



SOLUTIONS

A Framework for Transforming the Development of New Vitamins, Minerals and Supplements

New product development, or NPD, is a challenge in any industry but vitamin, mineral and supplement (VMS) brands contend with a unique set of circumstances. One part is the market's evolution toward emphasizing structure/function claims versus specific ingredients. Another is more complexity — not only in the formulations required to deliver on health claims, but also in the broader competitive landscape and the portfolios that companies are managing.

The result is that NPD is more critical than ever in this business. For many companies, that means the old product development process is no longer up to the task of meeting their strategic objectives. Drawing on our experience working with clients in health and wellness, L.E.K. Consulting has developed a transformation framework that can help get any NPD process back on track.

More on that in a moment. First, let's take a closer look at the forces that are pushing NPD to center stage.

A shift to claim-based marketing

In the past, consumers hoping to avoid a cold might take some vitamin C. Today, they're likely to reach for an immune support solution instead.

In a bid to guide health-conscious consumers, the VMS industry has taken an innovative turn. No longer is it necessary for consumers to navigate a maze of unique substances to search for the ones that target their condition. VMS brands have figured it out for them, with products promising to improve sleep, boost digestive health or enhance mental performance, taking shelf space from the old single-ingredient variety.

Products that make claims typically feature a combination of active ingredients that can help deliver on these claims. They also come in a range of novel formats (think gummies, strips and chocolates) aimed at improving the consumer experience. To back up their claims, some supplement brands invest in clinical studies or audits from independent standard-setters.

The multiplier effect of complexity

The claim-based marketing trend is playing out against a backdrop of rising competition in the VMS category. On Amazon, the top-selling supplement brands change nearly every year (see Figure 1).

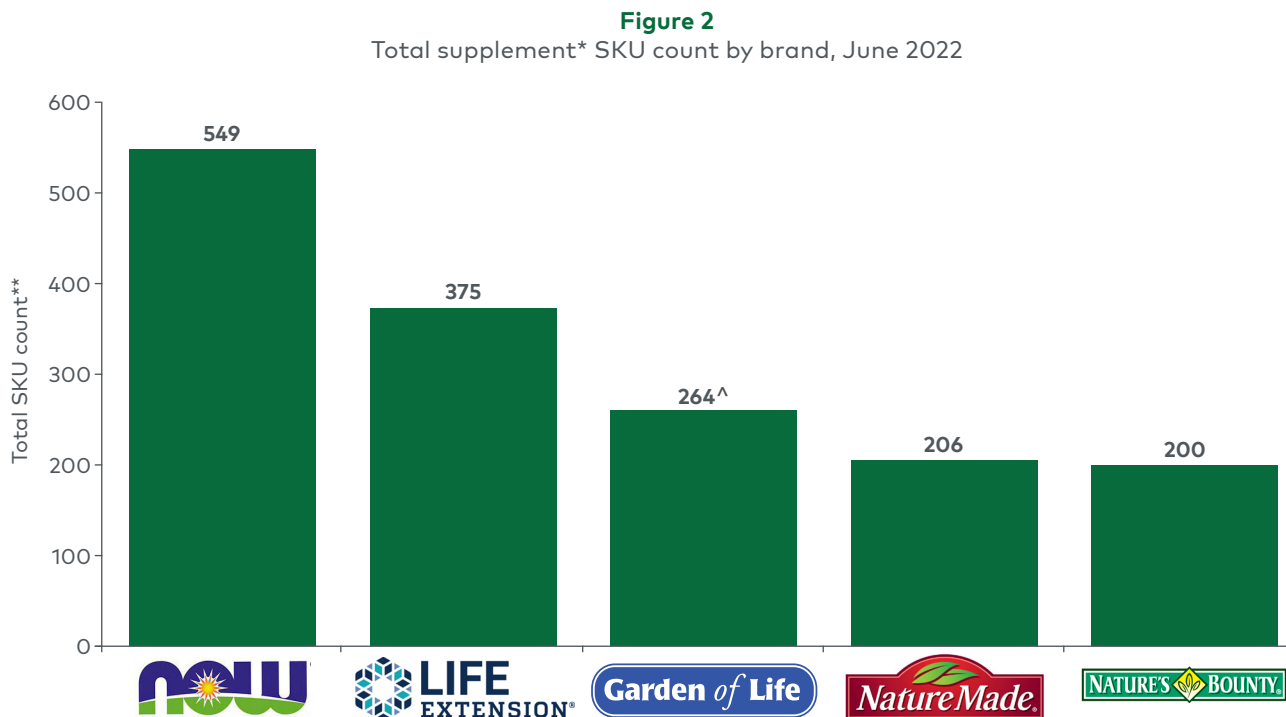
Figure 1
Top 15 supplement* brands on Amazon by units sold

	2020	2020	2021
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			

*Includes categories of amino acids, minerals, multivitamins, single vitamins, herbal supplements and supplements
Source: Company websites; Stackline

Among the brands that sold at least half a million units on Amazon in 2021, three of the fastest-growing — Goli, Neuriva and Physician's Choice — had been around less than five years. To stay ahead of the curve, incumbent players have sped up their product cycles.

All this has contributed to very large product assortments. Figure 2 shows five leading brands, all of which have 200 or more SKUs listed on their websites.



*Only supplement products were counted for this analysis, focusing on capsules, tablets, chewables, gummies and softgels

**Based on total SKU listings on each company's website as of 6/6/2022

[^]Excludes protein, greens, essential oils, sport, food, keto, MCTs, creams, liquids and lotions

Source: Company websites

Now consider that most SKUs have complex formulations. On top of that, many companies own multiple brands. Nestle, for instance, owns 15 VMS brands alone. Unilever, Clorox, Better Being Co. and Pharmavite each own multiple VMS brands as well. Each of these factors has a multiplier effect that makes the prioritization and timely launch of new products more difficult.

Troubleshooting an overwhelmed NPD process

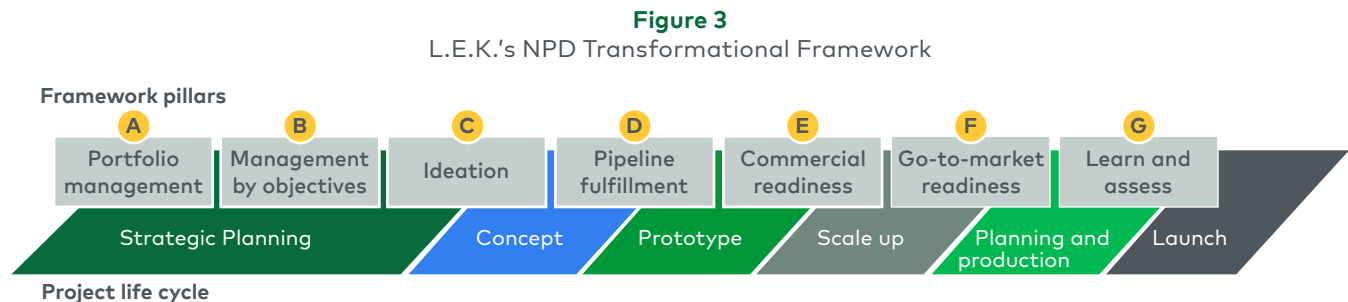
An overwhelmed NPD process will produce a volume and mix of projects that don't do enough to support the company's strategic vision. Common issues include:

- A lack of end-to-end process stewardship
- Excessive focus on lower-priority projects
- Limited cross-functional collaboration
- A process that's disconnected from business objectives

These issues can slow down product development, create compliance risks, cause scrap/wastage and leave little room for innovation. Left unaddressed, they could even result in a product that needs to be recalled from the market.

L.E.K.'s approach to NPD transformation

A transformative effort can get the process back on track. At L.E.K. Consulting, we've developed and employed a framework for getting this done (see Figure 3).



Source: L.E.K.

Portfolio management requires company leadership to define the mix and quantity of projects needed to meet organizational objectives.

Management by objectives defines the roles, responsibilities and benchmarks needed to support each organizational objective.

Ideation is about generating concepts to fulfill portfolio needs that are validated by consumer feedback and match the company's existing capabilities.

Pipeline fulfillment pulls through the highest-value initiatives, matching organizational capacity and business priority to generate the highest return on innovation spend.

Commercial readiness empowers cross-functional teams to foster collaboration and accountability throughout the project life cycle.

Go-to-market readiness ensures a seamless knowledge transfer between development and commercialization, separating development activities from go-to-market activities.

Learn and assess is an ongoing process to optimize post-launch performance and, through feedback loops, help the company identify new opportunities while improving the delivery of future projects.

By applying this framework, companies can get new products out to market faster, realize more revenue from innovation and cut down on scrap. A more effective NPD process can even help with employee retention by reducing frustrations from a dysfunctional process and creating more opportunities to bring novel solutions to market.

Getting to value faster

The VMS industry is still in the middle innings of its evolution. Innovation will be a key driver of future growth, and future market winners will likely be determined by which players achieve compliant, timely and compelling product releases. For companies looking to upgrade their NPD process, L.E.K.'s framework can focus efforts on what really matters and help tip the balance in their favor.

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About L.E.K. Consulting

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