

# Natural and Organic Personal Care

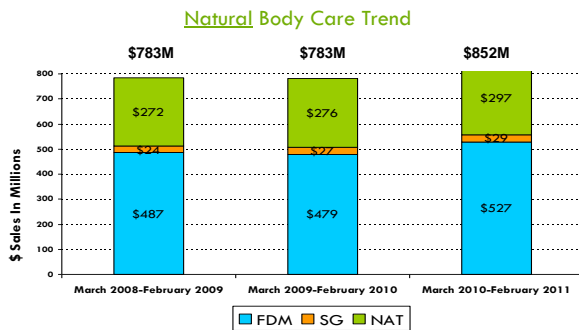
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## Changing Dynamics in Natural Personal Care

Much has been written about the US consumer and the “new normal,” a state defined by conscious spending and restraint as a result of the lingering effect of the recent recession. The personal care category is one segment impacted by this new behavior. This segment found its frugal consumer stretching their product use and delaying purchase as long as possible. Though sales attest to the natural products stability through the economic storm, SPINS, a market research and consulting firm for the Natural Products Industry, knows that natural personal care is well into recovery mode.

SPINS reports this bright trend based on analysis of retail sales of UPC coded natural and organic personal care products sold through natural supermarkets, specialty gourmet stores, conventional food stores, drug stores and mass merchandisers (exclusive of Whole Foods and Wal-Mart). The strong sales story points to consumers responding to the gradual evolution of the sector and increased natural and organic product availability in personal care aisles across the channels.

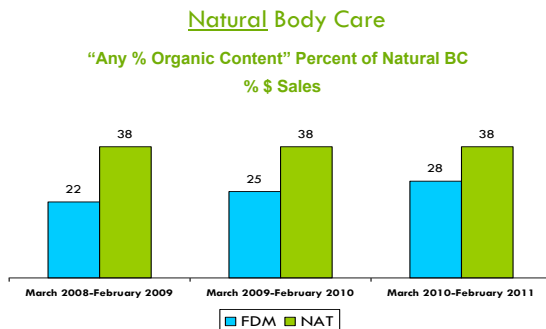
### Sales of Natural Beauty Care Are Rising Across Channels Post Recession



Source: SPINSscan Natural (Excluding Whole Foods) + SPINSscan Specialty Gourmet+ SPINSscan FDM (Excluding Wal-mart ) Conventional Powered By AC Nielsen Scantrack - 104 Weeks Ending 2/19/11 1

It should also be noted that the products with a high-level of organic content gained share within this natural product segment in the broad reaching conventional channels which helped to fuel that growth.

### Organic Body Care Growing Importance In FDM



Source: SPINSscan Natural (Excluding Whole Foods) + SPINSscan FDM (Excluding Wal-mart ) Conventional Powered By AC Nielsen Scantrack - 104 Weeks Ending 2/19/11 2

Not entirely unexpected since a consumer's initial engagement with natural and organic products tends to move from "in-body" to "on body" as their understanding of the connection between health and consumption evolves. As the popularity of natural Food & Beverage expands, the consumer desire for more options in the personal care aisle will surely follow. If sales are viewed as consumers voting with their dollars, it looks like organic is a winner. Segmenting natural personal care sales by the National Organic Program (NOP) content indicate organic products are growing at a faster rate than the non-organic natural products.

Organic Sales Growth Outpaces Non Organic Natural

Natural Personal Care sales (millions)	52we 2/19/2011	prior year	
Natural	\$ 852.40	\$ 783.04	8.9%
Natural - no organic content	\$ 581.30	\$ 549.56	5.8%
Any organic Content	\$ 271.10	\$ 233.49	16.1%
100% ORGANIC CONTENT	\$ 3.46	\$ 2.43	42.4%
ORGANIC CONTENT 95-99%	\$ 10.85	\$ 8.27	31.3%
ORGANIC CONTENT 70-94%	\$ 40.82	\$ 37.35	9.3%
ORGANIC CONTENT 1-69%	\$ 70.08	\$ 52.52	33.4%
ORGANIC 1-100%* exact level not verifiable	\$ 145.89	\$ 132.92	9.8%

Natural defined by SPINS Brand Positioning

Source: SPINSscan Natural (Excluding Whole Foods) + SPINSscan Specialty Gourmet+ SPINSscan FDM (Excluding Wal-mart ) Conventional Powered By AC Nielsen Scantrack - 52 Weeks Ending 2/19/11 3

However, the personal care sector is a sea of varied and sometimes unreliable organic claims. What does organic actually mean for personal care products? How can the retailer simplify assortment and earn the trust of the natural personal care consumer? If you are confused, consider how the consumer must feel!

Analyzing the organic products to verify organic content and segmenting by content, points to an opportunity for improved assortment by providing products that clearly communicate and are validated to organic standards.

Of the top personal care categories, only Soap & Bath has made strides to increase NOP organic options across the channels. Based on NOP standards, more than half (58%) of natural product dollar sales, in this category, met the criteria to be labeled "Made with Organic Ingredients." Skin Care had the highest relative importance of the highest NOP compliance with just 10% of the category's natural product sales meeting NOP criteria to bear the USDA organic seal.

NOP content share of organic in the category based on \$ sales 52 weeks ending 2/19/2011

	Hair Care	Skin Care	Soap & Bath	Oral Care
100% ORGANIC CONTENT	0%	1%	<1%	
ORGANIC CONTENT 95-99%	<1%	9%	3%	
ORGANIC CONTENT 70-94%	7%	10%	58%	5%
ORGANIC CONTENT 1-69%	27%	32%	6%	70%
ORGANIC 1-100%* exact level not verifiable	66%	49%	33%	26%

SPINS trend spotting, along with other published industry research, continues to identify consumers increasing reliance on a wide range of certification and product verifications as a

means to insure products meet the health and lifestyle requirements for themselves and their families. A basic understanding of the NOP organic labeling currently found in the sector will support improved offerings at shelf.



### **Making Sense of Organic Personal Care Labels**

The complexity of use and misuse of the term “organic” in the personal care segment is a source of shopper confusion. The lack of understanding poses a risk to natural assortment objectives and has the potential to create negative shopper perception, especially among the high-value natural products shopper. Knowing a few labeling basics in this sector will aid greatly in making smart assortment decisions.

#### *“Brand X Organics”*

The USDA does not regulate organic label claims on non-food items. Currently, any company can attach “organic” to their brand name. However, this is not allowed in the Food and Beverage sector where products must adhere to NOP guidelines. Don’t be fooled. The incorporation of “organic” into a brand name does not guarantee organic content.

#### *“USDA Organic”*

There are specific labeling rules that apply to organic products in the Food and Beverage sector depending on the percentage of certified organic content in the product. The USDA does certify organic personal care items that meet the NOP standards and allows use of its seal on products that have 95-100% certified organic content. These products are considered to be either certified organic or certified 100% organic.

#### *“Made with Organic Ingredients”*

Both the National Sanitation Foundation (NSF) and the NOP recognize certified organic personal care items that meet the NOP standards for 70-94% organic content, grant certification for those products as 70-94% organic, and allow their logo to be used on product labels. These products are allowed to use the label claim “*Made with Organic Ingredients.*”

#### *Individual Organic Ingredient Listed*

Products containing between 1-69% organic content cannot be certified organic—only the *individual ingredients* can be certified organic. The onus is on the consumer to read ingredient labels to find out actually how much certified organic content is in the product.

There are many personal care brands with “organic” in their brand name or other organic claims on the front label, and many of these products do not meet the NOP standards. Some of the ingredients may be certified organic, some may be organic but not certified, and some products have no organic ingredients in them at all. This confuses and misleads the consumers who wish to purchase certified organic products, as these items may be extremely synthetic or contain harmful ingredients.

USDA and NSF certify personal care products with 70-100% organic content for companies that *volunteer* to comply with set food and beverage standards. The Organic Consumers Association (OCA) and major personal care companies continue to pressure the USDA to regulate organic label claims the same way they regulate food and beverage products. Heightened consumer awareness of product safety issues will continue to push consumers to seek more natural product alternatives. This awareness will undoubtedly influence the personal care shopper as knowledge of the organic distinction grows, the consumer will recognize “on the body” is equally important as “in the body.”