DRUG STORE NEWS

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VMS Report

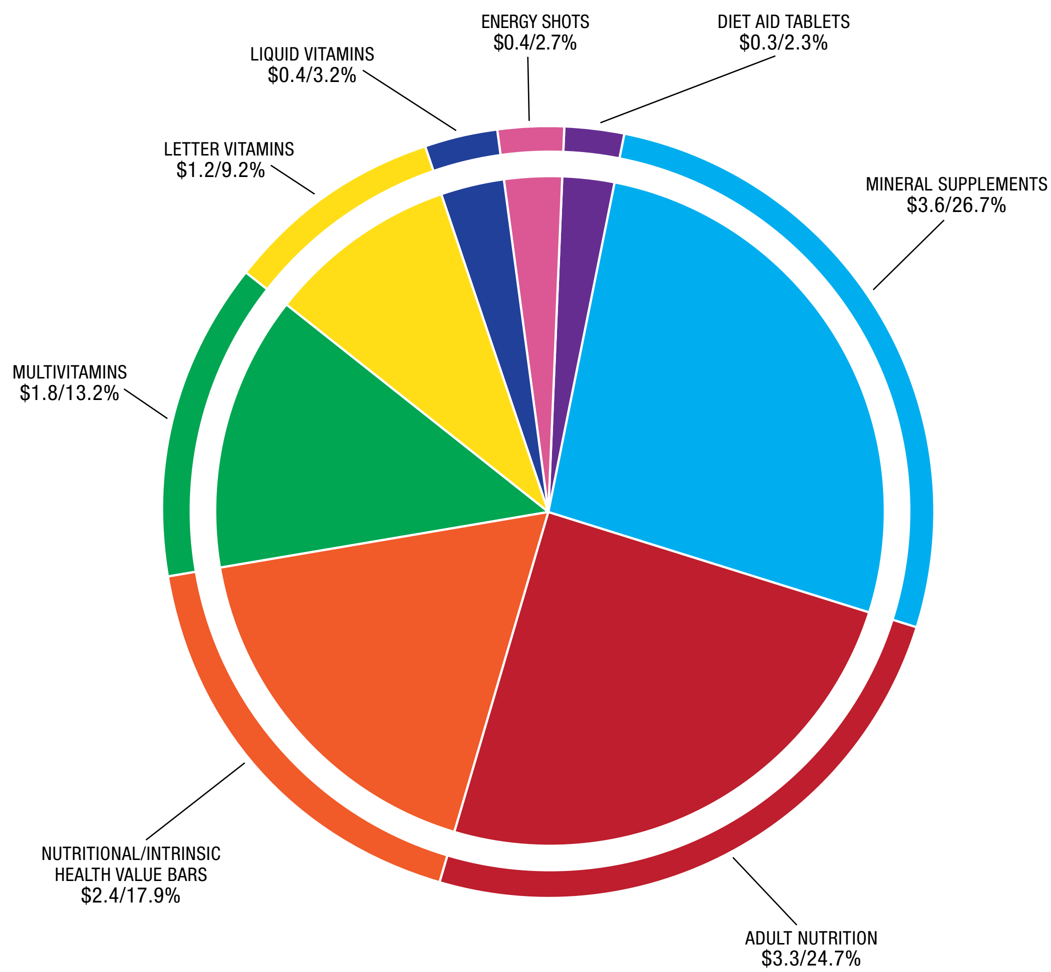
Which healthier-for-you products are boosting retailers' bottom lines?

Supplementing the bottom line

By Michael Johnsen

VMS market*

Total = $13.4 billion



*In billions
Includes Weight loss/nutritional meal replacements in the VMS market; Percent reflects share of total VMS and supplement segments
Source: IRI for the 52 weeks ended April 16 across total U.S. multi-outlet (supermarkets, drug stores, mass market retailers, military commissaries and select club and dollar retail chains)

Supplements are providing the perfect complement to drug store retailers' bottom lines.

Including meal replacement bars, energy shots, protein shakes and diet aids, sales of dietary supplements and nutrition-packed products across the supplement aisle continued to grow at a healthy 4.7% clip with more than $13.4 billion in sales across total U.S. multi-outlets for the 52 weeks ended April 16, according to the latest IRI data.

This consistent growth across the wellness aisles within retail pharmacy can be traced to two factors: the growing proclivity Americans have toward better nutrition and what is being called the "absence of negative," where nutrition and supplement labels boast a greater degree of transparency and fewer ingredients that carry a negative connotation.

In short, Americans want to be healthier, and they want healthier-for-you products in the self-care aisles to get them there.

"Self care is pervasive and it's growing," Amruta Gupta, VP consumer and shopper marketing at IRI, told *Drug Store News*. "Self care is the 'new normal,'" and goes well beyond supplements to incorporate an entire healthier lifestyle. "The biggest implication there is the blurring of category lines."

Indeed, consumers are looking for solution sets across several need states, noted Tim Toll, Pharmavite chief customer officer. Supplements positioned as immunity boosters alone represent 36% of the category growth dollars. "Pharmavite's research has shown that the type of product (e.g., fish oil) and health benefit/need state (e.g., heart health) are the two primary attributes that consumers focus their search on," Toll said.

In the following pages, better nutrition and the "absence of negative" is a recurring theme. For example, the Council for Responsible Nutrition in the past month launched a new online registration portal, the Supplement OWL, where manufacturers can post product labels in a move toward transparency.

DSN also explores what's happening across the supplement space, including SPINS insight on which natural health categories in the specialty retail channel may become hot in mass outlets.

Check out the extended online report for a look at the latest thinking in supplement retailing with a review of The Vitamin Shoppe's latest store format, and an examination of two trending categories — protein and probiotics.

To view the extended report, visit:
DrugStoreNews.com/Resources.

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Traceability is the new VMS buzzword

Consumers want to know where ingredients are sourced

By Michael Johnsen

Sales of vitamins and supplements are generally 10 times greater across large retail chain outlets, including all major food, drug and mass retailers, as compared to specialty outlets. While sales through specialty channels are not nearly as great, the fact remains that the growth trends tracked through those channels, ranging from natural grocers to gourmet wellness stores, are great harbingers of what might soon be best-selling categories within mass outlets.

Drug Store News tapped into the data and expertise of SPINS — a provider of retail consumer insights, analytics reporting and consulting services for the natural, organic and specialty products industry — for its perspective of what's happening in the specialty space today that could make a cross-over to mass outlets in the months to come.

"A new thing we're seeing is people want traceability," Scott Dicker, SPINS nutrition researcher, told *Drug Store News*. "Amazon started this through Amazon Elements, which allows consumers to trace where ingredients are coming from and exactly how much [of that ingredient] is in different batches. A lot of companies are beginning to follow that trend."

Another trend that's percolating among specialty outlets that may make its transition to mass is the ketogenic diet, which is the latest low-carb dieting trend. "That may turn out to be a flash in the pan, but it's going to be a big flash for conventional [outlets]," Dicker said, recalling the last time low-carb diet trends rocketed to the forefront of the American psyche before falling out of favor.

Hot categories that move from specialty to mass outlets may be caused by a trend that is sparked among a niche group that later catches fire among the masses, like a low-carb craze for example. But other elements of that transition can be credited to marketers getting savvy, Dicker said.

For example, before protein had become a hot commodity across mass outlets, it was a category that long enjoyed greater and greater growth from a small niche consumer base — professional or semi-professional athletes and self-proclaimed gym rats. But now there is a significant consumer base that's not included in the messaging that appeals to athletes and gym rats — the yoga mom.

"The sports nutrition consumer and the wellness product consumer [today] is blending together," Dicker said. "It's the 'sportification' of non-athletes," he said. Previously, protein powders were positioned solely against young males as a way for them to bulk up before the big game. Now they're targeting women with the same protein, repositioning the benefits so they're more fitness-enthusiast friendly. "A lot of wellness consumers are now buying a protein [ready to drink] or bar just as a healthy snack," Dicker said. "They're not necessarily using it for performance like core users are, they are expanding the category."

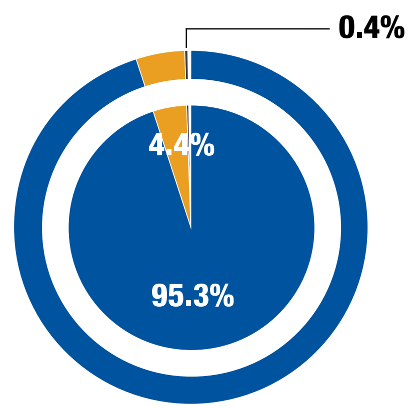
And then there are categories that continue to generate escalating sales in both specialty outlets and mass retailers, with no end to that growth in sight. Take digestive aids and probiotics, for example, Dicker said. "Probiotics help with the absorption of nutrients," he noted. It's a trend that many sports nutrition enthusiasts are picking up on and could only be a matter of time before that benefit is touted at mass, as well.

VMS and herbs sales* by channel

CHANNEL	MULTI-OUTLET	NATURAL	SPECIALTY GOURMET
Vitamins and minerals	$3,543.2	$334.7	$21.8
Protein supplements/ meal replacements	3,172.4	142.1	23.2
Miscellaneous supplements	1,645.1	133.3	6.9
Digestive aids/enzymes	1,263.1	204.3	12.6
Food supplements	737.2	213.7	10.7
Weight management formulas	297.6	14.3	0.6
Performance nutrition	130.5	14.1	0.7
Amino acids	23.0	27.4	0.7
TOTAL	$10,811.9	$1,083.8	$77.2

* In millions
Source: SPINS for the 52 weeks ended April 16

Weight loss VMS* sales by channel: $659.8 million



$628.5 million multi-outlet sales

$28.9 million natural sales

$2.4 million specialty gourmet sales

* Vitamins, supplements, herbs and homeopathic products marketed for weight loss
Source: SPINS for the 52 weeks ended April 16

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†These statements have not been evaluated by the Food and Drug Administration. These products are not intended to diagnose, treat, cure or prevent any disease.

Redefining the brick-and-mortar experience

The Vitamin Shoppe's Brand Defining Store sees strong traffic

By Michael Johnsen

The Vitamin Shoppe for the past year has been steadily redefining the brick-and-mortar experience for natural health shoppers via its latest store prototype, the Brand Defining Store, currently in nine locations with another five to open soon.

"We're always looking for innovative ways to enhance our customer's wellness journey, and our BDS stores are one of many examples of how we're increasing consumer engagement and improving the customer experience overall," Jason Reiser, The Vitamin Shoppe's COO, told *Drug Store News*. "Aesthetically, the stores are simplified and are easier to navigate, [with] elements that encourage our customers to linger longer and engage with our [in-store] health enthusiast," he said. "Some of these elements include our sports nutrition and protein sampling station, and Kombucha Bar that encourage customers to try before they buy."

It's working. According to Reiser, The Vitamin Shoppe is attracting three times the number of first-time customers through its doors, they are spending two times longer in the store during their visit and 91% of them said they would recommend it to friends and family.

The learnings from these stores, such as the sampling stations, are scalable across the entire footprint of The Vitamin Shoppe. "While we are planning broader national expansion of our BDS stores in 2018, we intend to capitalize on several key successful elements from these stores immediately," Colin Watts, CEO of TheVitamin Shoppe, told analysts during the company's latest first-quarter conference call.

That's good news for one of the more significant players in the health-and-wellness space. As more consumers shop mass or online, whether it's for value or convenience such specialty retailers as The Vitamin Shoppe are fighting to retain those fitness-bound shopping trips.

The Vitamin Shoppe's store prototype, Brand Defining Store, is currently in nine locations, and was designed to be easy to navigate to allow consumers to browse longer and engage with the chain's in-store health enthusiast.

> We're always looking for innovative ways to enhance our customer's wellness journey, and our BDS stores are one of many examples of how we are increasing consumer engagement and improving the customer experience overall.
>
> **Jason Reiser, COO, The Vitamin Shoppe**

For the New Jersey-based retailer, a greater emphasis on own brand sports nutrition supplements may be the additional value-add component to keep those shoppers in-store. There is certainly significant opportunity, Reiser told *DSN*. "We focus a lot of innovation effort on our six differentiated brands, bringing shoppers solutions they can feel confident [that] will meet their needs. In doing so, we better earn their trust, and are better able to keep their loyalty with The Vitamin Shoppe."

CRN's Supplement OWL goes live

Online product registry is available to diurnal, nocturnal visitors

By Michael Johnsen

One year after the project was formally announced, the Council for Responsible Nutrition's Supplement OWL initiative became a reality this spring when the online product registry went live. A resource for regulators, retailers and the industry, the OWL is an industry-wide, self-regulatory initiative that will help create a rich and more complete picture of the marketplace, and can be accessed by anyone.

"Transparency is important," Steve Mister, president and CEO of CRN, told *Drug Store News*, especially as the Food and Drug Administration realigns its field inspectors by industry as opposed to geographic centrality. "Particularly as the dietary supplement [or good manufacturing practices] get more and more intricate and we get down to the minutia, we need people who understand that level of detail. [The FDA] has repeatedly said they see value in [OWL] and will use it as a tool."

With the launch, the Supplement OWL is widely accessible for examination. All companies can test-drive the product registry, and retailers can begin to use it to evaluate products on their shelves. As of May 18, 55 brands and 3,015 labels were visible in the OWL. Additional manufacturers are registering their products daily.

"The FDA has only so many resources to enforce the law, which is why an industrywide self-regulatory initiative, such as the Supplement OWL, is critical," Christine Burdick-Bell, Pharmavite's VP and general counsel, told *DSN*. "To better enforce the law, regulators have stated a need for more information about the products in our market, and the Supplement OWL demonstrates that mainstream industry is taking great strides to meet this need."

More than being responsible industry participants in the eyes of regulators, the Supplement OWL also serves a consumer need, Burdick-Bell stated. "By participating in the Supplement OWL, we are demonstrating our commitment to transparency and protecting consumers, and to advancing the industry through self-regulation."

The Council for Responsible Nutrition launched Supplement OWL, an industrywide, self-regulatory online initiative that serves as a resource for regulators, retailers and the industry to register and evaluate products.

> By participating in the Supplement OWL, we are demonstrating our commitment to transparency and protecting consumers, and to advancing the industry through self-regulation.
>
> **Christine Burdick-Bell, VP and general counsel, Pharmavite**

The Supplement OWL offers two tiers of information. Participation in Tier 1 does not carry a charge, and includes an image of the product, a complete product label and other fields of information mostly obtained from the label itself. For a fee, Tier 2 allows companies to upload additional supporting information and documentation about their products, and to choose who will have access to that information — down to the retailer or regulator.


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Probiotics are ringing the register

Savvy consumers are on the lookout for specific strains

By Michael Johnsen

Probiotics are one of the better-selling categories within the VMS space, as evidenced by the number of growing probiotic brands on the top 10 mineral supplement brand chart, which is where IRI captures many of the probiotic SKUs. While market-leading mineral supplement brands Nature Made and Nature's Bounty certainly include probiotics, i-Health's Culturelle brand is the best-selling pure-play probiotic brand with $123.1 million in sales on 8.9% growth across total U.S. multi-outlets, according to IRI.

According to i-Health market intelligence, more and more consumers are researching probiotics online and are coming to the store with a specific brand in mind. In fact, as many as half of consumers know the brand they plan to purchase before walking through the doors, and most of them are going to the digestive aisle in search of their probiotic of choice.

"Consumers are becoming more savvy and are looking for specific probiotics [strains]," Michael Bush, president and CEO of Ganenden, told *Drug Store News*. Not all probiotic strains are created equal, he added, as some strains are better at improving immunity health, for example, while others are better at resupplying the gut flora to reduce adverse side effects associated with antibiotics, such as diarrhea.

According to Ganenden, which licenses the branded probiotic GanedenBC30 to food manufacturers, 70% of consumers are aware of probiotics, and 54% are willing to pay more to trade up for a food or beverage containing a probiotic. "The mom buyer is typically buying for the immune benefits of a probiotic," Bush said. "The probiotic industry is working together to help consumers understand it's all about the strain."

Top 10 mineral supplements

BRAND	SALES*	% SALES CHG	UNIT SALES*
Nature Made	$322.7	1.8%	33.3
Nature's Bounty	273.5	-2.4	29.4
Culturelle	123.1	8.9	5.5
Sundown Naturals	91.8	12.2	11.1
Align	84.5	14.4	2.6
Prevagen	76.9	44.1	1.6
Schiff Mega Red	72.2	-3.3	3.2
Schiff Digestive Advantage	57.8	5.5	4.0
Caltrate	57.1	-6.7	5.0
Phillips Colon Health	57.0	-0.8	3.2
TOTAL	**$3,568.7**	**4.6%**	**308.9**

* In millions
Source: IRI for the 52 weeks ended April 16, Total U.S. multi-outlet (supermarkets, drug stores, mass market retailers, military commissaries and select club & dollar retail chains)

Culturelle Pro-well Immune + Energy

i-Health in May launched its latest probiotic, in Culturelle Pro-well Immune + Energy, formulated to sustain optimum levels of energy and support immune health without caffeine. It expands the typical probiotic indication from gut health to energy. Culturelle Pro-well Immune + Energy includes eight ingredients that deliver on those two wellness benefits. Each packet contains the probiotic strain lactobacillus GG, vitamin C and vitamins B1, B2, B3, B5, B6 and B12.

Protein continues to build strength

Consumers of these products are no longer just bodybuilders

By Michael Johnsen

Protein bars have been flying off the shelves in mass outlets lately. Sales of nutritional bars were up 3.4% to $2.4 billion for the 52 weeks ended April 16, according to IRI across total U.S. multi-outlets.

One reason for the increase is the multitude of consumer segments now shopping the category. First, there is the core group of performance athletes who have incorporated protein supplements into their pre- and post-workout routines. "These are dedicated athletes, bodybuilders and weekend warriors who are interested in benefit-driven products that help them achieve an edge, drive harder and recover faster to meet fitness goals and gain muscle," Timothy Monk, general manager at EAS Sports Nutrition, told *Drug Store News*. "And these consumers are looking for efficacy and specific benefits, whether it's energy, power, muscle mass or recovery."

Then there are also the holistic health enthusiasts who are "interested in clean eating to achieve a general healthy lifestyle. They look for organic, non-GMO, 100% plant-based natural products to supplement protein in both vegan and flexitarian lifestyles," he said.

They're also the early adopters of the category, who help identify emerging brands or ingredient trends for the other two consumer segments. For example, there are the consumers in pursuit of an active lifestyle and/or weight management. "They are looking for low-calorie, high-protein products to help them manage hunger between meals and to nourish muscles post-exercise," Monk said.

In terms of flavor trends, the category is broadening beyond traditional chocolate, strawberry and vanilla flavors and into more coffee varieties and novel options, such as cinnamon or birthday cake.

Top 10 nutritional/intrinsic health value bars

BRAND	SALES*	% SALES CHG	UNIT SALES*
Clif	$361.2	17.1%	131.7
General Mills Fiber One	208.7	-22.0	56.0
Nature Valley Protein	140.6	3.6	30.2
Atkins	129.2	0.5	16.5
Kind Nuts & Spices	118.0	16.2	46.2
Pure Protein	103.6	4.5	24.2
Quest Bar	102.1	8.6	36.4
Zone Perfect	95.5	-3.6	26.0
Think Thin	85.5	20.2	32.7
Clif Builder's	84.3	4.4	23.3
TOTAL	**$2,395.7**	**3.4%**	**795.9**

* In millions
Source: IRI for the 52 weeks ended April 16, Total U.S. multi-outlet (supermarkets, drug stores, mass market retailers, military commissaries and select club & dollar retail chains)

CytoSport Muscle Milk Protein Bars

Sports nutrition company CytoSport transitioned from the refrigerated protein ready-to-drink section to other meal-replacement options with the launch of its new Muscle Milk protein bars in 12 flavors, each of which contains between 15 g to 20 g of protein. Cytosport's core Muscle Milk RTD brand generated $137.6 million in sales for the 52 weeks ended April 16 across total U.S. multi-outlets, according to IRI.