

New Entrants in Self-Care

ABSTRACT

The recent decrease in mergers and acquisitions activity in the wellness, vitamins, minerals and dietary supplements (VMS) space by multinational over-the-counter and pharmaceutical corporations has presented consumer-packaged goods (CPG) corporations and regional partners with more opportunities. A partner with expertise in the VMS market can help existing and new market players better integrate new acquisitions into their existing product portfolio.

INTRODUCTION

The market for consumer health products has experienced drastic changes in recent years. Previously, established market activity in consumer health has typically involved major market players from the self-care divisions of pharmaceutical and over-the-counter (OTC) manufacturers. This business model has changed since the COVID-19 pandemic, bringing new consumer-packaged goods (CPG) players and more regional partners into the wellness, vitamins, minerals and dietary supplements (VMS) space. Consumer consumption trends are emphasizing innovative creations that fuse supplements with food or beauty products. As a result, corporations are accelerating mergers and acquisitions (M&A) of up-and-coming brands based upon product potential. Breaking into this changing market can be made easier through partnerships, which may help a company with an initial concept identify the steps necessary to move the results of their ideation to market, and may provide integrated manufacturing and packaging solutions too.

I. CONSUMER HEALTH PRIORITIES ARE DRIVING AN ALTERED M&A LANDSCAPE

The initial signs of changes in the self-care market became evident in early 2020. By then, supply chains were stressed and consumer spending on certain OTC products had decreased, for example on treatments for cough, cold and allergy symptoms. Taken together, these factors resulted in markedly lower revenues for that year as compared to average annual revenues from 2012 through 2019. Further indications of changes coming to the self-care market appeared when, between 2016 and early



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2020, certain large OTC multinational corporations refrained from M&A activities. Without as many major players crowding out others from consumer health M&As, CPG manufacturers such as Nestlé and Unilever began to respond to new opportunities in the sector. Their acquisitions are often of products and brands that are adjacent to companies' existing portfolios. Moreover, the previous approach of acquiring large, established brands through highly visible M&As, gave way to investments in appealing up-and-coming portfolios that showed excellent potential for mainstream recognition. This approach allowed larger companies to make highly focused strategic inroads into areas of emerging interest, like natural alternative products or personalized nutrition.

The CPG manufacturers joining in on the consumer health market have frequently used the strategy of making M&As that align both with their stated goals and the creation of product portfolios filled with healthy, natural products that fit well with consumer interest in enhanced nutrition. An example of this was Nestlé's reach into the VMS space in 2019-2020 by purchasing Persona for personalized nutrition, Vital Proteins for collagen supplements, IM HealthScience, Fiber Choice for fiber supplementation and finally, Nature's Bounty. Unilever's existing

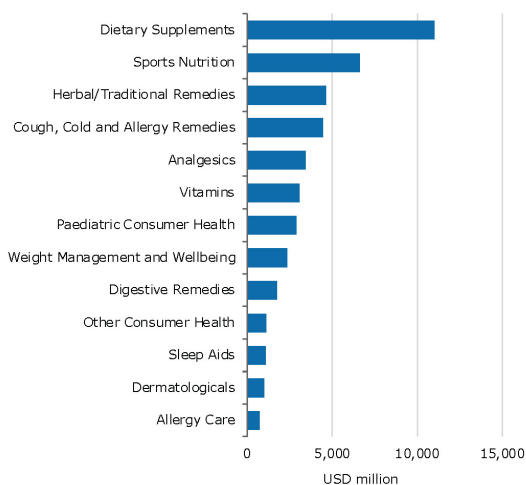
snacks selection was expanded into pure nutrition through the acquisition of protein energy bar company Graze, and into the supplements space through the purchase of fast-growing VMS companies including Olly, Liquid IV and SmartyPants. At the same time, OTC and pharmaceutical companies like GSK and Sanofi had offloaded non-core brands, which created opportunistic M&As for regional market players like STADA and Farms SGP in Europe, and Hypera in Latin America.

The absolute sales growth of global dietary supplements is projected to surpass \$10 billion, and sports nutrition over \$5 billion (**FIGURE 1**), making this market an attractive target for manufacturers interested in expanding their product portfolio. Additional market opportunities include products for well-being and sleep aids, and cough, cold and allergy products are expected to rebound to pre-COVID-19 levels too.

Many VMS labels were sought by CPG manufacturers so as to foster creative innovation of additional fusion products through blurring of adjacent segments. For Unilever, the acquisitions of SmartyPants and Onnit Labs allowed for a greater focus on lifestyle conditions, while Nuun broadened

FIGURE 1: Dietary Supplements Represent the Biggest Market and Most Attractive Target for Acquisitions.

Absolute Global Sales Growth 2020-2025



Sales outside top 10 players by category, 2020

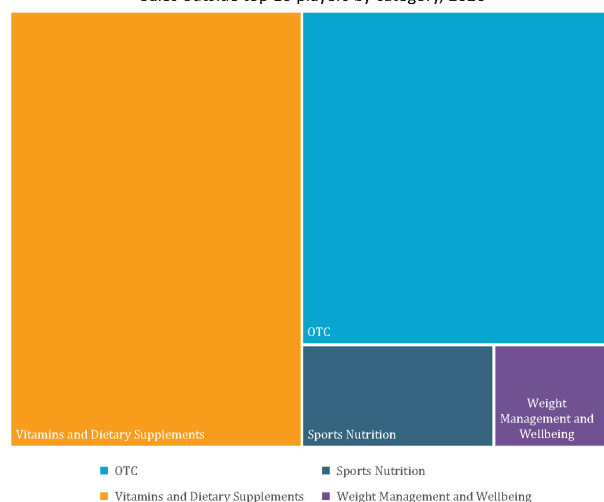
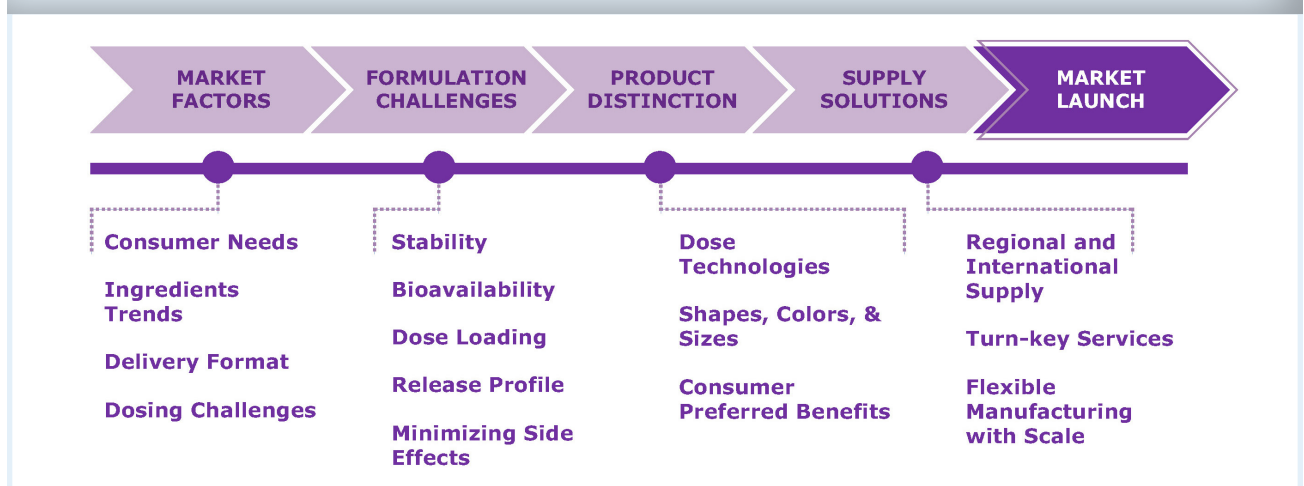


FIGURE 2: A Robust Approach Supporting Innovation Partnerships to Develop and Launch New Products

Nestlé's lineup of supplements and beverages.

At present, Euromonitor is forecasting excellent growth back to pre-COVID-19 pandemic levels in the consumer health market, spread across the entire VMS segment. Based on their strong sales performance in 2020 and 2021, dietary supplements are anticipated to account for 42% of the consumer health absolute growth between 2020 and 2025 [1]. According to Euromonitor's most recent 'Voice of the Industry' survey, consumer trends appear to be clustering around dietary solutions, preventative care and self-care pertaining to lifestyle conditions. In addition, trends are pointing toward growth promoted through digital outreach strategies emphasizing product safety, trust, ethics, sustainability and natural extensions to well-known brands.

II. PARTNERS WITH COMPREHENSIVE CAPABILITIES CREATE SUCCESSFUL CONSUMER HEALTH PRODUCTS

There are many starting points for companies interested in broaching the self-care and consumer health market space. Whether a company is entering the market via acquisition of an emerging brand, or is exclusively an online retailer breaking into traditional brick and mortar sales, guidance for how to achieve each company's unique goals in the industry is essential.

By examining each company's initial circumstance at entry, partners such as Catalent allow new entrants to join the consumer health market in innovative ways by clearly defining their end goals and identifying the specific steps necessary to achieve that success (**FIGURE 2**).

While individual suppliers may be able to offer support in a single area of expertise, such as with an innovative delivery technology or identifying the flavoring choices available for a given product, Catalent has a comprehensive system of partnerships in place that provides end-to-end guidance at all stages of product development and marketing.

For example, during preliminary planning, Catalent's partners receive support in how to respond to a variety of market factors, such as identifying consumer needs from current analyses, recent trends for ingredients, optimization of delivery formats and possible challenges with dosing. Next, at the formulation stage, partners have access to manufacturing specialists who help navigate possible issues with product stability, bioavailability and appropriate dose loading, and help ensure the correct ingredient release profiles with minimal side effects. Finally, partners can be assured of appropriate product distinction through access to a broad range of dose technologies and formats including

a variety of shapes, colors and sizes, all of which can be tailored specifically to provide consumers with their desired outcomes and benefits.

Beyond product development expertise, Catalent provides a comprehensive support program to reach consumers through an understanding of the market, consumer needs and production nuances for OTC, supplements and beauty spaces. Catalent's broad product library and newly acquired gummy, soft chew and lozenge technologies from Bettera Wellness, together ensure a wealth of available active ingredients and corresponding delivery technology for both soft and solid dosage solutions.

Available soft dosage solutions bring a wide range of benefits to self-care consumers. For example, partners have access to plant-based and delayed release softgels, those that are easier to swallow in mini or chewable formats. Other chewable delivery modes are quite popular among consumers as well, and Catalent has gummies and soft chew options that ensure delivery technologies are available to provide maximum appeal for customers.












Microemulsion and microcapsule technologies are additional formulation options for delivering challenging oil-based active ingredients.

In the topical beauty segment, CosmoPod® twist-off capsules are an appealing option that offer consumers an excellent experience alongside convenient premium application.

Solid dosage solutions available across tablets, capsules, powders and lozenges using any of Catalent's seven different delivery technologies create a greater ease of consumption with other consumer benefits (**FIGURE 3**).

Finally, Catalent's large global network allows for flexibility and agility in driving products to market, even for OTCs with associated regulatory requirements. Support from the Catalent network of experts allows partners to receive actionable interpretation of market trends and identify where partners can fulfill unmet market needs. Regarding any possible supply chain, manufacturing, or product development requirements partners have, Catalent offers reliable services through their consumer health global

FIGURE 3: Catalent Delivery Formats and Technologies

| DELIVERY FORMATS | BENEFITS | TECHNOLOGIES | CONSUMER BENEFITS |
|---|---|---|---|
|  Tablets | <ul style="list-style-type: none"> Simple ingredients/formulas Dominates lower price tiers Most common format globally |  Effervescent | <ul style="list-style-type: none"> Fizzy experience unlike any other in the market Available in multiple categories Interesting option as drink format grows |
|  Capsules | <ul style="list-style-type: none"> More complex formulations Flexible shell/fill design Strong mid-tier presence |  Layered Tablets | <ul style="list-style-type: none"> Add benefits to traditional tablets Layers provides functional or experiential value Combination effects with visual cues possible |
|  Powders | <ul style="list-style-type: none"> Taken alone or added to liquid Differentiated vs. other forms Emerging form across categories |  Rapid Disintegration (ODT) | <ul style="list-style-type: none"> No 'pill' to swallow Dissolves in mouth <30 seconds Strong appeal in special populations (eg. peds) |
|  Lozenges | <ul style="list-style-type: none"> Individually wrapped Gluten free, Allergy friendly Organic & Non-GMO possible |  Zydis® Ultra-fast Disintegration | <ul style="list-style-type: none"> World's fastest dissolving tablet ~3 seconds No water needed Strong 'speed' association |
| | |  Controlled Release | <ul style="list-style-type: none"> Different benefits possible based on release profile Immediate, delayed, or extended release Combinations of functional & experiential possible |
| | |  Bead-in-Capsule | <ul style="list-style-type: none"> Encapsulated beads inside hard shell capsule Maintain separation in multi-API formulas Strong visual appeal of colored beads |
| | |  FlexDose® Stick Pack | <ul style="list-style-type: none"> Pre-measured unit dose powder pack Convenience over bulk powders Strong flavoring & taste-masking potential |

network, which includes seventeen facilities across four continents. With Catalent's specialist guidance and OTC product library, development timelines can be reduced by as much as a year, thereby reducing partners' costs, time to market and overall risk.

CONCLUSION

The start of the COVID-19 pandemic rapidly accelerated the transformation of consumer health by not only creating a more conscious consumer, but also facilitating CPG companies' M&As, which often have introduced fusion products into adjacencies within their existing portfolios. In the face of this changing market landscape, having the tools and partnerships for recognizing M&A trends and developing new product ideas may be more important than ever. Leveraging options such as those offered by Catalent can be vital resources for successfully entering into the self-care space.

ABOUT CATALENT

Catalent is a global leader in enabling consumer health partners to optimize product development, launch and full life-cycle supply of innovative consumer health products. The company's more than 85 years of experience and broad and deep expertise in softgel, as well as fast-dissolve and oral solid dose formulation development, makes Catalent a preferred industry partner to consumer health companies around the world.

To find out more about trends in the consumer healthcare landscape and how partnering with Catalent can increase your brand's competitive advantage, watch the webinar:

[New Entrants in Self-Care](#)

REFERENCES

1. From "Portfolio Rationalisation to A Flurry of Spending: M&A in Consumer Health in 2021 and Beyond." Euromonitor International (June 2021).

About the Authors

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Based in Chicago, Matthew Oster has more than 10 years of experience in the industry. In his role, Oster oversees Euromonitor's Consumer Health research and analysis and leads a team of experts in 99 markets worldwide. As Head of Consumer Health, he provides insight into the consumer trends, competitive landscape, and growth opportunities shaping the market. Oster has spoken at many of the industry's leading events, including the Global Self-Care Federation's General Assembly Conference, AESGP's Annual Meeting, SupplySide West, and the International Conference of Self-Care Trends and Regulations. Prior to this role, Oster was the Head of Institutional Channels, where he analyzed the changing global healthcare landscape and its effects on the B2B marketplace for goods and services.

Oster holds a master's in International Relations from The Johns Hopkins University- Paul H. Nitze School of Advanced International Studies (SAIS), Washington, D.C.

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Patrick Vesay joined Catalent, Somerset, New Jersey, in 2019 and is responsible for strategy and execution of Catalent's Consumer Health marketing activities and product portfolio across North America and Europe, focusing on the over-the-counter (OTC) drugs, nutritional supplements, and topical beauty care segments. Prior to Catalent, he spent over 12 years at Proctor & Gamble and Johnson & Johnson, where he led growth initiatives to drive marketing strategy and execution, innovation and mergers and acquisitions for some of the world's most recognized consumer health brands.

Vesay holds a bachelor's in communications from Ursinus College, Collegeville, Pennsylvania.