WINNING IN THE ANTI-AGING, COSMECEUTICAL & BEAUTY SUPPLEMENT MARKET

Pat Schneider

CEO, Biova, LLC

Pat Schneider Bio

Pat Schneider is currently CEO of Biova (www.biova.com) , the leading ingredient supplier in the water-soluble eggshell membrane segment targeting the 4 key markets of Joint Health, Cosmetics, Inner Beauty and Pet Care. Pat is a General Management "C-suite" executive with solid P&L experience and expertise in turnarounds. She has a strong consumer health and wellness products background in leading existing business units, opening new markets and launching products globally for organizations including: P&G, J&J, Bristol-Myers Squibb, Bayer, Herbalife, Metagenics, Twinlab and Nelson Bach.

Prior to Biova, she was CEO of Healthy Bizz, a West-coast strategic consultancy focused on "*Growing Healthy Profits for Healthy Products*". Pat provided guidance to start-ups and established companies in the areas of business strategy, marketing, new product development, regulatory and operations for clients in the natural food and nutritional products market sectors.

Before Healthy Bizz, Pat was CEO of Nelson Bach USA, a UK-based homeopathic products company focused on natural healthcare products specializing in the area of emotional health. Pat was also COO of Twinlab, a diversified supplement company offering performance health and wellness products. Previous to Twinlab, Pat was COO of Unigen, a botanically-based nutraceutical and cosmeceutical ingredient supplier to the joint health, pet care and cosmetic industries.

Pat serves as an advisor to the Nutrition Capital Network, an organization that connects investors with high-potential growth companies in the nutrition and wellness industry. She is also an advisor to NZTE, New Zealand Trade and Enterprise, an economic development and trade promotion agency that offers strategic advice to support the growth of New Zealand business overseas. Additionally, Pat writes for several nutritional journals and is a speaker at numerous health and wellness events.

Pat holds a BS in Microbiology, MBA in Finance & Marketing, JD in Commercial Law and is a licensed attorney in California and was actively practicing in the areas of Elder Law and Estate Planning.

Pat can be reached at Pat@HealthyBizz.com or 310-779-6695.

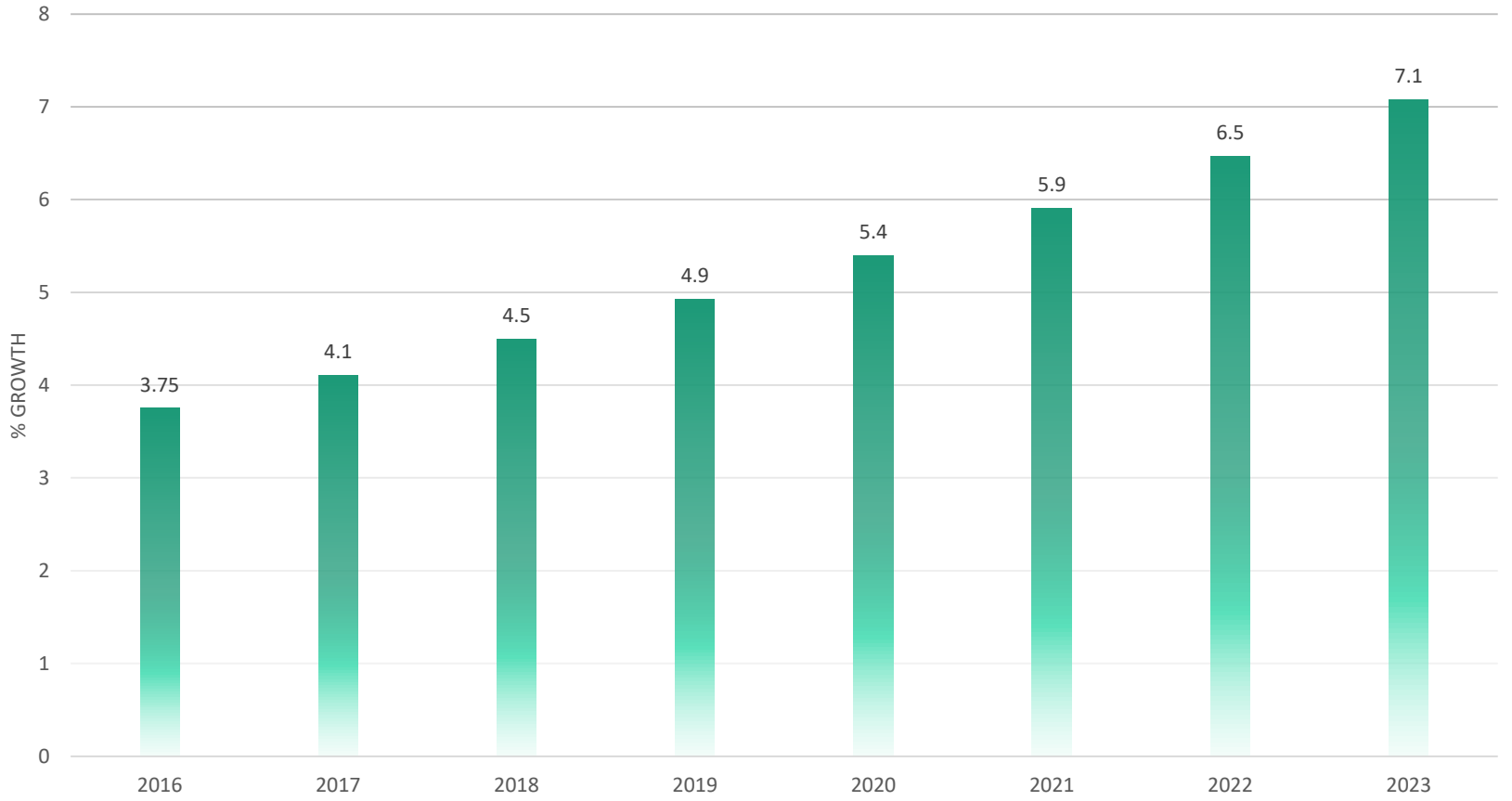
Beauty Supplements: Market Overview

- Global Beauty and Personal Care market at $432B
- Beauty Supplements category represent a huge growth opportunity.
  - 2017 Estimated Retail Sales*
    - Global: $4.1B
      - Represents 1% of the size of the Global Beauty & PC Market
      - Dwarfed by global total supplement sales at $100B
      - Projected CAGR through 2023 greater than that for Beauty and PC driven by:
        - Increased consumer health awareness
        - Growing concerns for outer appearance (hair)
        - Higher disposable income – expanding economy
        - Improved distribution

* Research and Markets (2017)

Beauty Supplements: Market Overview

- Estimated 9.5% CAGR to 2023 to $7.1B



* Research and Markets (2017)

Beauty Supplements: Market Overview

Category primary segments

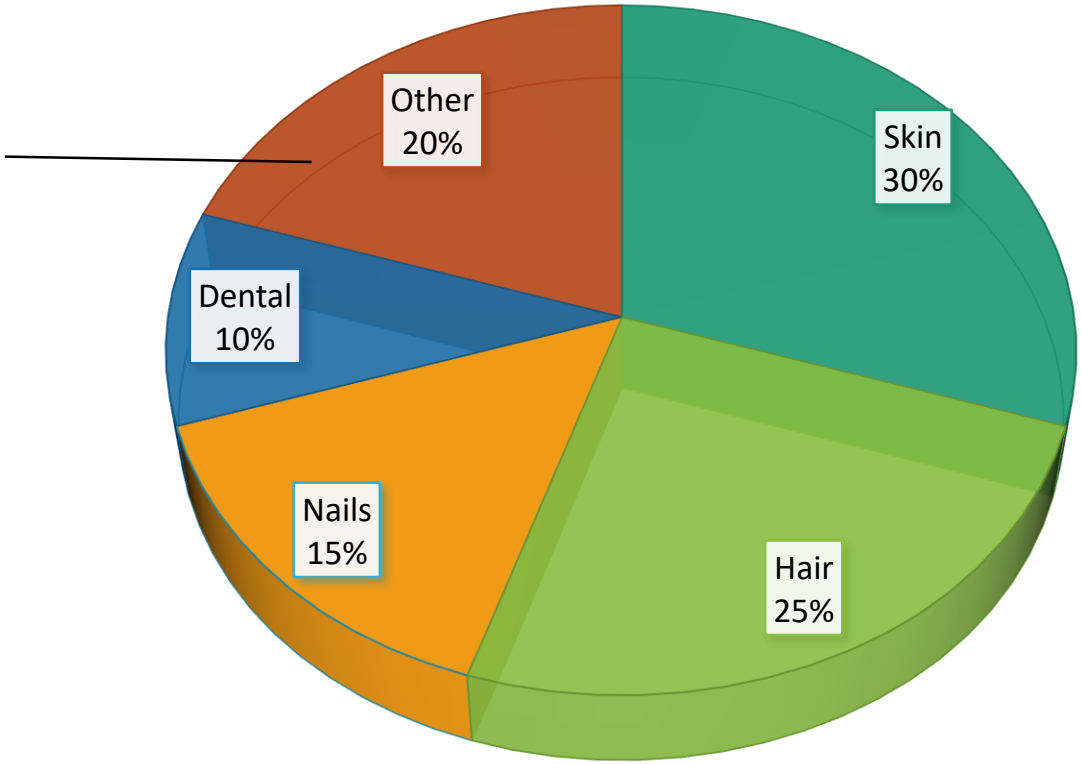
- Skin
  - Largest category segment representing 30% of category sales
  - Anti-aging is the primary overall driving benefit – repositioning as “Healthy Aging”
    - Specific consumer concerns include*:
      - Wrinkle reduction – biggest sub-segment
      - Increased Radiance/Skin Brightening
      - Hyperpigmentation Reduction (called “Whitening” in Asia)
      - Improved Skin Firming
      - Hydration
      - Color correction/even color tone
- Hair
  - 2nd largest category at 25% of category sales
  - Crossover with skincare in products/ingredients
- Nails
  - 3rd largest at 15% of sales
- Dental
- Other : including multifunctional supplements

* Research and Markets (2017)

Beauty Supplements: Market Overview

Skin, Hair and Nails represent the largest categories - $4.1B total

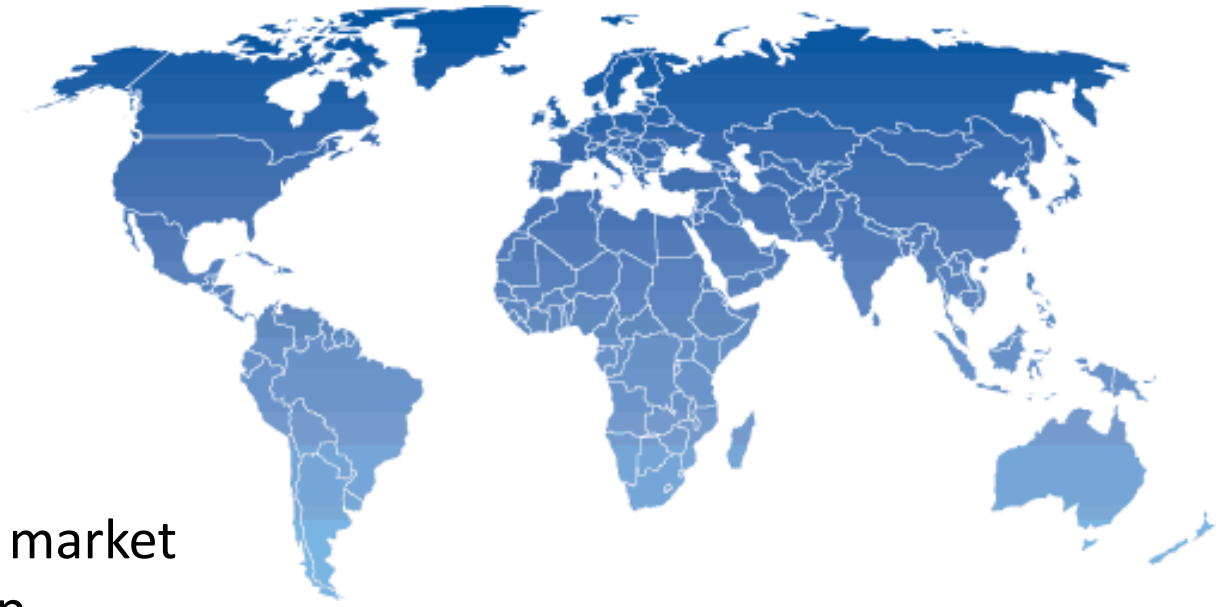
Includes Multifunctional Supplements



* Research and Markets (2017)

Beauty Supplements: Market Overview

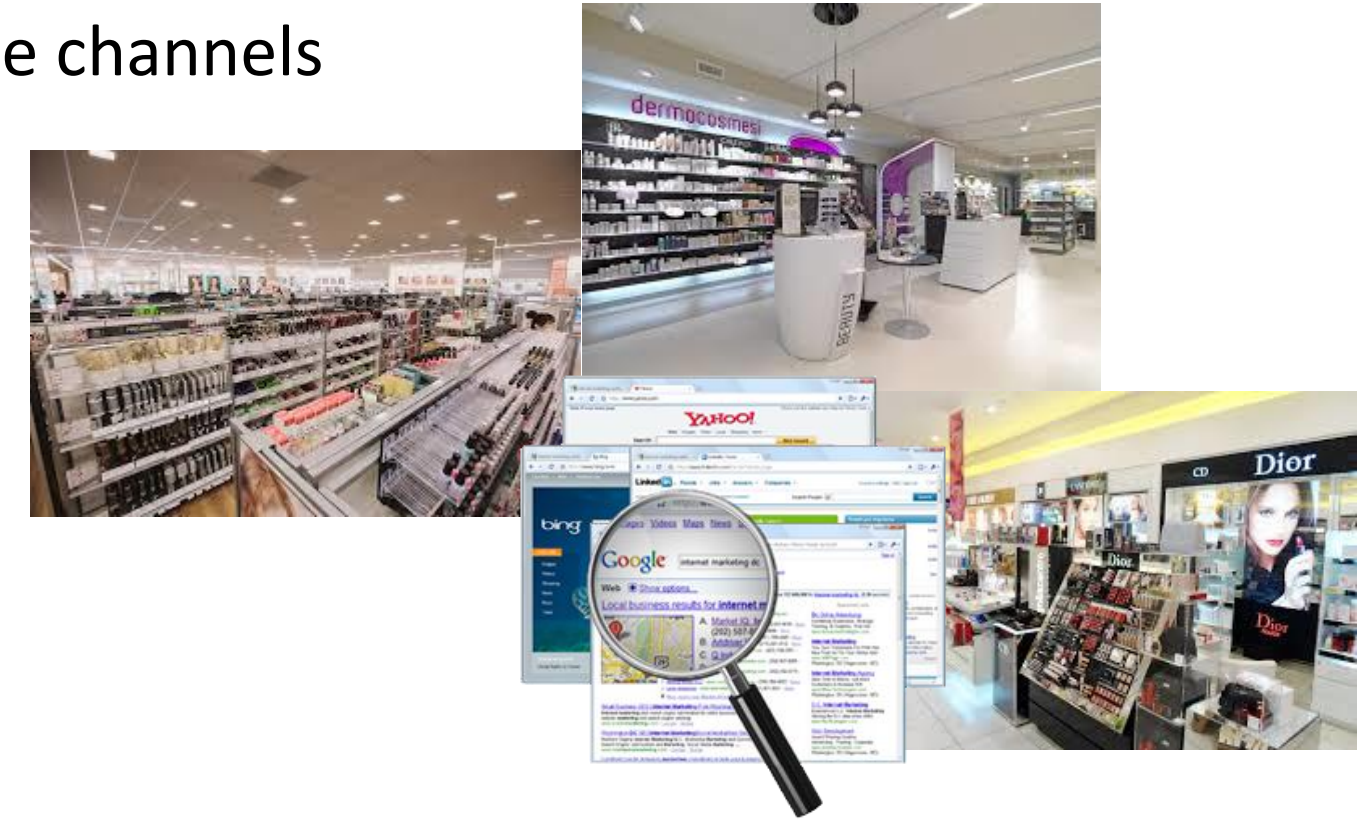
- Geographically dispersed
  - Europe
    - Largest market segment at 30%
    - Leading markets:
      - Germany
      - UK
      - Spain
      - Italy
      - France
  - North America at 25% (US, Canada)
  - Asia Pacific at 20% with Japan as the lead market
  - Latin America at 15% with Brazil at the top
  - MEAWA at 10%



* Research and Markets (2017)

Beauty Supplements: Market Overview

- Distributed across a broad range channels
- Leading channels*:
  - Pharmacy
    - Expected to dominate in revenue
  - Beauty Outlets
  - Supermarkets/Hypermarkets
  - Department Stores
  - Online
    - Highest CAGR expected due to:
      - Increased consumer ease of use
      - Manufacturers' focus on digital retailing to increase product variety coupled with benefits of virtual in-store shopping experience
  - Health and Personal Care stores



* Research and Markets (2017)

Beauty Supplements: Market Overview

- Highly fragmented marketplace
- Mix of large and small companies competing
- Leading companies include:
  - Amway - Nutrilite
  - Murad
  - Pfizer - Imedeen
  - Perricone
  - Lifes2Good - Viviscal
  - TCC – Reserveage
  - Beauty Scoop
  - HUM Nutrition
  - Neocell (Wellnext)

* Research and Markets (2017)

Beauty Supplements: Market Overview

- Challenges
  - Credibility
    - Only 42% US supplement users think the industry ensures product claims are honest*
    - Less than half of US consumers think supplements have any science to support claims*
      - Need to see credible scientific evidence of efficacy
      - Speed of benefits – managing consumer expectations is key
        - Consumers seeking visible and instant results/gratification
        - Buyers expect to see, feel and measure the benefits w/in 1 purchase cycle
  - Transparency
    - US Consumers skeptical of supply chain and purity of ingredients
    - Non-GMO concerns spilling over from food to supplements
    - “Natural” claims – reserved for companies with complete transparency and proof
  - Confusion
    - “Beauty from Within” category often confused with psychological benefits:
      - Self-confidence
      - Cognition

* Nutrition Business Journal (2015)

Beauty Supplements: Market Overview

- Huge credibility challenges
- High confusion
- Highly fragmented and competitive marketplace with some big players entering the field

How do you cut through the clutter?

Beauty Supplement Marketing – 5 Ps

- P's of Marketing
  - Product
  - Price
  - Promotion
  - Placement
  - Post-Launch Analysis (5th P)

Beauty Supplement Marketing - Product

- Product
  - USP – Unique Selling Proposition
    - Positioning
  - State-of-the-Art Science-based Ingredient(s)
  - Novel Format/Delivery System
  - Innovative Packaging & Intrusive Graphics

Beauty Supplement Marketing - USP

- Unique Selling Proposition (USP)
  - Tell a story – selling: Glamour, Confidence, Style
  - Elements of a USP:
    - Relatable:
      - Relevant benefit
      - Resonates with the target audience on an emotional level
    - Credible: Believable product benefits/claims
      - Science-based ingredients
      - Third-party endorsements
    - Protectable: proprietary formula or patentable technology (design, process)
    - Affordable/Profitable: Cost/Value Relationship
    - Sustainable: Consistent consumer experience

Beauty Supplement Marketing - USP

- Solid USP builds your marketing campaign
- Hypothetical Example:

  Raydeeant Gloe contains Juvedew*, our proprietary herbal blend, that has been clinically-proven to reduce fine lines to help support a more youthful appearance*
  30 day supply $49.95

* Hypothetical Product and Ingredient

Beauty Supplement Marketing - Ingredients

- Unique Ingredients
  - Use novel, specialty ingredients with science and evidence-based claims to help differentiate your product in the marketplace
  - Choose vendors wisely with well-researched ingredients with study results that precisely match the ingredients they are selling and the claims they are making
  - Select reputable vendors to ensure a stable supply chain and instill consumer confidence
  - Currently, some novel ingredients for beauty include:
    - Egg Shell Membrane
    - Astaxanthin
    - Super Oxide Dismutase (SOD)
    - Ceramides
    - CBD (Cannabidiol)/Hemp Oil
    - Maqui Berry
    - Melon Juice
    - Baobab
    - Tumeric

Beauty Supplement Marketing – Claims Support

- Important to conduct properly designed clinical trials for claims support
- Critical that product tested = product marketed
- Essential that the results obtained match the promoted claims
  - FTC false advertising suit against the maker of a supplement that allegedly combats gray hair
  - FDA Warning Letter to CA Cosmeceutical company comparing serum to Botox
- Frequent errors when making supplement claims:
  - Leveraging pilot study findings to general public
  - Inferring individual ingredient claims to the finished product
  - "Fairy dusting" ingredient levels and making claims on higher levels of ingredient
    - Using "borrowed science" from branded ingredients on commodities
  - Making disease claims vs. structure/function claims (Drug vs. Dietary Supplement)

Beauty Supplement Marketing – Clinical Studies

- Keys to conducting the right clinical trials
  - Double Blind Placebo Controlled Randomized Clinical Trials
  - Statistically significant results (p = 0.05)
  - Adequate cohort (sample) sizes
  - Relevant cohorts
  - Protocol followed
  - Dosage and formulation tested = Dosage and formulation marketed
  - Ingredient tested = Ingredient marketed

Beauty Supplement Marketing
Science Backed Ingredient

- Example of novel skin care, science-based ingredient
  - Water-Soluble Egg Shell Membrane
    - Broad-benefit, hydration and anti-oxidant properties
    - Clinical evidence supports fine line/wrinkle reduction with collagen and elastin production
    - Clinically proven to be beneficial to skin health at 3 levels:
      - Tissue
      - Cellular
      - Genetic

Beauty Supplement Marketing Science Based Ingredient

- Water-Soluble Egg Shell Membrane Clinical Support
  - Wrinkle Reduction:
    - Up to 60% reduction with statistical significance at 8 weeks*.
    - The reduction effect continued 2-4 weeks after cream discontinuation.
  - Free Radical Stress Reduction:
    - Significant inhibition of ROS formation, which indicates anti-inflammatory properties
  - Antioxidant Gene Response:
    - Cell based assays showed water soluble egg membrane activated 4 downstream genes induced via the Nrf2 pathway
  - Dermal Fibroblast Proliferation and Matrix Production:
    - Statistically significant increase in collagen production vs. untreated skin cells
  - No adverse events reported.

*Clinical, Cosmetic and Investigational Dermatology 2016:9 357-366

Beauty Supplement Marketing
Product Differentiation

- Novel Format/Delivery System is essential to product differentiation
  - Sustained Release Systems
    - “Capsule in a capsule”*
    - Osmotic pressure controlled-release
    - Micro-encapsulation/Nanotechnology
    - Ion-Exchange
    - Bio-Adhesive
    - Matrix (Lipid, Mineral, Hydrophilic)
  - Reduce Pill-Fatigue
    - Flow-over beads (Unistraw)
    - Pods**
    - Beauty Shots
  - Topical

* Duocaps – Capsugel ** Gudpod

Beauty Supplement Marketing Packaging Differentiation

- Novel Packaging
  - Innovative Containers
    - Dual Chamber Packaging
  - Impactful Graphics
    - Take a cue from cosmetics and use impactful and intrusive graphics that align with beauty products.

Beauty Supplement Marketing - Pricing

- Using branded vs. commodity ingredients significantly affects finished goods retail pricing
  - Branded beauty ingredients are premium priced compared to generic commodities
  - Paying for:
    - Quality
    - Safety
    - Proven efficacy (not “borrowed science”)
    - Reliable supply chain
    - Increased customer service levels
  - Many branded ingredient vendors offer turn-key solutions to finished goods manufacturers:
    - Claims substantiation/Clinicals
    - Third-party information support
    - Logos
    - Infographics
    - Approved Structure/function claims language
    - Articles, White papers, Blogs, Social Media posts
    - Media coverage: Radio, TV, Internet
    - Content analytics: Trends with target audience

Branded = Turn-key solution

Commodity Super Saks

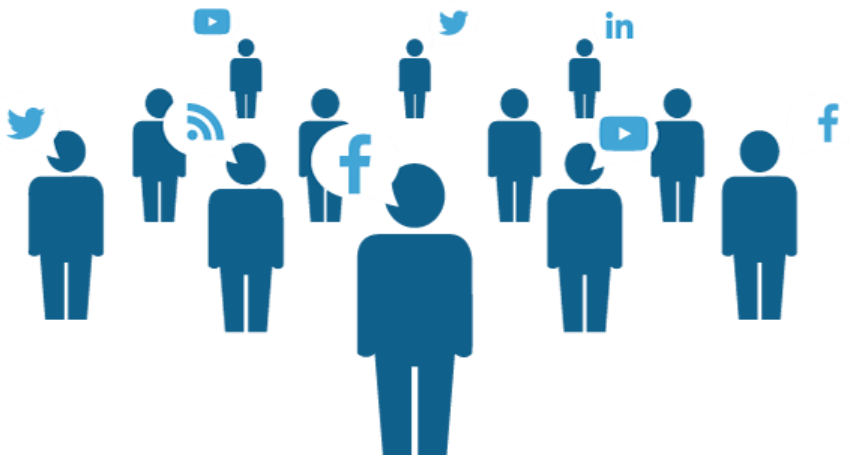
* Hypothetical Ingredient

Beauty Supplement Marketing - Pricing

- Pricing
  - Branded beauty ingredients can be priced at $10K+/kg – sticker shock
    - Often minimal amounts needed to experience clinically significant results
  - Position ingredients at comparative daily cost/use or price/application to competitive beauty products

Beauty Supplement Marketing - Promotion

- Promotion is crucial and highly competitive in the beauty segment
- Combination of Offline and Online promotion required for brand building
- Education is essential for new ingredients and confusing categories (i.e. Beauty from Within)
- Digital Marketing and Social Media play a more important role in beauty supplements vs other supplement segments
  - Word of mouth – 4x vs. Brand Ads
  - Bloggers
  - Crowd Recommendations
  - Education
  - Key Opinion Leader support
  - Brand Ambassadors



Beauty Supplement Marketing
Social Media Essential

- Effective social media strategy must be part of any marketing program
  - 2.2B people use social media*
  - 100% of Top Brands use social media*
  - 75% of consumers rely on social media to guide purchasing decisions and check peer reviews and comments**
  - 60% of consumers interact with the brand on social media before purchase**
  - Use social media to tell stories, speak about lifestyle, diet, exercise with high use of visuals – “looks do matter”
    - Engaging Website
    - Insure site is mobile friendly
  - Know your target audience and customize/curate the content

* State of Social Marketing – Simply Measured (2016) ** Digital Marketing Magazine

Beauty Supplement Marketing
Social Media is key to Brand Building

- Goals of social media on brand building:
  - Build Awareness
  - Engage Potential Customers
  - Stimulate Purchase Consideration
  - Drive the Buying Decision
    - Convert Browsers ➔ Buyers
  - Generate Long-Term Adoption
  - Inspire Advocacy
  - Create Revenue & Profits

Beauty Supplement Marketing
Digital is Critical

- Allocate ~30% of Marketing budget to Digital Marketing* consisting of:
  - Social Media – 10% of Marketing budget
  - Paid
    - KOL Endorsements – MDs, Beauticians, etc.
  - Emails
  - Curated Content
  - Search - SEO

* Gartner & CMOSurvey.com (2016)

Beauty Supplement Marketing
The “Big 9” Social Networks

- Insure presence on the “Big 9” social media networks:
  - Facebook - 75% share of Social Media
  - You Tube
  - Twitter
  - Instagram
  - Pinterest
  - Snapchat
  - Google+
  - Tumbler
  - LinkedIn

Beauty Supplement Marketing
Social Media Promotion

- Promote social networks on e-store/website
- Include “call to action” icons to promote social media accounts on e-store and to easily share content from e-store to networks
- Integrate social media with newsletters and emails
  - Call to action buttons from e-mails to social networks
  - Add a resume of social media activity in newsletters
  - Promote newsletters/emails on social media networks
- Connect with KOLs – Influencer Marketing
- Reserve special offers for social media followers
  - 2/3 of consumers subscribe to brands on social media**
    - Offer discounts and/or product samples
    - Tailor offers to target audience
      - eBooks, Videos, Webinars, Free Courses, Consultations, Free Samples, e-coupons, live streams (in exchange for email addresses)

** Digital Marketing Magazine

Beauty Supplement Marketing

- Remember Offline Tools
  - Print – Magazines, Newspapers
  - Media – Television, Radio
  - FSIs (Couponing)
  - Price Discounts – TPRs
  - Direct (Snail) Mail
  - In-store Sampling/Couponing/Demos
  - Loyalty Programs
  - PR – Press Releases, KOL Chairside Briefings, Advertorials
  - Events
    - Concerts, Sporting events, Health EXPOs, Fairs/Festivals, Farmers Mkts, Parades
  - Trade shows – Booth, Key Customers Events, Speaking Engagements
  - Advisory Panels

Beauty Supplement Marketing
Location, Location, Location

- Placement at retail for beauty supplements offers unique opportunity for multiple locations to increase visibility and build awareness
  - Dietary Supplement Aisle
  - Food & Beverage Aisles
  - Health and Beauty Aisles/Counters

- Large percentage of national brands have sold a significant portion of their annual volume through strong merchandising programs and using secondary placements.
- Heightened in store visibility is the key to converting “prospects to purchasers” and off shelf display and/or secondary placement is vital.
- Healthy living SKUs do especially well in secondary display

Beauty Supplement Marketing Location, Location, Location

- 90%+ of purchases are made in-store, standing at the retail shelf level
  - Most brand-switching decisions taking place w/in the “last 3 feet” on the path to purchase.
  - Invite the customer into this “buying zone”
- Employ interactive kiosks, used extensively in the beauty industry, to engage the customer
  - Swisse Supplements – interactive iPad in shelf display was successful in building this company to a leading brand in Australia

Beauty Supplement Marketing Location, Location, Location

- Key consumer demographic trends would suggest that Healthy Living and Aging are ripe for co-marketing
- Create “destination” end displays with synergistic brands
  - UV Protection: Astaxanthin supps, topical sunscreen, sunglasses, hats, umbrellas, chapstick
  - Skin Hydration: Astaxanthin supps, skin & lip moisturizers, water
    - Cross-Couponing/Volume Discount Promotions
- Develop condition specific “care kits” with non-competitive brands
  - Perfect for sampling/Cross-Couponing
- Front End Display & Dual Placement
  - Power-wings
  - Front-End Display – stimulate impulse purchases
  - Shelf Extenders

Beauty Supplement Marketing
Don't Invest and Forget

- Post-Marketing/Launch Analysis required for mid-course corrections and future programs.
  - 60% of marketers identify measuring social media ROI as one of their biggest challenges*
  - Only 10% of marketers able to quantify revenue driven by social media*
  - Get digital analytics in place prior to starting social media programs (HootSuite, Google Analytics, Nuvi, etc.)
- Analyze market share and velocity pre & post programs
- Learn and adjust - repeat as needed

* State of Social Marketing – Simply Measured (2016)

Beauty Supplement Marketing
Reach for the Sky!