Nicholas Hall's

NEW PARADIGMS FOR CHC 2023

The Future Resumed

Nicholas Hall's
SIGNATURE REPORTS

Nicholas Hall Writes:

The global CHC industry is at a crossroads, facing uncertainty over market direction and performance, while the speed of change continues to accelerate at pace. With brand owners facing new strategic challenges and needing to identify innovative approaches to stay ahead of the game, my all-new signature report is very timely.

Providing a new Strategic Narrative for CHC, this report acts as the ultimate blueprint for all CHC stakeholders in how to exploit business opportunities and manage threats today and in the future.

Nicholas Hall

NEW PARADIGMS FOR CHC 2023

A CHC STRATEGIC NARRATIVE FOR THE NEW YEAR

1 **Test. Prevent. Treat. Recover**: The new consumer mantra for CHC.

2 **Simplicity**: Bring back simple propositions! End "disruption" as a marketing strategy – it only confuses consumers. Remember, confused consumers don't buy!

3 **Credibility**: Who does the consumer trust or believe? This is vital if we're going to defend brands against generics and private labels! "Trusted science" has a key role, but make sure clinical work can stand up to scrutiny!

4 **Value**: What does value mean to consumers? What is the relationship between price and benefits? The consumer is thinking about this all the time, why aren't we? Some consumers are telling us they can't afford to Eat and Heat and Treat. Are we listening?

5 **Degradation of Quality**: We and others cut corners to reduce costs, everything from flimsy Amazon packaging (result – our products arrive damaged) to reduced inventory (frequent retail out-of-stocks). Be sure, the consumer notices!

6 **Adjacent Categories**: Is this where we will find new sources of growth? I think so!

7 **Rx-to-OTC Switch**: Back again, big time, using the new ACNU scheme in USA.

8 **Shrink the Portfolio**: Our brands are too complex with too much segmentation and too many SKUs. Look at your brand portfolio from outside-in. Does every SKU deserve a place on-shelf? If not, delete. If you don't, the trade will!

9 **A Year of M&A**: Changing the shape of the CHC industry and possibly its dynamics.

10 **Let's Say Goodbye to SPOs**: Sales Prevention Officers are everywhere – regulators, retailers, consumer associations and the Dr No's at the European Food Safety Authority, who won't let us describe a probiotic as a probiotic on packaging. Worst of all are the SPOs inside our own companies. If we aim to be more nimble and entrepreneurial, we have to change the "we tried that before and it didn't work" mentality!

1. So What's the Big Idea?

- The global CHC market
- 10 Steps to Heaven
  1. CBD, a long-distance race!
  2. Mental Wellness:
     Problems highlighted by the pandemic
  3. Sexual Health & Fertility
  4. Women's Health, Ageing
  5. Sustainability
  6. Natural & Organic Products
  7. Food Intolerance
  8. E-commerce
  9. AI
  10. Emerging Markets
- The Big Ideas addressed in this report
- The 2024 Strategic Narrative

2. Covid & Its Aftermath

- How Covid-19 accelerated the shift to Self-Care
- Historical impact of recession on Consumer Healthcare
- The shifting landscape of consumer behaviour
- Growth categories during the pandemic
- Rethinking supply chains: how the pandemic exposed vulnerabilities

3. Classic Categories

- Analgesics: Few major opportunities so marketers filling in gaps
- Cough, Cold & Allergy:
  Heavily dependent on seasonal illness trends
- Gastrointestinals: New consumer benefits drive expansion
- Vitamins, Minerals & Supplements:
  Trusted science key to growth
- Dermatologicals: Resistant to growth
- Lifestyle CHC: A full spectrum of herbals to Rx-to-OTC switches

4. How to Innovate

- Why does the ratio of high-quality (3 and 4 star) innovations remain persistently low?
- Future microbiome and probiotics innovation will be driven by investment in clinical research
- Improved diagnostics will support VMS innovation and Rx-to-OTC switch
- Demand for diabetes prevention and management is giving fuel to supplement and diagnostic innovation
- Quality science and consumer trust key to successful weight loss innovation
- Demand for products promoting mental health and sleep growing post-pandemic

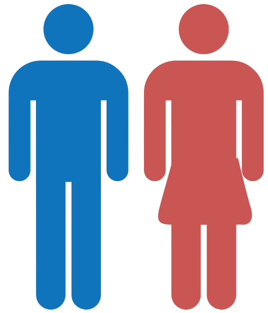
- Ageing demographic underpins supplement and plant-based protein innovation
- Focus on analgesics: New formats, switch and ingredient combinations drive innovation
- Focus on CCA: Natural-based formulations and allergy switches power NPD activity
- Focus on dermatologicals: Sustainable packaging and cutting-edge apps fuel NPD
- Focus on GIs / probiotics: Hangover cures, prebiotics and switch are key
- What does the future hold? Evolving NPD trends, personalisation, emerging niches

5. Rx-to-OTC Switch

- Rx-to-OTC switch in the healthcare ecosystem
- Why Switch? • The uptake in telehealth & telemedicine
- Switch in Europe
- Can Switch be successful only in the USA?
- Voltaren Arthritis Pain: USA Switch journey
- US FDA's Additional Condition for Nonprescription Use (ACNU)
- Innovation hot spots in Switch • Switch case studies
- On the horizon?

6. Demographic Timebomb

- A rapidly Growing Middle Class in *expanding* urban areas
- Generation cohorts: different attitudes & behaviours to health
- What is Middle Class?
- The three most important demographic groups
- What about men?
- Is there a Gender Gap?



7. Women's Healthcare: Listening to the Female Voice

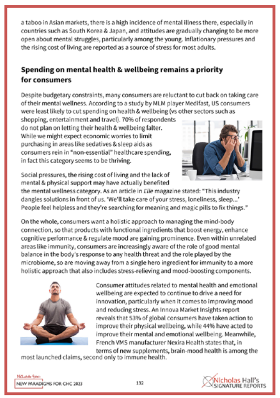
- Women vs men • Women's leading CHC role
- Menstrual pain and PMS
- Are the OTC contraception floodgates about to open?
- Menopause – are there new growth opportunities?
- Overactive bladder – OTC growth category or destined for failure?
- New thinking on endometriosis
- Women's brands and companies

8. Health Through Digestion

- The importance of the gut microbiome
- Mental health is a growth segment for probiotics
- Custom probiotics have the potential to disrupt
- The "biotics" family • The "Gut-Muscle Axis": a new dimension for probiotics?
- Food allergies: the focus of much research
- Food intolerance
- Unhealthy lifestyles are driving demand for digestive remedies and other GIs
- Hangover cures form a new segment
- ORTs repositioning as lifestyle products

9. Mental Wellness

- Mental health problems soared during Covid-19, while economic worries are a continuing contributor to stress
- Spending on mental health & wellbeing remains a priority for consumers
- WHO declares a sleep pandemic
- Sleep quality is a top health priority for consumers


Spending on mental health & wellbeing remains a priority for consumers


ZzzQuil: Highly successful sleep aid, with 3 key development stages

- ZzzQuil: Highly successful sleep aid, with 3 key development stages • Is the sales boost in sedatives & sleep aids sustainable? • New indications and ingredients in mental wellness • CBD for sleep & anxiety?

10. Cannabis

- A note on defining the market • North America
- Europe • Asia-Pacific

11. Sexual Health & Fertility

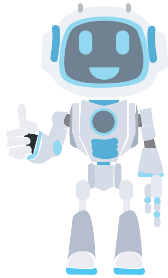
- Huge potential for daily OCs worldwide
- Education is central to expanding the reach of EHC
- Is a male contraceptive pill viable and is there demand?
- Condoms: Little NPD potential, so other ways to swell sales needed • Menstrual pain / PMS market expands via launch activity

- Intimate care shows plenty of scope for expansion
- Menopause: UK sees the first over-the-counter HRT, while a new Rx drug may revolutionise treatment
- How big can the OTC ED market become?
- Do topicals represent a viable ED alternative?
- Can premature ejaculation treatments find a wider audience?
- Prenatal vitamins prove fertile ground for NPD

12. Obesity & Related Conditions

- Obesity is a huge determinant of health – and the data is frightening • Obesity crisis represents huge opportunity for CHC • Where are the opportunities?
- Evidence-backed brands can be lost among the plethora of weight loss supplements & meal replacements
- Supporting consumers on their weight loss journey
- Apps & wearables for weight loss • Semaglutide: Is the excitement justified? • Obesity's link to other health conditions brings possibilities

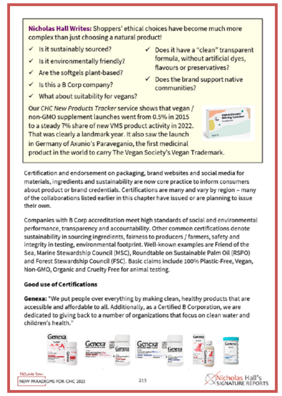
13. Digital Revolution



- AI and chatbots • Accessibility of data
- Medtech & wearables • Apps
- Telehealth • Digital communication

14. Sustainability

- Frameworks become regulations
- The Triple Bottom Line: People, Planet, Profit
- Environmental, Social & Governance (ESG) Reporting
- Collaborate to make progress • Innovation, packaging & recycling – drafting a roadmap to a circular economy
- Engineering, beauty & performance with environmental credentials • Communicating sustainability
- Being in the Wellbeing Business


Nicholas Hall Writes: Shoppers' ethical choices have become much more complex than just choosing a natural product!

15. Emerging Markets

- Emerging Markets: attractive markets with some degree of uncertainty • Emerging Markets forecasts
- Emerging Markets: What's holding back growth?
- CHC performance in selected Emerging Markets
- Nicholas Hall's 20 ways to succeed in the Emerging Markets

16. China

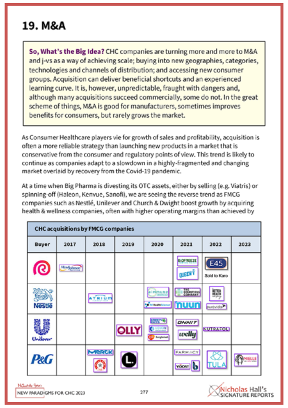
- China plans an economic reset
- Should I stay, or should I go?
- Lockdown easing brings a more positive outlook for CHC
- Despite a weakened economy, China's CHC market rebounded well • Population imbalance: the issues & opportunities of an ageing population
- Gen X goes green and young women lead online shopping trends
- "Sang culture" and "Me mentality" prevalent as consumers focus on health & wellness
- Covid-19 changes consumer preferences from overseas supplements to TCM
- China's fragmented pharma market starting to consolidate
- The NMPA seeks to incentivise innovation
- Technological advances: AI and R&D
- How to get ahead online
- Competition for e-commerce giants amid regulatory clampdown
- CHC product trends & opportunities
- Summary: What does all this mean for CHC players in China?

17. Distribution

- Overview • Retail Category Management
- Pharmacy Point-of-Care • In-store clinic model
- Leading pharmacy chains • Private label
- General Sales List and self-selection
- Mass market • E-commerce
- Thorne: Digitally-native personalised supplement brand with diagnostics presence
- Subscription model • Shopper insights
- Patient / consumer journey

18. Competition

- Cluster Analysis 1: MNCs + True Pharma
- Cluster Analysis 2: MNCs + FMCG
- Cluster Analysis 3: Regional Players + True Pharma
- Cluster Analysis 4: Regional Players + FMCG



19. M&A

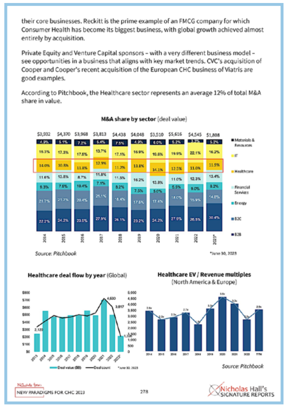
So, What's the Big Idea? CHC companies are turning more and more to M&A and j-vs as a way of achieving scale; buying into new geographies, categories, technologies and channels of distribution; and accessing new consumer groups. Acquisition can deliver beneficial shortcuts and an experienced learning curve. It is, however, unpredictable, fraught with dangers and, although many acquisitions succeed commercially, some do not. In the great scheme of things, M&A is good for manufacturers, sometimes improves benefits for consumers, but rarely grows the market.

As Consumer Healthcare players vie for growth of sales and profitability, acquisition is often a more reliable strategy than launching new products in a market that is conservative from the consumer and regulatory points of view. This trend is likely to continue as companies adapt to a slowdown in a highly-fragmented and changing market overlaid by recovery from the Covid-19 pandemic.

At a time when Big Pharma is divesting its OTC assets, either by selling (e.g. Viatris) or spinning-off (Haleon, Kenvue, Sanofi), we are seeing the reverse trend as FMCG companies such as Nestlé, Unilever and Church & Dwight boost growth by acquiring health & wellness companies, often with higher operating margins than achieved by

CHC acquisitions by FMCG companies

Buyer	2017	2018	2019	2020	2021	2022	2023



their core businesses. Reckitt is the prime example of an FMCG company for which Consumer Health has become its biggest business, with global growth achieved almost entirely by acquisition.

Private Equity and Venture Capital sponsors – with a very different business model – see opportunities in a business that aligns with key market trends. CVC's acquisition of Cooper and Cooper's recent acquisition of the European CHC business of Viatris are good examples.

According to Pitchbook, the Healthcare sector represents an average 12% of total M&A share in value.

19. M&A

- Why M&A? • Type of M&A models
- High acquisition multiples
- Ten Golden Rules of M&A

20. Managing Brands for Long-Term Growth

- Building trust in a brand beyond its science
- Managing price increases
- Tactics that could drive brand share in a static market
- How to compete in an industry dominated by generics
- How to leverage the New Paradigm • WOW! Brands case studies: Innovation & scale
- Olly: Dynamic US brand, with supplements portfolio targeting female Millennials
- Lumify: Rx-to-OTC Switch eye care brand with heavy focus on cosmetic red eye benefits, backed by professional recommendation

10 STEPS TO HEAVEN

1. CBD - A long distance race!
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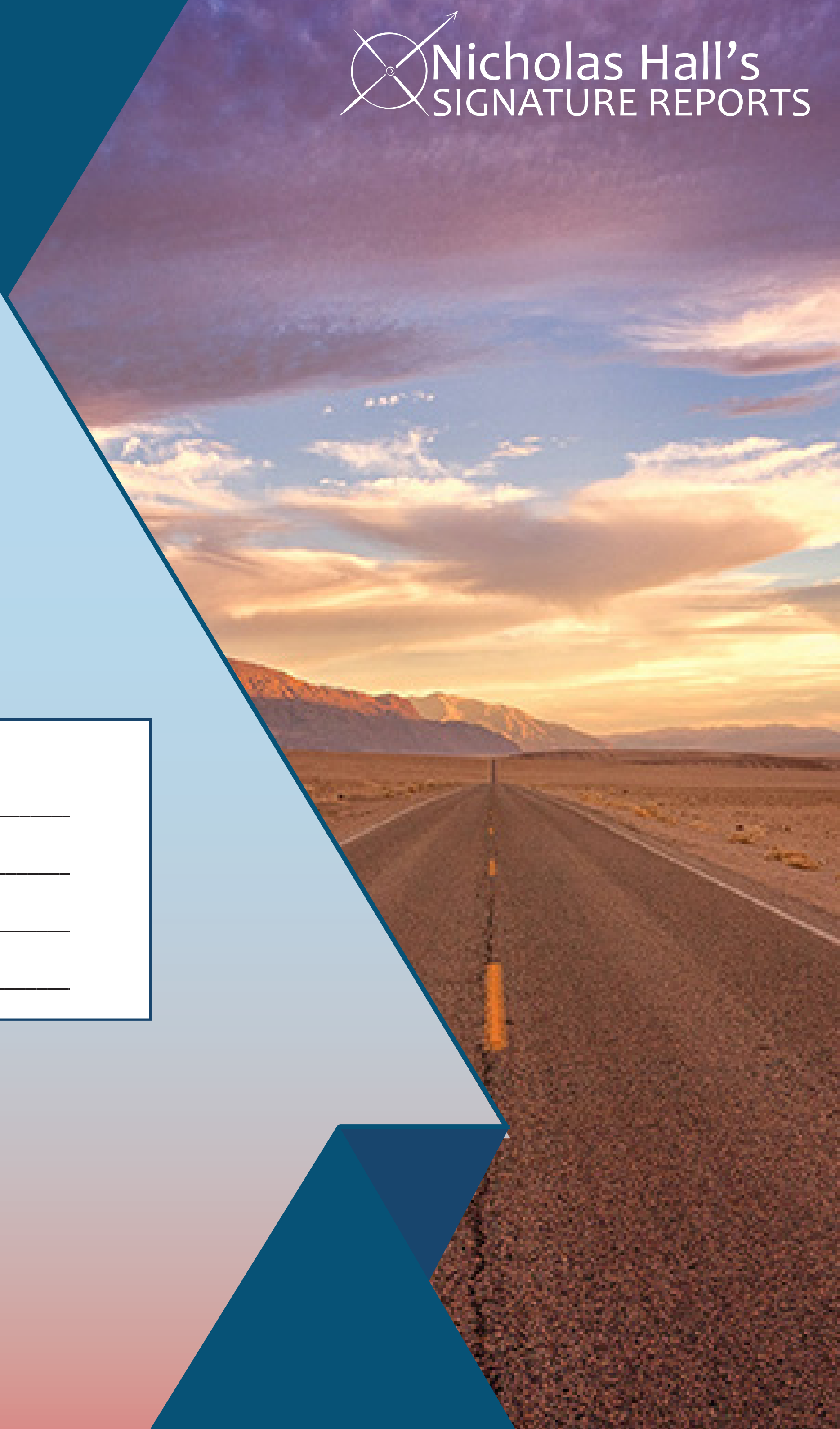

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