

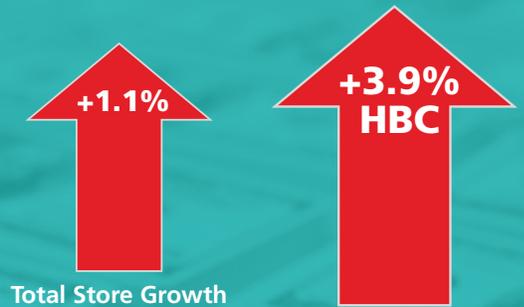
The Opportunity

There is \$84 billion in Health & Beauty Care (HBC) sales annually at stake. Grocery stores only capture about 18%, or \$15 billion, of that revenue.

Is the HBC shopper the MVP of the grocery store? After years of losing Health & Beauty Care (HBC) business to drug store chains and mass merchandisers, grocery stores are seeing encouraging signs of life in their HBC sales. Shoppers are increasingly making HBC purchases during their routine grocery shopping trips. In fact, 53% of shoppers are buying HBC products in their local grocery stores, and 18% are buying more HBC items in the grocery than they were a year ago. What's more is the HBC grocery shopper typically spends more than double at the store - \$82.37 average basket vs. \$38.74 average basket. With the HBC grocery shopper proving to be the biggest spenders in the store, HBC represents a significant revenue opportunity that should be addressed with the same aggressive strategies as any other category in the grocery channel.

SOURCE: Nielsen Planners Latest 52wle 07.04.15

HBC is Outgrowing Total Store



Grocery Retailers Only Capture 18% of the **\$84 Billion** HBC Market

Each Share Point of Growth is Worth **\$1 Billion** for the Grocery Channel

HBC Shoppers Are VIPs

Shoppers with HBC in Their Baskets Spend Twice as Much



HBC in Basket



No HBC in Basket

Shoppers with HBC Items in Their Baskets Typically Spend More



Meat in Basket



Skin Care in Basket



Produce in Basket



Oral Care in Basket

SOURCE: Nielsen Homescan 52wle 06.27.15

ACOSTA

Understanding the VIP HBC Grocery Shopper

Historically, the key factors challenging the success of the HBC category in grocery stores have been real or perceived higher prices, limited assortment, minimum space allocation and shopper confusion due to often ineffective shelf/aisle planning. In its survey of shoppers, Acosta discovered both why shoppers do and do not purchase HBC items at the grocery store.

"... this store has a nice selection of beauty/ personal care items."

"I have decided to buy more at my pharmacy because I have a bonus point card there and I find [it] has a bigger selection..."

"Because of the prices and being able to shop on line for those items."

"The grocery store now carries more brands than before and the aisles are more organized."

For shoppers to buy more HBC in the grocery store, they want:

69%
More Promotions

60%
Better Selection

"The price is too high [at the grocery] for the same product I can get at [my mass merchandiser] and they do not carry a good variety of brands."

45%

Better Aisle Organization

"[My store] has re-done their health and beauty area, are carrying more items, and has good sales that I can combine coupons with."

"My store advertises a lot better than they used to so the end-of-the-aisle is a lot more appealing than it used to be. Also they go on sale a lot more too."

"I buy everything I need at one time instead of having to go three or more places to find what I want. The price is usually lower as well."

SOURCE: Acosta's HBC Study, 2015



eCommerce Threat

One-third of U.S. Shoppers buying HBC items online (and almost half of Millennial Shoppers buying HBC online) plan to make more online purchases in the coming year. Forty percent of U.S. Shoppers buying HBC online are using Amazon and Mass Merchant Sites; fewer are using Drugstore site, eBay.

SOURCE: Acosta's Spring 2015 The Why? Behind The Buy™ Shopper Survey

Perception Meet Reality

While shoppers often perceive that HBC items are more expensive in the grocery store. In reality, the top items are less expensive than the drug channel and within 3% of supercenters.

Average Top 20 HBC Item Non Promoted Pricing



Grocery vs. Mass/Supercenters

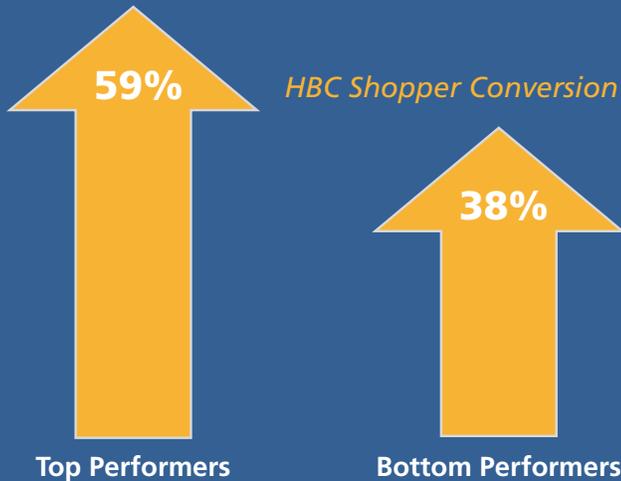
SOURCE: Nielsen Planners Latest 52w/e 07.04.15

The Health of Health & Beauty Care (HBC) in the Grocery Channel

HOT TOPIC REPORT

January 2016

Top Performing Retailers
Convert 21% More Shoppers



SOURCE: Nielsen Homescan 52w/e 03.28.15



Understanding the attitudes and resulting behaviors of shoppers can help grocery retailers develop winning HBC strategies.

ATTITUDES

CONVENIENCE
Quality time with my family is limited so I want to make the most of those moments



BEHAVIORS

My most preferred store is a mass merchandiser because they meet a variety of my family's shopping needs all in one stop

REWARDS
I wish I could be rewarded for all the shopping that I do



I feel that if my grocery store offered a loyalty store program, I would be more inclined to shop HBC there

VALUE & PRICE
I feel like my grocery store offers good HBC deals but not the variety and shopping experience that I am looking for in my preferred store



I end up purchasing my HBC in Mass and Drug because they offer a better value experience

EXPERIENCE
When I look for personal care products it is a form of small indulgence, but I feel like I'm shopping for a detergent when I shop for these products in a supermarket



As a result I will not buy them in my supermarket because I cannot compare products and brands, try, smell, touch them and experience products

Winning with a 5x5 Approach 5 Strategies for Winning with the Top 5 HBC Categories

1

Stock the right assortment for your shoppers including natural and organic products in the right stores.

2

Price key value items to be competitive and change shopper price perception.

3

Enhance the shopping experience through in-store merchandising and navigational cues.

4

Educate and inform shoppers both pre-shop and in-store. Use digital kiosks and in-store nutritionists.

5

Leverage a health and wellness platform and in-store pharmacy.

The Top 5 HBC Categories

These top five HBC categories drive 75% of all HBC sales and are the key drivers for HBC success among top performing retailers:



Vitamins



Medicines and Remedies

(Analgesics/Antacids/Incontinence/Laxatives/Eye Care)



Hair Care



Oral Hygiene



Cough & Cold

Acosta is the sales and marketing powerhouse behind most of the trusted brands seen in stores every day. The company provides a range of outsourced sales, marketing and retail merchandising services throughout the U.S. and Canada.

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