industry Study” from Woodbury, N.Y.-based WeiserMazars LLP, manufacturers, retailers and wholesalers/distributors ranked private label as one of the top industry trends projected to increase sales in 2016.

Survey respondents said they felt that consumers’ desire for healthful and nutritious food options would be another industry trend that could greatly impact 2016 sales increases. However, they did not feel that offering organic food options would be as impactful on revenue. For instance, only 10 percent of small firms, defined as having less than \$50 million in revenue, and only 15 percent of large firms, defined as having more than \$50 million in revenue, said that they felt the organic trend would impact sales increases in 2016.

Yet the overriding trend in the food industry is a movement toward all-natural, clean-label, non-GMO and organic, says Greg Wank, practice leader of the food and beverage practice group of New York-based Anchin, Block & Anchin.

“Consumers want to know how [their food] will benefit their bodies and improve their well-being,” he says.

Amy Lotker, owner of and head of sales and

marketing for Better4U Foods LLC, Delray Beach, Fla., agrees.

“Consumers are concerned about the effects of eating foods made with lower-quality mass-produced ingredients,” she says.

And this desire for all-natural and organic food options can be seen among multiple generations.

“Both Generation X and Generation Y grew up with an eye for natural and organic products,” says William Jennings, CEO, First Fresh Foods LLC, Gainesville, Ga. “Meanwhile, baby boomers are aging and need more healthful options for their transitioning diets.”

Therefore, manufacturers, retailers and wholesalers/distributors might want to reconsider the importance of natural and organic products within their stores, including within the refrigerated and frozen space.

## Not just a fad

National brands — particularly “young” emerging brands — that are all-natural or organic are showing accelerated growth, Wank says. And large legacy food companies are feeling pressured to offer more all-natural and organic products because of the success of these younger brands. To cope, some of the larger food companies are acquiring younger all-natural and organic food companies rather than spending money on research and development. To remain competitive, store brands must keep up with these younger brands and respond to evolving consumer demands.

“An increasing [number] of consumers are checking for natural, organic and non-GMO labeling,” says Kelly Raymond, marketing manager for Milly-la-Floret, France-based Darégal. “Consumers want to purchase safe, healthy products for themselves and their families.”

However, “it appears that retailers, in general, are not moving quickly enough to respond to the current trends of more mainstream organic and natural products,” says Louis Biscotti, partner and national director food and beverage for WeiserMazars LLP.

Mainstream retailers could be hesitating because they’re “playing it safe” and testing the market to see what’s successful, Lotker says. Once retailers believe that a trend is not just a fad, they become more aggressive in offering products — under both their own brands and national brands — that will meet that consumer demand.

But the move toward natural and organic is not a fad or just the latest thing, Wank notes. It’s a real trend and is gaining momentum.

“Some retailers are faster than others to adapt to trends, and they reap the rewards that come from being in sync or intuitive,” Lotker notes. “For example, retailers who dragged their feet to offer gluten-free products over the past half-decade have missed out on many dollars of revenue by sitting on the sidelines.”

In the past 12 to 18 months, some traditional supermarkets have begun to “go full force” to address their lack of organic or all-natural product selections, Wank says. They want to be a location where the natural food consumer can go to find a satisfying assortment of natural and organic products. He gives the example of Stop & Shop, a banner of Ahold USA, Carlisle, Pa., which has significantly expanded the number of natural and organic products it carries within the store.

Jennings, too, has seen a change in the way retailers view natural and organic products.

“We are seeing an increased interest in our fresh-to-market products in recent months from retailers,” he states. “They are asking for these products and are much more receptive when we approach them with our offerings. We feel that the retailers that offer all-natural or organic meat products are signaling that they understand their consumers’ desire to eat healthy and will be the ultimate leaders in the industry.”

But if retailers are too slow to respond to this trend, consumers could end up shopping elsewhere.

### Offer more in cold

Organic and natural consumers are beginning to look more critically at refrigerated and frozen products. For instance, they do not want any, or many, preservatives in their refrigerated and frozen foods.

In its May “Prepared Meals – US” report, global market researcher Mintel says that prepared meals, in particular, are perceived to be “over-processed” by Americans. In fact, 67 percent of American consumers who eat frozen or chilled ready meals or side dishes say that they would eat more of these types of products if they were less processed.

“Frozen and refrigerated natural and organic offerings speak to the obvious consumer need to match healthy food consumption with the convenience of easy-to-prepare meals,” Lotker says. “Any retailer would be foolish to overlook this trend.”

“On the flip side, savvy retailers are currently doubling down on the number and variety of natural and organic products offered within the frozen and refrigerated sections of the market,” she adds.

Consumers have proven they want natural and organic products, and they are willing to pay a premium for them, Wank states.

“There is no reason to think consumers would not pay [a] premium for a private label product if it met all the requirements that consumer had for all-natural sourcing or organic certification,” he adds. “Retailers should not sell themselves short. All-natural and organic private brand products are an opportunity to add gross margin.”

Lotker agrees.

“Over the past decade, it’s become evident that health-oriented consumers will gladly pay more for natural and organic foods, understanding that these foods contain superior ingredients that are pricier to produce and acquire,” she says.

Of course, most consumers are also looking for a deal. By offering natural and organic products under their private brands, retailers could easily attract natural and organic consumers who want to pay less for the same high-quality products they like, Lotker notes. **SB**

