



Dietary Supplements: Growth Through Category Segmentation

By Peter Leighton

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he U.S. nutraceutical market will reach \$75.3 billion in 2017 and grow at a CAGR of nearly 6 percent between 2013 and 2017. Over the past 5 years, use of nutritional supplements among American adults has shown steady increases from 62% to 73%.

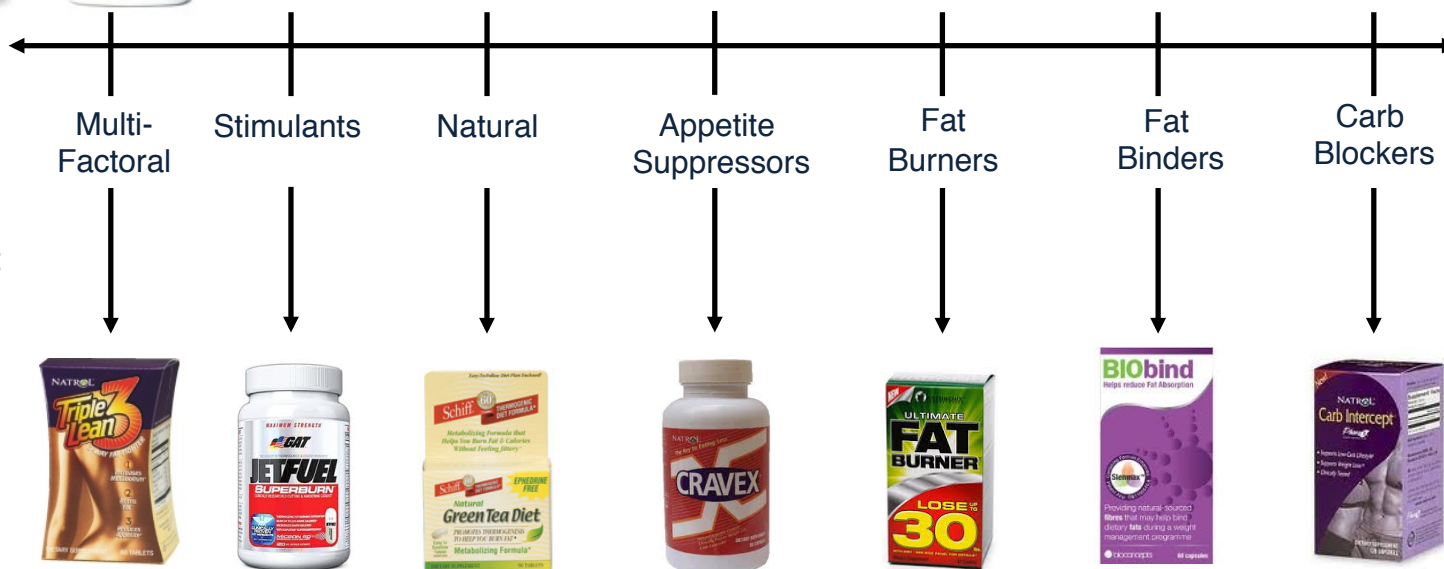
But like all maturing industries, commoditization is the real enemy that limits growth and dramatically affects margin. Traditionally, the nutraceutical industry has promoted research on these amazing health ingredients found in plants and marine sources. However most brands fail to leverage category growth into significant market share and many are finding margins slip away. The following illustrates how effective category segmentation can build growth & profitability:

Diet Supplements

The overall weight loss market is not a single category but rather a stratified market based upon varying consumer attitudes, behaviors and motivations. Specifically, the weight loss supplement category is driven by event-related cyclical weight loss needs and the primary motivation is vanity. Consumers turn to weight loss supplements for a “do it yourself” approach that does not require significant discipline or sacrifice. By segmenting the category brands can provide distinctly different solutions.



Brands that deliver unique and targeted solutions, not commodity ingredients, can segment the weight loss supplement category and build a platform by addressing each sub-segment, gaining shelf space, market share and profitability.



Essential Fatty Acids (EFA)



To illustrate how one brand achieved successful category segmentation, Natrol saw the growth of the EFA category but found themselves losing share and margin. The EFA category was quickly commoditizing, and consumers recognized that EFA's were good, but did not know much about them. Then Natrol changed their products from "Fish Oil", focusing on "Omega-3", and applied a tiered market segmentation approach delivering lifestyle solutions.



Natrol targeted specific lifestyle solutions such as joint health and cardiovascular health by formulating functionally specific products around an "Omega-3" line of products.

Seeing a hole in the market, they offered a novel blend of Omega EFA's from plant and animal sources.



Finally, Natrol offered a "move-up" line of EFA products each targeted for a specific health functionality with an advanced and concentrated form of omega-3.



Contact:

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Peter Leighton
peter@abundasolutions.com
+001 (801) 550-6962
SKYPE: advana_science