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Nutritional Supplements a Fast-Growing Factor in Healthcare Field, Says Mercanti Group Report

Industry Benefits from High Medical Costs, Patient Disenchantment and Higher Quality, Better Researched Products

MINNEAPOLIS, MN, April 21, 2008 – Nutritional supplements – already a \$22.5 billion industry – is not only a consumer-led phenomenon but increasingly is gaining ground in the traditional medical community. That is just one of the findings in the April *Chronicle* report, entitled “Just What the Doctor Ordered” published by the investment banking firm of The Mercanti Group. Mercanti, headquartered in Minneapolis and with offices in Los Angeles and New York City, closely follows the health and wellness industry among other fast-growing consumer fields.

Authored by Eric Groman, a Principal in Mercanti’s Los Angeles office, the report highlights include:

- Consumers are increasingly moving towards alternative solutions to general wellness issues, spurred by high healthcare costs, quality of care issues and distrust of pharmaceuticals, among other reasons.
- Nutritional supplements represent the key product category offering either a complement or alternative to traditional pharmaceutical treatments.
- Today’s nutritional supplement market is increasingly emphasizing specialty products and combination formulas targeted to remedy specific health conditions.
- Supplements are gaining scientific credibility, thanks to FDA insistence on stringent product quality and testing procedures, and increasing research by federal agencies such as the National Institute of Health.
- And, while still relatively small, acceptance of nutritional supplements is gaining among traditional medical doctors because of the industry’s increased focus on research, education and regulation.

It’s also a growing business, and one that is underscored by the broader emergence of the market for CAM (Complementary & Alternative Medicine) services such as acupuncture, naturopathy and traditional Chinese medicine, says the Mercanti report. “As consumers have become more interested in health and overall wellness, the market for products and services that provide a holistic approach has greatly increased,” Groman comments.

And growth in nutritional supplement sales has been especially pronounced among traditional and CAM healthcare practitioners, who typically offer products that cannot be found on the shelves of local natural health food stores or big-box retailers. Recent growth in the practitioner channel has more than doubled the rate of traditional retailers, says the report.

“Given that healthcare professionals tend to be more sensitive to product efficacy and the purity of ingredients, practitioner lines are generally characterized by high quality, and have more of a scientific foundation,” Groman writes. “In this way, practitioner products generally address the quality concerns that have become increasingly important as consumers look to supplements as a way to remedy or alleviate real health problems.”

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The report characterizes the \$1.7 billion practitioner market as fairly fragmented and crowded. It identifies two of the leading players in the business as Metagenics, a 25-year-old company that has been a pioneer in the field of nutrigenomics, with products aimed at affecting genetic expression and that help prevent or manage chronic diseases; and Standard Process, an 80-year old company offering a full line of whole food and herbal supplements, as well as veterinary items.

Others active in the field that the report discusses are Allergy Research Group, Atrium Innovations, Designs for Health, Integrative Therapeutics, Seroyal International and Thome Research.

“The market is certainly ripe for future growth,” says Groman. “As quality and efficacy continue to be high on the list of consumer demand, and as supplements continue to gain credibility in traditional medical circles, practitioners will have a deepening impact and influence of broader activity in the market for alternative healthcare products.”

A copy of the full report can be accessed at www.mercantigroup.com.

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