TABS Group 2015 Overview of Vitamin and Sports Nutrition Buyers and Channels

Executive Overview

TABS Group conducted a comprehensive survey of vitamin, mineral, supplement ("VMS", "Vitamin") and sports nutrition category buyers to uncover detailed information about the products they buy and the frequency of purchase. The VMS category is calculated at $11.8 billion and sports nutrition supplements at $2.6 billion.

Once again, online was the largest channel in VMS, but 2015 was the first time in eight years that online sales dipped. While there are many possible reasons for this, two possibilities include the lack of promotions and the shift of heavy users to light users. Most light users show a strong loyalty to mass-market outlets rather than specialty outlets. Most users report a strong preference for promotions.

The research also highlights gender and ethnic differences in VMS, with the proportion of men who are heavy users generally 50 percent higher than women. In sports nutrition, Hispanics are twice as likely to be heavy users as buyers of other ethnicities, and all buyers over 40 show a sharp reduction in use.

At 22 percent, sports nutrition buyers are very loyal to the specialty channel. Sports nutrition buyers are three times more loyal to the specialty channel than buyers of vitamins, minerals and supplements.

Each of these findings is discussed in more detail in the text of this report.

Research Study

In early 2015, TABS Group conducted a survey to gain understanding of the vitamin and sports nutrition market. The survey panel consisted of 1,015 geographically and demographically dispersed consumers. The TABS Group worked with the Caravan Panel of ORC International to assemble the panel.

It is important to note that this is a different panel from the panel used in previous studies. Changing panels can introduce slight deviations in the results. Wherever possible, TABS Group took steps to identify and minimize the impact of the change in panels.

This was the eighth time TABS Group conducted this survey. The first and second were in 2005 and 2008. The survey was not conducted in 2006, 2007 or 2009 but has been repeated consecutively each year since 2010.

The survey attempted to discover:
1. How many types of vitamins and nutritional supplements the consumer purchased.
2. The type and regularity/frequency of purchases.
3. The outlets used for the purchase of vitamins.
4. How often and what type of sports nutrition products the consumer purchased.
5. The outlets used for the purchase of sports nutrition products.

Survey Definitions

The survey definitions included the following:

- FDMCD: Food, drug, mass-market, club and dollar stores.
- Mass-market: Same as FDMCD.
- Non-FDMCD: Nutritional specialty stores (such as GNC), natural food stores, online, catalog, multilevel marketing and other.
- Specialty: Same as non-FDMCD.
- Sports Nutrition: Performance and protein powders, drinks and pills. Energy bars and shots are explicitly not included in this category.
- Meijer is now included in the FDMCD category.
- Share is defined as share of occasion, in the sense of how often consumers buy via a particular channel. This specifically does not mean market share or share of wallet. It is strictly a measure of frequency. There is a high correlation between share of occasion as identified by the panel and validated share of occasion in the market data, making this a highly reliable metric to use in calculating an additional metric, “share of outlet mentions.”
**Vitamins**

There was a slight overall drop in consumer penetration between the survey results in 2014 and 2015 for consumers using the category. Heavy users — those buyers that purchase three or more products or categories — declined significantly. Very heavy users, who consume six or more types of supplements, declined from 10 percent to 8 percent of adults; those who took three but less than six declined from 18 percent to 16 percent. Heavy users (mostly men) drove the drop in overall consumer penetration, many of whom dropped their consumption to light user levels (usage of fewer than three items).

**Widespread mainstream media coverage of scientific studies that cast doubt on the necessity of vitamin and nutritional supplements for people who ate healthy, balanced diets may have contributed to the decline. The increase in availability of fortified foods may have also been a factor, as people began to question the necessity for supplements. Some users may also have switched to drinks as a source for their supplements.**

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**Gender and Age**

Women tend to have a higher overall supplement usage rate, but fewer women are heavy users. Most women fall into the light usage category, as the 2015 results showed a continuation of the long-term decline in heavy use among women. Heavy usage by women peaked in 2012 at 44 percent but has fallen every year since then. Women categorizing themselves as heavy users equaled only 35 percent of respondents in 2015.

Category penetration among males rose in 2014, especially in the heavy user category, but results from the 2015 survey indicate that this was merely a temporary increase. This year’s results show that only 30 percent of males classified themselves as heavy users compared to 38 percent in the 2014 results. Since males traditionally make up the largest number of heavy users, this shift away from heavy usage had a significant overall impact.

While there was a very slight increase of 1 percentage point in total users for women, it was not significant enough to reverse the overall decline, especially since most women are light users. Men are historically the heaviest users of multiple supplements, so the switch from heavy to light usage among males had a disproportionate impact on overall results.

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**Share of Occasion by Supplement Type**

Multivitamins continue to be the strongest category, with 51 percent of respondents reporting purchase. However, this dropped significantly from 2014, when 56 percent reported buying multivitamins.

Vitamin D had a slight reversal in its previous near vertical trajectory. Penetration rose from 17 percent in 2011 to a high of 28 percent in 2014. This year, that number dropped to 27 percent. Vitamin D enjoyed the spotlight from the popular press in the years between 2011 and 2014, which may have contributed to its increase. Coverage in late 2014 and early 2015, such as this article in Forbes, tended to focus less on its benefits and more on new research that vitamin D does not have as strong an influence on health as had been supposed, which may have contributed to the decline in usage.

Herbal supplements showed a 2 percent drop in usage. Interestingly, this drop has not been seen in mass-market sales yet, so the results are primarily from specialty and other outlets.

Vitamin B fell from 20 percent in 2014 to 19 percent in 2015, back to 2013 levels. However, vitamin B had enjoyed strong growth in the preceding studies, possibly because of popular press articles and government research highlighting its strong anti-aging properties.
The Rise of Probiotics

One very bright spot in the trend has been the use of probiotics, which went from 7 percent in 2013 to 11 percent in 2015. Probiotics have been the subject of a great deal of favorable press and have been discussed in several best-selling books on the human microbiome, so the increased usage may be a direct result of the increased mind share.

Penetration by Channel

Mass-market outlets outperform specialty stores for share of occasion regardless of the category of users, but as might be expected, light users showed the biggest difference. While both mass-market and specialty showed upticks from 2014, specialty rose by only 1 percent to a total of 12 percent of occasions. Mass-market had 47 percent share of occasion, an increase of 8 percent over last year’s results.

For moderate users, mass-market enjoyed nearly double the share of specialty outlets, at 13 percent and 7 percent respectively. While specialty was nearly flat among light users, mass-market showed a significant increase of 8 points to 47%.

Heavy users spread their buying almost equally between specialty and mass-market outlets. Both outlets have hovered around 6 to 7 percent for the last several years with only slight shifts from year to year. However, heavy buyers bought more at mass-market than at specialty outlets — 7 and 6 percent, respectively.

Mass-market tends to outperform specialty every year, even among heavy users who might be expected to frequent specialty stores the most.
Retailer Promotions and Advertising

Deals and promotions continue to drive sales, particularly when it comes to heavy buyers, with active tactics outperforming passive tactics. Whether active or passive, deals have more impact for mass-market companies than for specialty outlets.

Passive tactics show a strong differentiation in effectiveness between heavy and light users, with light buyers responding to passive tactics while active tactics are much more effective with heavy buyers. People buying in mass-market outlets are more sensitive to deals overall, but they tend to respond to passive tactics better, regardless of the type of outlet. Active tactics drive behavior more than passive tactics, especially for heavy buyers.

Ad support in the mass-market segment also increased in 2015 relative to last year and relative to specialty investment in advertising in 2015. The most used promotion for vitamins was the BOGO at 55.6 percent. Price changes and percentage-off deals were second and third most popular at 20.7 and 16.9 percent respectively. There is a lack of compelling deals across many outlets, including online, which suggests the reason for lost share in those outlets, since heavy buyers respond to deals and promotions by buying more.

Share of Occasion by Outlet and Domain

In the vitamin category, roughly two-thirds of retail dollars are spent at FDMCD outlets, with Wal-Mart grabbing the lion’s share of physical outlets at 21.5 percent and $1.7 billion.

Online outlets beat out Wal-Mart at $1.9 billion, despite having lost a few percentage points from the study last year. Amazon had 36 percent of the online occasions, making it by far the leader in online sales. Drugstore.com had 9 percent; Puritan had 8 percent. Vitacost, eBay and Swanson were the only online outlets with sufficient volume to call out separately. All other online outlets added up to 13 percent, despite no single outlet having a volume large enough to warrant a mention. Of outlets that sold in both bricks-and-mortar stores and online, Wal-Mart (4 percent), CVS (4 percent) and Target (3 percent) were the leaders, followed by Vitamin Shoppe, Walgreen, Costco, GNC and Sam’s Club, each of which logged 2 percent.

Mass-market outlets rebounded from last year, with 69 percent of the share of occasion. The increase came about through an influx of light users.
Sports Nutrition

More than one-third of buyers said they had purchased sports nutrition products, with ready-to-drink sports shakes the most common at 28 percent. About 24 percent of buyers purchased whey or casein proteins, and 16 percent bought soy or plant-based proteins. Other pills, powders and ready-to-drink performance items reached 17 percent. Heavy buyers — those who bought more than six times — made up 35 percent of the buyers of both ready-to-drink sports drinks and other performance pills, powders and drinks. Those very heavy buyers made up 23 percent of the buyers of soy and plant-based protein powders and 26 percent of the other protein powders.

Soy, plant and other proteins had a small penetration in the heavy user group, with only 7 or 8 percent. Ready-to-drink sports drinks achieved a 15 percent buy from heavy users. The heaviest concentration of buyers in all categories was the light user who purchased only one or two times. For soy products as well as other protein products, light users who bought reached 46 percent.

Gender, Ethnicity and Age

Light purchases drop off sharply after age 60, with a gradual drop-off between 30 and 60. Heavy purchases drop sharply starting at age 40, perhaps because peak physical condition also drops sharply at that age.

In general, men are heavier purchases of sports nutrition, as 27 percent of men are light buyers and 15 percent are heavy buyers. However, 58 percent of men are nonbuyers, as are 69 percent of women.

At 39 percent, Hispanics between 18 and 44 years of age are nearly twice as likely to be heavy buyers than non-Hispanics at 19 percent. Only 25 percent of Hispanics are likely to be nonbuyers compared to 50 percent of non Hispanics.
What Is the True VMS Market Size?

TABS research shows that the market size is $11.8 billion for vitamin and mineral supplements, and $2.6 billion for sports nutrition. TABS arrived at these numbers using its 2015 survey results and correlating the survey responses on frequency and size of purchase with known point-of-sale and industry research data and comparisons to the annual reports of key industry participants. The $11.8 billion is a 3 percent increase over 2014 numbers, which is consistent with the earnings increases shown by the financial results of the industry heavyweights analyzed.

Nutrition Business Journal has disputed this number, claiming $37 billion as the correct market size. The journal bases this number on its own proprietary research. It also includes market segments that have been explicitly excluded from the TABS Group survey. Excluded segments are meal replacements and private sports practitioner products.

The difference appears to come down to multilevel marketing revenues and channels, which are notoriously difficult to pin down.

While the debate over market size may continue, TABS Group stands behind its research and methodology, which has provided valuable insight to the consumer products industry since the organization’s founding in 1998.

Summary

The vitamin and sports nutrition category is somewhat volatile, as previous heavy users curtailed purchases and shifted to the light user category. Women, in particular, are showing a gradual decline in heavy usage, which will further depress the category over time.

Category growth has been driven primarily by gains in mass-market outlets, even though online sales are still the largest channel despite a drop in share for the first time in 8 years. After online, Wal-Mart, Costco, grocery stores, CVS and Walgreen have the largest shares.

Even brick-and-mortar outlets lost share in online, possibly due to a lack of compelling promotions, changes in search engine optimization algorithms and negative press about the effectiveness of herbal supplements.

Nonetheless, retail promotions continue to drive sales in the mass-market outlets, especially for heavy users targeted with active promotions.

Probiotics is the rising category star, with increases year over year. Calcium, fish oil and joint support showed declines.

Vitamins and sports nutrition are volatile categories that are subject to fluctuation based on age, gender and promotional activities. It makes sense for producers to offer promotions that engage the consumer and drive increased purchases.