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RE: Salad Dressing Market Research for Atlantic Sea Farms (ASF)

Summary: The US salad dressing market is generating about \$2B in annual revenueⁱ with a projected CAGR of 0.1%.ⁱⁱ While the salad dressing market overall is relatively mature,ⁱⁱⁱ new entrants with healthier ingredients and new flavors have demonstrated higher growth. However, consumer trends balancing healthier meals with avoiding condiments that are high in fat and sugar are pulling in opposite directions in the salad dressing market and could complicate future growth. Taking these factors into consideration, the healthy salad dressing market could grow with a CAGR of 3.9%^{iv} achieving \$2.4B in revenue by 2026.^v

Salad Dressing Market Overview: The salad dressing market is relatively fragmented, but the large players like Unilever, Campbell Soup, and Kraft Heinz still have a significant chunk of the market.^{vi} These larger players are relatively mature and haven't grown much with their flagship brands. However, smaller companies who can offer consumers options that are perceived as healthier and even targeted at a local scale have seen more success.^{vii} The firms that have seen the most success have been able to position themselves with new flavors, organic ingredients, local appeal, and higher quality.^{viii} The emergent smaller producers are set to experience increased competition from other more healthy and premium entrants that could negatively impact profit margins.^{ix} These new salad dressings have had more success at specialty/health food stores compared to normal grocery stores^x which actually helps position these companies better because smaller stores have less power and cannot apply as much downward price pressure on their suppliers.

Strengths, Opportunities, Targets: Trends toward healthier food options should increase salad /vegetable consumption which should improve dressing sales. The fastest growers in the dressing space are smaller firms that are creating healthy options that appeal to consumers who want to eat more healthful food. ASF is well positioned to take advantage of these trends with growing interest in kelp and seaweed in the US, there is space and possibly a market to target health-minded consumers in health food stores with new salad dressing options. Introducing consumers to new ingredients can be difficult but ASF can leverage existing partnerships with local stores in the Maine and New England area, while also working with Sweetgreen to develop and market salad dressings in that channel.

US flavor preferences also play a factor when considering which salad dressing flavors to develop. US consumers tend to prefer color, saltiness, newness, and easy-to-eat as important factors for dressing.^{xi xii} Tied to this is a slight preference for a spicy note in a fermented dressing since spiciness has been shown to dampen some of the odors and flavors that can be negatively attributed to fermented foods.^{xiii} However, US consumers had negative reactions to flavors that were too spicy or intense.^{xiv} From ASF's perspective, having a dressing and packaging that is visually appealing would be an important part of

positioning the product, while also exercising care when deciding how forward to present the fermented flavor or how intensely to present the spiciness in the dressing. This could be evaluated in tasting trials.

Looking at the behavior of consumer segments shows a wide variability in purchase frequency.^{xv} 34% of consumers never buy salad dressing with 36% buying it at least once a month. Package design, product placement in-store, and messaging around the properties and health benefits of kelp could incent more frequent purchase, especially by health-minded and exploratory consumers, although the varied consumption patterns and high competition could dampen momentum.

Weaknesses and Threats: One of the challenges with salad dressing is the degree to which a dressing is seen as unhealthy because of sugars, sodium, fats, and artificial colors and flavors. ASF needs to develop a dressing that minimizes these ingredients, while also being tasty enough to actually sell. Branding and consumer education/familiarity also plays a role given ASF’s environmental and social mission which could increase trial amongst prospective consumers. Overall, industry performance is relatively flat. ASF will have to aggressively market and find some commercial partners to ensure that ASF’s product stands out from a fragmented crowd.

Conclusion: Flat industry performance overall is concerning. Even though there is more growth in some of the smaller producers with newer and international flavors, there is significant competition in this sector and that could impact ASF’s ability to secure a large market share. Cultivating existing partnerships with Sweetgreen to promote a new kelp dressing, or even incorporating it with some of Sweetgreen’s grab-and-go offerings could increase trial.

Exhibits:

Exhibit 1: Dressing Revenue Projection

Salad Dressing									
	Notes	t	0	1	2	3	4	5	6
		year	2020	2021	2022	2023	2024	2025	2026
Revenue	using 3.9% CAGR	\$B	\$ 1.94	\$ 2.01	\$ 2.09	\$ 2.17	\$ 2.25	\$ 2.34	\$ 2.43

Exhibit 2: Flavor preferences by nationality

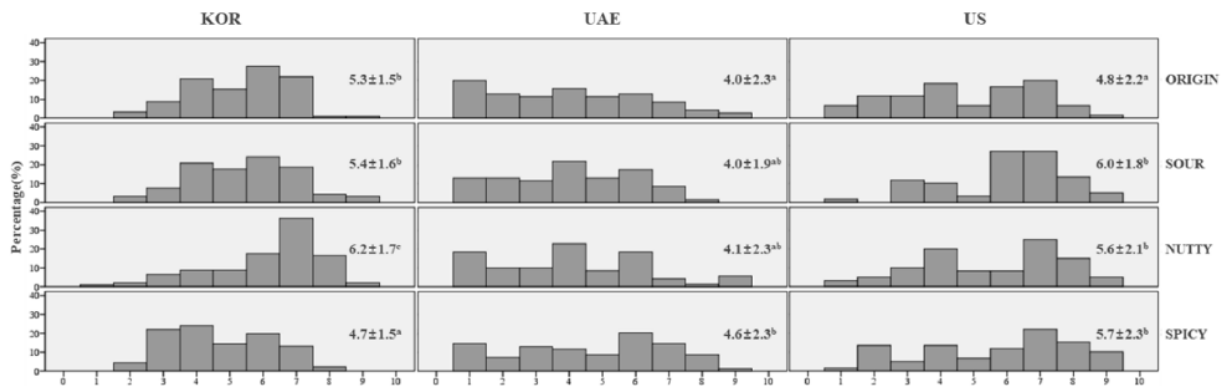


Exhibit 3: Salad Dressing Consumer Segments by purchasing Frequency

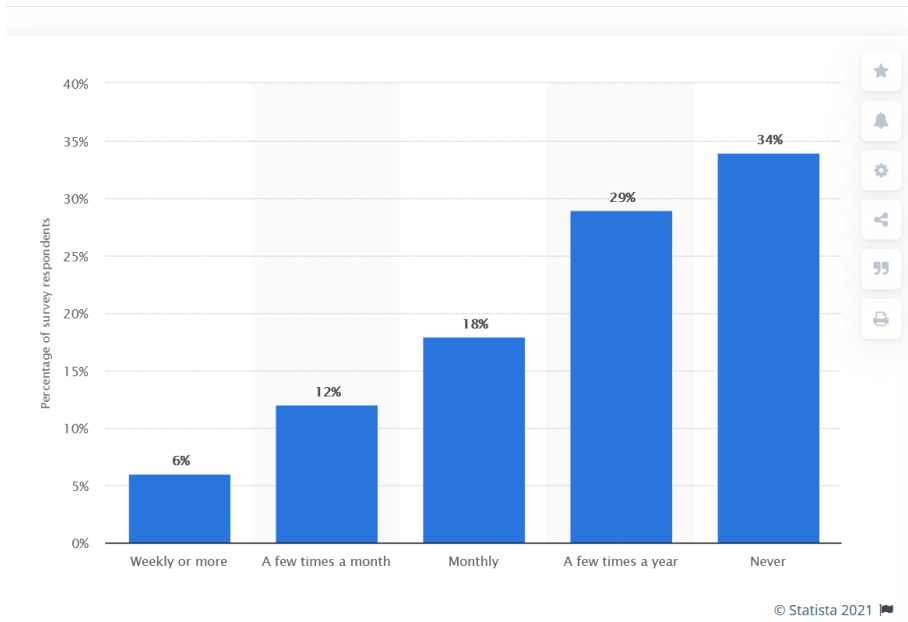


Exhibit 4: Salad Dressing Segments by Channel

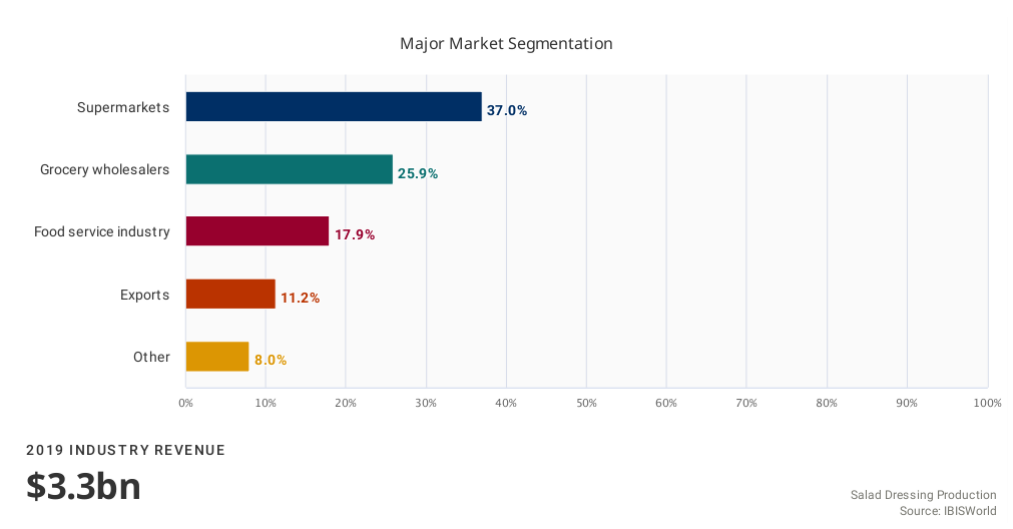


Exhibit 5: Salad Dressing Industry Maturity

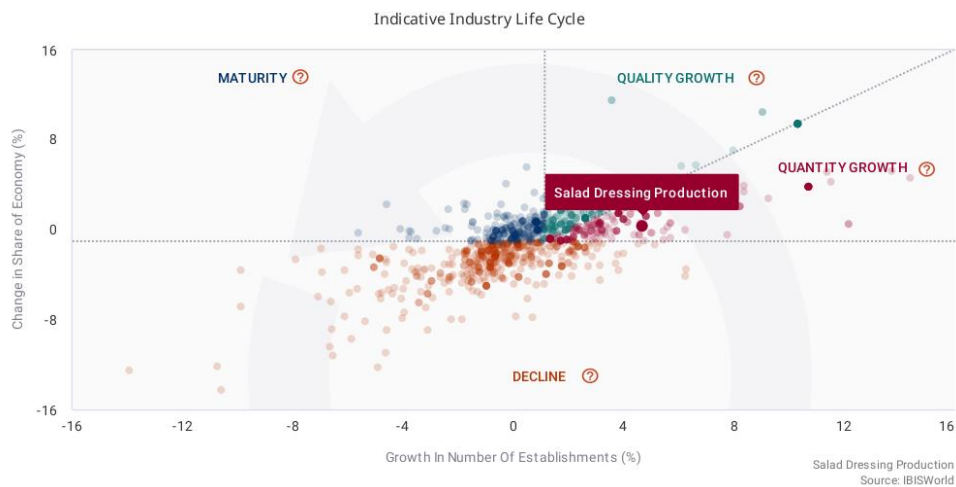
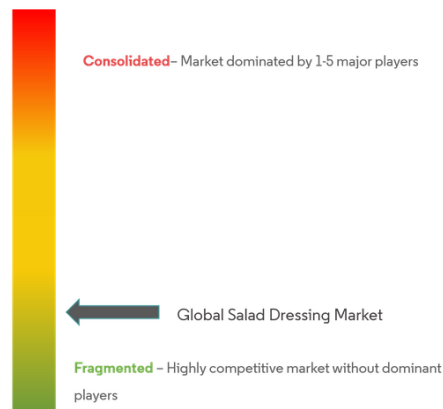


Exhibit 6: Market Fragmentation

Major Players

- 1 Unilever
- 2 Campbell Soup Company
- 3 Dr. Oetker
- 4 The Kraft Heinz Company
- 5 Veeba Food Services Private Limited

Market Concentration



Source: Mordor Intelligence

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ⁱ IBISWorld, Statista, futuremarketinsights

ⁱⁱ Analysis, agr.gc.ca, Statista, IBISWorld

ⁱⁱⁱ Exhibit 5, IBISWorld

^{iv} Statista, futuremarketinsights

^v Analysis

^{vi} Exhibit 6, mordorintelligence

^{vii} mordorintelligence

^{viii} IBISWorld

^{ix} IBISWorld

^x IBISWorld

^{xi} Kim et al, 2020, 12

^{xii} Exhibit 2, Kim et al, 2020, 6

^{xiii} Kim et al, 2020, 12

^{xiv} Kim et al, 2020, 8

^{xv} Exhibit 3, Statista, purchase frequency