Why Us, Why This Partnership and Why This Report

New Hope Network and Sterling-Rice Group (SRG) partnered on this strategic report because both companies have important stakes in the natural, organic and healthy products market. The project team included researchers, strategists, designers, writers, trendspotters and editors from both organizations who collectively synthesized and analyzed the results to produce this report, which is the premier guide to where the natural products market is now—and where it is headed.

NEXT Forecast identifies the products, people, trends, macro forces and cultural forces that will shape and create the greatest opportunities for tomorrow. In addition, this report is intended to get you thinking about where the natural products industry could go, the implications that it will have for mainstream CPG companies and the problems it could potentially solve.

ABOUT NEW HOPE NETWORK

New Hope Network, part of Informa’s Global Health & Nutrition group, is at the forefront of the healthy lifestyle products industry. With solutions for the complete supply chain—including manufacturers, retailers/distributors, service providers, ingredient suppliers and investors—New Hope Network offers a robust portfolio of content, data, research, consulting services and events, including Natural Products Expo, NBJ Summit and Esca Bona. New Hope Network helps businesses identify the people, products, partnerships and trends that create opportunities for growing healthy markets to bring more health to more people.

ABOUT STERLING-RICE GROUP

Headquartered in Boulder, Colorado, SRG is a nationally recognized brand consultancy focused on creating and activating brands. For more than 30 years, companies ranging from entrepreneurial startups to many of the world’s biggest brands have come to Boulder to seek out SRG’s expertise in consumer insights, brand strategy and positioning, new product innovation, advertising and design.

With a deep bench of culinary expertise, SRG works with category leaders in food, beverage, personal and home care, dietary supplements and ingredients. The firm was a pioneer in the growth of the natural and organic food industry and today continues to be a thought leader on the future of food and wellness. SRG has created $10 billion in incremental value for its clients over the past five years alone and has been ranked on Outside Magazine’s Best Places to Work list for six consecutive years, a tribute to its work and the progressive culture of the company.
Introduction

EXECUTIVE SUMMARY

CULTURAL FORCES

The Cultural Awakening

MAINSTREAM TIPPING POINT
As the driving force for growth and connection to changing consumer values, today’s natural products industry is seen as the future of food and consumer goods.

ANCIENT WISDOM
Trust the intelligence of past cultures to inform modern eating habits, ingredients and formulations.

THE EROSION OF TRUST
With unprecedented access to information from computers and mobile devices, consumers are researching brands on the fly—and what they are finding is too often making trust a thing of the past.

Modern Life

THE MODERN MEAL
Consumers hack their meals into streamlined, efficient plates that minimize preparation time and maximize nutrition.

PRIORITIZING HEALTH
Wellness has evolved—from prevention to optimization.

Tech Enablers

OUR FLAT EARTH
An increasingly complex global food and ingredient supply chain means more food experimentation, but also more need for traceability.

THE CULTURE OF INNOVATION
Democratized economies and healthy startup ecosystems have made entrepreneurship more accessible to a diverse global community hungry for authentic products. Today, there’s no excuse to be slow.

Appendix

DESIGN TRENDS

INGREDIENT TRENDS
Well-known benefits of these star ingredients are proliferating across categories.

MARKET OVERVIEW

BEYOND NUTRITION
No longer can nutrition be written off as a young science. Research, experts and the market support nutrition as a pillar of wellness, while consumers increasingly turn to foods that help them thrive.

CONSCIOUS CONSUMPTION
Keeping up with the conscious consumer calls for agility and creativity and asks brands to deliver a new bottom line: purpose.

DISRUPTION THROUGH FRAGMENTATION
Innovative, mission-driven food and CPG brands may be creating rifts in our food system, but they are also delivering on consumer demand for healthier and more mindful products in ways the big guys haven’t been able.

A CLIMATE OF CHANGE
Agriculture enters climate change discussions as victim, villain and solution—just in time to feed an exponentially growing population.

FOOD TECH 3.0
The future really does look like Soylent Green. Only without the people.

A CONNECTED WORLD
Digital media is a pervasive force that will continue to connect, expose, empower and disrupt the natural products industry for decades to come.

ACKNOWLEDGMENTS

COMPANY INDEX

DATA CHART INDEX
CULTURE DRIVER

NATURAL, ORGANIC & FUNCTIONAL FOODS AND BEVERAGES

The future of food is being impacted by multiple forces—the rise of the internet, consumer demand for convenience and the growing hunger for healthy and ethically sourced products.

"One word," we say, paraphrasing The Graduate. "Meal kits!" Ok, two words are changing the way people think about dinner time. "There's a great future in meal kits!" This, young Benjamin, is demonstrated by market leader Blue Apron delivering nearly 100 million meals in 2016, brands like Purple Carrot specializing the model and Amazon following with its own meal-by-mail solution. It makes sense. The meal kit, bringing with it some top industry buzzwords (read "healthy," "online" and "convenience"), is a perfect symbol of where food retail is headed.

Yes, brick-and-mortar will go the way of canned goods, and the new healthy American diet will be brought to you by FedEx!

Not so fast. The symbolic significance of meal kits is more about its parts than the sum, and it’s these parts—regardless the color of the aprons and carrots—that will drive the future of food and beverage. Here’s a breakdown of the buzzwords, taken individually, as

**U.S. Natural, Organic & Functional Food & Beverage Sales vs. Total Food & Beverage Sales, 2010-2016**

Source: Nutrition Business Journal ($bil consumer sales)
Category Overview

NATURAL LIVING
The natural channel is under pressure in the natural living categories, as mass, specialty, and internet retailers grab a larger slice of natural and organic personal care, household and pet product sales.

Gone are the days when the pursuit for wellness was limited to what consumers put in their bodies. And while health-conscious shoppers have long been stocking their pantries with natural and organic foods and drinks, natural personal care and cleaning products have finally found their way into bathrooms, cabinets, and offices; grocery stores, outlet stores and even convenience stores.

Today, the multi-billion-dollar natural and organic personal care (NOPC) industry is booming, reaching $13.3 billion in U.S. consumer sales in 2016, according to Nutrition Business Journal. Sales of green household products exceeded $5 billion in 2016. Products ranging from skin and hair care to cleaning products and aromatherapy are creating a wellness universe that transcends the version of “consumption” that we once knew.

While no single factor can claim sole credit for the significant boom in the natural beauty business, several forces are at play: big brands and large retailers shaping up, as new and innovative companies enter the market; healthy living influencers advocating for cleaner beauty choices; and companies making advancements in formulations to deliver higher-performance nontoxic products than ever before (with some fine-looking branding, too). Plus, the mainstream medical community and media have followed the lead of consumer advocacy.
Cultural Awakening

- Mainstream Tipping Point
- Ancient Wisdom
- Erosion of Trust
- Beyond Nutrition
- Conscious Consumption

Modern Life

- The Modern Meal
- Disruption Through Fragmentation
- A Climate of Change
- Prioritizing Health

Tech Enablers

- Our Flat Earth
- The Culture of Innovation
- Food Tech 3.0
- A Connected World

CULTURAL FORCES

Shifting cultural forces are changing consumer values and behaviors and fueling the advancement of technology and innovations that are forever reshaping the CPG, food and retail landscapes.
THE EROSION OF TRUST

With unprecedented access to information from computers and mobile devices, consumers are researching brands on the fly—and what they are finding is too often making trust a thing of the past.

Two kinds of businesses hinge on trust: public relations firms focused on crisis communications and every other kind of business.

Crisis communications firms profit when things go wrong. All other companies in every category, space and segment depend on their customers’ trust in their products. Consumer brands in particular build their business futures on a foundation of trust with the public. When that trust evaporates, sales decline—often very quickly.

Just ask Chipotle.

The burrito chain built its customer base on the promise of “food with integrity.” Chipotle was attempting to live up to that promise in early 2015 when it stopped serving carnitas on suspicions that its pork supplier was not adhering to the company’s animal welfare standards. The move earned Chipotle an aura of trust that set it above most fast-food restaurants.

That aura evaporated in October 2015, however, when a customer fell ill with an E. coli infection, the first of 60 similarly stricken customers in 14 states. Not only were Chipotle’s food safety procedures automatically suspect,

When farming suffers, food supplies—and the populations they support—fail.
MACRO FORCE | The Erosion of Trust

OPPORTUNITIES

/ OPPORTUNITY

The Verified Brand

/ OPPORTUNITY

The Rehabilitation of Science

/ OPPORTUNITY

Millennial Trust
Brands with the right certifications from the right organizations have an instant advantage winning trust from consumers.

All of these seals, stamps, and registries speak about trust. A company willing to take on the rigor and responsibilities to earn certification is more likely to be seen as a responsible company worthy of a consumer’s trust.

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The truly responsible companies go a step further and explain what the seals mean. When consumers know what they are getting they will expect it. The brand that gives them that information looks even more responsible and transparent than a company that simply slaps it on the label.

Nature’s Plus takes a whole panel of the box to explain the certification it has earned. Other brands could use a scan code to invite consumers directly to a webpage that explains the certification in detail.

When a company appears to be advocating and promoting the values inherent to the organization providing the certification, it will likely be perceived as additional transparency. That advocacy translates into a statement of corporate intent that puts values above profit, a key component in building trust.
THE VERIFIED BRAND / A CLOSER LOOK

Certifications Play a Critical Role in Building Trust with Consumers

Top 15 Certifications Across All Products
Natural Products Expos 2013-2017

Source: New Hope Network NEXT Trend Database

THE VERIFIED BRAND / MARKET MANIFESTATIONS

ALL GOOD SUNSCREEN

All Good Brand personal care products are part of a story that starts at the end of a dirt road on the central California coast and with ingredients grown responsibly a few dozen yards from the founder’s home. The reef-friendly sunscreen line takes that story and stretches it from its dirt road roots to every beach on the planet with activism and outreach, and ingredients that protect the earth while protecting your skin.

FAIR GAME BEVERAGE COMPANY

In an era when craft beer is disrupting the brewing business, giving consumers local and regional options to counter an overly industrialized experience, it’s not surprising booze is sure to follow. Fair Game aims to bring the same authenticity to distilled spirits and wine, sourcing ingredients like sugarcane for its Agricole Rum and peppers for the Flying Pepper vodka from local farmers. On top of that transparency, Fair Game layers on a B Corp certification, which is still fairly new to the alcoholic beverage world.

NATURAL HABITATS GROUP

Palm oil is an ingredient both ubiquitous and misunderstood. It’s in more products than people realize and causes more harm to environments and communities than people want to know. Natural Habitats changes all that with its Palm Done Right program. Going beyond fair trade and responsible harvesting, Natural Habitats supports farmers while they transition to organic, regenerative agricultural practices and then offers them a secure spot in the supply chain.

ECOVER

Cleaning products are rarely considered on trend, but Ecover’s line of cleaners and cleansers sold in PlantPlastic bottles brings fermentation—the process behind everything from kombucha to yogurt—into the space. Touting “Science Inspired by Nature,” Ecover claims the processing behind the products is cleaner, quicker and requires less energy and less water.
The Plant Revolution

Whether for heart health, climate health, ecological efficiency or animal welfare, plants are fast becoming man’s best friend.

Two in three adults are overweight or obese with one in 20 considered to be extremely obese. At the same time, nearly one in ten has diabetes and a third of America suffers from heart disease. Worse, these numbers are on the rise. High-carb diets and sugary drinks are certainly part of the problem, but when saturated fat and cholesterol enter the discussion, meat is at the top of the list of suspects.

Yes, animals may be tasty and certainly deliver a powerful protein punch, but they are inefficient and—unless taken in moderation—can be unhealthy.

Thus, with ecological concern on the rise and the cultural desire to slim down holding strong, it’s no surprise that the plant-based diet continues to grow. Plus, it’s easier than ever with tasty meat alternatives, vegan “dairy” products and egg-free mayonnaises stampeding into the market (and Beyond Meat’s beet burger that even bleeds!).

“It takes 6,300 calories of feed to produce 1,000 calories of eggs.”

The health of the planet shows similar signs of distress when it comes to the resource consumption that goes into producing meat, especially beef. For instance, 1,557 square feet of land are required to produce 1,000 calories of beef. Compare this to 32 square feet for eggs. That same 1,000 calories of beef requires 434 gallons of water compared to only 38 for poultry. But even the better end of that spectrum is inefficient in the calories-in, calories-out department. It takes 6,300 calories of feed to produce 1,000 calories of eggs, for instance (and 36,200 to produce our 1,000 calories of beef). And then there’s the calories-in, gas-out department. A remarkable 9.6 kilograms of carbon dioxide equivalent is generated in the production of our 1,000 calories of beef—nearly five times that of pork and more than six times that of eggs.

And this is to say nothing about animal welfare, the original vegetarian/vegan argument. Confinement
EAT LESS MEAT & DAIRY  /  MARKET MANIFESTATIONS

ELMHURST

The next generation of nut milk is here: proprietary cold-milling and filtering processes elevate Elmhurst’s nut milks to “milked nuts” and eliminate the need for thickeners and stabilizers, which are worrisome for some consumers. Boasting up to four times more nuts per serving than others on the market means the macro- and micronutrients of their raw nuts appear in higher concentration in the final product, and according to Elmhurst, results in superior taste.

SOPHIE’S KITCHEN

Vegans and those with seafood allergies are taking notice of niche offerings from Sophie’s Kitchen. This “Gourmet Plant-based Seafood” eschews the label of “alternative” often assigned to the category, preferring instead to emphasize the taste and realistic experience of their foods. Pea protein and konjac root lend themselves well to mimicking the texture of seafood for its chef-driven recipes such as Lobster Mac & Cheese and new Smoked Salmon Pastrami.

Kate Farms Komplete Meal Replacement

When their daughter was diagnosed with “failure to thrive” at just four years old, founders Richard and Michelle developed their own formula with nutrient-dense, whole-food ingredients. With her condition greatly improved, Kate’s parents were inspired to bring their meal replacement to the masses in hopes of helping others on a journey toward health. Vegan, allergen-free and featuring easy-to-digest pea and rice protein, the plant-strong recipe is balanced with healthy fats and 29 superfoods.

Grateful Burger

Although we’ve come a long way from the days of tasteless veggie patties of yore, some carnivorous consumers are still wary of meat replacements, but may be seeking to increase their veggie intake and reduce their carbon footprint. Bent on proving you can have the best of both worlds, Grateful Burger is a unique blended patty of 50 percent beef, 50 percent portabella mushrooms and spices. Reducing the meat content by half means “less fat, more nutrients” and a whole lot more planet-friendly.

Forager Project Drinkable Cashewgurt

True to the company’s planet-friendly principles, Forager Project’s vegan Cashewgurt Drink delivers a plant-based answer to the kefir craze. Ten live probiotic cultures, plant-derived lactic acid and a creamy cashew milk base lend the drink a surprisingly yogurt-like taste—with none of the animal welfare or environmental concerns endemic to animal-based products.

Foodies Artichoke Burgers

With growing interest in plant-based eating across food tribes, a refreshing take on veggie burgers is always a welcome sight, and Foodies does not disappoint with its artichoke-based recipe. Blending wholesome artichokes, brown rice and cashews with unexpected flavor profiles such as French Herb and Tandoori Spice, Foodies’ small-batch burgers with minimally processed ingredients promise to deliver big on nutrition.
INDEX | Companies

COMPANY INDEX

@UGLYFRUITSANDVEG - 75
23ANDME - 185, 186
301 INC. - VIII, 5, 6, 153
365 BY WHOLE FOODS - 13
4ENTO - 137
A.T. KEARNEY’S LOCAL FOOD CONSUMER SHOPPING SURVEY - 114
ACADEMY OF NUTRITION AND SCIENCE - 43
ACCELFOODS - 157, 158
ADM - 146
AEROFARM - 168
AGFUNDER - 128, 155
AGRIPROTEIN - 128
AKER BIOMARINE - 33, 150
AKETTA - 128
ALDEN’S ORGANIC - 215
ALDI - 8
ALEXIA - 89
ALFALFA’S - 68
ALL GOOD SUNSCREEN - 37
ALOHA - 132
ALTER ECO - 121
AMAZON - VIII, XI, XIII, 12, 13, 92, 162, 187, 188, 191
AMAZON DASH WAND - 191
AMAZON FRESH - XIII, 12
AMERICAN GUT PROJECT - 172, 185
AMIN TALATI UPADHYE - 160
ANNALS OF INTERNAL MEDICINE - XXIV
ANNIE’S - 6, 10, 162
APPLE - 57
APPLIED NUTRITION - 200
AQUAHYDRATE - 183
AQUAVERT - 39
ARCTIC APPLES - 171
ARCTIC ZERO - 104
ASARASI - 79
ATACORA - 34
ATKINS DIET - 103, 197
AUTHENTECHNOLOGIES - 177
AVL GROWTH PARTNERS - 153, 159
AWAKE - 204
AYURVEDA - 201
B CORP - 61, 63, 68, 69, 78, 236
B LAB - 68
BACK TO THE ROOTS - 156
BANDAR FOODS - 142, 153, 158
BAO FOOD AND DRINK - 158
BARLEAN’S - 122
BARNANA - 69
BE IN YOUR ELEMENT - 158
BEAUTY COUNTER - XVIII
BECOMING MINIMALIST - 81