

# **The Natural Health Product Market in North America – Opportunity for China**

## 北美天然健康产品的市场给中国的机遇

Michael ZC Li, MD, MSc, MBA

Wellgenex Sciences Inc.

Healthplex Expo, Beijing

August 30 – September 01, 2006

## Definitions 定义

---

- Natural Health Product 天然健康品
- Dietary Supplement 膳食补充剂
- Functional Food 功能性食品
- Natural Food 天然食品

## Definitions – Cont'd 定义-续

---

- Natural Health Product / Nutraceutical (Canadian Definition) 天然健康品/营养药品（加拿大定义）
  - Vitamins and minerals
  - Herbal remedies
  - Homeopathic medicines
  - Traditional medicines such as traditional Chinese medicines
  - Probiotics, and
  - Other products like amino acids and essential fatty acids

## Definitions – Cont'd 定义-续

---

- Dietary Supplement (US Definition) 膳食补充剂（美国定义）
  - A product, not conventional foods, intended to supplement the diet
  - Vitamin, mineral, herb, botanical, amino acid, concentrate, metabolite, constituent, extract, or combination of the above
  - Intended to be ingested in pill, capsule, tablet, powder or liquid form
  - E.g. vitamins and minerals, ginseng, lecithin, fish oil, creatine, melatonin, isoflavones, glucosamine

## Definitions – Cont'd 定义-续

---

- Functional Food 功能性食品
  - Conventional or modified foods consumed as part of a usual diet
  - Demonstrated to have physiological benefits and/or reduce chronic disease risk beyond providing basic nutrition functions
  - No a legal or regulatory definition
  - E.g. Benecol Spread for cholesterol reduction by McNeil

## Definitions – Cont'd 定义-续

---

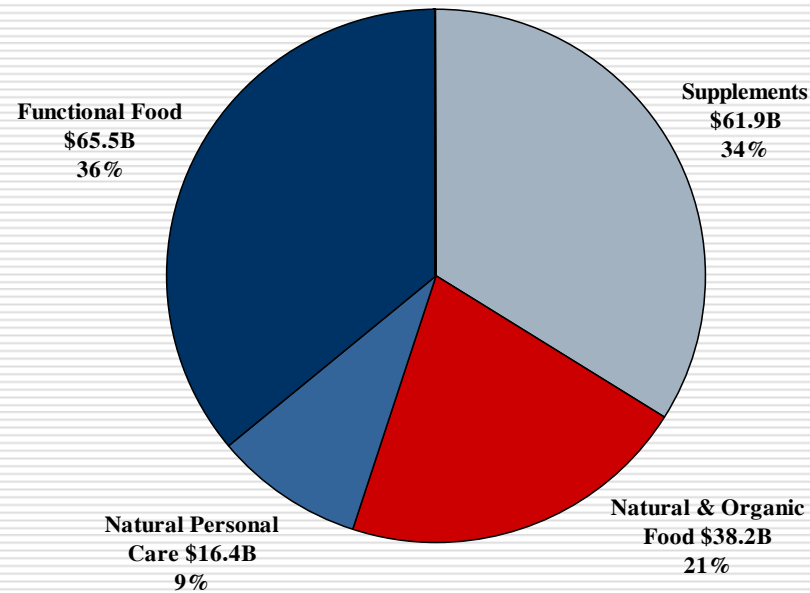
- Natural Food 天然食品
  - Food that does not contain any additives, such as preservatives or artificial coloring
  - E.g. organic food

# Global Market by Sector

## \$182 Billion in Consumer Sales (2003)

### 2003年全球市场销售1820亿元的产品类分布

---

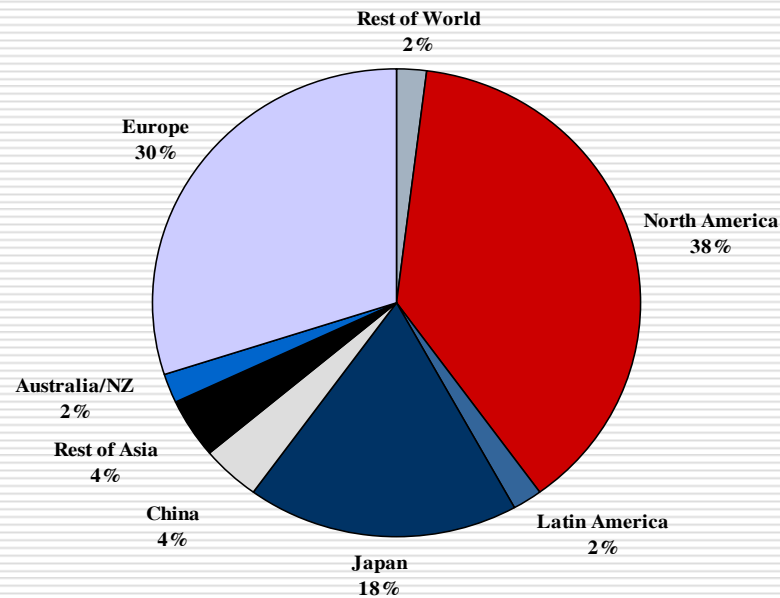


# Global Market by Region

## \$182 Billion in Consumer Sales (2003)

### 2003年全球市场销售1820亿元的区域分布

---

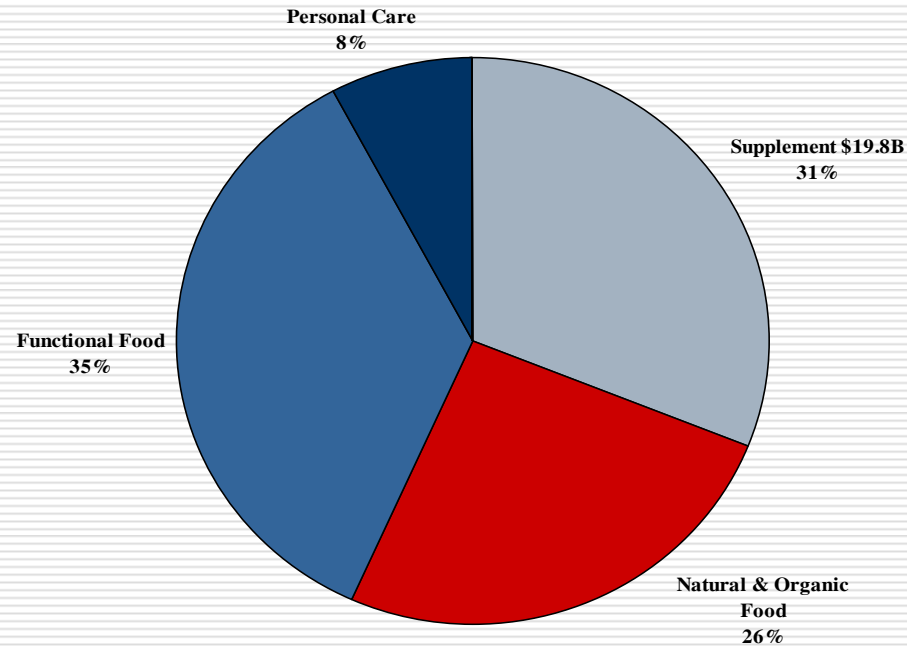




## US Market

\$64 Billion in Consumer Sales (2003)

美国市场2003年销售额达640亿元



## US Health Expenditure in GDP Context (2003)

### 美国医疗健康费用与其国民生产总值

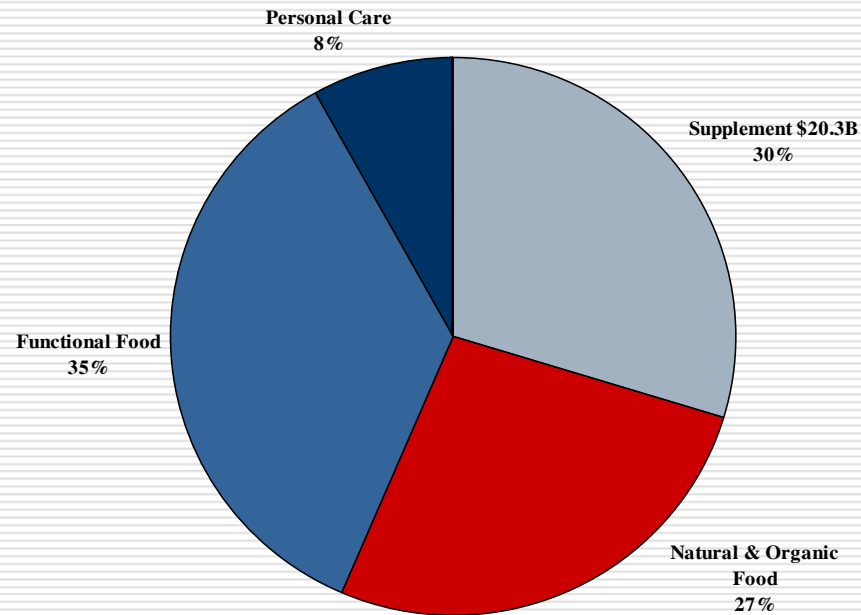
---

<u>Expenditures (\$bil)</u>	<u>2003</u>	<u>Annual Growth</u>
US GDP	\$10398.0	3.1%
National Health Expenditures	\$1,686.3 (16.2%)	9.3%
Out-of-Pocket Health Care	\$235.0	7.9%
Prescription Drug Expenditures	\$182.5	12.5%
O-o-P Prescription Drug	\$50.8	14.4%
Nutrition Industry	\$63.3	8.8%
<b>Supplement Industry</b>	<b>\$19.8</b>	<b>5.7%</b>
OTC Products Sales	\$56.2	7.0%

# US \$69 Billion Market in Consumer Sales (2004)

## 美国市场2004年销售额达690亿元

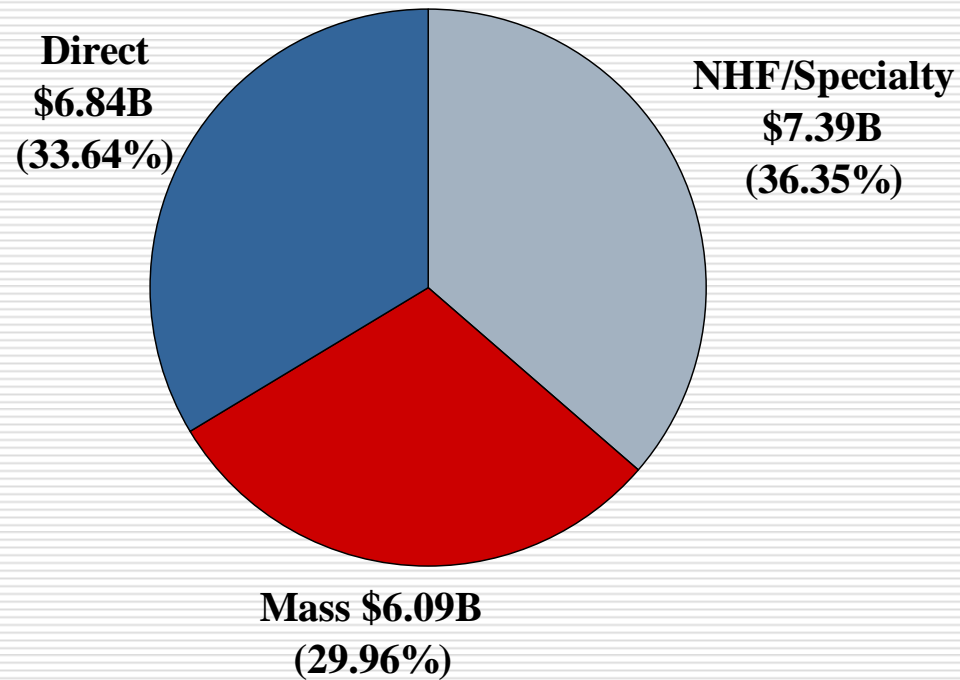
---



## US Supplement Sales by Channel \$20.3B (2004)

美国天然健康品2004年203亿元销售额的销售渠道分布

---



## Market Sales Channels 市场销售渠道

---

- Natural Food & Specialty Retail
  - Natural & Health Food Stores, Independent Natural Food Supermarkets, Natural Food Supermarket Chains, Independent Supplement Stores, Supplement Chains
- Mass Market
  - Food, Drug, Mass Merchandiser, Club, Convenience/Other
- Direct:
  - Multilevel Marketing, Practitioners, Mail Order, DRTV & Internet

## US, Europe and Asia Supplement Retail Sales by Distribution Channel (2000)

美国，欧洲与亚洲天然健康品在零售渠道的比较

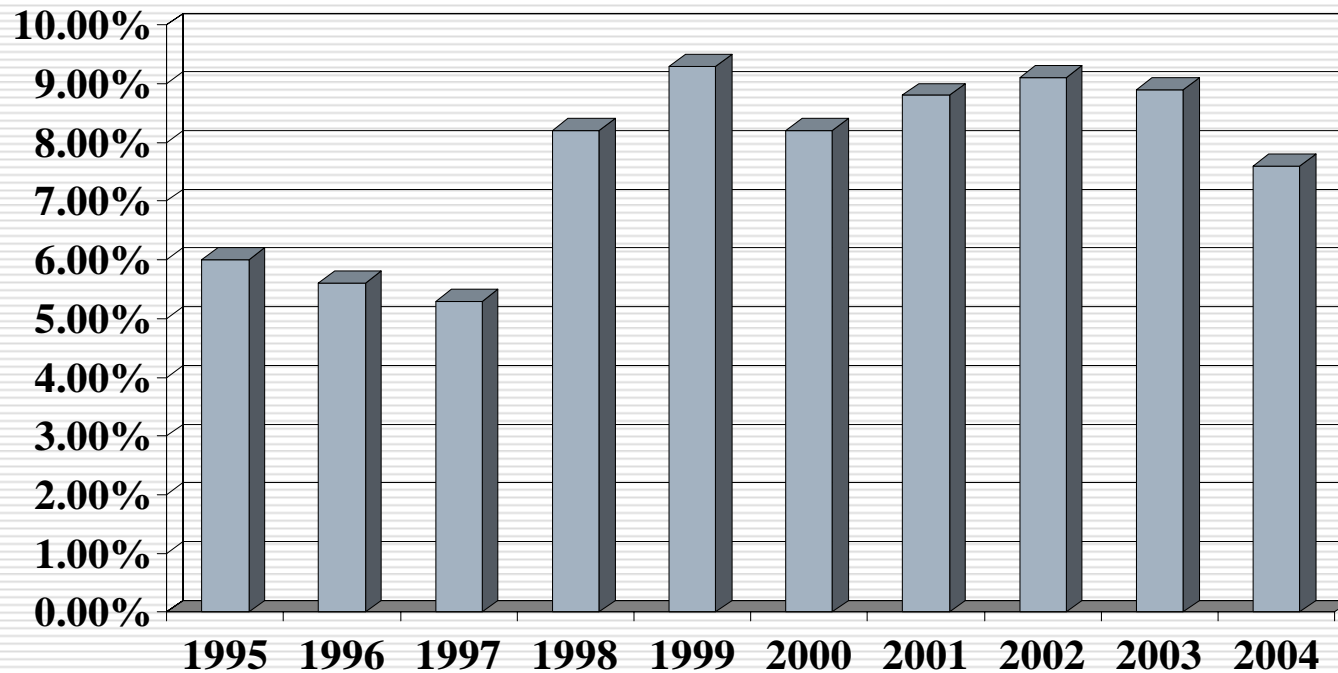
---

<u>Channel</u>	<u>US</u>	<u>EU</u>	<u>Asia</u>
Pharmacy/Drugstore	16%	54%	19%
Mass Market	34%	17%	12%
Natural/Health Food (in US incl. GNC)	23%	19%	21%
Direct/Multilevel/Other	27%	10%	48%

## US Market Annual Growth on Functional Food (1995-2004)

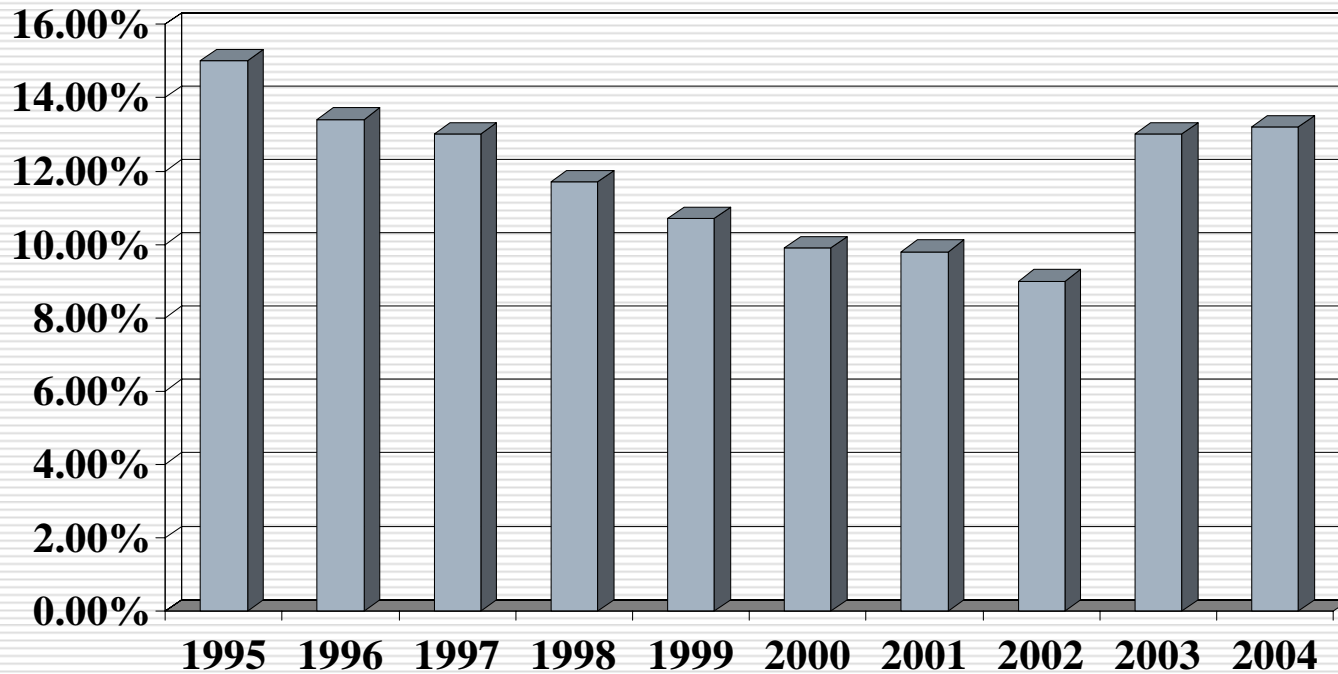
### 美国功能性食品在1995-2004年的增长

---



# US Market Annual Growth on Natural & Organic Food (1995-2004)

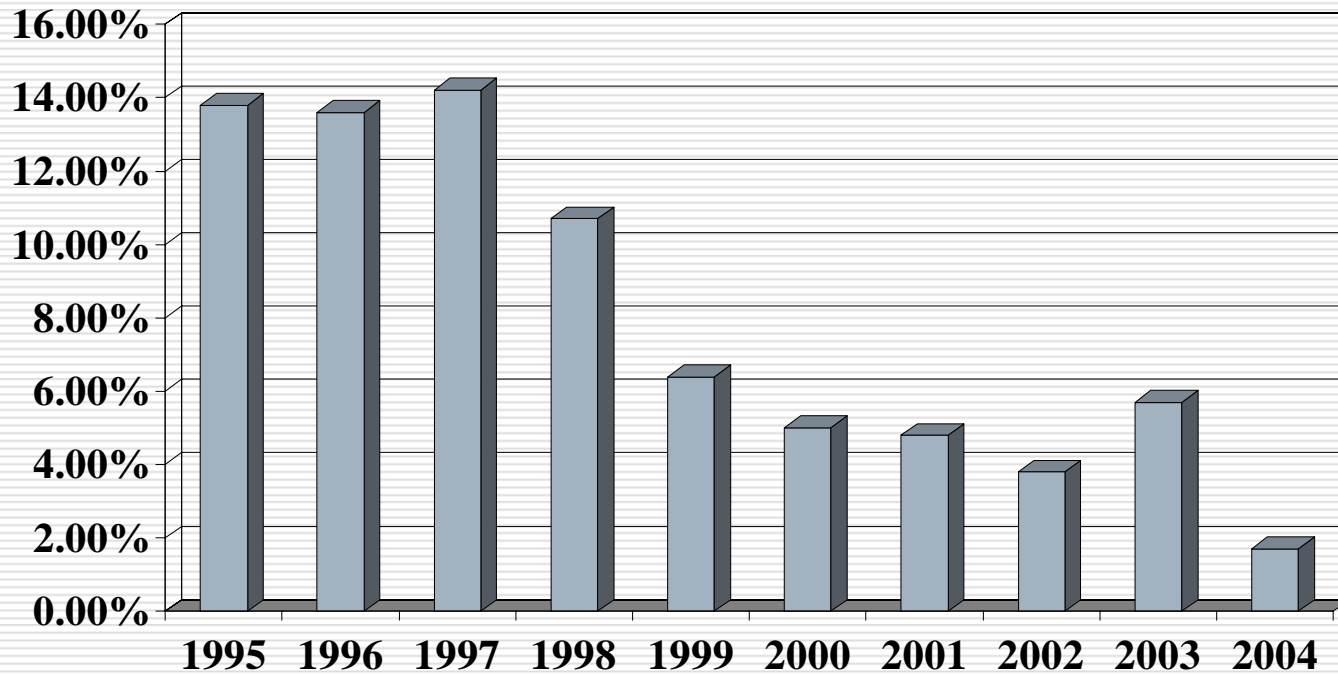
美国天然与有机食品在1995-2004年的增长





## US Market Annual Growth on Supplement (1995-2004)

### 美国天然健康品在1995-2004年的增长



## US Supplement Sales (2003-2004)

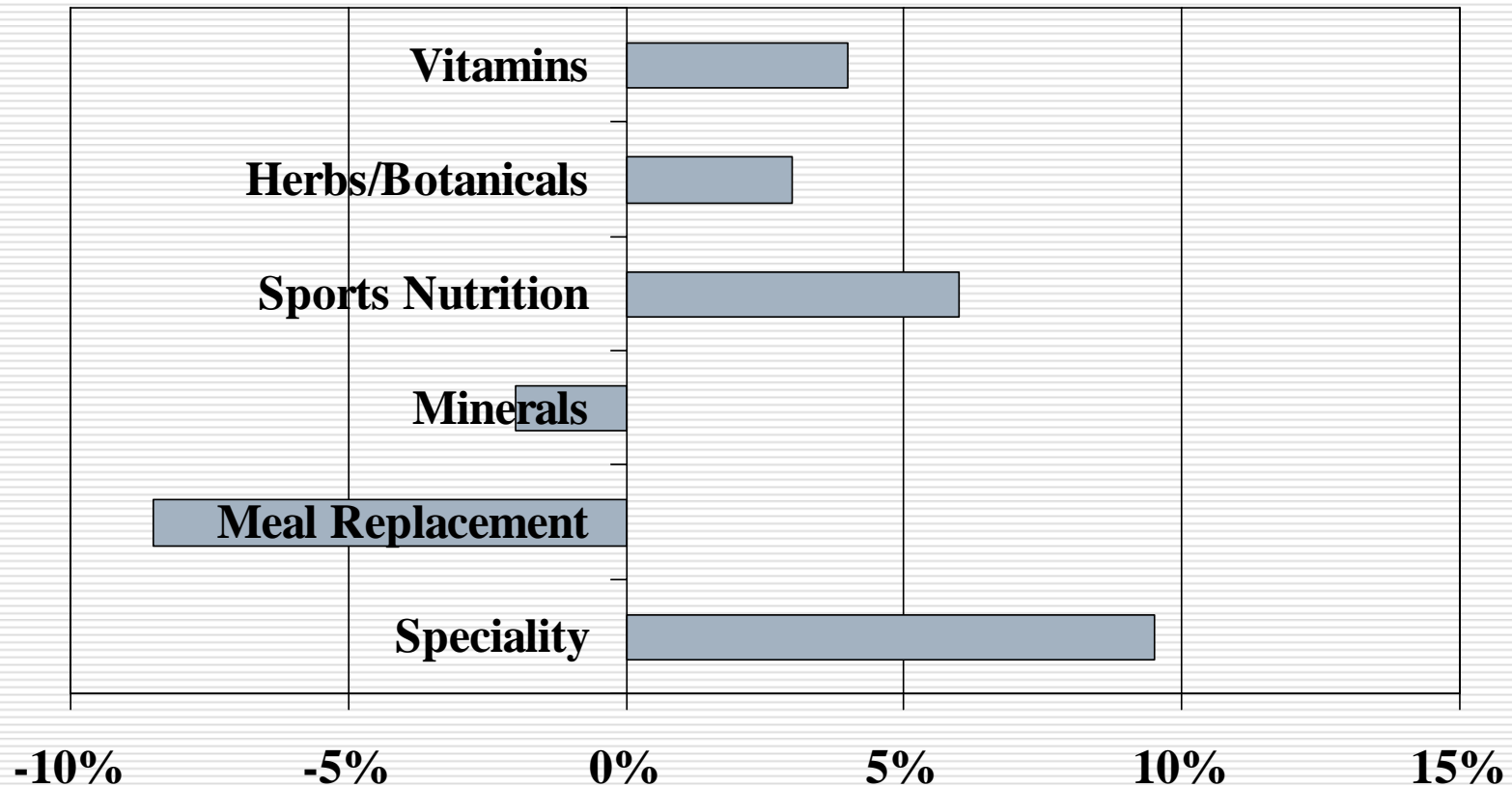
### 美国天然健康品在2003-2004年的销售情况

---

<u>Products (\$bil)</u>	<u>2003</u>	<u>2004</u>	<u>04 Growth</u>
Vitamins	6,650	6,890	3.7%
Herbs/Botanicals	4,180	4,300	2.9%
Sports Nutrition	1,980	2,100	6.0%
Minerals	1,760	1,740	-1.5%
Meal Replacements	2,520	2,320	-8.0%
Speciality/Other	2,710	2,980	9.8%
<b>Supplement Total</b>	<b>19,800</b>	<b>20,320</b>	<b>2.6%</b>

## US Market Growth on Supplement Category (2004)

美国天然健康品产品类市场2004年增长



## US Speciality Supplements Sales (2003-2004)

### 美国特别类天然健康品在2003-2004年的销售与增长

<u>Speciality Supplements (\$M)</u>	<u>2003</u>	<u>2004</u>	<u>04 Growth</u>
Glucosamine/Chondroitin	739	718	-3%
Homeopathics	453	525	16%
CoQ10	258	276	7%
Fish/Animal Oils	192	262	37%
Plant Oils	203	235	16%
Probiotics	177	202	14%
Digestive Enzymes	131	149	14%
MSM	115	108	-6%
SAMe	92	91	-1%
Bee products	76	85	12%
Melatonin	62	67	7%
<b>Total</b>	<b>2,715</b>	<b>2,933</b>	<b>8%</b>

## US Top-Selling Herbal Supplements (2004)

### 2004年美国草药最佳销售品种

Rank/Herb	Sales (\$M)	Change Sales Vs. 2003
1. Garlic	27,013	-11%
2. Echinacea	23,783	-14.9%
3. Saw Palmetto	20,334	-10.5%
4. Ginkgo	19,334	-12.9%
5. Soy	17,420	-26.6%
6. Cranberry	13,446	6.8%
7. Ginseng	12,165	-10.2%
8. Black Cohosh	11,985	-22.3%
9. St. John's Wort	9,088	-12.5%
10. Milk Thistle	7,776	0.8%
11. Evening Primrose	6,088	-3.6%
12. Valerian	3,449	-9.2%
13. Green Tea	2,795	22.1%
14. Bilberry	2,341	-17.6%
15. Grape Seed	2,330	11.9%
16. Horny goat weed	2,204	-12.2%
17. Yohimbe	1,835	-21.9%
18. Horse Chestnut	1,565	-35%
19. Eluthero	992	-64.4%
20. Ginger	815	-13.8%
<b>Multi-herbs</b>	<b>52,049</b>	<b>29.1%</b>
All other herbs	11,841	-7.5%
Total	257,515	-7.4%

## US Supplement by Channel (2003-2004)

### 美国天然健康品销售渠道分析

---

<u>Supplements (\$bil)</u>	<u>2003</u>	<u>2004</u>	<u>2004 Growth</u>
Retail-NF/HC	7,090	7,390	4.2%
Retail-MM	6,310	6,090	-3.5%
Mail Order	1,200	3,770	4.2%
Multi-Level	3,550	1,430	6.3%
Practitioner	1,300	1,430	10.5%
Internet	350	390	13.2%
<b>Supplement Total</b>	<b>19,800</b>	<b>20,320</b>	<b>2.7%</b>

## Supplement by Condition (2003-2004)

### 天然健康品的应用范围分析

Condition (\$M)	2003	Growth	% total in 03
Sports/Energy/Wt. Loss	5,160	-11%	26%
General Health	4,606	10%	23%
Joint Health	1,149	11%	6%
Bone Health	1,065	19%	5%
Colds/Flu-Immune	853	7%	4%
Heart Health	847	13%	4%
Anti-Cancer	635	11%	3%
Diabetes	471	10%	2%
Gastrointestine Health	388	12%	2%
Menopause	304	17%	2%
Mood	199	-4%	1%
Sexual Health	183	20%	1%
Brain/Mental	180	-7%	1%
Insomnia	111	6%	1%
<b>Sum of Top 14 Conditions</b>	<b>16,151</b>	<b>6%</b>	<b>81%</b>
Others	3,671	-1%	19%
Supplement Total	19,821	5%	100%

## Universe of US Supplement Companies (2004)

### 美国天然健康品公司总体的规模

---

	# of Cos.	Revenues (\$M)	% of Market
≥ \$100M	24	5,190	51%
\$20M-\$100M	72	2,890	29%
≤ \$20M	740	2,030	20%
<b>Total</b>	<b>836</b>	<b>10,110</b>	<b>100%</b>



## US Market Growth Forecast (2005-08)

### 美国市场发展的展望

---

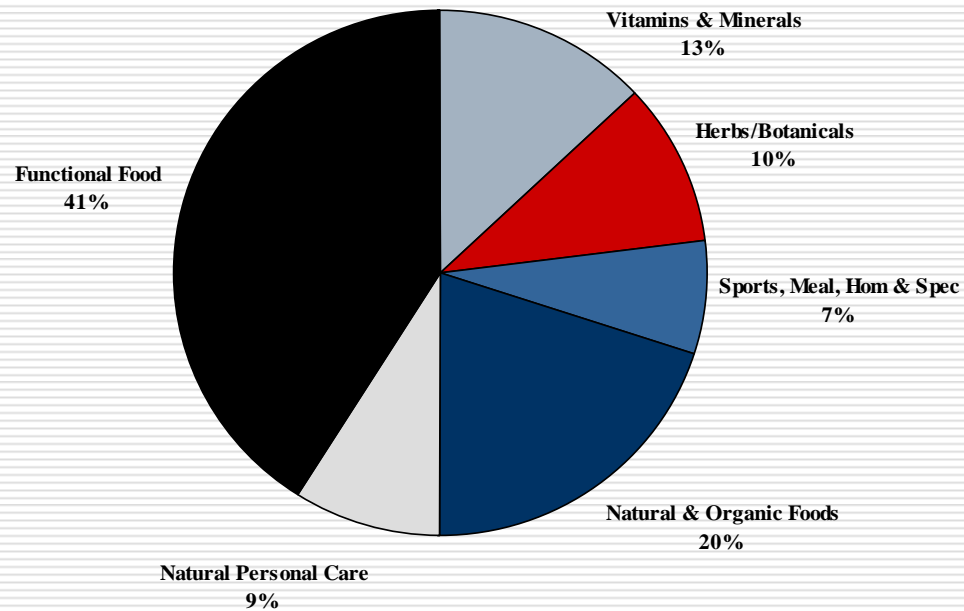
#### 2005-08 Growth Forecast

Vitamins	2-4%
Herbs/Botanicals	1-2%
Sports Nutrition	4-6%
Minerals	3-4%
Meal Replacements	2-5%
<u>Speciality/Other</u>	<u>7-9%</u>
Supplements	3-5%
Natural & Organic Food	8-10%
Functional Food	6-8%
<u>N&amp;O Personal Care</u>	<u>10-12%</u>
Nutrition Industry	5-7%

# Canadian NHP Market \$2.0B (2004 Retail)

## 加拿大市场2004年天然健康品零售额达20亿

---



## Canadian NHP Market – Cont'd

### 加拿大天然健康品市场概貌

---

- Latest CHFA study indicated \$2.5B in 2005 with projected sales grow to \$2.75B by 2010
- BC and Alberta are the highest spenders (>\$100/month)
- Import is about 10% retail sales
- Net importer – 2004 imported \$250M, exported \$200M. US import > 50% of total Canadian NHP import. China 12%, Germany 9%, France 6%, Swiss 4%, UK 2.6%, Japan 2.5%, India 1.1%, Taiwan 1.1%
- Presently 25,000 employees. Projected to increase by 80% by 2009
- 10,000 retailers
- Distribution
  - Drugstores & Mass 58.2%
  - Health Food Stores 20%
  - Others 21.8%

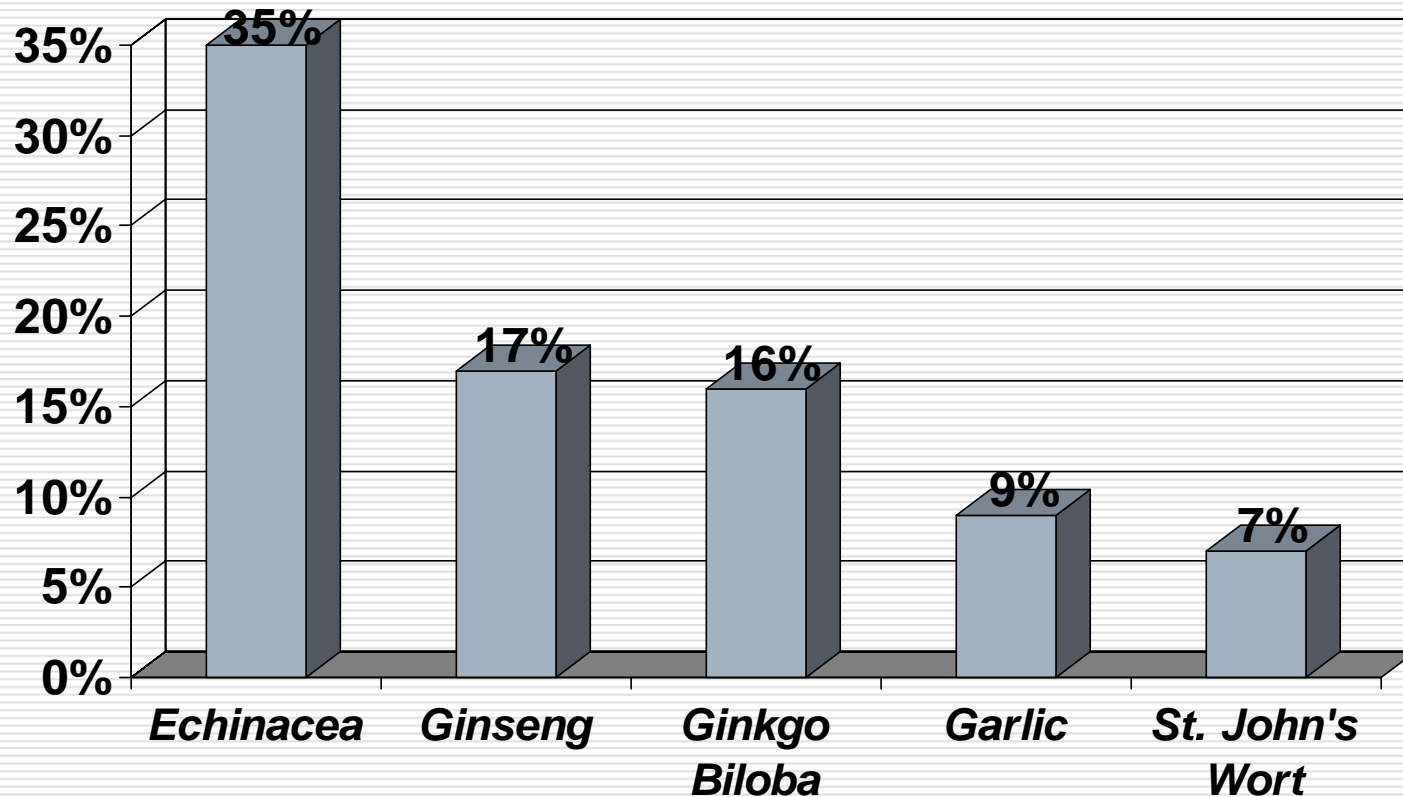
# Canadian NHP Top Product Sales

加拿大最佳天然健康品的销售

---

Multivitamins	22.5%
Herbal Supplements	17.9%
Glucosamine	13.9%
Calcium	12.6%
Vit. C	9.3%
Vit. E	8.4%
Children Multivitamins	4.2%
Antioxidants	2.6%

## Canadian Household Top 5 Selling Herbs 加拿大最佳销售的五种草药



*Source: Canadian Natural Health Retailer, September-October 2001*

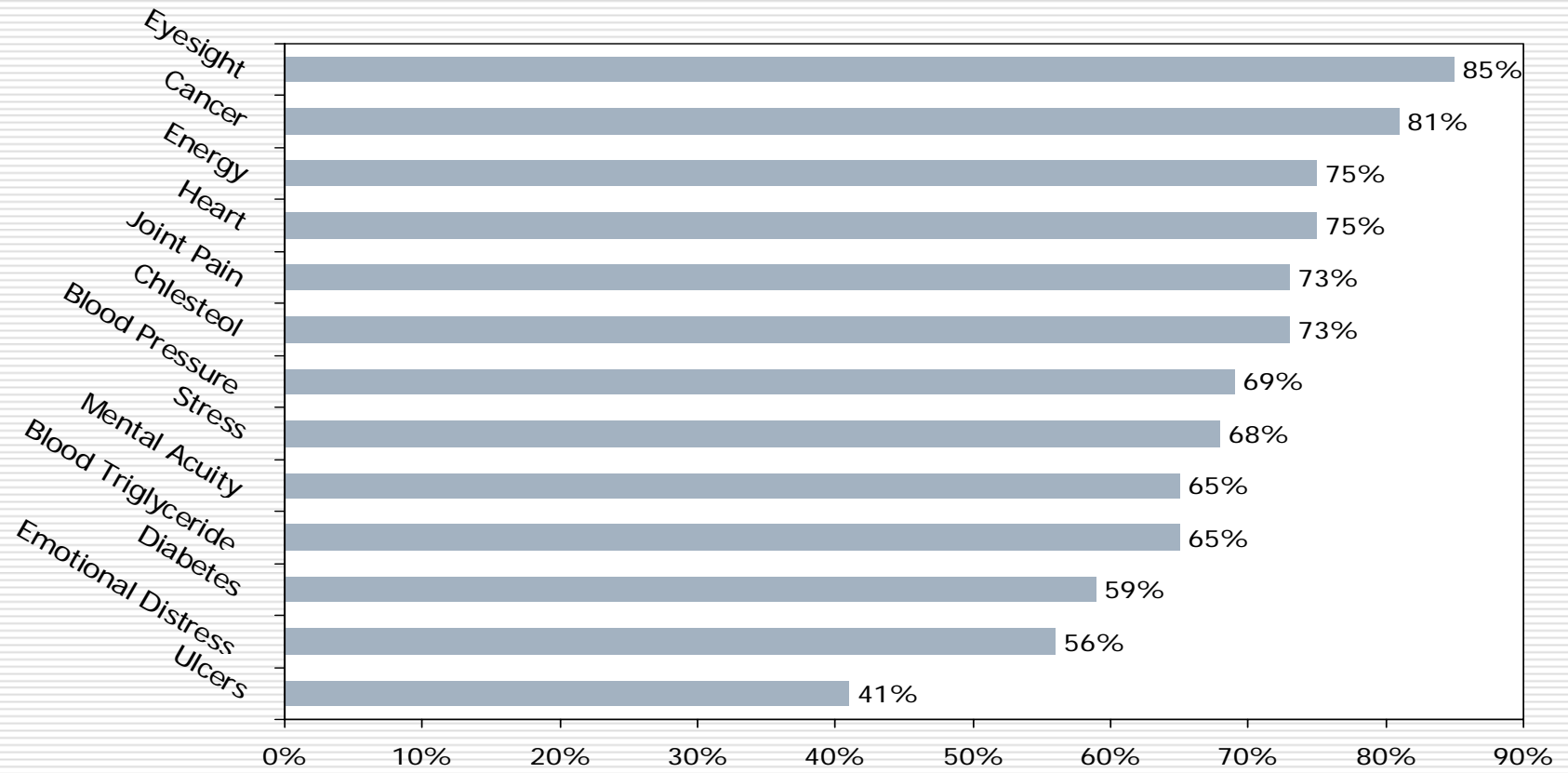
## Driving Force 市场推动力

---

- ❑ Aging populations – baby boomers
- ❑ Growing disenchantment with drugs
- ❑ Increasing scientific evidence on efficacy
- ❑ Changing attitudes about food and health and increased acceptance of self-medication
- ❑ Increased emphasis on healthy lifestyle
- ❑ Entry of drug, food and chemical giants

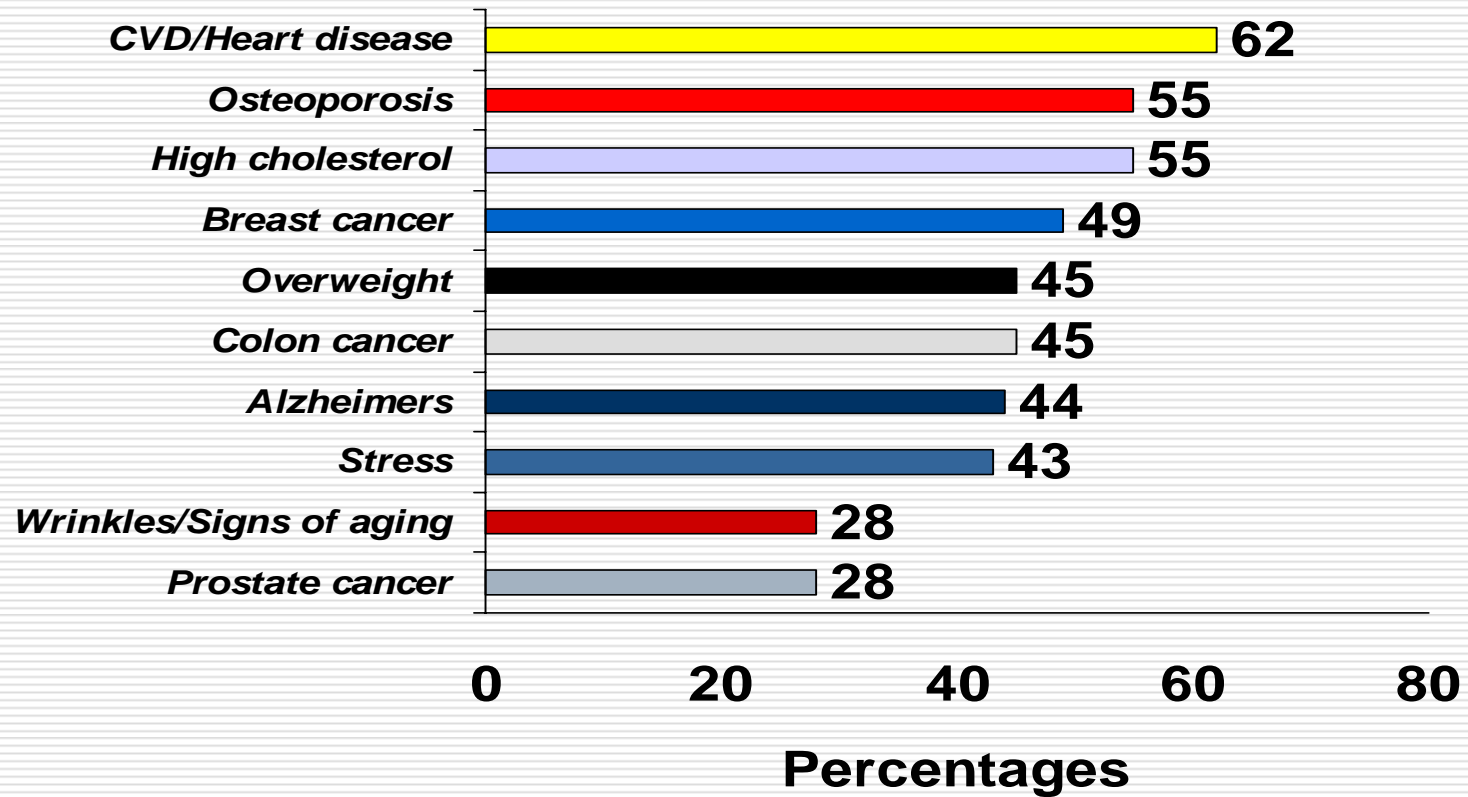
# General Consumer Top Health Concerns

## 消费者的主要健康问题分析



## Top Health Concerns Of 50+

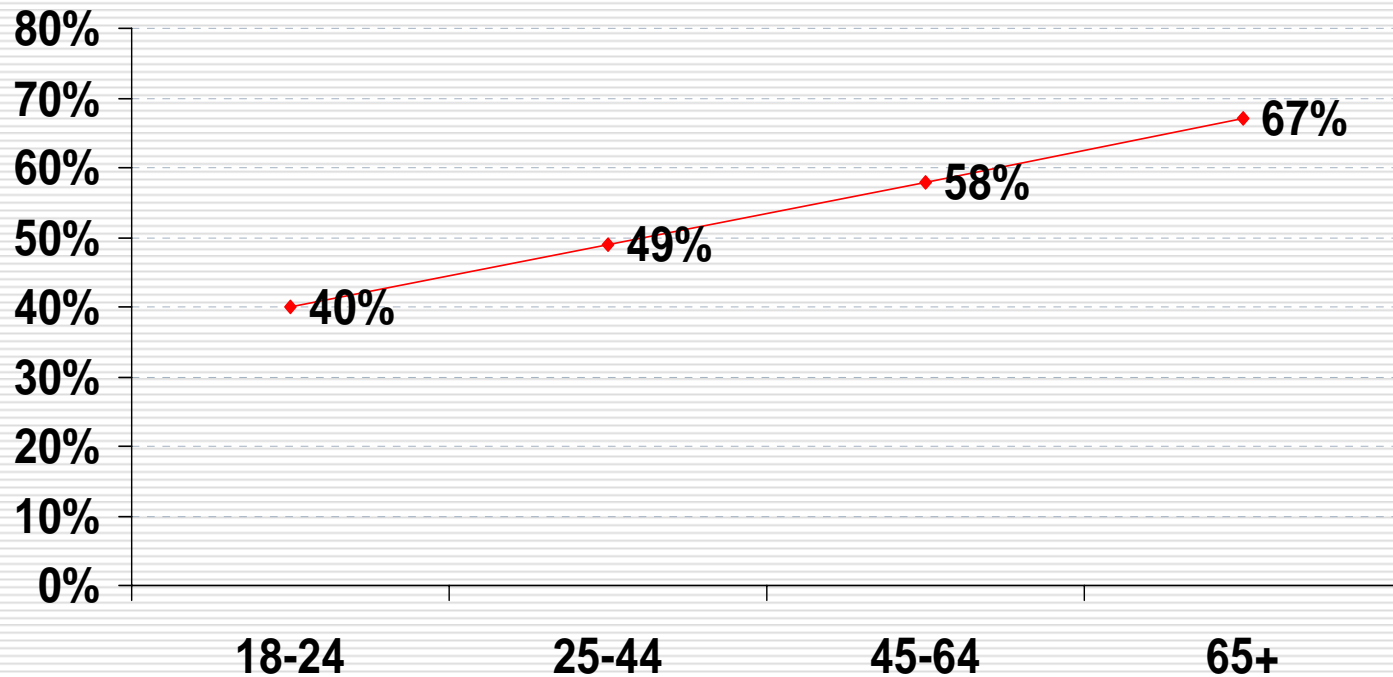
### 50岁以上的消费者的主要健康问题分析





## Nutritional Supplement Usage Increases With Age

营养健康品的使用随年龄的增长而增加



*Source: AH & H Consumer Survey 1999*

## Market Characteristics 市场特点

---

- Advantageous regulatory environment
  - US - DSHEA passage in 10/94
  - Canada – NHP regulations introduced in 2003
    - NHP a new category - **TCM subset of drug**
    - **Claims allowed**
- Disadvantageous regulatory environment (US)
  - Claim confusion
  - Product saturation
  - Regulatory/political tensions on the horizon

## Market Characterization – Cont'd 市场特点-续

---

- Strong but highly fragmented with consolidation by the entry of drug, food and chemical giants
  - 55% of food, 35% of drug and 90% of biotechnology companies invested in nutraceuticals
- More growth potential in herbal remedies
  - 62% adults in Germany vs. 32% adults in the US regularly use herbal remedies
- Increased competition in raw material suppliers, formulators and retailers
- Wider distribution channels

## Product Trend 产品趋势

---

- Adopted from EU market (esp. Germany)
  - World model for R&D and quality standard
  - Culture, historical and regulatory influences
  - 6 months to 1 year delay time
    - Kava kava - anxiety
    - St. John's wort – mild depression
    - Black cohosh – menopause
- Demise of products with little science
  - Melatonin – aging
  - Shark cartilage – cancer
  - Ma huang (Ephedra) – weigh loss

## Product Trend – Cont'd 产品趋势-续

---

- Branding of raw material via trademarks/patents
- Emergence of product ideas after scientific studies
  - Importance of clinical studies
- Use drug development approach for herbs
  - Time release capsules
- **Move from single herb to complex formula**
  - **Huge potential for TCM**
- Flexible for end-product application
  - Sprays, beverages, confectionery products, lozenges etc.

## Product Trend – Cont'd 产品趋势-续

---

- Emphasis on efficacy and safety
  - Bioassay using “fingerprints” or “markers” as indicators of composition, uniformity and validation of multi-component herbal products
  - Establish clinical studies to test and prove effectiveness in long-term human use
  - Replace animal toxicity data with an adequate predictor of safety in humans
  - Conduct phase IV studies to address long-term usage safety and drug, food or supplement interactions

## Challenge & Opportunity for China 给中国的挑战与机遇

---

### □ Challenge

- Difference b/w TCM/CM and conventional medicine
- Claims mostly not allowed for TCM/CM
- Low value added raw material supplies
- China GMP not fully recognized
- Limited market access to mainstream consumers

### □ Opportunity (Canadian NHP regulations)

- TCM/CM claims allowed under NHP regulations
- Product license granted by Health Canada
- Conversion to formulated products
- Greater access to mainstream market

## Wellgenex Sciences Inc. 公司简介

---

- A professional service firm specialized in helping clients in the life sciences, nutrition and health industries in Canada, U.S. and China in the following areas:
  - Market penetration and development
  - R&D, product development and commercialization
  - Regulatory evaluation and strategy

一家专注于生命科学包括天然药物和营养健康品的专业服务公司

- 市场拓展与开发
  - 产品研发和优化及商业化
  - 政府法规准入的分析策划及产品认证与注册
- Key Professionals – Dr. M. Li, Dr. Y Bai, Dr. D. Awang, Prof. D. Kitts.

***Helping you create product excellence and connect to market success***



## Contact 联系方式

---

Wellgenex Sciences Inc.  
150-10451 Shellbridge Way  
Richmond, British Columbia V6X 2W8  
Canada

Tel: 604-249-2896

Fax: 604-278-5760

Email: [mli@wellgenex.com](mailto:mli@wellgenex.com)

Website: [www.wellgenex.com](http://www.wellgenex.com)

---

Thank you for your time 谢谢!

