Top 8 Insights From the 2018 Beauty, Health & Wellness Survey

Think nutritional supplements and skincare are of interest only to consumers of a certain age? Think again. According to L.E.K. Consulting's third installment of a biennial survey of the healthy living marketplace, this one focusing on nutrition and skincare, some 80% of health and wellness (H&W) consumers across generations — from millennials to baby boomers — are highly engaged with both categories.

The survey captured insights from more than 1,600 respondents, representing roughly 77% of the U.S. adult population who identify with H&W themes, and generated eight key insights across categories. Together these insights make clear that consumer interest in nutritional supplements and skincare often lasts a lifetime.

Top 8 Insights From the 2018 Beauty, Health & Wellness Survey was written by **Alex Evans** and **Maria Steingoltz**, Managing Directors in L.E.K. Consulting's Consumer Products practice. Alex is based in Los Angeles and Maria is based in Chicago.

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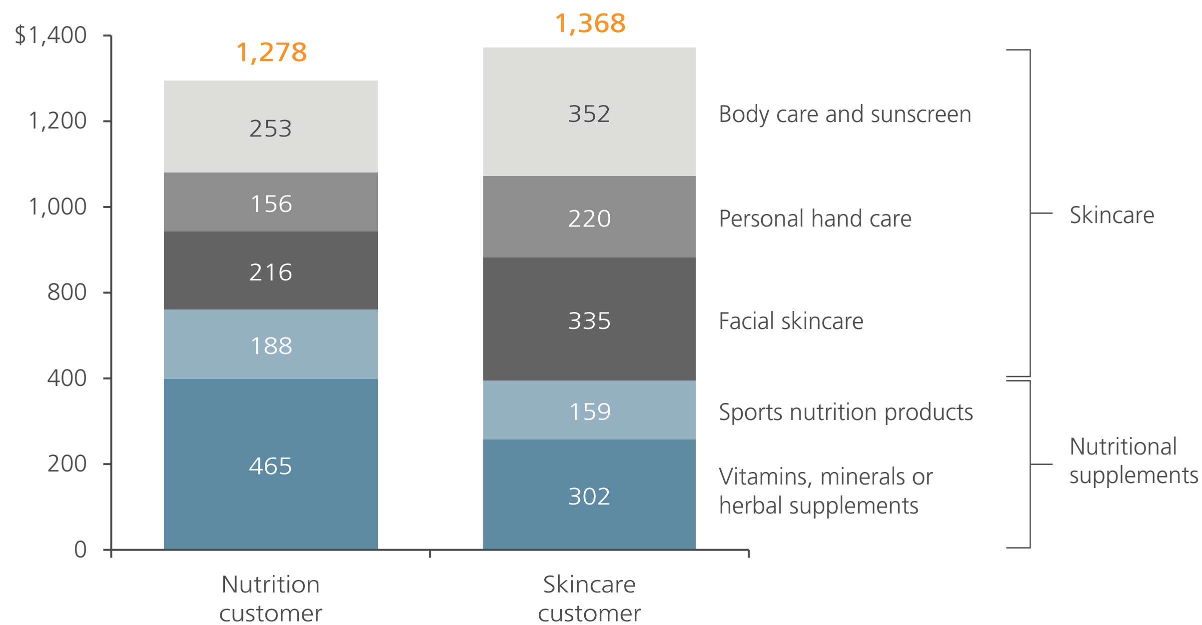
L.E.K.

1. They have the spending to prove it

On average, consumers spend more than $100 per month — totaling $1,300 a year — on nutritional supplements such as vitamins, minerals, herbal and sports nutrition products, and skincare products such as creams, lotions and sunscreens, with a particular emphasis on semidiscretionary items.

Average annual spend per customer* based on last month's spend[1]

Nutritional supplements and skincare spend by customer type



*Outliers beyond $1,000 in the past month were removed
Source: L.E.K. Beauty, Health & Wellness Consumer Survey (February 2018)

2. Crossover spending is significant

Consumers who primarily shop in one category also spend more than $450, on average, in the other category each year. Nutritional supplements brands, therefore, don't want to miss the opportunity for so-called outer nutrition products, while beauty brands need to capture the opportunity for products focused on "beauty from within."

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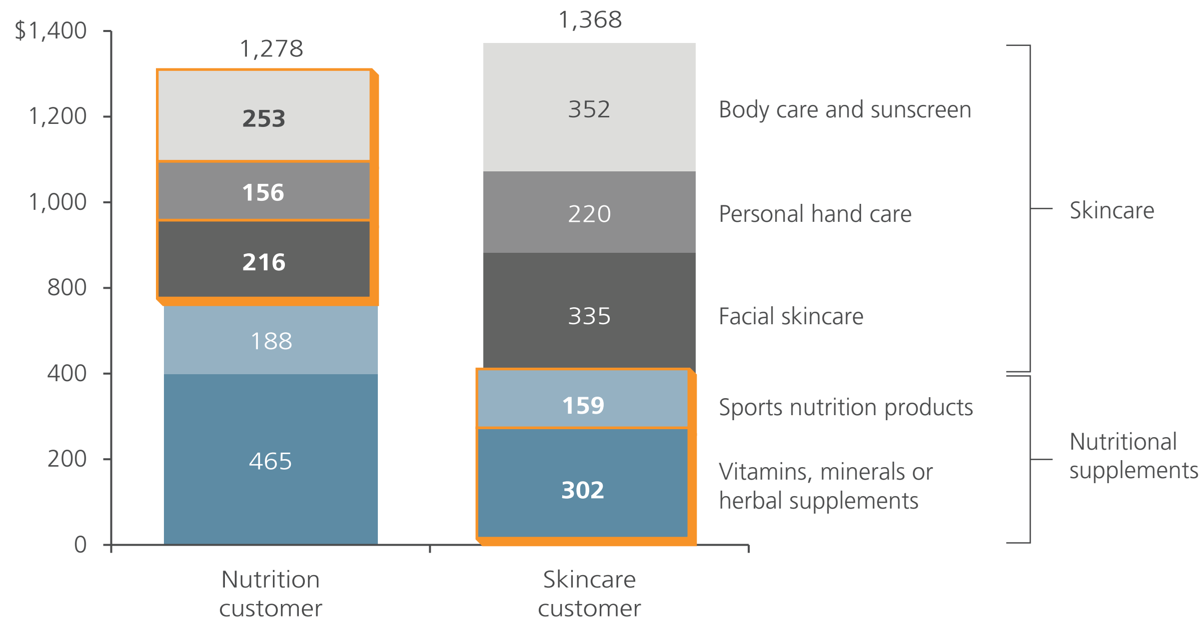
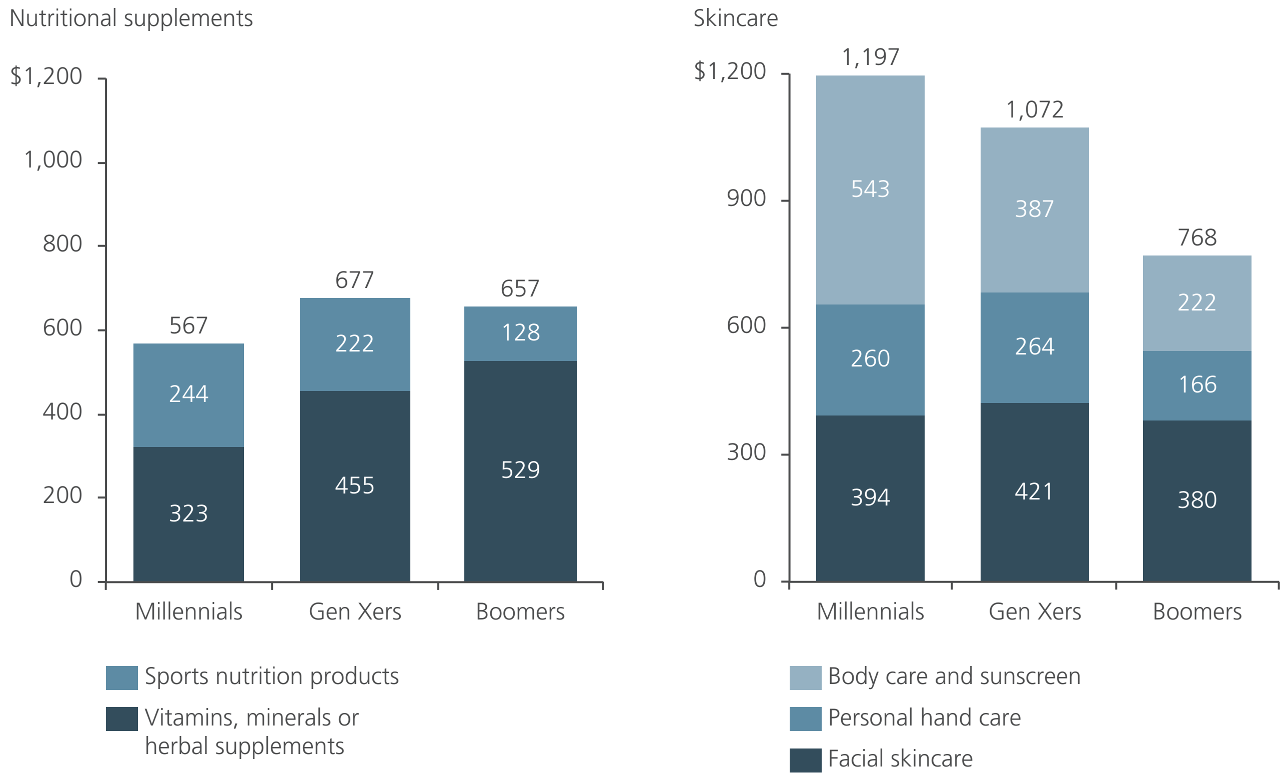


*Outliers beyond $1,000 in the past month were removed
Source: L.E.K. Beauty, Health & Wellness Consumer Survey (February 2018)

3. Certain generational differences exist

Unlike spending on nutritional supplements, which generally increases with age, skincare spending is much higher for millennials than for either Gen Xers or boomers.

Average annual spend per customer* based on last month's spend[1]



*Among customers who have spent more than $0 in the past month in the broader category (nutritional supplements, functional F&B or skincare)
Source: L.E.K. Beauty, Health & Wellness Consumer Survey (February 2018)

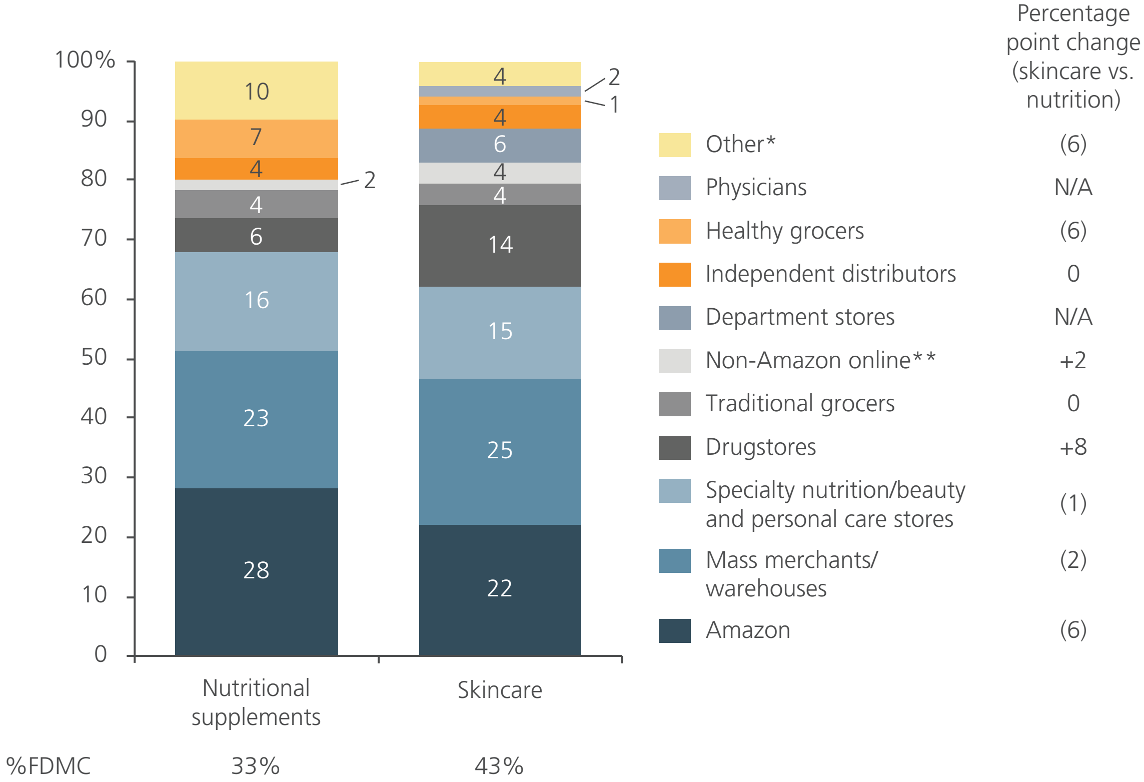
4. Amazon is a force to be reckoned with

Consumers typically purchase products in both categories from mass merchants, Amazon and drugstores — in that order. The food, drug, mass merchandiser and convenience stores (FDMC) channel wins on convenience, while national specialty channels deliver on quality and trust.

But Amazon has already established itself as the No. 1 preferred channel for nutritional supplements, which means brands have an untapped opportunity to grow their business with the online retailer. Amazon Essentials is itself a highly rated "enthusiast" brand in nutritional supplements, one that our proprietary Brand Growth Matrix suggests is also poised for further growth.

Already the No. 2 preferred channel for skincare, Amazon appears to also have significant runway for additional growth in that category (at the expense, of course, of the FDMC channel). So, along with specialty stores, skincare brands need to invest there as well.

Preferred channels by category[2]

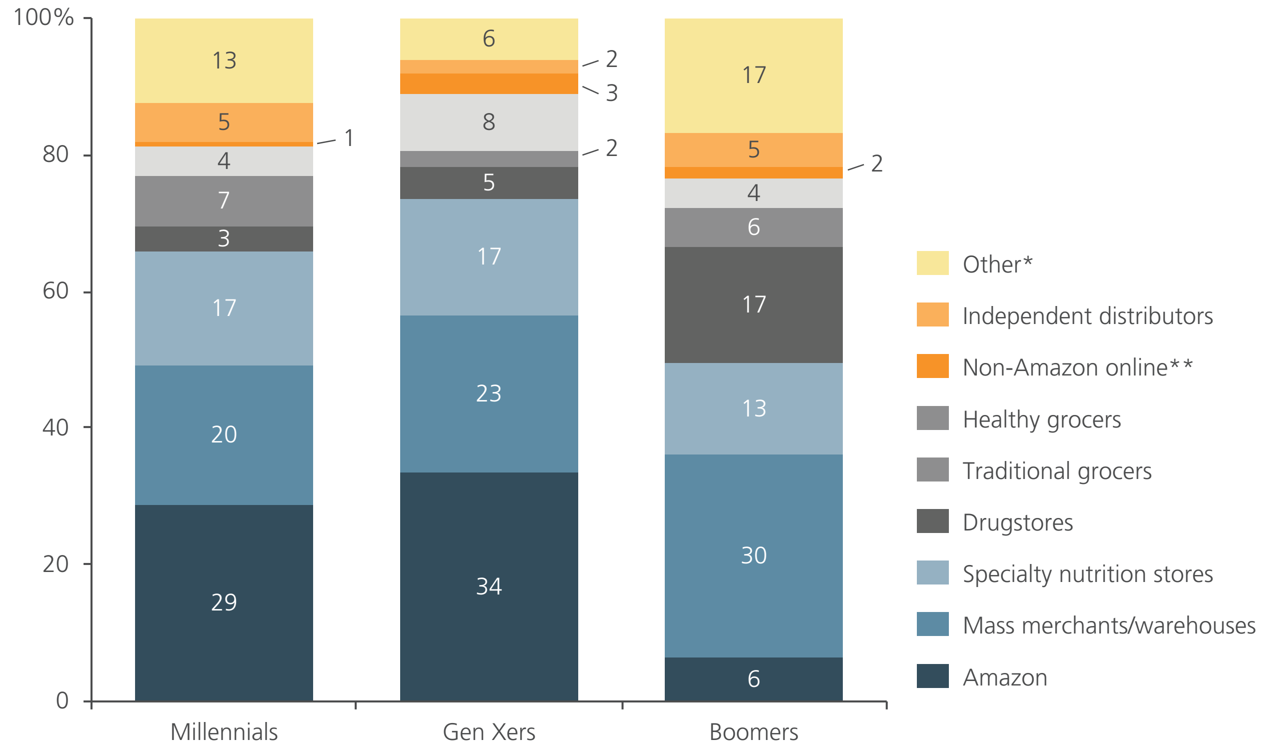


Note: Weighted based on stated spend
*"Other" for nutritional supplements includes workout facilities, convenience stores, nutrition box subscriptions and other, while "other" for skincare includes convenience stores, personal care subscriptions and other
**.com of stores included in relevant category
Source: L.E.K. Beauty, Health & Wellness Consumer Survey (February 2018)

5. To reach baby boomers, brands still need to be everywhere

Millennials already lean heavily toward Amazon for both nutritional supplements and skincare, so in order to reach that demographic, brands need to be great on that channel. In fact, in nutritional supplements, Amazon is the channel of choice for both millennials and Gen Xers. It has not, however, resonated with boomers for either category — yet. In the meantime, brands need to play broadly across channels to reach boomers, via a mix of FDMC, specialty stores and online.

Preferred channels for nutritional supplements purchases by consumer segment[3]

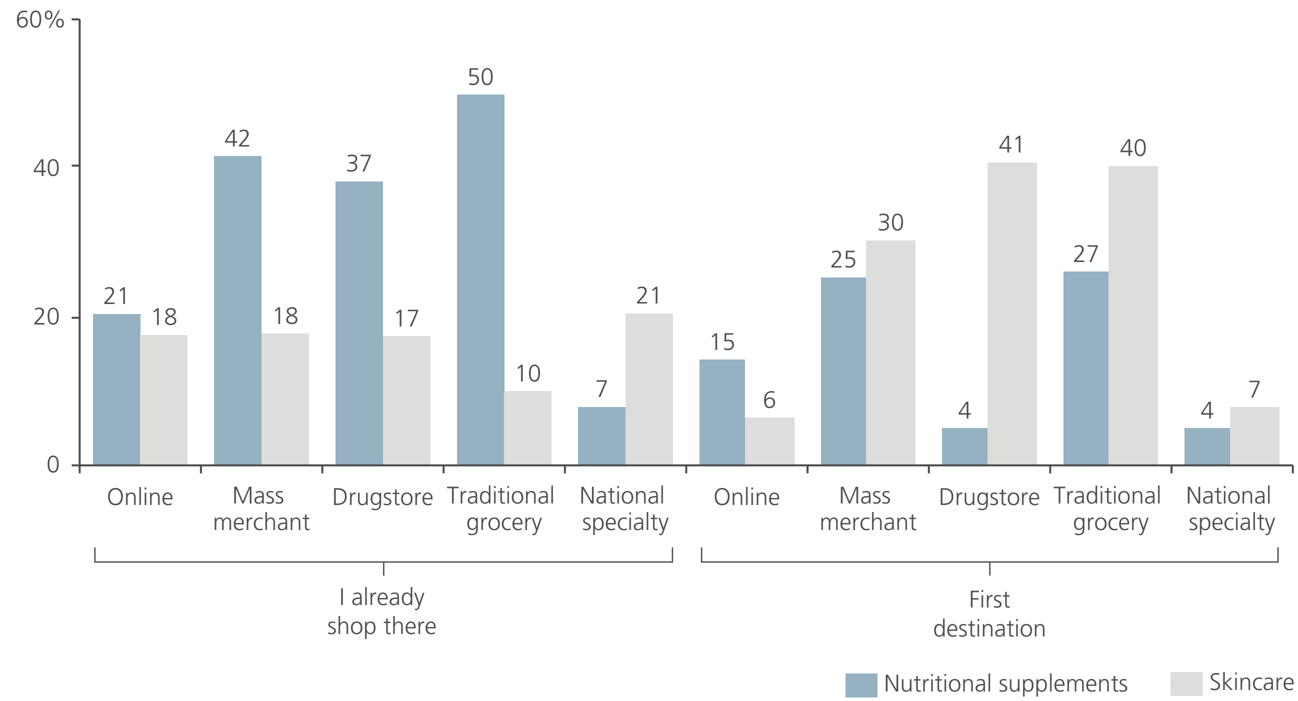


Note: Weighted based on stated spend
*"Other" includes workout facilities, convenience stores, nutrition box subscriptions and other
**.com of stores included in relevant category
Source: L.E.K. Beauty, Health & Wellness Consumer Survey (February 2018)

6. Channel selection also varies by category

Skincare consumers, according to our survey, appear more intentional ("first destination") than not with their channels of choice. Nutritional supplements consumers, meanwhile, appear to base their choice of channels more on where they already shop.

Reasons for shopping channels[4]



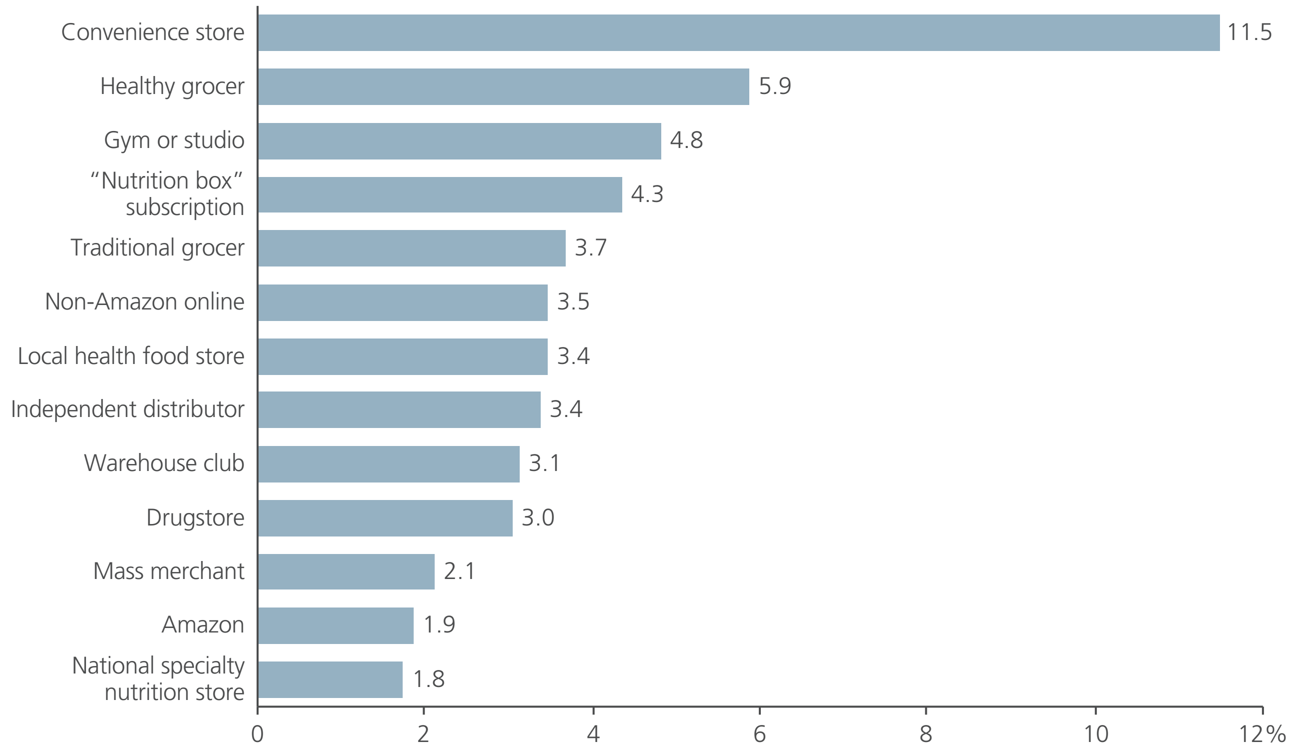
Source: L.E.K. Beauty, Health & Wellness Consumer Survey (February 2018)

7. The convenience store channel remains underdeveloped

In nutritional supplements, our Channel Power Index rating (% shopped vs. % preferred) for convenience stores suggests it's a strong impulse channel that may be underdeveloped. The same dynamic likely exists in skincare, too.

Channel Power Index[5]

Ratio of percentage purchased in past month to percentage selected as preferred retailer



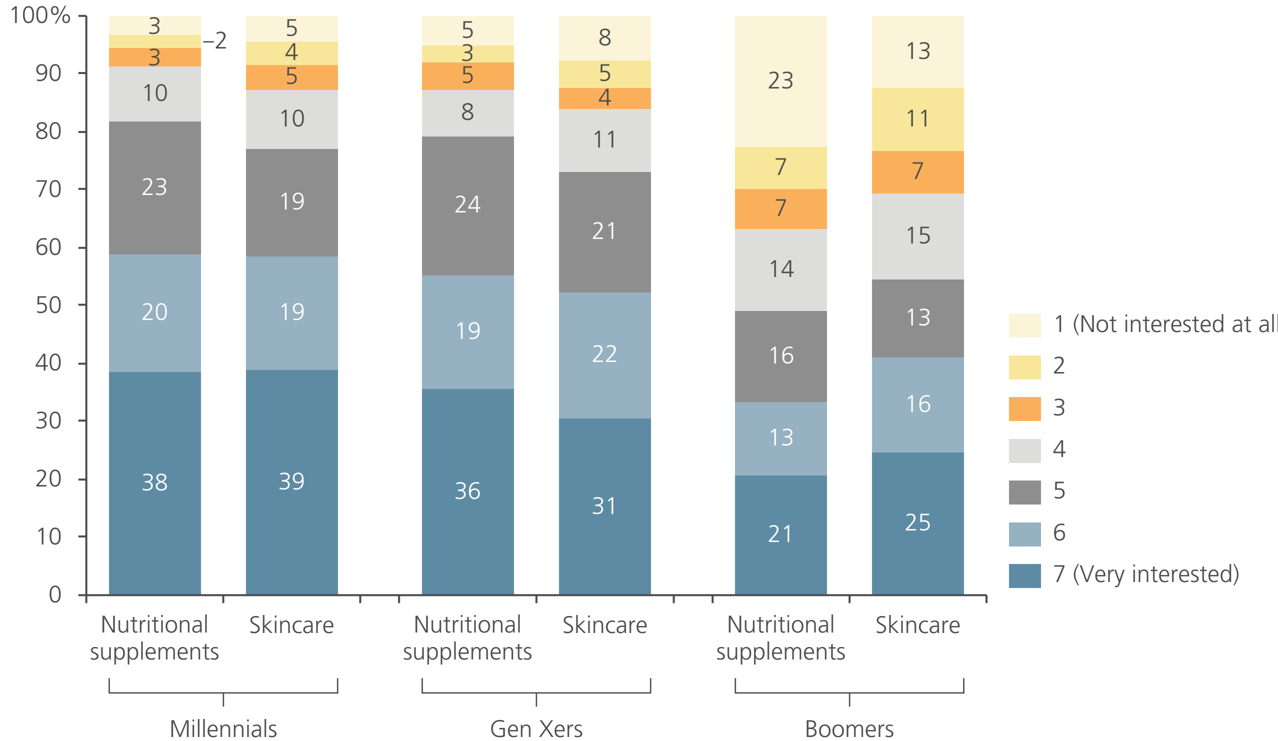
Source: L.E.K. Beauty, Health & Wellness Consumer Survey (February 2018)

8. What cuts across both nutritional supplements and skincare is personalization

Personalization can take many forms. For some, it means a selection of nutritional supplements tailored to their individual health needs. For others, it means a custom skincare program augmented by a beauty box delivery each month. Boomers, according to our survey, are only slightly less likely than either millennials or Gen Xers to purchase a skincare or personalized nutritional supplements program. Both nutritional supplements and skincare brands need to address this large — and largely untapped — personalization opportunity with compelling, holistic solutions.

Whatever the form, based on stated interest, the conservatively estimated market potential for personalized products tops $6 billion — $3.2 billion for nutritional supplements and $3.1 billion for skincare. While some of this would involve a shift in current spending, consumers did suggest that personalization would increase their overall spend in the category, particularly in nutritional supplements.

Interest in a personalized nutrition program and skincare program[6]



Source: L.E.K. Beauty, Health & Wellness Consumer Survey (February 2018)

Endnotes

[1]Survey question 6: In the past month, approximately how much have you spent on each of the following goods/services? (N=1,635)

[2]Survey question 34: Which of the following type of retailer do you consider to be your preferred retailer type for purchasing nutritional supplements? (N=924)/Survey question 47: Which of the following type of retailer do you consider to be your preferred retailer type for purchasing skincare products? (N=1,242)

[3]Survey question 34: Which of the following type of retailer do you consider to be your preferred retailer type for purchasing nutritional supplements? (N=924)

[4]Survey question 35: You indicated that you prefer to purchase your nutritional supplements from [X]. What are the top reasons you choose to purchase nutritional supplements from this type of retailer? (N=924)/Survey question 48: You indicated that you prefer to purchase your skincare products from [X]. What are the top reasons that you choose to purchase facial skincare, personal hand care, body care or sunscreen from this type of retailer? (N=924)

[5]Survey question 33: In the past month, which of the following retailers have you purchased nutritional supplements from? (N=924)/Survey question 34: Which of the following type of retailer do you consider to be your preferred retailer type for purchasing nutritional supplements? (N=924)

[6]Survey question 38: What is your interest in a personalized nutrition program providing nutrition recommendations specifically tailored for you as an individual? (N=924)/Survey question 51: What is your interest in a personalized skincare program specifically customized for your skin type and needs? (N=1,242)

About the Authors

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