Vitamins & Dietary Supplements Market trends - *Overview*

PwC Deals
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01. Nutraceuticals Market
Nutraceutical, Cosmeceutical and Nutra-cosmetical markets are born as innovative and transversal segments to the Pharmaceutical, Nutrition and Personal Care, blurring the boundaries among traditional segments

- **Healthcare** (Nutrition and Pharmaceutical) and Personal Care markets have evolved in recent years, extending the focus of their business to new areas and addressing common consumer needs.

- **The expansion of the business**, together with the latest industry trends, has developed **transversal and innovative market segments**, focused on offering health and wellness benefits using **natural ingredients and resources** (e.g. food, herbs, roots, oils, vitamins).

- Among the **cross and innovative segments**, **nutraceutical** products are positioned as food with specific **organoëptic properties** able to prevent and/or reduce certain diseases.

**Cosmeceutical**
- The products are usually made up of vitamins, herbs, oils and extracts
- Companies can declare that the products have **medical properties** if they possess specific characteristics required by law

**Nutraceutical**
- Nutraceutical products are usually used for preventive purposes
- They can be used as a support for pharmacological treatments
- They do not require a prescription
- Companies can declare that the products have medical properties if they possess specific characteristics required by law

**Nutra-cosmetical**
- Contain ingredients or active ingredients consisting of **proteins and enzymes**
- They are marketed as **cosmetics**, and are generally **administered orally**
- Companies can declare that the products have medical properties if they possess specific characteristics required by law
- Nestlé/L’Oreal JV to produce cosmetic nutritional supplements

Source: PwC Analysis, IMS Health

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The nutraceutical market includes functional foods, foods for medical purposes and food supplements, supplements are often recommended by the doctor or pharmacist for the purpose of treatment or prevention.

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**Food**

- Conventional Foods
- Functional Foods
- Vitamins and Supplements
- Foods for medical purposes

**Nutraceuticals Market**

**Vitamins and Supplements**

- **Functional foods**: "foods with an added substance to obtain a proven beneficial effect (...) in the amounts expected to be consumed in normal diet"

- **Vitamins and supplements**: "products taken in small doses concentrated to support the body's physiological functions, maintain health status, promote physical and mental well-being or reduce the risk of disease"

- **Foods for medical purposes**: "for specific segments of the population (e.g. infants, early childhood cereals, substitutes of the entire daily ration for weight control)"

**Drugs**

- Medicines
- Prevention
- Health Care
- Herbal product

**GDO Pharmacy Hospital**


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In the Nutraceutical market there are different types of players, from General Practitioners to Specialists

Key findings
The new eating habits, mostly in the Western World with (i) an excess of sugar, salt, fats, chemical additives and tobacco and (ii) a shortage of fibers, aminoacids, vitamins and minerals, brought to new emerging needs:

- Attention to physical appearance and physical / mental well-being
- Slowing down of the aging process
- Need to cure metabolic disorders
- Specific health problems prevention
- Consumer habits: Health → Good Fit

Emerging needs
02. Vitamins & Dietary Supplements Market Historical trend
The Vitamins and Dietary Supplements global market has grown at a rate of 6.3% (CAGR 2014-2018), mainly driven by the segment of Food Supplements.

The market demand for Vitamins and Dietary Supplements is driven by:

- Increasing attention to health and prevention by the consumers
- Greater customization of needs for different segments of the population
- Increased health care costs and search for alternatives to cure specific problems
- The growth in demand for supplements is mainly driven by probiotic supplements, Fatty Acids (i.e. fish oils) and protein supplements
- Herbal/Botanical Supplements usage has emerged as a popular complementary and alternative medicine or supplement to modern medicine
- Rising consumer awareness regarding the severity of digestive disorders, stimulate the growth of the Enzymes segment.

Source: PwC Analysis, Technavio 2019, Press
North America has the highest market value (around 26 €B in 2018) with respect to European market, with a growth trend of 6,7% (CAGR) in the period 2014-2018.

Vitamins and Dietary Supplements – North American market (2014 - 2018, €B, %)

- North America is the global frontrunner in Vitamins and Dietary Supplements, with the US the largest single country, contributing 27% of 2018 global sales with 24.8 €B while Canada brings in 1,2 €B.

- In the US, Vitamins and Dietary Supplements benefits from the broadening trend around healthy living and the rise of healthcare costs, especially among ageing populations. Currently, consumers are looking for herbal dietary supplements, because of the rising market availability of counterfeit products. Dietary supplements were used by 31% of children in the United States.

Source: PwC Analysis, Euromonitor International 2019, Press
The Western Europe market has the highest value (almost 10 €B in 2018) and grows at a higher rate (CAGR 3.5%). Europeans perceive dietary supplements as products that improve health and wellness. The purchase of such products are, thus, considered as a preventive measure to health disorders.

Vitamins and Dietary Supplements – European market (2014 - 2018, €B, %)

- In Western Europe, the healthy living trend supported growth among key players such as the UK and Italy, where the latter is culturally used to taking supplements (eight out of 10 Italians consume Vitamins and Dietary Supplements). Meanwhile, in Germany, the second biggest market, demand was supported by the growing popularity of veganism and vegetarianism among consumers. Even though key markets are growing, VDS sales in Western Europe increased at the low growth rate in 2014-2018 with a 3.5% CAGR due in large part to the European debt crisis that has affected consumer purchasing patterns.

- The growth of demand for Vitamins and Dietary Supplement in Eastern Europe (CAGR 1.1%) is being spurred by three main trends - health and wellness, convenience and increasingly hectic lifestyles.

Source: PwC Analysis, Euromonitor International 2019, Press
WE has strict VDS regulations (e.g. “claim-based”) and, in some cases, lack of consumer habit, but has grown due to rising ageing population demanding more VDS products for: (i) disease prevention, (ii) support healthy living practices to increase healthy life span.

Vitamins and Dietary Supplements – European market (2014 - 2018, €B, %)

<table>
<thead>
<tr>
<th>Market</th>
<th>Value 2014</th>
<th>CAGR (14-18)</th>
<th>Value 2018</th>
<th>Drivers</th>
</tr>
</thead>
</table>
| Germany        | 1,6 €B     | 2,9%         | 1,8 €B     | • More attention to health by consumers  
• Demand supported by the growing popularity of veganism and vegetarianism among consumers.  
• Greater awareness of the needs related to the prevention of obesity and gastrointestinal problems |
| Russia         | 1,6 €B     | (4,8%)       | 1,3 €B     | • Increasing awareness and information regarding the health benefits obtainable through food supplements  
• Focus on consumers with medium / high income |
| France         | 0,9 €B     | 8,6%         | 1,3 €B     | • Reduction of reimbursements on drugs and consequent search for alternative products  
• Development of stringent regulations by the DGCCRF *  
• Particular relevance of nutritional products to support physical activity and weight control |
| United Kingdom | 1,0 €B     | 1,2%         | 1,1 €B     | • Attention to the health and well-being of the population  
• Growing belief of the beneficial properties of nutraceutical products |
| Poland         | 0,6 €B     | 4,5%         | 0,7 €B     | • Growing number of overweight people or those with obesity problems  
• Willingness to pursue a healthier lifestyle; from health to fit |
| Spain          | 0,3 €B     | 2,1%         | 0,4 €B     | • Reducing reimbursements on drugs and consequent search for alternative products  
• Development of stringent regulations by the DGCCRF *  
• Particular relevance of nutritional products to support physical activity and weight control |

Source: PwC Analysis, Federsalus 2019, Press - Notes (*): Directorate General for Consumption, Competition, and Repression of Fraud
The medical prescription of supplements continues to increase – up to 28% in the last 2 years. Growing awareness of the benefits of consuming products derived from natural ingredients.

Vitamins and Dietary Supplements – Italian market (2014 - 2018, €B, %)

The Italian Food Supplements consumption follows 4 main trends:

- **Tone, reinforcement, energy**
  - Multivitamins
  - Mineral salts
- **Specific situations**
  - Intestinal problems / lactic ferments
  - Menopause
  - Cleansing
  - Circulation
- **Well-being**
  - Cardiovascular / Cholesterol
  - Bones and joints
- **Prevention**
  - Memory and cognitive functions
  - Urinary tract disorders
  - Sleep disorders / anxiety
  - Weight control
  - Aesthetic appearance
  - Pregnancy and breastfeeding

Source: PwC Analysis, Federsalus 2019, Press
Use of food supplements involves 65% of the adult Italian population and responds to differentiated logics of use: nutritional and physiological.

!”The supplement market, according to consumers, can be divided into 2 categories: (i) a traditional market which responds to a logic of support of the tone, energy and well-being and (ii) a more innovative market that responds to multiple complex needs as specific “ailments” (e.g. intestinal and urinary “disorders”) or “prevention” (e.g. cardiovascular, bones, joints).”

Source: PwC Analysis, Feder salute 2020, Istat.

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As the coronavirus pandemic worsened, sales of herbal supplements, vitamins and minerals experienced astoundingly high levels of growth.

**Key Information**

- Due to the *worsening of the COVID 19* situation and **driven by the news** that vitamins could help against the disease, the *demand for vitamins and supplements* is soaring.

- Although there is no proven scientific evidence, consumers increased the assumption of vitamins and supplements such as zinc.

- Due to this surge in demand for supplements there is a *shortage* of the latter. On Amazon, many popular types of zinc are sold out. One box of 18 lozenges is selling for up to $120 but they *wouldn't be delivered until next month*.

- This scenario could positively affect the demand of supplements also in the *next future* and will enhance the awareness of consumers towards the benefits of nutraceutical products.

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Source: PwC Analysis
03. Vitamins & Dietary Supplements Market Outlook trend
Vitamins & Dietary Supplements market expected growth will be driven by both endogenous and exogenous factors: (i) consumer preferences, (ii) aging populations, (iii) new life styles and (iv) increased healthcare cost

### Key drivers – Consumer preferences

#### Attention to health
- Consumers’ awareness of the importance of **wellbeing** and **prevention** is growing, thanks to the possibility of consulting online medicine portals and websites of international organizations in the health sector.
- In general, consumers show increasing attention to the health, with a **proactive approach to the treatment and prevention** of potential diseases.

#### Nutrition sport
- The growing popularity of **fitness, bodybuilding and specialized sports** ("from health to fit") in the age group between 20 and 40 years is increasing the demand for food supplements useful for achieving aesthetic goals or increasing performance (aka "super food").

#### Customization
- The growing attention of consumers to well-being and prevention is bringing out needs linked to **specific medical and health problems or risk factors** (e.g. smoking, obesity).
- In particular, the needs of consumers are differentiating on the basis of the age and sex of the person who takes vitamins or food supplements.

### Key drivers – Exogenous factors

#### Aging Population
- Over a fifth of consumers globally belong to the older segment of the population, increasing the need for products that **supplement the intake** of vitamins, calcium and other supplements, in order to **delay the effects and disorders related to aging**.

#### New Lifestyle
- The adoption of a **sedentary lifestyle** is one of the main drivers of the demand for food supplements. The supplements are in fact able to mitigate any **problems related to the sedentary lifestyle** and the adoption of non-optimal eating habits.

#### Increased healthcare cost
- The increase in the cost of healthcare is inducing more attention to prevention through the use of food supplements, in order to **reduce long-term costs**.

Source: PwC Analysis
Major market challenges are represented by: (i) regulatory environment, (ii) threat of counterfeit dietary supplements and (iii) consumer distrust stemming from misleading marketing activities.

### Key market challenges

#### Challenging regulatory environment

The growth in the global dietary supplements market brings about a **greater need for governmental intervention** and strengthening of **regulations** pertaining to: (i) the production, distribution, safety testing, and (ii) **claims** regarding the effectiveness of dietary supplements.

Over the past decade, the US Food & Drug Administration (FDA) has become more stringent **with the safety standards** and has witnessed an increase in the number of **labeling violations** related to dietary supplements.

#### Threat of counterfeit dietary supplements

The increase in the consumption of dietary supplements has simultaneously led to an **increase in the influx of counterfeit and fake supplements** into the market.

Counterfeiting refers to the branding and sale of **non-authorized products** and represents a major challenge for the genuine vendors of dietary supplements.

Counterfeit dietary supplements are **manufactured using low-cost non-standard materials and are not tested** or approved by regulatory authorities; therefore, they are unfit for human consumption.

#### Consumer distrust

The use of **deceptive advertising and communication strategies** by some companies, aimed at **claiming** the health benefits of taking supplements, has led to a **growing distrust of consumers** towards the entire sector, which is placing challenges for producers both in terms of reputation and in terms of regulatory requirements from the point of view of communicating the effects of products.

**Source**: PwC Analysis
The prospective growth of the Vitamins and Food Supplements market is forecast at 4.4% (CAGR 2018 - 2023), driven by exogenous factors and the evolution of consumption preferences.

**Vitamins and Dietary Supplements – Global market (2018 – 2023, CB, %)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>91.2</td>
<td>97.0</td>
<td>99.6</td>
<td>103.6</td>
<td>108.0</td>
<td>112.9</td>
</tr>
</tbody>
</table>

**Trends in consumer preferences:**
- Growing awareness among consumers of the importance of **wellbeing** and **prevention**
- Increased nutrition needs related to **sports** and **athletic activities**, for the improvement of performance
- Sophistication of consumer needs in terms of **specific health needs**

**Exogenous factors** in the development of the demand:
- **Progressive aging** of the world population and consequent growth of specific health needs
- **Habits and lifestyle** that are harmful to health lead to an increase in the need to supplement one's diet
- Increase in healthcare costs and search for **alternative methods** of treatment

Source: PwC Analysis, Technavio 2019, Press
Health and wellness trend, healthy living, drug prices and an increasingly looking for preventive options spur demand of the European market

Vitamins and Dietary Supplements – European market (2018 - 2023, €B, %)

- Despite the European debt crisis that has affected consumer purchasing patterns, it is still expected that Vitamins and Dietary Supplements sales will grow at a rate of 4,1% and reach 16,5 €B by 2023 driven foremost by massive elderly population, who are increasingly looking for preventive options since Western Europe will be the second oldest region in the world in 2030 (after Eastern Europe), and also due to the commensurate rise of healthier living habits.

Source: PwC Analysis, Euromonitor International 2019, Press
Germany is still the greatest potential European market with a value of 2.2 €B in 2023, while Poland is the market with the highest growth rate (CAGR 2018-2023 of 8.1%)

### Vitamins and Dietary Supplements – European market (2014 - 2018, €B, %)

<table>
<thead>
<tr>
<th>Market</th>
<th>Value 2018</th>
<th>CAGR (18-23)</th>
<th>Value 2023</th>
<th>Drivers and context</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>1.8 €B</td>
<td>4.0%</td>
<td>2.2 €B</td>
<td>• Growing preference for vegan and vegetarian diets by young people, focus on health and prevention by the elderly</td>
</tr>
<tr>
<td>Russia</td>
<td>1.3 €B</td>
<td>(1.5%)</td>
<td>1.2 €B</td>
<td>• Growth driven by the segment of food supplements</td>
</tr>
<tr>
<td>France</td>
<td>1.3 €B</td>
<td>3.2%</td>
<td>1.5 €B</td>
<td>• Progressive democratization of the consumption of food supplements and a proactive approach to the one’s own health</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• More attentive and expert consumers</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1.1 €B</td>
<td>4.8%</td>
<td>1.4 €B</td>
<td>• Growth of involvement in sports activities and consequent need to integrate nutrition</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• UK consumers look for dietary supplements to support daily busy lifestyles, maximise productivity and support with stress management</td>
</tr>
<tr>
<td>Poland</td>
<td>0.7 €B</td>
<td>8.1%</td>
<td>0.1 €B</td>
<td>• Growing percentage of the population that regularly takes food supplements (over half the population)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Emerging need for more regulation</td>
</tr>
<tr>
<td>Spain</td>
<td>0.4 €B</td>
<td>4.0%</td>
<td>0.5 €B</td>
<td>• Aging population leads older consumers to be more aware of the benefits of food supplements</td>
</tr>
</tbody>
</table>

Source: PwC Analysis, Euromonitor International 2019, Federsalus, Press
The Italian market has an expected growth of 4.3% in the 2018 - 2023 period thanks to the increase in awareness of the benefits of food integration by consumers.

Vitamins and Dietary Supplements – Italian Market (2018 – 2023, CB, %)

- Italy is a key geography of the nutraceutical market, thanks to the widespread awareness of the importance of a balanced diet and a healthy lifestyle. The growing awareness of the benefits of consuming products derived from natural ingredients (e.g. vitamins) among Italian consumers will have a positive impact on the supplements market in the coming years. Probiotic supplements is projected to grow at the fastest pace due to wider positioning including as immunity boosters and even mental health aids rather than only as digestive health support.

- There is widespread recognition among clinical professionals that food supplements play a primary role in healthcare, affecting the growth of the dietary supplements sector. Primary care physicians tend to recommend to patients dietary supplements to compensate for minor health problems. Doctors/Physicians and Pharmacists play an important role in the Italian Market. The medical prescription of supplements continues to increase – up to 28% in the last 2 years.

- Pharmacy represents the main sales channel, the supplements are confirmed as the first category after the RX/Prescription drugs. Another factor that is affecting the growth of the sector can be found in the increasing tendency of primary care physicians and specialists to recommend to their patients nutritional supplements to compensate for minor health problems.

Source: PwC Analysis, Euromonitor International 2019, Federsalus, Press
In the next 5 years the North America market is expected to grow at an annual rate higher than the historical evolution (CAGR 3.5%) 

Vitamins and Dietary Supplements – North American market (2018 - 2023, €B, %)

- North America is the global frontrunner in Vitamins and Dietary Supplements. In the US, the new administration's philosophy around regulatory rollback and increased incentives to raise local production could accelerate both growth and competition. Meanwhile Health Canada might do the opposite by implementing more regulations to protect consumers from misleading claims that do not have strong scientific support.

- The key product influencing growth in North America is probiotic supplements. Probiotic supplements are increasingly positioned as beneficial not only for digestion but also for immunity, allowing for broader use scenarios for prevention.

- The US is expected to see high growth in probiotic supplements, fish oils / omega fatty acids, and protein supplements. Demand for probiotics stems from greater consumer awareness of digestive issues and food sensitivities.

Source: PwC Analysis, Euromonitor International 2019, Press
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