



Note by EIC

9 February 2017

Three key strategies to survive the foreseeable challenges in dietary supplements business



Highlight

- With changing consumer preferences and an aging society in the next 15 years, growth prospects for the dietary supplements market in Thailand may not be as bright as before. EIC recommends three strategies for businesses to sail through these upcoming challenges, namely 1) tailor products to the elderly, 2) develop supplements based on herbs or natural extracts, and 3) offer personalized supplements.

Dietary supplement market is expected to expand significantly in the next 10-15 years; however, as Thailand turns into a complete aging society by 2030 and consumer demands change, the market for food supplements will shrink by an average of 8% a year. Though the dietary supplements market in Thailand during 2015-2030 has been thriving by average growth of 7% a year, thanks to health and wellness trends, rising incomes, and modern retail channels. However, EIC finds that from 2030 onwards, market values will begin to shrink as the population ages. Our survey reveals that consumers whom ages over 50 years, tend not to believe in the effectiveness of supplement consumption, and many who have tried them do not notice any obvious benefits and choose other ways to take care of their health, including more exercise or improved dietary habits. Meanwhile, demanding more natural extract products and more personalized products are significantly growing a trend. As we can see, the existing supplements products will no longer satisfy the future. If businesses do not change strategies, EIC expects the value of the dietary supplements market to shrink by 8% on average over the next 15 years (Figure 1). Thus, EIC recommends the following three strategies be adopted to meet these challenges.

The first strategy is to offer dietary supplements tailored to special need of the elderly. Based on data from the United Nations, by 2030 the elderly population (those over 65 years of age) in Thailand will account for 20% of the total population. Upon that, the demand for dietary supplements will also change accordingly. It is, thus, important for businesses to understand the demands of elderly consumers, in order to offer products that suit their needs. Potential products include brain and memory boosters, or supplements that prevent or reduce the risk of diseases common among older people, such as heart disease, hypertension, arthrosis, diabetes, cancer, as well as problems with eyesight and hearing. Currently, only a handful of these products are available. For example, in the 3-billion-baht market for multi-vitamins supplements, only 3% are vitamins for the elderly, suggesting a large untapped market and tremendous business opportunities.

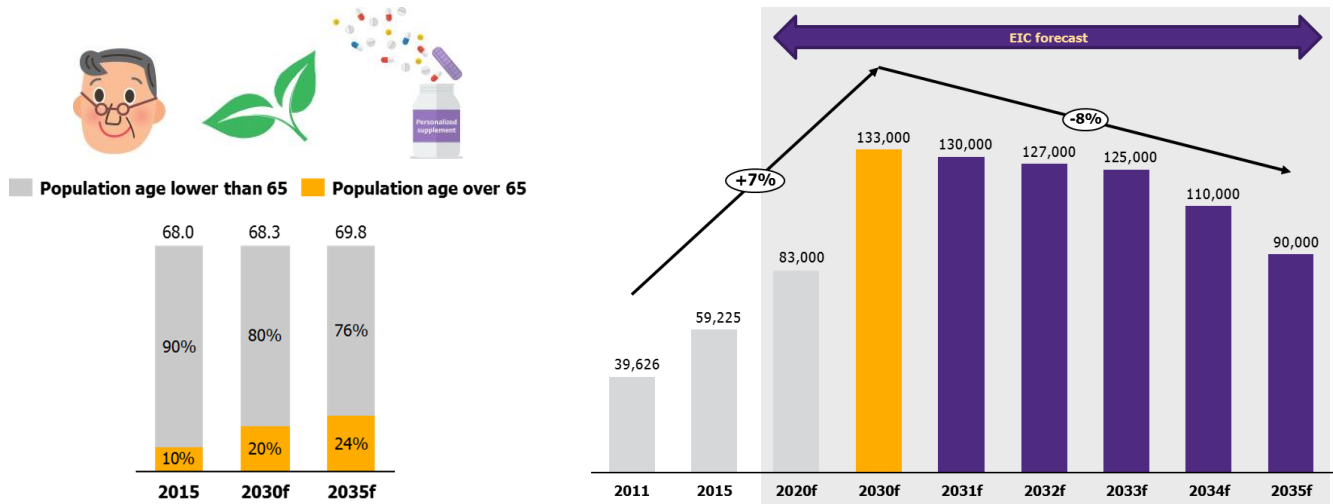
The next strategy is to research and develop dietary supplements that are based on herbs or natural extracts, instead of synthetic supplements, to ride the “Back to the Nature” trend popular among today’s consumers. EIC finds that during 2011-2015 the natural supplements market grew on average as much as 13% yearly, compared to only 7-8% for the synthetic supplements market (Figure 2). This difference in growth clearly shows the impression among Thai consumers that natural supplements are safer and carry fewer side effects than synthetic ones. However, there is still only a limited variety of natural supplements in the marketplace, such as chicken essence, fruit extracts, or herbal extracts, perhaps partly because Thailand have not focused sufficiently on research and product development. Thus, to create new value-added products from herbs or natural extracts is another way in which supplements businesses can thrive.

Last but not least, businesses can offer personalized supplements. By analyzing customer’s physical data or DNA information, they can produce tailor-made supplements for each person’s specific needs. These personalized supplements can be marketed on websites or applications. WellPath, an American startup, has pioneered such online personalized supplements stores. By registering on their website and filling in necessary information such as weight, height, blood group, age, gender, routine activity, and health targets, customers will receive online analysis of their health conditions from nutrition experts. A one-month package of personalized supplements from WellPath costs USD 49.95, or only about 10% more expensive than regular multi-vitamin supplements available in the market. This business model helps reduce administrative costs, such as those of running physical stores or managing supply chains, which constitute a major part of business costs. In addition, it can also help boosting brand competitiveness through the efficient exploitation of innovation and technology (Figure 3).

- Implication**
- **Dietary supplement producers need to adjust their business strategies to survive heightened competition.** Given rising health and wellness trend in Thailand, players in other food and beverage segments, such as healthy foods, have started offering products and services tailored to specific needs of customers. An example would be fortified food and beverages, which are enriched with minerals and vitamins, a substitute product for dietary supplements. Hence, dietary supplements businesses should further understand the needs of different consumer groups to develop specific products that can satisfy them better. In addition, to boost long-term competitiveness, supplements businesses should offer new business models using new technology and innovations, as well as from partnerships with other players in supply chain, such as with herbal research centers or hospitals.
 - **Brand building cannot be ignored,** not only is it a pivotal marketing strategy, but also a way to communicate product. Since dietary supplement producers of all types are prohibited from advertising their products’ properties, they have to find other ways to communicate this to consumers. For instance, a chicken essence producer which tie their brand awareness to images of successful in life, creating a positive perception for their product among consumers. Bear in mind, however, that successful brand building requires continuity and suitability to match each specific target group.

Figure 1: Demand for more specific and greater variety of products, as well as Thailand's transformation into an aging society starting 2030, will drag the growth of dietary supplements. Without strategy changes, the value of the supplements market will decline by 8% on average per year.

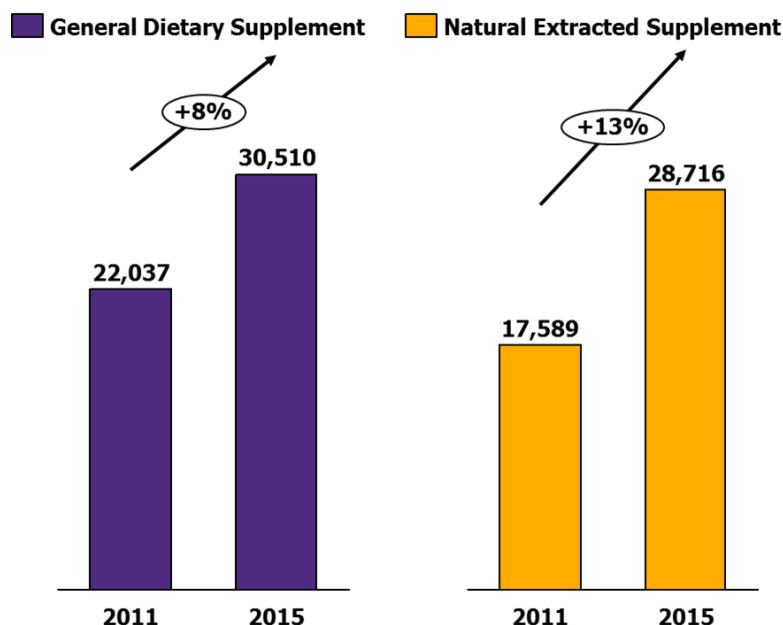
Unit: % share of total population (left), THB million (right)



Source: EIC analysis based on data from United Nations World Population Prospects: The 2015 Revision.

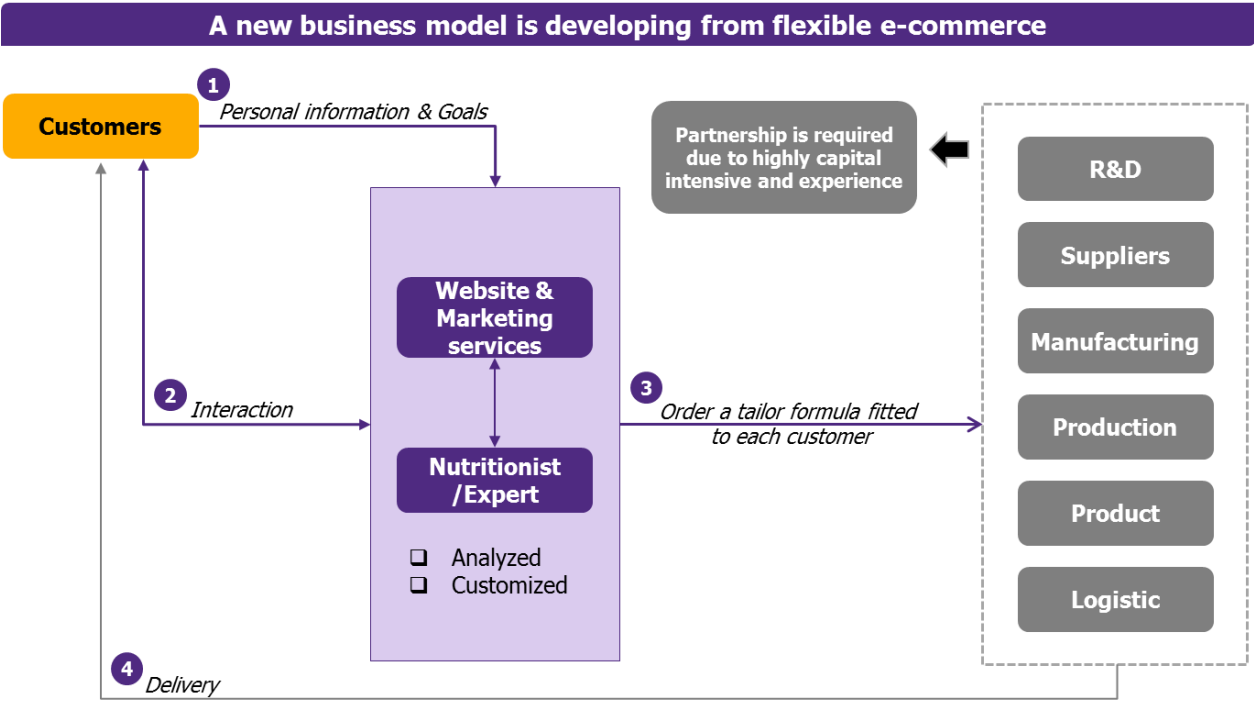
Figure 2: During the past 5 years, the value of herbal or natural extract supplements grew by as much as 13% per year, suggesting consumers' confidence in natural products.

Unit: THB million



Source: EIC analysis

Figure 3: Online personalized supplement service is a new business model that can help cut business costs and boost long-term competitiveness.



Source: EIC analysis

By: Narithorn Tulaphol (narithorn.tulaphol@scb.co.th)
 Economic Intelligence Center (EIC)
 Siam Commercial Bank Public Company Limited
 EIC Online: www.scbeic.com

Disclaimer: The information contained in this report has been obtained from sources believed to be reliable. However, neither we nor any of our respective affiliates, employees or representatives make any representation or warranty, express or implied, as to the accuracy or completeness of any of the information contained in this report, and we and our respective affiliates, employees or representatives expressly disclaim any and all liability relating to or resulting from the use of this report or such information by the recipient or other persons in whatever manner. Any opinions presented herein represent our subjective views and our current estimates and judgments based on various assumptions that may be subject to change without notice, and may not prove to be correct. This report is for the recipient's information only. It does not represent or constitute any advice, offer, recommendation, or solicitation by us and should not be relied upon as such. We, or any of our associates, may also have an interest in the companies mentioned herein.