

**You have nothing to lose
but your tie-dye....**

**How the natural products industry
mirrors high-tech – just before the BOOM**

John Metzger

Metzger Associates

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Metzger Associates

- **Founded in 1991**
- **One of the nation's first technology and financial services specialists**
- **One of the Rocky Mountain region's oldest and most experienced strategic communications firms**
- **Strongest professional team in the business**
 - **Principal-driven staff of employees and partners with comprehensive experience and resources**

Award-Winning Work

- **2006 – Voted BEST small firm in the nation by technology trade journalists**
- **SABRE Award – Top 5 National Investor Relations Campaign “Exabyte Makes Mammoth Impression on Wall Street”**
- **SABRE Award – Branding Project “Reintroducing Mobility Electronics”**
- **Business Marketing Association Gold Key Award – Space Imaging’s “First Image Campaign”**
- **PRSA Gold Pick Award – “Launching TheTrip.com”**
- **Aqua Award for Hinckley & Schmitt “Cathy” Campaign**

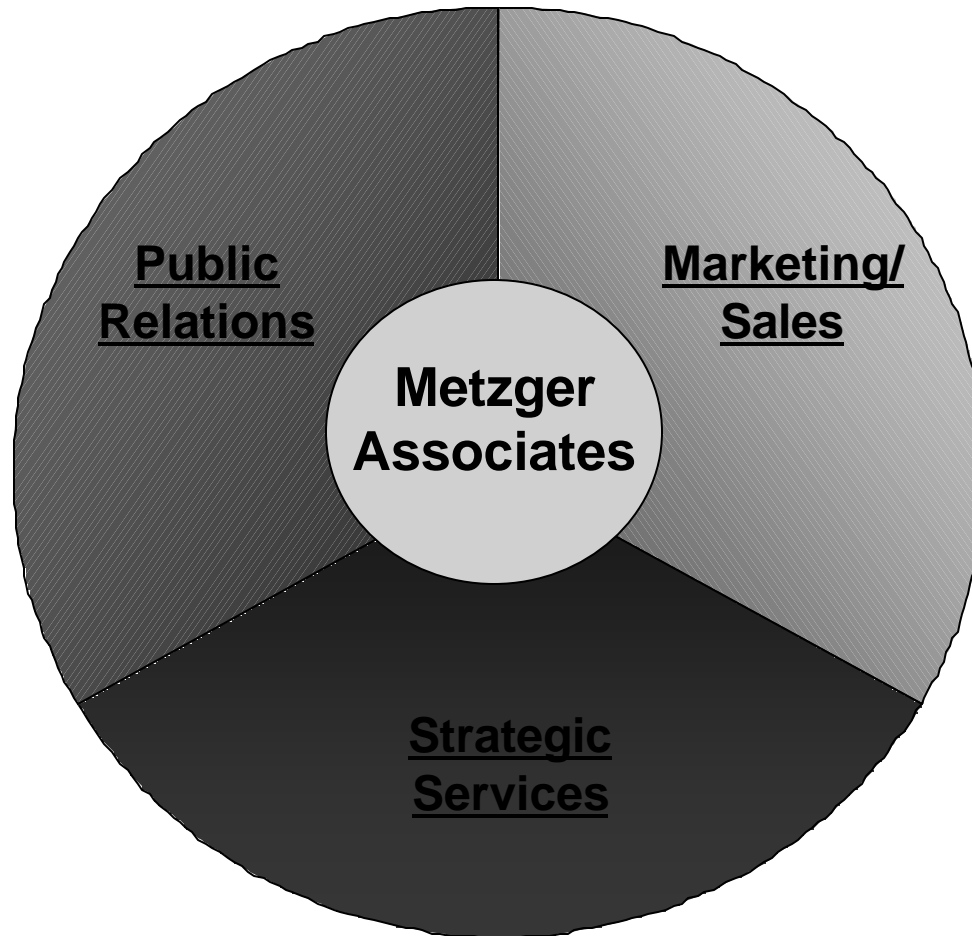
Industry Recognition

- **Inc. 500 Company**
- **Ranked one of the nation's best agencies to work for by *The Holmes Report***
- **Ranked one of fastest-growing small businesses by *The Denver Business Journal***
- **Perennial source for journalists**
- **Recognized communications pioneers**
- **First Web site, online press conference, interactive PR, blogs, podcasts, RSS...**

Our Clients



Expertise



Public Relations

- **Tactical Execution**
- **Executive Visibility**
- **Message Delivery Training**
- **Crisis Communications**
- **Editorial Services**

Tactical Execution

- **Media Relations**
- **Analyst Relations**
- **Press Tours**
- **News Releases**
- **Product Reviews**
- **Trade Shows**
- **Speakers Bureau**
- **Bylined Articles/
White Papers**
- **Case Studies/
Customer References**
- **Awards**

Marketing / Sales

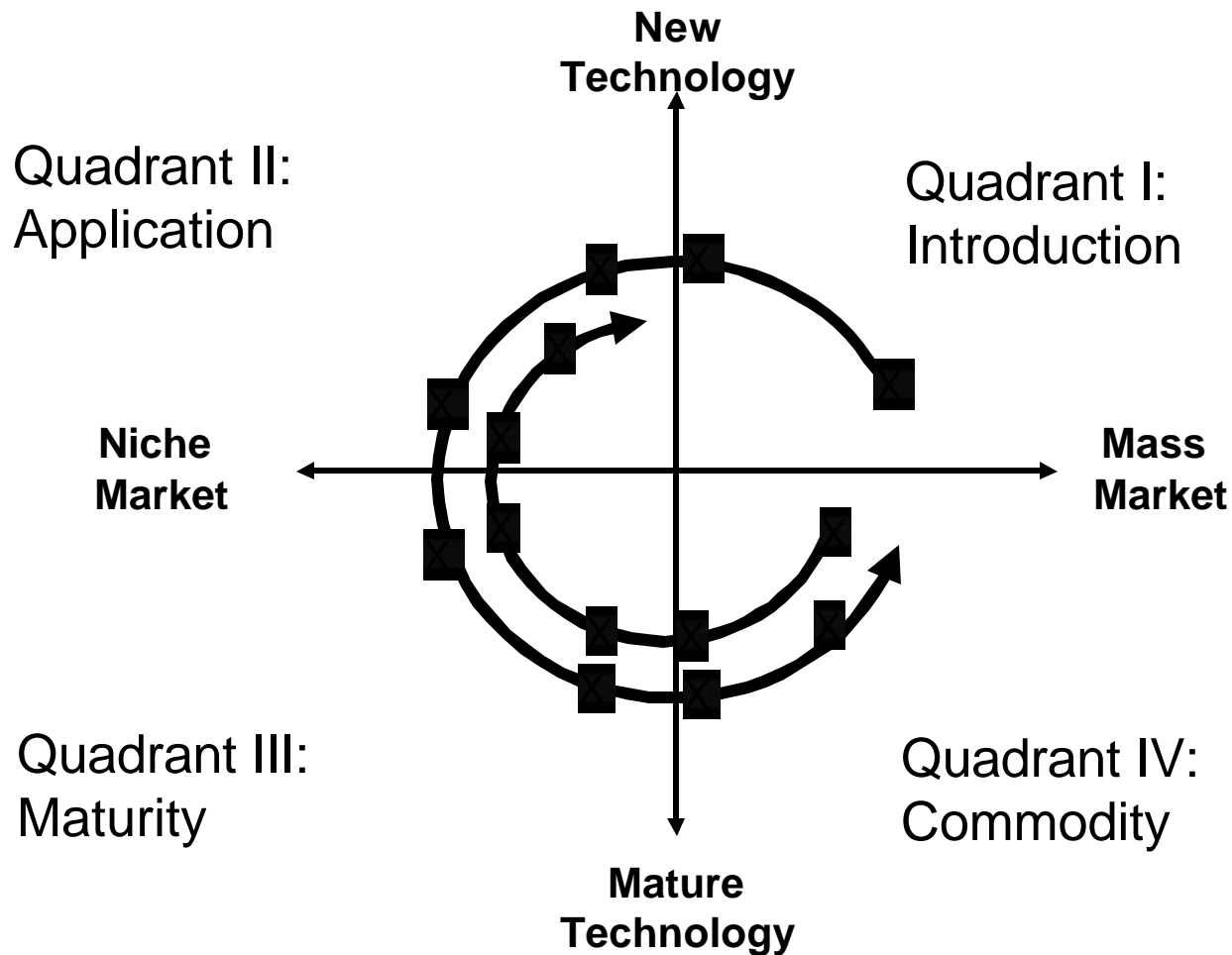
- **Advertising**
- **Sales/broker management programs**
- **Interactive, blogs, podcasts, RSS**
- **Search Engine Optimization**
- **Web site content and design**
- **Direct, promotions**
- **Trade shows, conferences, seminars**
- **Brochures, sales collaterals**
- **Corporate identity**

Strategic Services

- **Research and Analysis**
- **Market Maturity Matrix™**
- **Messaging and Positioning**
- **Branding**

Market Maturity Matrix™

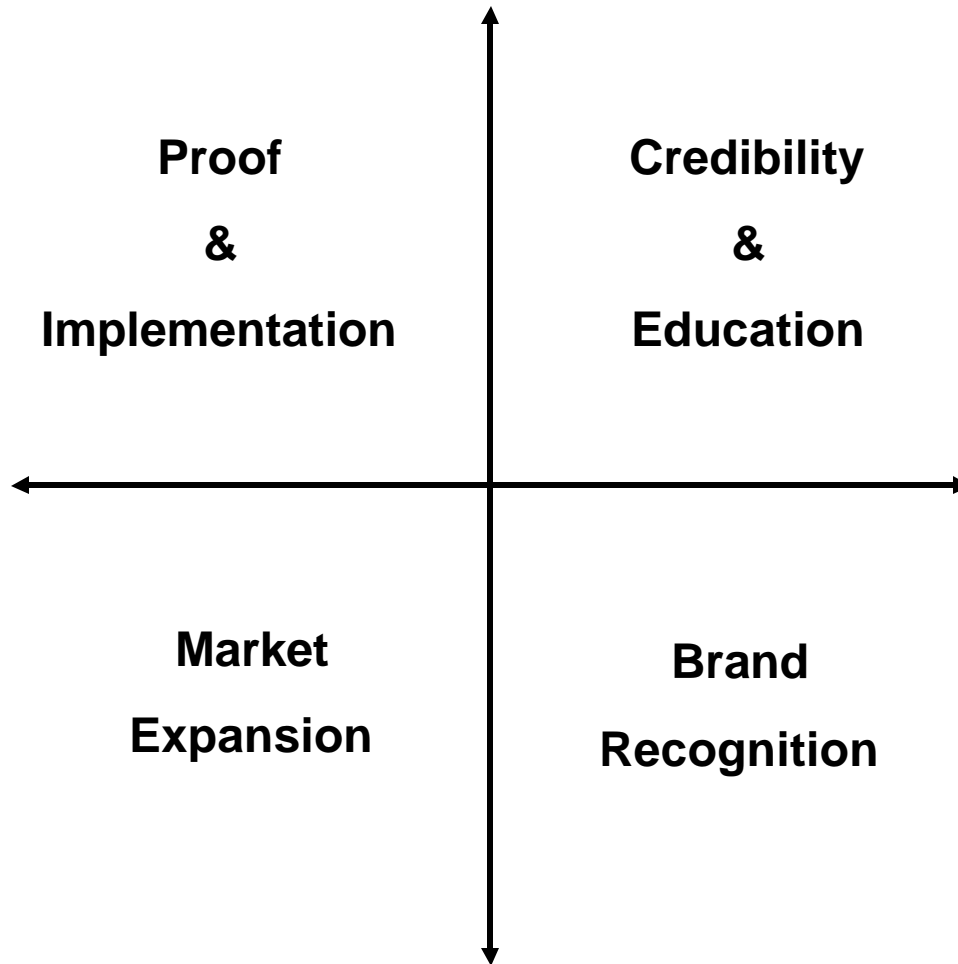
Perpetual Market Planning Model



What is it?

- Aligns market adoption to technology evolution
- Identifies distinct and predictable market stages for product and service lifecycles
- Each stage has unique indicators and characteristics
- Create strategy and plans based on marketing best practices
- Overlays for buyer behavior, market development, PR, IR, market advantage strategies, sales development, communications, etc.

Communication Themes



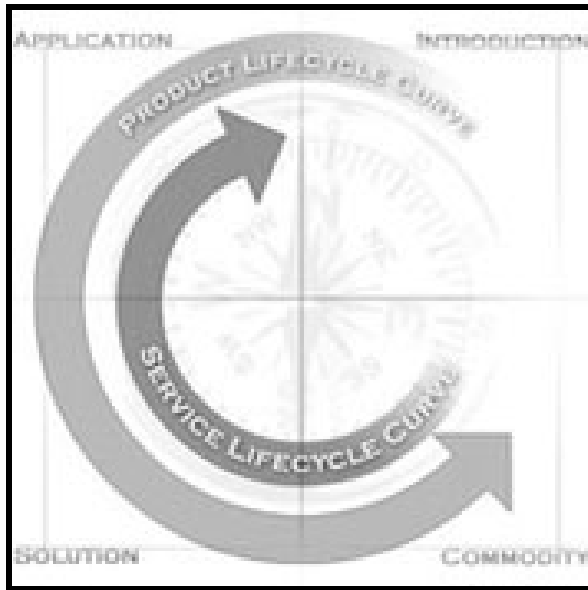
PR Overlays

- Select and prioritize importance of each tactic
- Develop and communicate the target, purpose, message and desired outcome of each tactic
- Introduce “bridge” tactics to support transition to the next stage

Buyer Behavior – Introduction Phase

First Adopters

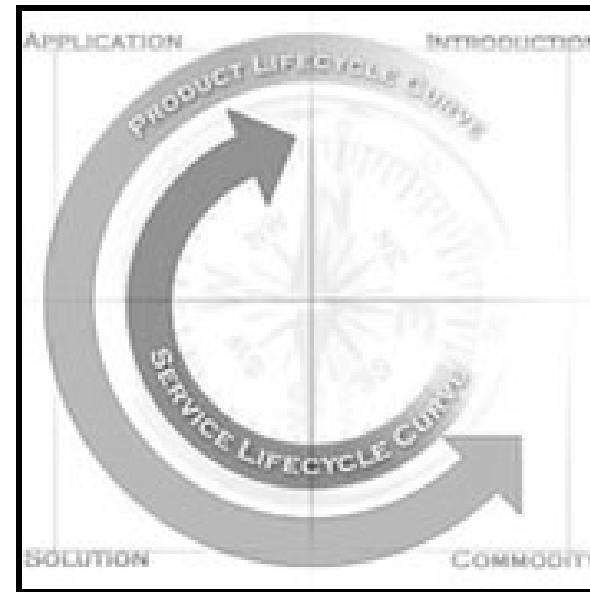
- Looking for market advantage
- Looking for new technology components – discontinuous innovations
- Technology focused/visionary
- Information hungry
- Financially aggressive; risk prone
- Interface with non-vertical peers
- Buy direct from manufacturer
- Emotional purchase



Buyer Behavior – Application Phase

Technology Movers

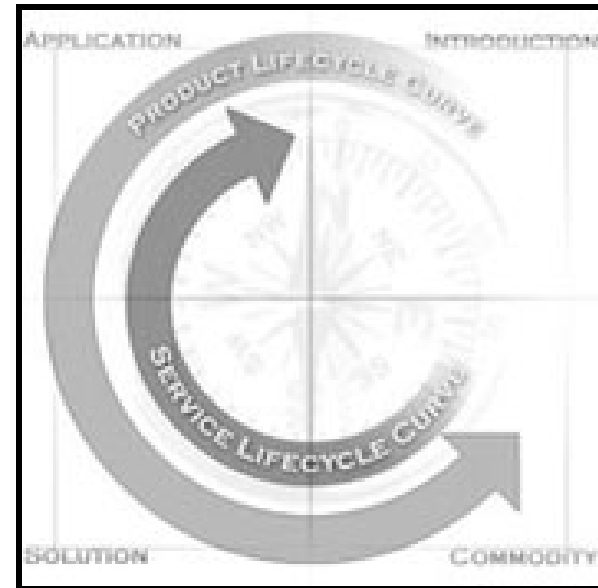
- Looking for competitive advantage
- Looking for solution components – use technology as change agent
- Moderately aggressive financially
- Willing to accept degree of risk
- Look to market influencers for decision validation
- Influenced by technology trends
- Buy direct or from specialty resellers
- Conditional/competitive purchase



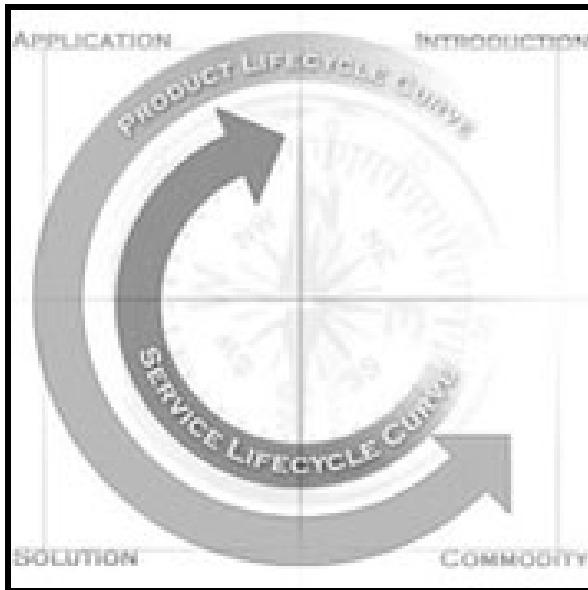
Buyer Behavior – Solution Phase

Market Movers

- Looking for competitive parity
- Looking for complete solutions
- Financially conservative
- Risk Averse
- Purchase through large implementers or direct
- Influenced by market trends, trade orgs, analysts
- Want competitive selection
- Operational purchase



Buyer Behavior – Commodity Phase



Late Adopters

- Looking for market parity
- Looking for mature, turnkey solutions
- Very financially conservative
- Risk avoidant
- Purchase through mass channels or contracted suppliers
- Influenced by channel, brand recognition, perceived value and availability
- Want availability and reason to choose your brand

How did the tech market evolve?

- **Early adopters take risks and pay high prices for elusive and unpredictable products**
- **Risk-averse consumers are not sure of what the product is, or why they would buy it**
- **Niche and regional markets, one-by-one, adopt the product**
- **Vendors and suppliers revolutionize their own industries to create new practices**

How did the tech market evolve?

- **Product evolves, improves and becomes less expensive as demand increases**
- **Individual buyers adapt to new lifestyles by establishing a relationship with the product, crossing the chasm for a mass market to embrace and trust the brand**
- **The mass market gets the handoff, and the product changes the lives of millions**

How has the natural products market evolved so far?

- **Early adopters take risks and pay high prices for elusive and unpredictable products**
- **Risk-averse consumers are not sure of what the product is, or why they would buy it**
- **Niche and regional markets, one-by-one, adopt the product.**
- **Vendors and suppliers revolutionize their own industries to create new practices**

What's going to happen next?

- **The product evolves, improves and becomes less expensive as demand increases**
 - *Get ready to lower your prices, extend your product lines, and institutionalize your distribution channels*
- **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**
 - *Get ready to build a brand that a mass market, not early adopters, can aspire to*

Buyer Character and Behavior

Technology early adopter

- **Looking for market advantage, discontinuous innovation**
- **Visionary explorer, hungry for innovation**
- **Financially aggressive, takes high risks**
- **Buys direct from manufacturers**
- **Makes emotional purchasing decisions**

Buyer Character and Behavior

Natural products early adopter

- **Die-hard New Ager looking to define identity through lifestyle choices**
- **Seeks community vision, wants categories re-defined**
- **Buys from regional, specialized sources (co-ops, MLMs, source)**
- **Will risk price for emotional benefit**

Product Character

Early technology products

- **Fly-by-night, always superlative, expensive, unreliable, quickly obsolete...**

Early natural products

- **Organic food, supplements and cosmetics that cost a lot, looked funny, were inconsistent and sometimes didn't perform well or even taste good**

Distribution Channel

Early technology

- **Small volume niche, high-margin consultants; development of specialty channels**

Early Natural Products

- **Regionalized, co-ops, MLMs, direct from the source**

Buyer Character and Behavior

Second-stage technology

- **Looking for market parity and competitive advantage**
- **Takes moderate risks**
- **Looks to market influencers to validate decisions**
- **Buys from established specialty resellers and retailers**

Buyer Character and Behavior

Second-stage natural products

- **Wants to join a cultural trend**
- **Price conscious, taste conscious**
- **Looks to mirror influencers' behavior**
- **Looks for familiar brands to identify with and trust**
- **Buys in convenient locations**

Market Maturity Indicators

Third-stage technology

- **Microsoft, Intel, HP consolidate SW, HW, components**
- **Massive IPO market**

Market Maturity Indicators

Third-stage natural products

- **Whole Foods goes public**
- **Dean buys White Wave**

The Tipping Point

Technology's push into consumer commodity stage

- **The Internet**

- Drove the industry into Stage Four, with 65% broadband penetration today
- Buyers care more about price, convenience and even coolness than bits, bytes, speeds and feeds
- Technology is cheap, available everywhere

The Tipping Point

Natural products begins knocking on Stage Four's door

- **Generational shift in personal health awareness**
- **Fads like lite, low-fat and low-carb revolutions**
- **New food pyramids**
- **Greater mindfulness of**
 - **Ingredients**
 - **Manufacturing techniques**
 - **Producers' community citizenship**

The Tipping Point

Natural products' "Internet Moment" = Distribution

Classic shift in most economic revolutions

- **Agriculture > rivers**
- **Mining > railroads**
- **Automobile > paved roads**
- **Information > Super Highway**

The Tipping Point

- **Natural products > Interstate Highway**
 - 18-wheelers delivering a new generation of packaged goods into a vast universe of population centers and communities

Buyer Behavior

Who are the new natural products buyers in this new channel?

- **People asking: “What’s this new aisle in my supermarket?”**
- **“Natural newbies,” often higher income baby boomers now “trading up,” finding balance and ways to prolong their active, quality lifestyles**
 - **...while emulating “lifestyle leaders” (= thought leaders in high-tech)**
 - **...without compromising comfort, taste, price, etc.**

New Buyers, New Strategies

The opportunity for natural products companies:

- **As awareness rises, more purchases can go their way as new customers develop a closer relationship and loyalty with the products and the companies who make them**
 - **...a signal for maturing companies to balance their offerings with line extensions to build the brand across more purchasing decision mind-share**
 - **...a signal to shift your marketing approach**

How do you reach and influence them?

New, low-risk adopters need to be...

- **...educated on the *features* of this new category**
- **...shown the results of others using the products which validates *benefits***
 - **...before developing long-term, trusting relationships with natural products companies and brands**

Advertising

Early stage dollars flow toward small local outlets and trade magazines

- **...outlining in great detail product features and benefits**
- **...answering, for instance,**
 - **...why granola is better than traditional cereal**
 - **...why natural medicines are more effective than traditional pharmaceuticals**
 - **...why one cosmetic is better – or perhaps less cruel – than another**

Advertising

As tech matured, advertising expanded into large category publications, billboards... and then skipped a Stage by advertising on the Super Bowl with “image” ads that showcased brand look and feel with less attention to features and benefits

Advertising

The tech bubble burst when brands advertised on the Super Bowl before building a relationship of trust and understanding with a mass market

Advertising

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

- **Never market ahead or behind your industry's stage of maturation**

Public Relations

High-tech PR 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

Public Relations

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

Public Relations

Natural products marketers are moving along the same path of development – and they shouldn't forget to adjust their messaging along the way to reach new audiences without alienating the old ones

Public Relations

- **Brand Currency**
 - Early tech companies 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

Public Relations

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

Branding

These approaches helped the built-to-last tech companies prepare for going public, position for merger or acquisition, and recruit the best workforce

- **And most important, prepared them to enter a mass consumer market**

Branding

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

- **State-of-the-art web sites, webinars, podcasts and blogs are tailor-made to integrate the strategic communications called for today**

Branding

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

- **Microsoft can finally start acting like Marlboro and Coke**

The Market

There may be thousands of natural products companies today, but all maturing markets consolidate (there are countless bodies on the side of the Information Highway)

- Innovation matures to become the standard, and must always remain your long-term strategy – you must always jump back into Stage One (HP vs. Xerox)**

The Market

Relentlessly maturing natural products market and changing buyer behavior are now starting to impact entire industries like agriculture, healthcare, apparel, cosmetics.... and on it goes

The Market

Natural products are now poised before millions of consumers

- At this stage of market maturity, it's important to develop a new kind of image and relationship with a far-flung and more diverse customer base**

The Market

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**

Questions?