

# The Cost of Clean Label

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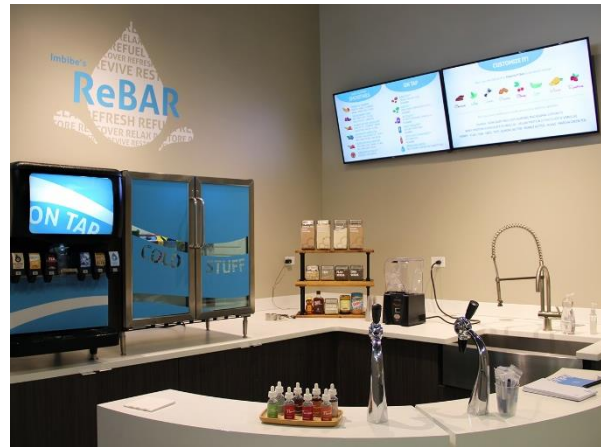
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October 18, 2017



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# About Imbibe



# Development Across Categories

## CATEGORIES



FUNCTIONAL  
BEVERAGES



PROTEIN



COFFEE



TEA



DAIRY



NON-DAIRY /  
PLANT-BASED



ENERGY



JUICE

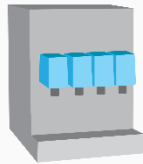


COCKTAIL  
MIXERS

## FORMATS



PUMP



CONCENTRATES



LIQUID WATER  
ENHANCERS



POWDERED  
BEVERAGES



RTDs



FROZEN DISPENSED  
BEVERAGES

## CHANNELS



CONVENIENCE  
STORE



QSR / FAST CASUAL



HEALTH & SPORTS  
NUTRITION



INSTITUTIONAL



RETAIL



PRIVATE LABEL



# Agenda

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## **1. CLEAN LABEL: AT WHAT COST?**

- a. Raw Ingredients
- b. Capacity
- c. New Suppliers & New Ingredients
- d. Unforeseeable Costs: The Hashtag Effect & California

## **2. INVESTING IN CLEAN LABEL**

## **3. CONCLUSIONS & TAKEAWAYS**



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# Clean Label: At What Cost?



# Raw Ingredients

Ingredient Category	Artificial Ingredients	Clean Label Alternative	Cost Implications
Sweeteners	Sucralose, Ace-K	Stevia, Monk fruit	<ul style="list-style-type: none"> <li>• <b>\$18-\$85/kg vs \$132/kg</b></li> </ul>
Preservatives	Sodium Benzoate, Potassium Sorbate	Hot fill or aseptic processing and/or packaging <i>OR</i> Refrigerated supply chain	<ul style="list-style-type: none"> <li>• Higher MOQs</li> <li>• Increased packaging cost</li> <li>• Cold Fill PET - <b>\$0.15</b></li> <li>• Hot Fill PET - <b>\$0.20</b></li> <li>• Aseptic HDPE - <b>\$0.25</b></li> </ul>
Colors	Red 40, Yellow 5, Blue 2	Carotenoids (annatto, beta carotene) Anthocyanins (beet juice, berry extracts) paprika, turmeric, spirulina	<ul style="list-style-type: none"> <li>• <b>\$5.02/gal vs \$26.40/gal</b> (beet juice)</li> <li>• Need to use more "natural" color</li> </ul>





# Raw Ingredients Case Study: Creative Solutions

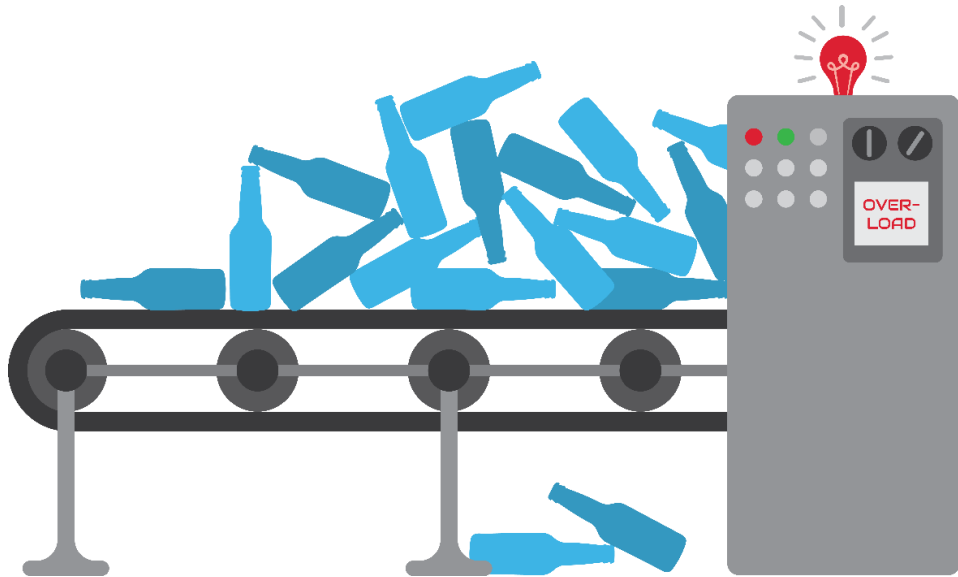


## Helpful Hints:

- Press suppliers to work with you
- Hierarchy of client needs



# Capacity

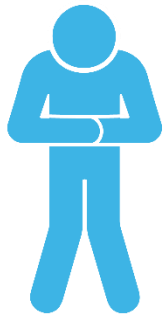
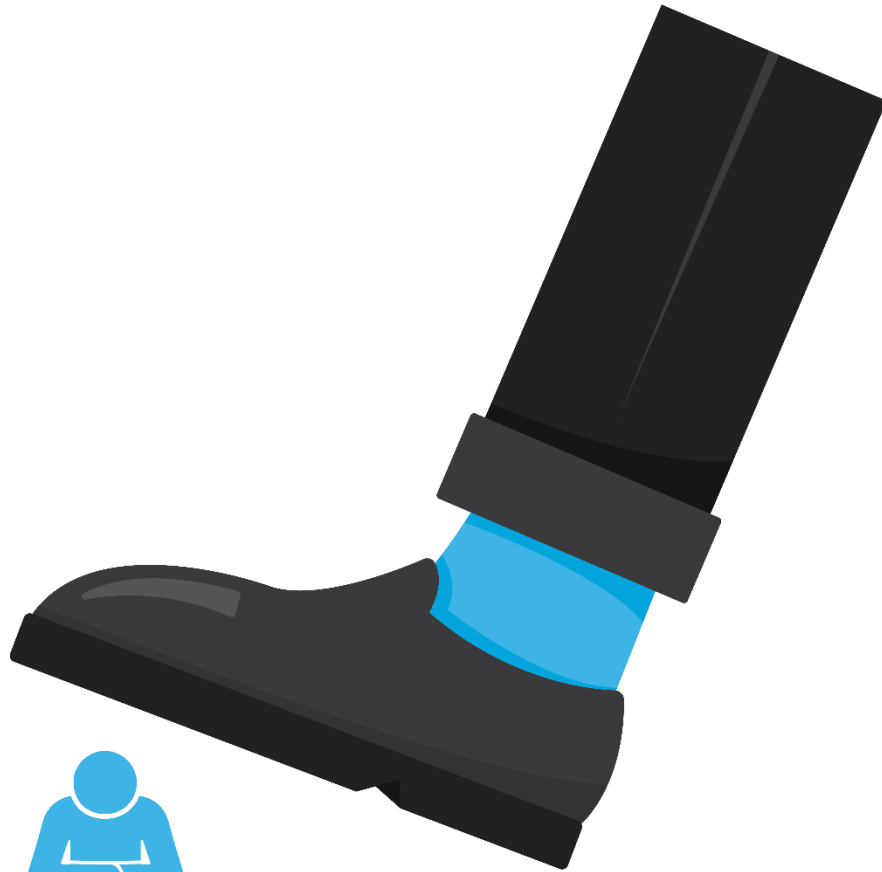


- **Un-forecasted demand**
- **Building new facilities to accommodate demand**





# Capacity Culprits



*Kellogg's*

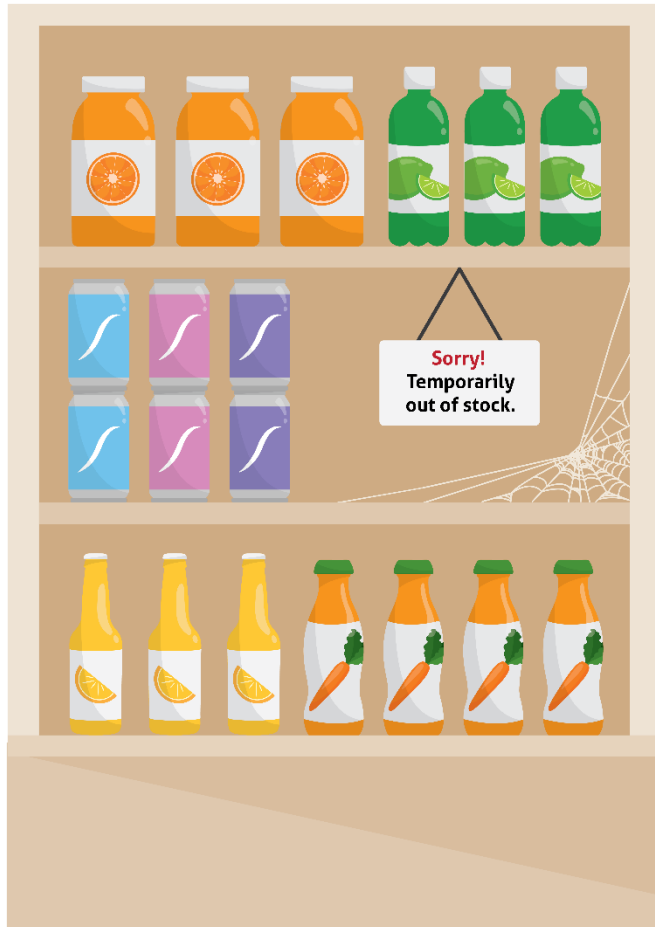
**Mondelez**  
International



**Caribou**  
COFFEE™



# Capacity Case Study: The Case of the Brown Rice Protein



## Helpful Hints:

- Unquantifiable costs related to capacity: reputation, launching a product

# New Suppliers & New Ingredients

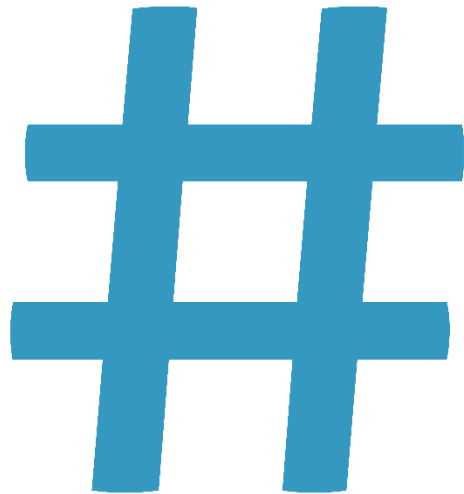


- **Less established**
- **Not as well-versed in documentation**
- **Learnings: certifications & undeclared ingredients**



# Unforeseeable Costs: The Hashtag Effect & California

**BUILDING HYPE AWARENESS**  
#TRENDSETTING



#carrageenan #caramelcolor

#highfructosecornsyrup #cellulosegum #artificial



## PROP. 65 WARNING

The State of California contains one or more chemicals known to the State of California to cause cancer, birth defects, or other reproductive harm.



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# Investing in Clean Label



# Organizational Overhead



Regulatory

Strategic Sourcing

R&D



# Consumer Testing



- Implications of reformulating
  - shelf studies
  - packaging
- Consumer testing





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# Conclusion & Takeaways



# Recap

## THE GOOD

**More suppliers offering  
clean label ingredients**

Amenable to cumbersome  
documentation

## THE NOT-AS-GOOD

**Challenges remain**

- Burden on suppliers
- Obsolete ingredients
- Ingredients from abroad

## THE FUTURE

**Clean label revolution**  
  
(And evolution)



# Stay Connected



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