



Executive Insights

Viewing Brand Strategy Through a Preferred-Channel Lens

It's no surprise that COVID-19 has upended consumer buying patterns for a wide array of products. The nutritional supplement market is no exception. According to the Nutrition Business Journal, the nutritional supplement market experienced dramatic growth of 14.5% from 2019 to 2020. Furthermore, in an industry where brick-and-mortar sales dominate, ecommerce rose from 10% to 17% of sales in the same period.

To better understand these changes in consumer behavior, L.E.K. Consulting surveyed over 1,000 consumers who spent at least \$25 on vitamins, minerals and supplements (VMS) or active nutrition products in the previous 30 days. We asked them about both their usage of these products and their buying preferences.

Trend or blip?

Our first question was whether changes in the market over the past year are likely to persist. The short answer is: We think so. Our research indicates that the dramatic growth in the nutritional supplement category and the shift toward online purchasing are primarily due to an acceleration of existing trends.

COVID-19 sparked an intense focus on personal health. It brought new consumers into the nutritional supplement market who

were looking for general wellness products or immunity solutions. In addition it deepened the participation of existing consumers who were seeking expanded solutions in areas such as sleep, anxiety and mood. But it doesn't appear that this focus is temporary.

For example, we asked consumers about their vitamin consumption before and during COVID-19, as well as their expected usage once the pandemic eases. The percentage of nutritional supplement consumers using vitamins at least four to six times per week increased from 74% pre-COVID-19 to 80% during COVID-19, and 81% say they expect this level of usage post-COVID-19.

Ecommerce grew disproportionately during COVID-19. While some share gains will be lost to offline channels in a post-COVID-19 world, our survey suggests that some 60% of the ecommerce share gains will remain, establishing a new baseline for ecommerce moving forward.

Who is today's nutritional supplement consumer?

A common way to analyze consumers is to look at where they shop. However, because there is so much cross-channel shopping in this category, we decided to conduct our channel analysis with a twist: by segmenting nutritional supplement consumers based on their preferred shopping channel rather than based on where they actually purchased products. These consumers don't shop exclusively in their preferred channel — they would just rather shop there, all else being equal. Looking at the market through this "preferred

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channel” lens yielded some important insights into consumer buying behaviors, attitudes and key purchasing criteria.

We categorized consumers into three preferred-channel groups (see Table 1).

FDMC-first consumers (50% of total)

This group prefers to shop in food, drug, mass merchandise and club (FDMC) big-box stores for nutritional supplements. They skew older and are the least wealthy of the three groups. They report spending an average of \$1,250 per year on nutritional supplements. They shop more for “core” products (general health and multivitamins) and for those promising immunity (likely a result of COVID-19). They say they need more guidance in finding the right product for them. This group focuses on value, price per unit, total cost and preferred modalities (e.g., gummies).

Amazon-first consumers (22%)

Consumers who shop at Amazon first tend to be younger and wealthier. They report spending around \$1,300 a year on nutritional supplements and are willing to pay for quality and try new products with innovative ingredients. They tend to shop for condition-oriented products and wish that major retailers had a better assortment to choose from. They also place emphasis on online reviews and perceived value (not lowest cost).

HFS-first consumers (14%)

Like the Amazon-first group, health food store (HFS)-first consumers are younger and wealthier. This is the highest-spending group, with an average annual reported expenditure of nearly \$1,500. Overall, they have a high engagement with the category and are willing to pay for quality, but most importantly they demand all-natural solutions. Their favored purchases include condition-oriented and active nutrition products. They wish traditional retailers had a better assortment. They place a

high value on products with clinical backing that meet organic and clean-label standards.

Of course, a preferred channel doesn’t always dictate where shoppers end up shopping, so we also looked at where consumers purchased nutritional supplements in the past 30 days (see Table 2). We found that almost all FDMC-first consumers (98%) shopped in their preferred channel in the past month, compared with 86% of Amazon-first consumers and 82% of HFS consumers. Secondly, when shopping outside their preferred channel, consumers most frequently shop for nutritional supplements in FDMC (59% of Amazon-first shoppers and 66% of HFS-first shoppers). These findings, combined with the fact that FDMC-first consumers comprise the largest category, underscore the importance of this channel.

What does all this mean for brands?

Knowing where your customers prefer to shop can tell you a lot about who they are and how to meet their needs. The findings from our survey imply a roadmap for new brands, as well as for brands seeking to broaden their reach.

Why Amazon is a powerful launching pad

As our research shows, the online channel has experienced a step-change in growth as a result of COVID-19. While the eventual end of the pandemic may partially reverse the trend and return consumers to in-store purchasing, ecommerce will remain a powerful channel — and Amazon is by far the dominant player. Companies can set up an Amazon store fairly quickly, and Amazon can handle the bulk of the logistics. Amazon’s digital marketing programs are a further benefit. Amazon also makes an ideal platform for condition-specific products including those targeting heart, digestive health, weight, beauty and mental/cognitive health — all areas for which Amazon-first consumers are receptive buyers.

Table 1
Demographic attributes of preferred-channel groups

	Amazon-first shoppers (N=232)	FDMC-first shoppers (N=538)	HFS-first shoppers (N=145)
Percentage who are female	51%	50%	52%
Average age	44	49	44
Average annual household income	\$88K	\$78K	\$89K
Percentage who are white	79%	78%	65%

Note: Survey questions — What is your gender? What is your age? In which state is your primary residence? Which of the following ranges best describes your total annual household income (before taxes)? Which of the following retailers do you consider for your preferred retailer type for purchasing nutritional supplements? What is your highest level of education to date?

Source: L.E.K. survey and analysis

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Table 2
Consumer purchase patterns of nutritional supplements in the past 30 days

Consumer segment (by preferred channel)	Percentage by segment that has shopped for nutritional supplements in each channel in the past 30 days			
	Amazon	FDMC	HFS	Other
Amazon-first consumers (N=232)	86%	59%	18%	26%
FDMC-first consumers (N=538)	22%	98%	16%	18%
HFS-first consumers (N=145)	30%	66%	82%	21%
Other consumers (N=159)	28%	57%	28%	89%

 Most-shopped channel  Second most-shopped channel

Note: Survey questions — In the past month, which of the following types of retailers have you purchased nutritional supplements from? Which of the following types of retailers do you consider to be your preferred retailer type for purchasing nutritional supplements?

Source: L.E.K. survey and analysis

The unique profile of Amazon-first customers suggests a few key strategies for success:

- **Cater to conditions.** Following up with Amazon customers after a purchase to provide an overview of condition-specific offerings within your portfolio can help generate incremental interest in your product line. Consider including a coupon to be applied against their next condition-specific purchase or bundling condition-specific products to be sold together for a discount. Furthermore, incorporating emerging ingredients in your products and developing a “What’s New in Supplements” section on your brand page or Amazon’s landing page can help give Amazon-first shoppers the experience they are seeking.
- **Generate some buzz.** Reviews are a key part of supplement decisions for Amazon-first shoppers, so it is important that your products have a lot of strong reviews. Reach out to Amazon customers with a personalized email requesting feedback, and make it easy to leave a review — for example, include a link. There is also potential to provide trial products to top Amazon reviewers to secure influential reviews.
- **Focus on value.** Amazon-first consumers prioritize good value more than HFS-first consumers or even FDMC-first consumers do, so it is critical to ensure that your product page conveys not just features and price, but the value your product provides to consumers.

Making the leap from Amazon to brick and mortar

For brands looking to expand beyond an online presence on Amazon, it helps to understand how customers shop in different channels and what they are looking for. In this way, brands can customize their offerings and marketing strategies to provide prospective retailers with the potential for incremental category sales.

Reaching the FDMC-first customer

FDMC remains an important channel. FDMC-first consumers are the largest customer base and represent the most overall spend. Additionally, FDMC is the most-shopped channel when non-FDMC-first consumers shop outside their preferred channels, primarily due to convenience. These consumers tend to be value oriented, prioritizing price per unit, and focused on general health and immunity products. Generally speaking, FDMC-first customers have less interest in trying new or innovative products.

The products best suited to the FDMC channel are value and core VMS products. You can raise awareness of your products via digital platforms and strategic use of social media influencers. Messaging that emphasizes simple, easy-to-understand ingredients and reasonable prices is likely to be the most effective. Goli Nutrition is a prime example of an innovative yet simple brand whose marketing strategy helped garner impressive FDMC success. Goli used highly effective social media campaigns, as well as midi- and micro-influencers, to break into FDMC in a big way.

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Targeting the HFS-first customer

HFS-first consumers are similar to Amazon-first consumers in that they are willing to pay for and try new products and want more innovative products. Like the Amazon-first customer, they are open to a longer list of condition-specific offerings. HFS-first consumers also place significant value on all-natural products and clinical studies supporting effectiveness.

Given what we know about consumer preferences, there is an opportunity for brands to appeal to both Amazon-first and HFS-first shoppers with premium, condition-specific items.

Expansion through personalization and more SKUs

FDMC-first customers are interested in guidance on locating the right products. This finding suggests that once you have gained a foothold in FDMC, you can expand your presence through increased personalization and offering a range of products to

accommodate specific customer needs. For example, multivitamin maker Smarty Pants has been very successful with its offerings targeted at specific groups with varying nutritional needs, including toddlers, kids, teens, pregnant women, and men and women in different age groups. There may be opportunities to explore further personalization as personalized nutrition becomes more mainstream.

Charting your channel strategy

Channel strategy is critically important to the success of new products in the nutritional supplement category. Yet developing an optimized channel strategy can be a complex endeavor, especially in a post-COVID-19 world where priorities and shopping patterns have shifted. Thinking about your consumers in terms of channel preference rather than historical buying patterns can provide an edge and suggest innovative ways to gain traction with your core set of customers.

About the Authors



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About L.E.K. Consulting

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