5 Opportunities in the Nutritional Supplements Industry

Nutritional supplements play a key role in the lives of U.S. adult consumers interested in health and wellness (H&W). Within this segment, they spend, on average, a reported $635 on nutritional supplements each year: $433 on vitamins, minerals and herbal supplements (VMS), and $202 on sports nutrition products. And yet, within both categories, there is still room for further growth.

That's according to the third installment of a biennial survey L.E.K. Consulting conducted on the healthy living marketplace — in this case, on nutritional supplements. Indeed, when asked about their prior month's purchases, just 55% of consumers who make H&W a priority said they bought VMS, and only 25% had purchased sports nutrition products. In other words, for retailers and brands there are some significant opportunities — and even a lurking threat — to be found.

5 Opportunities in the Nutritional Supplements Industry 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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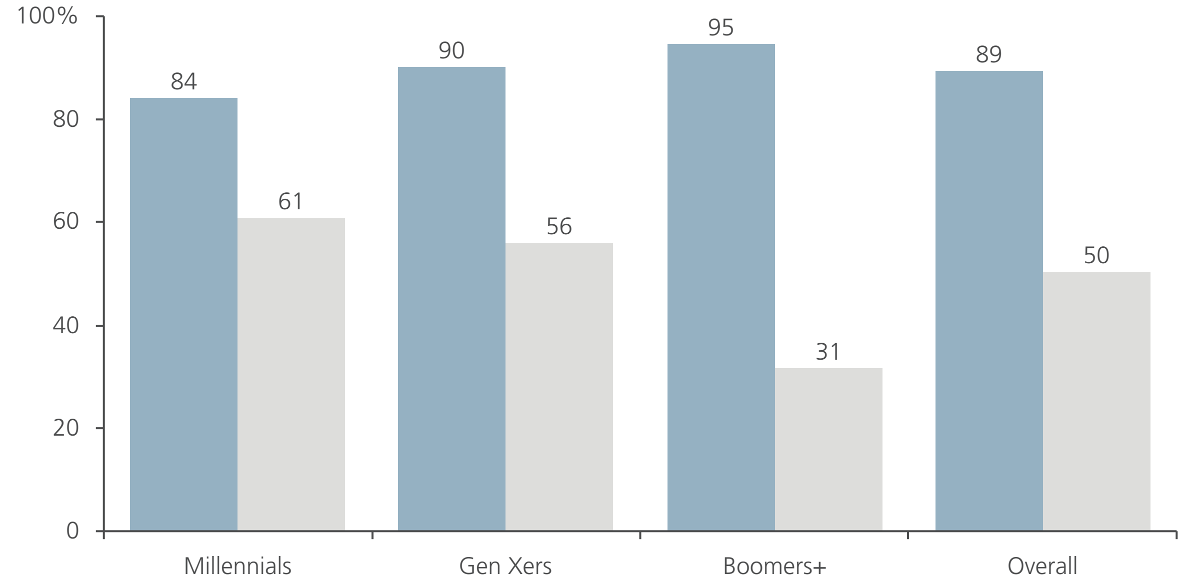
L.E.K.

Opportunity No. 1: Sports nutrition

Protein powders, protein bars, energy gels and other so-called active nutrition products have garnered a lot of attention lately. But sports nutrition continues to lag behind that of the more broadly adopted VMS category. Overall, H&W consumers are engaging with sports nutrition products a little more than half (56%) as often as they do VMS products each week. Engagement is highest with millennials, at 72%, whereas at just 33%, baby boomers present the biggest opportunity.

Weekly nutritional supplements engagement

Percentage that engage in activity at least once a week[1]



	Millennials	Gen Xers	Boomers+	Overall
Ratio of sports nutrition/VMS	0.72	0.62	0.33	0.56

Take a vitamin, mineral or herbal supplement · Consume sports nutrition supplements

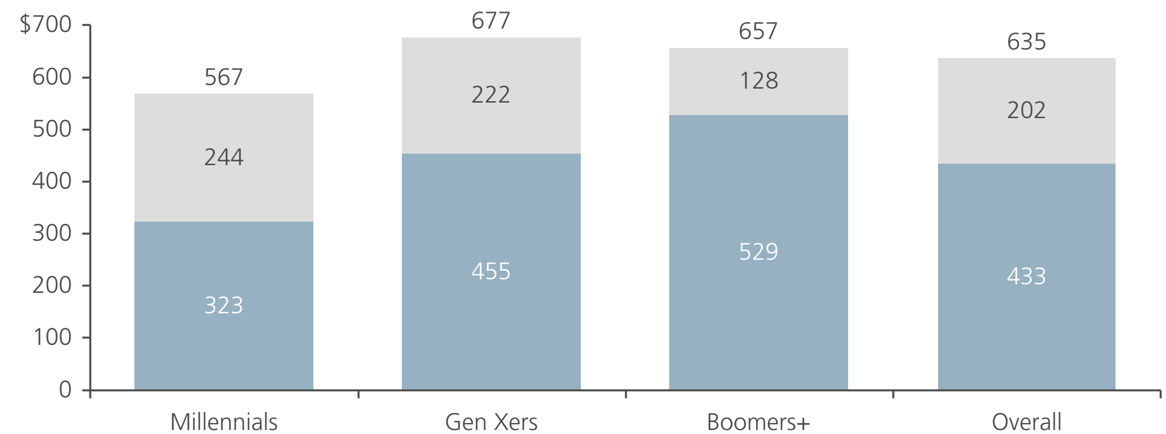
Source: L.E.K. Health and Wellness Consumer Survey (February 2018)

Opportunity No. 1: Sports nutrition

Meanwhile, annual spending on sports nutrition vs. VMS across generations comes in at just 47%.

Sports nutrition and VMS products spend

Average spend per person per year[2]



	Millennials	Gen Xers	Boomers+	Overall
Avg. Income	$67K	$86K	$69K	$75K
$ spending per $1,000 income	$8	$8	$9	$9
Ratio of sports nutrition/VMS	0.75	0.49	0.24	0.47

Sports nutrition products   Vitamins, minerals or herbal supplements

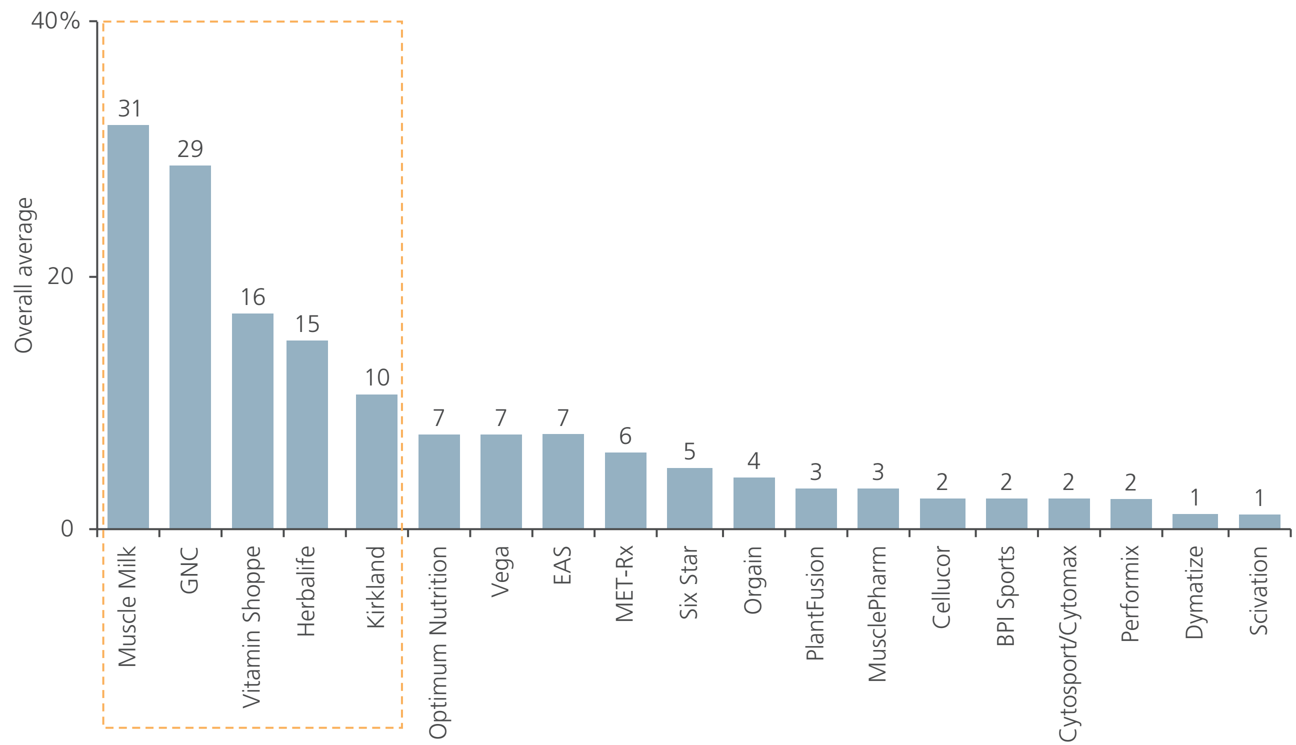
Source: L.E.K. Health and Wellness Consumer Survey (February 2018)

Opportunity No. 1: Sports nutrition

Add to that a lack of mainstream brands — and the fact that many of them, such as GNC and Kirkland, are channel-affiliated — and it becomes clear that, despite recent growth, significant runway for sports nutrition remains.

Sports nutrition brands purchased in the past month

Percentage of responses[3]



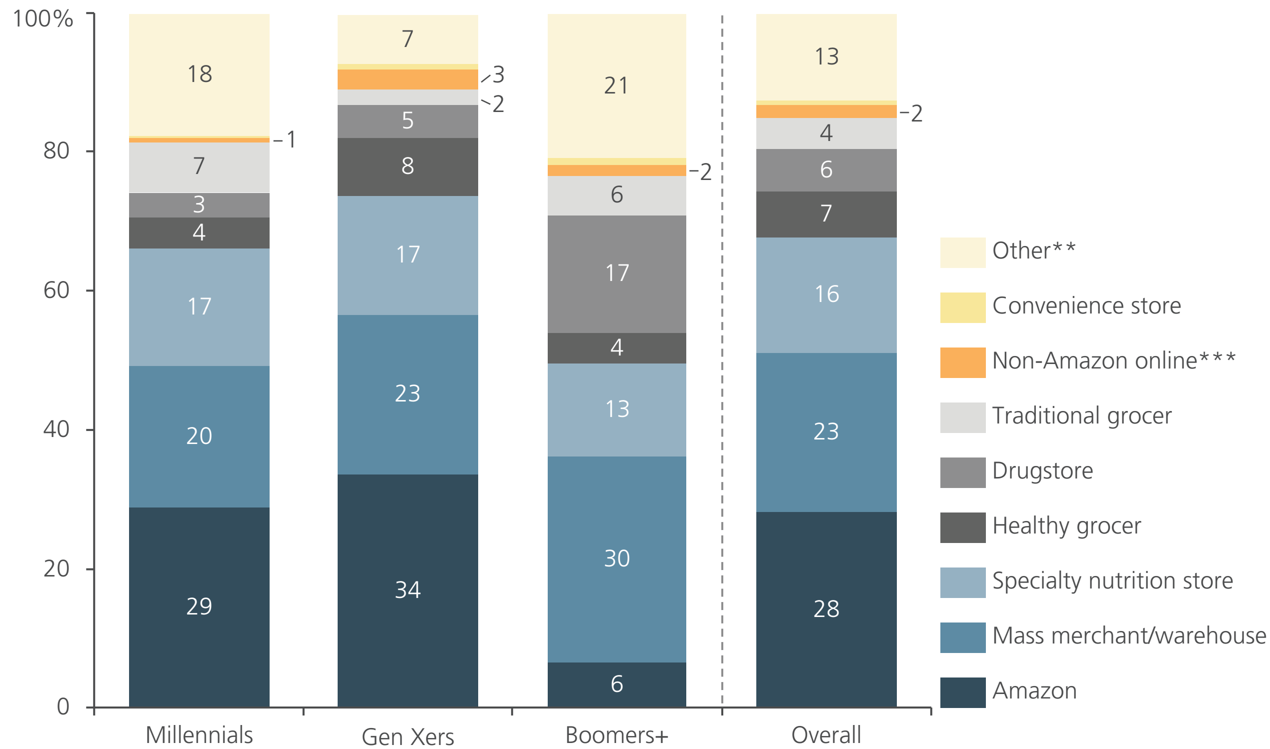
Source: L.E.K. Health and Wellness Consumer Survey (February 2018)

Opportunity No. 2: Amazon

As a retail channel, Amazon has become a leader in both VMS and sports nutrition. It's the preferred channel across all consumer segments overall, driven by both millennials and Gen Xers. As such, when it comes to allocating resources, brands need to treat Amazon as a stand-alone channel and not just another retailer.

Preferred channels for nutraceutical purchases by consumer segment*

Percentage of respondents[4]



*Weighted based on stated spend; **Other includes independent distributors, "nutrition box" suppliers, fitness centers and other stores; *** .com stores included in relevant categories

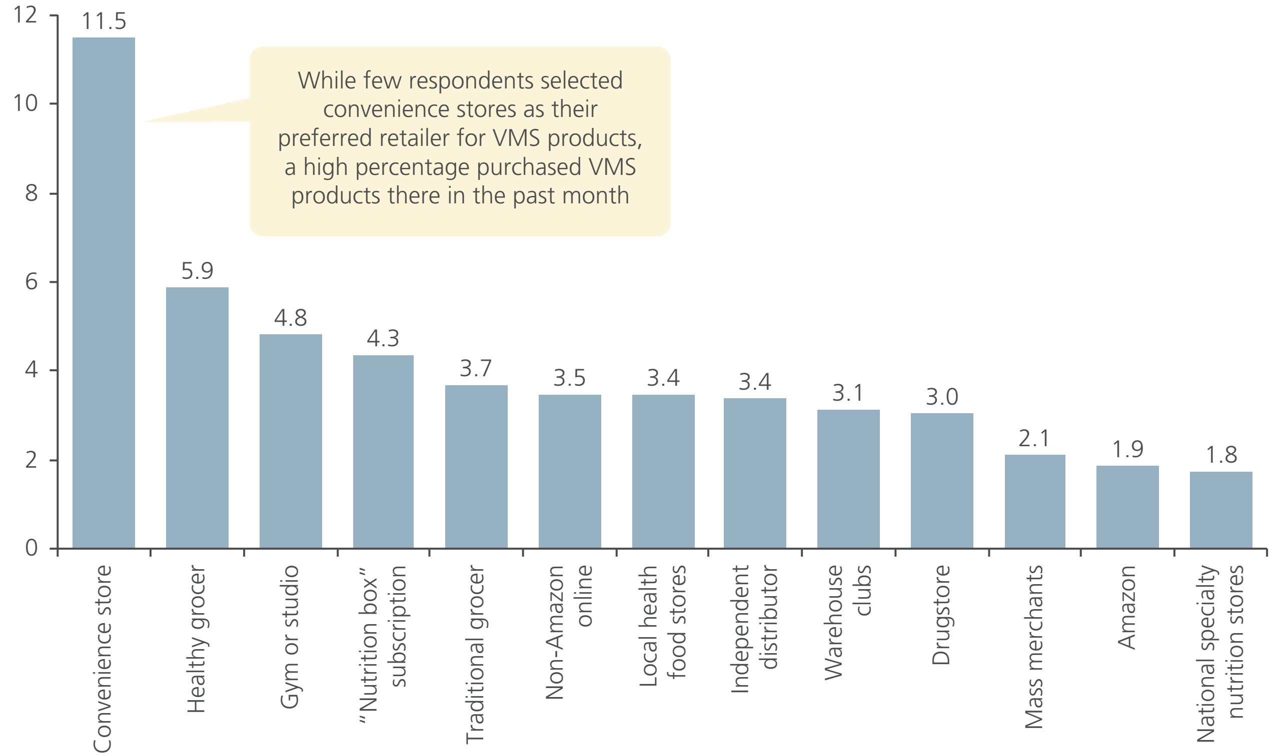
Source: L.E.K. Health and Wellness Consumer Survey (February 2018)

Opportunity No. 3: Convenience stores

Impulse and convenience are powering the convenience store channel for nutritional supplements; convenience stores significantly over-index for actual purchases vs. stated preferences compared with other channels. VMS and sports nutrition brands should take advantage of that dynamic by working to develop the convenience store channel more fully.

Channel power index

Ratio of % purchased in past month to % selected as preferred retailer[5]



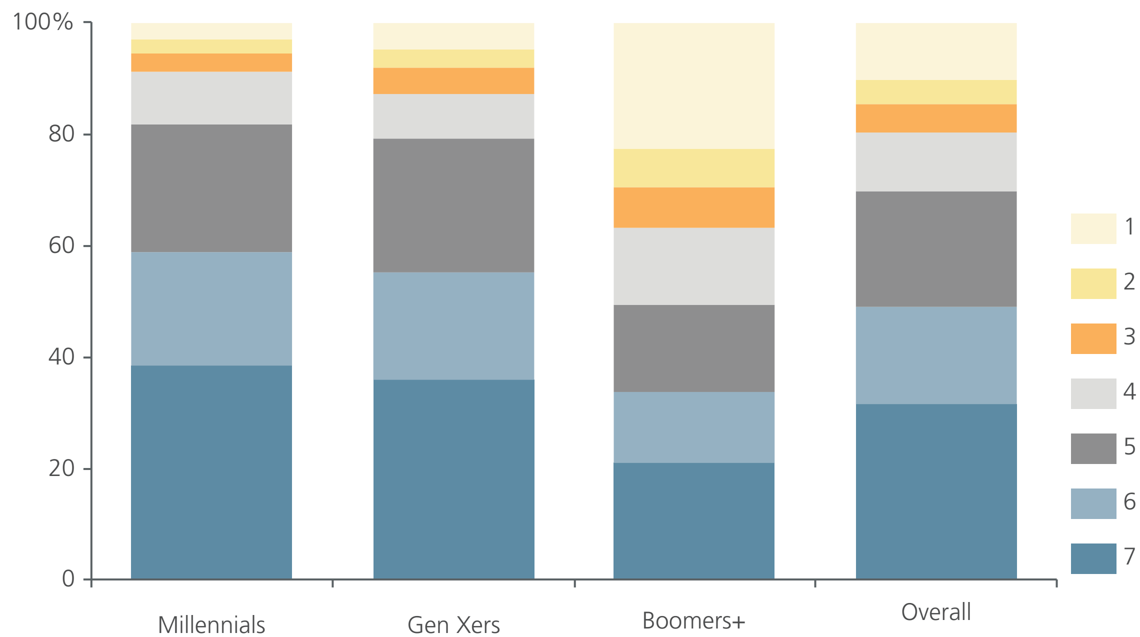
Source: L.E.K. Health and Wellness Consumer Survey (February 2018)

Opportunity No. 4: Personalized nutrition programs

When it comes to getting nutrition solutions tailored just for them, 59% of millennials and 55% of Gen Xers express interest (see figure) — and 37% of our survey respondents say they'd be willing to pay for such a program as long as the price was "reasonable." With millennials in particular, this is win-win, as the younger they are, the longer the time horizon is for having them as a customer. As to what a personalized program consists of, an exercise plan, home delivery of a selection of personalized nutritional supplements and an online health tracker topped the list. In other words, any healthy living program needs to offer not just convenience but a holistic set of solutions.

Interest in a personalized nutrition program[6]

Percentage of respondents selecting 1–7*



% selecting 6-7	59%	55%	34%	49%

*Where 1 is not interested at all and 7 is very interested

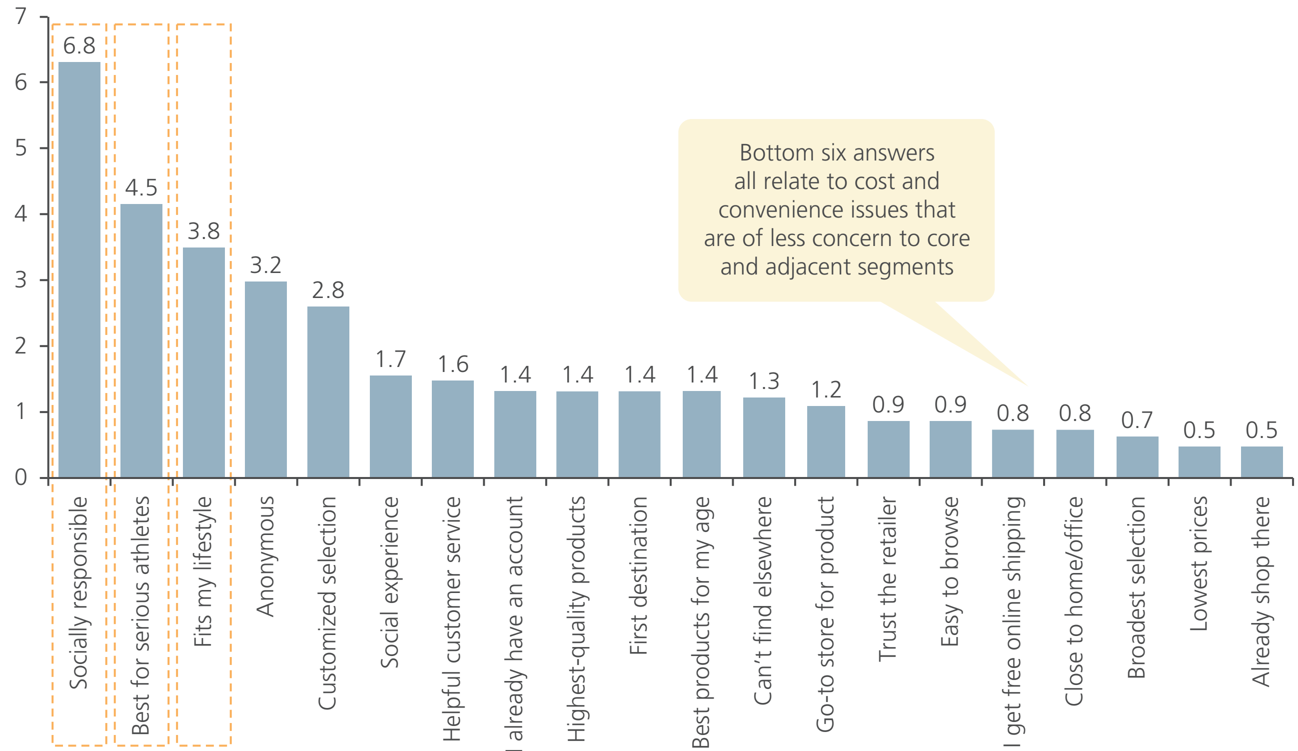
Source: L.E.K. Health and Wellness Consumer Survey (February 2018)

Opportunity No. 5: Needs-based messaging

Compared with the average consumer, H&W-focused consumers cite different reasons for choosing certain shopping channels over others: Social responsibility, lifestyle fit and degree of appropriateness for serious athletes — in addition to quality — outweigh issues such as cost and convenience. To appeal to the H&W market, brands should align their key messaging with the factors that resonate most deeply with that group of consumers.

Top 3 reasons for shopping channels*

Ratio of core + adjacent/peripheral[7]



*Spend-weighted data

Source: L.E.K. Health and Wellness Consumer Survey (February 2018)

Key Considerations

While consumers of all ages are already making nutritional supplements a part of their everyday lives, the market is far from saturated. From sports nutrition to convenience stores to personalized nutrition programs, there are opportunities to be found both for brands and retailers. By capitalizing on these opportunities, brands and retailers stand to not only gain market share and grow their top line, but to also better position themselves to stave off threats such as Amazon, whose branded VMS efforts have already gained notable traction among the H&W crowd. Indeed, while Amazon has not yet made a strong branded play in sports nutrition, there's no reason it can't or won't at some point down the road.

Endnotes

[1]Survey question 15: How often do you typically do the following activities? (N=1,635)

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

[3]Survey question 31: Which, if any, of the sports nutrition companies/brands listed below have you purchased in the past month? (N=522)

[4]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)

[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)

[7]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? Select up to three reasons. (N=924)

About the Authors

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