



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

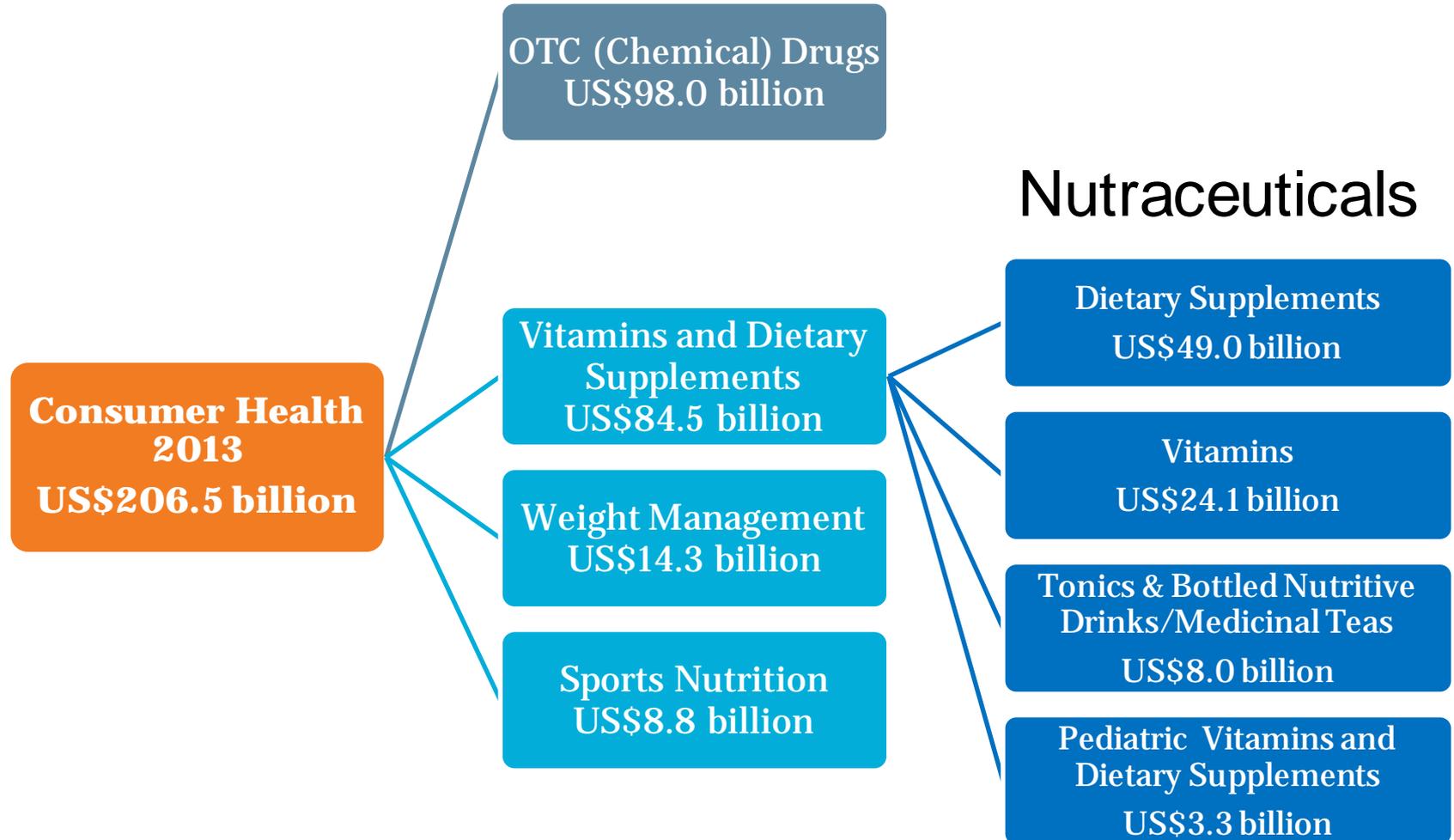
FINAL THOUGHTS



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.

Overview of the value of consumer health



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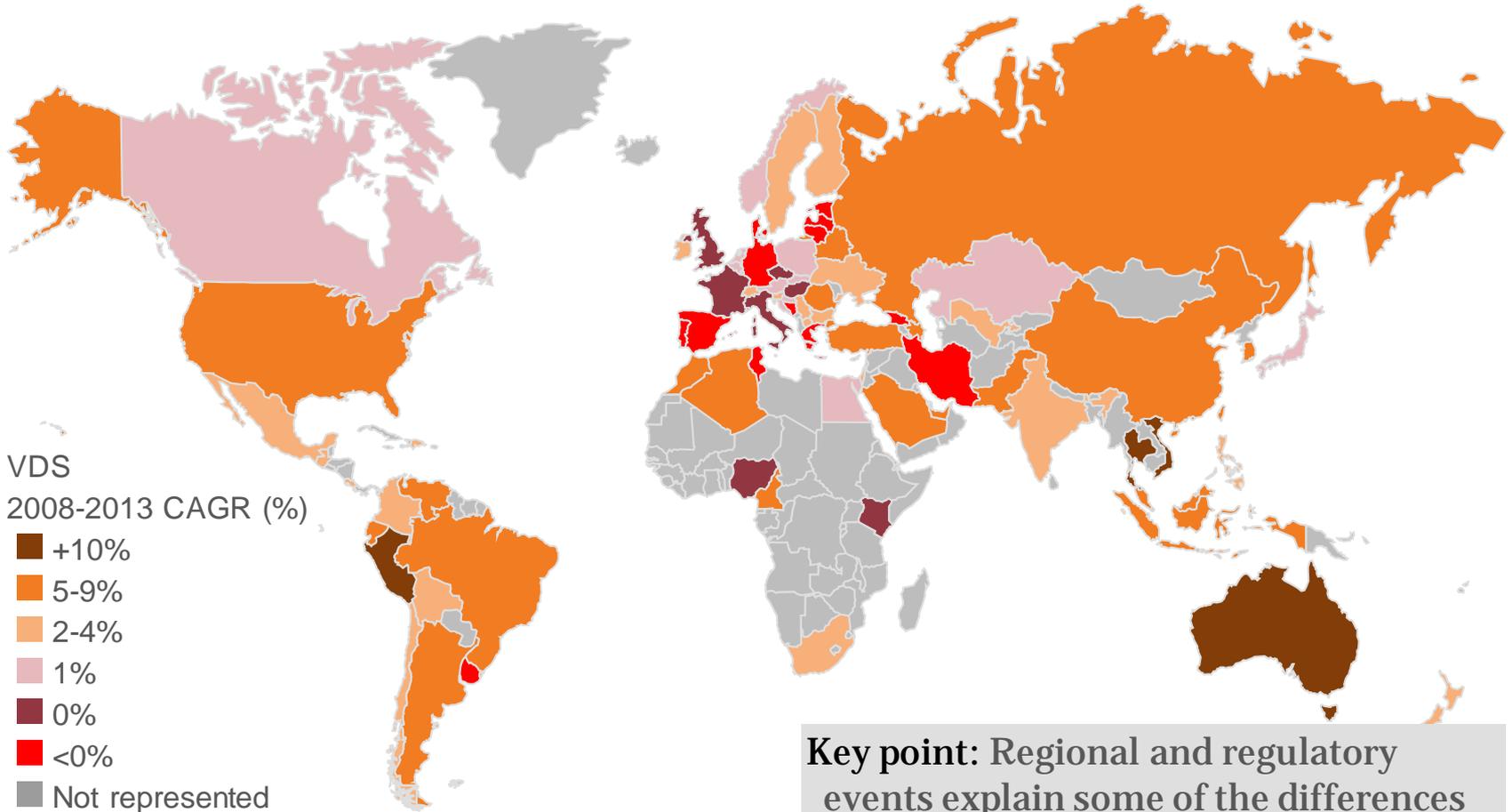
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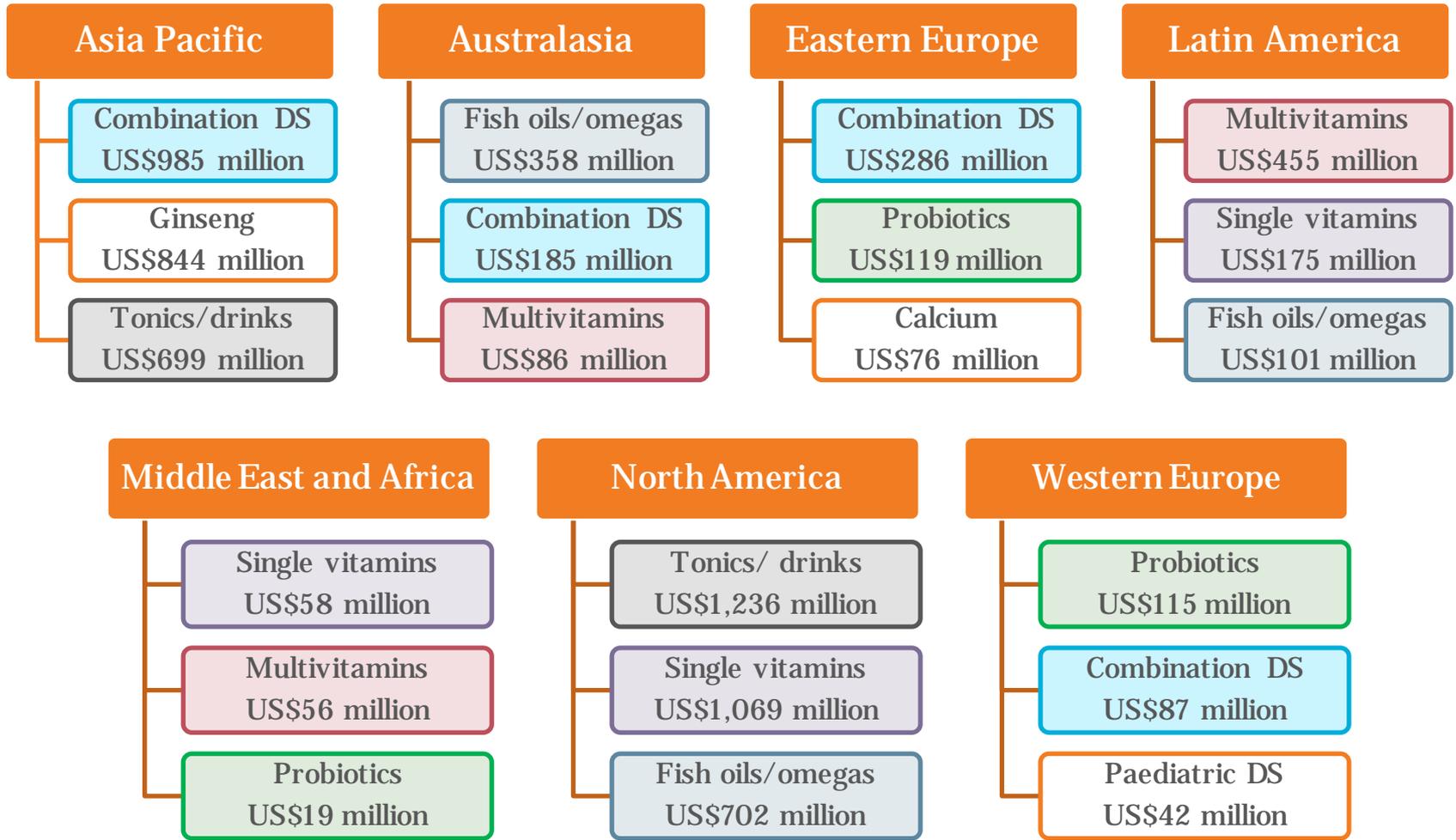
Global growth – an interesting contrast in VDS retail value



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

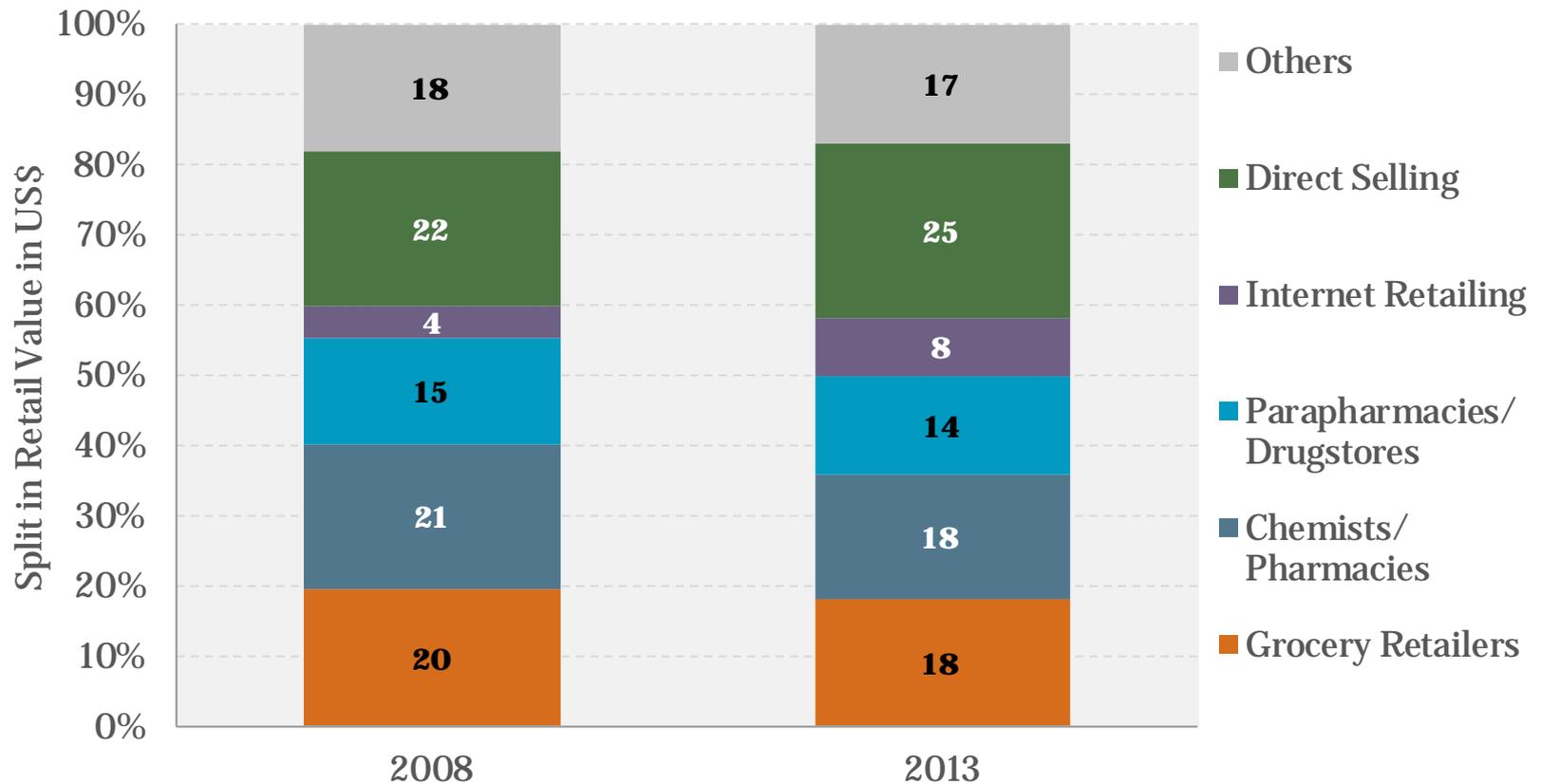
Figures: 2008/2013 retail growth – US\$ mn fixed ex rate (2013)

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



Regulatory impact on global retailing channels

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

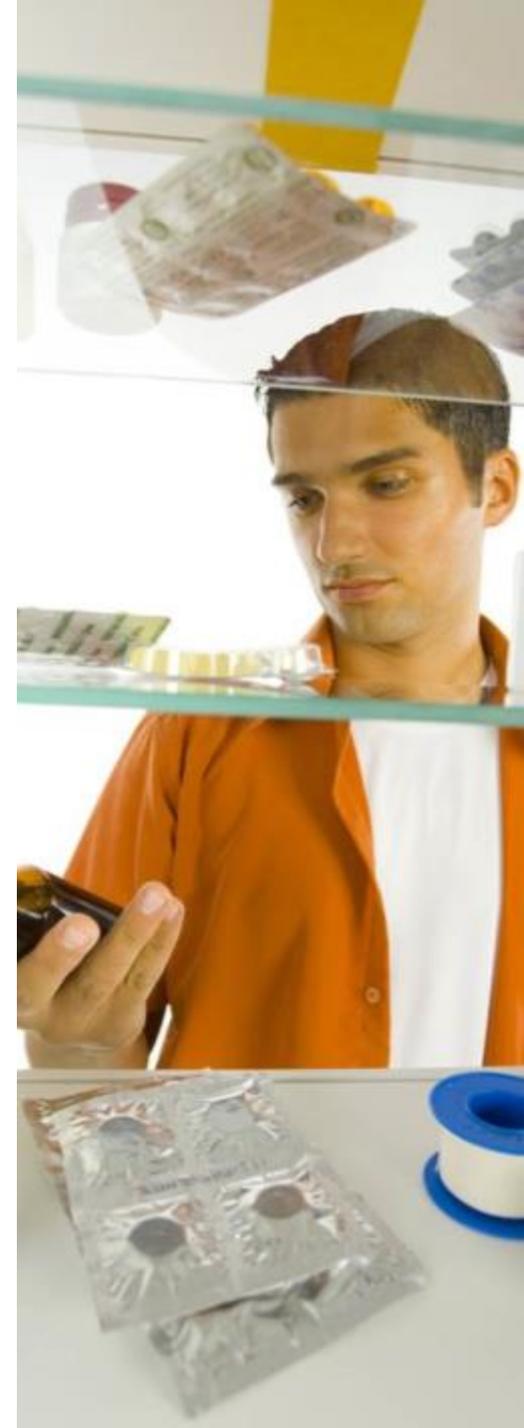


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Positioning supplements in emerging markets

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

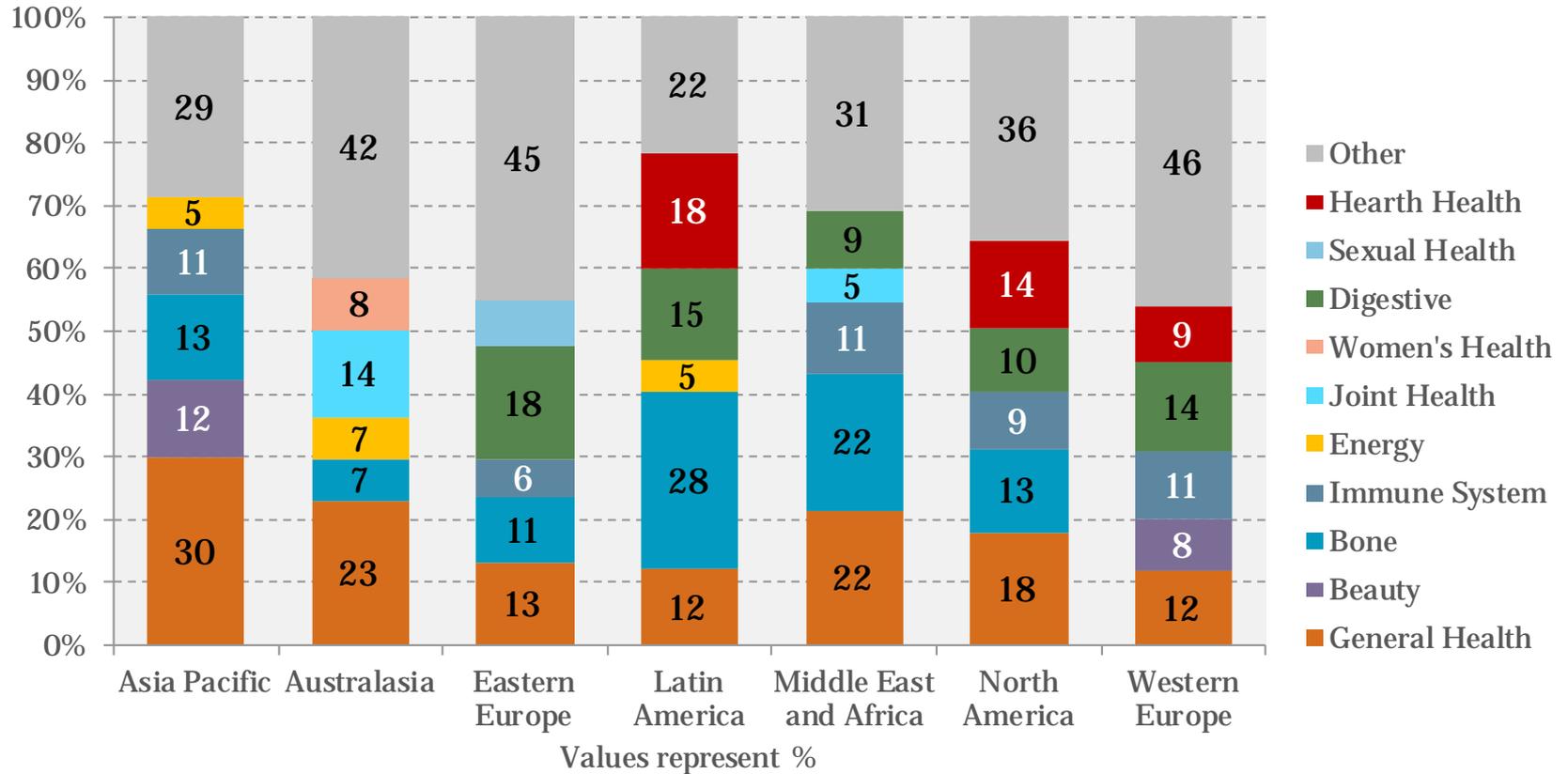
- Focus on the **elderly population**.
- Increasing competition from **private label**.
- High degree of consumer segmentation.

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.

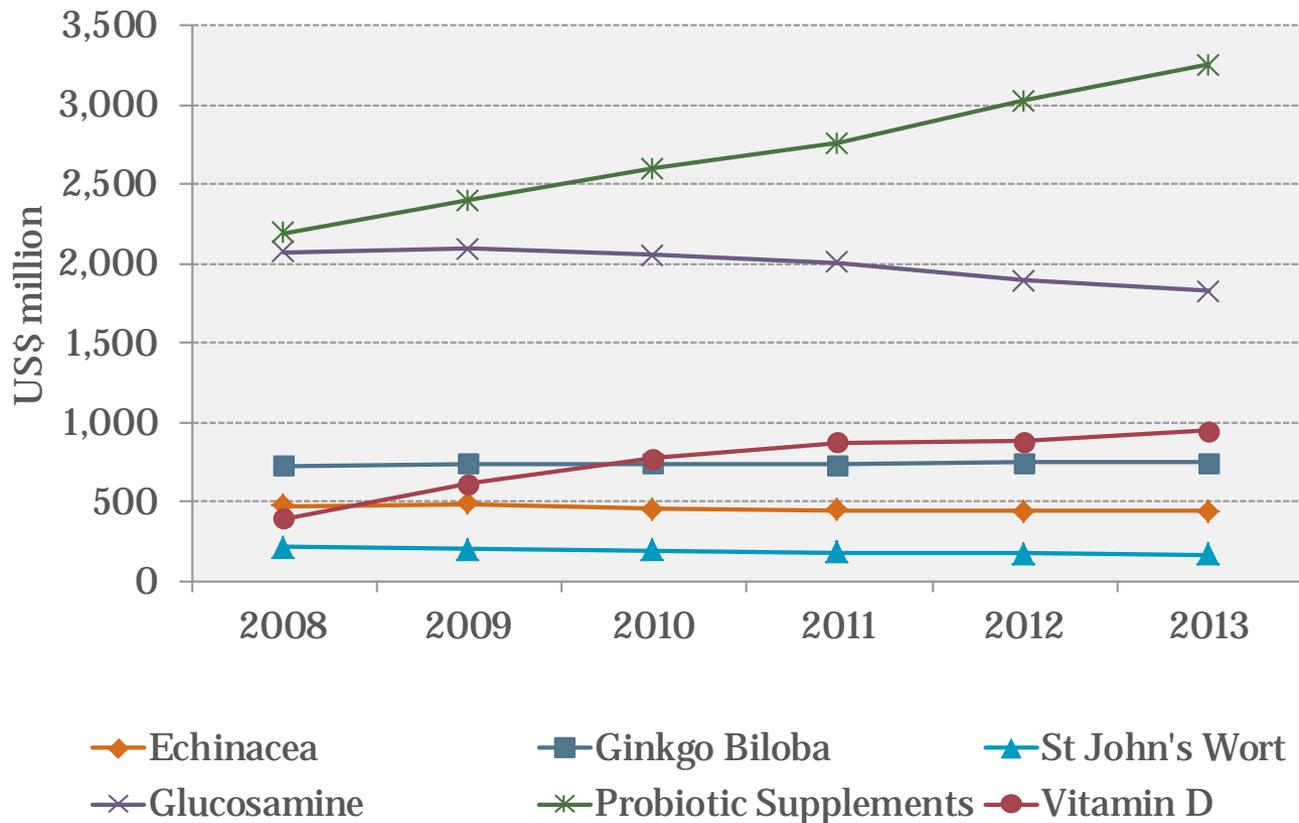
The popularity of health claims in dietary supplements – regulatory implications

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



The effect of regulatory activity on market values

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



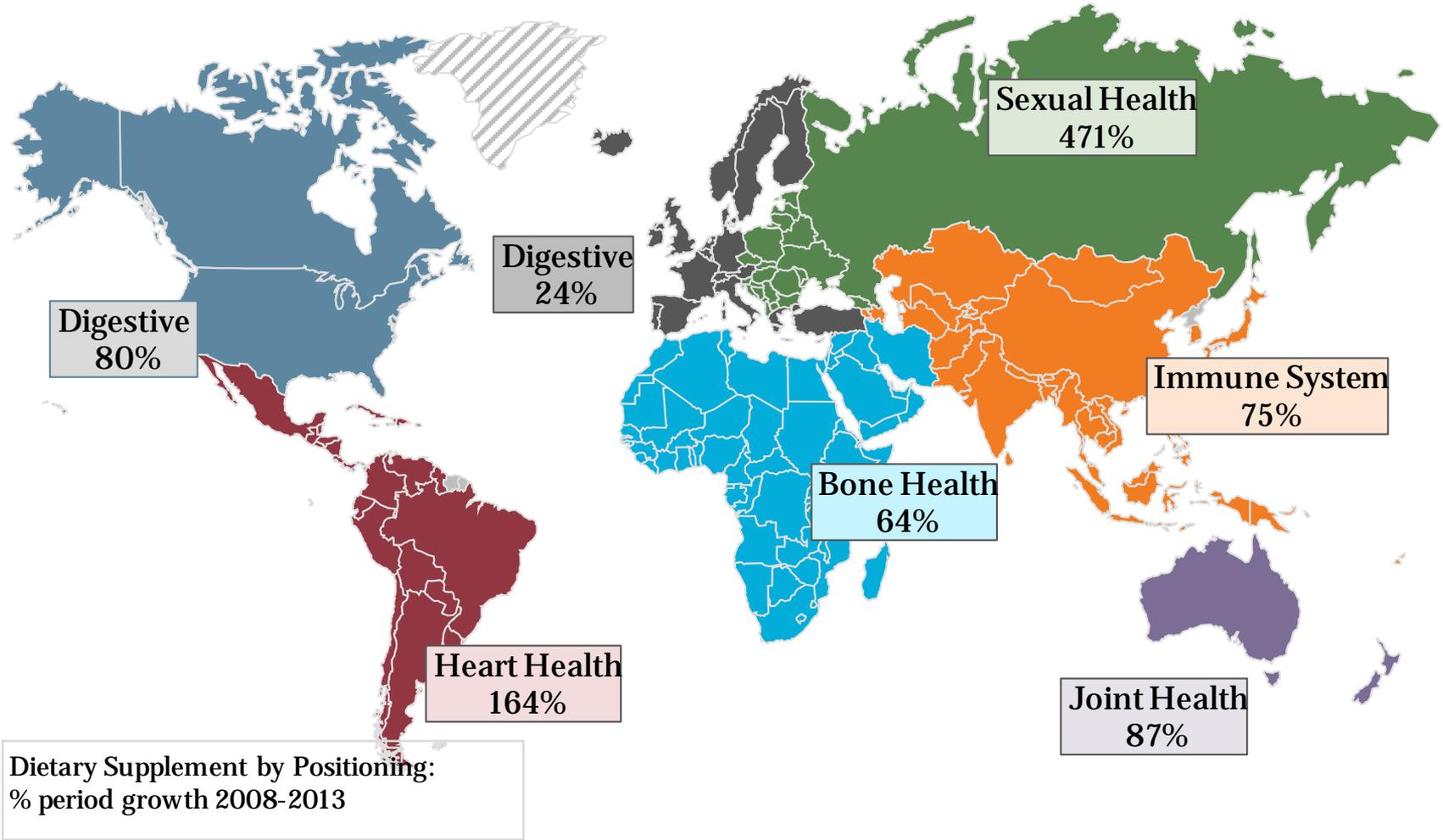
Proven health claims for probiotics boosted sales in spite of regulatory restrictions in Western Europe

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

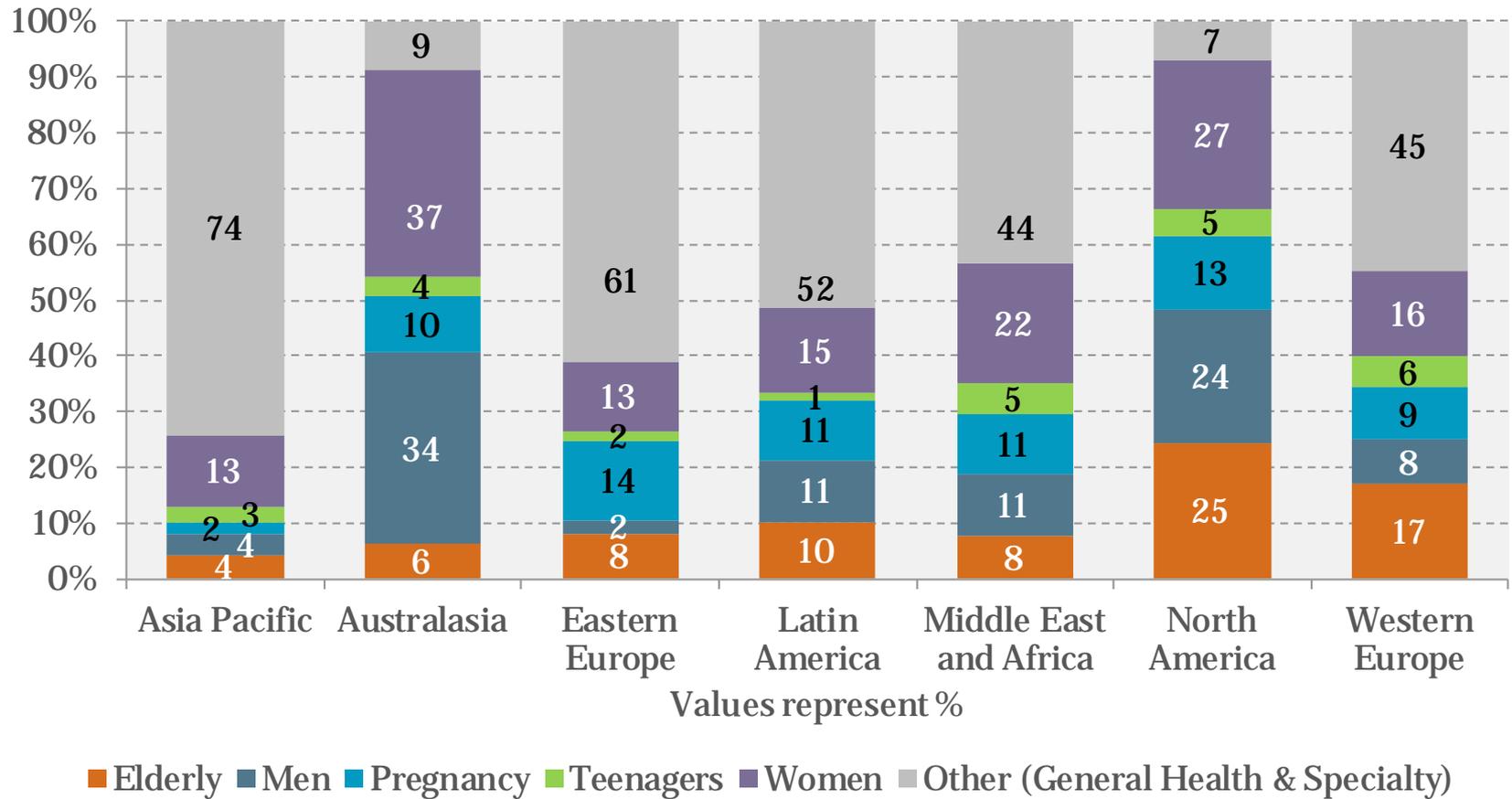
Most relevant dietary supplement positioning Absolute actual and growth in percentages 2008-2013



US\$ mn fixed exrate (2013)

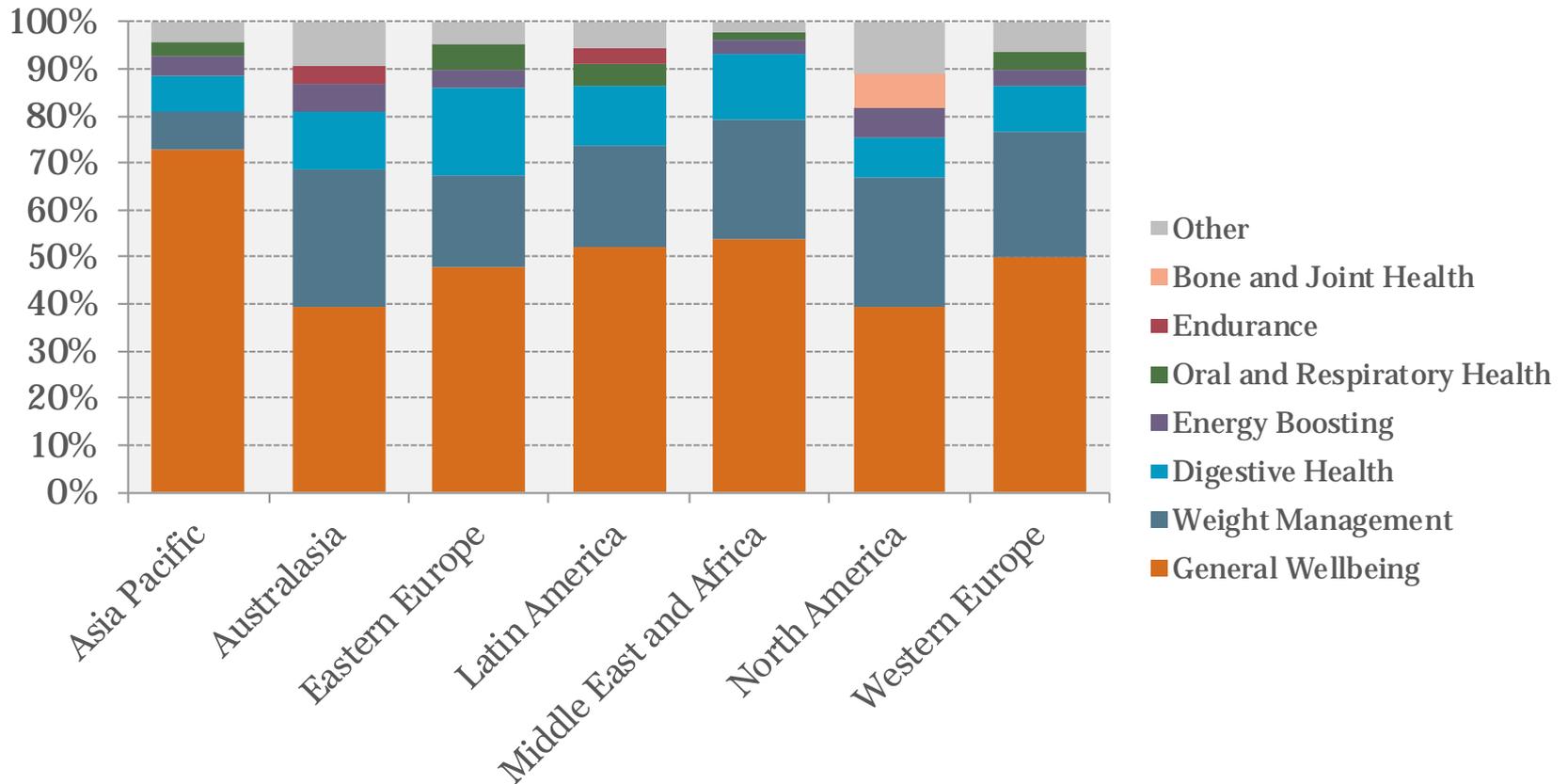
Segmentation opportunities still abound for multivitamins

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



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

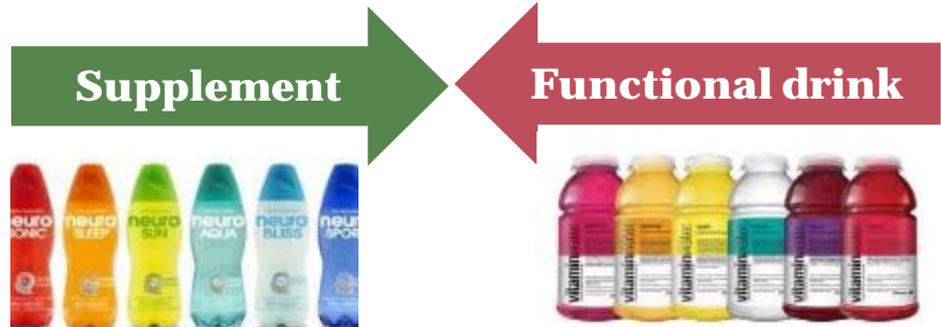


Blurring the lines – functional food/beverage vs dietary supplement

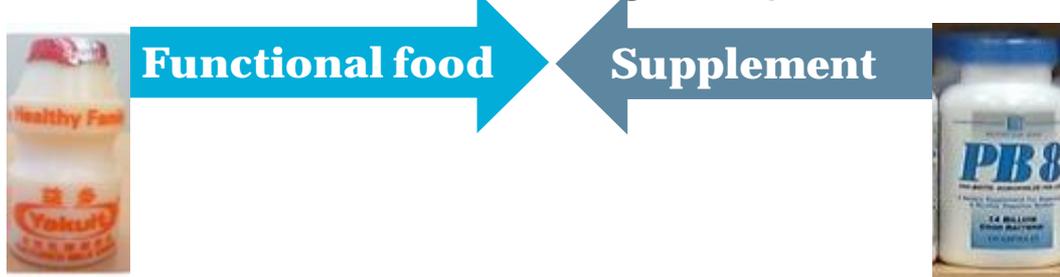
Calcium supplement or chocolate confectionery?



Is it a beverage or a supplement?



How are consumers taking their probiotics?

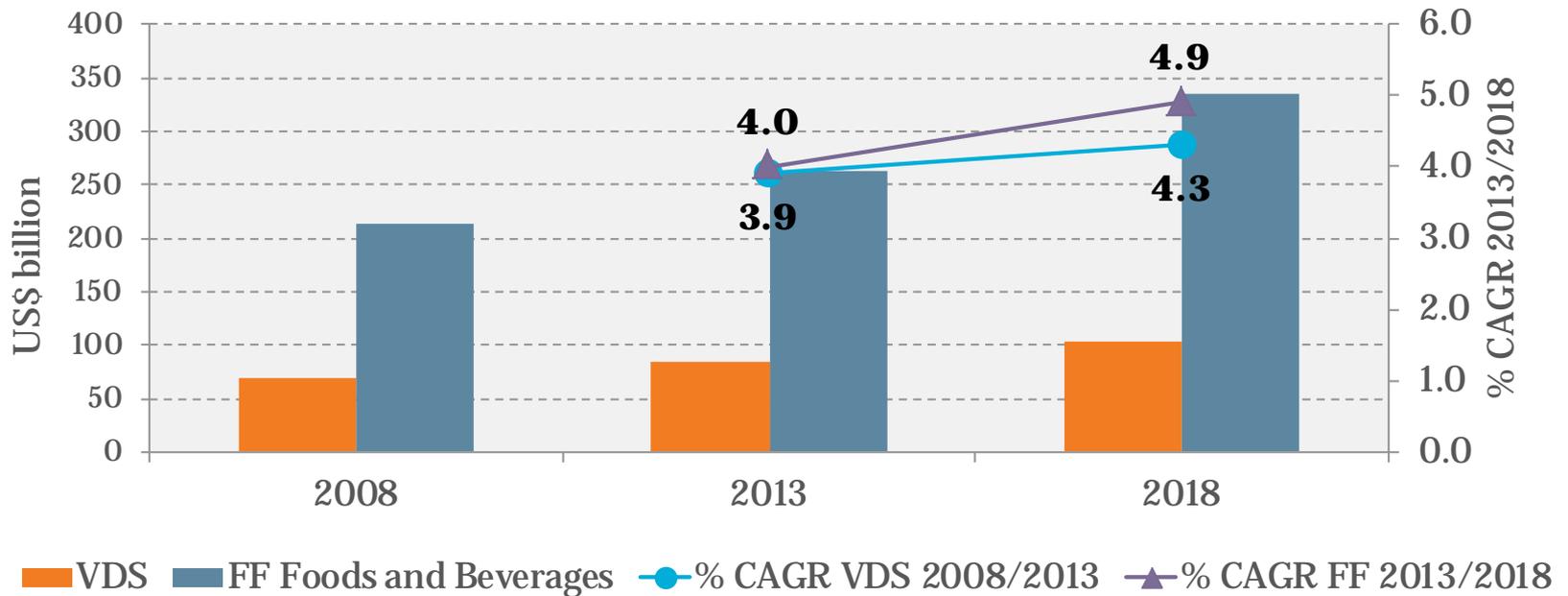


VDS vs. fortified/functional (FF) foods and beverages

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



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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!



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.

Experience more...

Thank you for listening!

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