



Webinar Series

TABS Analytics' **10th** Annual Vitamin Study

Wednesday, July 19, 2017

THE EXPERTS IN CONSUMER ANALYTICS®

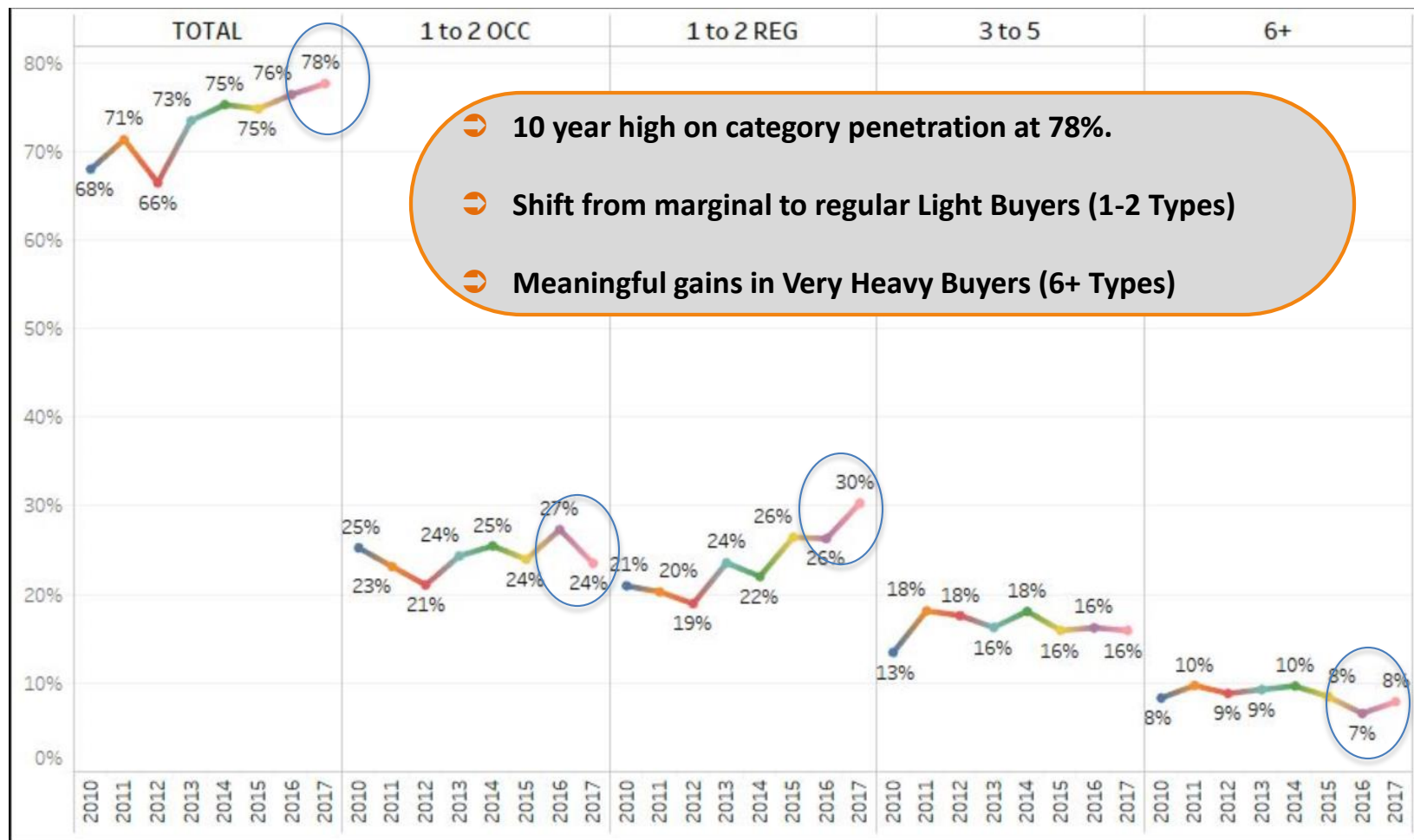
TABS Analytics Vitamin Study

- ➔ Survey of 1,010 Consumers via Caravan Panel, part of ORC International. Geographically and demographically dispersed and weighted by Age and Gender.
- ➔ Each survey from 2010-2017 was fielded in April or May. Surveys also conducted in 2005 and 2008.
- ➔ **Definitions** – FDMCD (aka Mass Market) = Food + Drug + Mass + Club + Dollar
Specialty Brick & Mortar (aka Specialty) = Nutr Specialty + Natural Food + Catalogue + MLM
Online = eCommerce sales by both “Pure Play” and Brick & Mortar operators.
Share of Mentions used as a proxy for Share of Transactions. Market Size adjusted for estimated Trans Size

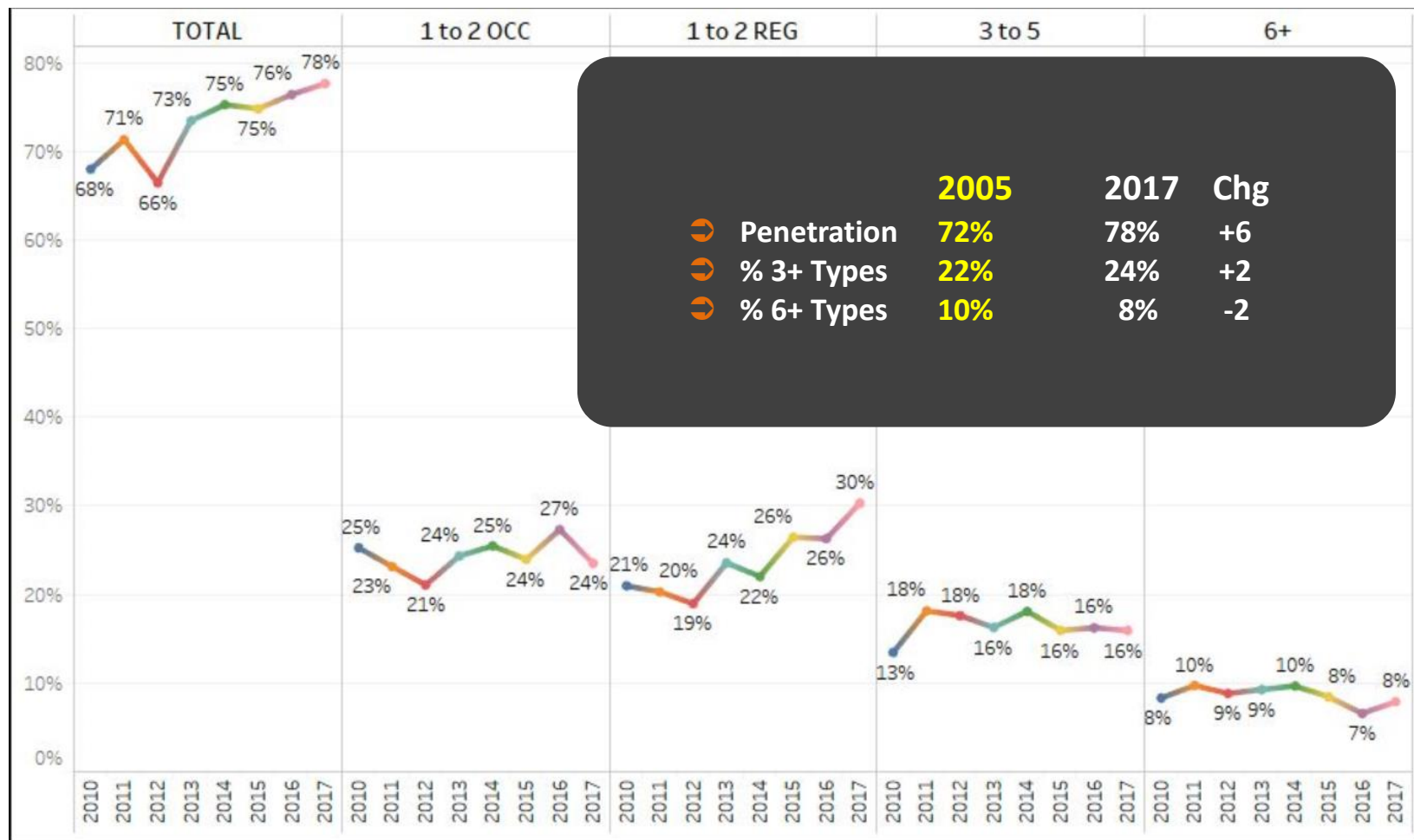
Questions:

- ➔ How Many Types of Vitamins and Nutritional Supplements Purchased?
- ➔ What Types Purchased and which Regularly (3+ times per year)?
- ➔ Outlets where purchase Vitamins and where purchase Regularly?

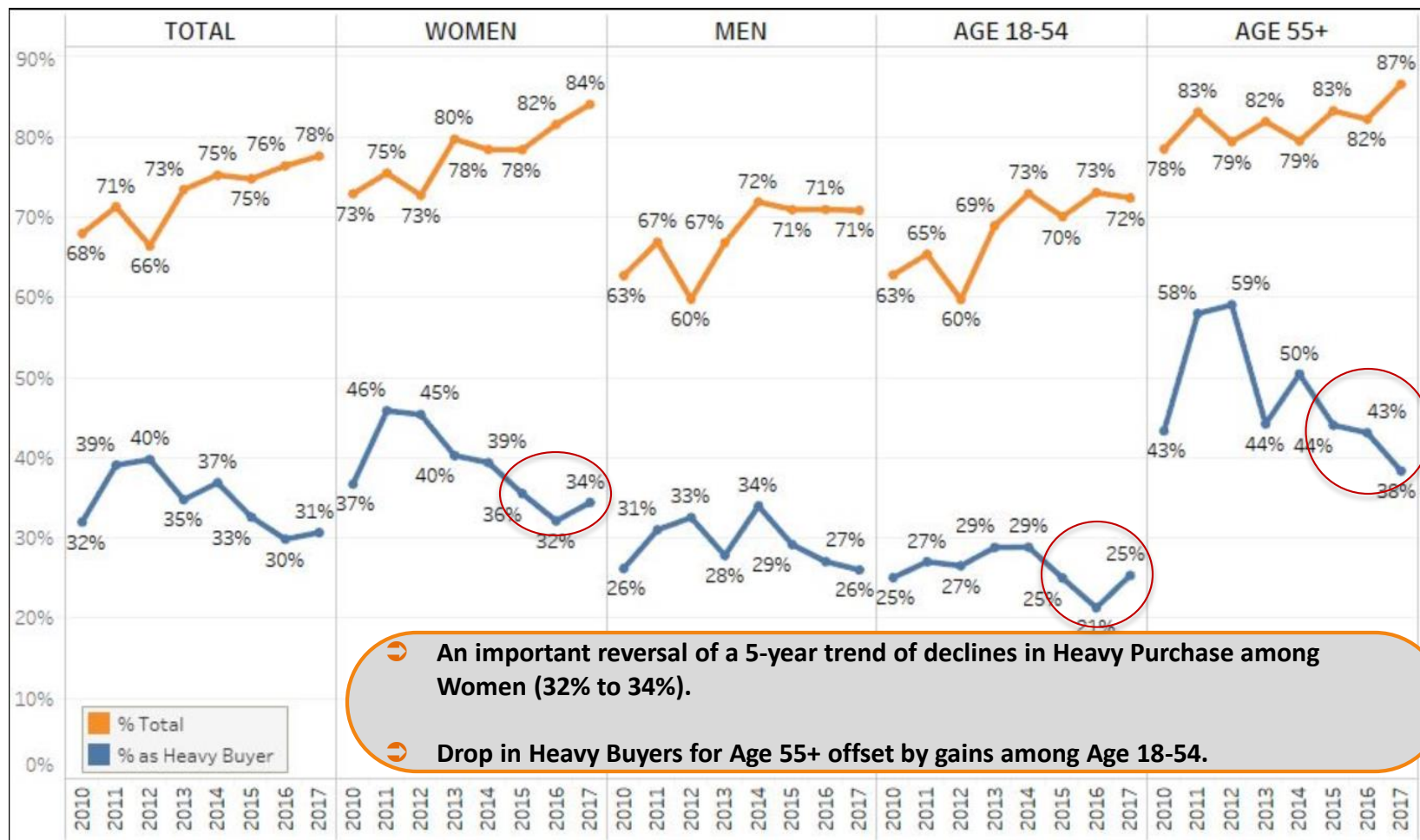
Category Penetration by Number of Types Purchased



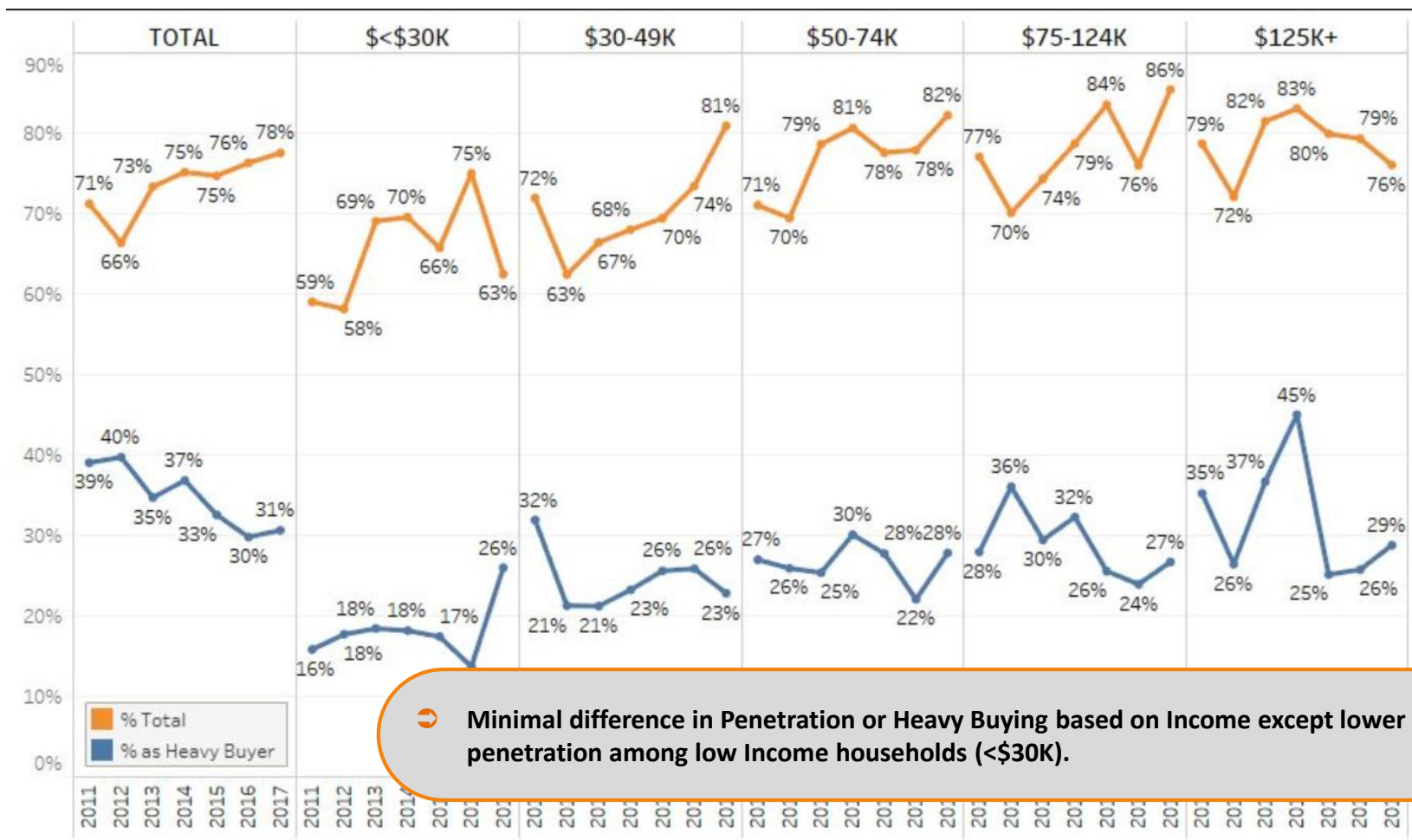
Category Penetration by Number of Types Purchased



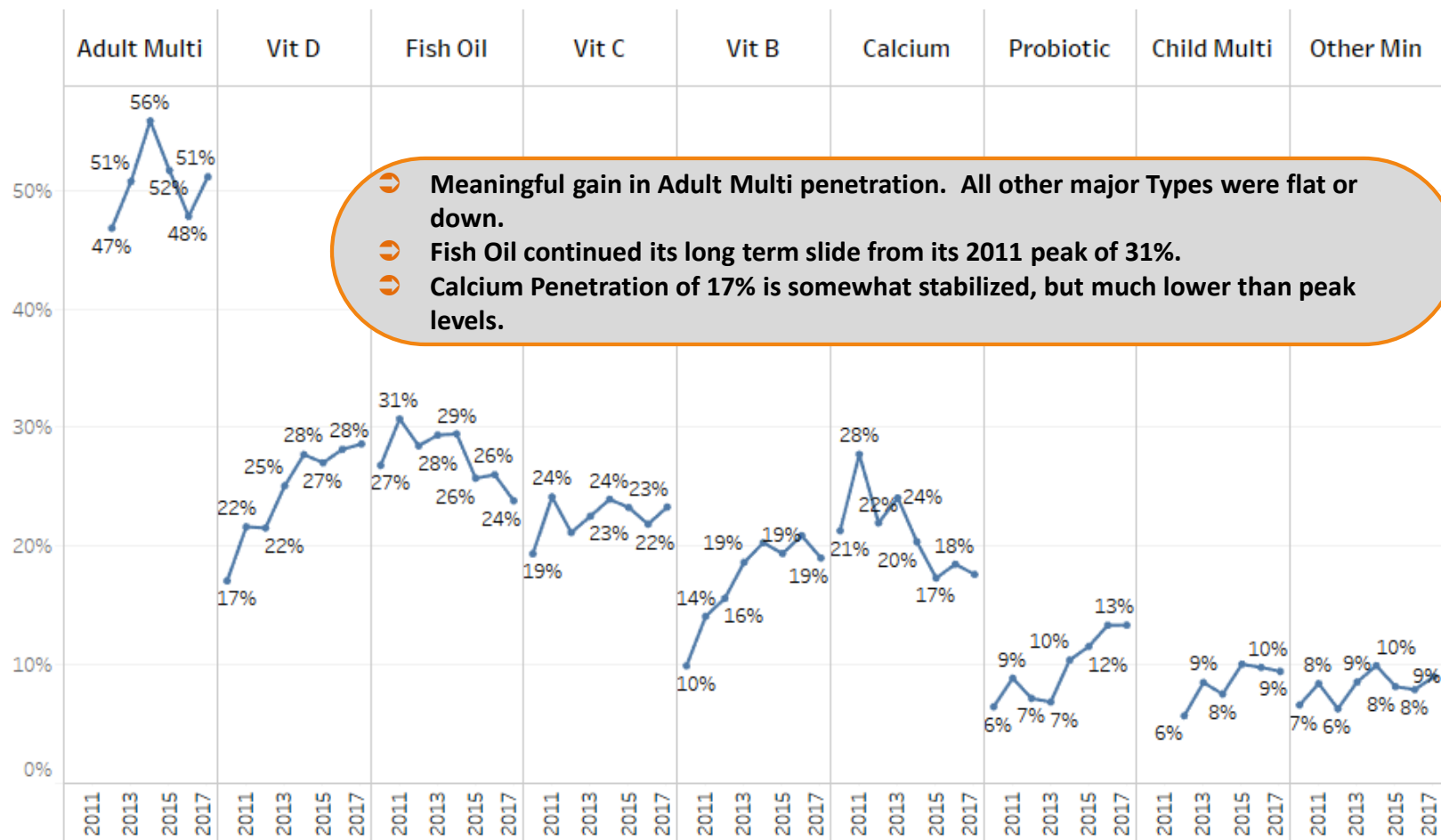
Category Penetration and Regular Purchasing by Age and Gender



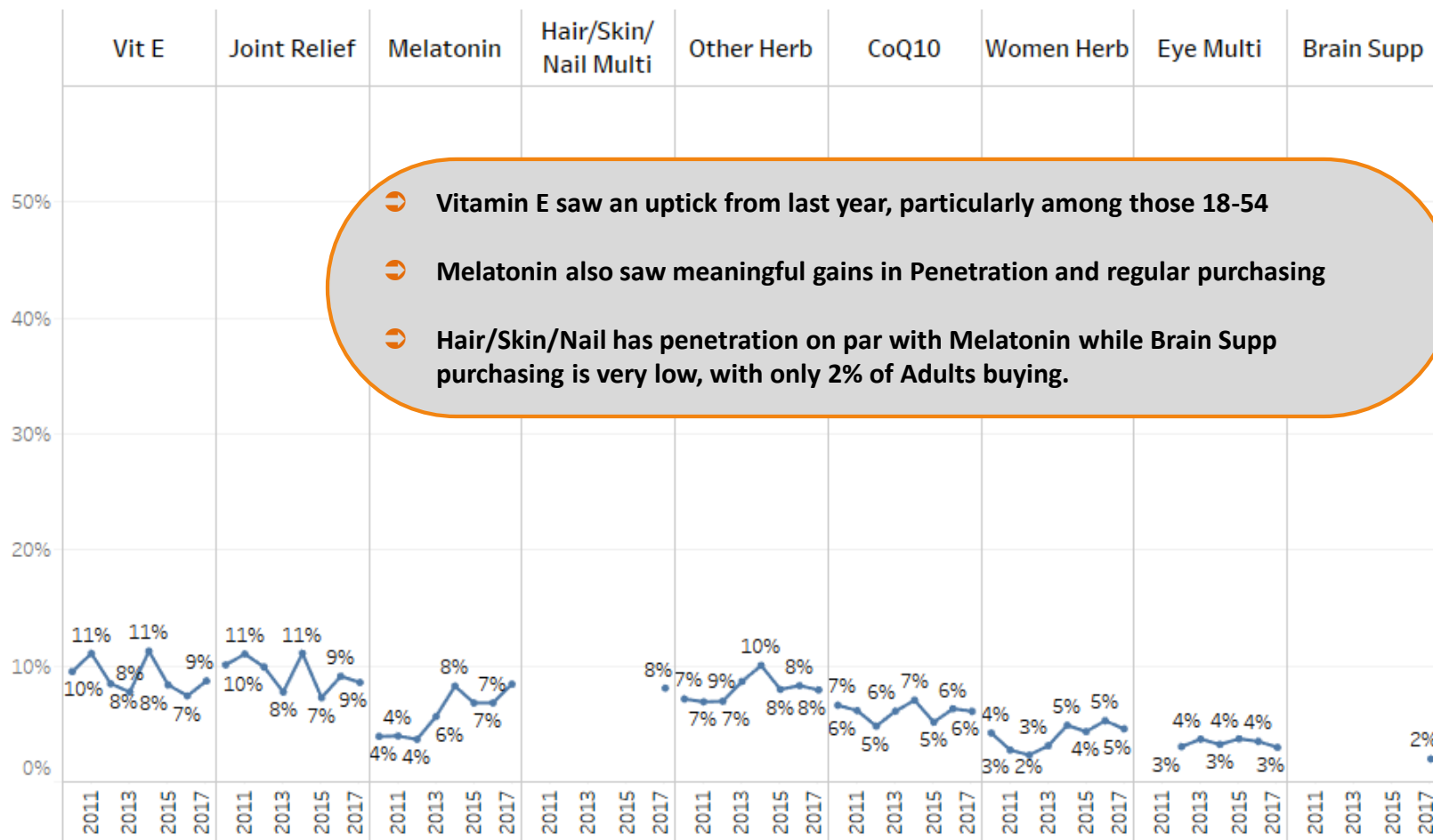
Category Penetration and Regular Purchasing by Income



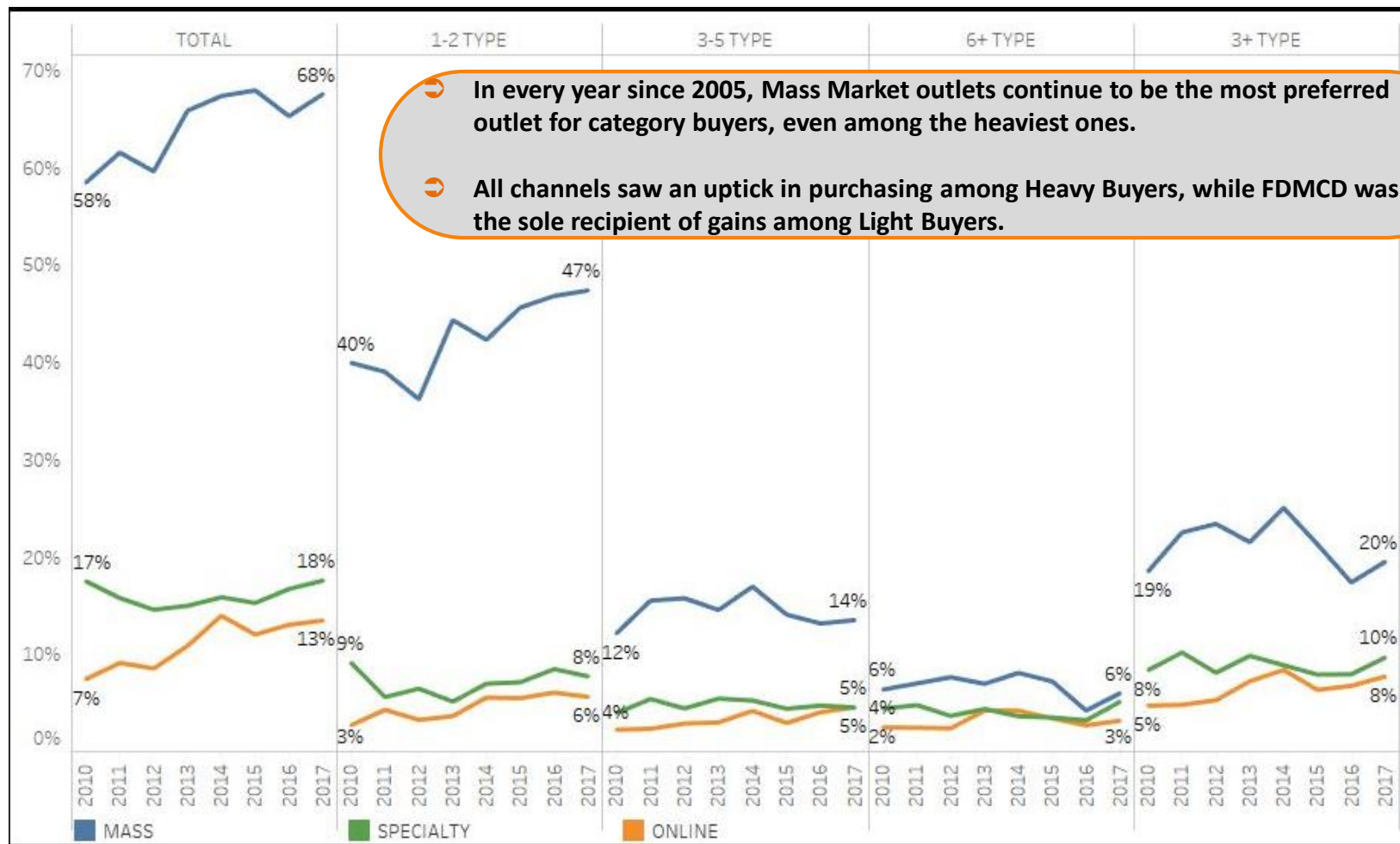
Penetration by Type



Incidence by Type

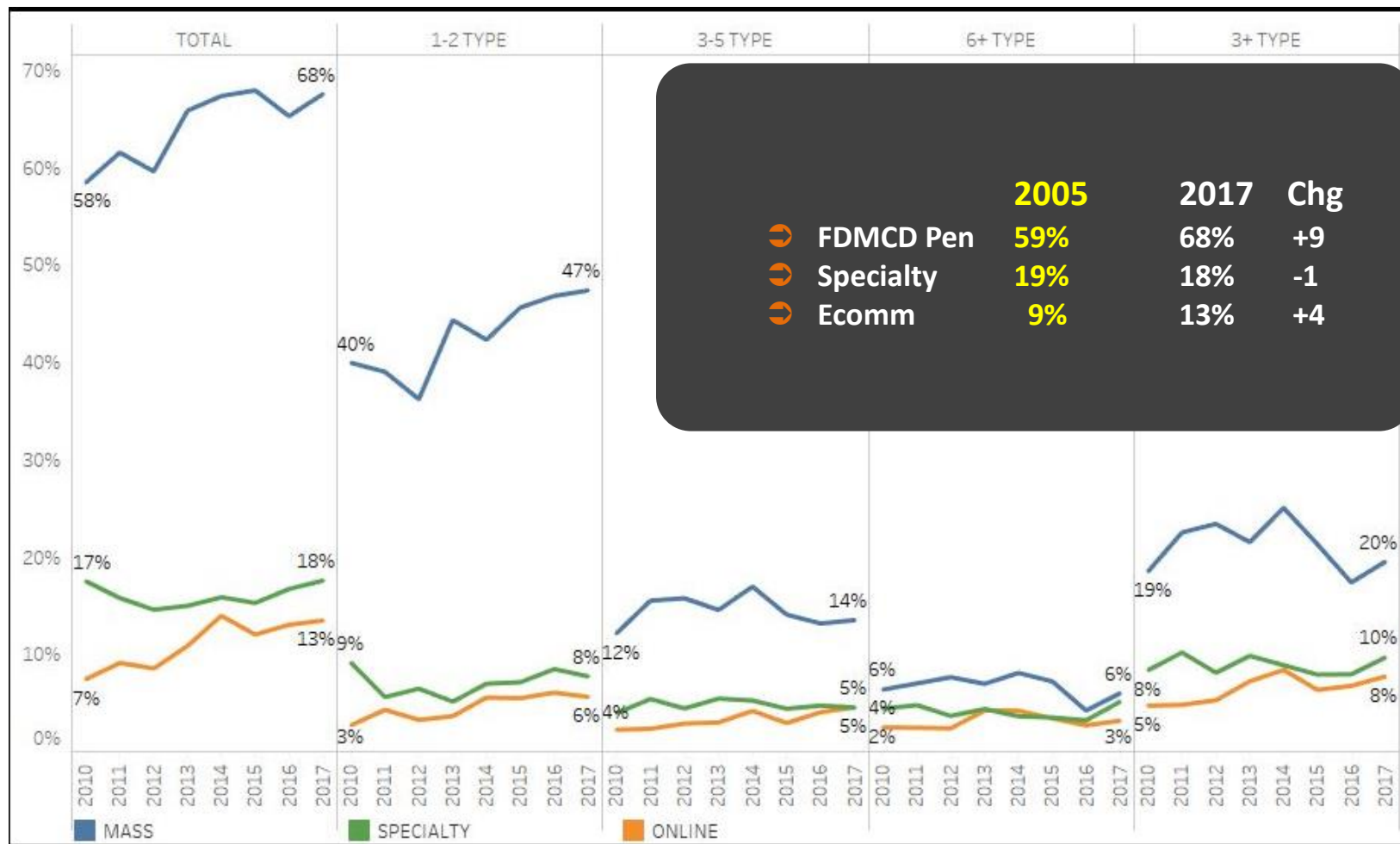


Channel Penetration by Buyer Group



- ➔ In every year since 2005, Mass Market outlets continue to be the most preferred outlet for category buyers, even among the heaviest ones.
- ➔ All channels saw an uptick in purchasing among Heavy Buyers, while FDMCD was the sole recipient of gains among Light Buyers.

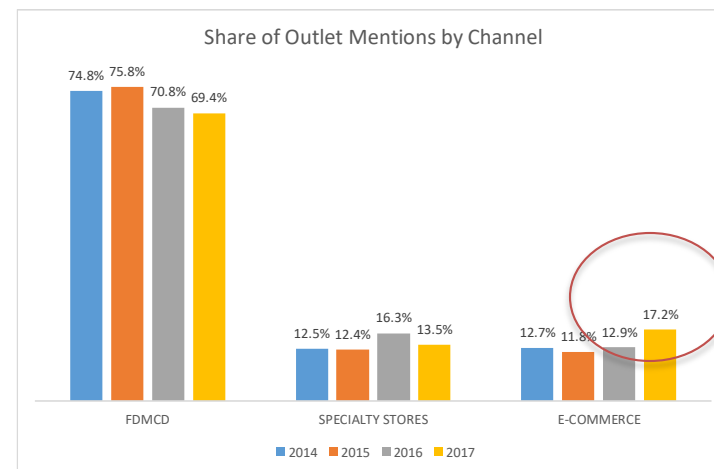
Channel Penetration by Buyer Group



Share of Mentions by Outlet (Transactions)

| Share of Mentions | 2014 | 2015 | 2016 | 2017 | TREND |
|-------------------|-------|-------|-------|-------|-------|
| Walmart | 20.1% | 20.8% | 18.9% | 18.2% | |
| CVS | 9.8% | 9.9% | 11.0% | 9.1% | |
| Walgreens | 9.1% | 9.1% | 7.9% | 7.9% | |
| Costco | 5.4% | 6.7% | 6.9% | 7.9% | |
| Food | 10.3% | 7.9% | 8.9% | 7.8% | |
| Target | 6.8% | 7.2% | 6.2% | 6.6% | |
| Sams | 5.1% | 4.5% | 3.4% | 4.1% | |
| Rite Aid | 3.6% | 4.2% | 3.1% | 2.7% | |
| Dollar | 1.2% | 1.6% | 1.2% | 1.7% | |
| Other SuperCenter | 0.0% | 1.4% | 1.0% | 1.5% | |
| BJ's | 1.1% | 0.7% | 1.0% | 0.7% | |
| Other Discount | 1.3% | 0.5% | 0.8% | 0.6% | |
| Other Drug | 1.0% | 1.3% | 0.5% | 0.5% | |
| GNC | 3.0% | 2.1% | 2.7% | 2.7% | |
| Vitamin Shoppe | 1.4% | 1.7% | 2.7% | 2.0% | |
| Vitamin World | 0.8% | 1.5% | 0.6% | 0.6% | |
| Other Vit Store | 0.7% | 0.6% | 1.0% | 0.8% | |
| Natural Food | 2.0% | 2.1% | 3.3% | 2.9% | |
| Catalogue | 1.6% | 1.4% | 1.7% | 1.7% | |
| MLM | 0.3% | 0.9% | 0.9% | 0.6% | |
| Other Outlet | 2.8% | 2.2% | 3.4% | 2.2% | |
| E-Commerce | 12.7% | 11.8% | 12.9% | 17.2% | |

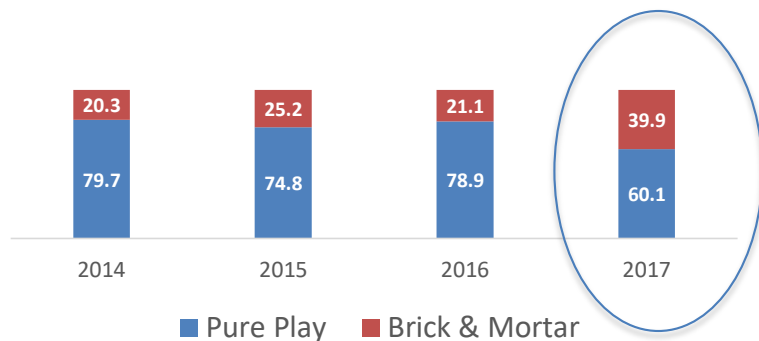
- ➔ E-commerce share surged due to an increase in purchasing among Very Heavy Buyers at multiple websites as well as major gains from Brick & Mortar sites.
- ➔ Declines were seen for CVS, Food, and Vit Shoppe (which saw a 2016 anomaly).
- ➔ Costco has picked up sizable share gains since 2014.



Note: Updated methodology gives weight to specific website mentions, similar to the treatment of Brick & Mortar outlets.

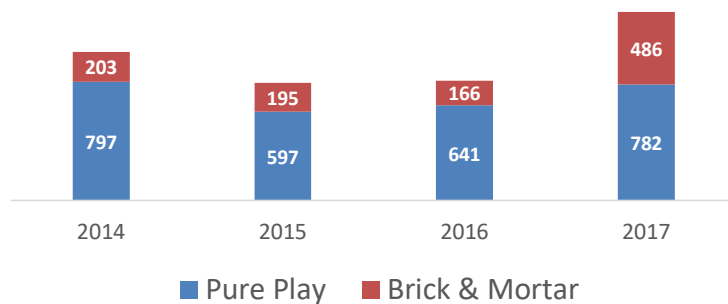
Online Shares

Share of eComm VMS Transactions

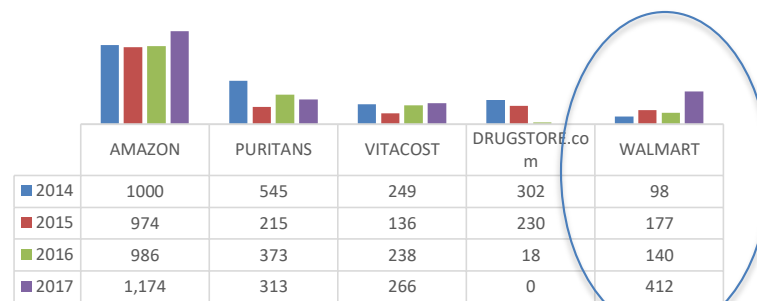


- ➔ Brick & Mortar share *surged* in 2017 as Heavy Buyers mentioned numerous retailers where they purchase VMS regularly.
- ➔ Pure Play e-tailers still grew transactions vs. 2016, but the growth was less than B&M, which more than doubled.
- ➔ Amazon picked up sales, but other Pure Play platforms struggle with the growth of Walmart and other B&M retailers.

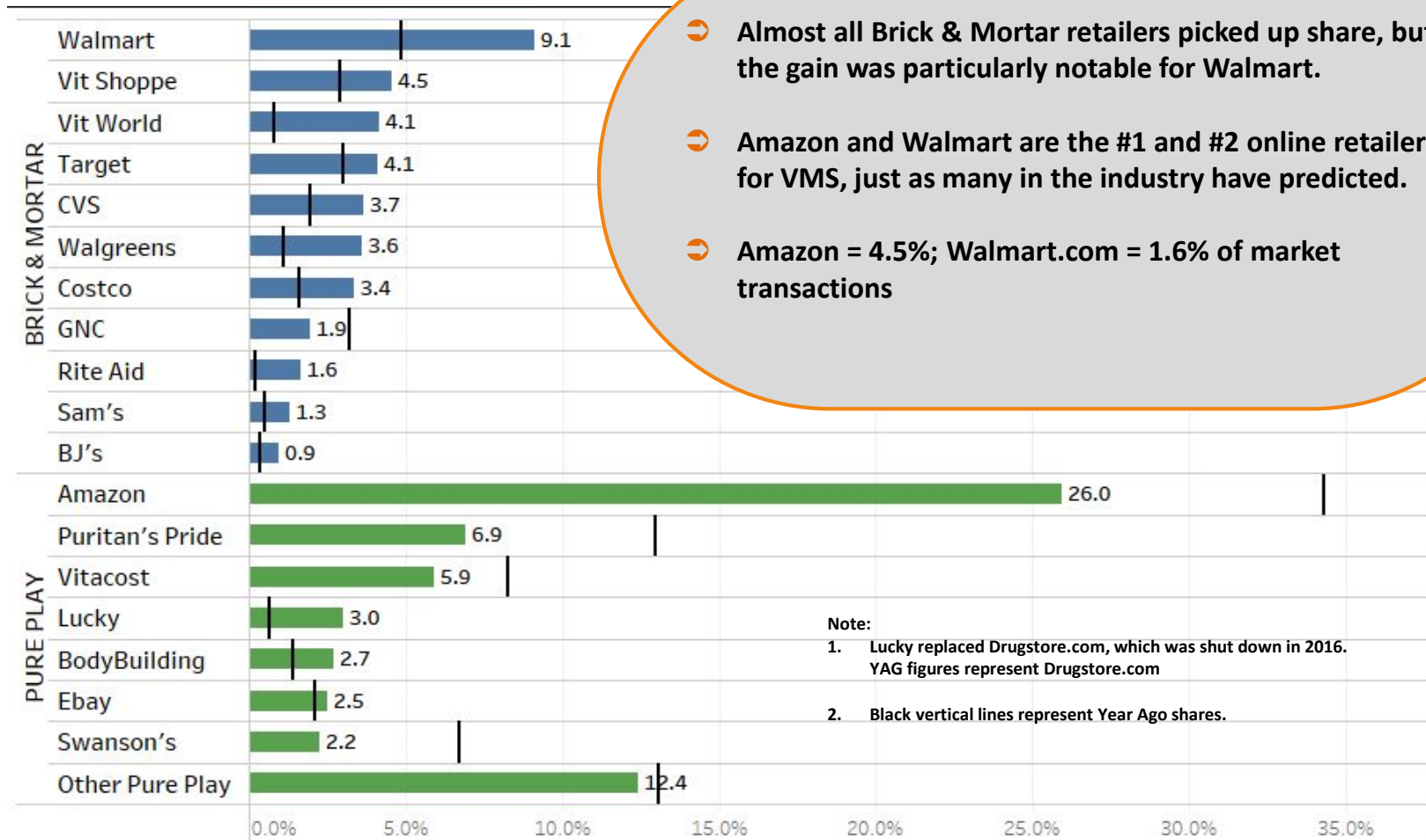
Ecomm VMS Transactions (2014 = 1,000)



Annual Transactions (Benchmark = 1,000 Amazon 2014 Transactions)



Online Share of Mentions – 2017 vs. 2016



- ➔ Almost all Brick & Mortar retailers picked up share, but the gain was particularly notable for Walmart.
- ➔ Amazon and Walmart are the #1 and #2 online retailers for VMS, just as many in the industry have predicted.
- ➔ Amazon = 4.5%; Walmart.com = 1.6% of market transactions

Annual Retail Dollars – VMS 2017 and Beyond

| Million \$ | 2015 | 2016 | Growth | 2017 | Growth | RATIONALE |
|------------|--------|--------|--------|--------|--------|---|
| FDMCD | \$7.7 | \$7.9 | 1.9% | \$8.2 | 4.0% | +2% Volume/+2% Pricing |
| SPECIALTY | \$2.8 | \$2.9 | 5.0% | \$3.0 | 2.0% | Flat Volume, Losing Share |
| ECOMM | \$1.9 | \$2.0 | 3.2% | \$2.4 | 20.0% | Gains from B&M retailers continue with lower transaction sizes. |
| | \$12.4 | \$12.8 | 2.8% | \$13.5 | 6.0% | |

- ➔ Volume growth seen in FDMCD for first time in 2-1/2 years. Pricing growth has moderated.
- ➔ VMS exhibits all of the characteristics of a mature category, so 2018-20 gains should moderate to the +3-4% range, *assuming pricing of +2%*.
- ➔ Assuming 3-4% growth long-term, continued dramatic growth in eComm would necessarily come at the expense of inhibited growth in B&M. *That dramatic growth is far from assured, however.*

SUMMARY

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Category Trends

- ➔ *VMS Category volume sales appear to have lifted* in the past year, coming off of two years of flat volume growth.
- ➔ Gains were a function *a resurgence of Heavy Buyers* (3+ Types) and *higher penetration from committed, marginal buyers* (1-2 Types Regularly).
- ➔ The gains in Heavy Buyers were in three areas:
 - ➔ Meaningful gains in Very Heavy Buyers (6+ Types) from 6.6% to 7.9% of Adults.
 - ➔ A strong increase from Younger Buyers: 21% to 25%.
 - ➔ A reversal in the 5-year decline of Heavy Purchasing among Women (32% to 34% in 2017)
- ➔ *Income has minimal explanatory power* in Vitamins in explaining category trends. This is contrary to other categories where there is a prominent income effect.

SUMMARY

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Type Trends

- ➔ The largest Type, *Adult Multis*, made a comeback from its three year decline as incidence jumped from 48% to 51%. This is consistent with in-market gains seen with Gender-specific Multis.
- ➔ *Very stable purchase trends* by Type were noted. Fish Oil had a meaningful decline (26% to 24%) and Vitamin E mounted a minor comeback (7% to 9%).
- ➔ *First time appearances in the survey for Hair/Skin/Nail Multis and Brain Supps (Prevagen) reveal them to be niche Types.* These Types had penetration of 8% and 2% of Adults 18+, respectively. High Brand Supp dollars in Mass Market appears to primarily due to very high pricing (\$40+ per bottle).

SUMMARY

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Channel Trends

- ➔ *Ecommerce saw dramatic growth* behind gains from Brick & Mortar retailers, primarily Walmart.
- ➔ *FDMCD also saw gains* as there was an uptick in the number of Heavy VMS buyers shopping in the channel.
 - ➔ **Share Winners:** Costco, Retailer websites
 - ➔ **Share Losers:** CVS, Food Retailers
- ➔ Amazon grew transactions, but lost share as the gains did not keep pace with retailer websites.
- ➔ Longer-term, Mass Market retail and Online have picked up significant share from Specialty Outlets. That is projected to continue.

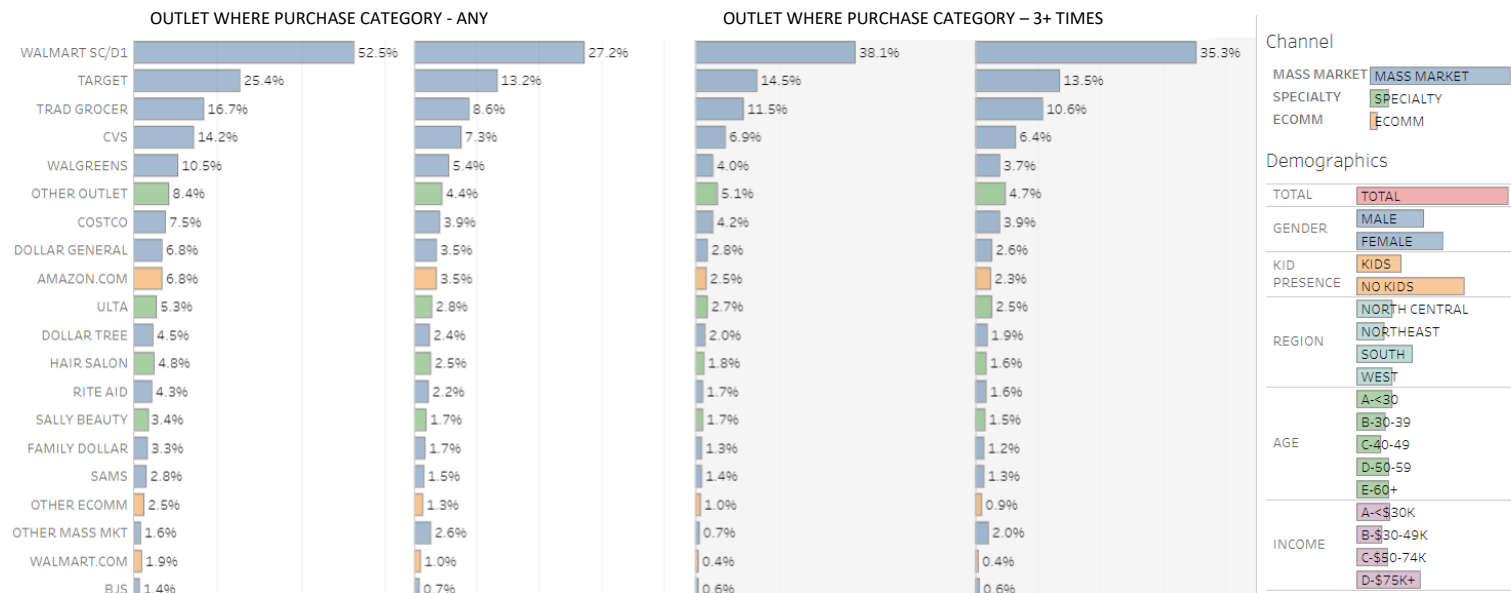
SUMMARY

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Long-Term Perspective

- ➔ *VMS Category showing signs of maturity and getting more mainstream*
 - ➔ Growth trends modest over the last several years, excluding the recent surge in eComm.
 - ➔ No major new Types have sustained growth
 - ➔ More contribution of sales from Lighter Buyers
 - ➔ Channel shifting out of Specialty Outlets
- ➔ *VMS is a bellwhether category for eComm success in CPG*
 - ➔ Share closing in on 20%
 - ➔ Pure Play now only accounts for 60% of transactions, down from 75-80% previously.
 - ➔ Penetration has doubled since 2010.
 - ➔ Sales flattened out from 2014-16 prior to surge of Brick & Mortar sites, *which will likely be the growth driver, not Amazon.*
 - ➔ eComm growth not appearing to come at the expense of Brick & Mortar.

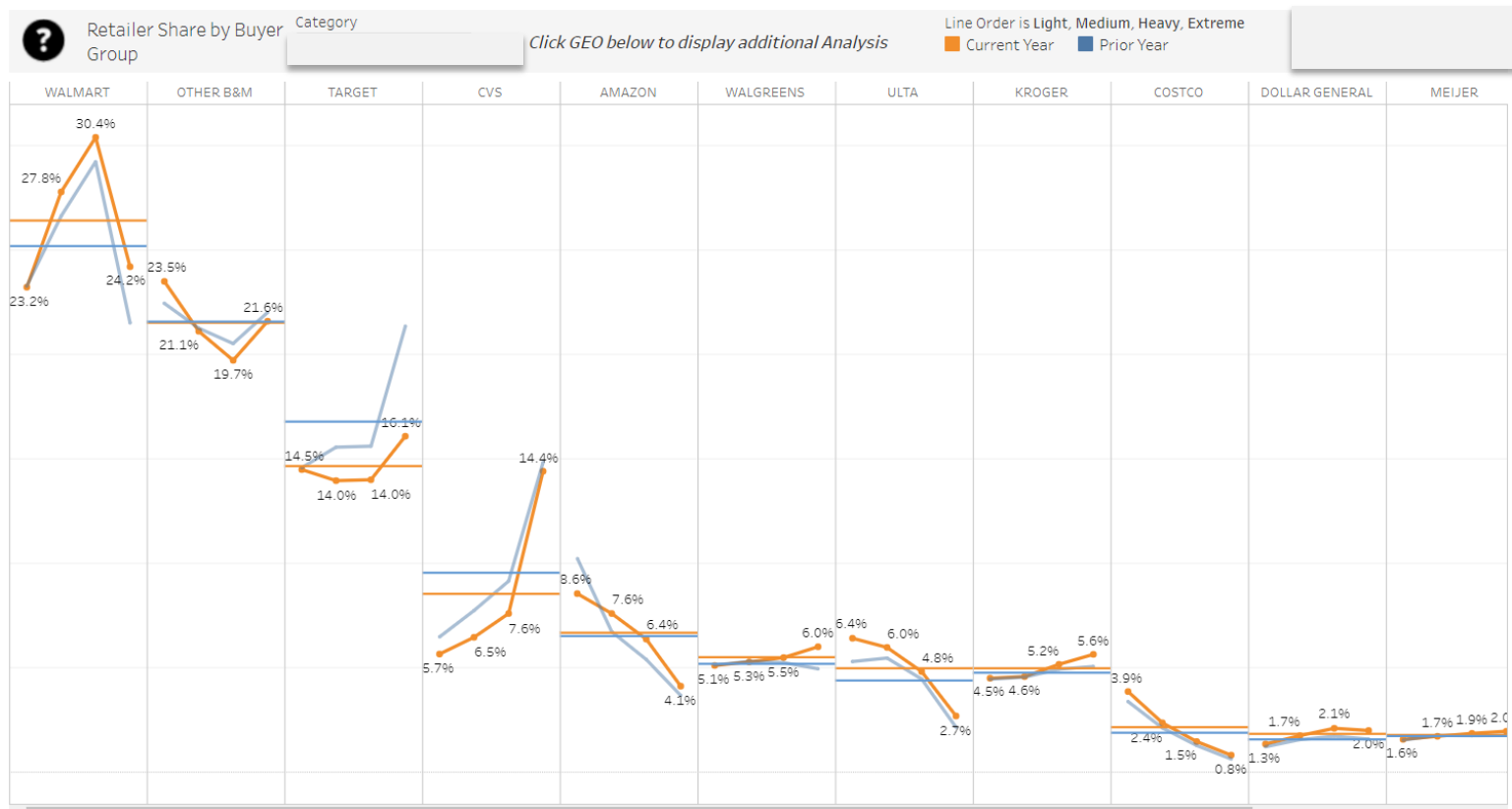
TRACK SHARES FOR ALL OUTLETS: Both Tracked and Untracked Shares by Key Demographics and Buyer Groups, as well



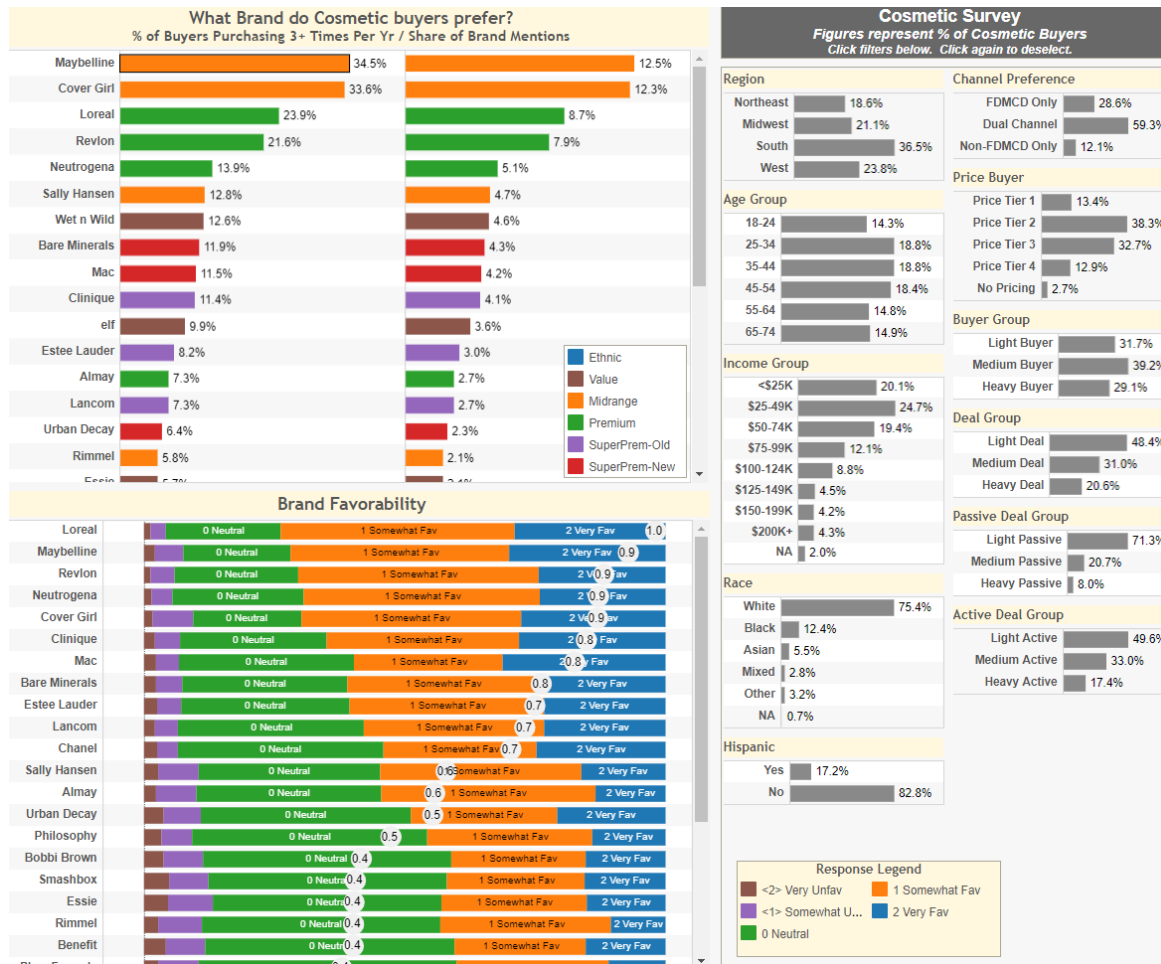
Estimated Dollar Share by GEO



UNDERSTAND GEO SHARE DIFFERENCES BY CATEGORY PURCHASE FREQUENCY



GAIN KEY BRAND INSIGHTS, AS WELL



QUARTERLY NUTRITIONALS TRACKER

- Vitamins and Sports Nutrition
- Four Times per Year
- 30 Brands per Category
- Segment and Type Tracking
- Specific Outlets Where Purchase
- Limited to five manufacturer participants per Category