

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

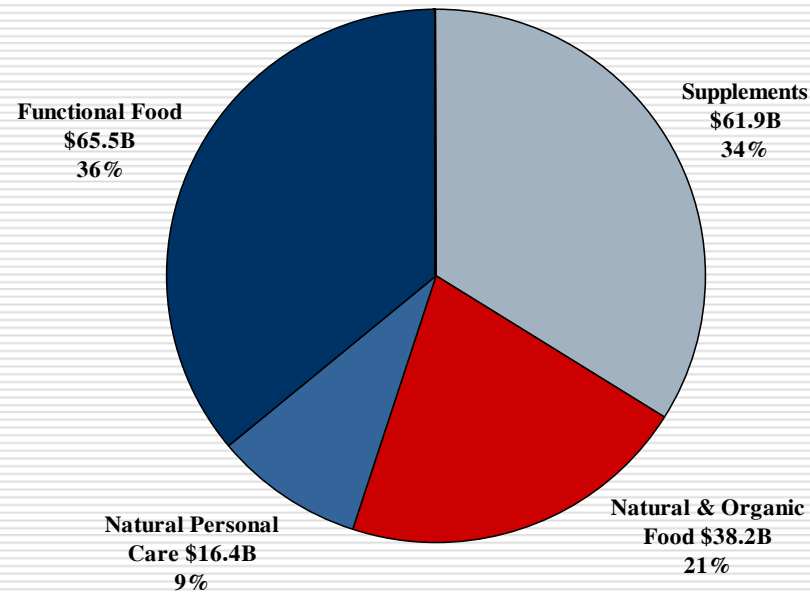
Definitions – Cont'd 定义-续

- 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)

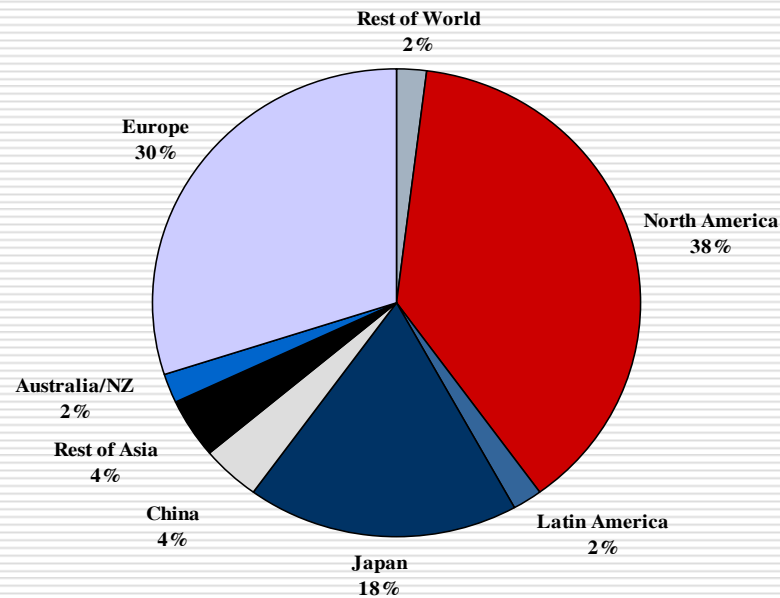
2003年全球市场销售1820亿元的产品类分布



Global Market by Region

\$182 Billion in Consumer Sales (2003)

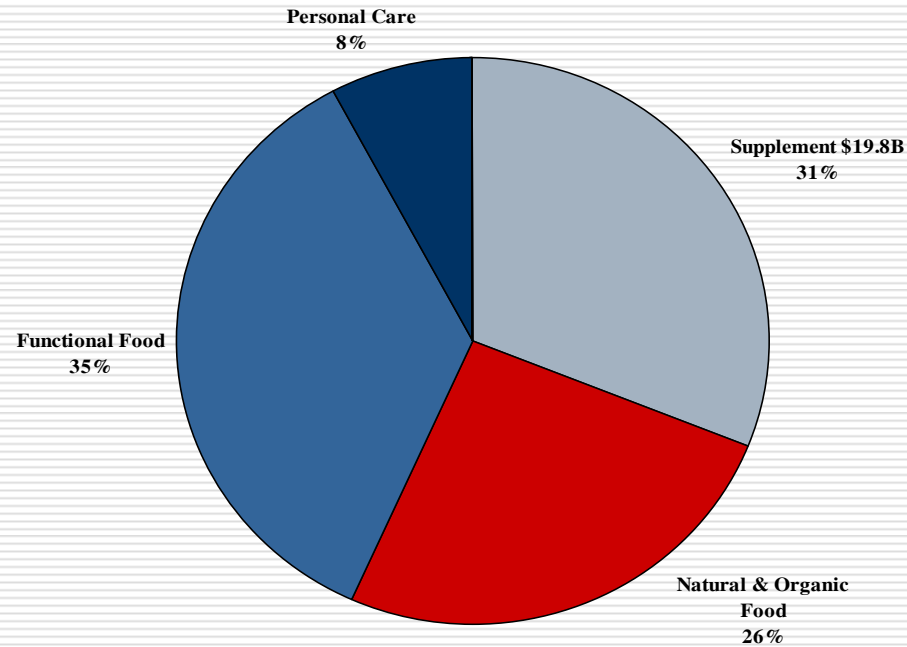
2003年全球市场销售1820亿元的区域分布



US Market

\$64 Billion in Consumer Sales (2003)

美国市场2003年销售额达640亿元



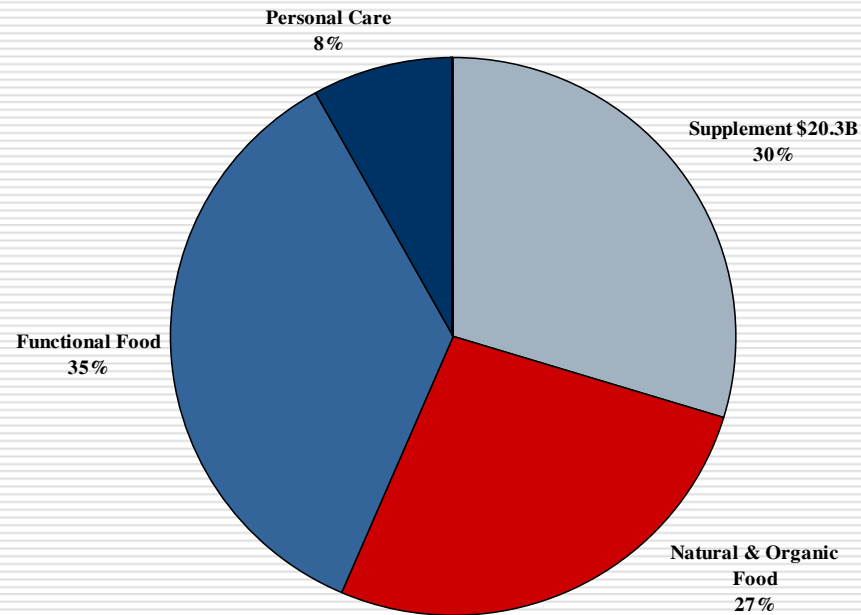
US Health Expenditure in GDP Context (2003)

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% |
| Supplement Industry | \$19.8 | 5.7% |
| OTC Products Sales | \$56.2 | 7.0% |

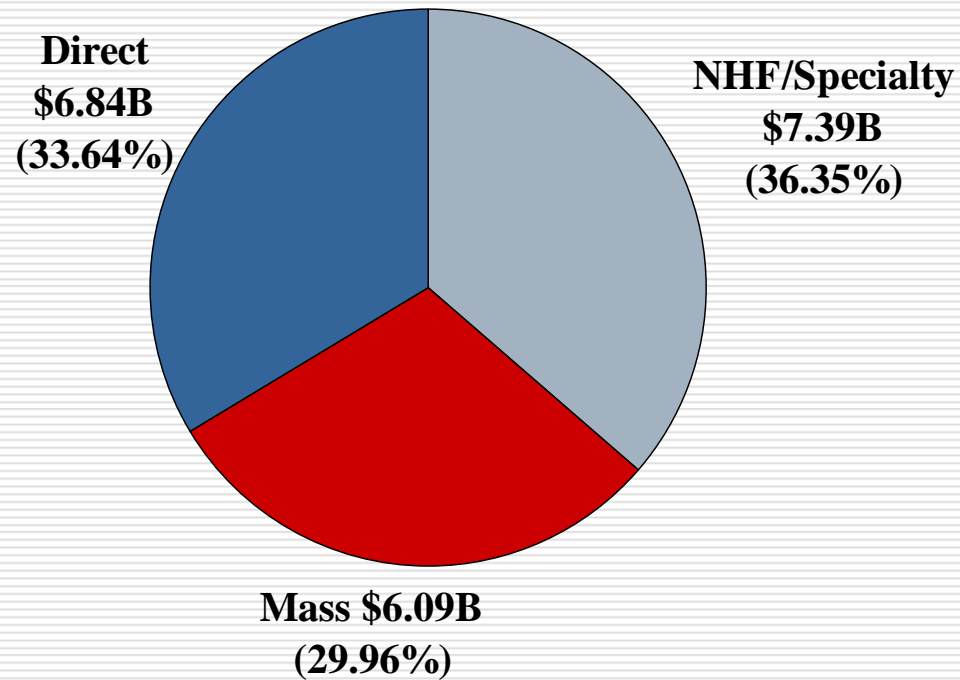
US \$69 Billion Market in Consumer Sales (2004)

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

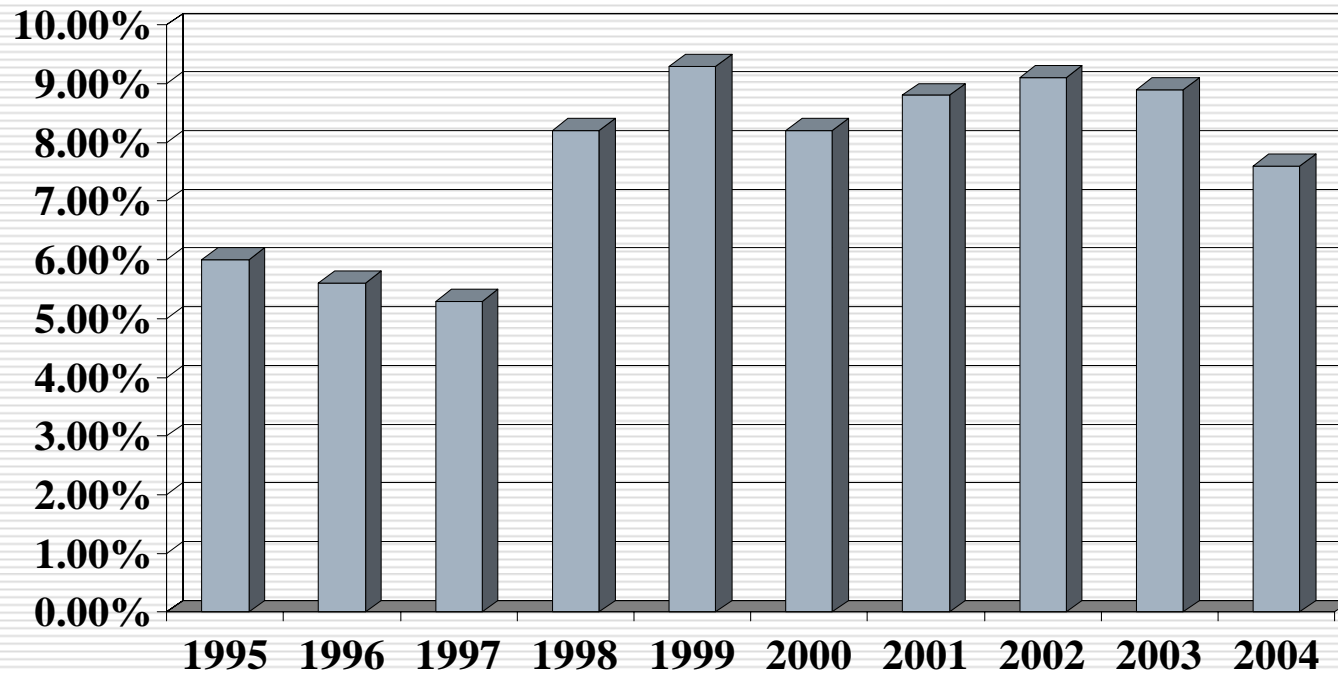
US, Europe and Asia Supplement Retail Sales by Distribution Channel (2000)

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% |

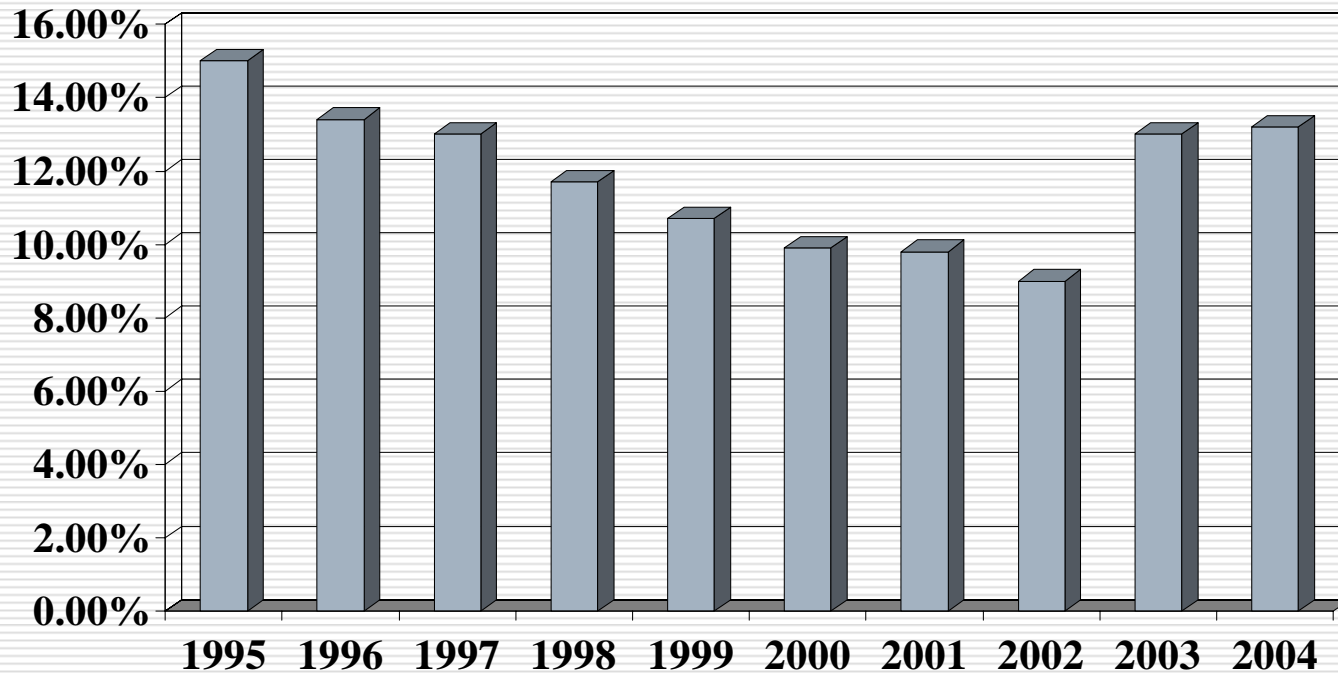
US Market Annual Growth on Functional Food (1995-2004)

美国功能性食品在1995-2004年的增长



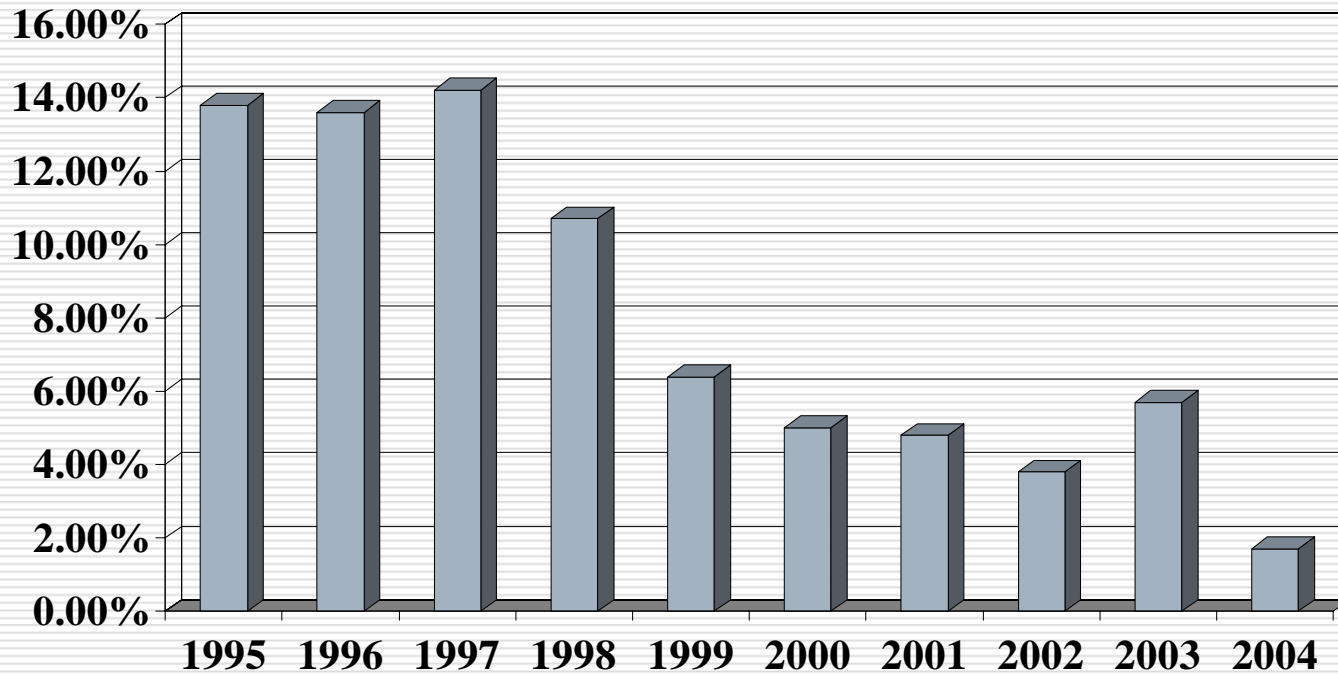
US Market Annual Growth on Natural & Organic Food (1995-2004)

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



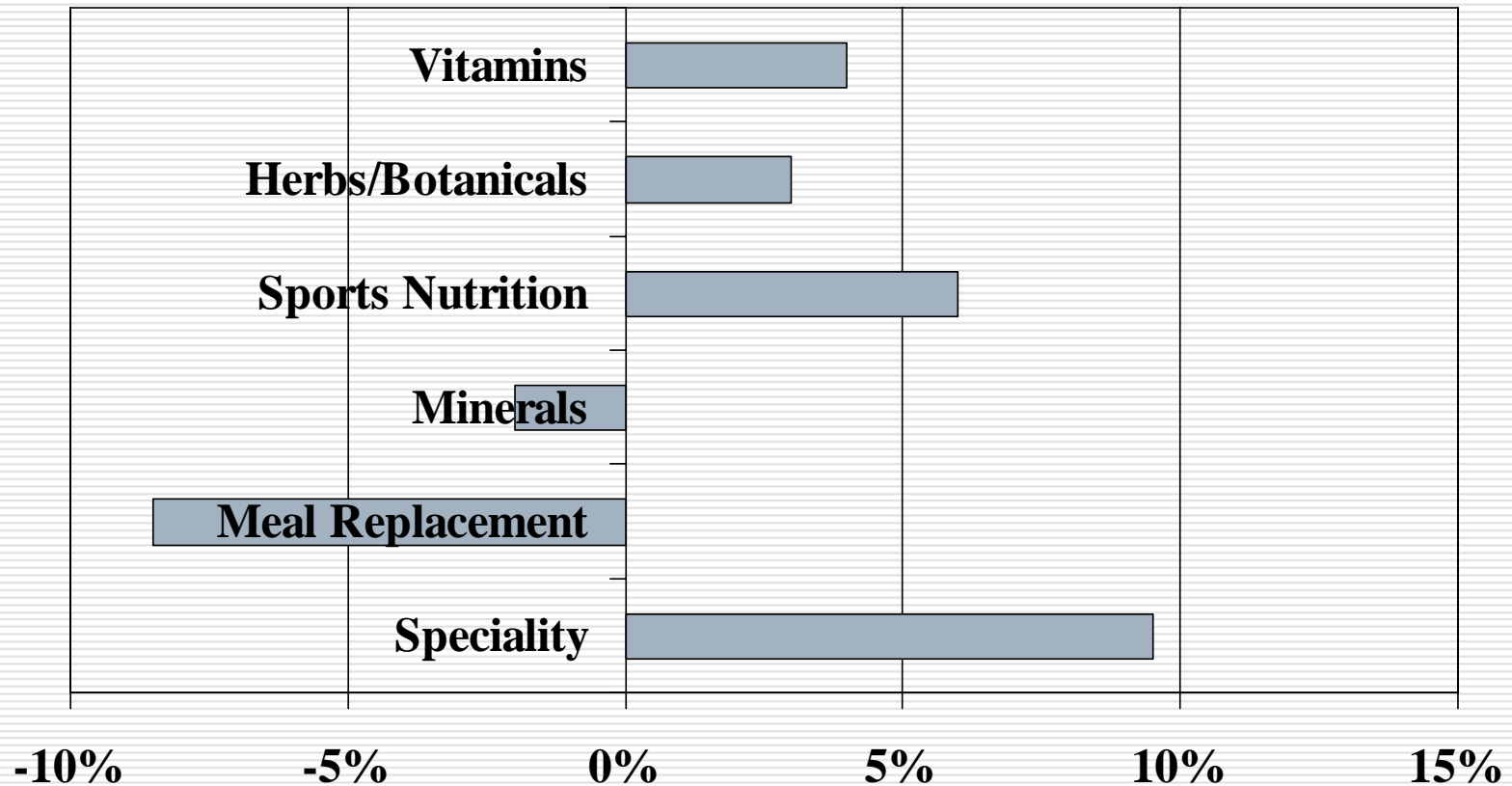
US Supplement Sales (2003-2004)

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% |
| Supplement Total | 19,800 | 20,320 | 2.6% |

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% |
| Total | 2,715 | 2,933 | 8% |

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% |
| Multi-herbs | 52,049 | 29.1% |
| 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% |
| Supplement Total | 19,800 | 20,320 | 2.7% |

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% |
| Sum of Top 14 Conditions | 16,151 | 6% | 81% |
| 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% |
| Total | 836 | 10,110 | 100% |

US Market Growth Forecast (2005-08)

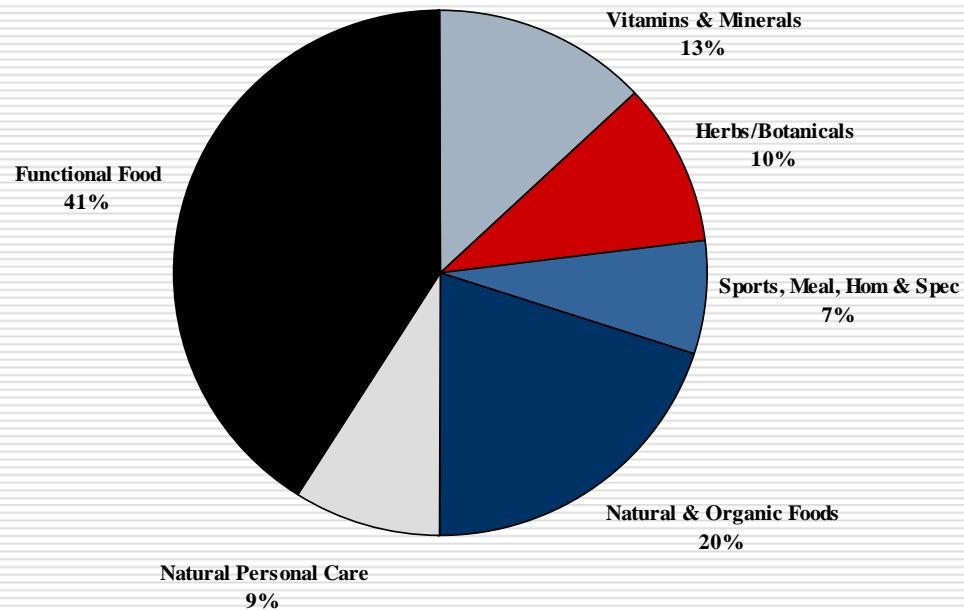
美国市场发展的展望

2005-08 Growth Forecast

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

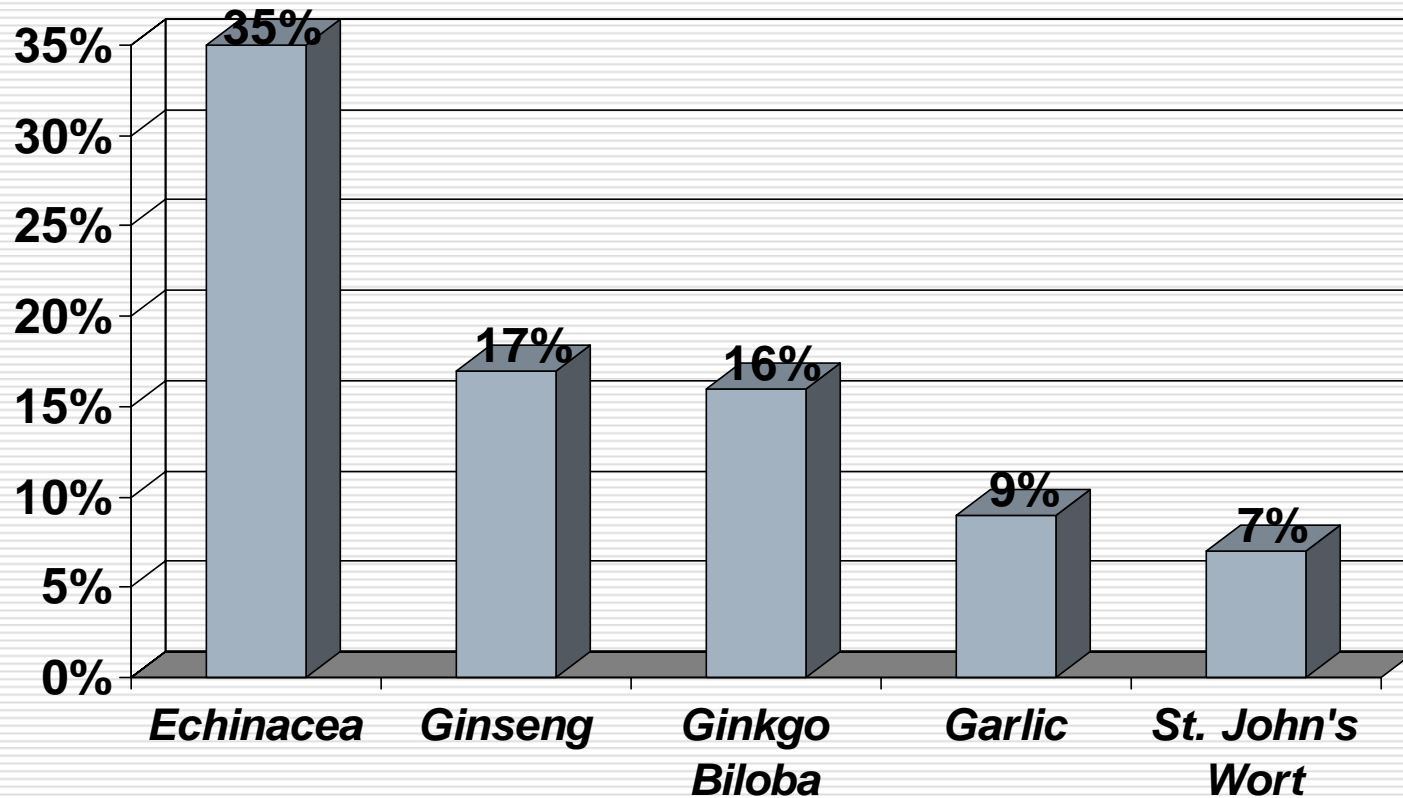
- Latest CHFA study indicated \$2.5B in 2005 with projected sales grow to \$2.75B by 2010
- BC and Alberta are the highest spenders (>\$100/month)
- Import is about 10% retail sales
- Net importer – 2004 imported \$250M, exported \$200M. US import > 50% of total Canadian NHP import. China 12%, Germany 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



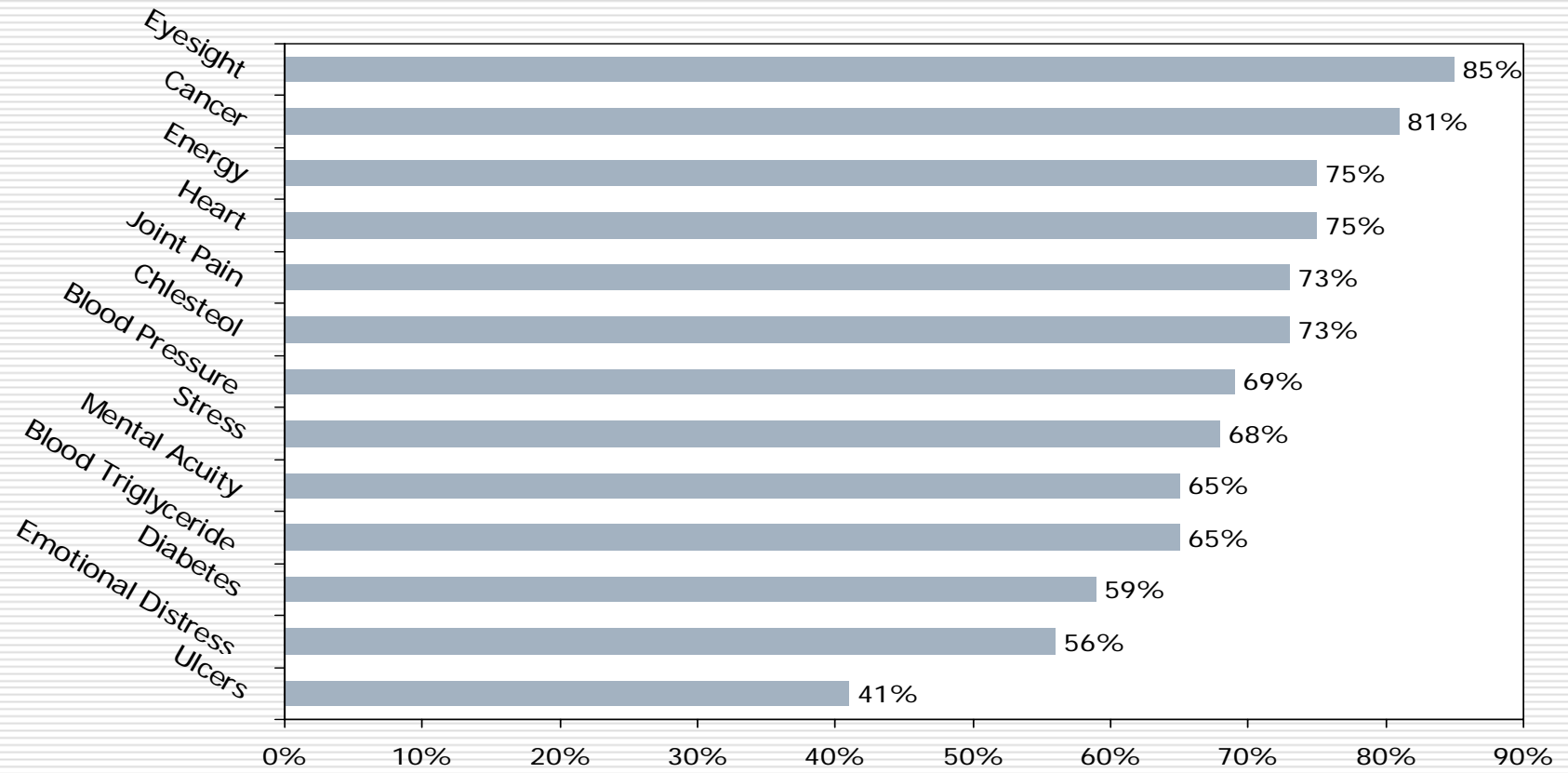
Source: Canadian Natural Health Retailer, September-October 2001

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

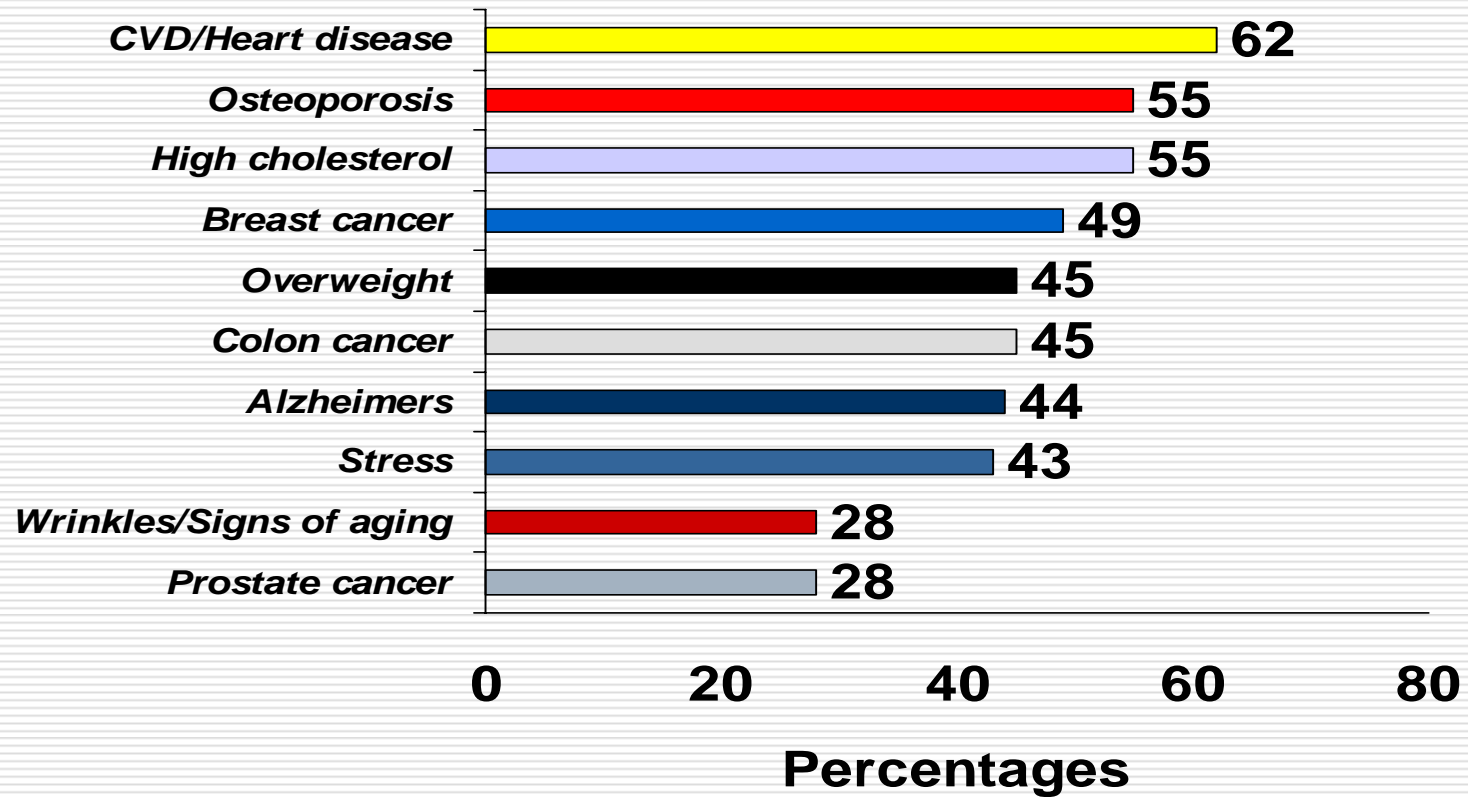
General Consumer Top Health Concerns

消费者的主要健康问题分析



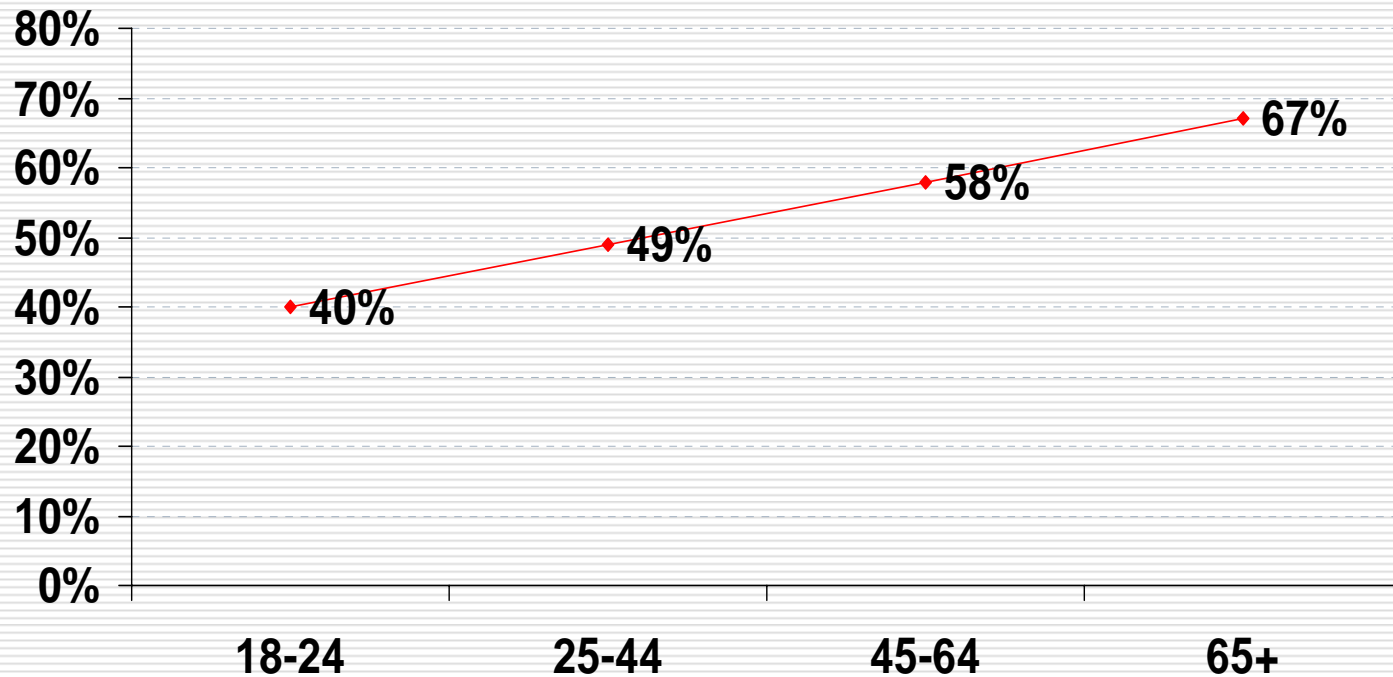
Top Health Concerns Of 50+

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

Website: www.wellgenex.com

Thank you for your time 谢谢!

