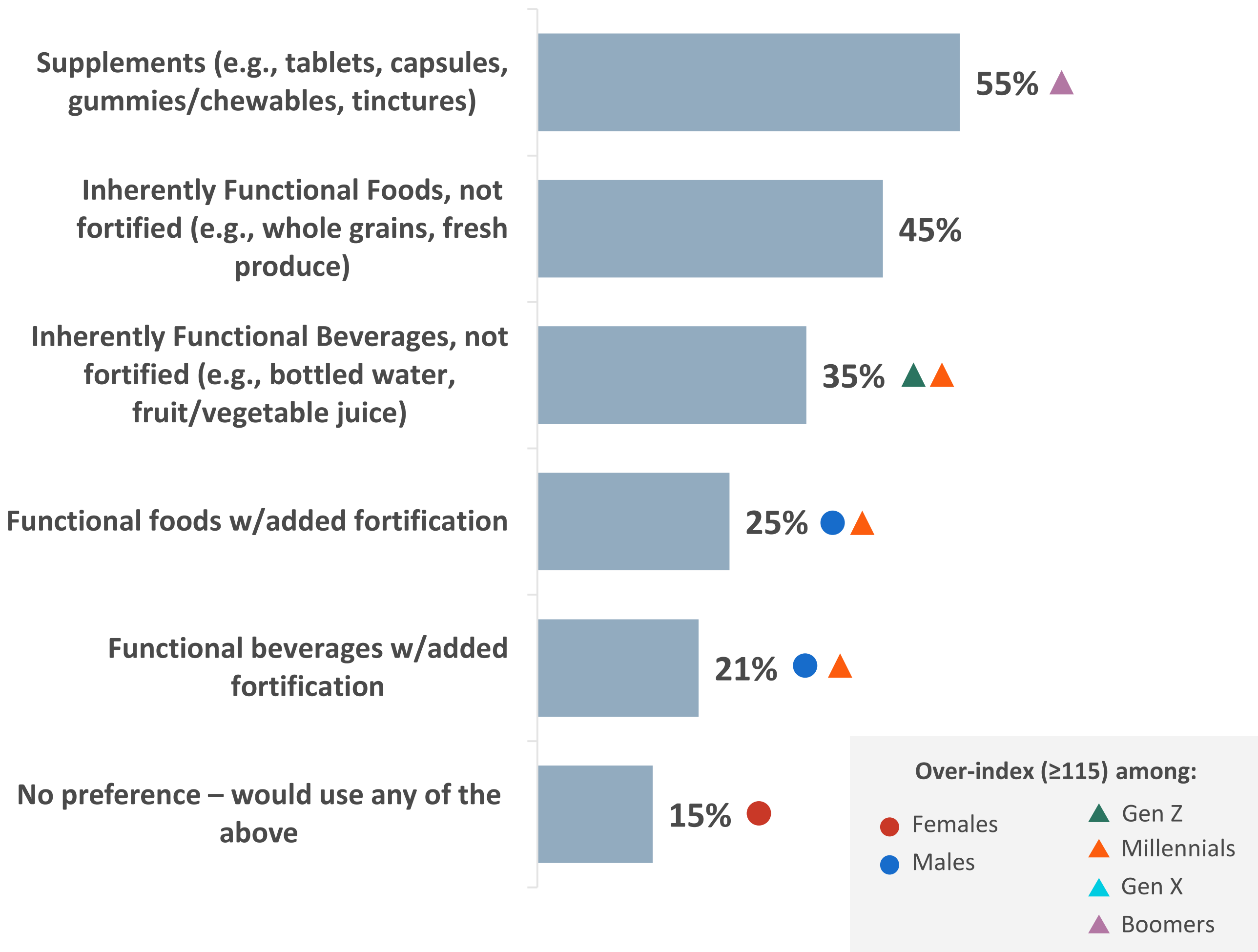
EMERGING DEMAND-SIDE OPPORTUNITIES FOR SUPPLEMENT BRANDS

Presented by Laurie Demeritt, CEO, The Hartman Group

Dietary supplements retain a key role for most consumers, even as functional foods and beverages start to challenge their supremacy

Format Preference for Adding Functional Ingredients to Diet



These are ingredients I use to help me stay on top of my health, a balance between supplements and natural fruits and vegetables. I use them in oatmeal, smoothies, coffees, or by themselves.
Female, Boomer

Fridge of probiotics, including kimchi, kombucha and fire cider! Keeps the digestive system in order.
Female, Millennial

Research conducted in April 2020, n=2,367 US adults

Supplements’ historical head start in marketing to functional benefits is reflected in current use

Solutions Used for Managing Conditions

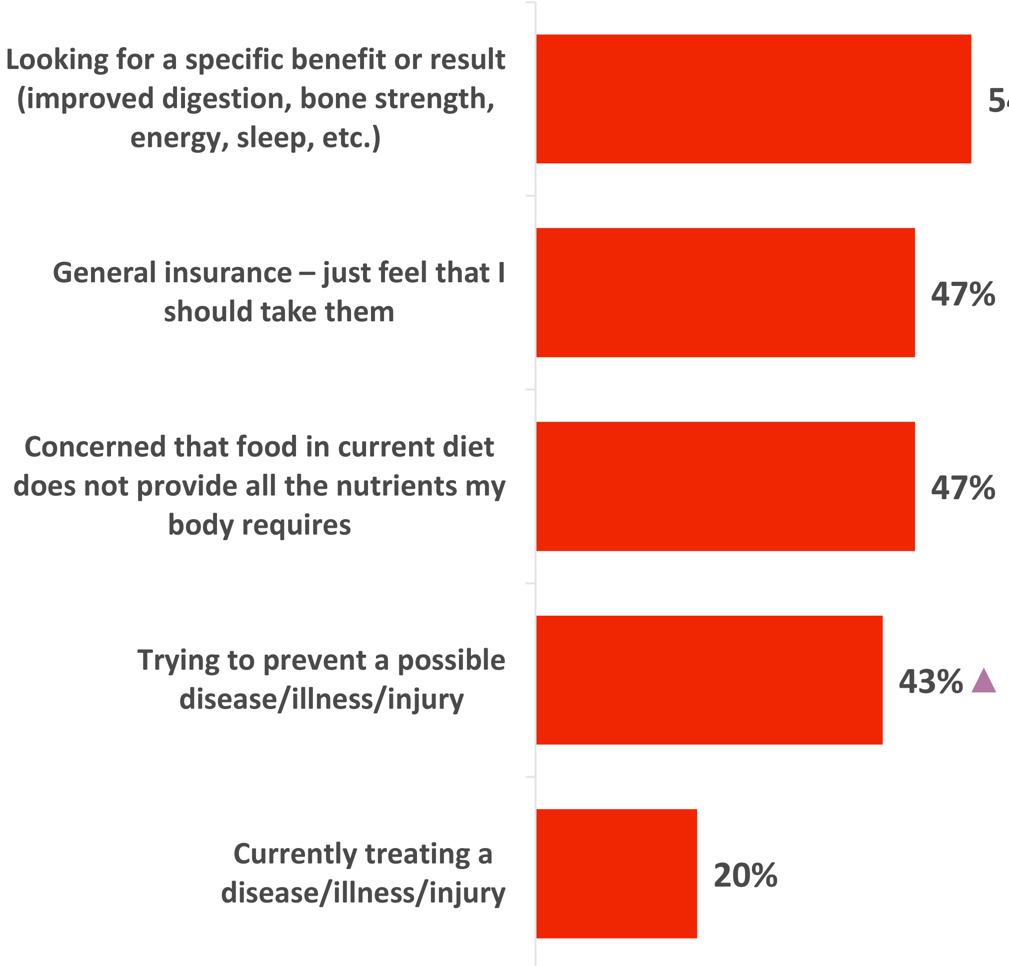
	% Treating/Preventing Condition	Supplements	Functional Food	Functional Beverage	Other – OTC, RX, Exercise, etc.
Hydration	56%	11%	13%	34%	6%
General Prevention	55%	31%	23%	15%	16%
Energy	55%	25%	23%	18%	11%
Cardiovascular/Cholesterol	54%	22%	21%	9%	20%
Bone/Joint Health	53%	31%	16%	11%	12%
Immunity	53%	31%	19%	13%	9%
Digestion/Microbiome	51%	24%	21%	13%	10%
Sleep/Rest	48%	22%	12%	8%	16%
Allergies	47%	17%	10%	6%	21%
Skin/Hair/Beauty	46%	26%	14%	10%	9%
Stress/Anxiety	46%	16%	11%	10%	19%
Fitness/Performance	46%	16%	17%	12%	16%
Weight Mgmt	45%	14%	21%	12%	14%
Inflammation	42%	18%	14%	8%	13%
Eye Health	41%	19%	14%	8%	8%
Brain Cognition /Mental Acuity	40%	18%	14%	10%	9%
Blood Sugar Mgmt.	38%	12%	16%	9%	11%
Mood Enhancement	37%	14%	11%	10%	11%
Cleansing/Detox	34%	13%	12%	10%	6%
Hormonal Issues	29%	11%	10%	6%	8%

Research conducted in April 2020, n=2,367 US adults. Cells shaded in green = over index by 120 and above; Cells shaded red = under index of 80 and below.

Traditionally thought of as 'insurance in a pill', as supplements have matured, more consumers look to them for targeted needs

Reasons for Taking Supplements

Supplement Users – 75% of population



I never feel like I get enough protein or nutrients. The supplements are kind of an insurance to make sure I get what I didn't get from eating. I can only eat so much and often I feel like I'm missing out on vital nutrients.
Male, Gen X

Got electrolytes for whenever I'm doing cardiovascular activities to keep hydrated. I take a multi every day to maintain general health. I have glucosamine for my joints. I feel better after I take it.
Male, Millennial

Over-index (≥115) among:

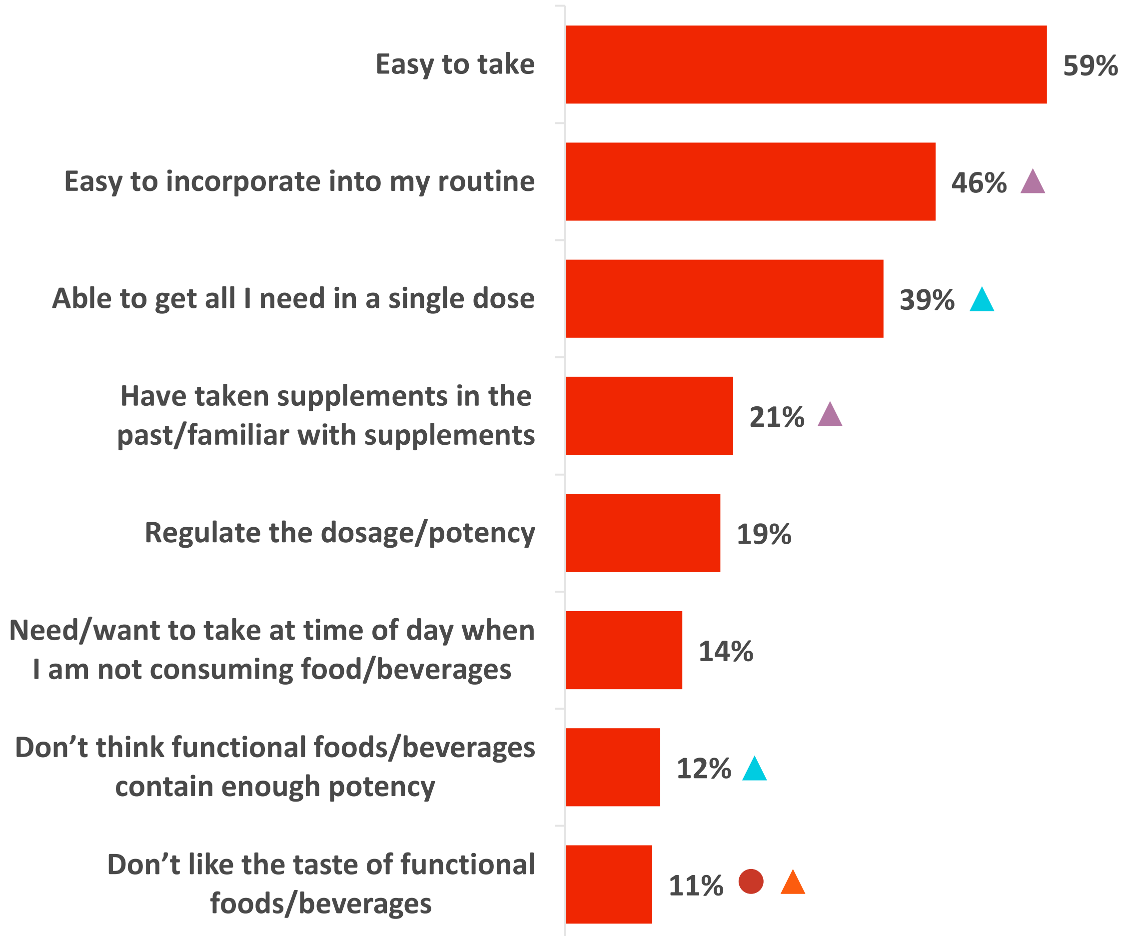
- Females
- Males
- Gen Z
- Millennials
- Gen X
- Boomers

Research conducted in April 2020, n=1,784 (supplement users)

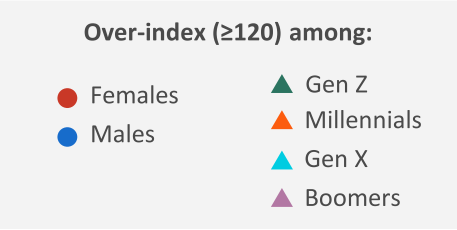
Among non-users, ease of use (including dosage) would be a motivating factor for adoption

Reason Interested in Trying Supplements

Supplement Non-Users, Interested in Use – 19% of population



The simplicity of taking a supplement to address one's needs appears to motivate a great deal of interest. This potential advantage of the supplement category should not obscure another reality: some consumers still encounter difficulties in taking supplements consistently.

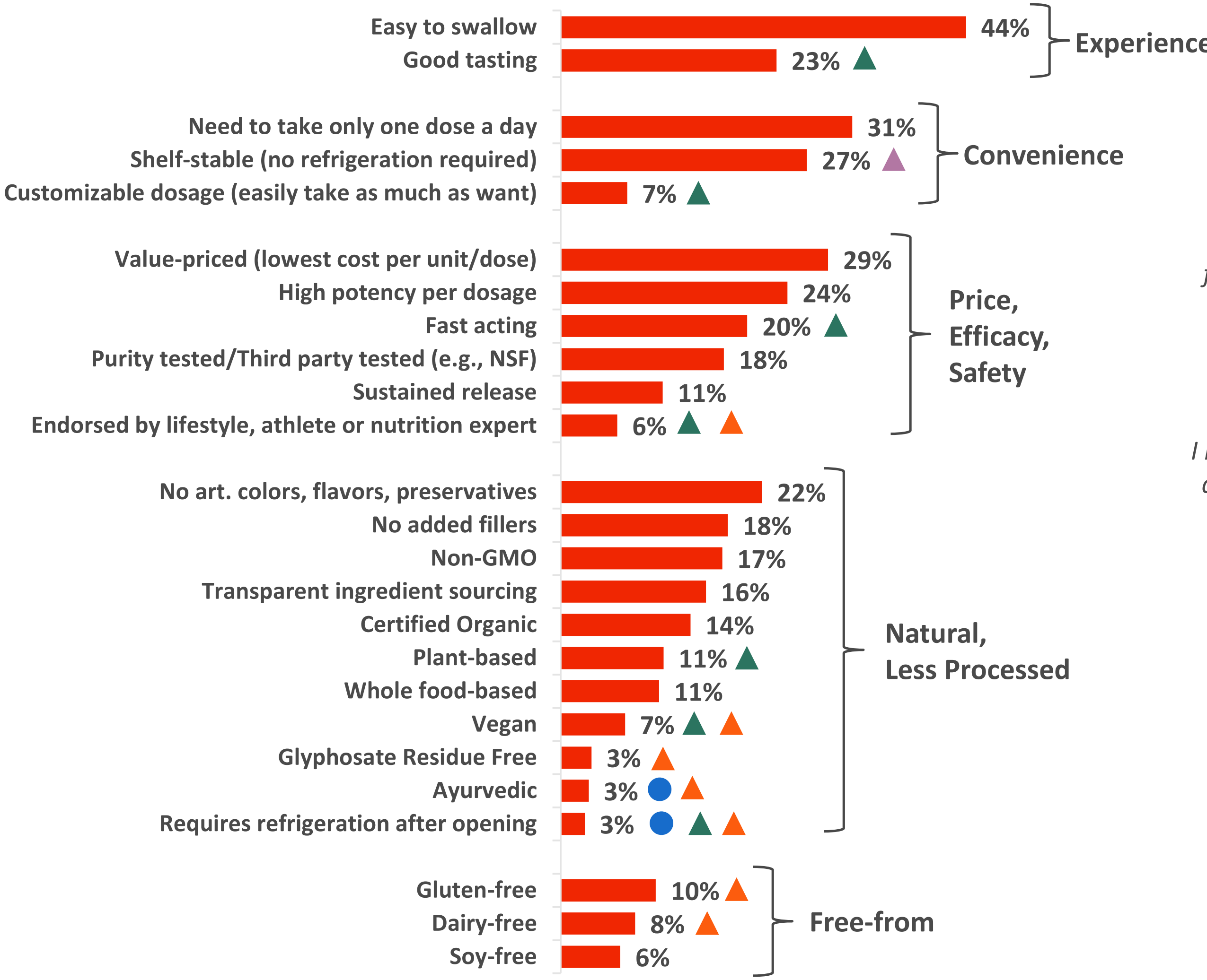


Research conducted in April 2020, n=448 (interested, non-users of supplements)

Supplement users focus on experience, convenience, and baseline quality measures in their choice of supplements

Attributes Looked for When Choosing Supplements

Supplement Users



I am not particularly brand loyal, but the product needs to be of a certain quality. I am open to trying brands with strong followings and certain stamps of quality… I look for seals of quality, such as USP.
Male, Millennial

I look at how reputable is the company, the quality of ingredients they use, if they are certified… if it's organic… and if the company gives back. I really appreciate when a company has a portion of their proceeds going to a nonprofit.
Female, Millennial

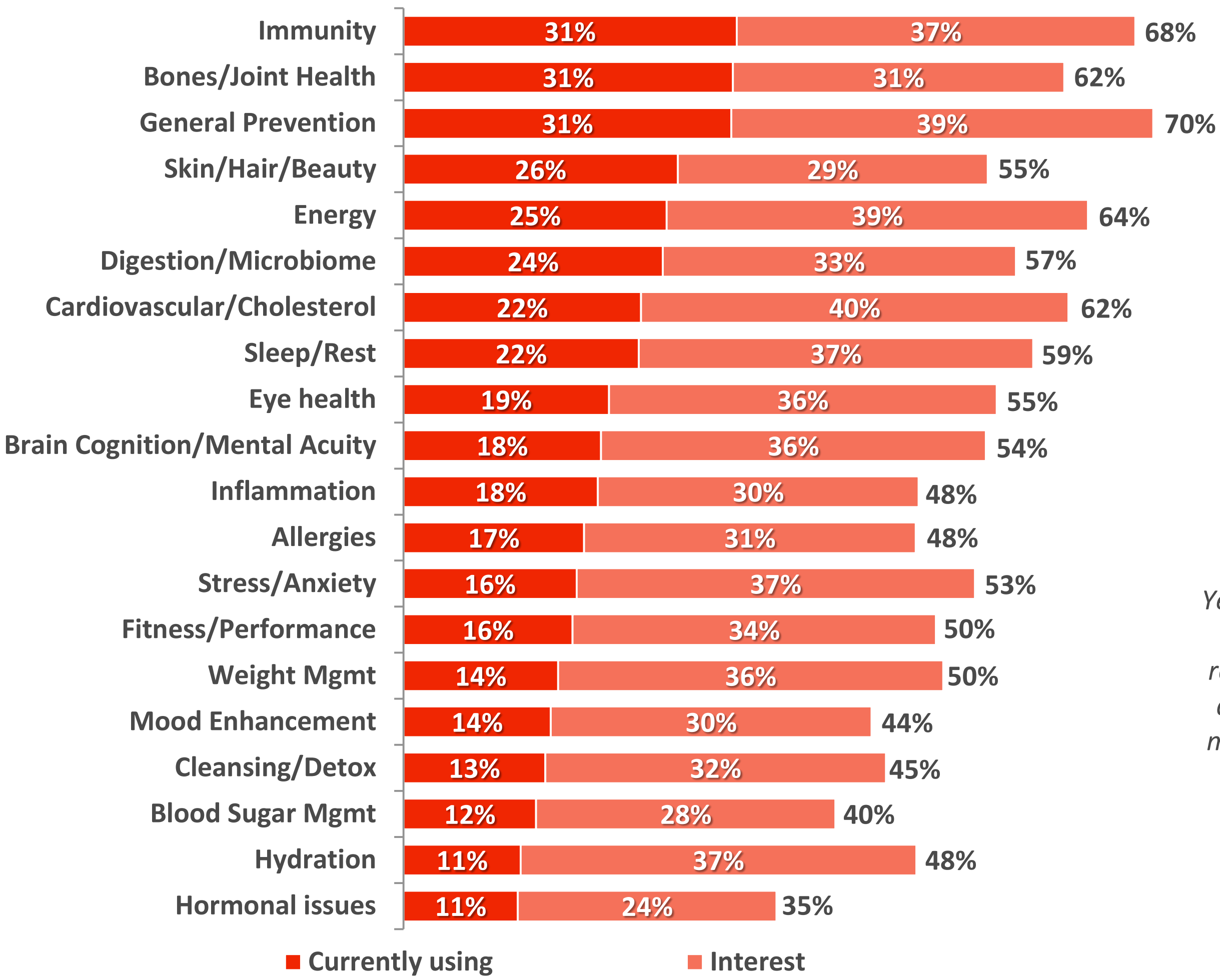
Over-index (≥140) among:

- Females
- Males
- Gen Z
- Millennials
- Gen X
- Boomers

Research conducted in April 2020, n=1,784 (supplement users)

General prevention and physical resilience are top priorities motivating current use of supplements

Current Use of/Interest in Supplements
By Condition



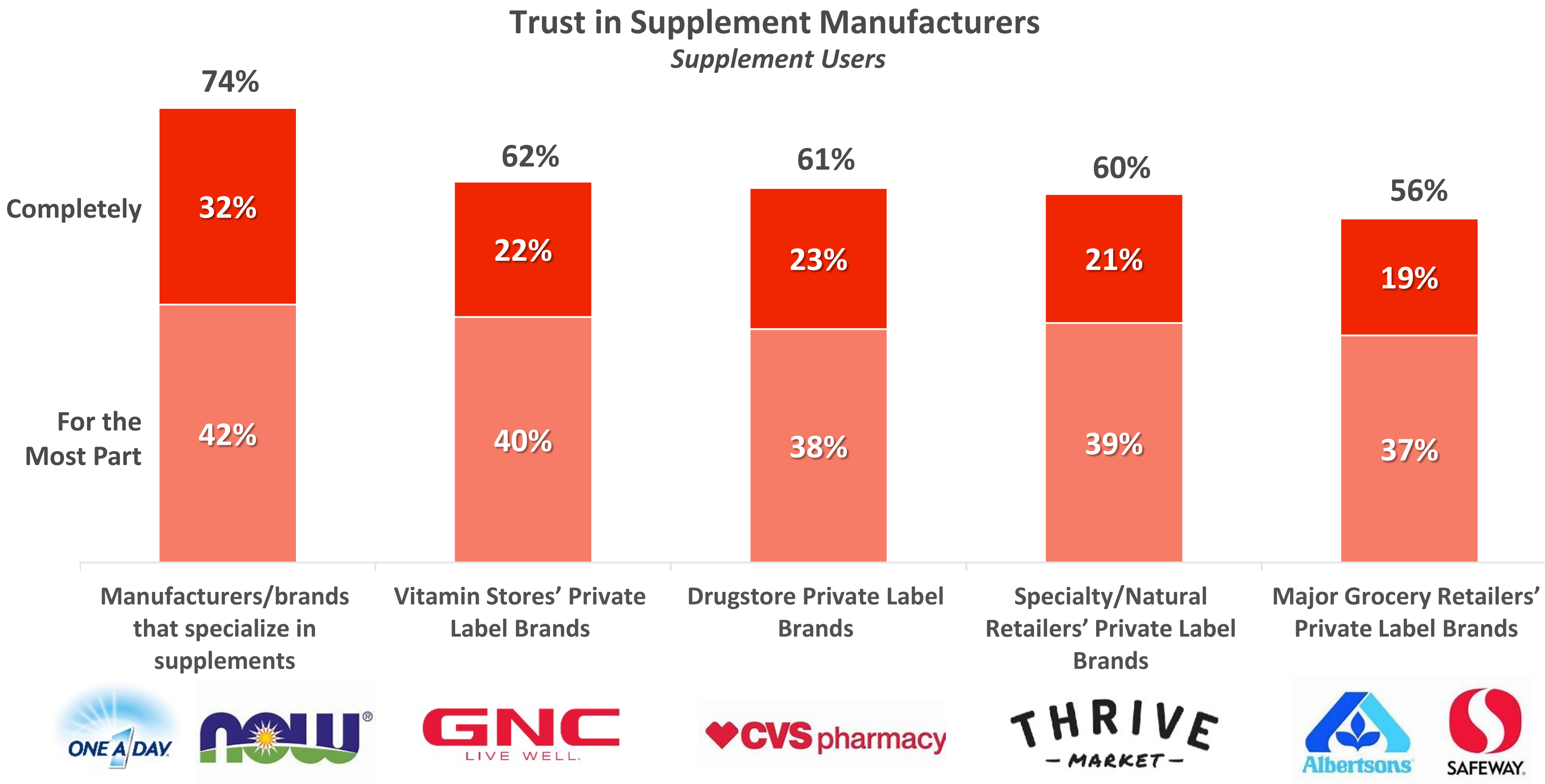
The benefits most commonly addressed with supplements reflect interest in physical resilience—a widely held goal that the COVID-19 pandemic will likely elevate for years to come.

Years ago, I just kept getting sick… I'd be down for several days. And so from there I started doing research on how to be healthier in all areas. I still do my research… And the coronavirus definitely made me more cognizant of what I do and what I take….Now I'm taking elderberry with zinc.
Male, Gen X

Research conducted in April 2020, n=2,367 US adults

Although national brands are the most trusted supplement providers, private brands are at their heels—intensifying the competition

The competition that national brands face from private label has them and supplement specialists flexing their muscle with various contemporary quality cues to provide evidence that they are ahead of the curve.



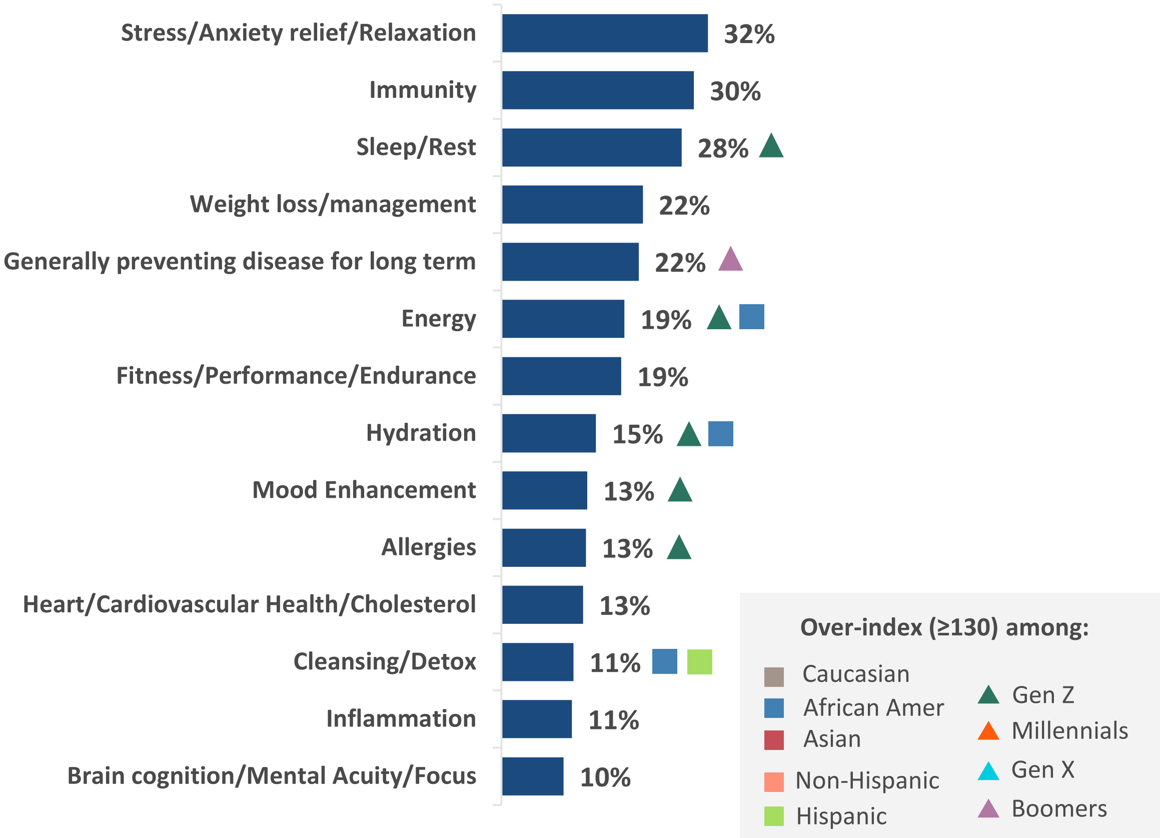
Research conducted in April 2020, n=1,784 (supplement users)

Concerns about COVID and the effects of staying at home along with new household pressures shape consumers' health needs and habits

How people start, end, and spend their days during the peak of COVID-19 social distancing reflects new pressures and heightened priorities, with an emphasis on regaining and retaining physical and mental health.

Heightened Health Concerns Due to COVID-19

Aware of COVID-19



I am focused on maintaining a cohesive and healthy routine for myself… making sure I stretch, eat breakfast, take my supplements, do a bit of meditation. Another way I tackle my focus is I break up my workday into 25-minute increments. It's called the Pomodoro technique, and it helps with productivity.
Female, Millennial

I take a break around 12/12:30 where I eat lunch, maybe go out and walk around for a little bit.
Male, Millennial

I have to do better dealing with stress… I have been using my breath and activity app on my watch.
Female, Boomer

…Tea before bed, like chamomile tea and melatonin, because both of those things can help my nightly routine.
Male, Gen Z

Research conducted in April 2020, n=2,347 (aware of COVID)

Key Implications

- Although many consumers use supplements as part of a "general insurance" approach, **targeted benefits** are key motivators. Younger generations' particular interest in a full range of these benefits sets the market on a more targeted trajectory for the foreseeable future.
    - Given the current COVID crisis, consumers are turning to supplements for immunity benefits. Other spaces of opportunity moving ahead include stress/anxiety, cognitive health and sustained energy.
- A focus on **price** and **baseline quality measures** still dominates consumer interpretation of the supplement space, but brands must activate on other needs to differentiate.
    - An emphasis on price and ingredient transparency reflects concern about purity and efficacy in sub-categories like vitamins, which constitute the bulk of supplement consumption and are becoming commodified in the eyes of consumers. Manufacturers must be able to communicate a transparent, differentiated process that indicates efficacy or risk being challenged by private label.
- The area of overlap with food and beverage is expanding and highlighting new opportunities to differentiate supplements on the basis of the **consumption experience** and **contemporary quality cues**.
    - Gen Z has grown up with better-tasting, easier-to-swallow options—so along with Millennials they will shift the market toward tastier, non-pill formats. Companies investing in alternative formats might consider catering to these generations' additional expectations around clean ingredients (including food-based) and more natural formulations.

Thank You!

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ABOUT THE HARTMAN GROUP

The Hartman Group is the premier food and beverage consultancy in the world. Companies and brands across all segments of the food and beverage industry benefit from our unparalleled depth of knowledge on consumers, culture, trends, and demand-side market strategy. We listen closely to understand our clients' business challenges and tailor solutions that deliver transformative results. Through a unique suite of integrated custom, primary research capabilities, market analytics, and business strategy services, we uncover opportunity spaces and avenues for growth. We deliver more compelling insights that fuel inspiration and ideas for innovation.

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