



NATURAL

2018 • TREND INSIGHT REPORT

The term “natural” is inherently a controversial one in the food and beverage industry. From the FDA’s refusal to define the term in 1993 to growth of the claim starting soon thereafter, it has had its ups and downs. Join us as we do a deep dive into the claim, exploring the history, consumer confusion, current perceptions, and the need for the food industry to stamp out doubt and put consumers’ need for transparency first.

Question: Is Natural (as related to food):

1. a product with minimally processed ingredients void of synthetic chemicals –or–
2. a healthy product that doesn't contain artificial ingredients –or–
3. an organic product?
4. Not currently defined and therefore open to many different interpretations?



CALL US THRILL SEEKERS...

(or gluttons for punishment), as we chose to tackle the most controversial label claim today – natural. We're certain that the natural claim is responsible for a few gray hairs on more than one product developer's or regulatory guru's heads as each day passes without a formal definition from the FDA.

Consumers are defining natural for themselves and manufacturers are taking matters into their own hands by creating their own set of "natural" criteria. This all is resulting in consumer confusion and manufacturer frustration. Given these muddy waters, it's no surprise that all-natural claims in new product launches have decreased 51% over the last five years.¹

We have our own opinion on what will happen with the natural claim. Keep reading...let's just say we don't think gray is a good look for food.

THE HISTORY OF NATURAL

First, a look back. How did the natural claim progress to its present state? While there isn't a history lesson on the first natural food claim, there are a few significant events worth mentioning starting in 1993 when the FDA declined to provide a regulatory definition of natural [NLEA Final Rule]. This decision opened the door for manufacturers to create their own definition.

One only needs to look back at new product launches and the use of "all natural" as a claim to understand this fully. We did some digging and found two natural claims made in new product launches in 1996, mostly the no-preservative kind. Three years later, there were 259 natural product launches and by 2008, over 2,300 product launches contained the natural claim, which was the peak of natural claims in new product introductions.²

Soon after, the litigation floodgates opened. Natural was increasingly scrutinized due to consumer awareness and skepticism about the claim. A decline in the usage of the natural claim resulted and in 2017 approximately 1,044 product launches in the U.S. featured a natural claim.³ Now a reckoning of sorts is happening. The debate about what fueled "natural" – consumer demand or a marketing-created firestorm – is taking a backseat. More important is the fact that consumers demand has shifted to a desire for more transparent and substantiated claims.

CONSUMER CONFUSION AT THE CORE

Few would debate the fact that confusion exists among consumers about what a natural label claim means, especially when 45% of consumers believe that the “natural” label is verified.⁴ Layer on the fact that 82% of consumers admit that they confuse organic and natural products at least some of the time and it’s clear that the issue is more gray than black and white.⁵

Despite this apparent knowledge gap, we believe there’s a savvier consumer emerging. Based on our recent proprietary consumer survey, this consumer is skeptical of foods claiming to be natural. The jig is up for manufacturers hoping to win confidence with a natural claim. What are they looking for instead? Verified, substantiated claims and more concrete free-from claims that offer transparency and truthfulness in labelling.



Consider this from our recent proprietary consumer survey⁶:

- 79% of respondents are aware that organic is regulated by the USDA.
- 56% believe when a product carries an organic claim that it is better for them.
- 69% indicate “contains no artificial colors, flavors or preservatives is more important than “natural” when purchasing food or beverage products.
- 52% of respondents are more trusting of a company whose products carry an organic claim than companies whose products don’t.
- 40% of respondents indicated that they don’t trust the natural label claim.
- 45% read the product label to determine if the natural claim on a product meets THEIR personal definition of natural.
- Almost 48% of consumers would like to see companies stop using the natural claim and to start using single-attribute claims such as “no preservatives.”

PUSHBACK ON NATURAL

Consumers appear to be pushing back when it comes to the confusion around natural and litigators are gladly jumping on the bandwagon. Since 2016, there has been a 30% increase in the number of natural claim lawsuits.⁷ These suits allege that brands such as HINT® and Sargento have not-so-natural ingredients in their “all-natural” products.⁸ Proactive, protesting consumers just might be the driver to either a definition for natural by the FDA or the eventual demise of the claim all together.

In the meantime, the only thing consumers have in their power is their pocketbook and they are choosing to turn to labels and claims they believe they can trust, whether it’s a “free-from” claim, claims backed by third party certifiers or government agencies.

STAMP OUT DOUBT

To clear up the conversation, manufacturers are turning to third party certifications to help substantiate their product claims. Consumers, growing weary of discerning the meaning of natural, look to certifications such as Certified Organic or non-GMO Project Verified, as a means for making purchase decisions. There are several growing certifications being used by brands to help refine and communicate their natural positioning. Made Safe, C.L.E.A.N., Demeter Biodynamic and Glyphosate Residue Free are just a few being used by brands to better communicate the safeness or “naturalness” of their products.⁹ Of course, overdoing certifications can be harmful to a brand. At what point do consumers eventually suffer from stamp fatigue and view them as a marketing ploy creating unnecessary “noise” on a package.



WHAT ABOUT HEALTHY AS A CLAIM?

Healthy – While the FDA has a regulation that defines when a food can claim “healthy,” science has advanced beyond the standard making it dated. Adding to this dated standard is consumer confusion with 64% of consumers equating “natural” with “healthy.”¹⁰ In 2015 KIND, the bar company, received a warning letter from the FDA that they could no longer use the term “healthy” on their wrappers. While KIND complied and changed the packaging, they also filed a citizen petition urging the FDA to re-evaluate their healthy guidelines; consequently, the FDA had a change of heart and allowed KIND to keep healthy on their label.



THE HIGHS AND LOWS OF NATURAL

In the past five years, “all-natural” claims fell in the top 20 product categories for food and beverage new product launches by 50% reflecting either manufacturers’ shying away from natural claims entirely or choosing more specific claims to tout.¹¹ While very few of the top categories are growing per se, there remain some strong segments for the “all-natural” claim. Snacks, while certainly declining, remain solid as manufacturers work to satisfy the increasing number of consumers, especially Millennials, who graze throughout the day and desire an all-natural option. In this category, bite formats touting seeds, like chia, take the guilt out of snacking with an emphasis on satiety while sweets treats like dessert flavored popcorns bring the ever-craved indulgence factor. Not surprisingly, the category of processed fish, meats, and egg products increased 37% in the last five years as manufacturers look to reinforce that the ingredients in their products are all-natural, which is important to consumers who expect nothing less here.¹²

Finally, the phrase “nothing artificial” appears quite often in the descriptor of many of the all-natural new products which may be the cleanest and most direct inspiration for consumer purchase.

NATURAL FLAVOR: A RARE SPOT OF CLARITY
WHILE THERE IS CONFUSION IN THE MARKET PLACE
ON WHAT “NATURAL” MEANS, NATURAL FLAVOR IS
THE ONLY PLACE THAT FDA HAS REGULATED THE
TERM UNDER 21 CFR 101.22(A)(3).

New Product Launches with “All-Natural” Claim, U.S.

Category	2013	2014	2015	2016	2017
Alcoholic Beverages	27	24	26	14	17
Bakery	201	150	90	100	87
Breakfast Cereals	33	46	28	12	17
Chocolate Confectionery	69	46	32	42	18
Dairy	183	141	92	78	93
Desserts & Ice Cream	98	70	43	78	21
Fruit & Vegetables	108	69	37	46	31
Hot Beverages	45	23	41	18	23
Juice Drinks	63	46	45	43	35
Meals & Meal Centers	111	80	74	103	45
Other Beverages	31	38	31	27	32
Processed Fish, Meat & Egg Products	161	176	145	159	221
RTDs	24	21	14	21	20
Sauces & Seasonings	354	207	196	207	104
Savoury Spreads	55	33	11	30	18
Side Dishes	77	68	44	49	32
Snacks	331	375	184	226	156
Soup	38	28	11	29	11
Sweet Spreads	40	35	33	25	25
Water	12	14	16	19	21
Total Sample	2,132	1,756	1,220	1,360	1,065

Source: Mintel GNPD

THE BIG PREDICTION

We believe that the natural claim will disappear over time, especially if the FDA delays its definition, as consumer fatigue or third party litigation will take over. As the consumer increasingly rejects natural as a valid claim, there seems to be a savvier consumer emerging who seeks more clarification.

Manufacturers have two choices: to continue playing in the gray zone of natural or to focus on simplifying the substantiated attributes of their product. Consumers and retailers will define natural on their own if nothing else happens. No one wants to eat gray food.

YOU DESERVE MORE. LET'S GET STARTED.

Get out of the gray zone. FONA's team of regulatory experts and product developers understand the in's and out's of developing products that carry claims like organic, non-GMO/non-GM, nothing artificial, no preservatives/ colors and more. Our flavor solutions help refine generic natural claims into the specific single attributes your consumers want.

What does true partnership look like? You deserve a flavor partner ready to turn these trends into the tangible.

Let FONA's market insight and research experts get to work for you. Translate these trends into bold new ideas for your brand. Let's mesh the complexities of flavor with your brand development, technical requirements and regulatory needs to deliver a complete taste solution.

From concept to manufacturing, we're here for you — every step of the way. Contact our sales service department at **630.578.8600** to request a flavor sample or chat us up at www.fona.com/contact-fona/

SOURCES

1. *Mintel GNPD*
2. *Ibid.*
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7. <https://www.foodnavigator-usa.com/Article/2017/08/10/Filings-indicate-resurgence-in-all-natural-litigation-in-2017>
8. *Ibid.*
9. <https://www.nutritionunplugged.com/2017/09/food-trends-natural-products-expo-east-2017-whats-driving-industry-innovation/>
10. <http://www.newhope.com/market-data-and-analysis/what-savvy-consumers-want-natural>
11. *Mintel GNPD*
12. *Ibid.*