



The Nutrigenetics Opportunity: Poised for Growth

As genetic testing has emerged as one of the fastest-growing areas of consumer healthcare, sales of direct-to-consumer (DTC) solutions from companies like AncestryDNA and 23andMe have surged. Currently estimated at around \$300 million in the U.S. alone, the DTC genetic testing market is forecast to grow between 15% and 20% annually through 2023, driven in large part by consumer demand for personalized health and wellness information.

Against that backdrop, nutrigenetics tests — which analyze how a person's genetic variations affect their ability to process certain nutrients and toxins — present a unique and significant opportunity. For example, according to a proprietary Health & Wellness Consumer survey L.E.K. Consulting conducted, 37% of respondents across consumer segments said they would purchase a personalized nutrition program — suggesting a whopping \$3.2 billion retail opportunity for such programs. (See Figure 1.)

While nutrigenetics tests are typically sold as the end product for, say, tracing one's ancestry, a small but growing number of companies have moved to leverage the data nutrigenetics test-makers generate as an on-ramp for related products and services. Food and beverage companies; makers of nutritional supplements; and beauty, personal care, and weight loss management service providers are especially well positioned to

tap into this rapidly expanding market. But while initial consumer interest in nutrigenetics is high, the industry remains nascent. It's also a crowded field, and while some key players have emerged — among them Pathway Genomics, Silverberry Genomics, DNA Fit and Vitagene — there are no clear leaders yet. And as the experience of some early market entrants makes clear, before offering consumers any nutrigenetics-based product or service, they need to plan carefully.

Early mover examples: Habit's personalized food delivery and Nutrisystem's DNA Blueprint Kit

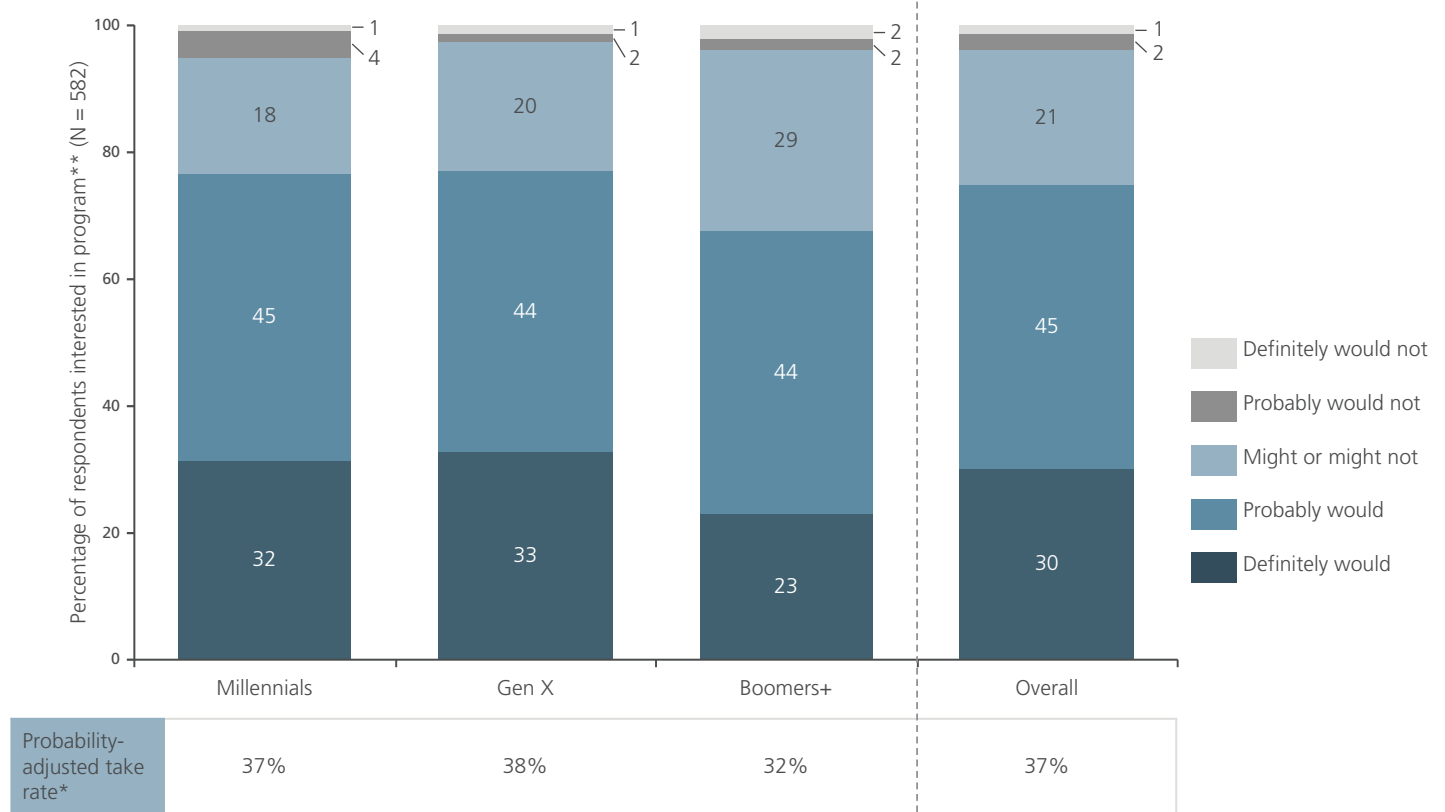
Habit, which was backed by Campbell Soup before being sold to Viome in February 2019, originally advertised a full “test to table” experience using genetic and blood testing, the results of which it used to deliver consumers personalized nutrition plans and related meals. But after an eight-month pilot, the company ended its meal delivery service due to logistical challenges and barriers to profitability.

It subsequently pivoted to make the diagnostic test its primary offering, augmenting the results with personalized solutions, such as recipes, that it delivers digitally. As a former Habit executive explained, “We realized that if we wanted to be a meal delivery company, we needed to focus on that, and it would take a long time to be successful. By developing digital recipes, we served the customer need and rolled it out quickly.” Testing had also come to be seen as a hurdle to the meal delivery service, as people were eager to start receiving meals, but processing their test results could take a month or longer.

The Nutrigenetics Opportunity: Poised for Growth was written by **Alex Evans**, Managing Director in L.E.K. Consulting's Consumer Products practice.

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Figure 1
Likelihood to purchase a personalized nutrition program



Note: Q39. Imagine you were able to create your own personalized nutrition program at a price you consider to be reasonable. Which of the items below would you include in your ideal program? Q40. At what monthly price would you consider the package you selected to be a reasonable offering? Q41. If this program became available to you, how likely would you be to subscribe at [X] per season? * 70/30/10 adjustment (70% of Definitely would, 30% of Probably would, 10% of Might or might not). ** Respondents who selected at least one item from Q.39, "What items would you include in your ideal program?"
Source: L.E.K. Health and Wellness Consumer survey (February 2018)

Nutrisystem in mid-2018 partnered with DNA kit-maker Genetic Direction and testing lab AKESOGen to launch a genetic test product dubbed the DNA Blueprint Kit as an add-on to its weight management program. But it never effectively used the nutrigenetics test results to offer its customers personalized diet solutions, fundamentally eroding the test's core value proposition. As one customer commented in the review section of Nutrisystem.com, "If it would have automatically fed into my plan recommendations, that would have been awesome." In response to the lack of uptake, Nutrisystem quickly discounted the cost of the kit and, within months, pulled it altogether.

Getting started: Ways to leverage nutrigenetics

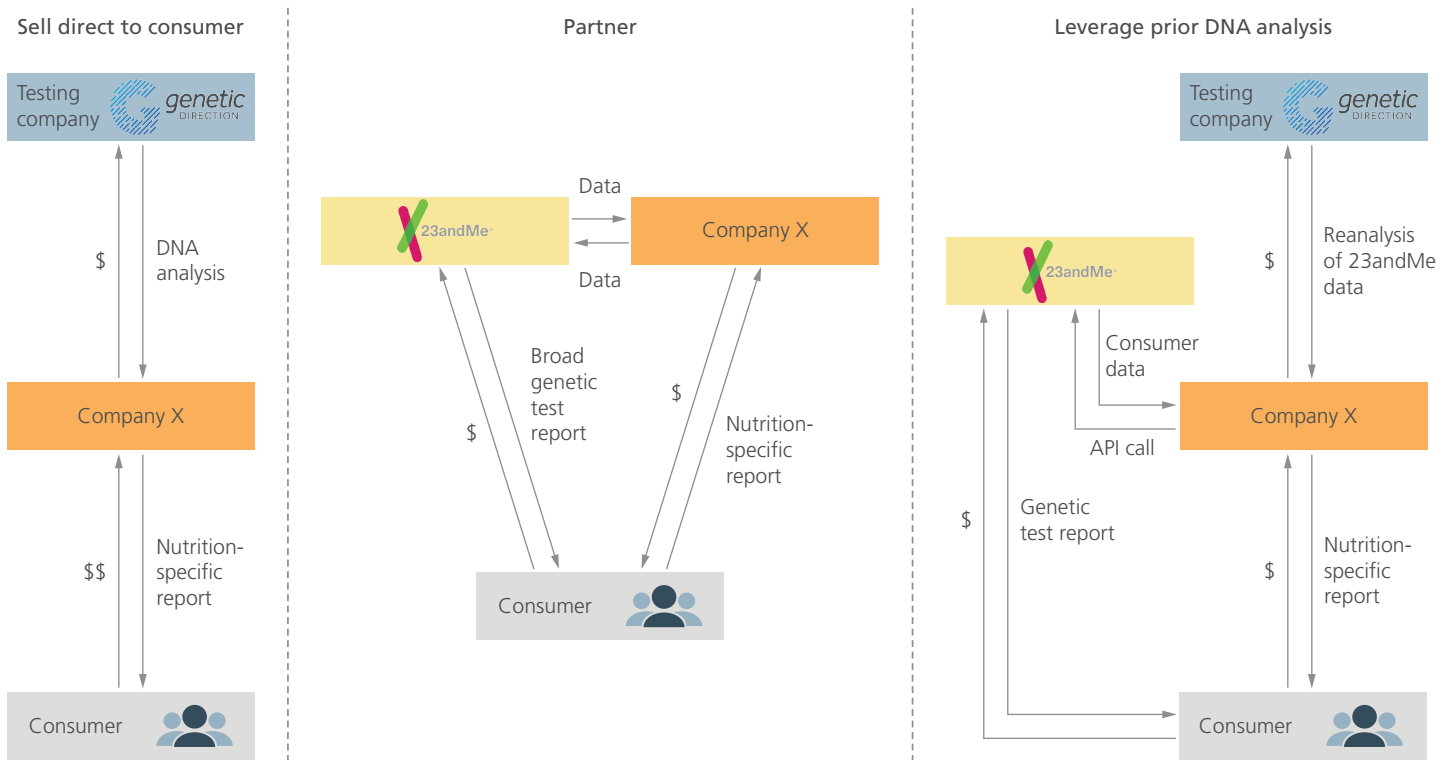
The experiences of Habit and Nutrisystem offer valuable lessons of what to do and not to do. First, however, it's important to decide how to bring the genetic test to market: by selling directly

to the consumer, by partnering or by leveraging prior DNA analysis. (See Figure 2.)

Selling DTC. By selling directly to the consumer, the company maintains full control of the data analyzed in the test as well as the product. It also gains a proprietary data set. But the customer acquisition costs are high in this model, and there are few examples of success. Plus, there are numerous tests on the market already.

Partnering. Officially partnering with another company not only offers potential cost savings, but also provides exposure to the partner's existing customer base and, with it, the chance to provide the shared base with complementary services. For example, Lark Health, whose mobile platform uses artificial intelligence to deliver one-on-one health coaching to manage chronic diseases, has partnered with 23andMe to integrate

Figure 2
Multiple ways that companies can bring a genetic test to market



Source: L.E.K. research and analysis

the genetic test-maker's data into Lark's health and wellness management app and provide personalized coaching based on those results. By partnering with one another, the companies are extending their reach to acquire new users from each other's customer base who take advantage of the complementary services they provide. On the other hand, there are operational and marketing costs associated with starting up any new partner program, and many of the benefits of a partnership can be obtained by simply leveraging the partner platform's existing DNA analysis (see next option).

Leveraging prior DNA analysis. The cost of using DNA analysis that's already been done is lower than that of generating new test results, as is the cost of the related marketing. And the ability to quickly give customers relevant information helps sustain momentum. But there is a limited universe of consumers who have already purchased a DNA test, and to fully cover a customer base it would most likely be necessary to offer stand-alone tests as well. It's also harder to develop a large data set when leveraging someone else's test.

Some key considerations

The nutrigenetics market — as well as the underlying validation of the science upon which it's based — is still in the early stages. The landscape is also crowded; there are numerous undifferentiated players targeting nutrition and related categories, with similar output and reports. Moreover, initial testing costs can be prohibitive for some consumers, and delivering personalized programs can be difficult to scale. Besides, not everyone is convinced of the underlying science yet.

Whether they are looking to use the information to deliver personalized solutions themselves or to outright partner with test-makers, each category of possible new entrants needs to take into account a number of factors.

Food and nutritional supplement brands, for example, need to develop strategies for customizing offers based on test results and for addressing other needs. They also need to ask themselves:

- How can I partner with nutrigenetics companies to include my brands and products as part of their consumer solutions?

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- How can I leverage consumer data from nutrigenetics to develop new offerings or products tailored to more personalized solutions?

Contract manufacturers serving nutritional supplement brands with nutrigenetic aspirations need to ask themselves the following:

- How should I best balance providing more personalized solutions for nutrigenetics customers vs. the shorter runs and increased complexity involved?

Brands in adjacent categories like beauty and personal care need to ask themselves similar questions:

- How can I integrate scientifically based personalization into my consumer offering?
- How can I leverage consumer data from nutrigenetics to develop new offerings or products?

Nutrigenetics is an exciting new field where consumers' increasing interest in potential learnings from their DNA is providing strong growth tailwinds. No clear leaders have yet emerged, leaving the opportunity for still more players to enter the field. And there are multiple ways to go about addressing this market — so long as the players carefully plan the journey ahead before embarking on it.

About the Author



Alex Evans, CFA, is a Managing Director and Partner in L.E.K. Consulting's Los Angeles office. Alex focuses on consumer-facing sectors encompassing both retail and media. He specializes in a diverse set of verticals including health and wellness, direct selling, specialty retail, sports, television, film, and OTT/DTC digital services.

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