CRN Annual Conference 2019

TODAY'S DIETARY SUPPLEMENT MARKETPLACE – CONSUMERS – OUTLETS – WHAT'S AHEAD

Robert J. Sanders
EVP, Healthcare and Nutritional Supplement Practice Leader

November 8, 2019

IRi Growth delivered.

CRN *The Science Behind the Supplements*

Basis for this Presentation

- IRI's panel data for all outlets, including all classes of trade where consumers shop
- IRI's eMarketing insights database
- IRI's evolving CBD database resources
- Consumer survey fielded in September 2019 re: supplements and channels shopped

Today's Agenda

State of the Nutritional Supplements Industry

CBD

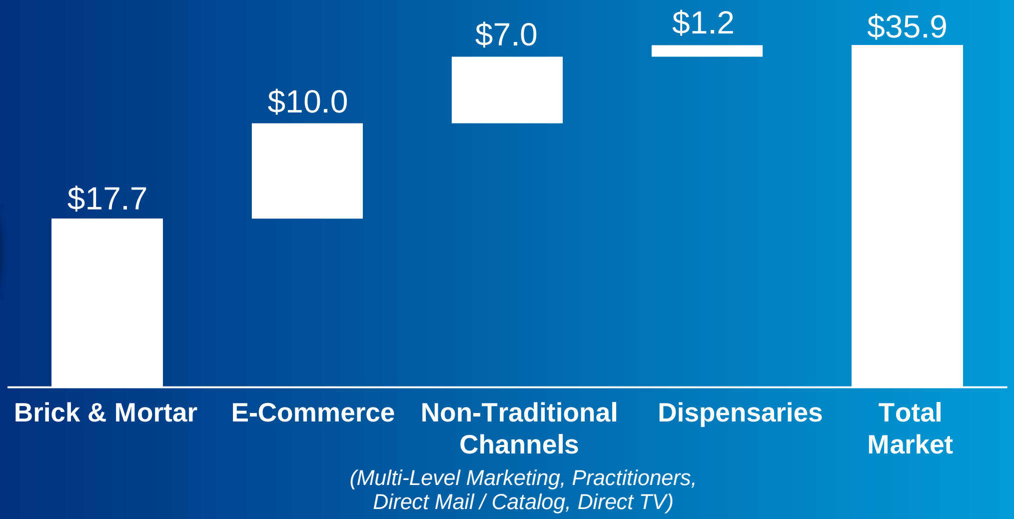
Channels

Insights and Recommendations

1 STATE OF THE NUTRITIONAL SUPPLEMENTS INDUSTRY

Nutritional Supplements is a Massive $35.9B Market

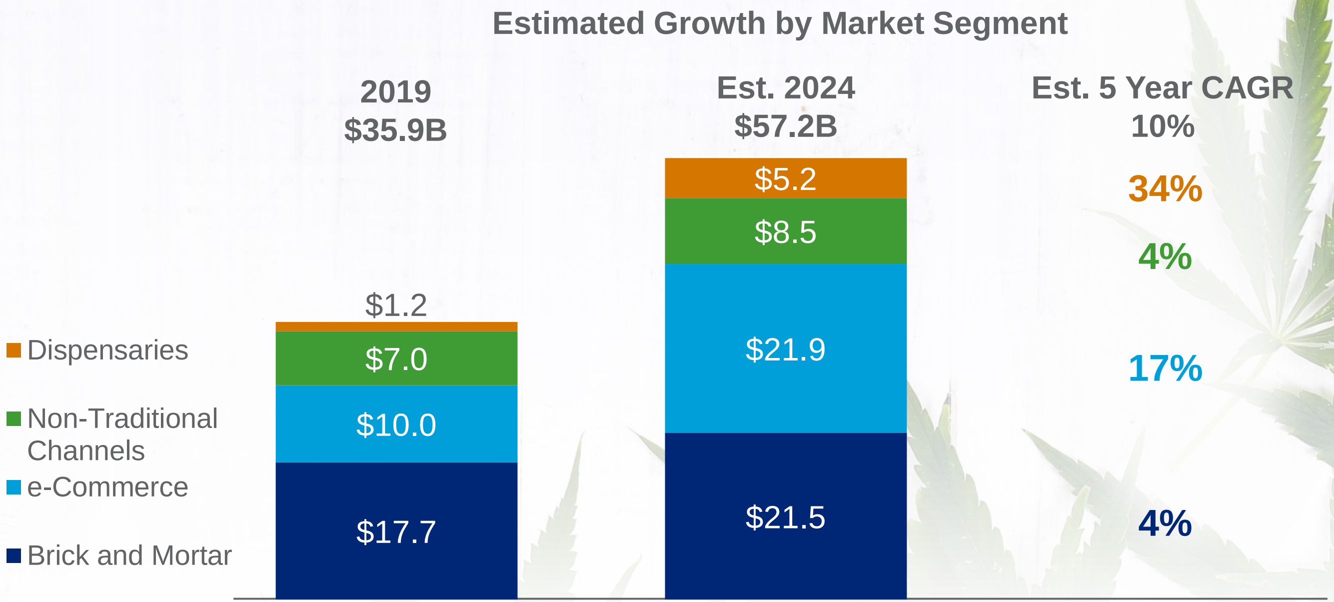
Dollar Sales ($B)



Source: IRI Consumer and Shopper Insights Advantage™, Total U.S. All Outlets (Less Internet), 52 we August 11, 2019 and 3 prior years; NBD Dollars Adjusted
IRI eMarket Insights,52 we 8-11-19; IRI Supplements Survey, 9-2019; BDS Analytics

…and Growing – the Largest Impact Expected from e-Commerce, Dispensaries

The Initial Disruption of CBD in the Marketplace is a Major Variable in This Growth Projection, Which Could be Underestimated



Nutritional Supplements are Growing at **TWICE** the Rate of Total CPG

Total Store	Non-Edibles	OTC and Nutritionals	Nutritional Supplements
+2.3%	+1.9%	+3.3%	+4.0%
$805.6B	$312.7B	$56.3B	$17.7B

Source: IRI CSIA™, Total U.S. All Outlets, L52 we 8-11-19; NBD Dollars Adjusted

…and This Has Been the Trend Since 2016

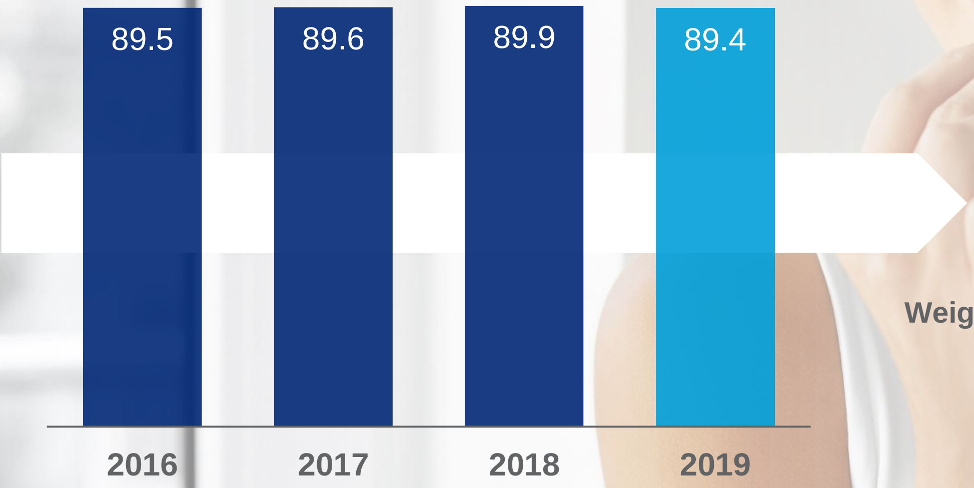
Nutritional Supplements – Brick and Mortar Dollar Sales Trends

4.0% Four Year CAGR

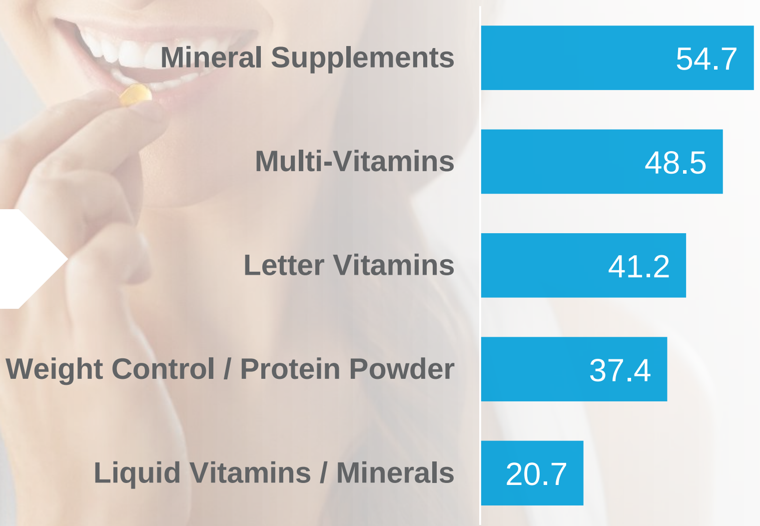
Source: IRI CSIA™, Total U.S. All Outlets, L52 we 8-11-19 and 3 prior years; NBD Dollars Adjusted

Category Penetration Has Reached a Saturation Point, but the Opportunity Exists to Get Consumers to Purchase More Variety Within the Category

Nutritional Supplements Penetration Trends



Segment L52W Penetration

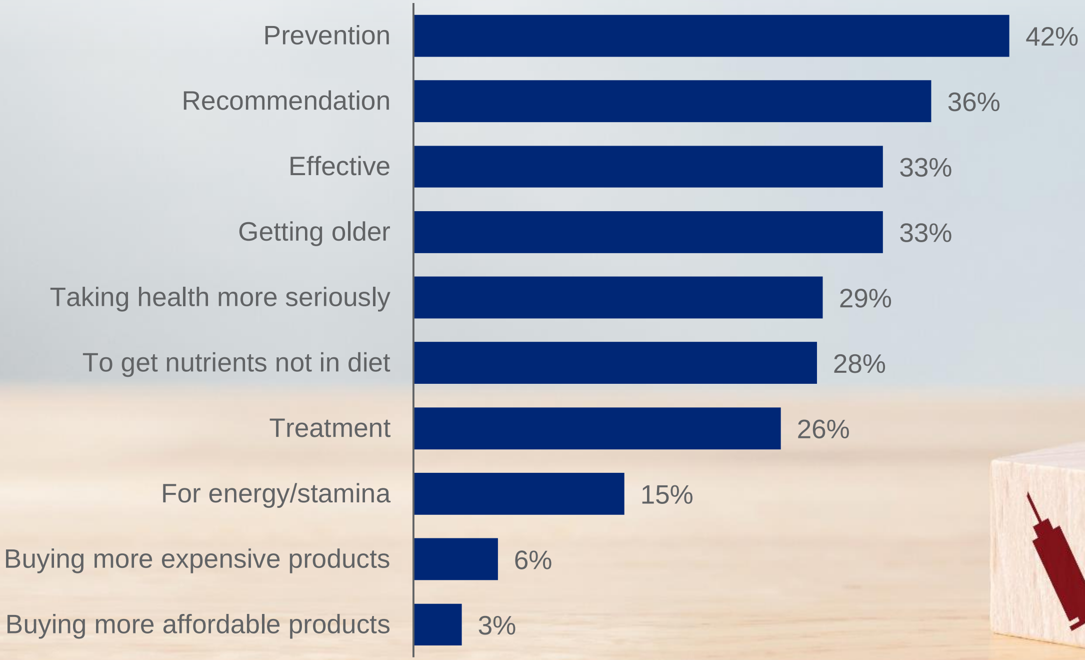


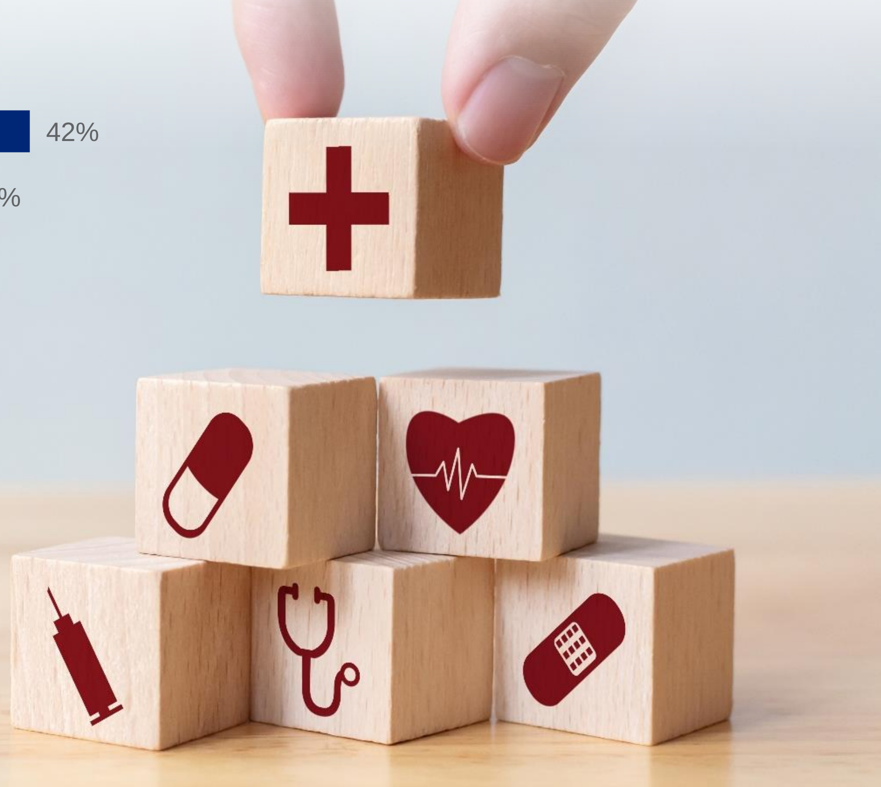
Source: IRI CSIA™, Total U.S. All Outlets, L52 we 8-11-19 and 3 prior years; NBD Dollars Adjusted


Vitamin Benefits

One in Four are Spending More as They Seek Prevention, Follow Doctor Recommendations and Trust Supplement Effectiveness to Manage Their Health

Reasons for Spending More vs. YA

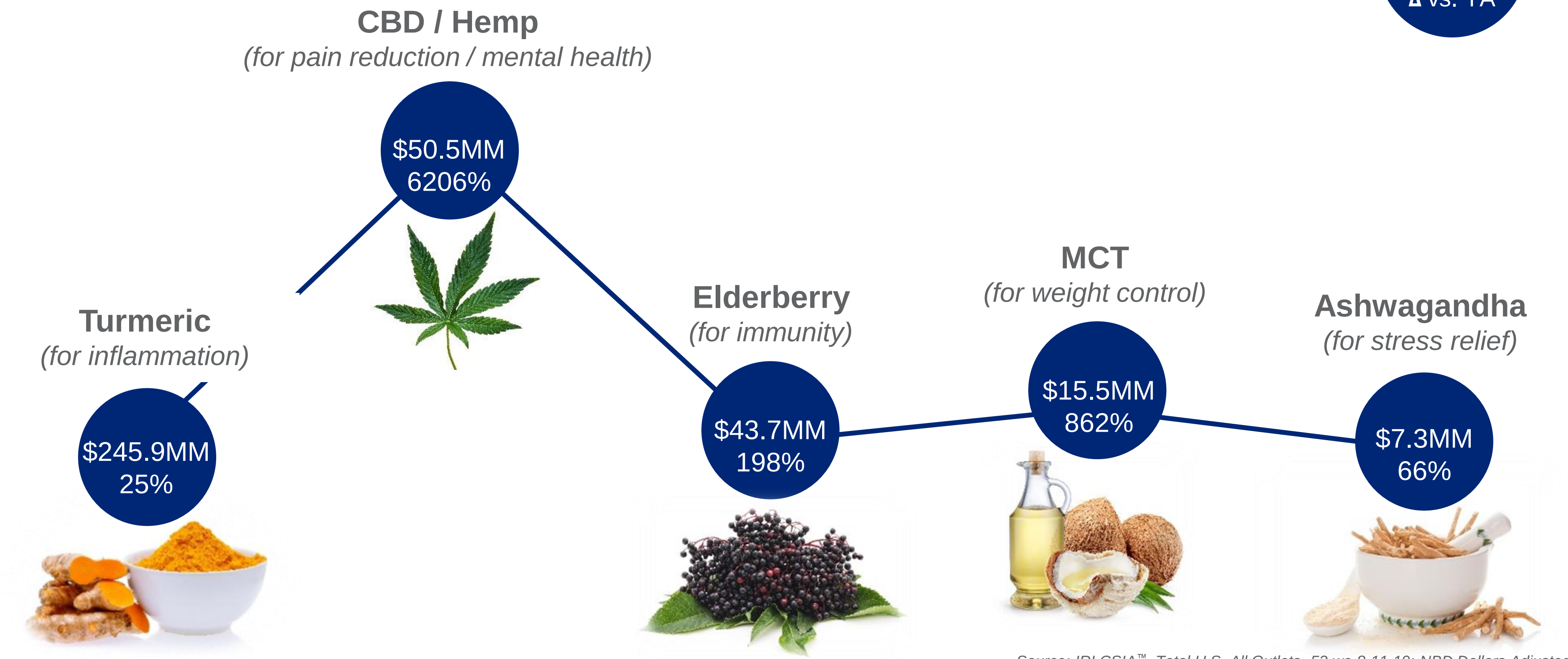




Source: IRI Supplements Survey September 2019; n=237

Consumers are Voting With Their Dollars, Spending More on Specific Herbs and Botanicals, Targeting Key Consumer Needs States

$ Sales
$ Sales % Δ vs. YA



Source: IRI CSIA™, Total U.S. All Outlets, 52 we 8-11-19; NBD Dollars Adjusted

Beyond Herbs and Botanicals, Specialty Supplements are Also Growing, Focused on a Broader Set of Consumer Need States

Dollar Sales - % Change vs. YA

+24% Brain Health

+12% Immunity

+18% Beauty

+6% Eye

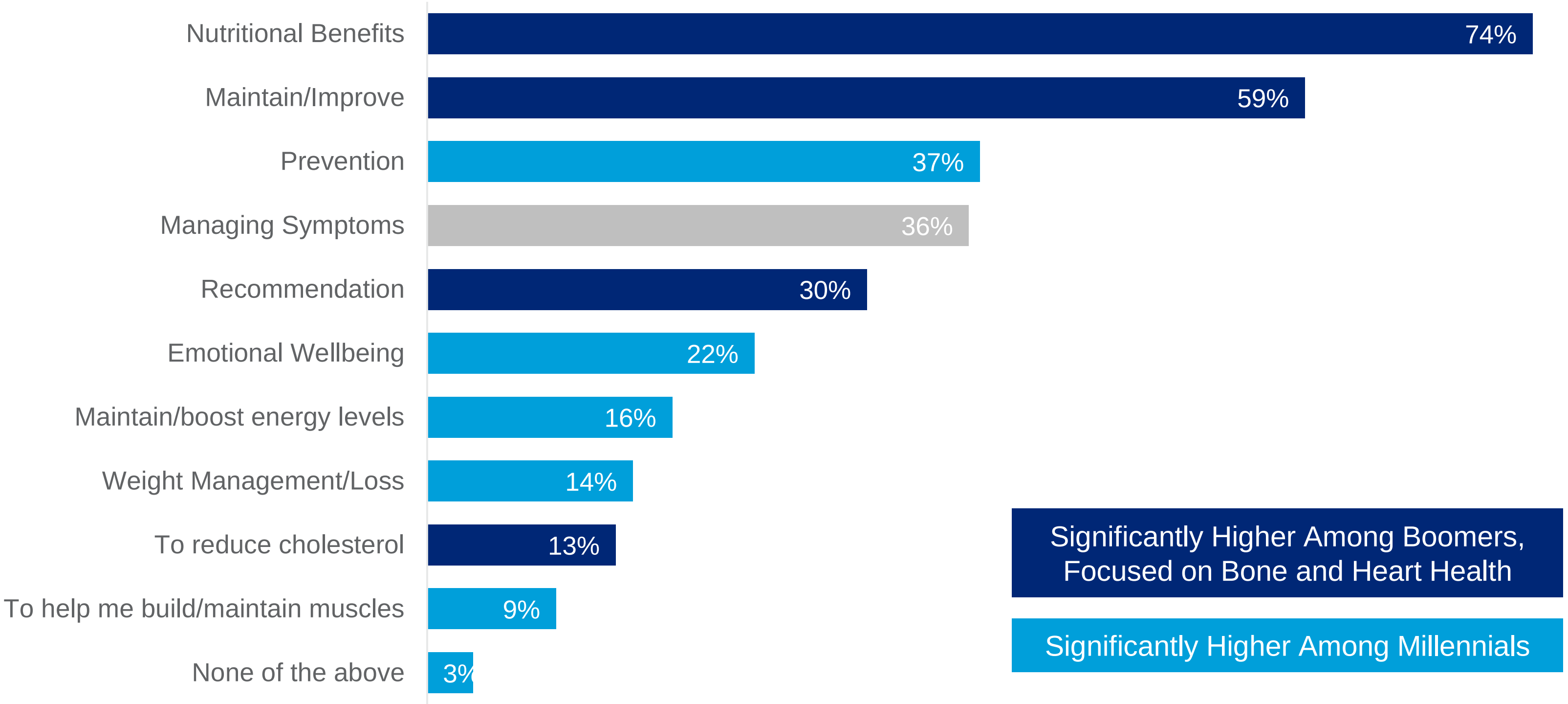
+16% Sleep / Mood

+6% Digestive

Source: IRI CSIA™, Total U.S. All Outlets, 52 we 8-11-19; NBD Dollars Adjusted

Filling Nutritional Gaps is an Overarching Driver for Taking Nutritional Supplements, While Also Supporting Specific Areas of the Body – Health, Bone, Beauty, etc.

Reasons for Taking Nutritional Supplements



n=947

While the Large Vitamin Brands are Flat and Declining, Slim Fast, Atkins, Premier Protein, and Clif are Driving Double Digit $ Growth

Top 15 Nutritional Brands – Dollar Sales (Change vs. YA)
Private Label is $2,909M (+2.2%)

SlimFast	$280M (+29.0%)	ATKINS	$529M (+27.2%)	Premier Protein	$692M (+17.6%)
CLIF BAR	$724M (+12.0%)	PediaSure	$339M (+3.7%)	Airborne Immune Support Supplement	$271M (+3.6%)
KIND	$329M (+3.1%)	Emergen-C	$285M (+2.6%)	Ensure	$676M (+0.8%)
NATURE'S BOUNTY	$717M (+0.4%)	Nature Made	$1,035M (0.0%)	BOOST Nutritional Energy Drink	$371M (-0.1%)
Centrum	$319M (-1.2%)	ONE A DAY	$295M (-4.4%)	Schiff SINCE 1936	$282M (-5.9%)

Source: IRI CSIA™, Total U.S. All Outlets, 52 we 8-11-19; NBD Dollars Adjusted

Fastest-Growing Manufacturers, Big and Small, are Driven by Clean Simple Ingredients and Lifestyles (Paleo, Keto, Low Carb)

Top 6 Growth Manufacturers | Sales >$100MM

	$ Sales % Change vs. YA	Dollar Sales (Millions)
Garden of Life	115.8%	$137.3
RXBAR	47.5%	$155.8
OLLY	41.9%	$106.1
Qunol	31.1%	$124.9
SlimFast	29.2%	$279.5
ATKINS	28.2%	$514.3

Top 6 Growth Manufacturers | All

	$ Sales % Change vs. YA	Dollar Sales (Millions)
Standard Process	7313.0%	$48.6
cave man	2634.5%	$7.2
VITAL PROTEINS	1473.0%	$34.7
BULLETPROOF	425.4%	$7.2
Since KAL 1932	335.1%	$0.2
ANCIENT NUTRITION	299.0%	$9.6

Source: IRI CSIA™, Total U.S. All Outlets, 52 we 8-11-19; NBD Dollars Adjusted

New Product Winners in Nutritional Supplements

$63MM

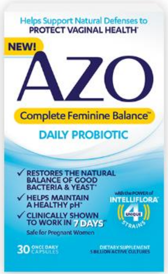
Slim Fast Keto

makes managing your macros as easy as 1-2-3

$29MM

Boost High Protein Powder

high-quality protein for muscle health; vitamins & minerals for bone health



$11MM

Azo Probiotics

restore and maintain a healthy balance of good bacteria and yeast

$10MM

Rainbow Light Multi Vitamins

nutritional support for men, women and children; also in gummies

$10MM

Zarbee's Naturals Elderberry

when there's an important event coming up, send your immune system a burst of support

$6MM

Windmill Keto Science

enhance nutritional ketosis and support a carb-fighting diet

Source: IRI CSIA™, Total U.S. All Outlets, 52 we 8-11-19; NBD Dollars Adjusted

2 CBD

CBD is a Huge $ Growth Opportunity Over the Next 5 +Years

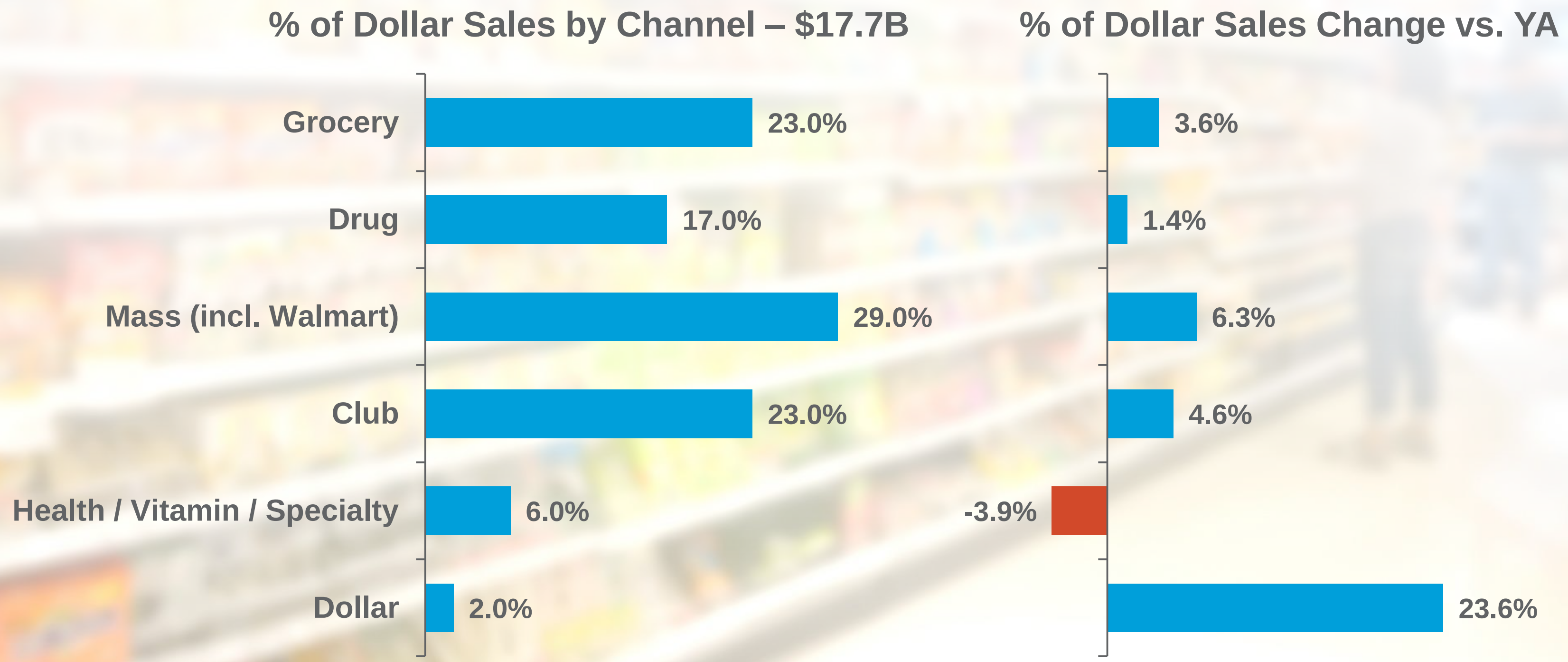
OTC and RX “Watch Out”	Mainstream “Channelization”	Categorization	Safety, Efficacy and Dosing	Compete Effectively
CBD will materially impact traditional OTC Categories	CBD is mainstreaming; we need to maximize incrementality vs. cannibalization	Be part of this trend; learn from Dispensary on early indicators of success in the General Market	FDA involvement is a necessity to mitigate risk of “wild wild west”	Tracking retail sales in both dispensaries and general retail to understand evolving consumer dynamics will be imperative.

IRi BDS Analytics

3 CHANNEL DRIVERS


Vitamin Purchases

Within Brick and Mortar, Mass Represents the Largest Share, as All Outlets are Growing with the Exception of Health / Vitamin / Specialty



Brick and Mortar is Growing, but Struggling to Keep Up with e-Commerce

Nutritional Supplements $ Sales % Change vs. Year Ago

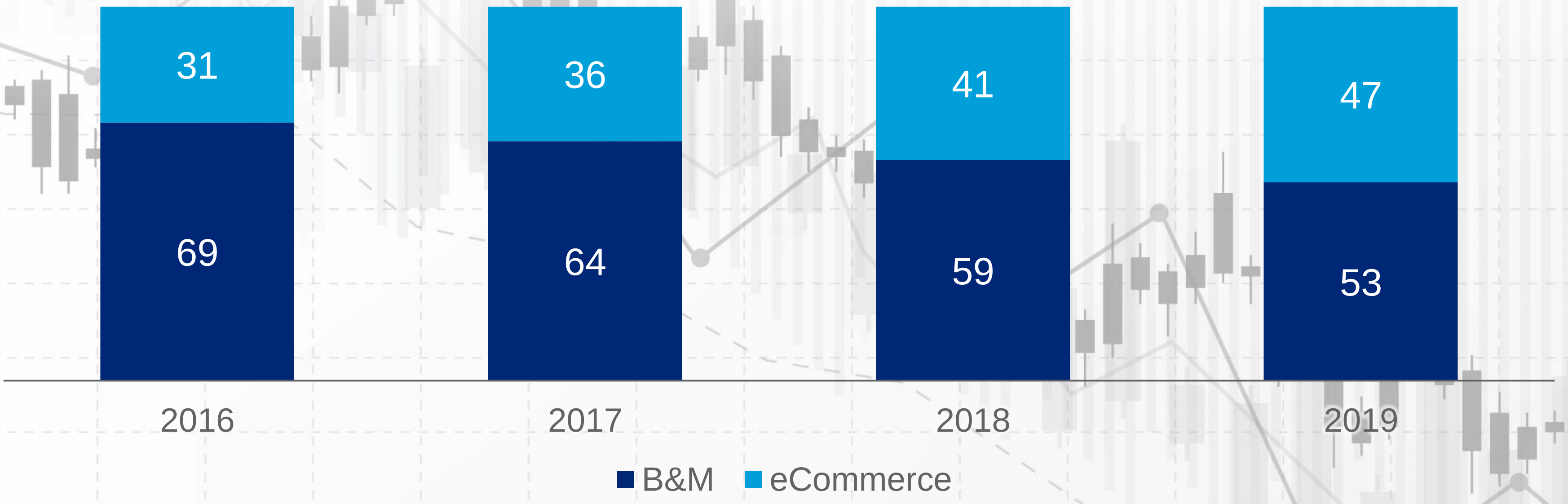
Walmart.com 75.8%

amazon 28.1%

Costco 7.1%	Target 6.6%	Meijer 6.0%	Walmart 5.9%
CVS 4.1%	Kroger 1.7%	BJ's 1.3%	Walgreens 0.0%
Sam's Club -2.4%	GNC -5.1%	Rite Aid -11.3%	The Vitamin Shoppe -16.4%

Source: IRI eMarket Insights and IRI CSIA

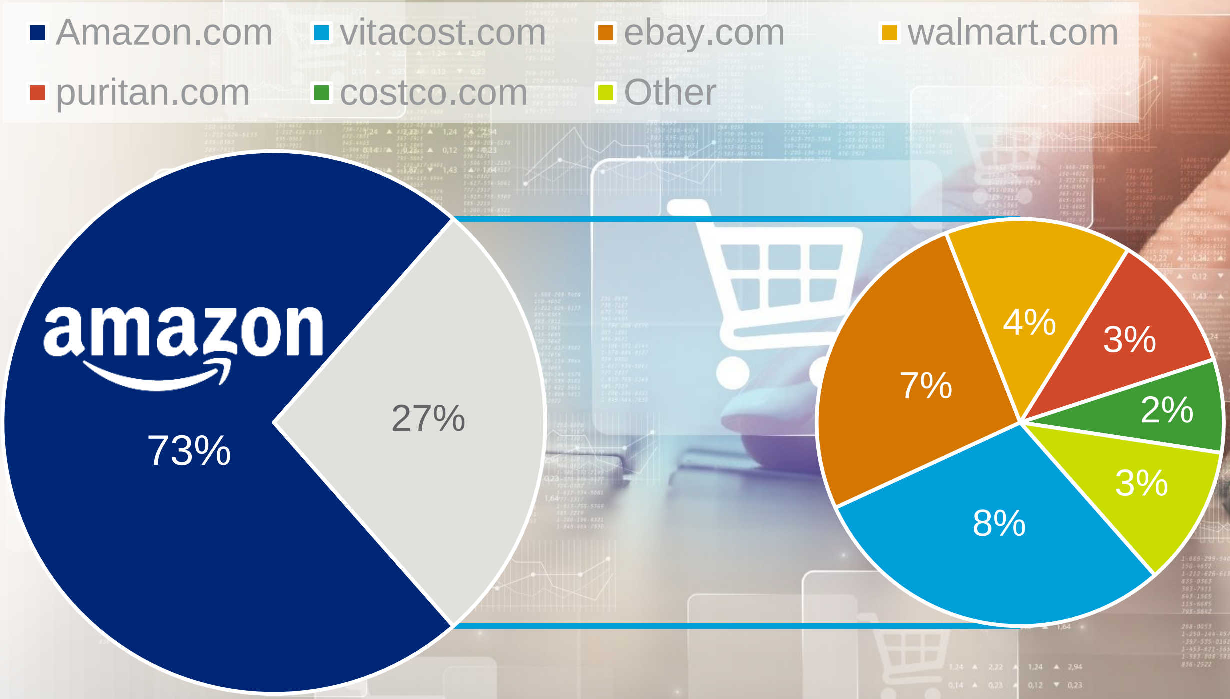
B&M Dollar Share of Nutritional Supplements Has Been Declining



Source: IRI eMarket Insights, 52 WE 8-11-19 and prior 3 years

The “Amazon Effect”

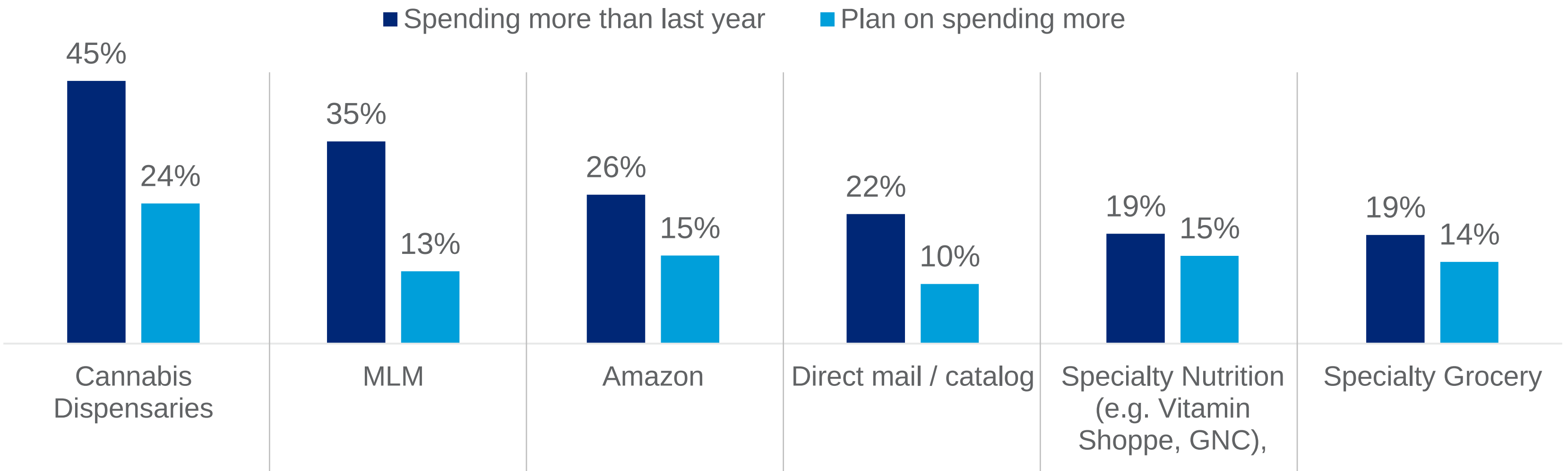
73% of all Nutritional Supplement e-Commerce Sales are Through Amazon



Source: IRI eMarket Insights

Beyond Amazon, Consumers Spent More in Non-Traditional Channels, and Expect to Continue to Do So

% of Respondents



% High Exclusivity					
0%	37.4%	19.5%	36.1%	21.6%	21.2%

Source: IRI Supplements Survey September 2019; n=947; Specialty Grocery –Trader Joe's, Whole Foods; Cannabis Dispensaries – among those shopping there currently n=33
**% of Respondents who spend 75% of more of their Nutritional Supplement dollars in these outlets*

Primary Motivators for Consumer Channel Choice Differ, Ranging from Price / Value to Personal Interaction

Price / Value	Convenience	Selection	Quality	Personal Interaction

Traditional Grocery

amazon

Direct Mail Order / Catalog

Specialty Grocery (Trader Joe's, Whole Foods)

Specialty Nutrition (Vitamin Shoppe, GNC)

Cannabis Dispensaries

Multi-Level Marketing

Healthcare Professionals

n=947

4 WRAP UP

SO WHAT DOES THIS ALL SUGGEST?

There is Substantial Upside for Supplements in the U.S. in the Near-Term

Observation

Consumers will continue to drive growth in supplements across **all outlets, especially outside of B&M**

Recommendation

Manufacturers need omni-channel presence and identity or risk anonymity

Observation

Growth will come from consumers spending more vs. nearly saturated HH penetration

Recommendation

Innovation and new claims / new uses will foster growth and drive incremental spend by consumers

Observation

High interest self-care areas include brain health, inflammation reduction, immunity boosting and mental health improvement

Recommendation

Focus on personalization and these areas of consumer attraction

IRi

Observation

Larger companies are exhibiting slower growth rates vs smaller, more innovative firms

Recommendation

Be nimble and fast to avoid being left behind

Observation

Ethnically diverse Millennials are open to different self-care modalities vs. Boomers; BUT… both groups are still important

Recommendation

Be mindful of both generational cohorts re: innovation, communications and channel placement

Observation

CBD: the most impactful and transformative product / concept to hit consumer healthcare in decades

Recommendation

Monitor regulatory environment, assess risk, read the consumer and then launch / exploit the opportunity

FOR MORE INFORMATION, CONTACT US

IRI Global Headquarters
150 North Clinton Street
Chicago, IL 60661-1416
IRI@IRIworldwide.com
+1 312.726.1221

*Follow IRI on Twitter: **@IRIworldwide***