

Tuning into market trends

With the latest health food market reports now on hand, **Stuart Jackson** takes a look at how our chief product sectors are performing and highlights today's trends in consumer purchasing.

Even in the most positive trading climate, it is prudent for health food retailers to stay in tune with the market. During a slow growth period such as we are currently experiencing, it is simply imperative that we offer consumers more of what they want.

We begin with a look at how the "non-food" sectors are performing before analysing in the next editions what's hot in food and how consumers are behaving. Thanks in the main to Mintel for their generous data assistance. Full reports are available from www.mintel.com

Strategically

When making a decision to revise a shop's stock offering there are three factors to consider. First, retailers should obtain market intelligence on which product sectors are showing growth. Secondly, retailers must be aware of where that growth is originating from i.e. supermarket, pharmacy, online, home delivery or health food shop and finally which type of customer is purchasing what kind of product. Only astutely combining these three pieces of data will lead to a beneficial decision.

The misleader

Interpreting VMS (Vitamin, Mineral Supplements) results at face value can lead to a false impression.

Mintel reports that market value clawed its way up to £362 million in 2005 against £355m in 2000 while other analysts suggest it hit a slight peak (£400m) around 2003 before then declining in 2004 to recover



a couple of per cent growth at present. Whichever figure we rely on, the sterling value of the market is fairly stagnant.

VMS has encountered a threefold problem; the abolition of retail price maintenance in 2001 led sellers to reduce the average retail price, the advent of internet sales competition further pressured prices downwards and the Food Supplements Directive killed innovation and diverted suppliers' funds away from development and support.

The end result is a category that keeps selling more pots but returns no more cash revenue. With a reported consumer penetration of four per cent and a market value of £362m (of which health food shops maintain a 15 per cent share) it is a core sector that health food retailers must continue to support, yet its potential to contribute to a shop sales' sterling growth is questionable.

Herbal medicines and homeopathic remedies

Both these sectors are growing well as consumers

and healthcare professionals continue to become more comfortable with alternatives to conventional medicine. Herbal remedies growth has no doubt been slower than it might have been were it not for the impact of legislation (THMPD) which has, like VMS, killed innovation and restricted the ability of new brands to establish in the UK.

The specialist nature of these lines does offer a boost to health food shops' market share, currently standing at a combined 29 per cent though that has dropped slightly from 31 per cent in 2003. Developments like Tesco's Nutri Centre combined with greater acceptance by pharmacists has eroded that per cent share by the two per cent shown though sterling growth more than compensates in actual sales.

Aromatherapy

Flattered to deceive us a few years ago as a prime growth market but despite failing to live up to expectations it has continued to grow steadily from £24m in 2000 to £29m in 2005. Health food shops' share

of the market has dropped one per cent to 10 but that's still a healthy £2.9m of turnover to compete for.

Sports nutrition

A sector that has shown astonishing growth from £74m in 2000 to £207m in 2005, a 180 per cent rise. All forms of sports drinks, supplements and snack bars are leading growth in this division with drinks contributing the greatest share at around 60 per cent of spending while supplements currently demonstrate the fastest growth.

Health food shops held 20 per cent of the market back in 2000 and continue to hold the same percentage of the new sales total, a huge vote of confidence for those health food retailers that got behind this group of products.

Although grocery multiples maintain the largest chunk of business their share is being eroded in part by pharmacies but in the main by online sales which have grabbed a nine per cent share of today's market from just six per cent of a much smaller value in 2000. Online

sales are predicted to continue strong growth.

Health food shops are predicted to stay fit in this sector, as their nutritional expertise will continue to be sought by consumers. The greatest threat to future sales is again legislation on its way for sports nutrition.

Slimming products

Slimming lines have never been a favourite of health food shops as our retailers and customers tend to resist “fad” products. Perhaps a lucky break for us as this category stands out as a rare failure, showing negative growth of -3.8 per cent from 2000 to 2005 to stand at a sterling value of £102m.

Much of that failure was attributed to consumers switching from meal replacement programmes to Atkins-type diets and recovery is predicted for the future. Appetite suppressants,

popular enough with some health food stores, flouted the overall trend by demonstrating growth to reach eight per cent of the market value.

Sales of slimming products are very much the domain of the multiples and pharmacies with health food shops, the internet and “others” sharing less than five per cent of market value.

All types of bodycare and cosmetics

Market researchers are yet to report separately on natural versions of the cosmetic and bodycare market, leaving us to turn to minor reports and expert opinion for information. The overall market is valued at £1.1 billion in 2005, a healthy rise of 39 per cent on 2000.

Facial skincare is the largest sector, at some 55 per cent of the market and has also

been the fastest growing area between 2003-2005. Other popular segments are moisturisers, sun care, body creams and anti-ageing lines while toning and cleansing items are losing ground.

Natural versions are outstripping their non-natural counterparts, with expert opinion putting growth at 20 per cent plus per annum for natural hair, skin, body and foot care. It is a market estimated to be worth tens of millions sterling.

The good news for health food shops is that this is still a virgin market for retailers with mainstream competition focusing on the big brands that are gradually naturalising their formulas.

Cosmetics are relatively new territory for most health food retailers but reports suggest that consumers are turning away from traditional brands in search of more natural

alternatives. It is a category that represents opportunity for those retailers willing to put the effort into the consumer support this product type demands.

Summary

This is positive news for those shops that dedicate enough retail space to non-foods, especially those that offer a comprehensive selection of the key performing sectors such as bodycare, herbal remedies and sports nutrition. Look at your selection to ensure it's keeping pace with the latest brands and packaging available or risk losing out to competitors. [HFB](#)



If you have any questions for Talking Shop or would like further information on Stuart

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