



**US SUPPLEMENT
BUYING HABITS**
*A focus on seven key
categories*

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INSIDE THE WORLD'S BIGGEST DIETARY SUPPLEMENTS MARKET

The US dietary supplement market is the world's biggest and most dynamic. Shifts occur rapidly as tastes twist, new players enter the scene, new ingredients are developed and science and consumer awareness evolve.

Estimates vary, but Grand View Research valued the global supplements market at \$132 billion in 2020; set to grow at 8% annually to be worth \$231bn by 2027. Nutrition Business Journal (NBJ) puts the US market at \$50bn in 2020, growing at a COVID-elevated 12% for the year.

This ITC report processes numerous key trends and goes inside the buying habits of American supplement purchasers, with a focus on seven ingredient categories.

As with other major supplement markets like Japan, Australia and China – or European markets like Italy, France, Spain, the UK and Germany – the US market is characterized by enthusiastic yet often fickle consumers who exhibit varied knowledge gaps regarding the origin, safety and efficacy of dietary supplements. Some are highly knowledgeable and educated in the field, others responsive to the opinions of friends, family and colleagues; to e-commerce ratings and reviews along with social and other media when making purchase choices.

In a space where health trends can impact sections of the population differently, and the nuances of nutrient science can be spun and warped by non-specialist media, it can be a confusing and difficult market, but it is a highly lucrative one.

Nutritional versus pharma interventions

The health optimization and disease prevention potential of dietary supplements has gained momentum in recent years as public healthcare systems built on a pharmaceutical-focused, disease treatment philosophy have struggled under rising rates of chronic ailments like heart disease, obesity, diabetes and neurodegeneration, along with anxiety and mental health issues.

Americans spend approximately \$600bn each year on pharmaceuticals.

The economics of preventative nutrition versus drug/hospital-based treatment aside, pharma skepticism has been rising despite the massive \$30bn+ that industry spends each year convincing medical professionals and consumers alike of the efficacy and necessity of drugs.

Even before COVID-19, consumers were concerned about pharmaceutical side effects, price manipulation, taxpayer-funded research, misleading advertising, drug approval processes and the influence of Big Pharma lobbying on the entire medical sector not to mention federal and state regulators. Surveys show that nine out of 10 Americans believe pharma firms put profits before patients. A Gallup poll found the pharma industry to be the most loathed of all American industries.(1)

Dietary supplement trade groups like the Council for Responsible Nutrition (CRN), the Natural Products Association (NPA) and the United Natural Products Alliance (UNPA) – not to mention nutritionists and other healthcare professionals – have long pushed governments and regulators to back supplement use to improve public health and reduce spiraling health care costs, often with limited success.

One example is having multivitamins – at the very least – included alongside healthy foods in the Supplemental Nutrition Assistance Program (SNAP), which provides nutrition assistance to lower income citizens.(2)

Dietary supplement sector shifts

The supplements space has been altered, as have most industries, by the rise of start-ups, even if 70% fail within five years.

In fact, constant innovation is best executed by smaller, more nimble players, from formulation and format to marketing and digital delivery where legacy brands can't move fast enough and the value of trade alliances is minimized.

Many supplement brands such as Ritual and Dr Emil Nutrition (acquired by venture capital in 2020) take full advantage of the shift to digital occurring in American life and exist purely online, selling direct-to-consumer via bespoke websites with e-commerce functionality or via mass or niche e-commerce channels like Amazon, iHerb, CVS or others.

Mainstream giants have entered the game with Nestlé Health Science buying supplement makers Atrium and Vital Proteins, Unilever acquiring gummy vitamin players OLLY and SmartyPants, NOW taking over SuperNutrition, Clorox absorbing Nutranext, Reckitt Benckiser buying UpSpring and Church & Dwight's Zicam takeover just a few recent examples of big absorbing small.

Private equity firms have also been stepping up with acquisitions and equity buy-ins of dietary supplement firms including Nutraceutical International, Nutritional Medicinals, Nature's Bounty and Swanson Health Products in recent years.

In terms of consumer preference, ITC data reveals supplement shoppers were interested in a diverse range of these brands from the supplement majors like GlaxoSmithKline Consumer Healthcare-owned Centrum to retailer private label brands like CVS Pharmacy to relative minnows like Spring Valley Vitamins.

Fresh insights into seven key ingredient categories

ITC survey data reveals very different types of supplement buyers in America in 2020 and throws light on their purchasing preferences, motivations and their expectations and frustrations.

It reveals their understanding of health and nutrition science and what role dietary supplements play in overall diet; delves into lifestyle choices and shows how economic status affects purchasing decisions, along with environmental and supply chain concerns.

Undercurrents driving consumer choice in the US

These preferences are influenced by broader shifts in the market such as the ongoing and substantial swing to e-commerce; the rise in importance of product ratings and reviews and social media dynamics in consumer purchasing choice; the increasing prevalence of personalized nutrition as a dietary guide, marketing concept and in apps; and the viral elephant in the room in 2020 – COVID-19.

Preferred supplement formats are also shifting with Nutrition Business Journal noting 2019 was the first year pill formats fell below half of all supplement sales, with gummies, powders, gels and liquid

supplements rising fast. Gummy sales rose 6% in 2019 and now account for 13% of US supplement sales. But pill/tablets formats still rule in 2020.

Shift from brick to click retail shifts up a gear

In our 2020 mid-pandemic survey, mass market retailers, club stores, drugstores, online and grocery store chains were the most popular sales avenues in a diverse distribution infrastructure that also included network marketers, health food and independent stores and supplement retailers. No particular sales channel corralled more than 20% of sales among US consumers.

This distribution split is changing fast. Aside from driving record interest in immunity and wellness-focused nutritional interventions, pandemic-provoked retail restrictions have also accelerated what was already a strong shift from brick to click retail.

COVID-19 has driven up consumption levels from existing dietary supplement users and brought new consumers into the space. ITC data shows 28% of consumers increased supplement use in response to the Coronavirus.

Older demographic groups that may have been somewhat resistant to e-commerce have quickly become comfortable with it and simultaneously familiarized themselves with the review and rating system that has become a massive influencer of purchasing behavior. For many discovering the price and quality-comparing, personalized convenience of e-commerce for the first time, this might mean a permanent shift to online shopping, or preference shift toward it to join the hordes of younger people that do almost all their shopping this way.

For example, despite seeing its own online sales jump 25% in Q1 2020 amid the pandemic, this brick to click shift played its part in giant supplement retailer GNC filing for bankruptcy in June 2020 as it was forced to close around one third of its 5,800 brick and mortar stores as lockdowns hit hard and curbside-only sales failed to generate sufficient revenues to prevent a massive and ongoing company-wide reorganization.

ITC data showed more consumers buying bigger baskets from mass e-tailers and retailers, which is also diminishing the influence of the natural food/supplement retailers. A sector-wide pivoting to online plus expansion of specialist services like buyer's clubs and educational programs to assert category authority is the order of the day for smaller firms struggling to combat the 'Amazon effect'.

Of course, partnering with the e-tailing behemoth is another option many evolve to.

Personalized nutrition pushes on

With the global personalized nutrition market set to reach \$50bn by 2025 according to Grand View Research, supplement brands not active in these spaces severely limit their visibility and growth opportunities among all demographic groups.

Personalized nutrition manifested in many ways in 2020, from apps that attempt to match genetics, microbiomes and health conditions with optimized supplement-led nutrition solutions, to e-gamers customizing 'nutrition stacks' to aid focus, reflex, spatial thinking and other performance parameters at the gaming consuls of a booming sector.

While consumer understanding of what personalized nutrition is and how it can benefit their lives remains patchy, there has been a proliferation of personalized nutrition and diagnostics start-ups entering the space in recent years including Formula, Vitagene, BioAnalyt, NutriCare.Life, Hum Nutrition, Viome, LOEWI, Nutrigenomix, Vous Vitamin and Routine. The space has become so busy, services like Qina have sprung up to categorize and benchmark more than 200 personalized nutrition players at its 2021 launch.

Commercial interest in customized supplement solutions is strong with majors like Nestlé Health Science buying personalized nutrition supplements firm Persona Nutrition (formerly Vitaminpacks) and picking up PureGenomics as part of its Atrium supplements acquisition at the end of 2017.

Bayer took a 70% stake of Care/of in August 2020, a different version of BIG buying SMALL.

Supplement majors are also moving into the space with the likes of Nature Made establishing its own personalized nutrition brand Nurish and Nature's Way leading an investment consortium in German start-up Baze.

At the ingredient supply level, most of the big players are working personalized nutrition into their offerings. One of the biggest, DSM Human Nutrition and Health, recently restructured to make personalized nutrition one of its three corporate cores next to global products and local solutions.

The Dutch-Swiss entity has a research partnership with diagnostics firm Wellmatrix to better track health biomarkers, and has a stake in personalized nutrition firms Panaceutics, Mixfit and Tespo. It also acquired AI-driven digital health platform AVA in 2019.

BASF has been in partnership with personalized nutrition firm Segterra since 2017.

Rapidly advancing gut and skin microbiome knowledge and diagnostics is another area to watch.

