reading the trends

IN THE SECOND INSTALMENT OF HIS NEW THREE-PART SERIES ON THE SHAPE OF THE NATURAL PRODUCT MARKET, **STUART JACKSON** EXPLORES CURRENT TRENDS IN HEALTH FOOD RETAILING!

In last month's article, we revealed that the health food market and the independent retailer are alive and well. To help retailers plan their future sales strategy, let's take a look this month at the current consumer and product trends prevalent in the UK. In May, we will finish with a look at retailing trends and what all this news means to the health food independent.

Thanks again to Mintel (full reports from 020 7606 4533) for providing market data.

CONSUMER TRENDS

The strong economy is having a positive influence on consumer confidence, and expenditure grew by 28% between 1998 and 2003, helped by even greater growth in personal disposable income. Despite recent interest rate rises, further growth is projected in 2005.

The aged and the wealthy socio-economic groups are the fastest growing sectors of the UK population, and since health food shops rely on both groups for much of their income, the future for sales opportunity looks bright.

It is still women that form the majority of health food shoppers, particularly in the 25 to 54 year age group. Part time or non-employed females from a professional income family constitute the ideal health food shopper as both time and income are available for them to seek out specialist stores.

Concern for their children's health is a distinct factor in encouraging parents to become health shoppers, though we struggle to provide for their simple needs such as room for pushchairs or trolleys. The danger is that as supermarkets increase their range of natural products, the convenience factor may lure parents away to them.

Younger "under 25" customers are commonly seeking physical and performance enhancing supplements which increases the importance of sports nutrition.

They are also keen on healthy snacks, as too is the parental shopper, concerned for the snacking habits of their children.

The proportion of vegetarians is rising in successively younger generations. A 2003 survey revealed that 8% of students are vegetarian and 14% of 11-16 year-olds claim to be vegetarian. Catering for the needs of the youth today captures the professional shopper of tomorrow.

Our modern time-pressured lifestyle and the slow incursion by vegetarians into predominantly meat-eating families is creating an ever-increasing market for convenience foods. The Supermarkets have responded well to this trend and health food shops need to put more effort into stocking ready meals or lose this market. Every time we fail to deliver in one sector, we drive the consumer to our competitor for all sectors. As the demand for convenience grows, so the demand for meal ingredients falls, and Mintel reports a drop in sales of traditional health food staples like rice, beans and pulses.

Consumers are increasingly aware of health issues and are demanding longer and more active lives. Obesity and diet-related illnesses are being highlighted, offering sales opportunities in dietary products and special diet foods. There is a trend to take more responsibility for one's own health and consumers are seeking alternatives to conventional medicines, driving growth in herbal and other remedies.

Diets are also gripping the UK population as many consumers look for a quick fix by buying special diet products to help them lose weight. The recent popularity of the Atkins diet is spawning a raft of related products, but we should be aware that this is only the hot diet topic until the next one! Unsurprisingly, women are more inclined to buy slimming products and usage is highest among the 25-34s.

The trend towards convenience is every health food retailer's greatest threat. To compete, we must offer a variety of services such as home delivery, and continue to develop key points of difference against the multiples.

The fact that awareness of food issues is high among younger generations, often reflecting their interest in "causes", is working for us. These interests can be converted into their direct purchasing support for the ethos of health food retailing. Indeed a 2004 Mori poll reported that 40% of consumers believe themselves to be ethical shoppers.

PRODUCT TRENDS

With VMS sales struggling, herbal remedies, skincare, other types of bodycare and alternative remedies such as aromatherapy dominate growth amongst non-foods. VMS usage is expanding every day, so it is likely that market value will regain growth in the future, but independents will have to compete with cheap mainstream brands. Independent retailers still control one third of the UK aromatherapy and herbal remedy market, while natural skincare products are outstripping growth from any other sector of mainstream toiletries. Hair, face, shower, oral and foot care follow close behind as growth categories.

In contrast, organic food sales, although maintaining strong growth, is a market almost entirely controlled by the multiples with heavy reliance on fresh foods rarely stocked by the independent.

The widely-publicised success of the Atkins diet has led to a sudden uplift in demand for Atkins-style products. This is likely to continue to generate additional growth, but health food stores don't always cash in on diet fads. The products are not necessarily healthy, and with only 6% of the slimming market, it is not the health food store's forte.

Much better news comes from the growth in Fairtrade, now a £92 million market with over 55% of consumers in a recent MORI poll reporting that they buy Fairtrade items. The same poll reported that 62% of consumers purchased products with recycled content, 47% bought organic products and 45%, products not tested on animals. There is no doubt that the UK mainstream shopper is becoming more nutritionally and environmentally aware.

One of the chief strategic points to appreciate is that supermarkets will continue to develop the range of natural products they stock, concentrating always on a natural option for a staple food. Health food shops must respond by sourcing ever more specialist alternatives. For example, white pasta is readily available in supermarkets so health food stores should turn to wholemeal, gluten free and organic versions.

By taking this approach independent retailers maintain points of difference over the mainstream multiple. This trend is evident all over the food sector with growth buoyant in cereals, snacks, special diet foods, baby foods and beverages (especially herbal and fruit teas)!

Health food retailers must be ever innovative in the brands, flavours and types sold.

SUMMARY

It is clear that population and economic trends are in our favour, providing we tackle the issue of convenience shopping head on and encourage our customers to stay loyal with additional services and depth of product type. Much of this competition for food sales is driving health food retailers increasingly towards non-foods, but it would be folly not to offer our customers a full shopping experience.

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