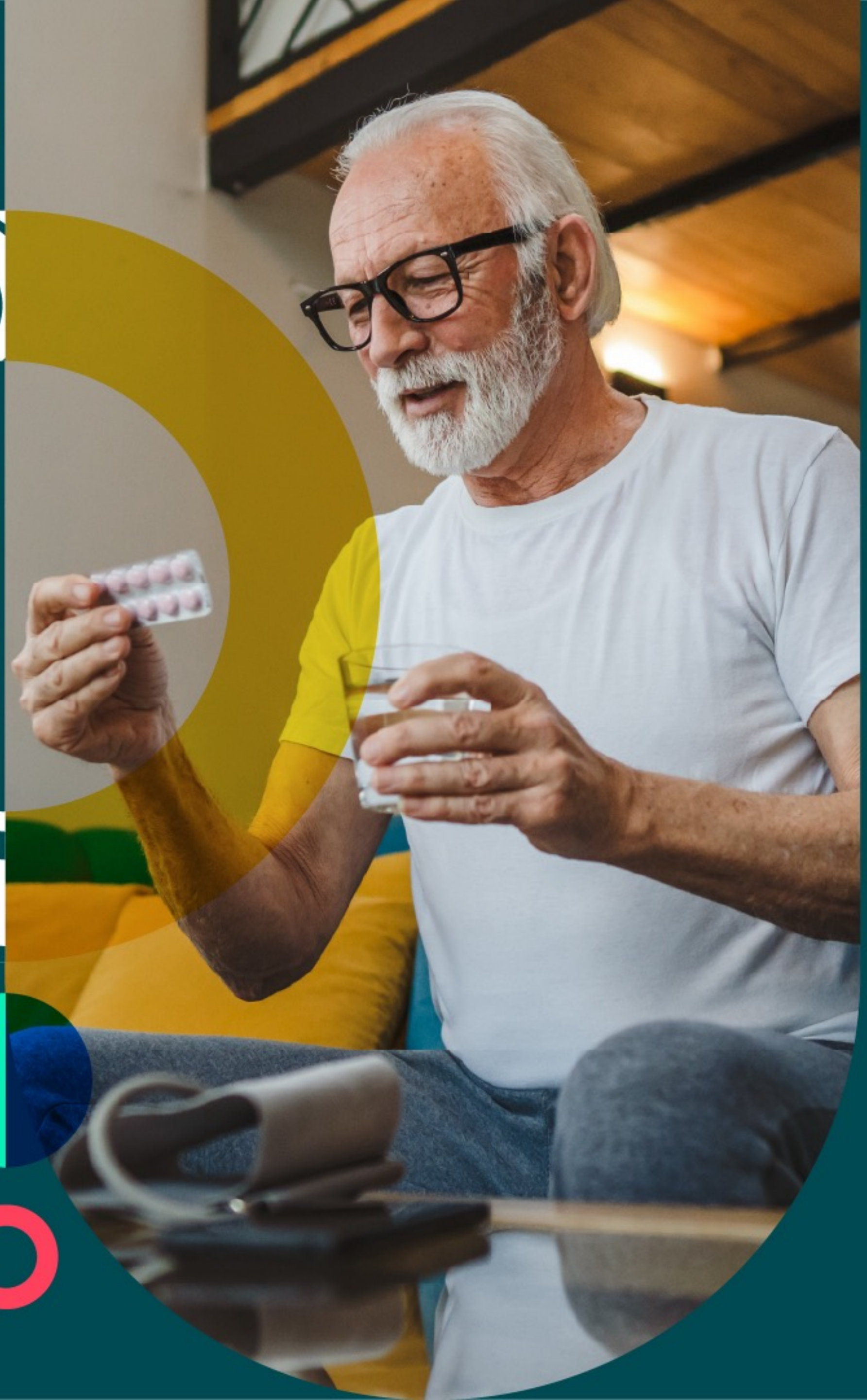
TRENDS REPORT

Health Habits



Numerator

HEALTH HABITS

About the Report

Health continues to pave the way for consumer trends and innovations, and in the past year has managed to grow for several reasons.

NUMERATOR'S HEALTH HABITS report breaks down the drivers of Health's growth and brings perspective to where brand and retailers should look for organic and sustainable growth in the future.

Using Numerator's Total Commerce panel of over 150k panelists across both digital and physical collection methods, we analyzed purchasing and attitudinal behaviors among the following groupings:

- Personal Health Care
- Vitamins & Supplements
- Performance Nutrition, Balanced Nutrition & Snacks and Weight Management

All analyses was conducted looking at latest 12 months ending 3/31/2024 unless otherwise noted.

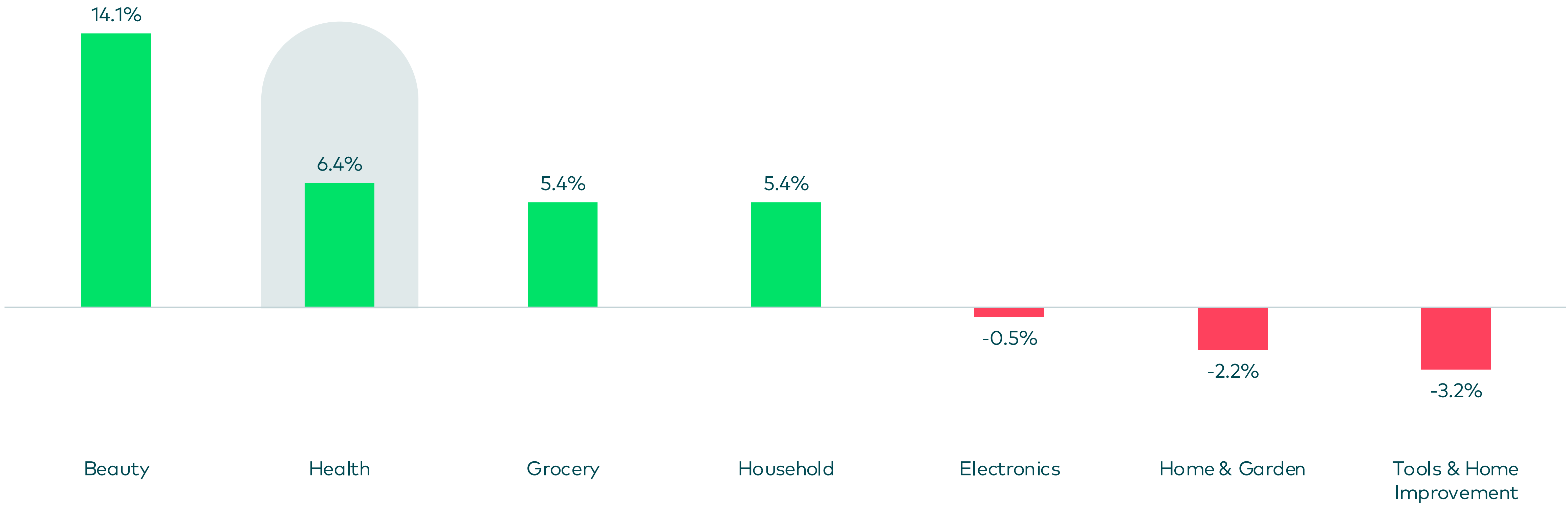
Source: Numerator

The health sector has seen growth amidst declines in other consumables categories

Numerator

PROJECTED SALES CHANGE YEAR AGO ACROSS SECTOR

Latest 12 Months Ending 03/31/2024 vs Year Ago



Source: Numerator

Health sales are growing. However, a significant amount is driven through inflation.

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HEALTH SALES DECOMPOSITION
Latest 12 Months Ending 03/31/2024 vs Year Ago

+6.4%
Projected Sales

+0.2pp
Household Penetration

+6.2%
Buy Rate

+1.2%
Purchase Frequency

+4.9%
Spend per Trip

-1.4%
Units per Trip

+6.4%
Spend per Unit

Inflation is the Core Driver
Non-Prescription Drugs Inflation
+7.3% vs Year Ago
P12M Ending 3/31/2023[1]

46% **% of Health Major Categories Have Price/Mix Change Outpacing Units by 5pp**
(vs 42% of CPG Categories)

Source: Numerator | [1]BLS CPI

Three areas to explore in health to drive organic growth.

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DIGESTIVE BOOM

Consumers are now more focused on digestion than ever before. The stomach plays a crucial role in how people perceive health and well-being. This emerging trend, reflected in the supplements, foods, and medications they choose, can be attributed to several external factors such as travel and GLP-1.

Brands and retailers must consider how this opportunity, shaped by broader macro trends, fits within their existing portfolios and assortments.

LEARN THE STORY

SIMPLICITY RETURNS

Nearly four years after the initial COVID-19 lockdowns, health categories are still grappling with what "normal" looks like, especially as inflation rises. Consumers have complicated the landscape with their shifting preferences, as occasion-based vitamins and supplements now face headwinds.

But have consumers abandoned them entirely? The answer is no. They're opting for specific vitamins and multivitamins to meet their needs at a lower cost.

LEARN THE STORY

RETAIL MOVEMENT

Drugstores have traditionally been seen as the go-to destination for medications and personal health products. However, over the past five years, their dominance has waned, with a new competitor emerging—online retail.

Brands should be focusing on building a strong online presence and competing against a nearly limitless array of smaller brands. For retailers, securing their fair share is an imperative, as Amazon remains the dominant player.

LEARN THE STORY

Source: Numerator

Numerator

HEALTH TRENDS

Digestive Boom

Digestive / nutrition-based categories are growing primarily through consumption over price and mix changes.

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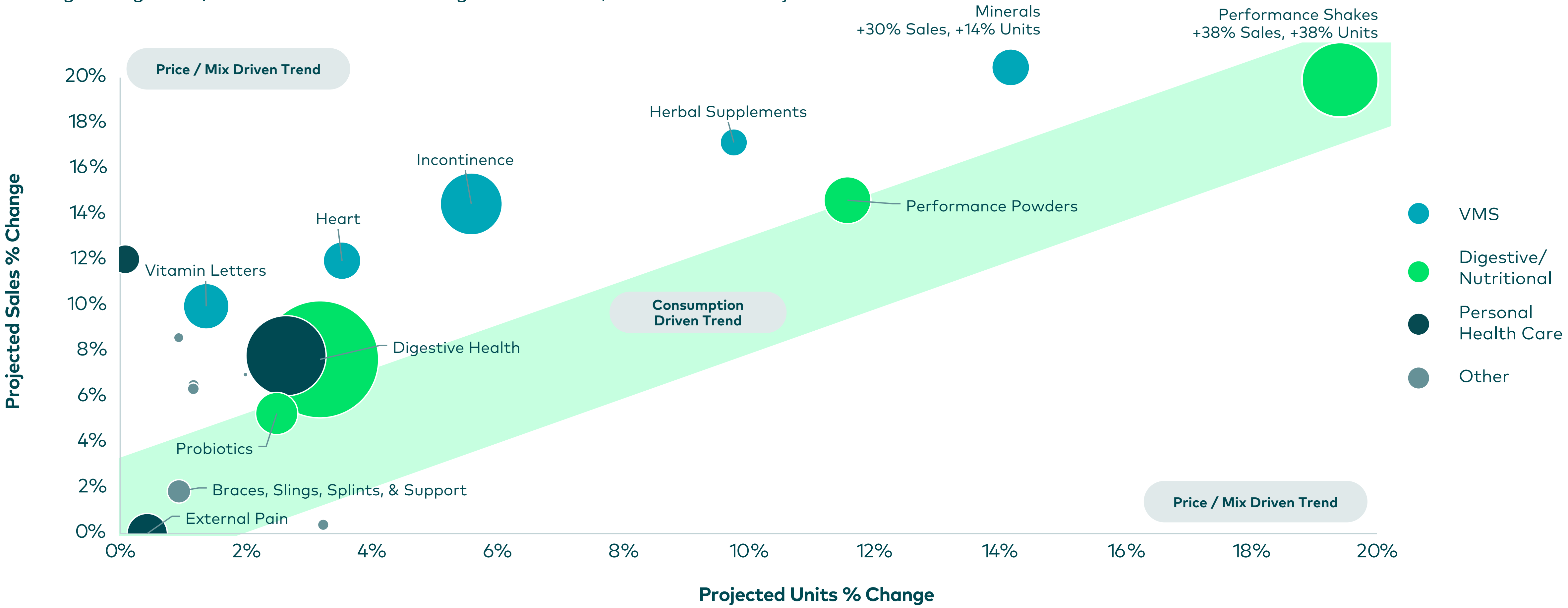
HEALTH MAJOR CATEGORIES – PRICE MIX GRAPH

Growing Categories | Latest 12 Months Ending 03/31/2024 | Circle Size is Projected Sales



Source: Numerator

Gut health is a top priority for consumers in feeling good.

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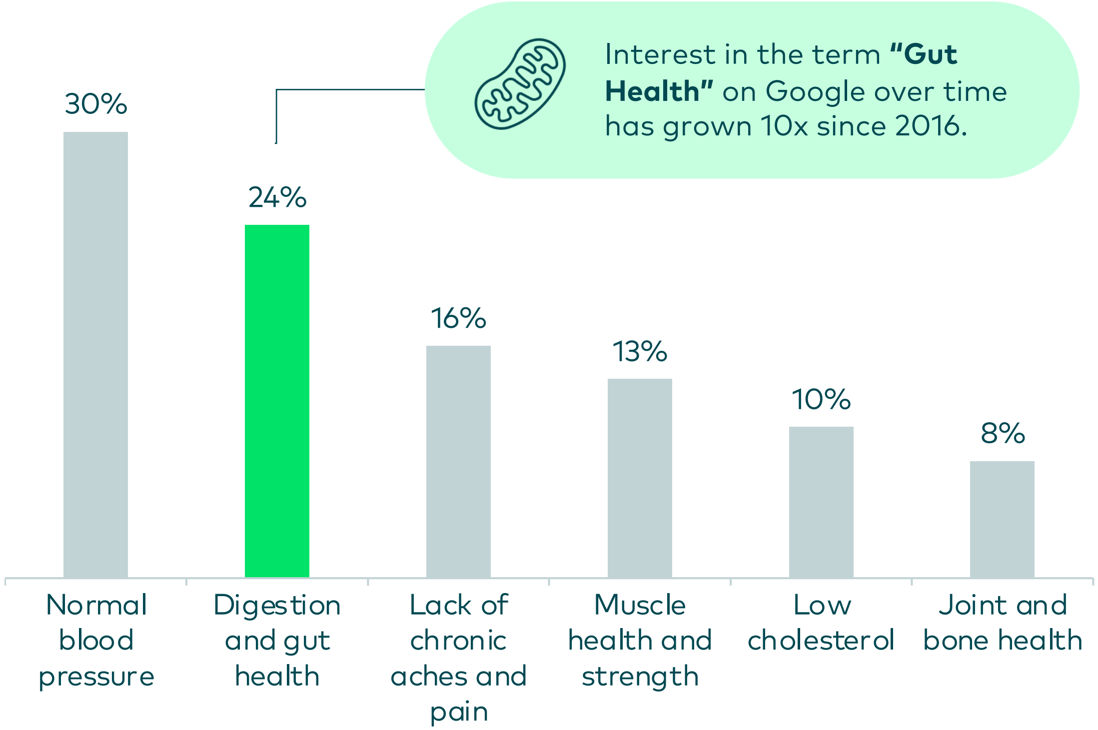
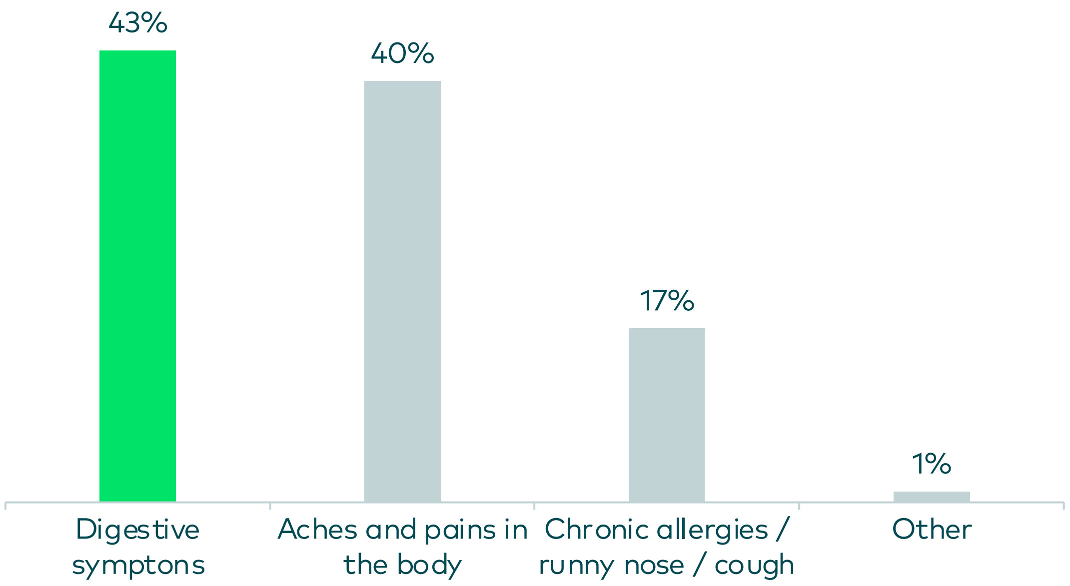
MOST IMPORTANT FACTOR IN FEELING PHYSICALLY HEALTHY

% of Respondents



MOST IMPORTANT SYMPTOMS TO TREAT AND PREVENT

% of Respondents



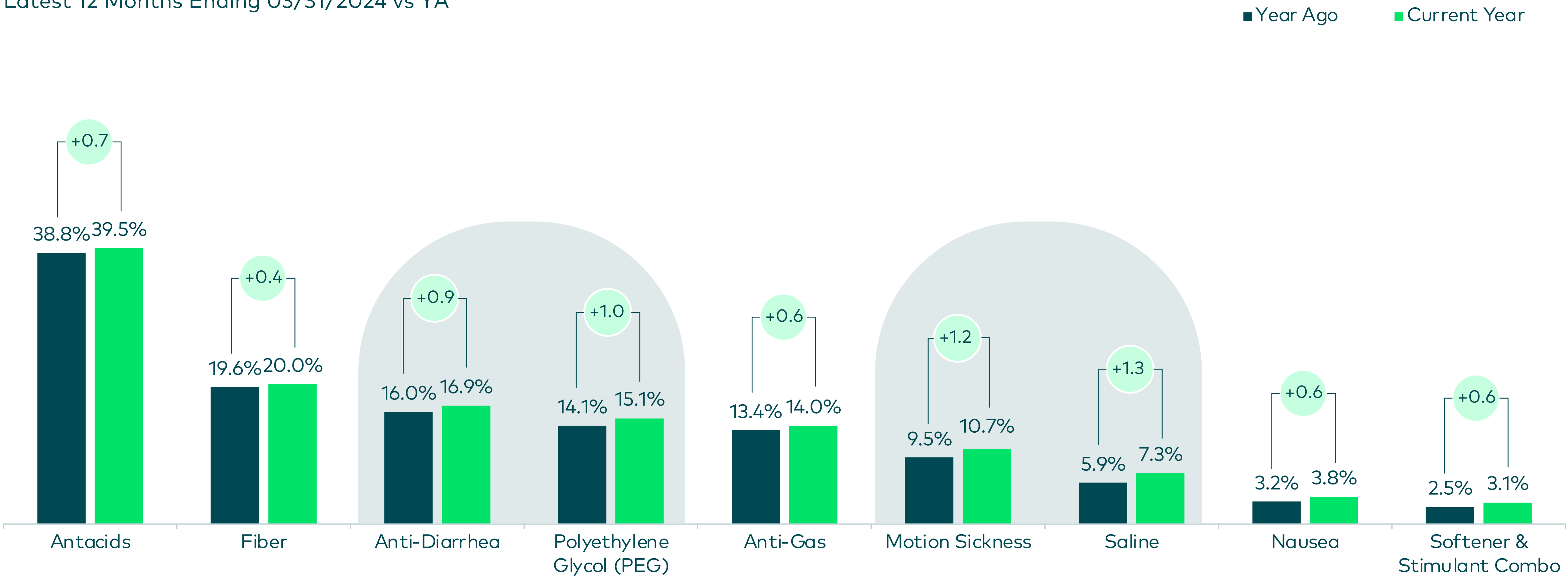
Source: Numerator | N=1,006 | Q. To you personally, which of the following factors contribute to having a good, healthy body?
Q. Looking at the list of symptoms below, which one is most important to you to treat and prevent?

Digestive health sees broad household adoption with motion sickness, anti-diarrhea and laxatives growing the strongest.

Numerator

DIGESTIVE HEALTH BY SUBCATEGORY – HOUSEHOLD PENETRATION GROWTH

Latest 12 Months Ending 03/31/2024 vs YA



Source: Numerator

Travel is a key indicator for motion sickness and anti-diarrheal purchasing.

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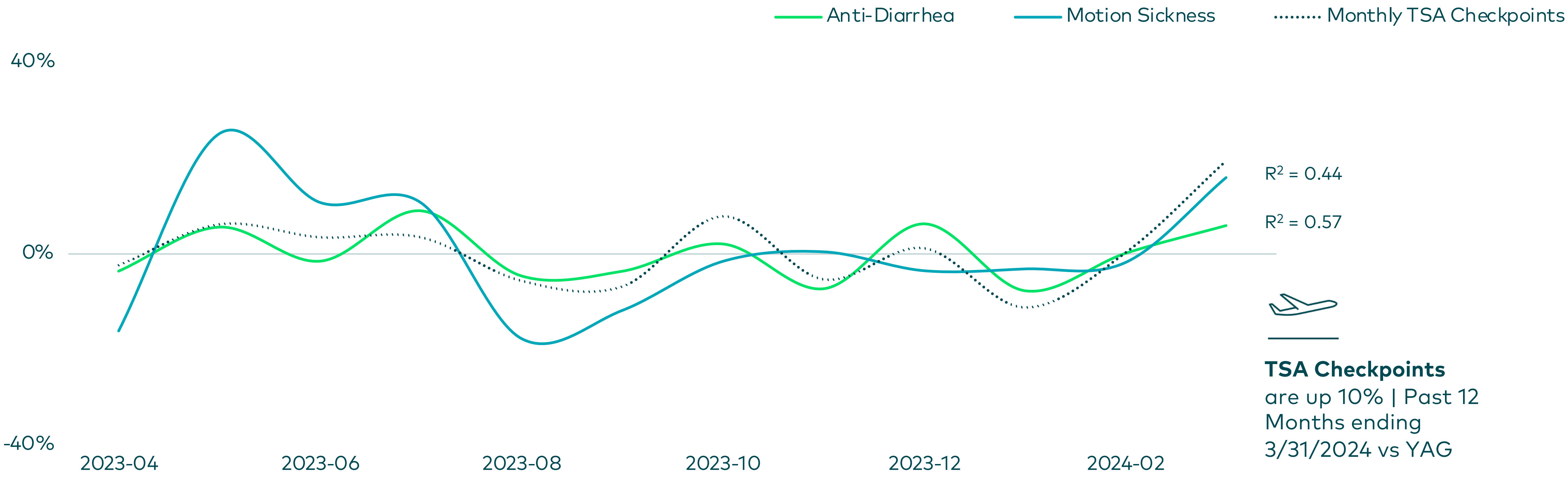
PROJECTED HOUSEHOLD MONTHLY CHANGE & TSA CHECKPOINT MONTHLY CHANGE
Month over Month | Latest 12 Months Ending 03/31/2024



TSA Checkpoints
are up 10% | Past 12 Months ending 3/31/2024 vs YAG

Source: Numerator & TSA Checkpoint Travel Numbers

Laxative growth comes from several drivers from younger households and GLP-1 users.

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NEW LAXATIVE BUYERS PROFILE

% of New Laxative Buyers, Indexed vs Existing Buyers

Millennial
20%, 137 Index

Urban
29%, 113 Index

Hispanic / Latino
12%, 152 Index

Male
22%, 118 Index

High Income ($125k+)
25%, 104 Index

GLP-1 User
9%, 128 Index

Source: Numerator

Consider food innovation as probiotics showcase organic growth– with food-adjacent categories growing even faster.

HOUSEHOLD PENETRATION CHANGE YEAR OVER YEAR
Latest 12 Months Ending 03/31/2024 vs YAG

TRADITIONAL

Probiotic Supplements
+0.6pp

FOOD-ADJACENT CATEGORIES WITH PROBIOTICS

Prebiotic & Probiotic Sodas
+11pp

Kombucha
+1.8pp

Kimchi
+1.3pp

If sodas were part of Probiotic Supplements, they would make up **22% of dollar market share.**

Source: Numerator

Other food adjacent health categories such as performance shakes have done well with Premier Protein and Fairlife winning.

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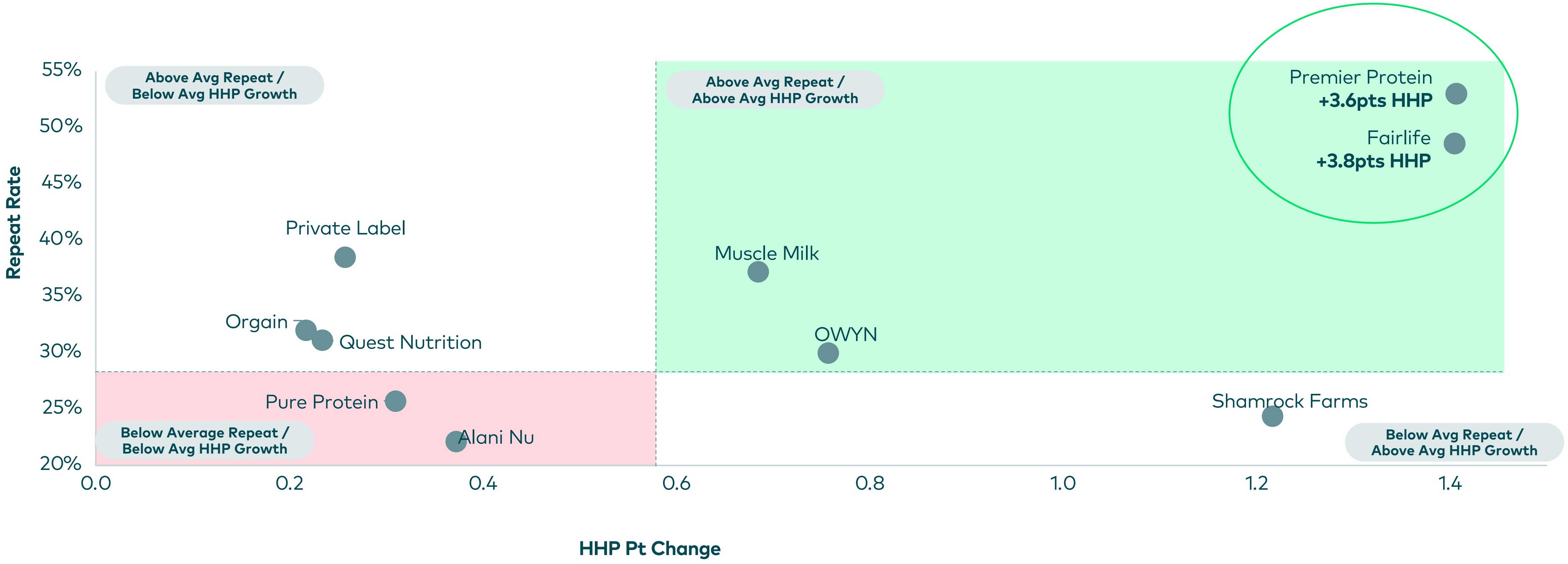
PERFORMANCE SHAKES – HHP GROWTH AND REPEAT RATE

Latest 12 Months Ending 03/31/2024



Source: Numerator | Showing brands that grew in penetration. | Quadrants defined by average of brands growing penetration and repeat rate.

Numerator

These brands bring out several ideas: high density protein with indulgent flavors in an easy-to-drink format.

CASE STUDY: TOP GROWING PERFORMANCE SHAKES

Latest 12 Months Ending 03/31/2024

fairlife

Coca-Cola's Fairlife Core Power is made with ultra-filtered, lactose free milk. With high quality complete protein and all 9 essential amino acids, Core Power protein drinks help build lean muscle and support healthy workout recovery.

The brand offers an indulgent chocolate shake that has seen increased adoption at Walmart, Kroger, Costco and Target, and is 27% more likely to have Gen Z compared to all performance shake brands.

Fairlife Performance shakes also shares strong brand loyalty with Fairlife Milk – **a quarter of Fairlife Milk shoppers purchase Fairlife Shakes.**

Premier Protein

Premier Protein shakes are well-known for their high protein content, low sugar levels, and a smooth, creamy taste. Each shake delivers 30 grams of protein along with essential vitamins and minerals, making them a popular choice for fitness enthusiasts and those seeking a convenient nutritional boost.

Recent innovation includes a new cinnamon roll flavor while also emphasizing immunity support messaging. **The innovation has already gained 1% household penetration.**

Source: Numerator

Inspiration for Digestive Boom

Numerator

TRUST YOUR GUT

Consumers are increasingly focused on digestion, both as a treatment area and as a mode of nutrient intake—a trend that has only accelerated since we first highlighted it in our Visions 2023 and Visions 2024 reports.

Health leaders must emphasize digestive health and its benefits in their products. One strategy for brand and retailer leaders is to: Health brands should reconsider their competitive landscape in relation to food. As food becomes a kind of "vitamin," consider expanding into new categories. For retailers, rethinking planograms to connect food with supplements can create new opportunities.

EXPAND YOUR STRATEGY TO THE MACRO

The health industry doesn't operate in isolation; it is deeply connected to broader global trends. From travel patterns to GLP-1 and food and beverage trends, health categories experience significant interaction with other industries.

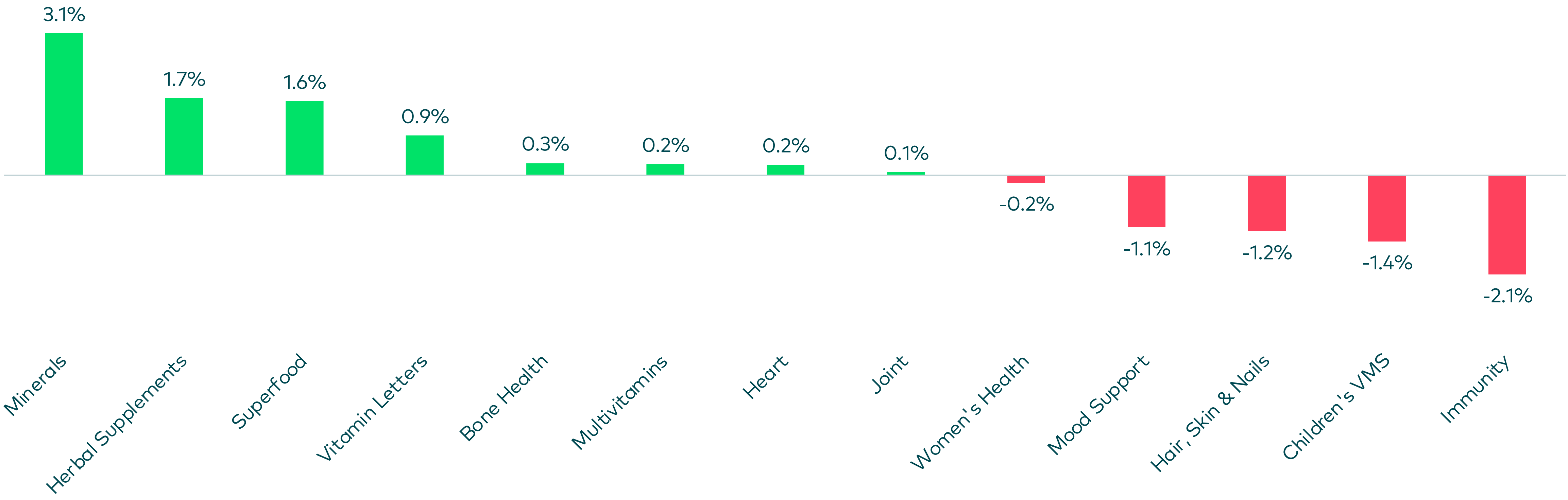
By leveraging consumer and macro data, brands can better understand how consumption aligns with these trends. Collaborate with consumer insights consultants and analytic experts to develop models that integrate consumer data, enabling more effective scenario planning and demand forecasting.

HEALTH TRENDS

Simplicity Returns

Consumers are stepping away from occasion-based vitamins and are leaning towards digestive based and letter specific ones.

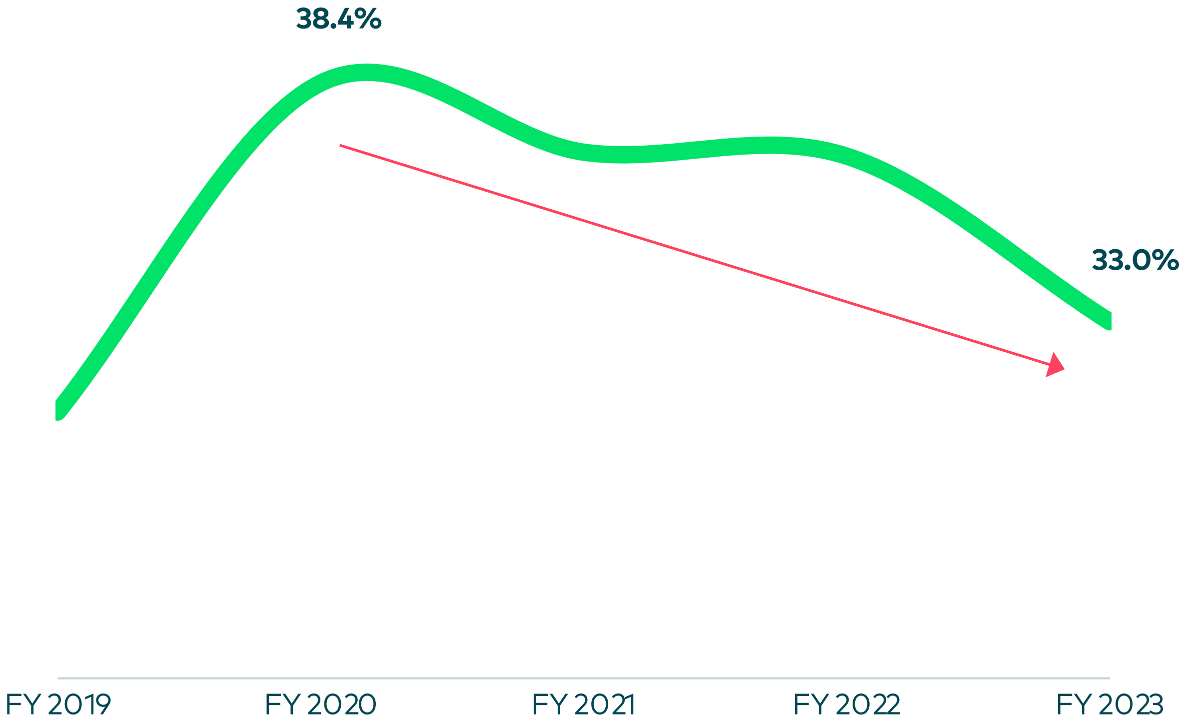
VITAMINS & SUPPLEMENTS MAJOR CATEGORIES HOUSEHOLD PENETRATION PT CHANGE
Latest 12 Months Ending 03/31/2024 vs Year Ago



Source: Numerator

Immunity's decline is part of a broader trend of the COVID-19 pandemic stabilization.

IMMUNITY CATEGORY HOUSEHOLD PENETRATION TREND
FY 2019 – FY 2023



-5.4 pt

decrease in household penetration since peak of COVID-19

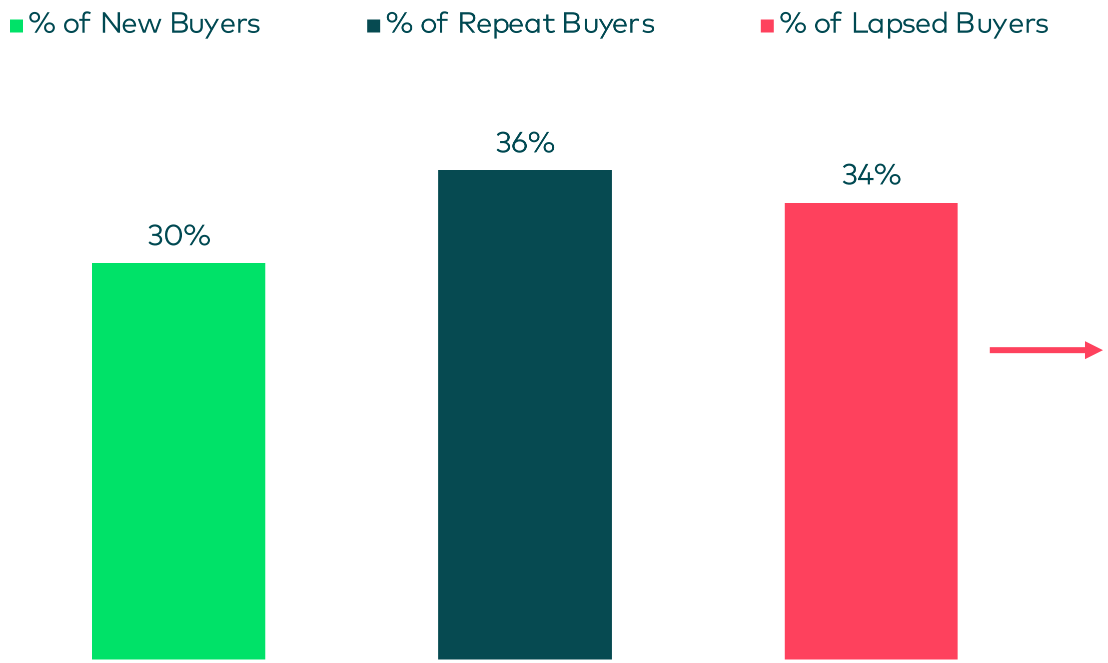
5.0x

Immunity's change in demand is 5.0x more likely to be explained by COVID-19 cases compared to Influenza cases.

Source: Numerator

Immunity lapsers care about their health and have moved to regular vitamins & supplements that are substantially cheaper.

IMMUNITY BUYERS BREAKOUT
Latest 12 Months Ending 03/31/2024 vs Year Ago



3 in 4

Lapsed Immunity Buyers purchased Vitamin Letters, Minerals & Multivitamins after lapsing from the Immunity category

2.9x

The price per volume difference between Vitamin Letters and Immunity products

Source: Numerator

Those who left immunity have decided multivitamins and certain letters do enough for what they need.

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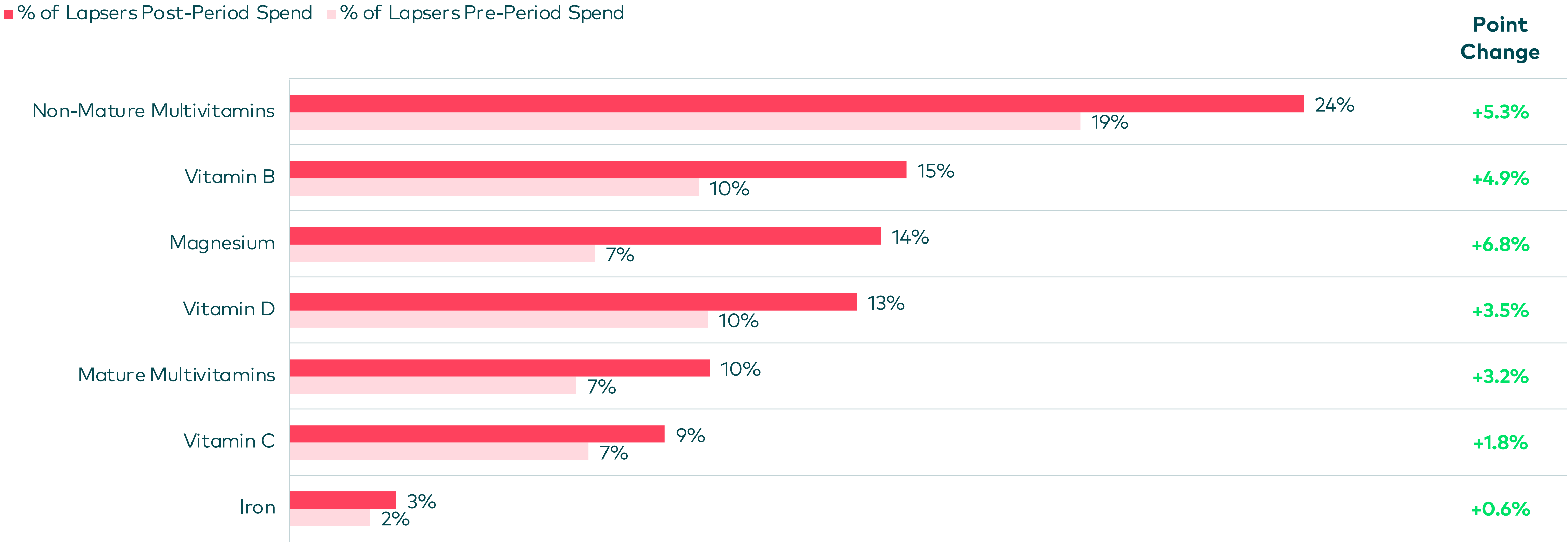
IMMUNITY LAPSER SPEND ACROSS VITAMINS & MINERALS | PRE VS POST LAPSING
Latest 12 Months Ending 03/31/2024 vs Year Ago



Source: Numerator

Consumers are using vitamins and minerals to help be proactive with their health.

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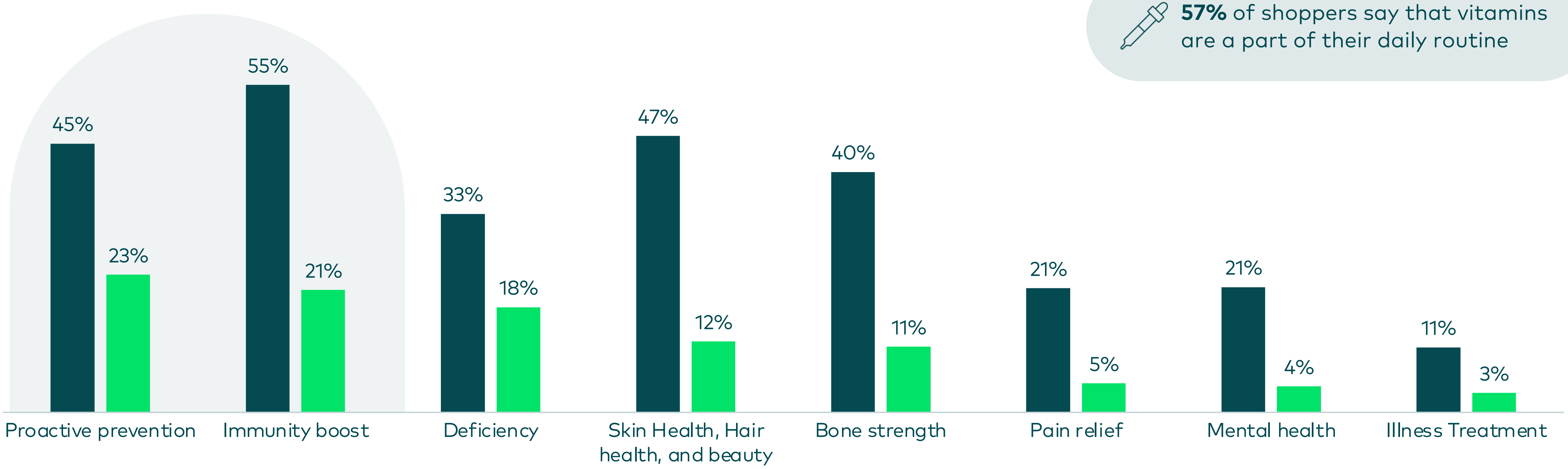
VITAMINS/MINERALS TREATMENT PURPOSES

% of Respondents

■ Purposes for taking vitamins ■ Most important factor

57% of shoppers say that vitamins are a part of their daily routine

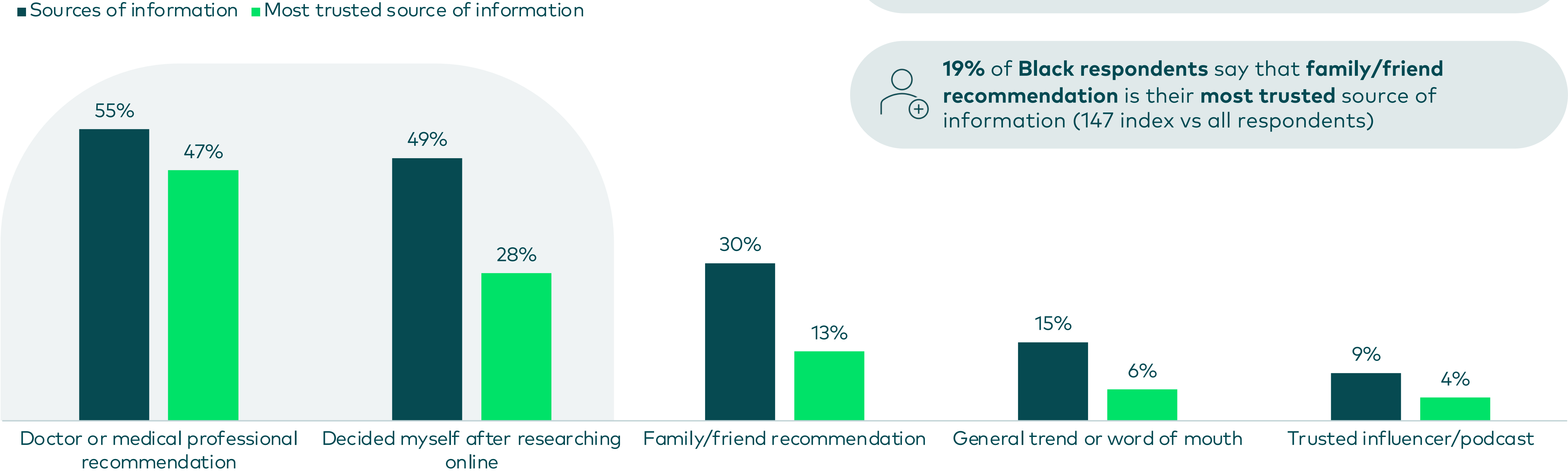


Source: Numerator | N = 1006
Q For which of the following purposes do you take vitamins/minerals?
Q. When you think about ALL the vitamins/minerals you take, which of the following purposes is MOST IMPORTANT to you?

Developing campaigns and rapport with medical professionals is important to driving awareness of health trends.

Numerator

VITAMINS/MINERALS SOURCES OF INFORMATION
% of Respondents



Shoppers under 34 are **more than twice as likely** to say that **word of mouth** is their **most trusted source** of information compared to all respondents

19% of **Black respondents** say that **family/friend recommendation** is their **most trusted** source of information (147 index vs all respondents)

Source: Numerator | N = 1006
Q Which of these sources of information do you get vitamins/minerals recommendations from?
Q. When you think about who recommended that you take vitamins/supplements, which source of information is the one that you follow the MOST?

Beyond COVID, despite a stronger flu season, consumption of cold, cough & flu medication is down with sales growth driven by price.

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COLD, COUGH & FLU TRENDS

Latest 12 Months Ending 03/31/2024

-5.4%

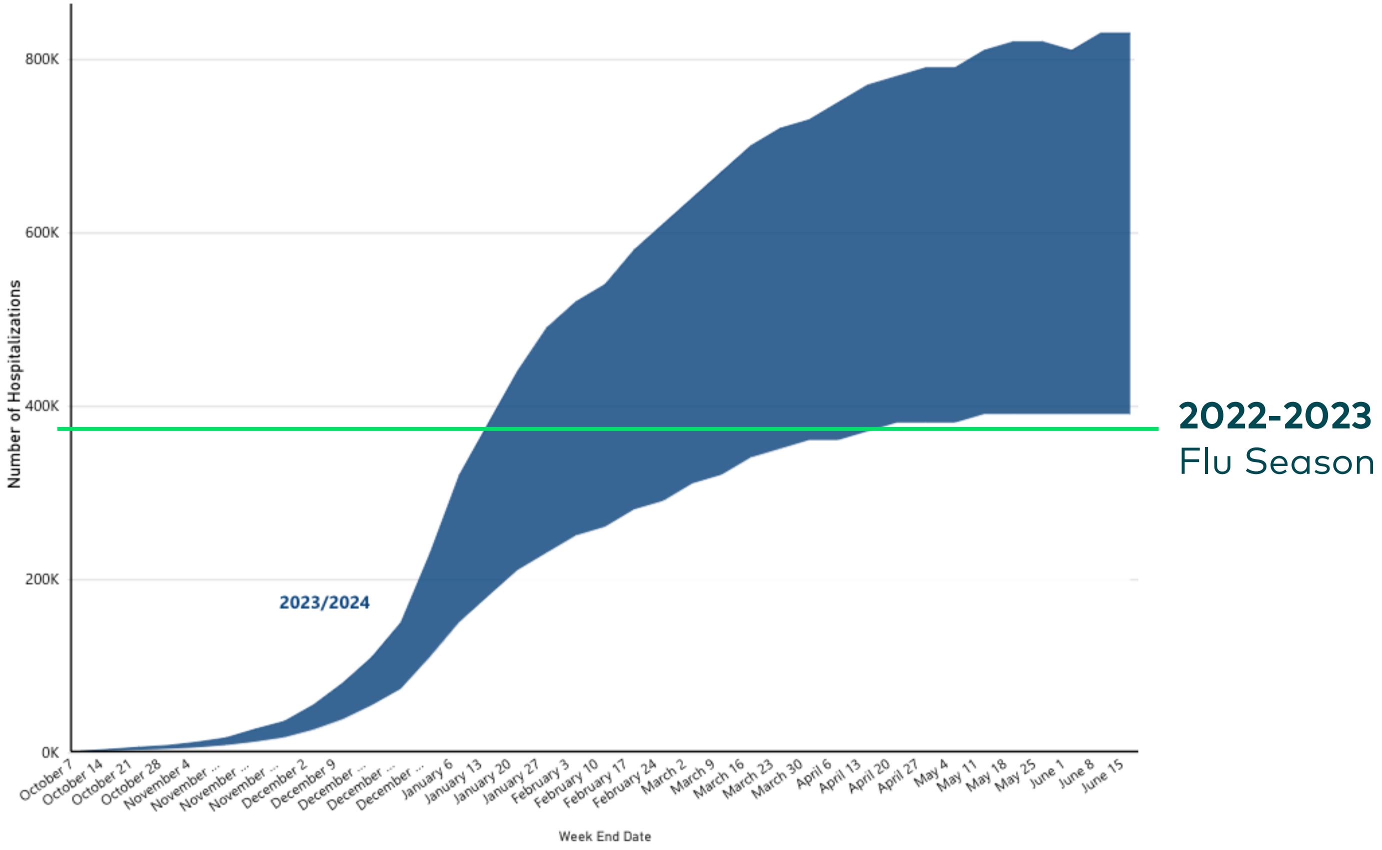
Change in Projected Units

+1.4%

Change in Projected Sales

PRELIMINARY UPPER AND LOWER ESTIMATES OF CUMU. FLU HOSPITALIZATIONS

2023-2024 Flu Season | Weekly

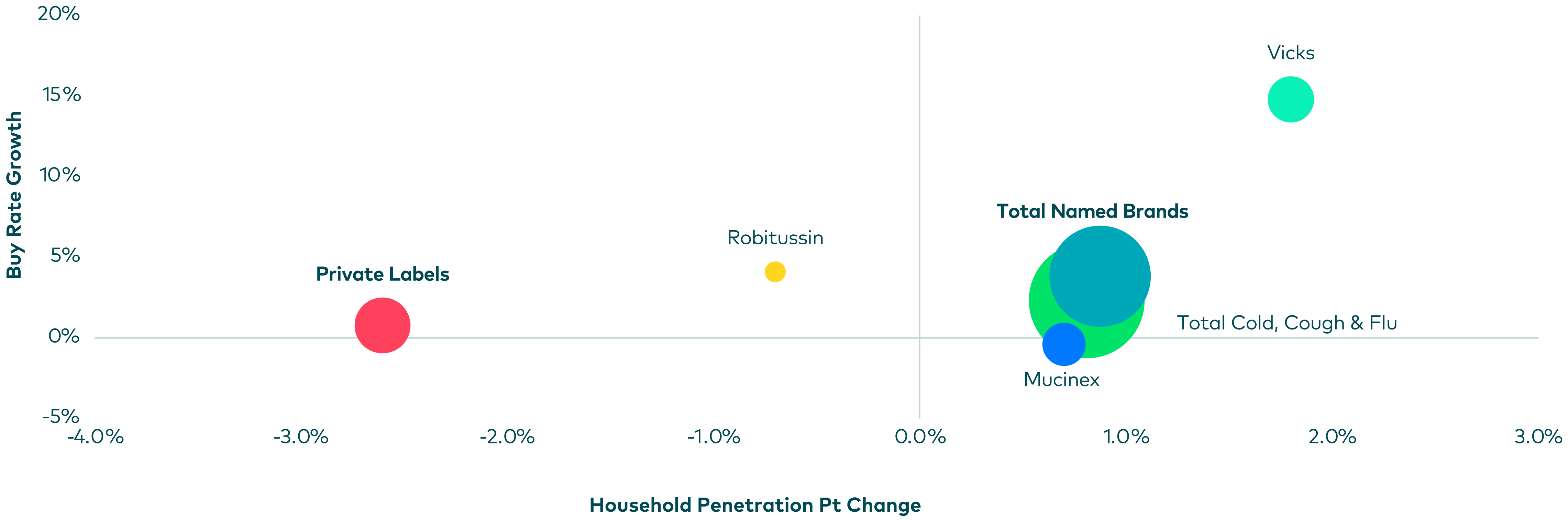


Source: Numerator | CDC 2023-2024 Preliminary Estimated Burden

Even with higher prices, consumers are not trading down to private label and still stay with named brands.

COLD, COUGH & FLU QUADRANT CHART

Latest 12 Months Ending 03/31/2024



Source: Numerator

Drug retailers will need to stem traffic losses to prevent further decline in their private label.

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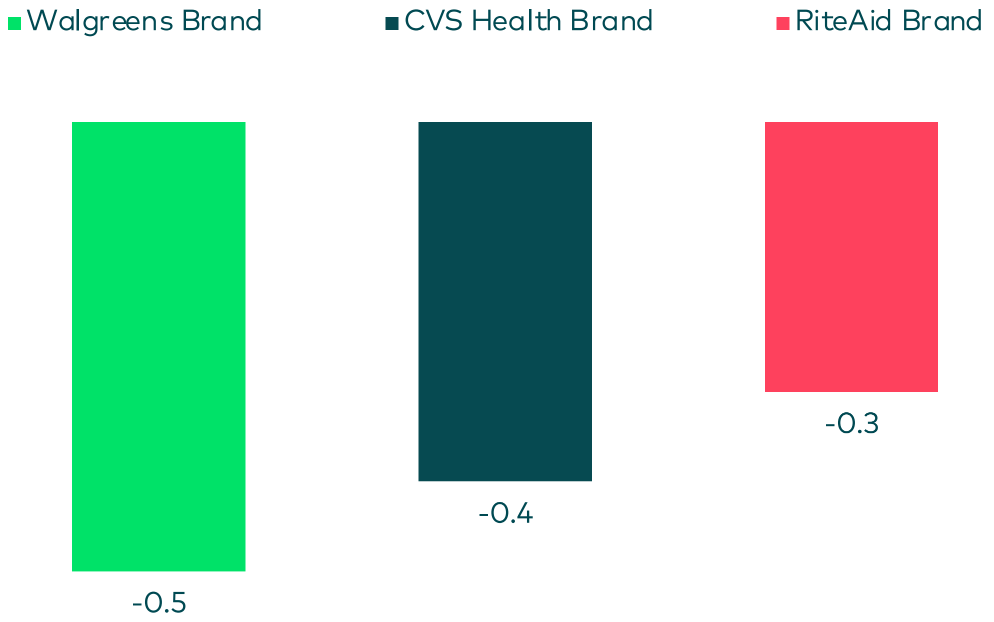
TOP THREE DECLINING PRIVATE BRANDS BASED ON DOLLAR MARKETSHARE

Point Change vs Year Ago| Latest 12 Months Ending 3/31/2024



-13%

Lapsed Private Label purchasers at Drug reduced trips made at the Drug channel overall by 13%.

75%

of Private Label Lapsers at Drug said the price of private label cold, cough & flu is the same / better at other retailers.

Source: Numerator

Inspiration for Simplicity Returns

Numerator

CONTINUE TO TRACK PUBLIC HEALTH

Four years after the start of the pandemic, health categories remain in flux. As pockets of infectious disease outbreaks occur across the U.S., it's essential to track these trends and understand how consumers are responding to them.

A proactive approach might include developing a survey tracker to monitor how consumers manage certain illnesses, informing future demand shifts and innovation strategies. Another key action is identifying U.S. regions with spikes in purchasing to adjust assortments accordingly.

KNOW YOUR ABCs

While consumers are moving away from occasion-based vitamins and supplements, many are shifting towards being proactive with vitamin letters, minerals, and multivitamins. They also recognize that the benefits of occasion-based products can be replicated with a combination of other vitamins—at a lower cost.

Brands in the vitamin space must either educate consumers on the unique benefits of occasion-based formulas or expand their offerings to include individual vitamins and multivitamins. Consider how Olly, a brand that has played heavily in the benefits space, also offers an ingredients specific search on their website.

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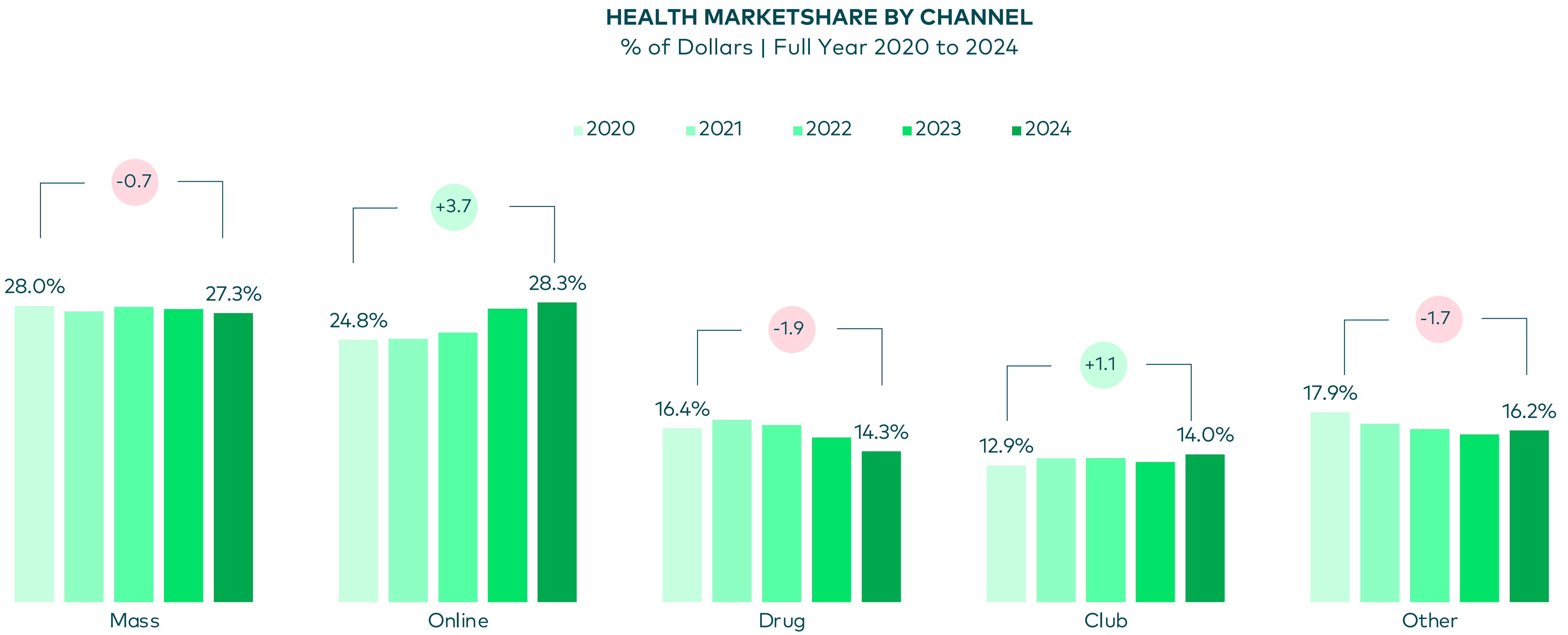
HEALTH TRENDS

Retail Movement

Having an online mindset is an imperative for health brands and retailers– particularly for Drug who is losing the most.



Source: Numerator TruView

Online's growth is incremental with Amazon driving expansion.

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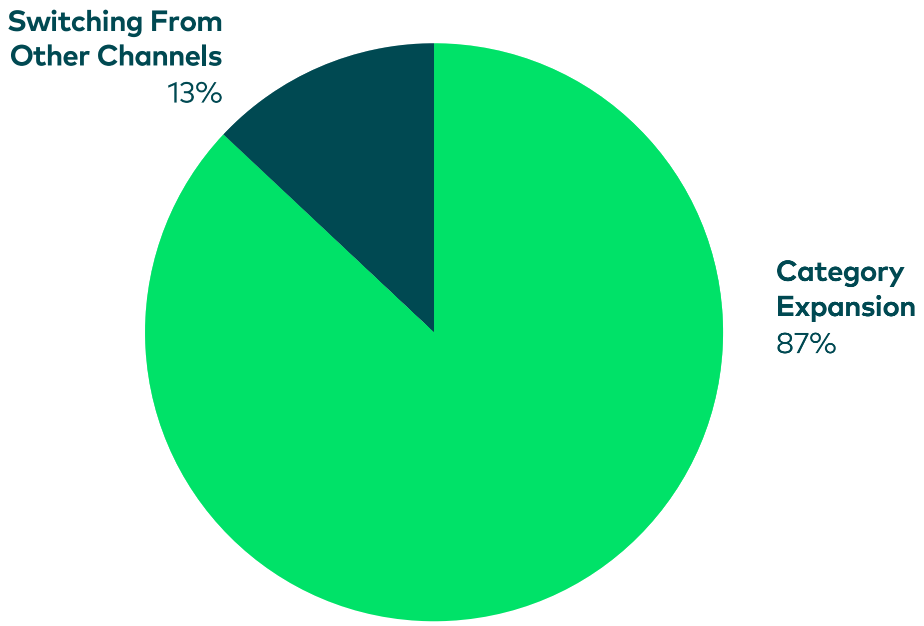
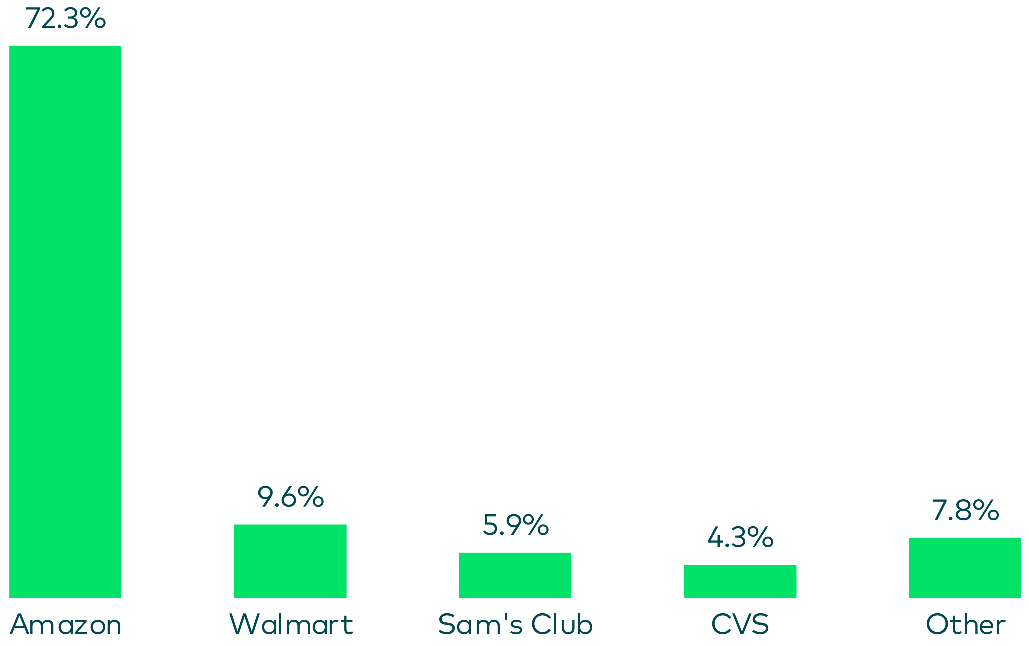
HEALTH CATEGORIES SOURCE OF VOLUME ONLINE

% of Net Dollar Gains | Latest 12 Months Ending 3/31/2024



PERCENT CONTRIBUTION TO CATEGORY EXPANSION ONLINE

% of Dollar Gains | Latest 12 Months Ending 3/31/2024



Source: Numerator

And growth is happening across many categories.

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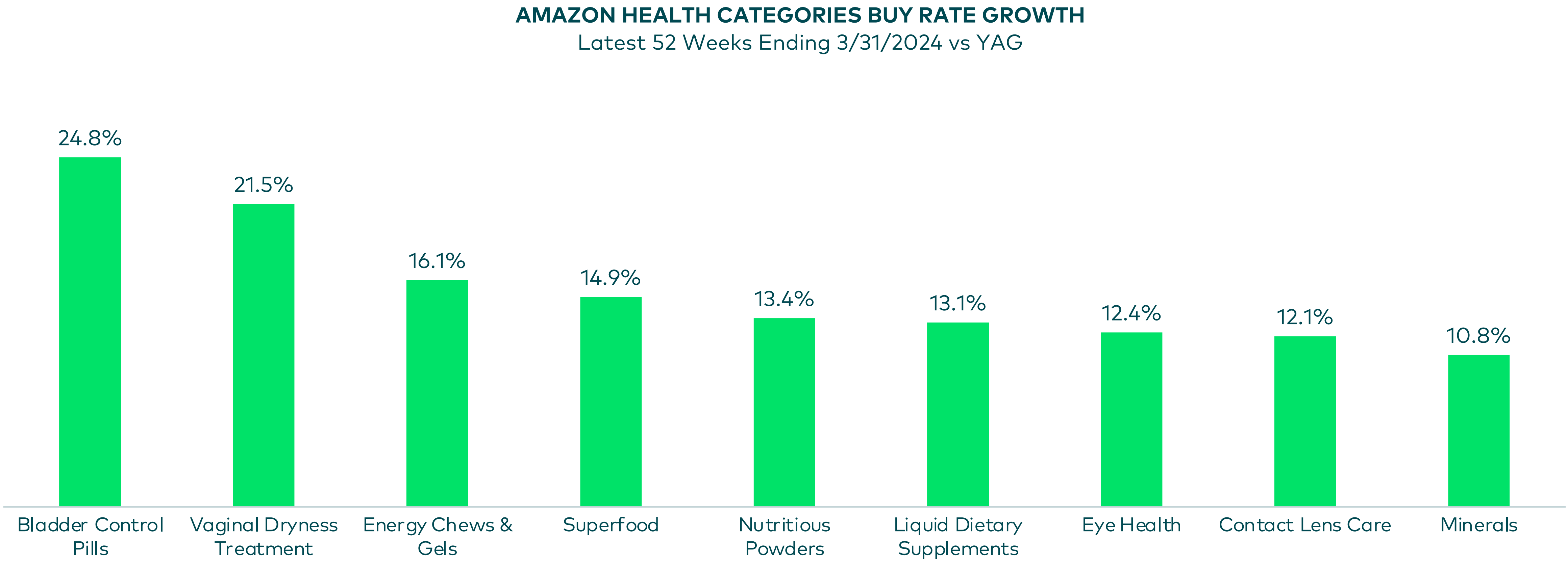
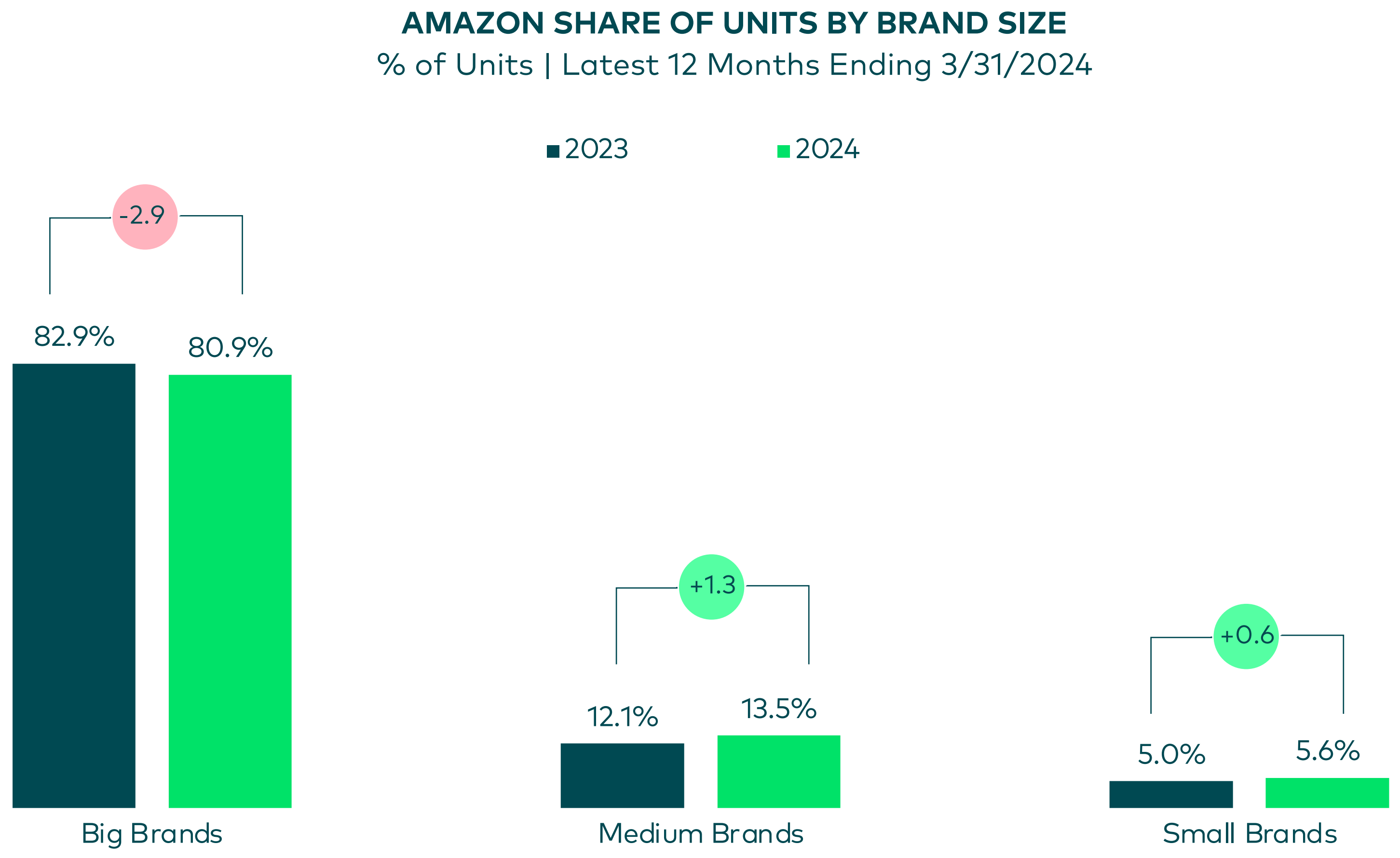


Source: Numerator

But the brands people are purchasing skew towards smaller ones, putting pressure on bigger brands to keep growth.



Source: Numerator

Amazon has driven repeat over the years with households utilizing subscribe & save for health categories.

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AMAZON HEALTH PURCHASING BEHAVIORS
Full Year 2023 vs Full Year 2020

+2.2

percentage points in repeating a health purchase on Amazon

+18%

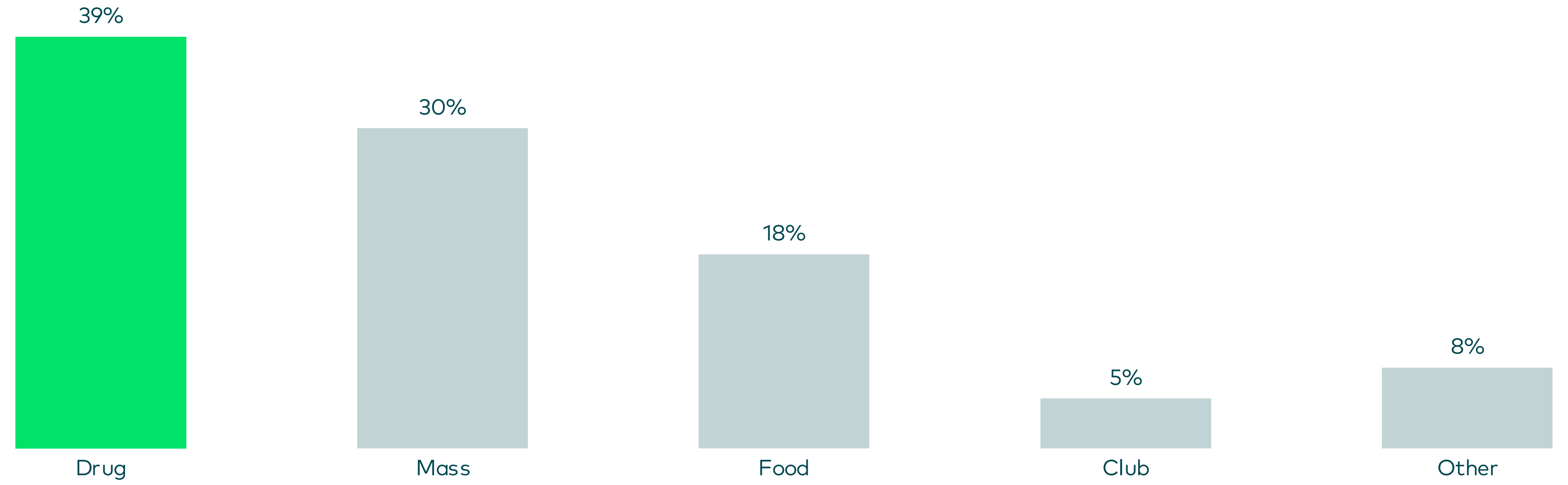
in spend per household on Amazon Subscribe & Save health products

Source: Numerator

When people did shift spending to online, they did so primarily from Drug.

HEALTH CATEGORIES CHANNEL SWITCHING TO ONLINE

% of Net Dollar Gains | Latest 12 Months Ending 3/31/2024

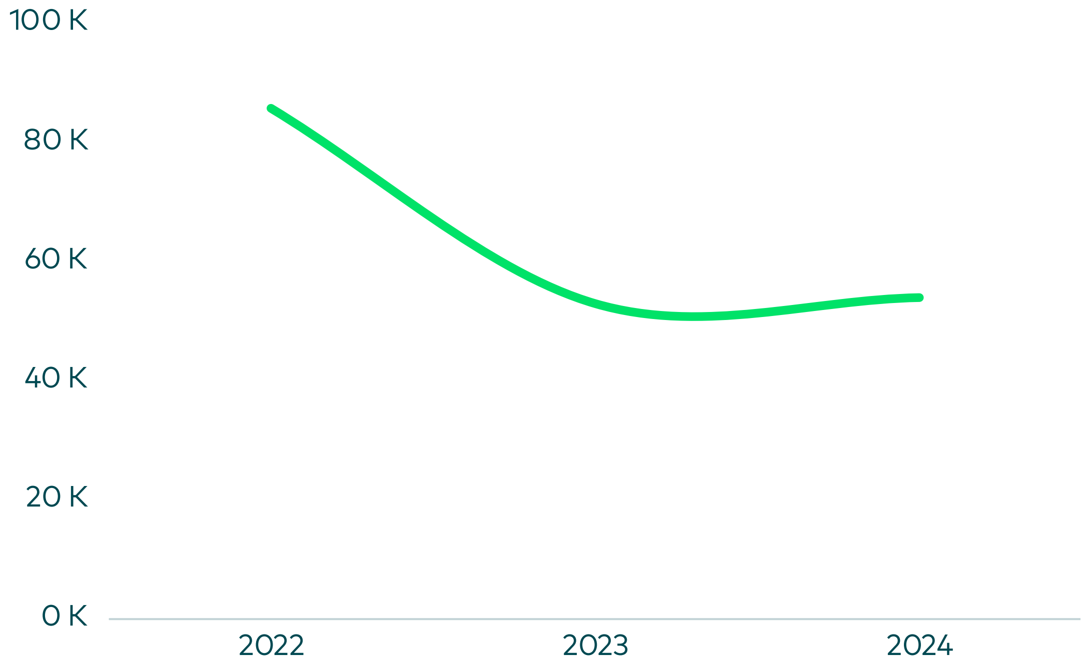


Source: Numerator

Shifts to online has been driven by convenience and lower prices, putting pressure on Drug which has slowed down on promotions.

PRIMARY REASONS FOR SHOPPING HEALTH ONLINE
% of Respondents | Showing Top 10 Responses

HEALTH AD BLOCKS IN DRUG CHANNEL BY YEAR
# of Ad Blocks | Latest 12 Months Ending 3/31/2024



Source: Numerator | N=1,002
Q. Why do you purchase health products online?

A poor in-store experience & price has moved consumers online–requiring retailers to revamp their brick & mortar approach.

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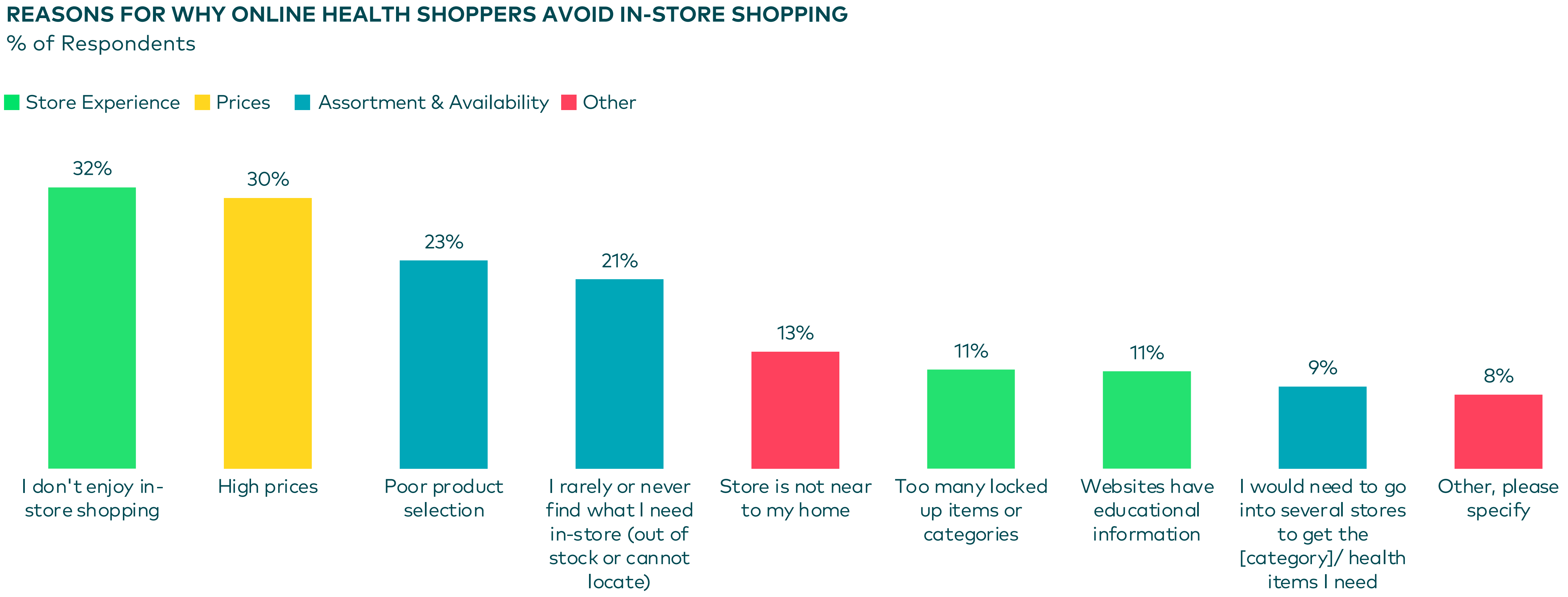

Source: Numerator | N=1,002

Opportunities to enhance the in-store experience is about expediting the shopping experience and reevaluating promotions.

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WHAT ARE THE DRAWBACKS OF PURCHASING HEALTH PRODUCTS ONLINE?

% of Respondents

40%

Shipping time

34%

Less opportunity for coupons

14%

Complicated/difficult returns

13%

Size offerings (large pk or multipack only) or difficult to discern size

Source: Numerator Quick Pulse Instant Survey N=1,002 Timeframe= 11/27/2023-05/26/2024 Channel=Online
Only top 4 responses charted

Inspiration for Retail Movement

Numerator

ELEVATE & DIFFERENTIATE THE IN-STORE OCCASION

Brick-and-mortar stores, particularly drugstores, need to reinvent the in-store experience. Several strategies include:

- Developing expert staff and further emphasizing pharmacist assistance, as trusted professionals are the biggest influencers of purchasing decisions.
- Evaluating product assortment and selection. With online platforms offering virtually unlimited shelf space, identifying emerging brands and products is crucial for growth.
- Reassessing promotional activity. With consumers feeling increased financial pressure, many are turning to online retailers for savings. Consider how loyalty programs and promotions can counter Amazon's Subscribe & Save offering.

INVEST IN ONLINE INNOVATION

To compete in the digital space, consider enhancing online offerings with same-day pickup and delivery options through a user-friendly platform to meet shoppers' needs quickly. Reviving the concept of delivering both prescriptions and other items like OTC, personal care, or food and beverages can address multiple shopper needs, like DoorDash's "Double Dash" strategy.

While online platforms provide an unmatched range of products, this abundance can be overwhelming for shoppers. Retailers that use recommended items and highlight top-purchased or top-rated products can guide customers and make the online shopping experience more streamlined and efficient.

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