



Natural Health Products NZ Summit

March 2018

Presenter: Alix Sinclair
Team Leader Client Service



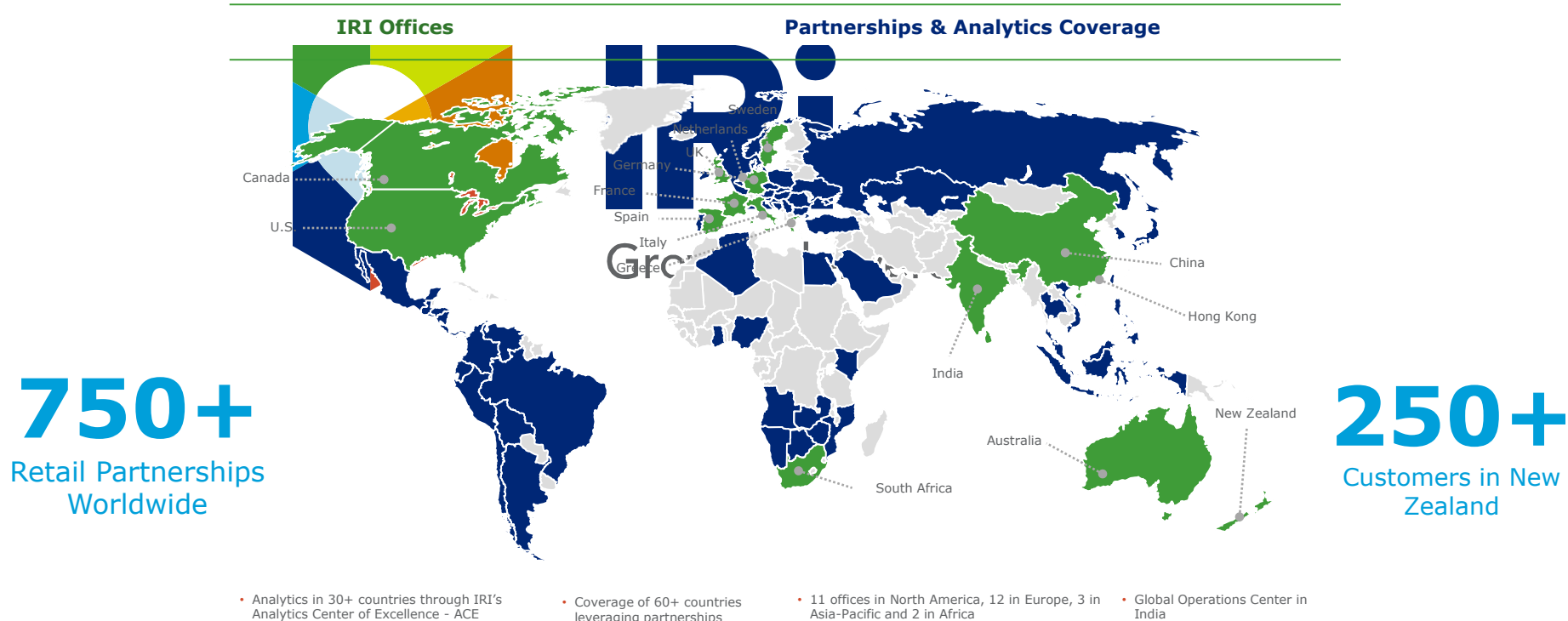
IRi

Growth delivered.

AGENDA

- 1** Introduction to IRI
- 2** The State of our Nation 2017
- 3** Top Trends in FMCG for 2017
- 4** Key Considerations
- 5** Key Takeaways

IRI DELIVERS INSIGHTS, ANALYTICS AND CONSULTING IN OVER 60 COUNTRIES...





The State of our Nation 2017

Unemployment

4.5%

-0.8pt vs Q4 YA
-0.1pt vs Q3 17



Q4 17

CPI Inflation Rate

1.6%

Chg. vs Q4 YA

Food Price Index

0.8%

Chg vs Yr. to Jan-17



Population Growth

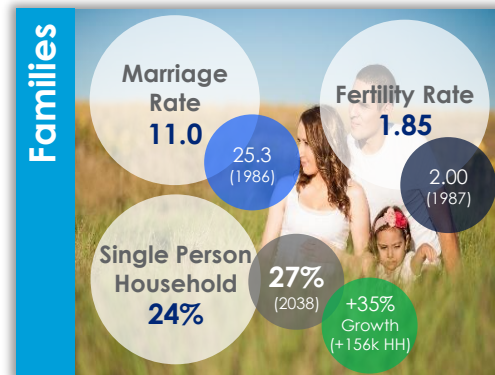
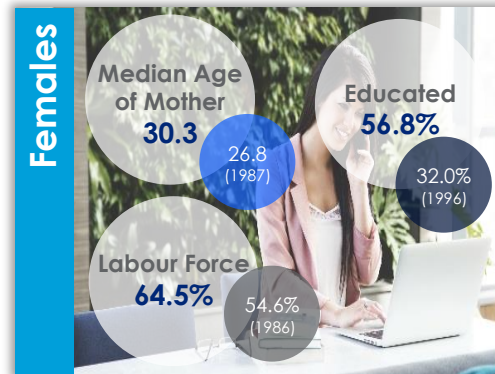
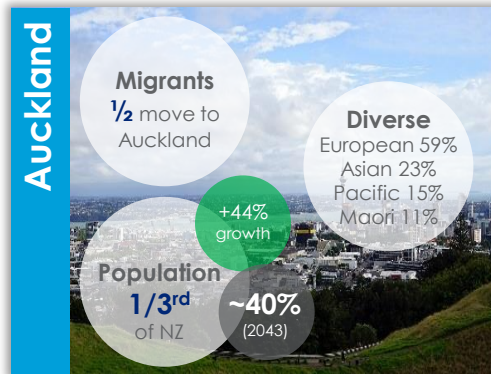
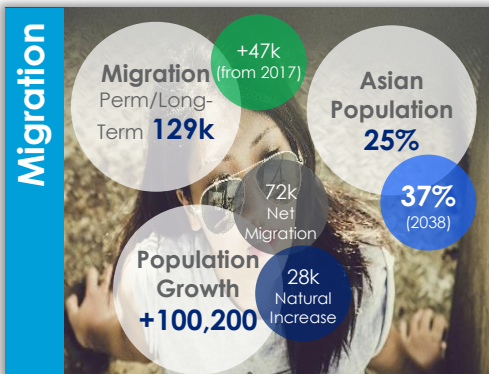
2.1%

vs 2016



2017

WHO WE ARE AND HOW OUR POPULATION IS CHANGING, IS IMPACTING WHAT WE VALUE AND BUY



NEW ZEALAND TOTAL RETAIL

\$80.6B¹

+6.1%

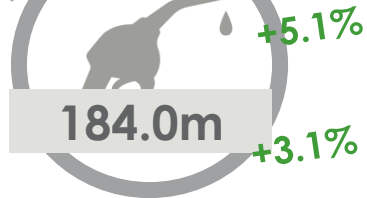
NZ SCAN SALES

Grocery



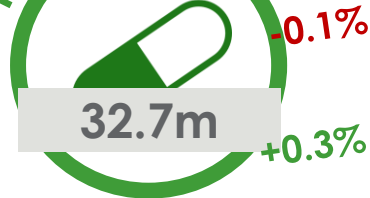
\$13.5b

Petrol



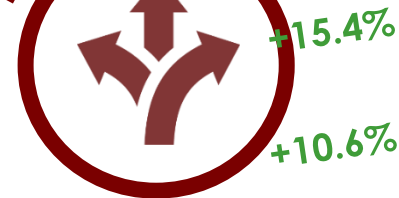
\$1.3b

Pharmacy*



\$593m

Route*



TOP 5 GROCERY (NON-FOOD) GROWTH/DECLINE

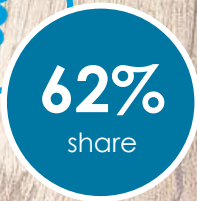
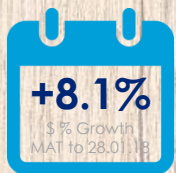


TOP 5 PHARMACY GROWTH/DECLINE



NATURAL HEALTH CATEGORY PERFORMANCE

COMBINED GROCERY + PHARMACY



+8.1%

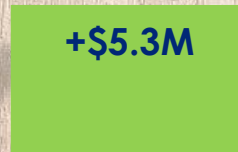
+6.7%

+8.9%

Dollars Growth Actual YA



National Combined



National Grocery

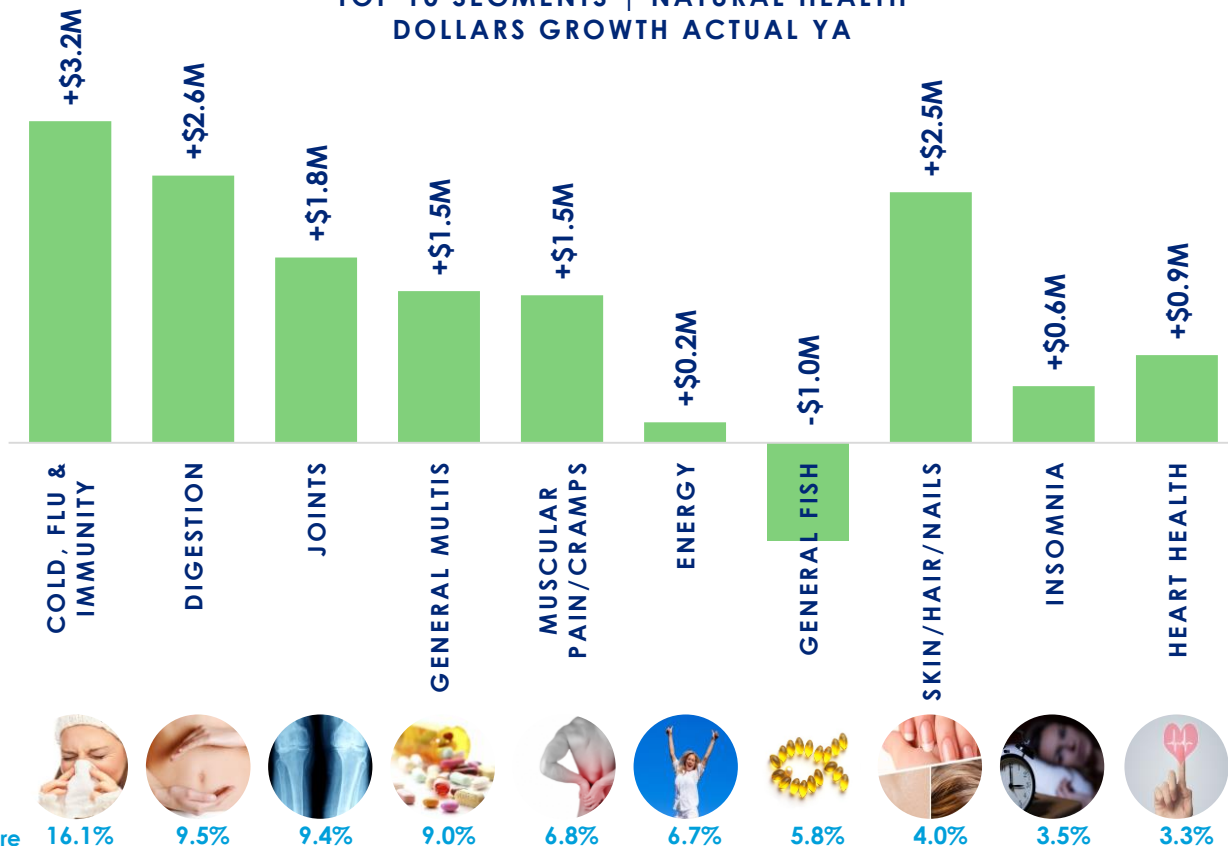


National Pharmacy



TOP 10 NATURAL HEALTH SEGMENTS

TOP 10 SEGMENTS | NATURAL HEALTH
DOLLARS GROWTH ACTUAL YA





Top Trends in FMCG Retail for 2017

HOLISTIC APPROACH TO HEALTH & WELLNESS



Physical

Diet & Nutrition
Exercise
Beauty & Personal Care
Less Tobacco & Alcohol



Emotional

Social
Financial
Indulgence
Experiences
Ethics/Sustainability

Feel Good
Do Good
Live Better

Desire for
Purenness

Peace &
Harmony

Whanau

**Feel Good
Do Good
Live Good**



WELLNESS HAS BECOME A MAJOR GROWTH LEVER



The keys to following healthy nutrition...

71% 
Eat more fruit & vegetables

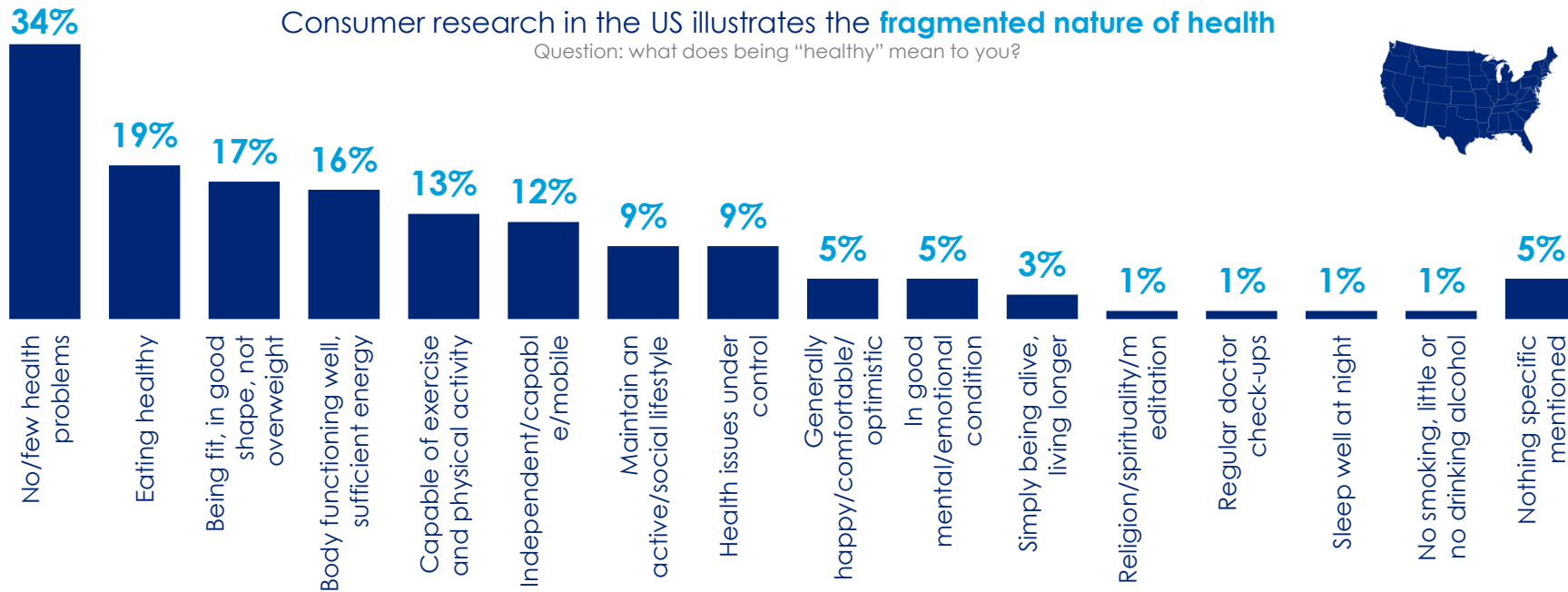
38% 
Read product ingredients

27% 
Pay attention to nutritional facts on the label

18% 
Dedicate more time to the right food choices / cooking

NZ IRI Regional Shopper Survey 2017

THERE ARE VARIED INTERPRETATIONS OF WHAT 'HEALTHY' IS



Consider this: how does your core target shopper define healthy?

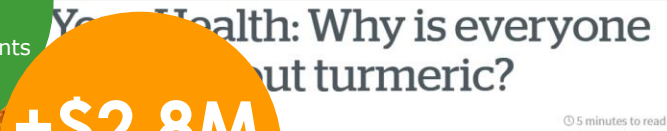
WITH CONSUMERS ADOPTING A 360° HOLISTIC HEALTH & SELF CARE APPROACH



INGREDIENT BELIEF DRIVES CHOICES

\$4.5M
value sales
Turmeric Supplements

+\$2.8M
Turmeric Supplements
growth



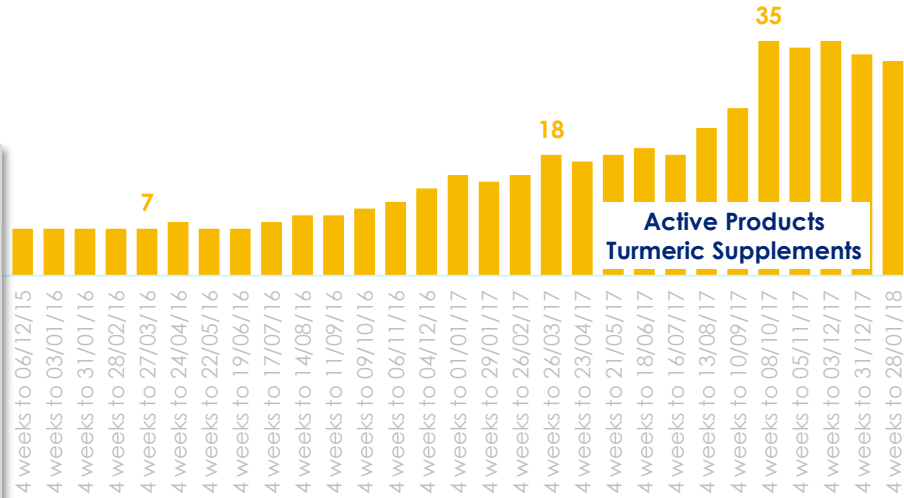
Turmeric ... **rise in New Zealand**

11 May 2017
682 Hits



E-Life's Etu Tusitala (left) with visitors checking out E-Life's Samoa Wild Turmeric drink at the La Cigale French Market in Auckland last Saturday.

- 90 Hits
Samoa spe
- 92 Hits
Commonwe
within famile
- 424 Hits
Young Zach
education
- 35 Hits



Inflammation fighting
properties



**PERSONAL CIRCUMSTANCES ARE ALSO DRIVING
A CHANGE IN BEHAVIOUR**



“

**ALL
DISEASE
BEGINS IN THE
GUT”**

- HIPPOCRATES

Gut health is a
prevalent and
growing
concern in NZ



WE SEE THIS WITH THE RISE IN DIGESTIVE MEDICINE

Digestive Care
Category

+2.2%

+\$772k



LAXATIVES

\$11.0m

+1.9%
(+\$202k)



ANTACIDS

\$14.8m

+2.7%
(+\$396k)



ANTIDIARRHOEALS

\$4.5m

+2.6%
(+\$116k)

Probiotics

\$12.9M

+9.7%
growth
(+\$1.1M)

Prebiotics - Phloe

\$2.1

+3.1%
growth
(+\$64k)



Desire for Pureness





CONSUMERS ARE INCREASINGLY AND ACTIVELY SEEKING TO LIVE LESS TOXIC, MORE NATURAL LIVES

34%

consider NH supplements to be safer than traditional OTCs

28%

believe they are gentler on the body

17%

believe they address root cause vs symptoms

32%

view NH supplements as more effective vs. traditional OTCs

34%

of consumers perceive equal efficacy between NH supplements and traditional OTCs

72%

of parents give their children NH supplements first vs. traditional OTCs



COLD & FLU – SHIFT FROM OTC TO NATURAL REMEDIES

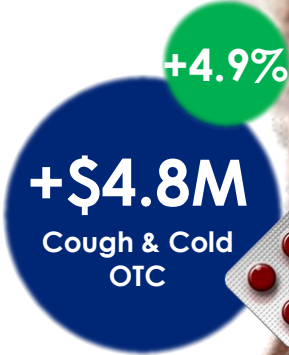
Flu rates three times higher than last year as dominant virus mutates

MICHELLE DUFF
Last updated 12:52, August 4 2017

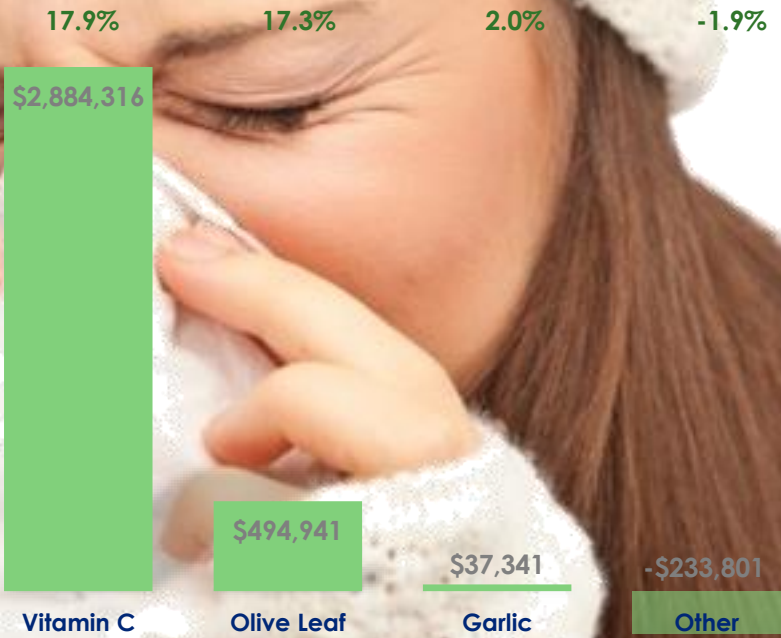


FILE PHOTO
District health boards from New Zealand's most populated cities have experienced a big increase in the number of influenza hospital admissions. (File photo)

New Zealanders are catching the flu at three times the rate of last year, as the dominant strain of the virus begins to mutate.



Dollars Growth Actual YA
Natural Health Cold, Flu & Immunity



HERBAL IS ON THE RISE...

\$56.2M

Value sales

+\$6.7M

growth

+13.5%

% growth



WHAT'S ON THE OUTSIDE MATTERS AS MUCH AS WHAT'S ON THE INSIDE



BEAUTY COUNTERS ARE GETTING CLEANER

Women are now reading the labels on their beauty products as carefully as food labels. They're scanning moisturizers for ingredients to avoid and seeing skin care as an extension of their health. As a result, chic, cleaner beauty products are getting way more accessible.

"Women come into our store having done a lot of research on ingredients and are hungry to know more," says Annie Jackson, VP of merchandising at **Credo Beauty**, one of an expanding number of non-toxic beauty stores across the country.

Natural and organic brands are sprouting up almost daily, and becoming a very viable industry that's estimated to reach **\$16 billion by 2020**.

All of this is why mega stores like **Target**, Millennial lifestyle retailers like Urban Outfitters, and chains like **Sephora** are rapidly expanding their clean beauty offerings. "We've definitely seen an increase in the use of natural ingredients," says Priya Venkatesh, Sephora's VP of skin and hair merchandising. "Brands such as Herbivore Botanicals and **Drunk Elephant** have an enthusiastic fan base."

And, for the first time since 1958, a discussion about **cosmetics regulation** is happening on a governmental level. If passed next year, the **Personal Care Products Safety Act** would empower the Food & Drug Administration to evaluate skin-care ingredients for safety.

Women are now reading the labels on their beauty products as carefully as food labels.

Seeing skin care as an extension of their health

Natural and Organic brands estimated to reach **\$16 billion** by 2020

AND NATURAL & ORGANIC IS KEY WITHIN SKINCARE

Dollars Growth % YA
18.8

Top Value Growth Brands Grocery



Facial Care

Hand & Body

Personal Wash



Hair Care

-0.6

Total Category

environmental

Personal Care

Total Category

5.7

Environmental

Hair Care

24.2%

Personal Wash

31.7%

Baby Toiletries

11.0%

Top Value Growth Brands Pharmacy



Skincare



Makeup

TREND INTENSIFICATION, ACTIVELY SEEKING LESS TOXIC MORE NATURAL

Lack of trust, concern about **transparency**; product/ingredient **safety** and efficacy is driving a movement to **homemade/ DIY**, back to basics with simple ingredients



Charcoal Cleansers
(+\$399K)



Vinegar
+14.5%



Epsom Salts
+8.2%



Clay Cleansers
(+\$240K)



Baking Soda
+0.4%

Peace & Harmony



AND GOING BEYOND JUST WHAT WE EAT, BUT ALSO OUR **STATE OF MIND**

2009 World Health Organisation study placed NZ **3rd** in the world for lifetime prevalence of **suffering** from an anxiety disorder

1 in 4 NZer's will experience an **anxiety disorder** at some point in our lives

15,500+ kiwi children are diagnosed with **anxiety**, up from 2,800 five years ago

Google Search: "Anxiety"
NZ

The rise of the anxiety disorder

JACINTA TYNAN

Last updated 11:55, August 16 2015



FEATURED STORY

Rising Anxiety



As a country we mainly consider ourselves a laid-back bunch, but in reality New Zealand has one of the highest rates of anxiety disorders in the world. A 2009 World

stuff

Number of 'anxious' kids skyrockets

MARIKA HILL · 16:00, Jan 05 2013



WITH SLEEP PLAYING AN IMPORTANT ROLE IN OUR PHYSICAL HEALTH

1/4

Nzer's have a chronic sleep problem

55%

of Kiwis say they never wake up feeling refreshed

\$7.9M

value sales

+\$560k

actual growth

+7.6%

growth

Swisse

+\$304k
growth

Sleep support system
Sleep Drops

+\$139k
growth

red seal®

+\$119k
growth

GO®
healthy
new zealand

+\$112k
growth



A young child with dark, curly hair and large, expressive eyes is looking directly at the camera. They are wearing a light blue, button-down shirt. The child is positioned under a bright yellow umbrella, which is open and covers their head. The background is a dark, rainy scene with numerous blue raindrops falling around the child. The word "Whanau" is written in white, bold, sans-serif font across the middle of the image, partially overlapping the child's face and the umbrella.

Whanau

CONSUMERS FOCUS ON WHAT CONSTITUTES 'GOOD' FOR THEIR CHILDREN

\$14.0M

Kids Natural Health
value sales

6.3%

value share of
Natural Health

+\$3.3M

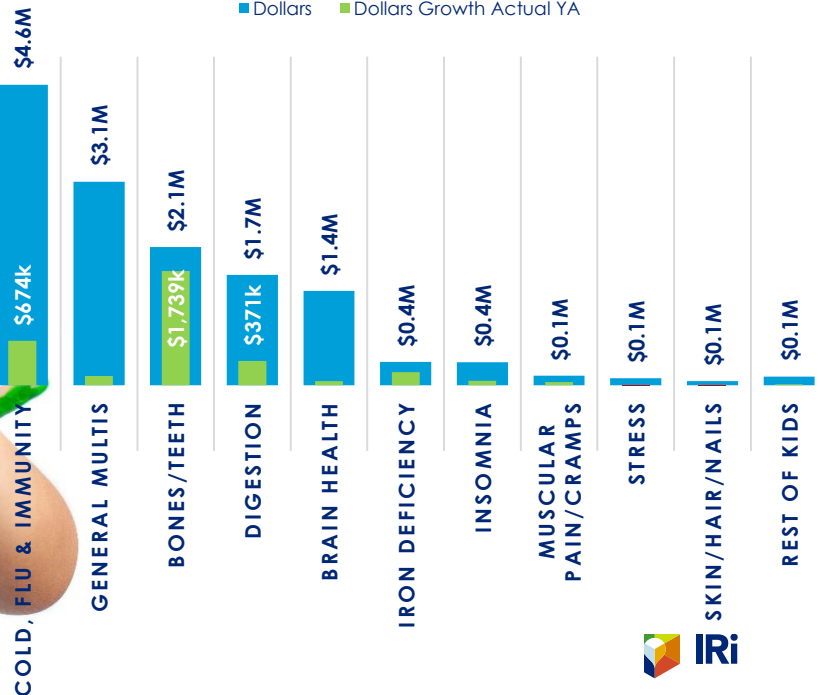
actual growth

+30.8%

growth

KIDS NATURAL HEALTH SEGMENTS | TOP 10 (BY VALUE)

■ Dollars ■ Dollars Growth Actual YA



PARENTS ATTEMPT TO FULFIL DIETARY DEFICIENCIES

\$7.5M

Iron segment
value sales

+\$200k

Kids Iron
actual growth

1 in 20

young children
are deficient in
iron

+\$502k

actual growth

+7.2%

growth



\$335k

value sales

+\$195k

actual growth

Anemia is the
most common
nutritional
deficiency in
the US among
children



Four precursors to winning in health and wellness are that consumers...

Monitor beliefs as they drive consumer need in the changing domain of health

NEED THE PRODUCT

UNDERSTAND AND FEEL THE BENEFIT

Emphasise what the product inherently delivers, rather than deprives

THEREFORE WINNING IN HEALTH AND WELLNESS....

Champion 'hero' ingredients and invest in ingredient understanding

EMBRACE THE INGREDIENT

TRUST THE BRAND

Place an additional onus on authenticity as a core brand value to engender trust

...and that retailers/suppliers target the right shopper segment to win

A close-up photograph of a person's hand holding a large, ornate golden key. The key is glowing with a bright, warm light, creating a starburst effect. The background is dark and out of focus, showing the person's face and clothing. The overall mood is mysterious and significant.

Key Considerations

SOCIAL & ENVIRONMENTAL ISSUES INCREASINGLY CONSIDERED & VISIBLE



Localness

- New Zealand made has become more diverse & specific with significant growth of products across three areas:
 - Provenance & Locally Crafted
 - Heritage & Kiwiana
 - Native Botanicals
- As we look to support the smaller players in our stores

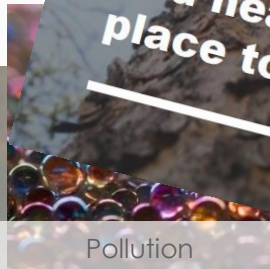
Environment

SOCIAL & ENVIRONMENTAL ISSUES INCREASINGLY CONSIDERED & VISIBLE

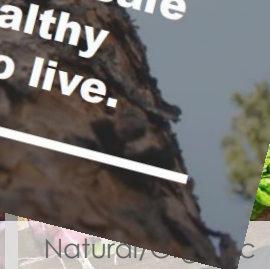
83% of New Zealanders worry about the future and whether we're doing enough to keep New Zealand a safe and healthy place to live.



Sustainability



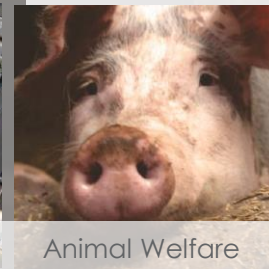
Pollution



Natural/Disaster



Disasters



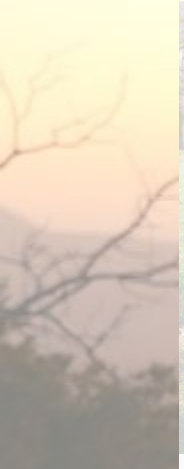
Animal Welfare



Waste



Climate Change



THE CHANGING CONSUMER FUTURE IMPLICATIONS

Growth of older population in developed markets



- *The functional benefits of products will become increasingly important*
- Brands need to address the demands of the older generation as range, experience and enjoyment will not be compromised with this group as they desire fuller lives for longer

Surge of younger population in emerging markets



- *Brands must appeal to Millennials core values* of good health, family and physical fitness
- For this group wellness is a daily, active pursuit and one they are willing to spend on
- Millennial parents are very conscious of the impacts of products on their children and Brands must deliver to this
- They are digital natives and brands must extend their reach

Greater global connectivity and mobile penetration



- *Time is the new currency*, consumers shopping behaviour heavily influenced by convenience factor
- Consumers have never had so much information at their fingertips, gifting them with more power when purchasing products
- Onus is on brands to offer shopping shortcuts

QUESTIONS

FOR MORE INFORMATION

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ABOUT IRI

IRI is a leader in delivering powerful market and shopper information, predictive analysis and the foresight that leads to action. We go beyond the data to ignite extraordinary growth for our clients in the CPG, retail and over-the-counter healthcare industries by pinpointing what matters and illuminating how it can impact their businesses across sales and marketing. Move your business forward at **IRIworldwide.co.nz**

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