



Natural Products Industry Mirrors Technology's Evolution *Maturing market follows branding opportunities at the beginning of the tech boom*

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Early adopters take risks and pay high prices for an elusive and unpredictable product. Risk-averse consumers are not sure of what the product is, or why they would even consider buying it. Niche and regional markets, one by one, adopt the product. Vendors and suppliers revolutionize their own industries to create new product and practice standards. The product evolves, improves and becomes less expensive as demand increases. Individual buyers adapt to new lifestyles by establishing a relationship with the product, shining the light across the chasm for a mass market to embrace and trust the brand.

That's where the technology industry left off about 10 years ago as it began to boom with the advent of the Internet. And what rising industry of today most closely mirrors this stage of market maturity – and this opportunity to learn from past success and failure? Try the natural products industry.

Before Whole Foods went public or Dean bought White Wave, the natural products buyer was a diehard new-ager who proactively sought and bought organic food, supplements and cosmetics (often through co-ops, direct from manufacturers or through Multi-Level Marketers) that cost a lot, looked funny, and sometimes didn't perform or even taste good. As in technology at the same stage of market maturity, these early adopters have spawned a nascent mainstream market that needs to be first educated on the *features* of this new category, then shown the results of others using the products and validating their *benefits*

before developing long-term, trusting relationships with natural products companies and brands.

The Tipping Point

As the computer found its way into just about every business and the majority of households, the high-tech industry went through an upheaval from selling into small volume niche and specialty markets to a mass market of consumers buying into a new way of life. The Internet was the ultimate tipping point for this. For natural products, there are several factors tipping toward today's new paradigm, including a generational shift in personal health awareness; fads like the "lite," low-fat and low-carb revolutions; new food pyramids; and greater mindfulness of everything from ingredients and manufacturing techniques to producers' corporate citizenship. The next generation "natural newbies" are often higher income baby boomers now "trading up" and finding balance and ways to prolong their active, quality lifestyles (without compromising comfort, taste, price, etc.).

But natural products' true "Internet moment" is happening today via the classic tipping point in most economic revolutions: the distribution channel. With agricultural products, it was rivers. With mining, it was railroads. With the car, it was paved roads. With the Internet, it was the distribution of information – on the information Super Highway. With natural products, it's an exploding distribution channel on the Interstate Highway, with 18-wheelers delivering a new generation of packaged goods into a vast universe of population centers and communities.

New Buyers, New Strategies

Ten to 15 years ago, most high-tech products were sold through highly specialized and high-margin distribution channels and consultants. They still are, but the vast majority of tech revenue today is churned out in a general retail environment, virtually in every town in America, with much lower margins. Buyers care more about price, convenience and even

coolness than bits, bytes, speeds and feeds. Natural products were first available only in certain regions, and through affinity connections via MLMs, the web, catalogs, etc. Now consumers around the country are seeing natural products aisles in their grocery stores for the first time. They wonder what this stuff is, why they would buy it... the opportunity for natural products companies is that as awareness rises, more purchasing decisions can start going their way as new customers develop a closer relationship and loyalty with the products and the companies who make them. This is a signal for maturing companies to balance their offerings with line extensions to build the brand across more purchasing decision mind-share.

As in tech, the new (and more risk-averse) adopters now getting acquainted with a rather wide and confusing array of natural products need to start associating with brands they can rely on as they take baby steps toward a new lifestyle. These are not the early buyers, the "explorers" always willing to try something different. These new folks are taking a risk – it's tough to change your habits – so feeling their pain and then solving their problems is the marketing theme that worked for the "built-to-last" tech companies.

In the early phases of any market development, advertising dollars typically flow toward small local outlets and then trade magazines, outlining in great detail product features and benefits (answering, for instance, exactly why a certain granola is better than traditional cereals, why natural medicines and supplements can be more effective than traditional pharmaceuticals, and why one cosmetic is better – or perhaps less cruel – than another). As tech matured, advertising expanded into general interest and large category publications, even billboards and television, with "image" ads that showcased brand look and feel with much less attention on technical details. The most crushing failures of the bursting tech bubble were the brands that advertised on the Super Bowl before they built up a relationship of trust and understanding with a mass market. Failing to first imbed a foundation value proposition with a core audience, the fundamental features and benefits weren't apparent nor made much sense to millions of football fans. It's almost always a mistake to market ahead or behind your industry's stage of maturation.

High-tech PR campaigns evolved from writing and placing user case studies and white papers in trade magazines to arranging for executives to speak about trends and their company's stock price on national morning shows. Tech marketers moved up the trade show food chain from small scientific and technical symposiums to their own COMDEX, now usurped by the omnipotent Consumer Electronics Show. Natural products marketers are moving along the same path of development – and they shouldn't forget to adjust your messaging along the way to reach new audiences without alienating the old ones.

Brand Currency

Marketing to this next generation of prospective customers requires a new approach and communications paradigm. The early tech companies that are still around today began to market their *companies* as much as their products, being sure to associate their brands with the biggest trends they could ride. Natural product companies should position their executives as “thought leaders” involved in the issues affecting their industry and communities, and showcase their customers as like-minded evangelists sharing their experience with the brand. This approach also helped the built-to-last tech companies prepare for going public, position for merger or acquisition, and recruit the best workforce. State-of-the-art web sites, webinars and today's new media such as podcasts and blogs are tailor-made to integrate the strategic communications called for today. At this point, it's important to engage the market in an intellectual discussion, building credibility through education, before a logo alone can have an impact on the masses.

Only a few strong brands remain after the tech industry painfully matured, and only now can these remaining monoliths build classic *global* consumer brands based on long-term promises. There may be thousands of natural products companies today, but all maturing markets lead toward consolidation (there are countless bodies on the side of the Information Highway). Better to follow the grassroots credibility and education communications strategies of IBM, Intel and Microsoft before you advertise on the Super Bowl. Should Dean Foods spend millions to advertise their organic products and risk competing against their

legacy product line? Innovation matures to become the standard. Big Corporate's long-term strategy should be to redefine their own categories to the point that healthy, natural and organic are the new embedded standards. These changes, spawned by a relentlessly maturing market and changing buyer behavior, are now starting to impact entire industries like agriculture, healthcare, apparel, cosmetics.... and on it goes.

Take a look at where tech was at the beginning of its boom. That's where natural products industry decision-makers can learn from tracking the elusive successes and not repeating the same monumental mistakes. Natural products and LOHAS businesses have been driven by a micro market of risk-taking early adopters and are now poised before millions of consumers. These new buyers are more risk-averse, but open to learning how innovative products – and new attitudes – can improve their lives.

The natural products industry has come a long way from customers walking a mile through the woods to pick up some Early Bird granola at the counter-culture mountain co-op. Ultimately, at this point in market maturity, it's important for companies to develop a new kind of image and relationship with its far-flung and more diverse customer base. The pioneers sought out a product with the features and benefits they knew they needed. The settlers just want to be comfortable with a brand they can trust.

One of the nation's first high-tech PR agencies, Metzger Associates is an integrated strategy and communications firm applying its legacy of expertise to the emerging natural products market, centered in Boulder, Colorado, the Silicon Valley of the natural products community.