

# ECRM<sup>®</sup>

## Vitamins, Diet & Nutrition

### Executives address industry issues

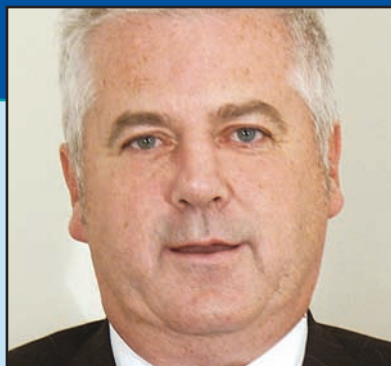
**D**ietary supplements are back on the upswing, in part because of the number of favorable developments over the past year—implementation of good manufacturing practices, the kickoff of an industry-supported, self-regulated program to police supplement advertising and the passing of a regulation that requires supplement manufacturers to log and report serious

adverse events, to name a few. And all of these developments are expected to reinvigorate what had been a tattered reputation, not to mention sales.

So *Drug Store News* polled four executives attending ECRM's Jan. 21 Vitamin, Diet and Sports Nutrition event to see what they thought would pop this year and why. Here are their responses.



*Kathy Passaretti, Amerisource-Bergen corporate director of OTC/HBC product development*



*Phil Burke, Bartell Drug Co. OTC buyer*



*Jeff Fernandez, Amazon.com buyer of HBC consumables*



*Sandee Escene, Drugstore.com senior category manager of natural/vitamins supplements*

#### **Drug Store News asks:**

Which category within dietary supplements do you think will experience the most growth in 2008 and why?

**Passaretti:** Dietary and nutritional supplements should have exciting growth in 2008, particularly SKUs that target specific health needs. Products geared to support heart health, bone, colon and diabetes care should all show significant growth in the coming year. As the baby boomers move into their [60s] and beyond, the demographic market for these products can only grow. While there are many members of this generation that feel it's important to continue their healthier lifestyles that combine exercise, smart eating habits and nutritional supplements, there is also a growing number of patients facing a more sedentary standard of living that can lead to medical issues and obesity. Dietary and nutritional supplements can play a key role in helping both groups lead better lives.

**Burke:** I would have to say it would be heart health. It seems to be on the biggest growth spurt over the last few years, especially with the [growth in] the omegas and the fish oils. Even though we carry several big lines, like Nature Made, Nature's Bounty, private label, etc., those [heart health] items rank at the top in all of those lines. For example, you can pick a line that we carry that includes fish oil, [and the fish oil SKU is the leading seller]. Baby boomers are more cognizant of having heart-maintenance products rather than having heart surgery. There's nothing that's come out [across all dietary supplements] the last three or four years where you would say, "This is the next home run."

**Fernandez:** Here at Amazon.com, the weight-loss supplement category will continue to experience the most growth in 2008. Alli has impacted the entire category favorably in 2007, and I have big plans for 2008 with alli promotionally and expect [that] trend to continue. We will start off January 2008 with a huge "New Year/New You" campaign centered around weight loss and New Year's resolutions.

We will then be promoting regularly throughout the year. The introduction of alli in June 2007 brought a lot of new customers to my weight-loss category. We have seen significant increases in overall traffic and conversion to weight-loss products.

**Escene:** I would say, just from looking recently at what's been happening, it is the probiotics. They're growing faster than any other single item or subcategory for us. The media, especially TV, has done a lot of talking about probiotics and the gut. We have several products, and all of them are doing really well.

## CRN initiatives reach for responsible reputation

By Michael Johnsen

Roger Clemens would do well to take a page out of the Council for Responsible Nutrition playbook, if he is indeed wrongly accused of steroid use. “How do you prove a negative?” Clemens asked rhetorically of a group of reporters gathered to hear his first public comments in defending himself against steroid accusations a few weeks ago. “I’m going to pay a lot of money to try and defend myself, again, from all the lies. ... Do I just keep shelling out millions?”

Absolutely. And along with that, you push for greater industry oversight—good manufacturing practices, for example, or the required reporting of serious adverse event reports. And you advocate a greater degree of self-regulation, establishing a checks-and-balances system with a third-party institute, for example, where responsible industry players can challenge dietary supplement claims—and, in so doing, either force their competitors to substantiate those claims or to drop them.

And finally, you kick off a positive public relations campaign that, along with all of the above initiatives, underscores the “responsible” in the Council for Responsible Nutrition by advocating supplementation with structure-function ingredient claims that are backed by sound science.

Voraciously defend. Push for government oversight (not more regulation, but better enforcement of existing regulations). Self-regulate. Publicize. Those are four initiatives tackled by CRN in the past year, in what could be described as a banner year for news in the dietary supplement arena. Long-awaited good manufacturing practices were finally passed, a law requiring serious adverse event reporting associated with dietary supplements was enacted in December and CRN began two key initiatives—the self-policing effort of dietary supplement advertising and a public relations campaign to fortify the reputation of supplements among consumers.

All of that amounts to one thing—the thing that Clemens is trying to accomplish—the repair of a tattered reputation. Dietary supplements’ reputation has been tarnished by negative media reports infused with charges that the industry is unregulated or under-regulated compared with other health-related products, though that reputation has been slowly improving in the past year, reported Steve Mister, CRN president and chief executive officer, who said “We’ve worked very hard to turn that around.”

The first event that ought to have a positive impact on the reputation of dietary supplement manufacturers going forward is the implementation of the dietary supplement good manufacturing practices by the Food and Drug Administration. “They are not perfect,” Mister said. “But they are a lot better than many in the industry thought they were going to be.” For example, the new GMPs place a greater emphasis on verifying raw ingredient sources as opposed to finished product testing—a requirement that would have placed a significant burden on supplement



CRN’s Life Supplemented campaign includes a consumer-created scorecard that rates a consumer’s supplement use.

Sales of dietary supplements (Top 15 categories by dollar volume in millions)		
Category	Sales	% chg
Overall	\$987.3	11.2%
Adult multivitamins	591.3	1.5
Glucosaminechondroitin	317.5	3.5
Calcium	262.6	2.3
Fish oils	174.4	32.5
Vitamin C	142.5	6.9
Children’s multivitamins	114.7	5.5
Vitamin B	90.4	10.9
Co-Q10	74.6	19.4
Vitamin E	67.4	-9.8
Vitamin B complex	56.0	4.3
Iron	55.2	4.8
Probiotics	33.6	31.7
Vitamins A & D	28.0	30.1
Soy	26.2	-17.6
Cranberry	23.3	24.7

Source: Information Resources Inc. for the 52 weeks ended Nov. 4 across food, drug and mass (minus Wal-Mart) channels

manufacturers. “People in the industry who really appreciate where we came from see this as a vast improvement over the proposed rule,” Mister said, especially as many of the larger supplement manufacturers—Pharmavite, NBTY—prepare to be GMP-compliant as soon as June 2008.

“Contrary to the way it may have been portrayed to the consumer by some in the media—that the industry is unregulated or that it’s the Wild West—actually it’s quite the opposite,” stated Andrew Shao, vice president of scientific and regulatory affairs at CRN. “[The] industry pushed hard for this regulation—a very stringent one—with which, overall, we’re very pleased. The ultimate goal here is consumer confidence. ... This is a major step in getting to that.”

The second regulatory event that ought to bode well for the supplement industry is the required reporting of serious adverse events. The industry supports such regulatory efforts as GMPs and AERs because “it’s the right thing to do,” Mister said. “We’re thrilled that the AER bill passed.” It’s

another regulatory initiative that ought to have a positive influence over consumer confidence, albeit in a roundabout way. “At the end of the day, the law is not about generating more adverse events,” Mister said, but about ridding the industry of its renegade outlaw reputation. The diet aid ingredient ephedra has, in the past, been at the center of an AER maelstrom—with leading ephedra manufacturer Metabolife allegedly sitting on thousands of adverse event reports surrounding the controversial herbal supplement.

“That argument now goes away,” Mister said. “Because if the company knows [about an AER], the FDA knows it.”

Besides, dietary supplements are classified as foods for a reason—there ought to be a lot fewer AERs associated with the use of supplements than for systemic medicines, a fact that might underscore the safety of supplements.

“In the long run, this is going to be good for the industry because this is going to show that there is a very strong safety profile,” said Judy Blatman, CRN vice president of communications.

In addition, CRN last year embarked on a comprehensive self-regulation initiative—a \$500,000 grant that was given to the National Advertising Division of the Council of Better Business Bureaus to help combat some of the outlandish health claims often associated with supplements.

NAD last year dedicated one lawyer full-time to researching those potentially outlandish advertising claims in the supplement category. “We’re in year two now, and we’re very pleased with where that’s headed,” Mister said. “We have submitted at least five competitive challenges from CRN,” Mister noted, as the council has created a task force specifically to identify and challenge the most egregious supplement claims.

To help bolster its reputation among consumers, CRN launched its Life Supplemented campaign, an online advertising initiative, this past fall. “The whole point of the program is to encourage responsible use of dietary supplements as one of the smart things that you do for yourself as part of a healthy lifestyle,” Blatman said.

One of the online components includes a consumer-created scorecard on personal supplement use. People who have completed the online survey can forward the survey to their friends via e-mail. And at the end of the survey, CRN provides nonbranded supplement advice.

As part of the campaign, CRN polled healthcare professionals late last year and found that 79 percent of U.S. physicians and 82 percent of nurses recommend dietary supplements to their patients. The study also found that an almost equal number—72 percent of physicians and 89 percent of nurses—personally use vitamin, mineral, herbal and other supplements either regularly, occasionally or seasonally, which is a higher percentage than the 68 percent of adults who report they take nutritional or dietary supplements, the council noted.

## Under new management, GNC shifts focus

By Michael Johnsen

**G**NC last month named Beth Kaplan its president and chief merchandising and marketing officer, interesting for the fact that Kaplan was one of the executives who originally helped brainstorm the partnership between Rite Aid and GNC on the GNC LiveWell store-within-a-store locations that have served as a significant point-of-difference for the drug store chain since 1999.

Only then she was with Rite Aid as a senior executive vice president. "Obviously, we thought it was a fabulous idea almost 10 years ago. It makes me feel great that it has grown into the strong relationship that the two companies enjoy today as evidenced by the renewal of the agreements and the additional commitments to store openings," Kaplan said.

"GNC has a very unique position in the market," Kaplan noted during a recent interview with *Drug Store News*. "There's no specialty retailer in this space that begins to have the scale that GNC has. GNC, as a brand, has enormous equity with consumers."

She is planning to capitalize on that equity to reach the growing number of consumers interested in health and well-being products.

And GNC isn't just about sports nutrition and diet aids, Kaplan said, though those businesses do figure prominently into the overall GNC mix. "GNC's initial DNA is built around vitamins and supplements," she said. "Our customer base is equally male and female, which makes it very different from Rite Aid."

"I think you're going to see a change in philosophy over the next several years at GNC," noted Scott Van Winkle, managing director of equity research firm Canaccord Adams. "There is a lot of untapped opportunity in weight management and nutrition advice," he said, between an aging population and a population becoming more and more involved in its battle against the bulge. "In service offerings versus just product sales," he added.

The Rite Aid/GNC partnership helps to differentiate Rite Aid's dietary supplement offering from

chain competitors CVS and Walgreens, and affords GNC an opportunity to extend its brand name beyond the mall stores and strip centers where GNC stores are located. "Once again, our exclusive GNC store-within-a-store performed better than the overall vitamin category," reported Mary Sammons, Rite Aid president, chief executive officer and chairman, during a conference call last month discussing the retailer's third-quarter results. "We added 60 more during the [third] quarter [of fiscal 2008], bringing our total of GNC departments to almost 1,400."

In the fall of last year, the two companies had agreed to extend their partnership with the addition of 1,125 GNC LiveWell centers through the end of 2014. That contract also provides Rite Aid with the option to extend the contract through 2019 and open an additional 250 stores during this period.

"This is a great time to join GNC," Kaplan stated. "[Chief executive officer] Joe Fortunato and his senior management team have done a wonderful job expanding GNC's franchise as the largest global specialty retailer of nutritional supplements. Moving forward, my focus will be on brand-building initiatives that broaden our relationship with our customers, particularly women, while expanding our product offerings."

In addition to planned openings of its brand identity through Rite Aid, GNC also is growing in its own right, with more than 100 new stores to open within 2008, and with a special emphasis placed on franchising opportunities. "As GNC grows, it maintains its position as the leader in the supplement industry," stated Tom Dowd, GNC executive vice president of store operations and development. "Research shows the GNC brand name has 94 percent recognition, and we look forward to building on that success."



GNC plans to open more than 100 new stores (above) in 2008. Rite Aid and GNC agreed in fall 2007 to add another 1,125 GNC LiveWell centers (below) in Rite Aid stores by the end of 2014, with the potential to extend the contract through 2019.



### NEW AND NOTEWORTHY

#### Amerilab Technologies

Amerilab Technologies, recently announced national media support of its Drinkin' Mate Hangover Defense beginning in April 2008. The campaign includes radio, print, outdoor and event sampling.

Drinkin' Mate, made with all-natural guava leaf extract, restores balance to the body and defends against alcohol's unpleasant side effects, including headache, queasy stomach and dehydration.

In addition, Amerilab is partnering with Precision Pours to distribute and sell Drinkin' Mate Hangover Defense in the bar/restaurant/liquor store channels, building usage and loyalty at the point of occasion.

For more information on Drinkin' Mate, visit [www.drinkinmate.com](http://www.drinkinmate.com) or contact Amerilab Technologies at (866) 445-6468.

