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

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Pat Schneider Bio

Pat Schneider 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.

She is currently CEO of Healthy Bizz, a West-coast strategic consultancy focused on "*Growing Healthy Profits for Healthy Products*". Pat provides 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, nutritional and legal cannabis related market sectors. Pat is also an advisor to members of Canopy Boulder/San Francisco, a mentorship-driven seed-stage business accelerator for entrepreneurs in the legal marijuana industry, and Nutrition Capital Network, an organization that connects investors with high-potential growth companies in the nutrition and wellness industry. 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 actively practicing.

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Beauty Supplements Market Overview

- Underdeveloped category - huge opportunity for growth.
  - 2016 Retail Sales*
    - Global: $2.9B
      - Dwarfed by global total supplement sales at $100B
      - Experiencing 4% CAGR over the last 5 years
      - #1 market is Japan: $1.2B – 40% Market
        - Sales driven by collagen products
      - #7 market is US: $0.8B
        - Underdeveloped compared to Asia and Europe**
        - Estimated CAGR of 14% through 2017**
      - #16 market is Brazil with a robust CAGR 30% over last 5 years
        - Growth stifled by Regulatory (ANVISA) & Economic factors
        - Popular ingredients include: Collagen, Lycopene and Biotin

* EuroMonitor **Global Industry Analysts (2011)

Beauty Supplements Market Overview

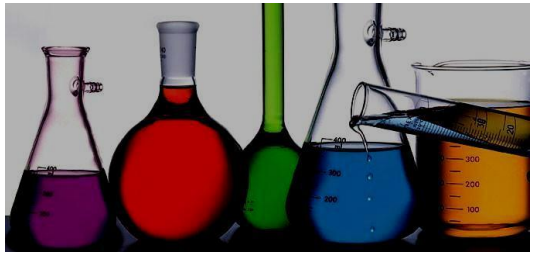
- Category primary segments
  - Skin
    - Largest category segment*
    - Anti-aging is the primary overall driving benefit – repositioning as “Healthy Aging”
      - Specific consumer concerns include*:
        - Wrinkle reduction – biggest sub-segment
        - Increased Radiance/Skin Brightening
        - Hyperpigmentation Reduction (called “Whitening” in Asia)
        - Improved Skin Firming
        - Hydration
        - Color correction/even color tone

  - Hair
    - 2nd largest category – crossover with skincare in products/ingredients
  - Nails

* Kline & Co. (2014)

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 Marketing – 5 Ps

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

Beauty Supplements 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 Supplements 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 Supplements 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 Supplements 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:
    - Astaxanthin
    - Super Oxide Dismutase (SOD)
    - Ceramides
    - CBD (Cannabidiol)/Hemp Oil
    - Maqui Berry
    - Melon Juice
    - Baobab
    - Tumeric

Beauty Supplements 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 Supplements 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 Supplements Marketing Science Backed Ingredient

- Example of novel skin care, science-based ingredient
  - Astaxanthin
    - Broad-benefit, high quality carotenoid and natural anti-oxidant
    - Clinical evidence supports mitochondrial improvement in energy output and reduction in mitochondrial dysfunction
    - Provides 3 main skin health benefits and has been scientifically proven to show improvements in:
      - Skin Appearance and Skin Quality
      - Skin Health
      - UV Protection

Beauty Supplements Marketing Science Based Ingredient

- Astaxanthin Clinical Support
  - Improved Skin Appearance and Quality
    - Robust clinical study at 4 mg/day dosing*
    - Statistically significant clinical results vs. placebo control group
      - Fine wrinkle reduction
      - Improved skin elasticity
      - Increased skin moisture levels
      - Decreased UV aging signs
      - Increased youthful appearance
      - Reduced skin roughness

* Yamashita, E. (2006) The Effects of a Dietary Supplement Containing Astaxanthin on Skin Condition. Caratenoid Science.

Beauty Supplements Marketing Science Based Ingredient

- Astaxanthin Clinical Support
  - Improved Skin Health
    - Skin cancer – one of the fastest growing age-associated diseases globally rivaling Diabetes 2 and cognition-related conditions
    - Animal studies showing statistically significant reduction in UV-induced tumors by up to 96% at 2 mg/day dosing*
    - Reduction in DNA damage by up to 40% using biomarker technology*

* Rao, et al. (2013) Effective inhibition of skin cancer, tyrosinase, and antiprotective properties of astaxanthin and astaxanthin esters from green algae. Journal of Agriculture and Food Chemistry.

Beauty Supplements Marketing Science Based Ingredient

- Astaxanthin Clinical Support
  - Improved UV Protection
    - Pre-clinical studies showing skin protective effects against UV-induced oxidative stress and photo aging*.
      - 100X > Beta-Carotene
      - 1000x > Lutein**
    - Reduced DNA damage in UVA-irradiated cells

* Savoure , et al. (1995) Vitamin A status and metabolism of cutaneous polyamines in the hairless mouse after UV irradiation: action of beta-carotene and astaxanthin. International Journal for Vitamin and Nutrition Research.
** O'Connor, et al. (1998) Modulation of UVA light-induced oxidative stress by beta carotene, lutein and astaxanthin in cultured fibroblasts. Journal of Dermal Science.

Beauty Supplements 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 Supplements 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 Supplements 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

Turn-key Solution

Super Sacks

* Hypothetical Ingredient

Beauty Supplements 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 Supplements 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 Supplements 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 Supplements 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 Supplements 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 Supplements 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 Supplements 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 Supplements Marketing Remember Offline Tools

- Offline Promotional 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 Supplements 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 Supplements 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 Supplements 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 Supplements 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 Supplements Marketing Reach for the Sky!