



GROWING A HEALTH & WELLNESS BUSINESS eBook

Best Practices for Nutraceutical Retailers

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Executive Summary

Consumers across all age groups are continually seeking ways to maintain and improve their health. This trend, coupled with increasing health care costs, an aging Baby Boomer population and a rising interest in health and wellness through diet has fueled the growth in today's nutraceuticals market. Consumers are looking for innovative products that deliver wellness benefits to help them lead more healthy and active lifestyles. As people are striving to be as healthy as possible to get the most out of life, the use of nutraceuticals to achieve desirable health outcomes has seen tremendous growth and financial success.

The term nutraceuticals was derived by combining the words nutrition and pharmaceutical by Dr. Stephen DeFelice, founder and chairman of the Foundation for Innovative Medicine. According to Dr. DeFelice, "a nutraceutical can be defined as "a food or part of a food that provides medical or health benefits, including the prevention and/or treatment of a disease."¹ Nutraceuticals are typically considered natural as they are derived from food substances and not from chemical reproductions of natural food substances.



According to the Fredonia Group's market intelligence report, "World Nutraceutical Ingredients," the U.S. will continue to be the largest global consumer over the next five years with the market achieving an 8% compound annual growth rate from 2011 through 2015.² The report also estimates that close to two-thirds of the American population take at least one type of nutraceutical health product. Increasing awareness of health and wellness, the often out-of-control costs of traditional health care and the prevalence of chronic disease are

all adding to the popularity of nutraceuticals. The aging Baby Boomer population will continue to have a significant impact in nutraceutical product usage for maintaining and improving health and wellness.

The popularity of nutraceuticals and fortified foods has grown rapidly amid increasing concerns over the continued consumption of over-processed and artificially enhanced foods and their potential negative health impact. The nutraceutical market has become very competitive and retailers are finding that price, safety, efficacy, supply and packaging all play a role in their ability to succeed. Merchandising, inventory management and sourcing are keys to success as large, multi-channel chains with private-label brands, pharmaceutical companies, small local suppliers and retailers compete for business. Getting physician and health care provider buy in along with regulatory support can definitely help to promote specific products in inventory.

Freestyle Solutions works with nutraceutical retailers and fulfillment operations to help automate their order management processes from shopping to shipping to simplify commerce and grow their business. Its customers collectively generate more than \$200 million in sales each month, and Freestyle Solutions learned from them

¹ <http://www.nhiondemand.com/expertsperspectives/article.aspx?id=308>; Nutraceuticals are booming in the U.S. – It's more than just a word by Sheldon Baker.

² <http://www.nhiondemand.com/expertsperspectives/article.aspx?id=308>; Nutraceuticals are booming in the U.S. – It's more than just a word by Sheldon Baker.

what has been most effective in helping them grow. It's that experience which enables the company to provide this eBook entitled "Growing A Health and Wellness Business: Best Practices in Nutraceutical Retailing."

This eBook addresses the benefits of finding and implementing the best order management platform for nutraceutical retail operations to provide the right products and services along with the best shopping and fulfillment experience for customers. A truly full-function order management solution needs to easily integrate all business processes; from shopping cart integration, selling tools, Payment Card Industry (PCI) compliance and gift card redemption to CRM, fraud protection, inventory management, payment integration, order fulfillment, tracking and logistics across all business channels. These diverse processes need to work together to simplify day-to-day operations, leaving more time for connecting with customers and keeping the business healthy.



Driving the Demand for Nutraceuticals – Know The Customers

The Natural Marketing Institute's (NMI) 2012 Strategic Trends and Insights in Health and Wellness report provides information on how today's consumers are confronting and taking control of their own health and wellness. The report finds that consumers are undergoing a reorganization of priorities and formation of behaviors aligned with a more frugal, sustainable and healthier lifestyle.³ This has led many nutraceutical retailers to rethink their product offerings and marketing strategies to attract more targeted audiences for their product lines and overall business. To attract the right buyers, nutraceutical retailers need to stay on top of how to best create and promote the products that conscious consumers are looking for. Health and wellness expenditures will grow across multiple categories; from anti-aging, disease control and prevention, consumer directed health care and food functionality which are all positives for today's nutraceutical retailer.

Nutraceutical Categories in the U.S. Market

- Fortified cereals with added vitamins and minerals
- Vitamin and mineral supplements
- Energy drinks and tablets
- Supplements other than vitamins and minerals
- Energy bars
- Foods to reduce cholesterol levels
- Probiotics

The evolution of consumer driven health is behind the demand for products with targeted applications for specific consumer groups within the nutraceuticals market. It is expected that new product development and product enhancements in this market will continue at a rapid pace. Communicating with these markets is a challenge for nutraceutical retailers. Products are often gender focused, targeted by age group or specific

³ Natural Marketing Institute 2012 Strategic Trends and Insight in Health and Wellness

disease or condition, individual needs are diverse and the communication channels that are most effective vary widely. Retailers need to identify what forms and types of local, regional and national media their target audiences are likely to tune into and respond to and what social networks would be the best at reaching these consumers. Different audiences are best served by targeted and specific media although there can be some overlap.

To reach the largest number of potential consumers, a retailer needs to be visible across multiple channels. The Internet continues to be an important tool for opening new – and expanding existing – nutraceutical business channels. What is needed at the retail level is coordination, integration and accurate information management to operate successfully. For the nutraceutical retailer this can include a dynamic consumer-facing website providing current and detailed product information while facilitating online ordering.



Full line and targeted catalogs that also contain detailed product and ingredient information can be used along with making products available through traditional outlets such as brick-and-mortar stores and one-to-one product sales and distributors. The retailer's goal is to offer health-conscious shoppers the most convenient options that span all retail platforms. This will encourage shoppers to return to meet their immediate and future needs for specific health and wellness nutraceutical products.

Collecting and analyzing data from all channels allows retailers to stay up-to-date on shopper preferences along with product trends or health issues that could impact a purchase decision. A full-function order management system enables retailers to capture information from every order for every shopper. The best way to meet shoppers' needs is to stay connected with them through marketing efforts. Utilizing data gathered also enables retailers to create and maintain personal relationships with their customers by target audience and communicate relevant promotions and new product information at times when they are most likely to buy.

On average, it costs companies five times as much to acquire a new customer than it does to retain an existing one. If retailers are unable to accurately identify and effectively market to maximize sales from existing customers, then they are missing one of the biggest opportunities to grow their business. Their customer list is one of their most valuable assets – but only if they are capturing relevant customer profile information that can be used to increase sales.

Creating and capitalizing on customer loyalty is a key ingredient of any retail success. Retailers may be spending more time and money than they realize to increase revenue by putting too much effort on acquiring new leads. An integrated order management system can aid in refocusing marketing efforts to target high-value shoppers by simplifying the process of collecting, managing and linking information about them. It should efficiently process orders and enable retailers to create targeted shopper lists to send personalized campaigns. For example, separate campaigns can be sent to those who order a product regularly as compared to those who

have not ordered in the past six months. By capturing information on customers' buying behaviors and integrating this with transaction history data, retailers will be able to create targeted promotions that encourage repeat business.

Stocking the Shelves

Inventory control and management are critical aspects of a healthy nutraceuticals business operation. A system that enables users to integrate inventory, purchasing and order management allows them to monitor inventory status from initial production or contract manufacture through final shipment to the customer. Retailers will have better control over order response time, can better manage inventory allocation and can create a seamless process for order fulfillment ensuring that they have the right products, at the right time, ready to ship to meet customer expectations. Inaccurate inventory data, poor distribution coordination and inefficient warehousing and product retrieval can negatively impact the ability to be competitive and can cost retailers customers.



The inventory management portal must provide updated information on what is in stock, on order or back order, and what orders need to be placed. This needs to be continually updated and always accurate to avoid stock outs and disappointed customers. In addition, retailers need to be able to get full order detail on every order processed. This includes what items were in the shipment, the ship to address, lot numbers, payment methods and all other relevant order information. Incorporating barcoding as a key component in tracking and tracing shipments lets retailers accurately and efficiently receive, count, transfer, sell and ship products and helps to reduce inventory carrying costs. Mobile computing devices that are equipped with an integrated barcode reader can scan items, along with lot and serial number information from the barcode for increased inventory management efficiency.

Being able to have on screen and immediate access to all orders shipped can aid customers in tracking down a previous order or helping them decide on a reorder product and/or quantity. It is important that service personnel have immediate access to all orders shipped in the last 60 to 120 days or more when dealing with nutraceuticals. A click of the mouse on the order or tracking number should be able to provide full and detailed information to help in the reorder process for the customer. Many consumers treat their nutraceutical supplements as they would prescription medications and are careful to never miss a dose. Ensuring product supply on time without fail will help retailers win customer loyalty. Having up-to-the minute inventory information along with the ability to cross sell and offer a substitute product if something is not available is another important benefit of an integrated order management system and will be greatly appreciated by health-minded shoppers.

To meet the demand for ongoing health benefits, repeat shoppers may benefit from auto-refill and other ongoing fulfillment services so that they don't have to give a second thought to always having a supply of the

supplement or food product that they have come to rely on. Being able to set up an automatic notification, order and ship cycle is one way to increase the benefit of doing repeat business with a retailer.

Integrating CRM, purchasing and order processing functions enables retailers to synchronize supply and demand for each item they stock, either directly or indirectly, and helps make sure that purchases are made well enough in advance to keep inventory levels where they need to be. This provides greater inventory control, enabling them to carry a wider variety of items to appeal to more health-conscious consumers. This also helps avoid out of stock situations especially during peak buying periods, such as cold and flu season or seasonal allergy periods. Shipping items directly or drop shipping from a warehouse or fulfillment center, cross-channel inventory, third-party eCommerce integration with real-time XML capabilities for status and customer transactions are essential across all channels.

With advanced inventory management features available, retailers may have the ability to utilize advanced supply chain management strategies including consigned inventory which enables them to ship and store products at offsite and multiple facilities where their product is likely to be needed. Products are held at the consigned inventory location and the inventory is considered as purchased when it is either used or sold which can be on a predetermined set schedule for the benefit of their consumers.



Nutraceutical distribution often requires dated inventory control processes along with lot control and tracking to record what lots of materials are shipped to who and when for a full history for research or for the unthinkable, a recall situation. For such an extreme situation retailers must be able to track all inventory by lot and serial number and be able to trace the lots back to the suppliers through outsourcers or contract manufacturers. They may also need to trace this to individual customers thus they need to capture this data on an ongoing basis to be able to respond without hesitation. Certain products may require temperature-controlled storage and retailers must be able to recognize and stock these items accordingly.

Getting and keeping a handle on inventory, including granular lead times, tracking by item, lot, batch, supplier or purchase order and knowing the hot products is a big part of nutraceutical retailing. Some key nutraceutical inventory considerations include:

- Dated Inventory control - prioritize product shipping by date
 - Lot tracking or expiration tracking
 - Manufacture or expiration date
 - Automated alerts before expiration date
 - Automated alert for reorder based on inventory levels
 - FIFO (*first in first out*)
 - FEFO (*first expired first out*)
- Manage, view and report on: source, expiration date, lot, inspection and quarantine information

- Track an unlimited amount of products through inventory that have lot numbers or serial numbers, including lot numbers for ingredients used in manufacturing
- Online visibility to the complete inventory supply chain
- Trace lots back to suppliers, through outsourcers, contract manufacturers or to customers
- Capture lot or serial number at the time of shipment when managing inventory by number
- Pre-assign specific lot or serial numbers for the warehouse to pick or allow warehouse personnel the convenience of picking any number and record it when shipping

Getting the Products to Customers



An order management system must be able to integrate with retailers' eCommerce store for order and customer management across all channels, integrate with shipping systems and track purchase orders and inventory levels in real time. Orders can be processed electronically from point of purchase to shipping with no printing required except for a shipping label. All data is automatically created and stored and added to the database. Retailers should look for a powerful eCommerce and multi-channel order and customer management solution that integrates online, offline, mobile, fax, mail order, telephone orders or catalog channels to

never miss a customer.

An end-to-end, fully-compliant EDI solution created for small and mid-sized businesses can help automate routine tasks, eliminate rekeying of documents and data and enable retailers to experience extensive productivity gains. Utilizing an EDI system will enable them to automate all processes and handle all order processing functions from purchase orders to shipping electronically. Retailers will be able to offer:

- Consumer customizable Auto Ship, Promotional and Recurring Billing Programs
- Full-Service Customer Care Contact Center Capabilities
- Complete Fulfillment: Warehousing, Distribution, Pick and Pack and Return Service
- Extensive Operational, Financial, Retention and Marketing Reporting

Effective back-office order and inventory management, combined with warehousing, payment processing, customer relationship management and logistics help nutraceutical firms to strengthen their businesses. Implementing a feature-rich solution to streamline order entry and tracking, enables retailers to gain control of their inventory management. Capturing important customer data and buying preferences makes it easy for them to consistently provide high levels of customer service to compete effectively.



Prescription for Success

Putting technology to work to capture, integrate and utilize data across the entire operation to understand and respond to consumer demands can give small to medium-size multichannel merchants a definite advantage. Immediate access to data across the entire operation helps retailers streamline business operations, take control of the business and gain the competitive edge they need.

Freestyle Solutions allow customers to manage the critical aspects of their business - including essential integrations with carriers, payment card processing and accounting systems - so retailers can be sure that inventory is always accurate, orders ship smoothly and their customer service team can respond with confidence and focus on meeting their customers' needs.

Freestyle Commerce is built upon a foundation of experience, know-how and usability allowing you to accelerate growth, process and fulfill orders, manage inventory and access customer information over the Internet. No more hassles of having to buy and maintain your own servers, pay for software licenses and track upgrades.

Freestyle's dashboards give you at-a-glance business information to report on trends and spot areas needing attention so you can capitalize on growth opportunities.

Freestyle Solutions provides small to medium-sized (SMB) retail businesses worldwide with a choice in order management solutions, in the cloud or on premise, to meet their business needs. Over 2,000 merchants rely on Freestyle Solutions to automate their back office operations and drive business growth.

About Freestyle Solutions

Freestyle Solutions, formerly Dydacomp, is changing the way that the industry thinks about order and inventory management. Freestyle Solutions is dedicated to providing growing multichannel retailers,etailers, catalogers, fulfillment and distribution firms with best-in-class inventory, order, and customer management software solutions that help them increase sales and grow their business.

Freestyle Solutions integrate easily with eCommerce platforms to drive efficiency, productivity, insight and growth. Freestyle Solutions' proven on premise & cloud-based solutions enable small to medium sized retail & fulfillment businesses to grow faster by expanding their eCommerce presence & automating back office operations to manage critical aspects of their business: multichannel order management; inventory visibility & control across multiple channels; drop ship management; rapid, reliable order fulfillment; customer management; integration with Magento, Amazon, eBay & more.

The Freestyle Commerce cloud-based solution is tightly integrated with third-party eCommerce software Magento and Amazon, providing users with the smartest order management dashboards for the always up-to-date business insight they need to grow sales.

Over 2,000 multichannel merchants rely on Freestyle Solutions to automate their back office operations and drive business growth. Freestyle's clients engage over a million shoppers daily, generating nearly 10 million in gross merchandise sales every day. For more information, visit www.freestylesolutions.com and follow us on Twitter @freestylesolutions.