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MARKETING CHALLENGES FACED BY DIETARY SUPPLEMENT INDUSTRY



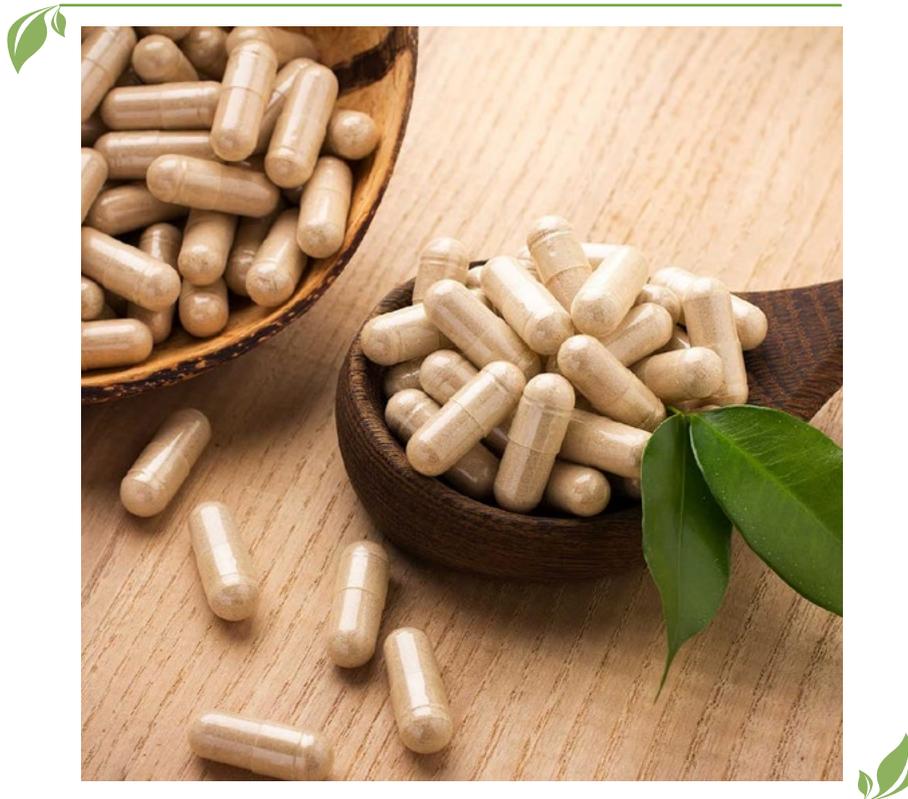
The world of Nutraceuticals is at nascent stage and prone to faster changes. This prediction can very well hold true looking at the current trends in Dietary Supplements.

On one hand there is an increasing awareness amongst consumers about healthy living and wellness, which is one of the major drivers of the Nutra industry. But on other hand marketeers are facing challenges to carve out a prominent share.

Interlink Nutralink is a platform to debate and discuss different aspects of Nutraceutical industry from R&D, Regulations, Health Claims to Marketing.

This issue of Nutralink presents Marketing challenges faced by Dietary Supplement industry.

MARKETING CHALLENGES FACED BY DIETARY SUPPLEMENT INDUSTRY



“The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself.”

– As per Professor Drucker’s insight, being updated with the present market is the key to create a future!



A Wind of Change:

The world of dietary supplements is no stranger to change. This prediction can very well hold true looking at the current scenario of the market. We also see an increasing growing awareness among consumers about healthy living and wellness, which seems to be one of the major drivers of the dietary supplement industry.

Besides the increasing awareness, increase in lifestyle diseases have led to the development of a promising dietary supplement market involving products to prevent diseases or providing health benefits related to lifestyle issues. The rising incidence of metabolic disorders in India, people have realized that nutritional correction can play a major role in improving the quality of life and preventing or tackling a variety of diseases.

Thus, adoption of dietary supplements as a preventive healthcare over high cost medicines will drive Indian dietary supplements market in coming years.



Dietary Supplements in Number

When the global dietary supplement market is about to cover 38% of the total nutraceutical market, India is no behind in the competition. Year 2018 has seen lot of trends emerging in the dietary supplement industry and 2019 is considered to uplift the market further.

The Indian nutraceuticals market has grown from 2 billion USD to 4 billion USD in last ten years and is expected to cross 10 billion by 2022. In which dietary supplements is

the largest category accounting for 62.5%, driven primarily by the pharmaceutical sector in the form of vitamin and mineral supplements.

The Indian dietary supplement market has reached 2.5 Bn USD in 2017 and expected to touch 6 Bn USD by 2022 at CAGR 19%. The Dietary supplements targeted at women and children have a bright future. Preventive dietary supplements for diseases such as cancer, diabetes, obesity and arthritis are also much sought after. Deficiency of vitamin D will act as driving factor with approximately 65% of the population being deficient of vitamin D. Presently the main market segment for dietary supplement in India is based on vitamins and minerals followed by probiotics and omega -3 fatty acids. However, the potential for market penetration is seen, primarily, in preventive health products. Nutraceutical manufacturers, therefore, need to focus on formulating their products for the Indian market, based on statistics for the prevention of various diseases.

However, the growth is expected to decline in between 2019 and 2021 owing to the fact that market would be flooded with nutraceuticals by this period, and the companies would compete on the basis of price. It will require more attention to scientific evidence and professional endorsement that substantiate health claims. Hence a comprehensive approach to the Indian market for a split-level strategy with tailored branding, formulation, positioning, pricing and distribution is required. Hence to carve out a niche in this marketplace it is needed for every stakeholder to first understand the challenges.

1. Regulatory Challenges

Perception of being in grey area is the biggest challenge that dietary supplement industry is facing. A more legal classification would prevent the different players applying different criteria for the various products. On one end the products maintain health while at the other end they are said to be of a medicinal nature. The problem lies in defining dietary supplement as curative or preventive.

2. The Domestic Players and Raw Material Disparity

India and China dominate the dietary supplement industry in Asia – Pacific region because of the availability of raw materials. However, the quality of raw materials varies drastically. Whole food sources also show similar discrepancy as their constituents show variable levels. This shows there is a clear need for well spelt out regulations for raw materials as well as for manufacturers of dietary supplements. Also the self-regulation needs to be adopted by every stakeholder.

3. Lack of Marketing Message and Right Distribution Network

In pharma companies there is an institutional focus and compliance with the marketing of drugs which lacks in dietary supplements. The pharma market tends to be conservative keeping all medical and legal regulations in mind. The same cannot be said for the dietary supplements marketing, where claims about the effectiveness can be exaggerated. This leads to a lot of inconsistency in marketing and sale of dietary supplements as there are

varied interpretations about claims.

Another problem is that the Indian consumer is prescription oriented and so companies try to promote their products through doctors. This approach lacks growth and companies need to look for a more direct route to the consumer.

Similarly there is unawareness about the side-effects that dietary supplements may cause hence there is no clarity while purchasing. Marketers need to take such points of views in consideration and launch sustained communication programs of outreach that will educate opinion leaders as well as consumers.

4. Difficulties faced by start ups

Nutraceutical as well as dietary supplement start-ups are facing many challenges, from product development to sourcing investment. The first and most obvious challenge is developing a viable product with a background in scientific evidence and with product efficacy. Consumers always compare Nutraceutical products and dietary supplements with medicines. Hence many claims are done by manufacturer but the little effect has been seen and quick therapeutic effect is lacking.

Although the disposable income is considered to be one of the leveraging factors for nutraceuticals and dietary supplements in India, economic disparity is one of the factors that affect pricing. Also awareness to take preventive measures for their health is lacking.

Even vulnerable IP protection is one of the major challenges faced by Nutraceuticals and dietary supplements start-ups which results in quick duplication of products. Also expensive advertisement channels are one of the major hurdles for startups.

5. Lack of safety, quality and efficacy data

As per section 22 of FSSA, dietary supplements/ Health Supplements mean foods which are intended to supplement the normal diet of a person. It is concentrated sources of one or more nutrients like minerals, vitamins, proteins, mineral complexes, amino acids or enzymes, other dietary substances, plants or botanicals, substances from animals origin or other similar substances with known and established nutritional or beneficial physiological effects.

This act clearly mentions that these are not drugs as defined in the Drugs and Cosmetics Act, 1940 but are to be marketed in dosage form such as capsules, tablets, pills, sachets of powder etc. and other similar forms of liquid and powder. Even it is clearly mentioned in FSSA, there is not enough data about recommended intakes and effectiveness for dietary supplements.

As dietary supplements are sold through OTC route, they are considered to be safe. In reality, this is just a perception rather than supported with research. There is a need for regulatory also for the self-compliance for quality of raw materials, safety in manufacturing, health claims, labelling & distribution and storage. Such regulations will keep a check on unregulated practices

and hence will ensure the safety of the consumer.

6. Tailoring Products to Domestic Tastes and Preferences

Before targeting Indian demographics, one should consider vegetarianism, Halal or Hindu dietary practices, traditional remedies, flavor and formulation preferences reflecting social and cultural diversity.

7. The Right Price Point

Premium pricing of nutraceuticals in India may be viable for the urban middle class but not for the rural poor. There may be opportunities to penetrate poorer segments of the market on a platform of social responsibility, in tandem with non-government organizations or government fortification programs.

8. Maturation of Dietary Supplement Market

Another concern is the maturation of dietary supplement industry in India. In coming years shelves will be full of dietary supplements giving opportunities to customer selecting from many alternatives. Invasion of foreign competitors will not only go after the high end market in India, they will target the middle and eventually the low end of market. In this case the main defense for Indian companies will be developing stronger skills in innovation, differentiation, branding and service, in another word, marketing!

Leveraging on Seven Trends:

There are seven major trends will drive dietary supplement industry in next few years.

1. Trend in Segmentation

The market for dietary supplements in India is broadly classified into vitamins and mineral supplements, herbal supplements, protein supplements and Chyawanaprash variants.

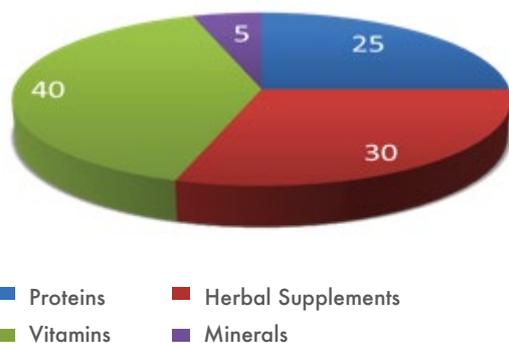


Fig 1.1 Indian Dietary Supplement Market Share -Segment

1.1 Vitamins and minerals dominated the market with revenue share of 40% in 2017. The intake of vitamins and minerals supplements has increased over the years due to the high prevalence vitamin deficiency.

1.2 Probiotics supplements market grew at CAGR of 19.80% during 2014-19 and has been recorded as the fastest growing segment in the dietary supplement market of India. High consumption of tobacco, westernized food and spices coupled with malnutrition has resulted in large prevalence of digestive diseases in India. For management of such

disorders, doctors are suggesting more use of probiotics to combat with the issue.

1.3 Dietary supplements also contain herbs plant or parts of a plant are called herbal supplements which covers around 30% share of the market. For example, Aloe has been marketed as a remedy for coughs, cold, etc.

1.4 Protein supplement is expected to show significant growth over the forecast period. Increasing innovation in the manufacturing of proteins targeting specified functions including energy balance, weight loss, muscles repair is expected to promote the industry expansion. Currently, the protein contains 25% share of total supplement market.

1.5 The remaining 5 % of market is dominated by omega-3. Omega-3 fatty acids have been used in food fortification and dietary supplements from a long period in India. It is estimated that the omega -3 supplement market will grow by a healthy rate of 11.4% CAGR from 2013 through 2020.

2. Demographics dynamics

The dietary supplement market in India is penetrated with 10% at all India level. The penetration rate is high in urban India at 22.51%, where as in rural India it is merely 6.32%.

Cities in India such as, Delhi, Mumbai, etc., have witnessed industrial growth at a much faster pace, hence these cities have also witnessed significant rise in lifestyle diseases

such as, blood pressure, over-weight, etc., thereby increasing demand for dietary supplements.

3. Lifestyle of a consumer

Consumers' modern-day lifestyles have significantly changed in the last three decades. Faster pace of life, stress of work, has been taking its toll on health and wellness. At the same time, most of the households have a double income.

The suppliers' growing efforts on building brand identity and value have created wider awareness. Retail products fortified with nutrients such as omega-3 fatty acids and vitamins are now being considered essential parts of consumables.

Access to media and information has allowed them to better understand latest developments in this space. Generally the current generation is extremely conscious of dietary supplements as rituals like work-outs, swimming; running needs a supplement that caters to nutrition needs well.

4. Marketing

New Trends in Value Chain- Distribution channel also has a major role of building and sustaining consumer, brand building and accelerating reach of such products. Sometimes it is sold as an OTC, so chemists' shops would be a familiar channel for purchase. Chains like Neulife are inspiring, perhaps setting benchmarks for other entrepreneurs to venture in such distribution initiatives. Exclusive outlets provide more credibility to consumers as also it builds up

a relationship with the buyers.

Like many others, the dietary supplement industry has been subject to a major shift in consumer purchasing preferences. The move away from traditional "brick and mortar" stores to e-commerce is growing exponentially. According to TABS Analytics' 2016 an impressive 78% of all online shares for the dietary supplement marketplace are currently being held by retailers with business models that do not include a brick and mortar presence.

Similarly, competitive value propositions with respect to unique offerings have resulted in expanded product offerings. This aids in providing consumers with more options to choose to fulfill their requirement.

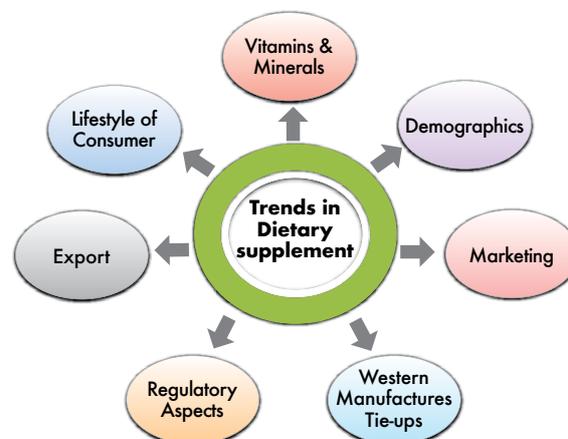


Fig 1.2 Trends in Dietary Supplement

5. Western manufacturers tie-ups

A trend is emerging, where western nutraceutical manufacturers and distributors are eyeing Indian nutraceutical or dietary

supplement companies. They are on the lookout for tying up with Indian companies with innovative products. Their point is India with its rich 5,000-year history of traditional medicines from systems such as Ayurveda, Siddha and Unani, has got an advantage over others to evolve a new medicine from the existing knowledge.

Many multinationals like Monsanto, American Home Products, DuPont, BioCorrex, Abbott Laboratories, Warner-Lambert, etc. are interested to invest in India because of the untapped market.

6. Regulatory aspects

India is one of the countries, where the dietary supplements are sold under the name of Fast Moving Healthcare Goods (FMHG). To serve as a single reference point in relation to regulation of dietary supplements, on Dec. 23, 2016, the first



legislation regarding health supplements and nutraceuticals in India has been finalized. FSSAI notified the finalization of “Food Safety and Standards Regulation, 2016”, which has been formally implemented from Jan. 1, 2018.

This new regulation covers the provisions for eight food categories including health supplements, and specialty food containing plant or botanicals, food containing probiotics. As this is the first legislation regarding dietary supplements and nutraceuticals in India, it will have a significant impact on the domestic market as well as overseas exporters aiming to enter the health supplement and nutraceutical market in India.

7. Exports

With increase in demand and conducive regulatory structure in place for manufacturing units, the export market can thrive benefiting the growth of the dietary supplement industry in addition to the already achieved 2.5 Bn USD, giving a hope to the industry to march towards 6 Bn USD. India possesses advantages such as cost effective manufacturing, availability of talented and inexpensive human resources, and is a hub to a large number of medicinal plants, trees and herbs (bio assets).



What is ahead!

If dietary supplement industry has to showcase beyond 2.5 Bn USD, there is no choice but to leverage on all current trends for every company and decide on...



Hobson's choice!

1. **Where to play?** Which disease areas have dietary factors that contribute to disease risk and progression, and which of these are underserved by current medical approaches?

2. **What is the business model?** Who are the stakeholders who are likely to drive adoption and use of the dietary supplement (consumers, physicians, others)? What channel is best able to activate that adoption?

3. **How to promote?** How can you drive adoption by developing scientific evidence, leveraging communication ecosystems (patient message boards, social media, etc.), and aligning financial incentives?

4. **How to improve capability?** How do you acquire the capabilities to succeed?

5. **How to maintain Quality & Claims?**

Let's work towards 6 Bn USD. It is possible!



Bibliography

The article is written by Dr. R.B.Smarta and is published in 'Ingredients South Asia' (ISA) magazine.



Regulatory Response

1. Document circulated by FSSAI for the compliance of RDA of Micronutrients in dietary Supplements

As per Section 22 of the FSS Act, 2006 and Health Supplements and Nutraceuticals regulations, 2016, the use of vitamins and minerals should not be exceeding the RDA (Recommended Dietary Allowance) in the dietary supplements. In this connection, to bring more clarity Scientific Panel and Experts Committee of FSSAI have collated the RDA values of various micronutrients and made it available for the stakeholders.

(For more details please visit: <https://www.fssai.gov.in/home>)

2. FSSAI traffic light labelling regulations set for public consultation 'soon'

The Food Safety and Standards Authority of India's (FSSAI) draft on food labelling regulations including controversial traffic light labelling rules will be soon be released for public comment, according to an agency official.

(For more details please visit: <https://www.foodnavigator-asia.com/Article/2019/03/26/FSSAI-traffic-light-labelling-regulations-set-for-public-consultation-soon>)



Consumer Response

1. Vitamin D and calcium are still popular for bone health, but so are emerging contenders

Although Vitamin D and Calcium have been the first choice of consumers for many years,

the bone health market is moving towards emerging ingredients like Magnesium and Vit K. These new entrants are considered to support the bone health and have been accepted by consumers positively.

(For more details please visit: <http://www.nutritionaloutlook.com/jointbone-health/vitamin-d-and-calcium-are-still-popular-bone-health-so-are-emerging-contenders>)

