setting the trend

IN THE FINAL PART OF HIS SERIES ON THE SHAPE OF THE NATURAL PRODUCTS MARKET, **STUART JACKSON** REVEALS THE LATEST TRENDS IN NATURAL PRODUCT RETAILING.

In this series we have been reviewing the state of the natural products market, revealing its growth sector by sector and concentrating on specific trends within product and consumer purchasing.

To complete the series this month, let's analyse the latest retailing trends. Some of the data used is again courtesy of market analysts Mintel (full reports from them on 020 7606 4533).

INDEPENDENT RETAIL TRENDS

Market research points to the thriving socio–economic group incorporating "wealthy achievers", "affluent professionals" and "prosperous pensioners" as the most health aware and consequently the heaviest users of health products. Less prosperous consumers show much less interest in healthy living, and this is probably a reflection on price sensitivity and weak knowledge about the benefits of buying speciality foods. Retailers should target marketing efforts at the middle class consumer.

It is still the health food retailer's ability to offer expertise, time and advice that attracts consumers. In recent years, the UK consumers have begun to take more responsibility for their own health, and retailers who have added the services of in-store therapists are benefiting from increased customer interest, loyalty and spin off sales.

As the market for VMS becomes more competitive, the provision of in-store nutritional advisors takes on even more significance, especially as these experts can highlight the application of more specialist and higher quality lines. Even better if such an in-store service can be complemented with a telephone help line.

The independent retailer must also compete by matching the many services found at its multiple competitor. Home delivery, organic box schemes, pre-ordered collection and a mail order service are all worthy additions to modern stores.

Although not critical to success at this time, e-commerce will become a crucial part of a retailer's business (market analysts report that growth in Internet retail sales is derived from losses in traditional "over the counter" sales rather than from new business). An independent retailer's VMS, herbal and homeopathic remedy sales are particularly vulnerable to Internet mail order companies.

It is fashionable to offer an in-store health magazine or newsletter, such as the wholesaler-led publication *Natural Lifestyle*. This is taken a step further by the multiples with on line health information against which independents can respond with our own providers like Health Notes.

Although the customer loyalty card trend did not reach the heights it promised, it is still a valuable asset to many shoppers. To compete for VMS sales with the likes of Boots the Chemist, which operates an excellent scheme, independents should explore their own version.

TRAINING

Service and expertise are consistently reported by consumers as the key benefits of shopping at their local health food store. With supermarkets beginning to support products better, we must keep setting new standards. Cost effective and relevant courses are available from the Health Food Institute on 0115 9414188.

RETAILING THE RIGHT PRODUCT

As supermarkets stock those health products that appeal to the wider market, health food shops need to increasingly focus on specialist lines that have not yet gained widespread popularity. Products that sell when supported by expertise, especially where on-site practitioners are provided, are still very much the province of health food stores and effort should be put into holding more herbal remedies, aromatherapy and similar products.

Where space and finance permits, it is popular with customers to offer London-style features such as organic juice bars, cafés and take-aways, not so much for their individual profitability as for contribution to image. It is, however, not practical for the average local health food store.

In reaction to competition, there has been a marked shift towards stocking more non-food lines and this has helped the independent to sustain growth. Market-aware retailers have therefore concentrated on stocking top-selling categories such as beverages, cereals, snacks, baby foods and pre-pack commodities.

A vital emerging class is skin and bodycare, an under-exploited market in the health food trade and one that offers unique opportunity. The UK is the centre of Europe's toiletry market and previously solely the domain of department stores, supermarkets and pharmacies. The huge influx of natural bodycare and its popularity with the UK consumer means that health food stores can offer premium natural products with minimal competition directly from within our sector.

SUMMARY

This three-part series has clearly shown that the future of independent health food retailing is bright with substantial growth throughout the marketplace. Although we will continue to be under pressure from a new breed of online supplier and the supermarkets, we are retaining market share. It is our task to remain at the forefront of specialised retailing supported by well-trained and caring staff. Market data points confidently to consistent future consumer interest in healthy lifestyles and that can only mean opportunities for us all.

RETAIL STYLE

Shops should be categorised by product type and, within each category, block brand merchandised for maximum impact to today's brand-loyal consumer. First, separate products into broad categories of "Café/Fresh/Produce", "Chilled and Frozen", "Ambient Non-Food" and "Ambient Food". Then sub-categorise into baby foods, baby care, cereals, household, beverages, homeopathy, bodycare, aromatherapy, personal care and so on. Place clear signage over each area.

Health food retailers should "brand" a lifestyle, upmarket image. Promotions are essential but these can be presented in an upmarket fashion by concentrating on "buy this get that free" banded offers instead of straight discounting.

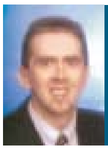
COMPETITIVE TRENDS

Competition, which traditionally focused on health foods, has broadened its horizons to the non-food market. There is now an extensive range of Internet, mail order and home shopping suppliers of VMS, herbal and homeopathic products, adding to existing supermarket interest with Tesco's Nutricentre as a prime example.

Pharmacies too, have entered the fray and gone further with the addition of some natural cosmetics and toiletries. Chemists may be a real threat as they are ideally situated to sell VMS, herbal and homeopathic products because of the trusted and qualified nature of their pharmacists.

Multiple retailers are also beginning to provide product support, not just through the Nutricentre project but also through the development of their "in-store" pharmacies, websites, magazines and point of sale. This re-enforces the health food retailer's need to stay ahead on training.

Supermarkets continue to develop natural versions of mainstream products, and sales have reached a point where it has warranted the production of their own label brands. This is most recently highlighted by the introduction of 'Free From' special diet ranges. The Tesco Healthy Living Club is further testimony to supermarket interest in our market and offers members special offers and health information.



If you have any questions for Talking Shop or would like further information on Stuart Jackson's consultancy service, contact him on 0131 315 0303 or email stuart@forceofnature.co.uk or visit www.forceofnature.co.uk