To: Board of Directors
From: Irwin Simon, CEO of The Hain Celestial Group
Date: January 2016
Subject: Growth without deviation from health and wellness

As the new year begins I reflect on my role as the CEO of Hain Celestial Group. I ask myself, how can The Hain Celestial Group grow without deviating from its central mission of providing transparent health and wellness items to a growing and changing group of consumers. Our company has over 6,000 employees, $2.7 billion in sales, are the largest competitor in the "better-for-you" segment, offer products in over 70 countries, and 40% of our SKU's are organic. However, this past year we have experienced our stock drastically falling in price, and ended 2015 with a price of ~$39 per share.

The following memorandum is addressed to the Board of Directors, and outlines the health and Wellness industry. Furthermore, I address the opportunities and threats Hain's faces as it pursues growth without deviating from its central mission of focusing on health and wellness.

Company History
This company began its journey in 1992 when I, Irwin Simon, left Slim-Fast. In 1994, we acquired Hain Pure Food, and tripled in the size of our company. That year we brought in $15 million in annual sales, and used that revenue to catalyst into more acquisitions. In 2000, we renamed our company The Hain Celestial Group, Inc. due to our recent acquisitions of Celestial Seasonings Inc. and Earth's Best baby food.

Opportunity
Our growth since the beginning has been driven by hiring good people, and finding smart acquisitions. In 2004, we entered the natural and organic skin care and hair care products market by acquiring JASON Natural Products. In 2010, we entered the yogurt industry by acquiring The Greek Gods yogurt company. Our company since its founding has kept the entrepreneurial spirit, and maintained an ability to adapt faster than large consumer packaged goods [CPG] companies.

The Hain Celestial Group has provided consumers with health and wellness products from the beginning. The U.S natural and organic sales market is growing at an amazing rate. From 2000 to 2010 sales of U.S natural and organic products has grown 12.5%, and from 2010 to 2013 sales have grown 7.9%. Compared to total U.S food and beverage sales only growing at a rate of 2.7% [2000 to 2010], and 3.4% [2010 to 2013].

Industry Analysis
Refer to Exhibit A for Hain's Porter's Five Forces

Buyer power is the main force facing the health and wellness industry. Millennials have exceeded the number of baby boomers, and millennials have grown in spending power. This means that companies must focus on a new and growing customer base. For companies to survive they must understand the trends affecting the market place. Millennials are buying in new ways, focused on healthy food items, and don't have the same brand loyalty as their parents. The way in which they are affecting the industry is still being measured, and each company is addressing these changes differently.

Companies are morphing to the power of the millennial consumers. Classic CPG companies are changing recipes to keep up to the growing demands of millennials. Brands are shifting labeling and packaging to attract the attention of millennials. Consumers are faced with deciding if they would like to eat organic, natural, healthy, and/or cheap. It is easy for a consumer to choose a cheaper good because it tastes better or because it is simply what they want right now.

However, the truth remains that the health and wellness market is growing, and this has led to competitive rivalry. Retailers like Costco and Whole foods are entering the market offering generic brands to the growing health conscious consumer base. Retailers are also using "integrated-segregated" methods of displaying natural and organic products. This means that natural products are close to conventional products, and must fight for the attention of the consumer.

Current Market Position and Competitive Advantage
Refer to Exhibit B for Hain's SWOT Analysis

Hain's is in an excellent position in the market. We are a leader in the market when in comes to health and wellness items, and have been in the industry since the beginning. Because of our position in the market we have been able to acquire businesses quickly and efficiently, and we are attractive to employees who are bored of working for CPG companies. Because of our history we have connections within our supply chain, and this helps our mature brands and newly acquired brands save money. Our talent is in acquiring growing companies, and building them in the industry.

Hain's over the past 15 years has built a robust business; however, we rely on forecasting. Forecasting trends, forecasting demand, forecasting growth is central to success of Hain's. Hain's also lacks a central vision to give to consumers. Our brands encompass grocery, snacks, tea, personal care, and poultry/protein. Most consumers have no idea who is behind the companies we acquire. This can prove useful; however, we are un-united and lack having a central mission.

Hain’s can address its weaknesses, and grow in the future. Hain’s can expand into new international markets, and acquire companies in growing markets like fresh produce or pet food care. Hain’s can also invest heavily in the current businesses we own. This would allow them to grow and flourish in the current market. By enabling current brands to grow Hain’s could potentially develop millennial loyalty.

As Hain’s grows and progress we must watch out for the threats facing our company. As highlighted in the Industry Analysis competitors are focusing on the health and wellness industry. Current CPG’s and new entrants are vying for customers attention and threatening our current market share.

Business Environment
The politics of labeling could greatly change the cost to produce a good in our industry. We can see the affects of politics on price in the case of farming. Lands need to be organically farmed for three years prior to their classification as being organic. This has led to an increase in our supply chain and constraints on ingredients during years there is environmental damage to production.

Changes in how the public views health and wellness has allowed our company to grow. However, trends can change, and the market is constantly changing. The macro environment of social issues could target a product or a supplier of Hain’s.

Economic factors heavily affect our consumers. Hain’s being in the health and wellness market means we rely on consumers having enough spending money to purchase our goods. If consumers are saving their money because of an economic downturn Hain’s will suffer a large decrease in sales.

Key Takeaways and Strategic Alternatives
Refer to Exhibit C for Hain’s Balanced Scorecard

For Hain’s to regain its place within the health and wellness market it has a couple options. Firstly, Hain’s could aggressively search for more companies to acquire. These companies could be bother internationally or in the U.S. Hain’s internal has a great growth potential due to consumer trends, and the infrastructure we offer. Hain’s in the U.S also has the potential to grow in markets such as snack, pet food, and baby food. These markets feature high brand loyalty, and growing customer segments. Secondly, Hain's could invest in its current companies. If Hain's invests in current operations there is the possibility that these companies could grow at a high velocity. Investment could be in the form of building brand loyalty to products, expanding vertically to build better relations with supplier to lower costs, and/or partnering with non-profits to build social outreach programs. This would allow Hain's to build brand loyalty with millennials.

The choice between acquiring a product or maturing a product is hard, and is not a binary for Hain's. The struggle is to grow in a highly competitive industry without compromising our central mission of building a transparent health and wellness focused company. Looking ahead, Hain's is dedicated on building its brand, profit, and international presence. By bringing in the best employees, and the best businesses The Hain Celestial Group is focused on being an industry leader today and in the future.

Postscript

Hain's has not been able to recover from the downward trend they experienced in 2015. Currently, they are valued at ~$21 per share, and have been going through many changes.

Analyst have flipped flopped on Hain's in the past months. Some reported positive news about Hain's and believe that people should buy or hold, and JP Morgan in February 2019 rated HAIN as "Overweight" (Powell). However, once April hit JP Morgan downgraded that rating to "Neutral". This shows that Hain's is still in a tumultuous stage, and since 2015 has been battling to find its competitive edge.

Irwin Simon stepped down as the acting CEO in June 2018. Mark Schiller took his position to "reinvigorate growth and [improve] margins" (Nunes). Conference calls from Q2, 2019 illuminates the how Schiller plans to shift the company (Motley Fool). Schiller during the conference call elaborates on Hain's in the past making uneconomic investments and adding complexity to their supply chain without understanding the full impact of their decisions. However, Schiller defends the performance of their International business and U.S high margin brands. Schiller is focusing the company towards shrinking their Stock Keeping Units, and investing in their growing companies. During the conference Schiller makes a remark that Hain's "spread the peanut butter too thin", he elaborate by explaining that they eroded their profits by aggressively pursuing growth.

Upon reflection, it seems that Hain's growth was a result of acquisition; however, when they suffered losses and faced a highly competitive industry they chose to acquire more. This ultimately hurt the company because Hain's soon found itself unable to focus on the businesses that had an ability to grow if given the funding and time. If Hain's had grown slower they could have avoided this situation, and reacted better to the trends affecting their company.

Works Cited

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Exhibit A: Porter's Five Forces – The Hain Celestial Group

Threat of New Entrants

Medium

- Its easy for someone to find a Co-packer to produce their goods
- CPG companies are starting health and wellness lines

Buyer Power

High

- More Millenials
- More Gen X
- Millenials eat more healthy snacks, natural foods, same day foods
- Consumers concerned with animal wellfare, and processed foods
- Buyers buying in new ways

Competitive Rivalry

High

- Many products offered to consumers forcing prices down
- Mainstream food stores using "integrated-segregated" models

Supplier Power

Low

- Enough Co-packers that anyone can switch if they can't meet demands

Threats of Substitutes

High

- CPG companies are shifting products to consumer preferences
- Cheaper and less healthy alternatives always exist

Exhibit B: SWOT Analysis – The Hain Celestial Group

Strengths	Weaknesses
• Hain's has inroads with suppliers allowing them to receive supplies • Hain's can develop small brands with their economies of scale • Hain's ability to leverage social causes • Being a leader in the health and wellness industry • Being reactive vs. proactive • Hiring talented employees • Consumer insights	• Forecasting is critical in managing raw material and material sourcing • Poor brand recognition • Struggling to deliver a consistent message

Opportunities	Threats
• Expanding into international markets • Expanding into growing markets that don't have a health and wellness brand • Growing current companies • Engaging customers to develop brand loyalty	• Retailers developing value products • CPG's introducing new items and reinvented items • Government regulation and labeling laws

Exhibit C: Balanced Scorecard – The Hain Celestial Group

	Objectives	Measures	Initiatives
Financial	• Improve profitability • Increase Revenue	• Grow Stock Price • Decrease Debt Ratio	• Acquire growing companies • Invest in current companies • Forecast demand better to keep costs downs
Customer	• Grow international brands • Build brand loyalty	• Brand success in international markets • Online surveys	• Grow brands in growing industries like India • Grow baby products
Internal Processes	• Effectively forecast demand • Diversify into growing markets	• Inventory turn-around • Analyze current market trends, and identify if you have products in them	• Measure forecast accurately • Invest in Millennials
Learning & Growth	• Acquire growing companies • Learn more about millennial preferences	• Customer surveys • Hire and train 500 new employees in 2019	• Stand for something • Invest in social programs that bring in customers