

Alterna Medicinals Canada



AlternaMedicinals.com Web-Store

1. Company History
2. Business Description
3. Operations
4. The Company's Value-Add
5. Product Line
6. Marketing
7. Sales Targets
8. Summary

Executive Summary

- Selling natural health products using an e-commerce platform
- Targeting consumers seeking natural alternatives
- Relationships established with several high-end suppliers
- Creating a simple, easy to navigate interface
- Will offer exclusive products as the business grows
- Lower operating costs than a bricks and mortar store
- The Canadian natural health products industry is now valued at over \$3 billion, and employs more than 25,000 people
- Diverse product line with specialty products targeting common ailments
- Utilizing search engine optimization and social media marketing to drive traffic
- Well positioned to enter the growing natural health sector
- Web-Store will attract younger tech-savvy customers

Aleck Beverly
Research Associate
Legacy Partners Wealth Strategies
Inc.
647-499-8111
info@lpws.co

2016-04-19

Company History

The Canadian Health Food Association (CHFA) is the first, largest and only natural health products association representing manufacturers, suppliers, distributors, and retailers in the Canadian market. The organization reports 70% of Canadians using natural health products on a regular basis, 80% of users stating the products are important to their families, and 85% claiming they use the products to maintain and improve their health (Canadian Health Food Association, 2016). The agency goes on to estimate \$3 billion is contributed to the Canadian economy directly from the natural health product industry. The demand for these products is growing in all regions, with per capita demand driven by consumer awareness. Alterna Medicinals Canada was founded in 2014 to address the rapidly growing natural health market.

The management team has created a web-store that offers a streamlined selection of natural health products; often referred to as nutraceuticals. In simplest terms, a nutraceutical is a concentrated dosage of a nutrient found in common food sources. These products come in many forms and are most often sold as powders, vitamins, and beverages. Nutraceuticals are not always intended for medical use. For example, supplements for sports and active living have grown to be a sizable market. Another growing market within nutraceuticals is “functional foods”, which are food products that have a positive effect on health beyond basic nutrition. Foods falling into this category are often associated with preventative health; for example, oatmeal because it contains soluble fiber that helps to lower cholesterol levels.

Alterna Medicinals Canada has begun carrying a number of best in class products that appeal to consumers seeking natural healthcare solutions. The website creates value-add by being easy to navigate, simple to understand, and easy to purchase.

Business Description

By creating an online store, Alterna Medicinals Canada has laid the groundwork to sell a wide variety of health oriented products. At this time, the products are vitamins, minerals, and amino acid supplements that provide a concentrated dosage of a single ingredient, or a combination that is scientifically developed by the manufacturer to address common health issues. For example, the store carries supplements for individuals with high blood pressure, digestive issues, prostate inflammation, and immune deficiencies. These products are desired by people of all ages and with varying degrees of health. For some customers, the products are largely preventative and provide an affordable opportunity to address predisposed health issues before they arise or become severe. For other customers, the products are used to target or ease existing conditions often in conjunction with a pharmaceutical product, as recommended by a doctor.

The Alterna Medicinals Management team has established relationships with several suppliers that will provide a wide spectrum of products to the website. The primary suppliers are all based in Canada, which eliminates currency exchange risk, reduces shipping time, and eliminates any import restrictions and fees. Discussions with manufacturers outside of North America are ongoing and lengthy as the management team must verify the quality of their products, obtain product licenses from Health Canada, and investigate the suppliers to prevent instances of fraud or negligence. The benefit of purchasing from international manufacturers is their ability to provide products to customers who, for instance, follow Asian and European natural health practices not yet common among North American practitioners. The management team has discussed the possibility of exclusive product lines with their suppliers; as sales volume increases over time, it will become financially feasible to roll-out specifically designed products that have synergies with their existing offerings.

Operations

Web-stores are much easier to operate than bricks and mortar. Inventory is ordered as needed, and poor selling items can be back-ordered from the manufacturer to avoid carrying dead

stock. Dead stock is a term used to describe merchandise that is never purchased by customers. Alterna Medicinals Canada is carrying merchandise that their suppliers and their research have indicated is a top seller. Therefore, the management team can conclude that there is an active market seeking the products posted on the website. The management of inventory, order fulfillment, and development of new product lines is completed by a team member who is solely dedicated to managing the web-store. Inventory management and bookkeeping software is used to improve the accuracy and simplicity of online operations.

Alterna Medicinals Canada is operating the website from Guelph Ontario. The location is close to the company's initial suppliers and is easily accessed by courier companies, therefore decreasing execution time on orders and reducing lag time between processing, shipping, and delivery to the customer. The location is also favorable for staff, as the management team resides in the Guelph/Kitchener/Waterloo area.

The management team uses a courier service to ship products to customers as their price points are variable depending on the speed that customers want the product. Less expensive service will equate a slower delivery time while expensive service will provide rapid delivery. The Alterna Medicinals Canada management team will include free shipping on orders exceeding \$100, in order to generate and increase sales.

The Company's Value-Add

Under the *Natural Health Products Regulations* that were passed in 2004, natural health products are defined as Vitamins and Minerals, Herbal Remedies, Homeopathic Medicines, Traditional Medicine, Probiotics, and other products like amino acids and essential fatty acids. The availability of these products is vast as demand has grown considerably. The global market in 2013 amounted to \$160.6 billion in annual sales with more recent estimates placing sales in 2019 at \$241.1 billion (Cumming, 2015). The growth rate equates to approximately 7% per annum, with the bulk of the growth coming from an explosion in dietary supplements. Nutraceuticals are becoming

increasingly popular in global world markets; the desire for healthier living is more prevalent because of better education and increased availability of information through the internet. Many of the natural ingredients found in the most popular commodities are not found in conventional foods; Consequently, many consumers desire these products to achieve a well-balanced diet.

Grocery stores, pharmacies, and even convenience stores have begun to carry nutraceutical products due to their high margins and explosion in demand. Although these distribution channels create accessibility for customers, the selection is overwhelming for those unfamiliar with the numerous vitamins and brands. Alterna Medicinals Canada seeks to address this concern by simplifying their product line by carrying only high-quality merchandise with a smaller selection of brands. Bricks and mortar retail locations are less attractive to tech savvy customers who are expected to be the company's mainstream customer. These consumers are more likely to use the internet to research the products they wish to purchase prior to visiting a store. These consumers are also far more comfortable, and often prefer, purchasing from online retailers. Alterna Medicinals Canada has designed the website to use visuals, highly descriptive text, and an easy to navigate interface to encourage customers to purchase from their site. The simplicity and availability of information are the value-adds that enables Alterna Medicinals Canada to be competitive in the market.

The company faces online competition over and above bricks and mortar retail. A quick internet search will yield dozens of companies selling a wide selection of products, but their websites are often cluttered and difficult to navigate. Additionally, the online stores carry many products with poor customer ratings that are priced much lower. A budget conscious buyer is inclined to purchase the poor quality product, have a bad experience, and never visit the store again. Alterna Medicinals Canada does not carry products that perform poorly with customers and will communicate the superior quality of their offerings in the descriptive text.

Product Line

The management team is continuously adding products to the website. The initial group includes a number of specialty products designed by their manufacturers to treat common ailments prevalent in our society. The group also contains concentrated vitamins and multivitamins, including vitamin B, D, K, and several amino acids. The products are oriented toward a growing number of health-conscious customers.

The following list includes some of the products carried by Alterna Medicinals Canada:

| Product | Use |
|------------------------------------|--|
| Magnesium BisGlycinate 20 | Premium Magnesium Supplement |
| Pro-Biotik 15B | High-Potency Probiotic supplement containing probiotic species found in the human intestine |
| Thyroid-Pro Formula | Synergistic blend of nutrients and herbs designed to support the healthy functioning of the thyroid gland |
| Prostate-Pro + Maca Support | All natural formulation designed to reduce prostate inflammation, improve urinary flow and increase libido |
| Joint-Pro Formula | All natural formulation that works to protect, strengthen, and rebuild the cartilage matrix around the joints |
| Cold-Pro Immune Formula | Designed to boost and strengthen the immune system, aid in the symptomatic relief of colds and flus and speed recovery |
| Omega-Pro HP 40-20 | Each soft gel contains a high quality, high potency fish oil in the Ethyl Ester (EE) form |

Marketing

Gaining momentum and attracting customers to a web-store is an inherently difficult task. However, Alterna Medicinals Canada employs several methods to address this challenge. The number one priority is search engine optimization (SEO). SEO is the process of maximizing the number of visitors to a particular website by ensuring that the site appears high on the list of results returned by a search engine. The company's web developer is tasked with developing strategies to

improve the company's standing in search engine results. The most prominent of these strategies will be the linking of key terms to each web page which will increase the number of times automated crawlers reference the website.

Social media has quickly become the favorable marketing medium for web-based businesses. User-generated content in the form of online reviews and discussions has created a "word of mouth" that reaches global audiences throughout social networks. Social media has accelerated globalization, allowing ideas and information to flow across countries and continents much faster than ever before. For Alterna Medicinals Canada, this enables their marketing team to create campaigns that reach customers nationwide.

Strategic relationships with complementary businesses will also help bring traffic. Referrals from healthcare providers, nutritionists, and industry leaders will increase traffic, and add to the website's legitimacy.

Sales Targets

The management team aspires to attract a sizable customer base that will purchase natural health products and additional product lines that will be introduced as the business develops. Over the first quarter, the company hopes to have attracted and processed sales for one hundred new customers. In the first year of operation, the company hopes to generate \$100,000 of revenue followed by \$250,000 in the second year, and \$500,000 in the third year. Their long-term goal is to capture 1% of the Canadian market, and steadily increase their market share as the industry continues to develop. The initial success of the business will be largely dependent on the penetration of the social media campaign and success of the SEO. There has been strong growth in the natural health sector, the CHFA has placed recent annual growth figures in the 7-15% range.

Summary

The Alterna Medicinals Canada web-store provides an easy to use platform for customers seeking to purchase natural health products. The industry has seen incredible growth that is fueled by lifestyle changes, better education, the desire to live longer and healthier. Many consumers now realize that many of our dietary customs are detrimental to our overall health. Moreover, the scientific community has made great advances in healthcare technology, and has an increasingly better understanding of how nutrients affect the human body and how they can be proportioned to positively impact our overall health.

Natural health products are a relatively new and developing industry, and Alterna Medicinals Canada is well positioned to enter and compete. By using a web-store rather than a bricks and mortar retail location, the company can cater to tech savvy customers nation-wide who tend to do online market research, and prefer to use online stores. The rapid growth of this industry and technical aptitudes of its customer base has created a compelling opportunity for the Alterna Medicinals Canada team.

Works Cited

- Canadian Health Food Association. (2016). *CHFA*. Retrieved from Snapshot of Canada's Natural Health and Organic Products Industry.
- Cumming, S. (2015). *Global Market for Nutraceuticals Projected to Reach \$241.1 Billion by 2019, Growing at 7% CAGR*. Wellesley, Mass.: BCC Research.

DISCLAIMERS AND DISCLOSURES

Disclaimer

The opinions, estimates and projections contained in this Report are those of Legacy Partners Wealth Strategies Inc ("LPWS") as of the date hereof and are subject to change without notice. LPWS makes every effort to ensure that the contents have been compiled or derived from sources believed to be reliable and that contain information and opinions that are accurate and complete; however, LPWS makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors or omissions which may be contained therein and accepts no liability whatsoever for any loss arising from any use of or reliance on this Report or its contents. Information may be available to LPWS that is not included herein.

LPWS is registered as an exempt market dealer in Ontario, Alberta and British Columbia. In British Columbia, LPWS operates as LPWS Legacy Partners Wealth Strategies Inc. This Report is provided for general informational purposes only to investors and clients of LPWS, who qualify as accredited investors and whom LPWS is permitted to deal with and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such an offer or solicitation would be prohibited, or to whom it is unlawful to make such an offer or solicitation. This Report is not intended to provide specific investment, financial, legal, accounting, and/or tax advice. This Report is approved for distribution to accredited investors in Ontario, Alberta and British Columbia.

Research Associate certification

The research associate whose name appears on this document hereby certifies that the opinions and recommendations expressed herein accurately reflect his personal views about the securities, issuers or industries discussed herein.

The information contained in this report is not for public dissemination. No part of this report in its entirety or in part is to be used without the expressed written authorization of Legacy Partners Wealth Strategies Inc.