EUROMONITOR INTERNATIONAL

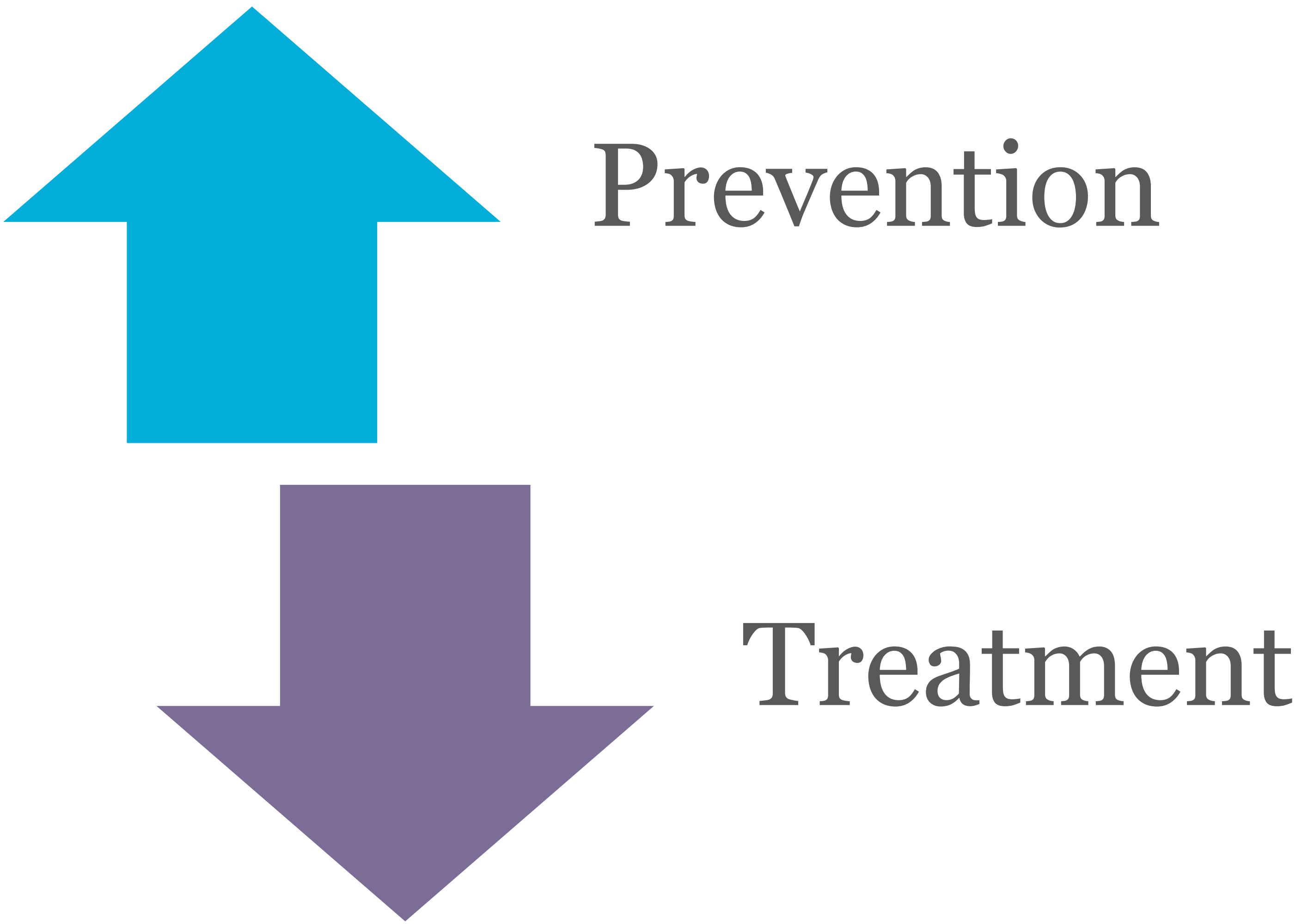
GLOBAL SPA AND WELLNESS SUMMIT 2012

UNDERSTANDING THE GLOBAL CONSUMER FOR HEALTH & WELLNESS

PROVIDED BY EUROMONITOR INTERNATIONAL

GLOBAL WELLNESS IS NO LONGER JUST ABOUT LOOKING GOOD

Global health and wellness industry driven by prevention



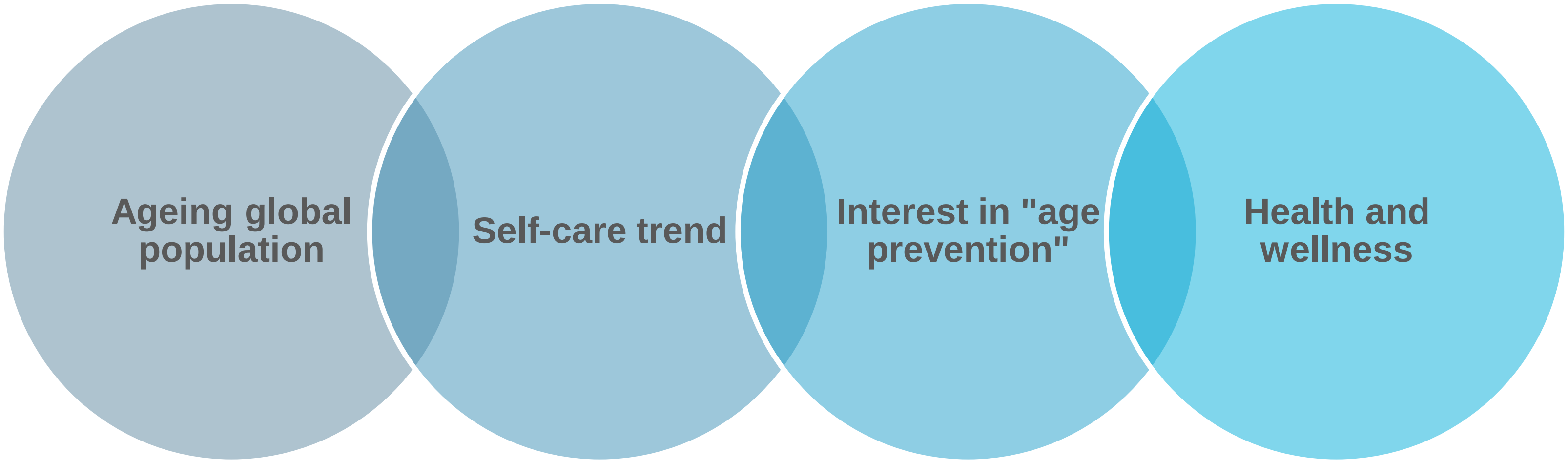
The global market for health and wellness foods and beverages

Health & Wellness Food and Beverage sales reach US$628 billion in 2011

- **NATURE**
  - Better for you US$167 billion
  - Organic US$28 billion
  - Naturally healthy US$252 billion
  - Food intolerance US$9 billion
- **NUTRACEUTICALS**
  - Fortified/ functional US$199 billion
  - Vitamins/ dietary supplements US$84 billion

Fixed 2010 Exchange Rates, 2011 based on part year estimates

Why is the global consumer so concerned with health?

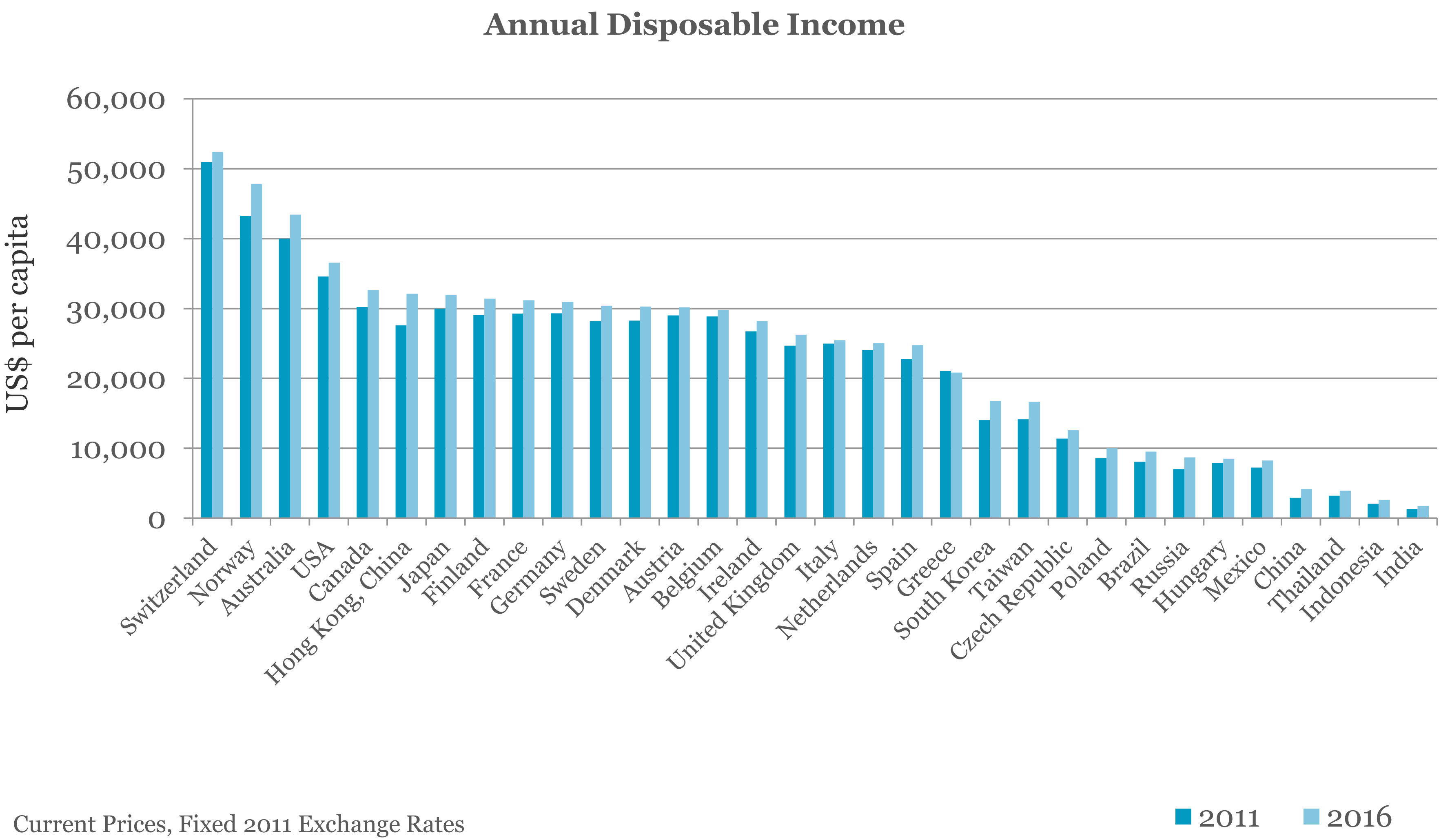


- An ageing population perpetuates an increasing interest in general wellbeing, or preventive care, providing some important pockets of opportunity.
- Anti-aging products are an example of this; defying the recession
- Consumer interest in wellness is no longer just about looking good and exercising, but about holistic and preventative health.
- Brands have a lot to gain by catering to ageing consumers around the world.

An ageing population and a rise in pensioners = untapped consumer base for health and wellness

	2011-2016 % growth	2011-2016 absolute growth '000 pensioners
China	14.5	37,010
India	19.3	27,153
Indonesia	20.0	6,151
USA	14.2	5,443
Japan	15.7	4,646
Brazil	20.5	3,451
Russia	9.4	2,932
Thailand	20.4	2,692
South Korea	22.0	1,713
Mexico	20.7	1,525
France	10.0	1,463
Colombia	24.8	1,284

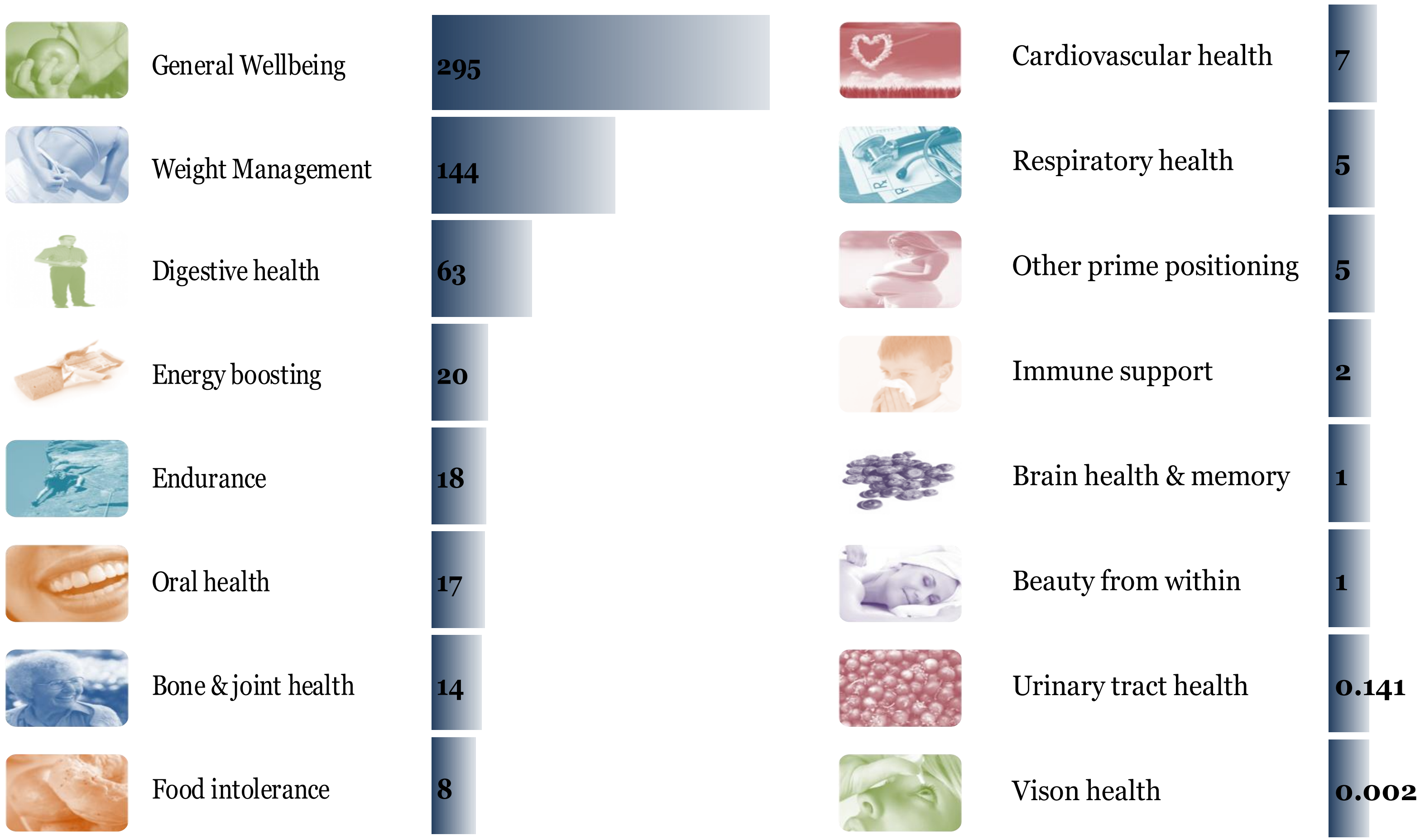
Rising disposable incomes support wellness-minded consumers



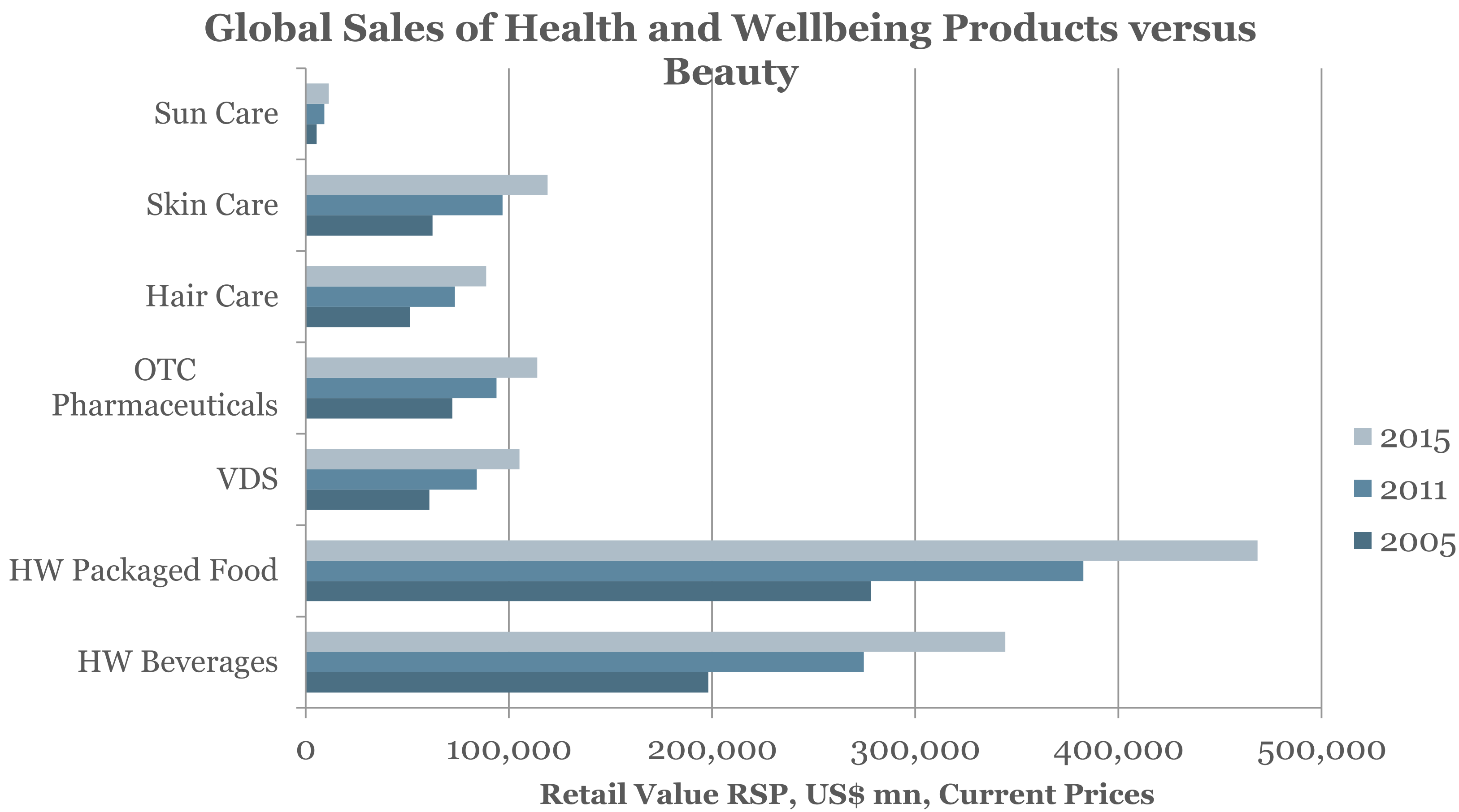
Current Prices, Fixed 2011 Exchange Rates

Foods & beverages positioned for general well-being lead in sales

Global sales 2010, Retail sales price US$ billion



Health and wellbeing versus beauty



VDS = Vitamins & Dietary Supplements
OTC = Over-the-Counter
HW = Health & Wellness

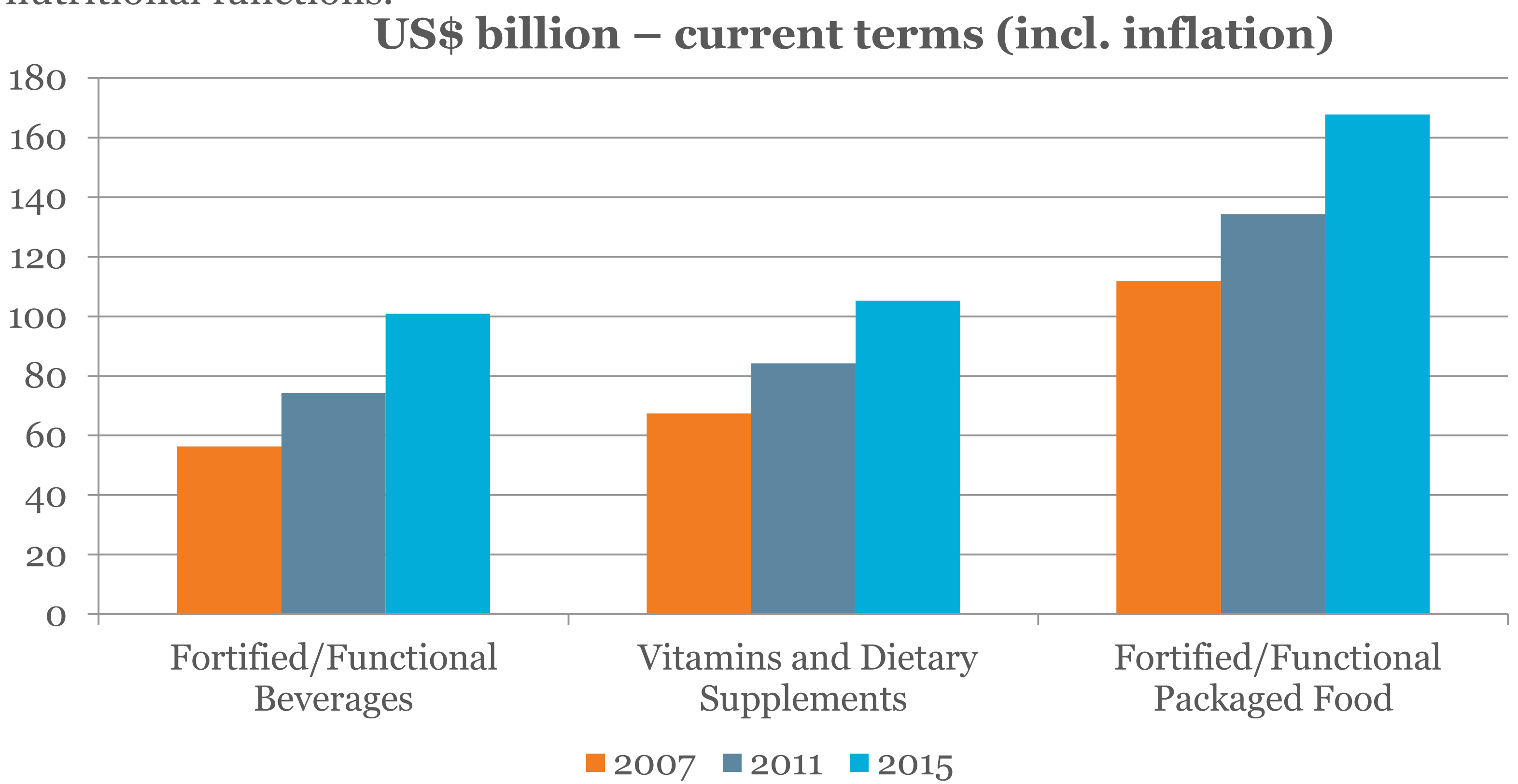
Natural vs. Nutraceuticals

- **Cosmeceutical** : topical beauty products which combine cosmetics and pharmaceutical properties and contain biologically active ingredients which have a cosmetic effect on the user.
- **Nutricosmetic** – ingestible beauty products (dietary supplements, food and drink) that have been developed to promote healthy skin, nails, hair and general beauty
  - **Skin -** nutricosmetics address a range of problems, including skin repair, pigmentation issues, firmness, whitening, cellulite reduction, slimming and anti-ageing.
  - **Hair** - nutricosmetics claim to aid growth, restoration, nourishment and volume.
  - **Nail** -specific products concentrate on improving strength and the overall appearance of nails.

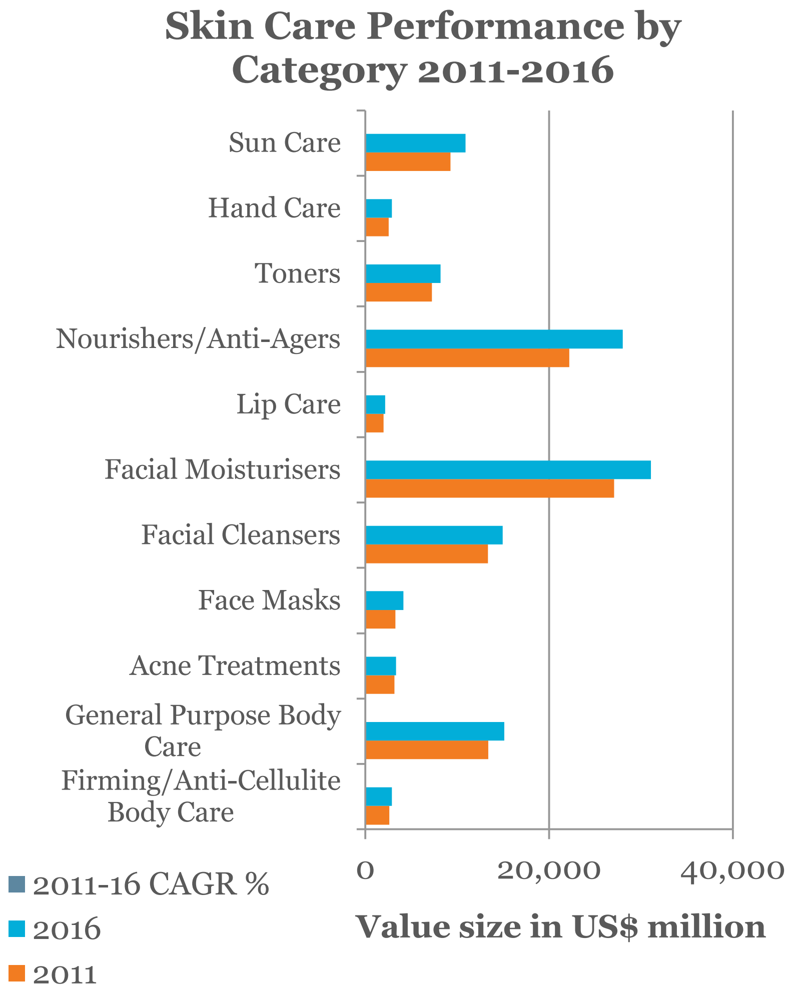
There are opportunities for wellness products with added benefits

Global Market for Nutraceuticals

- Nutraceuticals: food or extracts that claim to have a physiological benefit to human health or provide protection/reduce the risk of a chronic disease beyond basic nutritional functions.



Anti-agers defy recession



Anti-agers

is set to post by far the highest compound annual growth rate (CAGR) in skin care between 2010 and 2015, of 5% in constant value terms. This is higher than beauty and personal care as a whole, or the total skin care category.

China

highest revenue in anti-agers will come from the country with a forecast US$1.6 billion to be added to its anti-ager value by 2015.

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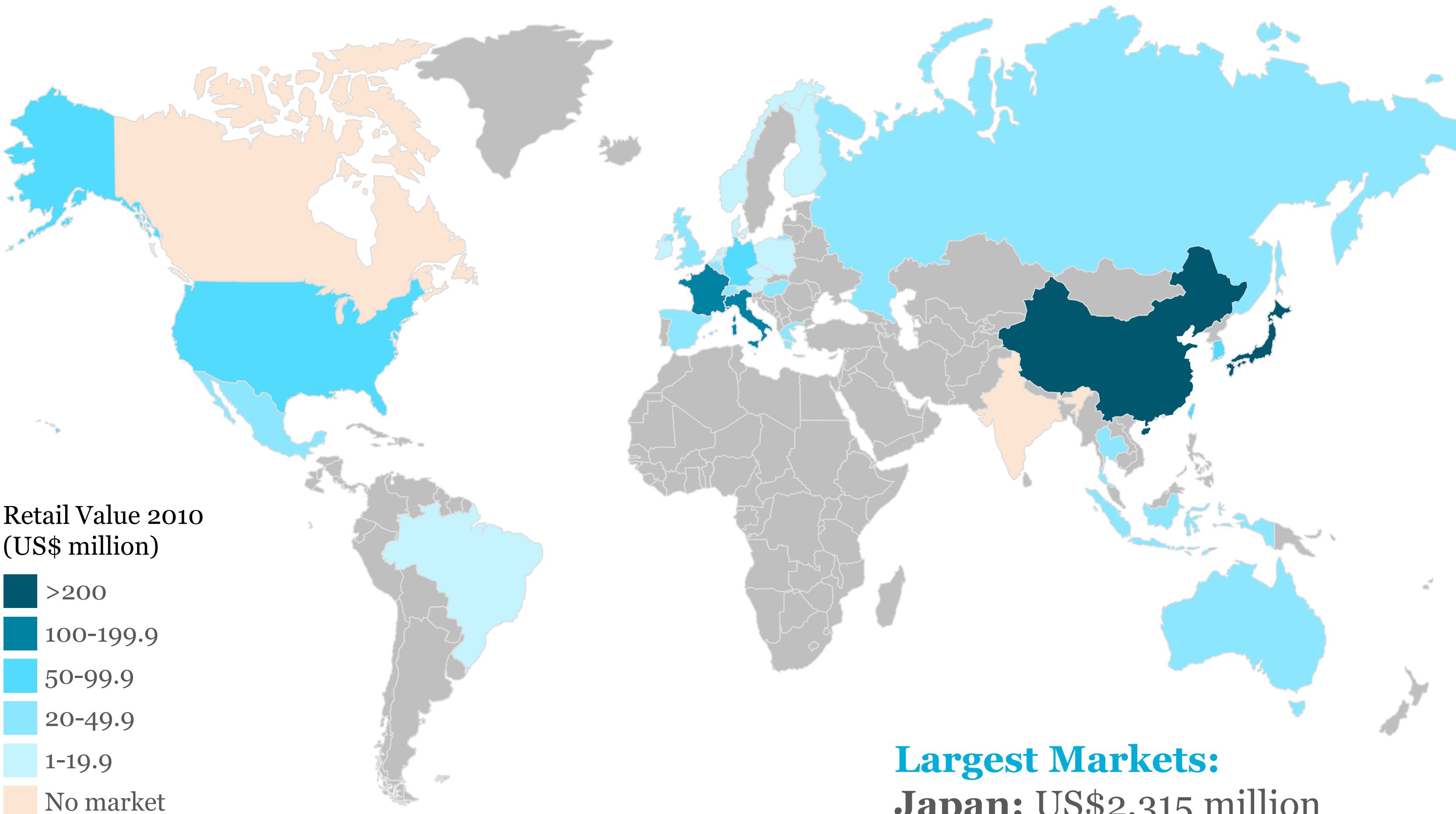
Global market for nutricosmetics, sales largely concentrated in Asia



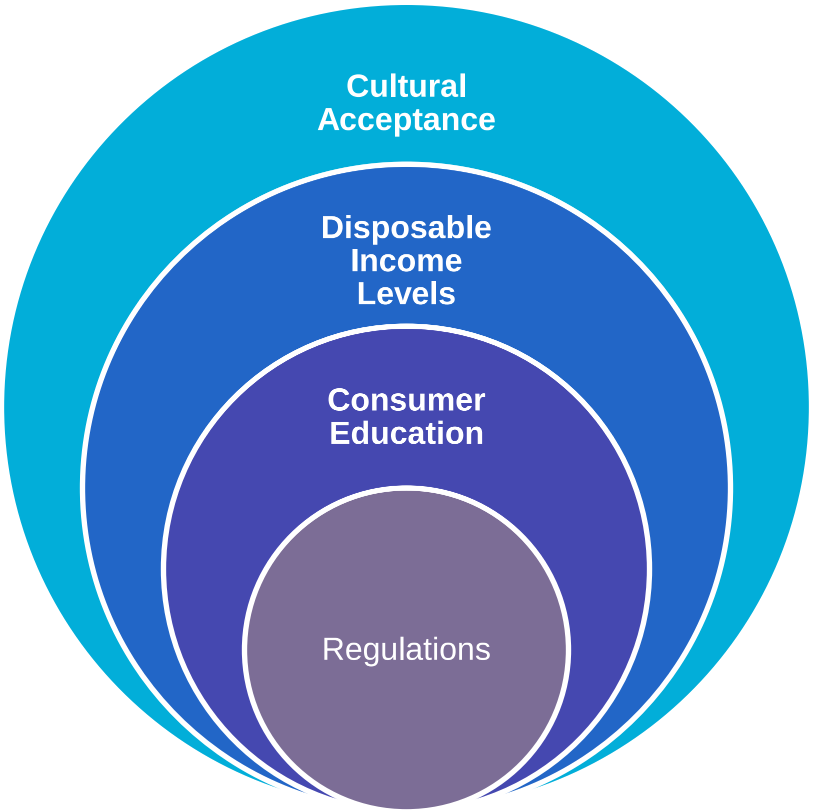
US$ million at fixed ex rate

Largest Markets:

Japan: US$2,315 million

China: US$852 million

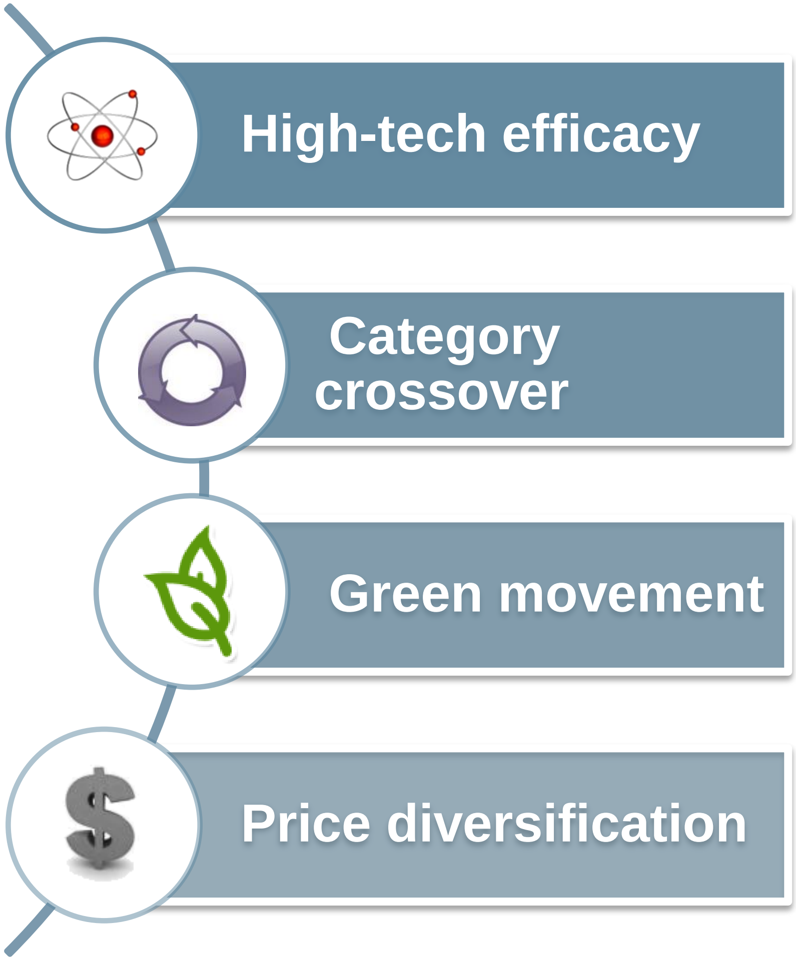
Key Factors determining regional success



- It is clear from the lack of sales in wealthy parts of the world, such as most Western European markets and North America, that high disposable incomes among a population is by no means a guarantee of high sales in nutricosmetics.
- The key overriding factors remain cultural acceptance and consumer education.
- This is demonstrated by the very high per capita sales in China, despite the country's average disposable incomes being far lower than those in the US, for example.
- But at the core of future sales in Western Europe, the US and Canada is regulatory bodies. As they can either add to, or reducing the level of credibility of nutricosmetics.

CAPTURING THE OPPORTUNITIES

Growth will be seen through innovation



- Innovation has been ripe with greatest focus on providing better performance through increasingly diverse ingredient formulations.
- We have seen a lot of products bring out a more holistic approach to the benefits they provide. Multi-functionality and categories tapping into the benefits touted by others have been key.
- As consumers and industries look to project a more responsible behaviour towards the environment, as well as safety of ingredients becoming under greater scrutiny, a number of new launches have demonstrated a more green approach in terms of raw material sourcing, ingredient formulations, usage, and ultimate disposal.
- Most importantly, brands and own label products alike are looking to offer solutions at different price points to meet a more volatile demand, with lines between quality, value and loyalty become ever more blurry.

New product development strategies

Skin-Smart Antioxidant Amplifier Teas by Tea Forté launched July 2011

ORGANIC + FUNCTIONAL

China: Oriental Leaf by Nongfu Spring Co Ltd

LUXURY/UNIQUE PACKAGING

Beautywater Q10 by by Hassia Mineralquellen GmbH & Co. KG launched in July 2011

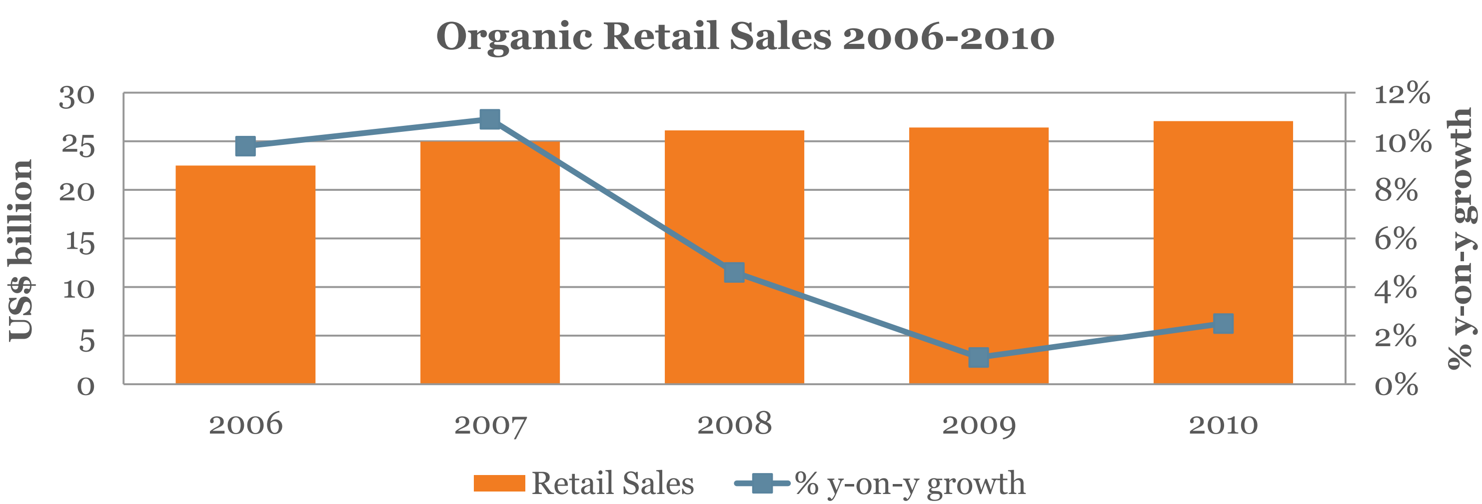
SEGMENTATION - WOMEN

B-ing Bebé by Boon Rawd Brewery Co Ltd, launched September 2011

SUPERFRUIT MRKTG POTENTIAL

‘Organics+’ offerings keep sales resilient to the recession

- Sales of organics performed well after the onset of the economic downturn despite higher unit prices and lack of clarity behind the environmental and health-related evidence supporting organic production methods.
- Even as the category has matured, confusion behind the justification for organics remains strong and this has led to segmentation of a consumer base. Companies for which organic sales have remained strong have clearly defined and marketed the added benefits of their products to justify the higher unit price - thus offering the consumer an ‘organic+’ experience.



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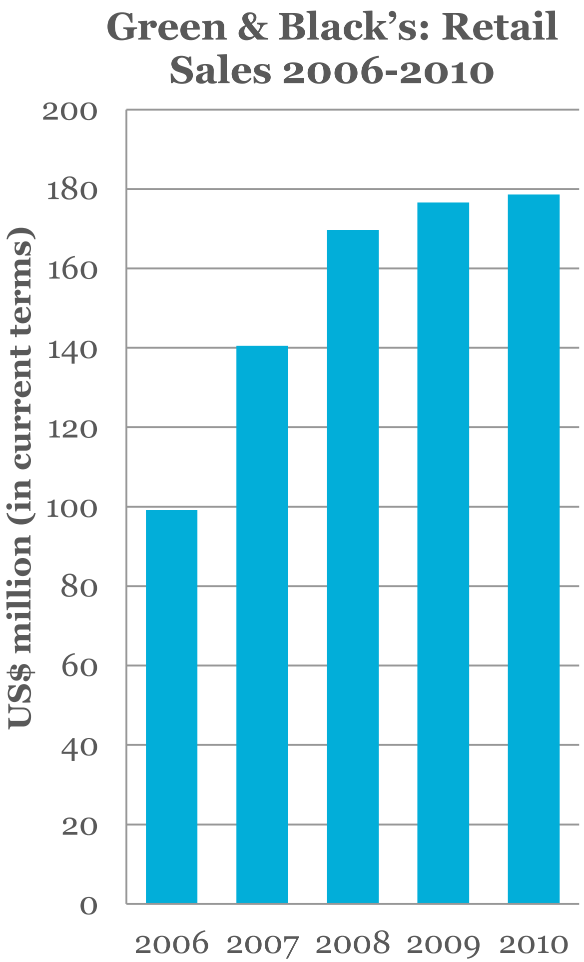
Brands need to emphasise the benefits of organic

- Organic companies need to highlight their reasoning behind offering consumers 'organic' products. In an environment where many consumers remain strapped for cash, justification for the higher unit price needs to be clearly marketed.
- 'Organic' itself is no longer enough and companies need to offer additional benefits or 'organic+' in order to keep consumers interested and thus paying the higher unit prices. It is important for companies to reassure consumers that organic products are beneficial, as even in a mature category, consumer confidence can be tested as controversies surrounding organics such as the 2011 Escherichia Coli outbreak in Germany, continue to hit the press.
- Previous studies have concluded that consumers are willing to pay a premium price for organic foods based on their apparent environmental and nutrition-related benefits. Successful organic brands highlight these perceived advantages to ensure consumers the extra cost of consuming organic food and drinks is worthwhile. Whilst many brands list both the environmental and health benefits, where the company chooses to place the emphasis tends to differ, for example, the two largest organic companies, Hipp GmbH and Co Vertrieb KG and The Hain Celestial Group Inc are two such examples.

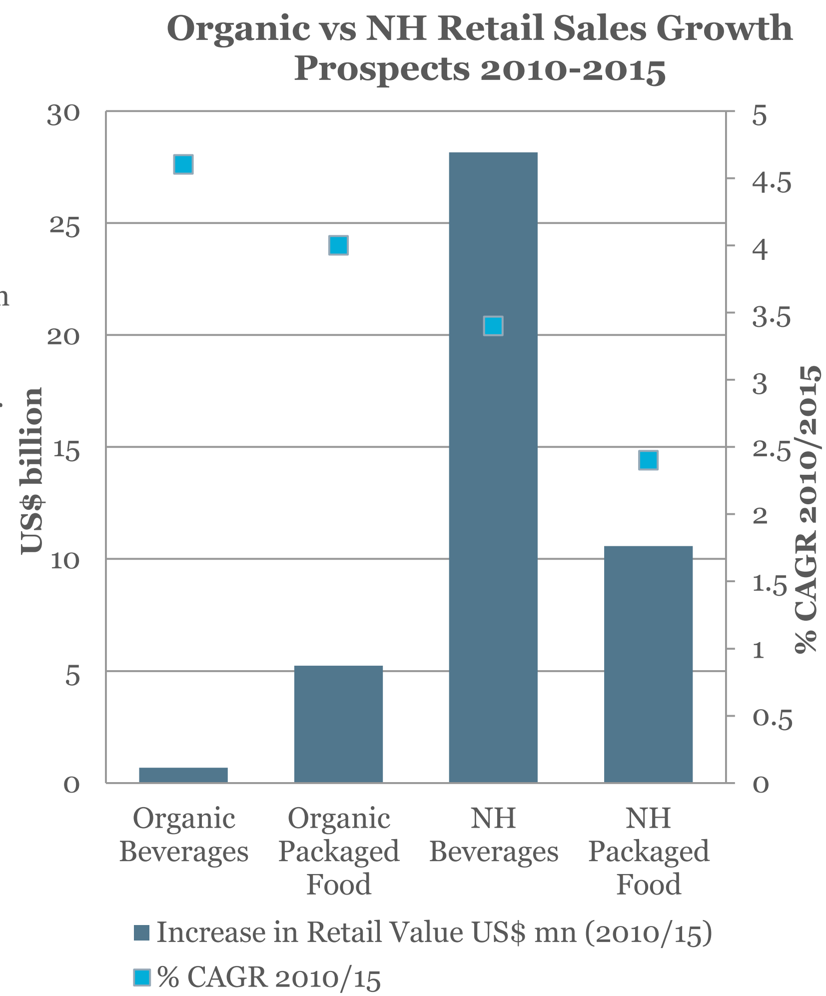
A little bit of ethical luxury can help

- Organic brands that position themselves as luxury, target the occasional consumer who is looking for a product that offers indulgence whilst reassuring their environmental consciousness. For brands that offer a luxury or indulgent element, there is, perhaps unsurprisingly, little focus on the nutritional benefits.
- Brands that have used this strategy include Rachel's, Duchy Originals and Green & Black's;
- Green & Black's focus on the environmental element runs throughout its image and is even apparent in its brand name. It states that the definition of 'organic' refers to the sustainability of the land, and the premium angle of the product comes from the use of "fine organic ingredients". From the onset, it has strongly marketed its Fairtrade accreditation, which is becoming more common for confectionery products. The brand also highlights to its consumers the benefits of organics that are associated to taste, stating those farmers who use organic farming techniques are more interested in the taste of their produce.



Organic vs Naturally Healthy: Which is set to come out on top?

- Organic packaged food and beverages sales are set to expand by nearly US$6 billion over 2010-2015. This is somewhat smaller than the US$38.7 billion expected for Naturally Healthy packaged food and beverages.
- Beverages leads the Naturally Healthy market with retail sales of US$156.5 billion in 2010 and growth is set to be stronger than for packaged food over 2010-2015.
- However, it is in packaged food that the real competition lies for organic. Whilst Naturally Healthy packaged food retail sales are set to post double the actual increase seen in organic, growth over 2010-2015 for the latter is twice that expected for NH packaged food. As there is less legislation for a product being classed NH, organic legislation and consumer confidence need to remain tight to prevent organic brands switching to become NH, as the likes of Silk from Dean Foods has done. This will ensure consumers are aware of the added benefits of the often more expensive products.



Key recommendations for organic players

Bring in the environmental angle	• Multinationals which acquire organic brands should be seen to integrate some of the organic values into their own business, e.g. with regards to sustainable supply chain management and the nature of the ingredients used in its standard products.
Acquired organics should maintain separate identities	• However, the acquired brands should maintain separate business identities and avoid making changes which compromise the acquired company's ethics.
Go functional-organic	• Categories set to show the highest growth are ones where the consumer is willing to pay more e.g. baby food. However, to compete with the leading brands on the health grounds, continued innovation and further fortification with ingredients such as omega-3, prebiotics or additional vitamins and minerals is key.
Go fairtrade organic	• Products need to target the informed consumer looking outside of the organic arena and combine organics with additional beneficial attributes such as fairtrade or gluten-free.
Get the occasional shopper	• The majority of consumers who buy organic are 'occasional shoppers'. • The time-conscious occasional shopper in the West is likely to purchase organics in supermarkets/ hypermarkets as part of their grocery shop. • In emerging markets, however, the power of organic-specific stores is increasing.
Distinguish organic from naturally healthy	• With no form of legislation currently attached, lower-priced naturally healthy food and drinks (NH) will continue to rise and provide competition for organics. • To compete against NH, promote additional benefits of organics ensuring organic labelling remains strict, helping consumers make an informed product choice.

Let your products offer “instant” gratification

Prevention driven by “instant” gratification

- Weight Control
- Digestive Health
- Immune Support
- Oral Health

A promise of a long-term health benefit

- Heart Health
- Beauty From Within
- Brain health

Convenience

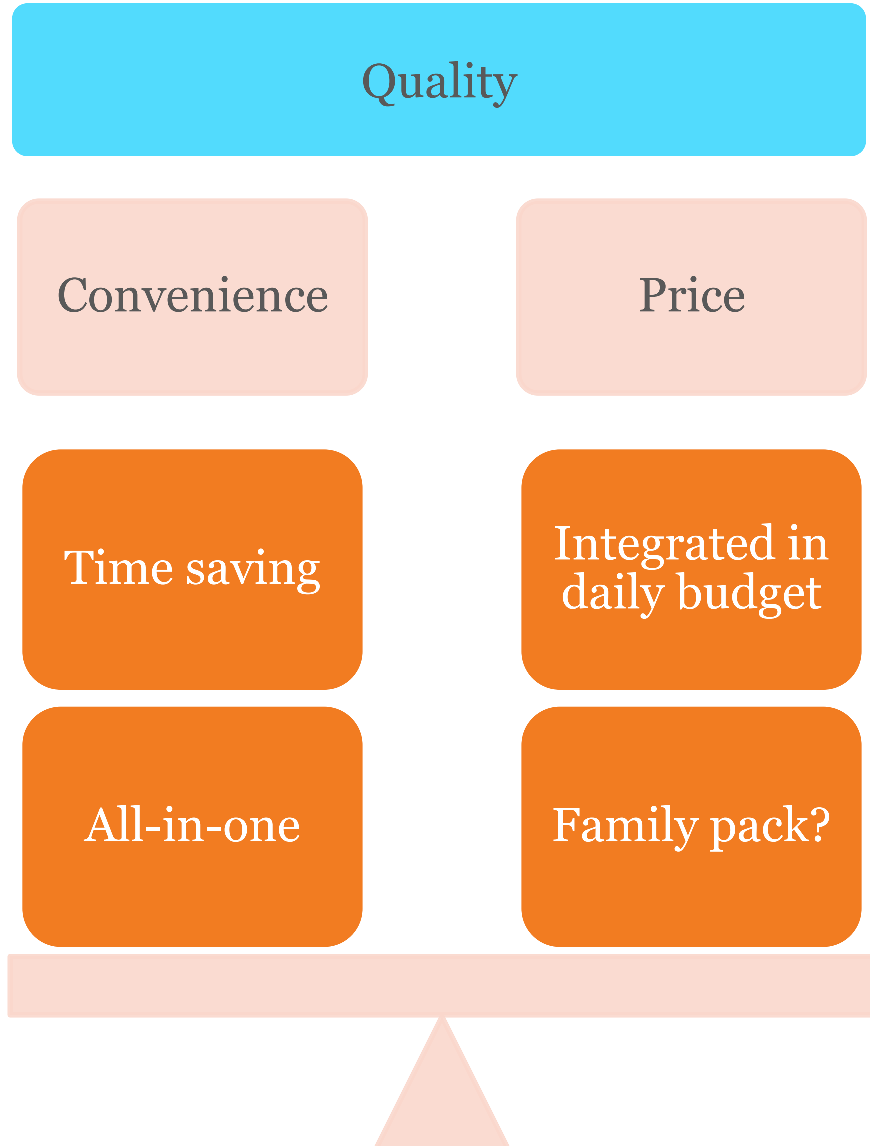
Consumers want it all and now!

There is a significant difference for consumers between products which offer instant gratification and those which promise a long-term health benefit.

Long-term Benefits

It is much harder for consumers to measure the effectiveness of those products which claim long-term benefits such as beauty from within and therefore manufacturers of products that fit into these categories need substantial evidence that prove their benefit.

Balance convenience and low price combination to reach middle and low income brackets



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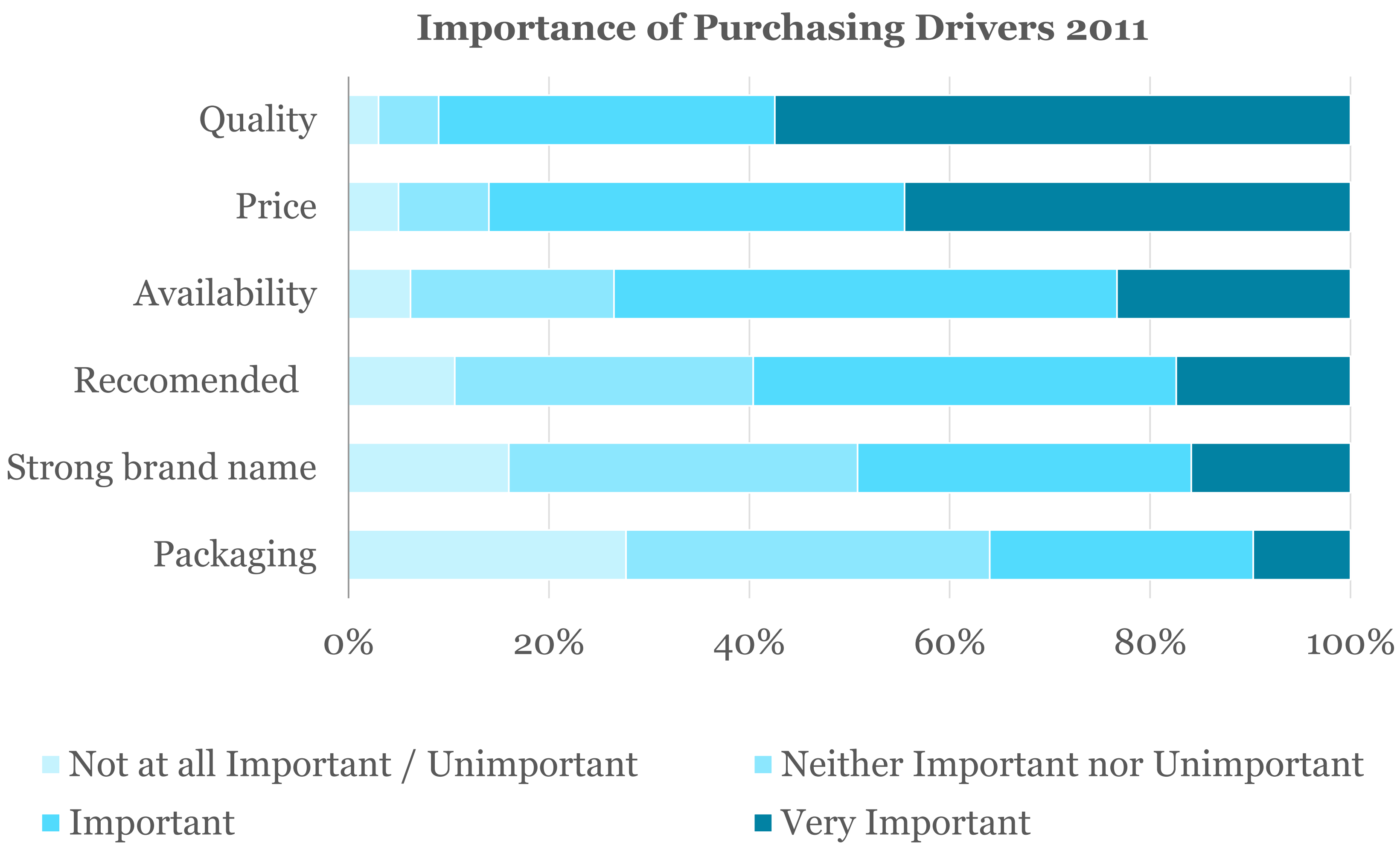
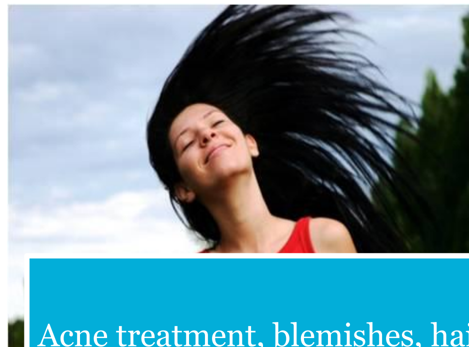
Bringing quality at the right price



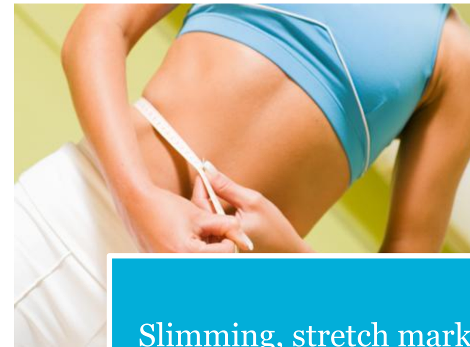
CAN YOU COMMUNICATE THE BENEFITS?

Nutricosmetics address numerous beauty needs

Eczema, rashes



Acne treatment, blemishes, hair, nails



Slimming, stretch marks

Cellulite reduction, tanning

Anti-aging, elasticity and firmness, wrinkle reduction, skin whitening, pigmentation (age spots), sun protection

Acne, weight management hair recovery,

Beauty-from-within new product developments

Dove Spa - Unilever

Key Ingredients

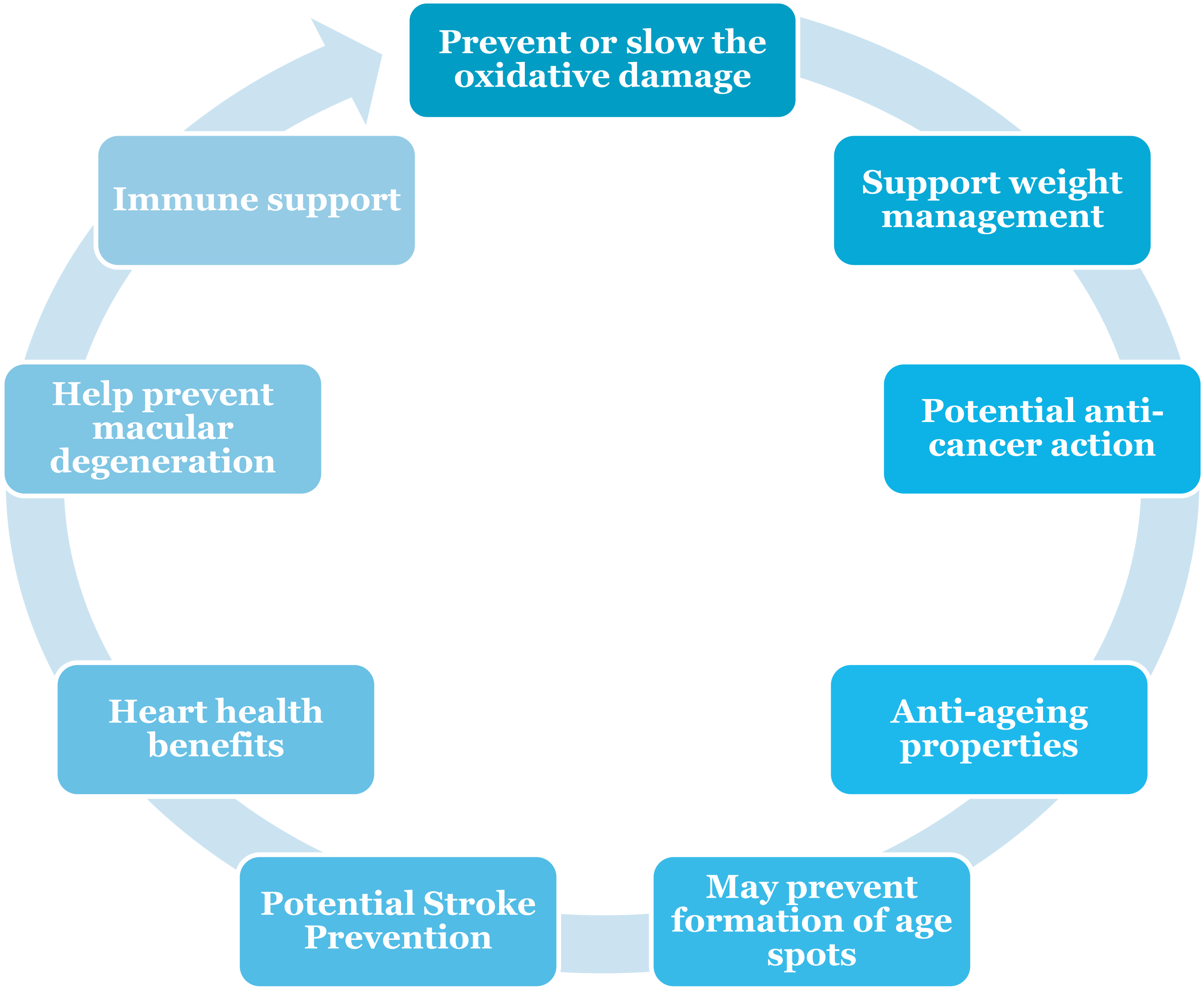
- Isoflavones extracted from natural Soy beans
- Lycopene
- Vitamin E
- Reinforced with Vitamin C to support natural formation of collagen in the skin
- Omega 3 fatty acids.

Sappe Beauty Drinks – by Lehre & Bergesen launched in summer 2010 (Thailand)

Key Ingedients

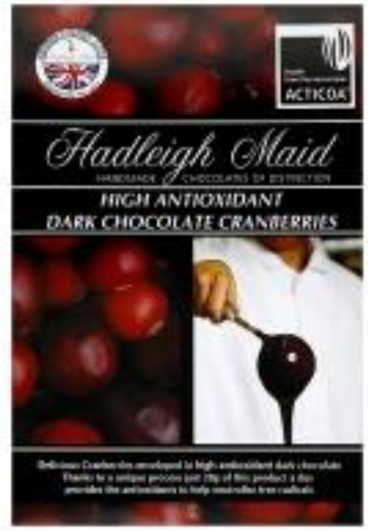
- CoQ10 known as antioxidant and used in cosmetics
- Vit E – boosts immune system
- Collagen 1,000 mg; from deep sea fish with skin moisturising properties
- Chlorophyll 10,000; detox& cleansing properties; beautiful skin, slows aging
- **Fibre** 8,000 mg L'Carnitine

Antioxidants offer numerous purported benefits



Technologies preserving higher content of antioxidants continue to grow

"Choxi+ provides between two and three times more antioxidants than a standard dark or milk chocolate. Two squares – less than 60 calories – a day of dark Choxi+ supplies enough flavanol antioxidants to help neutralise free radicals."



"Barry Callebaut has developed a special ACTICOA process wherein the cocoa flavanols, naturally part of the cocoa bean, are retained to a maximum of 80 % during the process of making chocolate."

"Contains twice as much polyphenols as normal coffee, blending raw coffee beans and roasted coffee beans."

Keep it simple with recognizable and effective ingredients

EFSA/FDA-approved ingredients

Natural and recognizable ingredients

Ingredients that offer visible results within 3 months to increase consumer trust in Nutricosmetics

New market strategies pave way to future growth

Ingredients

- EFSA/FDA-approved ingredients
- Natural and recognizable ingredients
- Improving awareness and trust gradually

New product formats

- Combination supplements
- Combination foods – beauty and probiotics in Asia
- Key to success:
  Good taste
  Trust in the benefits of key functional ingredients

Untapped consumer

- Younger females
- Ageing consumer
- Men
- Mid to low income segments
- Needing functional ingredients that will maintain/ improve their health and looks

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