THE IMPACT OF REGULATION ON THE MARKET VALUE OF NUTRACEUTICALS
MARKET OPPORTUNITIES AND CHALLENGES

DISCOVER GLOBAL MARKETS HEALTHCARE AND LIFE SCIENCES
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INTRODUCTION

GLOBAL AND REGIONAL PERSPECTIVES

THE NEW MEANING OF STAYING HEALTHY

FINAL THOUGHTS
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Scope

- All values expressed in this presentation are in US dollar terms, using a fixed 2013 exchange rate.
- 2013 figures are based on part-year estimates.
- All historical and forecast data are expressed in constant terms; inflationary effects are excluded.
- Billion is expressed as 1,000 million (1,000,000,000).
- VDS refers to vitamins and dietary supplements, also known as foodstuffs.
INTRODUCTION

Overview of the value of consumer health

Consumer Health 2013
US$206.5 billion

OTC (Chemical) Drugs
US$98.0 billion

Vitamins and Dietary Supplements
US$84.5 billion

Weight Management
US$14.3 billion

Sports Nutrition
US$8.8 billion

Nutraceuticals

Dietary Supplements
US$49.0 billion

Vitamins
US$24.1 billion

Tonics & Bottled Nutritive Drinks/Medicinal Teas
US$8.0 billion

Pediatric Vitamins and Dietary Supplements
US$3.3 billion
Global growth – an interesting contrast in VDS retail value

VDS
2008-2013 CAGR (%)
- +10%
- 5-9%
- 2-4%
- 1%
- 0%
- <0%
- Not represented

Key point: Regional and regulatory events explain some of the differences in growth during the 2008-2013 period.

Top subcategories – retail value absolute growth in actuals (US$) 2008/2013

**Asia Pacific**
- Combination DS: US$985 million
- Ginseng: US$844 million
- Tonics/drinks: US$699 million

**Australasia**
- Fish oils/omegas: US$358 million
- Combination DS: US$185 million
- Multivitamins: US$86 million

**Eastern Europe**
- Combination DS: US$286 million
- Probiotics: US$119 million
- Calcium: US$76 million

**Latin America**
- Multivitamins: US$455 million
- Single vitamins: US$175 million
- Fish oils/omegas: US$101 million

**Middle East and Africa**
- Single vitamins: US$58 million
- Multivitamins: US$56 million
- Probiotics: US$19 million

**North America**
- Tonics/drinks: US$1,236 million
- Single vitamins: US$1,069 million
- Fish oils/omegas: US$702 million

**Western Europe**
- Probiotics: US$115 million
- Combination DS: US$87 million
- Paediatric DS: US$42 million
Regulatory impact on global retailing channels

Vitamins and Dietary Supplements
World: Retail Channel (Value) 2008-2013

- **2008**
  - Grocery Retailers: 20%
  - Chemists/Pharmacies: 21%
  - Parapharmacies/Drugstores: 15%
  - Direct Selling: 22%
  - Internet Retailing: 4%
  - Others: 18%

- **2013**
  - Grocery Retailers: 18%
  - Chemists/Pharmacies: 18%
  - Parapharmacies/Drugstores: 14%
  - Direct Selling: 25%
  - Internet Retailing: 8%
  - Others: 17%
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Positioning supplements in emerging markets

**Asia Pacific**
- **Testimonials** and celebrity endorsements.
- Strong influence of **traditional medicine**.
- Attention to **quality and safety**.

**Eastern Europe**
- Novel supplements still targeted at **affluent consumers**.
- Focus shifts to digestive, men’s and sexual health.
- **Certification** to reduce counterfeit supplements.

**Latin America**
- **Beauty** and relaxation increase demand for new supplements.
- A **rising middle-income** class propels sales in South America.
- High influence of herbal medicine.

**Middle East & Africa**
- Improvement of digestive health
- Need to **meet nutritional deficiencies** prevalent in the population.
- Consumer **education** to drive sales.
Positioning supplements in developed markets

**Australasia**
- Health and wellness solutions via customisation.
- Active *lifestyles*.
- Governmental support on holistic approach to health
- **Wholefood** supplements.

**North America**
- Focus on the *elderly population*.
- Increasing competition from *private label*.
- High degree of consumer segmentation.

**Western Europe**
- Maintenance of a strong immune system and digestive health.
- Concerns about lack of scientifically *proven health claims* affect sales at the regional and local levels.
The popularity of health claims in dietary supplements – regulatory implications

Top Five Positioning of Dietary Supplements by Region – % Retail Value 2013

Values represent %

Asia Pacific  30  13  11  12  30
Australasia  23  7  6  18  23
Eastern Europe  13  11  18  5  13
Latin America  12  22  5  15  12
Middle East and Africa  22  9  10  14  14
North America  18  11  14  5  14
Western Europe  12  8  11  9  9

Other  29  42  45  22  31  36  46
Hearth Health  5  11  13  14  14  9  9
Sexual Health  8  7  14  5  10  14  9
Digestive  7  6  6  28  22  13  11
Sexual Health  5  15  11  5  11  18  11
Joint Health  7  18  12  11  18  12  12
Immune System  11  23  13  22  22  11  11
Bone  12  28  14  14  14  14  14
Beauty  12  22  22  13  13  13  13
Women's Health  9  22  22  11  11  11  11
Energy  9  23  23  23  23  23  23
General Health  12  23  23  23  23  23  23

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The effect of regulatory activity on market values

The Effect of Approved Health Claims
Example of Dietary Supplements – 2008/2013

Proven health claims for probiotics boosted sales in spite of regulatory restrictions in Western Europe.

Unfavorable joint health claims for glucosamine benefits in healthy people led to a decline in sales.

Proven benefits of vitamin D for bone health has benefited sales.

Safety issues related to St. John’s Wort has caused a decline in sales and stricter regulation.
Most relevant dietary supplement positioning
Absolute actual and growth in percentages 2008-2013

Dietary Supplement by Positioning:
% period growth 2008-2013

- Digestive: 24%
- Sexual Health: 471%
- Immune System: 75%
- Bone Health: 64%
- Heart Health: 164%
- Joint Health: 87%

US$ mn fixed ex rate (2013)
Segmentation opportunities still abound for multivitamins

World – Multivitamin Positioning by Consumer Segment – % Retail Value 2013

Values represent %

- Elderly
- Men
- Pregnancy
- Teenagers
- Women
- Other (General Health & Specialty)
Overview of claims for functional packaged foods and beverages – regulatory implications

Packaged Foods and Beverages (Non-Alcoholic)
Health and Wellness by Positioning – % Retail Value 2013

- General Wellbeing
- Digestive Health
- Energy Boosting
- Oral and Respiratory Health
- Endurance
- Bone and Joint Health
- Other

Regions:
- Asia Pacific
- Australasia
- Eastern Europe
- Latin America
- Middle East and Africa
- North America
- Western Europe
Blurring the lines – functional food/beverage vs dietary supplement

Calcium supplement or chocolate confectionery?

Is it a beverage or a supplement?

Supplement  
Functional drink

How are consumers taking their probiotics?

Functional food  
Supplement
**VDS vs. fortified/functional (FF) foods and beverages**

**Dietary interventions are generating new approaches to health**

- Nutritional deficiencies: Vitamins and dietary supplements vs. fortified/functional foods and beverages
- Digestive health: Standard Rx and OTC drugs classification vs. probiotics, fibre and special diets

**VDS vs. FF Products – Retail Value 2008/2013/2018**

- **VDS**
- **FF Foods and Beverages**
- **% CAGR VDS 2008/2013**
- **% CAGR FF 2013/2018**
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Four major forces shaping future performance

**Sales threats**
- Cannibalisation of sales with similar supplements
- Highly competitive environment

**Safety and efficacy issues**
- Contamination issues in manufacturing
- Consumer education needed so consumers can make informed choices

**Regulatory concerns**
- Regional and local regulation
- Dietary supplements to become regulated as OTC drugs?

**Demographics**
- Higher demand from young and middle age adults seeking to prevent non-communicable chronic diseases.
The future of vitamins and dietary supplements – curbing regulation

Get your science right!

- Allergen-free and specialty formulation
- Wholefood
- Organic
- Medical nutrition
- Nutrigenomics

The future is a combined approach

Healthy dietary interventions + Vitamins and dietary supplements – nutritional gaps = Customization
Food for thought

▪ A holistic, natural and safer approach to health and wellness will increase the consumer appreciation of nutraceuticals.

▪ It is becoming a complicated task to navigate regulatory waters in recent years. This calls for strategic thinking and creative solutions in meeting compliance.

▪ The battle of the corporate titans will continue as pharma vs non-pharma (consumer goods, direct sellers, ingredients companies) players fight for a share of wallet in an increasingly competitive landscape.

▪ The marketing and positioning of health claims related to nutraceuticals is an art decidedly influenced by the local market.
Thank you for listening!

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