

The Consumer Health Industry's New Market Paradigm

From increased market agility to building new partnerships, the global consumer health industry is coming to terms with the need to both get ahead of consumer trends and change the way consumer health products are branded.

As consumers continue to feel the negative mental and physical effects of the COVID-19 pandemic, consumer health marketers continue to seek new ways to engage global audiences and showcase the benefits of their health products. Fluctuations in consumer demand—from over-the-counter (OTC) products to nutritional supplements—have created a need for consumer health companies to be both more agile and flexible and challenged them to build strong partnerships in product development and supply.

Nutritional Outlook spoke with Catalent's Dan Peizer on the current and future trends in consumer health.

NUTRITIONAL OUTLOOK: What are some of the major challenges the consumer health industry faces?

PEIZER: Many of the major challenges are the same challenges faced by other industries and relate to the high levels of uncertainty regarding economies and supply chains, which continue to create upheaval. These factors pose challenges for basic market survival, not to mention innovation where manufacturers and ingredient suppliers are struggling to get a hold of raw ingredients to push innovation to the market.

The cost of necessities like food, housing, and energy is increasing due to global inflation, so the success of the consumer health industry, like others that rely on discretionary spending, hinges further upon how well we've communicated the benefits and value of our products. When budgets are stretched, consumers focus on essentials, so items like dietary supplements are at risk of being deprioritized. In times like these, it is critical to communicate the value propositions of improvements to well-being, which can translate to many things, including managing stress and aiding sleep to help prevent more serious medical issues from arising. We need to continuously look for ways to engage consumers on these benefits.

NUTRITIONAL OUTLOOK: How has consumer behavior been altered due to the COVID-19 pandemic?

PEIZER: We've seen a shift in consumer behavior brought about during the pandemic before treatments and vaccinations were developed and available. People worldwide became focused on protecting themselves and boosting their immune systems. They sought products, including nutritional supplements, that could help. This significantly boosted supplement sales, supported by the re-release of data asserting the benefits of vitamin D for healthy immunity, the established market story on elderberry, and the plain and straightforward case for using vitamin C. The result was the more widespread adoption of supplementation by consumers who had not previously considered it. This created the potential for an evergreen boost to the industry. Further, e-commerce



Dan Peizer

Vice President

Head of Marketing & Strategy

Pharmaceuticals & Consumer

Health Business

Catalent

Sponsored by

Catalent
CONSUMER HEALTH

became more dominant during lockdowns, which exposed consumers to the opportunity to conduct more research, so as they discovered a broader range of immune-boosting supplements, they researched how supplements could provide other benefits. These adopters who came into the industry on the immunity wave then transitioned to consider supplements that meet other needs—for example, sleep, brain health, and stress management. That orientation around “need states” and the type of demographics that adopted supplements has created the big “what’s next” in the consumer health industry. The supplements market now has an opportunity to capitalize on this awareness and offer consumers formulations that meet their needs and lifestyles.

NUTRITIONAL OUTLOOK: What were the major implications of the COVID-19 pandemic on the consumer health market?

PEIZER: The early stages of the pandemic also saw a huge spike in OTC purchases, as consumers rushed to stores to stock up on wellness remedies, particularly cold and flu remedies and analgesics. While pantries were stocked and consumers adopted stay-safe/stay-separated behaviors during lockdowns, the physical use of these products slowed considerably because the measures taken nationally dramatically reduced the spread of other viruses, too, like the common cold and flu. The use of analgesics also slowed due to a reduction in outdoor activities, meaning aches and pains and minor injuries weren’t as prevalent anymore either. This resulted in a decreased demand at the retail level. As we return to normality, there’s no doubt consumers will go back to using OTC medicines more frequently. How quickly markets will rebound remains to be seen, but we have already seen upticks in demand for the categories that were most affected. The uncertainty around the strength of the recovery is in part due to consumers discovering and adopting nutritional supplements as precursors or preventative measures to issues they used to reach directly for OTC medicines to remedy. Consumers have shifted to using supplements for more than just healthy aging—a shift from “I’ll take this for a while in the hopes that it benefits my health in the future,” to utilizing them to prevent health problems or even as a first step before they consider stronger products, like OTC medicines.

We remain focused on tracking the “healthy now/healthy aging” sentiment among consumers. They are looking to purchase supplements to satisfy different conditions and needs states, which has been spurred by ingredient suppliers conducting more and better-quality clinical research and publishing more convincing studies.

The other big shift, as I mentioned before, is the push toward e-commerce and the corresponding increase in consumer research. This becomes much more important for marketers because it allows them to reach consumers without the big commitments they would generally need to make toward brick-and-mortar retailers. They must, however, ensure that they’re meeting the needs of consumers who are looking deeper into what products can do for them.

Consumers have shifted to using supplements for more than just healthy aging—a shift from “I’ll take this for a while in the hopes that it benefits my health in the future,” to utilizing them to prevent health problems or even as a first step before they consider stronger products, like OTC medicines.

With all the pandemic challenges, shifts in consumer preferences, and companies trying to meet customer needs, a new market paradigm was created.

NUTRITIONAL OUTLOOK: Could you give specific examples of the new market paradigm?

PEIZER: Consumer health companies are now looking to be more market agile. Years ago, consumer health was dominated by big OTC companies that were mostly offshoots of the big pharmaceutical companies. These companies’ lifecycle management strategy sought a new life for brands that were nearing the end of their market exclusivity. As such, these big pharma OTC companies approached the market in a very methodical way: They were very brand-oriented and focused on the benefits of specific molecules and their benefits for consumers.

Big pharma’s strategies have largely changed, with many now electing to rebalance their businesses toward their core strengths. This has resulted in a new market paradigm in the form of sell-offs and spin-offs of their consumer health businesses. For example, the pharmaceutical giant GSK elected to demerge its consumer health business to establish Haleon, which is now the world’s biggest standalone consumer health entity. Another example is Sanofi, which offloaded some of its non-core brands to regional market players like STADA and Hypera, aiming to be more agile with a more focused product portfolio.

Meanwhile, consumer packaged goods (CPG) companies are showing more interest in the consumer health market; for example, Unilever and Nestlé have invested in mergers and acquisitions to enhance their portfolio with more health-oriented products. Taken together, with

the existing presence of strong CPG players like Proctor & Gamble and Reckitt in consumer health, these developments have created a new market paradigm.

However, there is still room for the green shoots of new growth, and new startups coming into the marketplace have themes around their marketing (cause marketing) that are attracting consumers' attention. Products from Genexa Inc. are attracting consumers' attention with a free-from/clean-medicine branding approach. Genexa is going beyond marketing the known benefits of its products by asking consumers why they are choosing certain products for their health. Other startups include Welly (started by the co-creator of the brands Olly and Method), which initially launched as a first-aid bandage brand but expanded into OTC remedies launching exclusively in Target before being acquired by Unilever. Finally, Betr Remedies, a socially conscious OTC brand with celebrity backing, created an exclusive retail partnership with Wal-Mart in 2021. These startups have changed the focus from the molecules to the benefits, brands, and causes they celebrate to help create a new paradigm of how consumer health companies attract consumers.

There is still room for the green shoots of new growth, and new startups coming into the marketplace have themes around their marketing (cause marketing) that are attracting consumers' attention.

NUTRITIONAL OUTLOOK: What recommendations does Catalent have for consumer health companies looking to be more agile in responding to consumers' needs?

PEIZER: We constantly follow trends in the marketplace, and as a development and supply partner working across brands and companies, we have a unique perspective. We see things from a few thousand feet above, so we can provide perspective from a different vantage point.

One trend that I spoke about is need states and how to ensure our products align with the need states of consumers. Another trend is for marketers to provide an experience with their company's product. According to our data, I predict that traditional dose forms, e.g., tablets, capsules, and powders, will continue to grow over the next five years or so but at a very modest rate, and maybe by only 1% or less. Dose forms that offer an experience, such as softgels, which are easy to swallow and mask bad tastes well, are projected to grow at four times the rate of traditional forms. More experiential forms like gummies and soft chews, choices that offer a texture or taste experience, are projected to grow at nearly 10 times the rate of traditional dose forms. So, innovators need to look toward creating those experiences and doing what's right for the product and the consumer.

This is why working with a company like Catalent, with a broad range of technologies available, is a benefit because it can help match the ingredient and target product profile to the right technology to create that unique experience desired by consumers. Also, Catalent has a robust network with the expertise to respond to current and ongoing supply chain issues. Finally, Catalent can bring new formulations to the marketplace, often using the same ingredients and creating different profiles and needs states for different consumer groups.

For more information on new competitors entering and disrupting the status quo in the consumer marketplace, check out our webcast, [New Entrants in Self Care](#).