



Retail Spotlight

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GNC to grow within Brooks/Eckerd store base

By MICHAEL JOHNSEN

WOONSOCKET, R.I. — There is about a 35 percent disparity between the front-end performance of a Rite Aid and the stronger front-end performance of a Brooks/Eckerd, Rite Aid has reported, and one of the key drivers expected to bridge that performance gap is Rite Aid's exclusive store-within-a-store relationship with specialty retailer GNC.

Presently there are some 1,270 GNC/Rite Aid centers, which is approximately 38 percent of Rite Aid's core store base. By *Drug Store News* estimates, Rite Aid will have the capability to flow those GNC centers into an additional 345 Brooks and Eckerd locations.

The centers were a significant growth factor in Rite Aid's fiscal 2007 performance. "Vitamins [had strong gains], especially our GNC department [which] finished with their strongest performance of the year," commented Rite Aid chairman, president and chief executive officer Mary Sammons during a fourth-quarter conference call with analysts. "We will continue to add more GNC departments to our stores where appropriate, includ-

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Rite Aid is expecting its exclusive store-within-a-store relationship with GNC to boost front-end sales at its acquired Brooks and Eckerd units.

ing in select stores we acquire."

While Rite Aid does not break out the performance of its GNC departments separately, GNC freestanding operations have been growing as well. For the quarter ended March 31, GNC posted a 3.3 percent improvement in same-store sales increases to \$391.9 million. GNC has more than 4,800 retail locations throughout the United States including the Rite Aid store-within-a-store locations.

Sales increases may be due to GNC's recent comprehensive branding campaign. The vitamin retailer sponsored an episode of "The Apprentice: Los Angeles" earlier this year, coupling a sweepstakes and product giveaway in conjunction with the March 11 show telecast.

In the episode, GNC had show candidates create a halftime show promoting the specialty retailer during the halftime of a Los Angeles Galaxy soccer game. The winning idea was a team dressed in giant pill costumes branded GNC who ran an obstacle course on the field and gave out free samples.

GNC presently is promoting its brand through a \$5,000 giveaway beginning July 31 and each of the ensuing seven months.

Three trends you MUST know

1 Lactobacillus GG may sound like the name of an ancient Latin philosopher and maybe it was, but it's also the latest good guy in town.

We all know that bacteria's not a good thing, but what we perhaps don't know is that some bacteria is beneficial to our bodies, and that's where Lactobacillus GG comes in. Our colons, basically, are filled with bacteria; the more good bacteria we put in there, the less room there is for the bad.

At the end of last year, Amerifit Nutrition acquired Culturelle, the top-selling probiotic in the chain drug category and one of the fastest-growing in the natural food channel, according to IRI and SPINS data. It's also the only probiotic containing Lactobacillus GG.

Not all good bacteria are created equal and other Lactobacillus strains, such as *L. acidophilus*, which are commonly found in traditional yogurt, do not improve intestinal health. There are probiotic yogurts on the market, such as Dannon's Activia, but Amerifit's Culturelle capsules make taking probiotics more convenient.

Everyday life—diet, travel, stress and some medications—can lead to an imbalance in the digestive system, and Culturelle's Lactobacillus GG is the most clinically researched strain and proven to improve digestive health.

2 Heart disease is the No. 1 killer in the United States, according to the American Heart Association, and people with cardiovascular problems tend to be taking more medications than ever as scientists reveal more solutions. This simply means more for consumers to buy and more pills they must remember to take.

Packs of supplements could make looking after your heart more convenient. To this end, Pharmavite in June launched Nature Made Heart Health Pack, which contains five supplements—fish oil, super B-complex formulated for heart health, flaxseed oil, CoQ10 and vitamin E.

Heart health packs will begin shipping in August, and are expected to be highly popular, said Doug Jones, spokesman for Pharmavite, based on the success of

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Category Buzz

Retailer plans to muscle into new territory

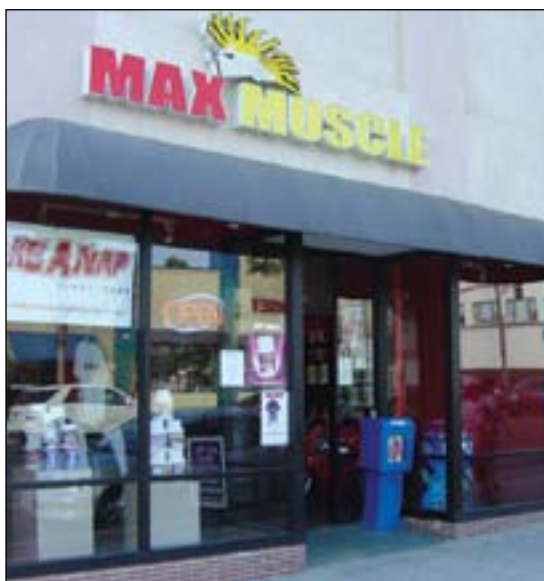
By DOUG DESJARDINS

ANAHEIM, Calif. — Max Muscle has been a fixture in Southern California for more than 15 years with strong brand recognition among fitness buffs looking for vitamins and supplements. But now the chain is looking to branch out with expansion plans that will take it nationwide in the next five years with more than 500 stores.

Right now, the majority of its 103 stores are still in California—approximately 70—but the retailer began expanding outside of the state in 2004 through a combination of corporate stores and franchise operations. It plans to open about 35 stores in 2007.

It recently opened its first stores in Portland, Ore.—where it plans to open up to 30 stores—and has moved into new markets that include Seattle, Dallas, Phoenix, Denver, Las Vegas and Albuquerque. The chain currently has stores in more than a dozen states with the majority in the western United States.

And it plans to achieve its ambitious expansion plans by adding the bulk of its stores through franchising. The stores are small, averaging less than 1,500 square feet, and are relatively inexpensive to open, with franchisees investing as little as \$150,000 to open a store.



Max Muscle's expansion plans call for the chain to go nationwide in the next five years with more than 500 stores.

Max Muscle operates stores on a business model similar to General Nutrition Centers, the industry leader with more than 4,800 outlets including store-within-a-store locations in drug stores. But Max Muscle carries a more diverse mix of nutritional supplements and athletic apparel for people who are serious about keeping in shape. And it has its own private label vitamin line called Max Nutraceuticals.

And Max Muscle puts an emphasis on education. All of its employees are certified nutritionists and stores have a Max Muscle Information Center with an interactive library that includes online meal and nutrition planning.

The chain's ambitious plans are getting under way 17 years after it was founded in 1990 by Joe Wells, a former NFL football player who leveraged an extensive background in bodybuilding and sports nutrition into retailing. And while the primary customers are serious athletes, the stores also are designed for people looking to lose a little weight or to change their lifestyle.

Despite its success in California, Max Muscle has a daunting challenge ahead as it ventures into new territories. In addition to competing with such big chains as GNC and smaller ones, such as Vitamin Shoppe and Vitamin World, it also must compete for consumers who buy vitamins and supplements in grocery stores, drug stores, on the Internet and at local gyms.

GMPs aim to supplement confidence, sales

By MICHAEL JOHNSEN

The Food and Drug Administration last month published the good manufacturing practices for the dietary supplement industry, most significantly requiring all dietary supplement manufacturers to test and qualify their raw ingredient sources.

The GMPs could help boost consumer confidence, and consequently sales, in an industry where confidence has waned in the past few years, but it was almost anti-climactic as the industry prepares to mull through the 800-plus pages of the GMP document.

The procedures contained within the rule offer yet another layer of assurance to consumers of the identity, purity, strength and composition of all dietary supplement products," stated Linda Suydam, president of the Consumer Healthcare Products Association. "This rule will help ensure that all manufacturers comply with the same stringent standards to safeguard quality against contaminants and impurities, and to certify that all products are accurately labeled with the type and amount of dietary ingredients they contain."

While critics of the newly minted dietary supplement GMPs maintain they don't go far enough, as in not requiring pre-market approval similar to over-the-counter medicines, advocates counter that the GMPs go plenty far, especially in establishing that theirs is an industry that is, and always has been, an industry that is regulated by the FDA. This will actually change the way some companies are conducting business," Steve Mister, president of the Council for Responsible Nutrition, told *Drug Store News*. For instance, regarding the requirement that manufacturers test 100 percent of their raw ingredients, "this means that [companies] will have to do more than blindly accept a certificate of analysis from a raw ingredient supplier," he said. "While the majority of the industry is already doing that, there are some outliers that just accept whatever they

get. That is no longer going to be an acceptable practice." That doesn't only impact the perception of the dietary supplement industry, Mister said, but it changes behavior.

The new GMPs, even out of the gate, also are expected to relieve some of that stigma from the industry that it is unregulated. "With heightened consumer concern over the safety of food ingredients, particularly those coming from overseas, this new regulation should help to increase consumer confidence in the dietary supplement products they buy," stated David Seckman, executive director and chief executive officer of the Natural Products Association. "Consumers want to be assured that what's on the label is in the bottle—nothing more, nothing less—and this regulation aims to make sure that is the case."

"This definitely will have an effect on consumer confidence in the industry," Mister said, "because there will be an improvement in the quality of product. This should have a [positive] effect on the efficacy and safety issues because people will have more faith that they're getting what they think they're getting." Mister suggested that the lay press coverage of the new GMPs has been fairly balanced but for one issue. "I have seen several stories in some of the major newspapers that suggests that, for the first time, companies must put into the bottle what they say is in the bottle. That's flatly wrong—DSHEA from the very beginning has required that products not be misbranded or adulterated. ... This rule doesn't change that." Instead, the GMPs provide companies a roadmap as to how they will go about ensuring that what they say is on the label is, in fact, in the bottle.

In the three years it will take before the smallest supplement manufacturers are required to be fully compliant, it's also expected to level the playing field and may, in fact, improve efficacy of supplements across the industry as manufacturers are required to justify that what they say is in their ingredient list is in fact formulated into the supplement.

Dietary supplement sales

Ingredient	\$ Volume	Percent change
Overall	\$2,379.9	2.5%
Herbs		
cranberry	20.8	18.0
echinacea	15.1	-14.8
garlic	22.3	-11.6
ginkgo biloba	16.1	-2.6
multi-herb formulations	45.8	38.0
saw palmetto	17.4	-9.9
soy	28.3	-20.6
Non-Herbs		
probiotics	29.4	24.8
amino acids	21.1	1.9
glucosamine/chondroitin	309.7	1.1
coenzyme Q10	68.0	15.8
fish oils	148.6	23.8
lutein	11.8	12.6
melatonin	21.0	11.9
SAM-E	16.0	-0.5
Vitamins		
A and D	24.3	21.9
B	83.2	1.5
B Complex	55.1	0.5
E	70.5	-10.6
Multivitamins		
children's	112.4	6.6
adult's	582.2	-0.8
packs	14.3	-8.8
Minerals		
calcium	258.9	-2.2
iron	54.2	4.7
magnesium	17.5	16.1

Source: Information Resources Inc. for the 52 weeks ended May 20 across food, drug and mass (minus Wal-Mart) channels
*Excludes ingredients with a total dollar volume of less than \$10 million

Interestingly, the new rules are not expected to create a cost-of-entry barrier for smaller suppliers even as they are implemented over the next three years. "It potentially could have been," Mister noted. "Will it add some costs? Yes. But many companies are already doing this at the level that GMPs require," he said. Initially there was some concern that the GMPs would be cost prohibitive for smaller manufacturers. "I don't see it breaking down that way," Mister said. "It breaks down between companies that are being responsible and those that aren't. And that's not a function of how big you are. ..."

"Generally, we are very pleased because on a number of accounts, [FDA] did make changes to the final rule based on what was published in the proposed rule that was responsive to the concerns that we raised, particularly in the area of flexibility of the testing programs, flexibility of end-product testing ... [and] the interim final rule that allows some alternative to 100 percent raw ingredient testing," Mister said. "All of those areas reflect movement from FDA that, yes, they did hear concerns of the industry four years ago."

The big concern now that the GMPs have been published, among association leaders, is whether or not the FDA is adequately funded to enforce the GMPs. Both CRN and CHPA are lobbying for greater funds for the FDA in order that the agency can successfully enforce the new GMPs. "We have not only [the GMPs], but we also have the [adverse event reporting] requirement that goes into effect in December," Mister said. "So we're trying to get more resources for the FDA. ... Otherwise it's like having a speed limit but no radar gun."



Retailers are hoping that new good manufacturing processes released last month by the Food and Drug Administration will increase consumer confidence and sales in the dietary supplement category, as manufacturers will be required to test and qualify their raw ingredient sources.

Pet health untapped opportunity at retail

By LAURA KLEPACKI

U.S. consumers are spending more on pet health care, and key manufacturers are starting to offer new products for drug stores and other mass market retailers that could help them gain a bigger piece of the pie.

According to the American Pet Products Manufacturers Association, in 2006 Americans dished out \$9.3 billion on supplies and OTC medicines for their furry friends. That expenditure is expected to rise 6.5 percent to \$9.9 billion this year.

At the recent NACDS Marketplace show in Boston, Edgewood, Md.-based Nutramax Labs presented its Cosequin brand of joint medications for dogs and cats to the mass market. The brand previously had been exclusive to veterinarians. It will make its retail debut at specialty chains Petco in July, followed by Petsmart in August, both of which already carry an assortment of joint remedies, as well as vitamin and mineral supplements and treatments. The suggested retail price is \$39.99 for a 100-count bottle.

But for the food, drug and mass channels where there currently is a limited selection

of pet health products, "This is a potential new category for them," suggested Todd Henderson, a veterinarian and executive vice president of Nutramax.

For instance, a visit to stores in the Stroudsburg, Pa., market found that a CVS and a Weis Supermarket offered no animal supplements or vitamins in their pet

U.S. Pet Market 2007*

Category/Sales in billions

Food	\$16.1
Supplies/OTC medicines	9.9
Vet care	9.8
Pet services	2.9
Live animal purchases	2.1
Total	40.8

Source: American Pet Products Manufacturers Association
*Annual sales estimate

departments. A local Wal-Mart carried a limited selection of such health items as hydrocortisone sprays, vitamins and joint treatments from brands including Hartz, Sergeant's, St. Aubrey and Eight in One. While a nearby Pet Supplies Plus store offered the widest variety including cough syrups, calcium tablets and digestive aids from numerous professional brands, such as Virbac

AH, DVM Pharmaceuticals, Homeo Pet, Veterinarian's Best and Ark Naturals.

While Nutramax has enjoyed a rich tradition in the professional market—and has developed a "next generation" joint product line exclusive to the professional market, noted David Moore, vice president



Nutramax Labs' Cosequin and Sergeant's Content-Eze

of consumer products for Nutramax—the company sees mass as an opportunity for incremental sales.

To support the retail endeavor, Nutramax will run ads on the Discovery and Animal Planet cable channels, as well as in *Dog Fancy* and *Cat Fancy* magazines. There will be an online marketing program as well, added Moore.

At the same time, Omaha, Neb.-based Sergeant's is extending its year-old Nature's Guardian natural products line with Content-Eze for dogs and cats, priced from \$7.99 to \$9.99 a bottle. The product contains L-tryptophan, the ingredient in turkey that makes humans sleepy and comfortable. This natural supplement now is being used to calm anxious pets. "It can be beneficial to help both dogs and cats to cope during high stress situations, such as fireworks, thunderstorms and car trips," said Caryn Stichler, vice president of marketing for Sergeant's.

A new study by the APPMA found that pet ownership in the United States is growing, with 63 percent of households now owning at least one pet.

"People consider pets a part of the family and treat them accordingly," said Bob Vetere, president of the APPMA. "That has led to the evolution of everything from new and improved services and travel accommodations to food and medicines, all of which make spending for pets more enjoyable and help fuel the continued rise in pet ownership."

Three trends you MUST know

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the company's diabetes packs that have been on the market for three years.

"It's a one-stop shop," he said, "and no one is doing packs like these." The alternative, he pointed out, is a single tablet containing these ingredients, but by offering five pills within a pack, Pharmavite can offer higher doses.

The heart health packs will be sold in the vitamin aisles of drug, food, mass and club stores, targeted at the 45+ demographic.

3 Supplementation in the diabetes community may be heating up—especially as two dietary supplement suppliers with products targeting people with diabetes begin rolling out their latest product launches. Abkit, owned by Nature's Way, recently introduced three new SKUs across its AlphaBetic line. The new products include alpha lipoic acid, a supplement formulated to support healthy nerve function; cinnamon plus chromium and biotin for the support of glucose metabolism; and omega-3, a supplement for heart health.

The line extensions all are in growing segments for the diabetic supplement consumer, the company noted. The compound annual growth rate for alpha lipoic acid supplements from 2003 through 2006 was 11 percent, Abkit reported, citing Information Resources, Inc. year-end data. Cinnamon is the largest segment within the diabetic nutrition category with chromium supplements coming in second, according to IRI. And the sale of omega-3 is up over \$125 million across food, drug and mass (minus Wal-Mart) for the 52 weeks ended Dec. 31.

Nutrition 21 recently showcased a line of Diabetes Essentials that is expected to hit retail shelves in August. The four-SKU line features updated packaging for the company's core Diachrome brand and a diabetes-friendly supplement for heart health. The new line also features two supplements in the form of drink mixes (packaged to be added and mixed with bottled water), a citrus-flavored Nutrition-to-Go Multivitamin and an ice tea-flavored Nutrition-to-Go Blood Sugar Control.