The vitamin, mineral and supplements (VMS) market boomed during the pandemic, with growth of approximately 14.5% in 2020, continued strength in 2021, followed by slower growth in 2022. Now, with the worst of COVID-19 in the rearview mirror, consumers are maintaining an increased focus on health and wellness, self-care, and preventive solutions. In 2023, against a backdrop of high inflation and concerns about a looming recession, VMS brands must understand the key trends impacting this market to find ways to differentiate their offerings and unlock future growth.

Top 2023 VMS trends

The top trends expected to impact the VMS market in 2023 can be viewed through five core lenses: secular, macro, evolving models and channels, changing consumer demand, and product innovation.

Secular

- **Aging demographics:** Baby boomers are the most frequent users of VMS, with 50% indicating they take at least one supplement a day. And the U.S. population overall is forecast to continue aging due to the ongoing decline in fertility rates and an increase in life expectancy, creating a growing base of VMS users and a tailwind for the industry.
- **Millennial segment growth:** Millennials have the highest average annual monthly VMS spend ($70 per month), according to a recent survey conducted by L.E.K. Consulting. Younger generations have also had the fastest-growing weekly median earnings compared to older cohorts (ages 45+) from 2016 to 2022, demonstrating their increasing purchasing power and making them an attractive target VMS consumer.
- **Preventive health:** Healthcare costs continue to rise, with the national health expenditure anticipated to increase by 5.2% per year from 2022 to 2030F. In the meantime, 75% of current healthcare spending is related to chronic diseases, and an incremental 14 million people are expected to have at least one chronic condition over the next 10 years. This combination of rising healthcare costs and the growing prevalence of chronic conditions is contributing to a shifting consumer mindset toward prevention.
- **Regulatory scrutiny:** The Food and Drug Administration is stepping up its scrutiny of supplements; the number of warning letters sent to supplement companies from the agency more than doubled from 2017-2018 to 2021-2022. This scrutiny, coupled with the ongoing threat of consumer class

action lawsuits against supplement companies, creates headwinds for the industry and puts additional pressure on brands to establish trust with consumers.

Macro

- **Inflationary and recessionary concerns:** Despite recent record-high inflationary levels, an L.E.K. survey found that VMS consumers spent the same amount of money on nutritional supplements in 2022 as they did in 2021. A recession, however, presents a slight potential headwind, with consumers expecting to spend roughly 3% less on VMS should a downturn take place.

Evolving models and channels

- **Digital native brands:** The online channel has experienced outsized growth, supported by the growing emergence of digital native brands. Digitally born brands such as Goli and Ritual have used digital marketing and social media — including influencers — to broaden their exposure and the appeal of the VMS market, particularly among younger consumers.
- **Personalized nutrition:** Consumer awareness of personalized nutrition rose from 39% prior to COVID-19 to 53% afterward. Meanwhile, major companies have been investing in personalized nutrition (e.g., Bayer's acquisition of Care/of in November 2020), driving momentum on the supply side.

Changing consumer demand

- **Experiential well-being:** As consumers continue to seek condition-specific solutions with perceptible benefits, experiential well-being (i.e., sleep, stress/calm/mood and cognitive health) has outpaced overall VMS growth.
- **Transparency:** Among general consumers, 72% indicate that label or website transparency influenced their likelihood to purchase consumer products, and VMS brands are responding by clearly listing ingredients and their origins.
- **Sustainability:** Among supplement consumers, 66% indicate sustainable ingredients influence their purchasing decisions. VMS brands are taking a multifaceted approach to incorporate sustainability into their products and brand, including some brands shifting away from plastic to recyclable packaging. Nearly two-thirds of consumers overall indicate they are willing to pay more for sustainable products.

Product innovation

- **Natural products and ingredients:** VMS consumers, similar to those of other product categories (e.g., food and beverage, beauty and personal care), are now placing more focus on ingredients and clean labels. When it to comes to choosing supplements, 33% of consumers prefer supplements from natural sources, 32% want supplements free from allergens, 31% search for supplements without preservatives and 31% want supplements that avoid artificial colors and flavors.
- **Innovative formats:** Consumers continue to seek nonpill formats, such as gummies, liquids and single-serve powders (e.g., stick packs), which they view as easier and/or more enjoyable to take than traditional formats. Indeed, nonpill formats grew 15% yearly from 2016 to 2021, compared to 1% annual growth for pills.

How brands can differentiate and find ways to unlock growth

Target younger consumers: Younger consumers, given their high category spend and high future purchasing power, are a critical segment to reach in order to drive growth. To better reach this consumer segment, online presence in both product availability (e.g., Amazon) and digital marketing and social media campaigns (e.g., TikTok, Instagram) is a key area to focus on.

Invest in fast-growing segments: Experiential well-being categories such as sleep, stress/calm/mood, cognitive health and beauty from within have outpaced broader VMS growth in recent years. Brands must assess whether they have the "right to win" and the necessary capabilities to organically develop products in these segments or if entry via acquisition is a better pathway.

Continue to innovate: Natural ingredients, new product formats, multibenefit solutions, traceability (e.g., certifications/claims) and sustainability initiatives (e.g., packaging, ingredient sourcing) can be used to differentiate and gain share.

Prepare for a downturn: VMS companies should take a page from the playbook of consumer packaged goods companies to find strategies that have been effective in the past under similar economic conditions. Diversifying points of distribution, including bolstering presence in value-oriented channels, emphasizing preventive care, and revisiting pricing/promotional strategies such as fine-tuning price pack are just a few examples. Emphasizing innovation is also particularly important in a downturn, as it helps brands differentiate from private labels (which see an uptick in a recession).

In the face of economic headwinds and continually evolving consumer preferences, brands should look for opportunities to capitalize on emerging trends to differentiate and drive growth in 2023.

Net Sentiment Score: A Quick and Accurate Insight Into Your Consumers' Minds

The explosion of consumer reviews on the internet has provided many businesses with a much greater insight into what their customers think and feel about them before, during and after they engage with a product or service. But how can businesses, and those who market for them, best interpret this vast pool of commentary to get a clearer insight of the overall sentiment?

Numerous tools exist to assess the overall strength of a target audience's perception of a brand. For years, marketers have used a range of traditional brand perception and promoter scoring mechanisms to gain insights into customer experience measures and the strengths and weaknesses of specific brands.

More recently, measurements of consumer sentiment have become popular with marketers looking for another way to understand what consumers think of their organisations, brands, products and services — essentially, the 'user experience'. This has led to the development of the Net Sentiment Score (NSS) and the natural language processing (NLP) behind it.

The advantages of the NSS process

The concept of consumer sentiment opens a window into the minds of consumers: how they perceive, experience and interact with goods and services. An NSS can provide an organisation with real-time, rapid feedback on which parts of its brand or services are loved, hated or not being talked about at all.

However, until recently, assessing sentiment was a largely qualitative and selective process and open to interpretation. Trying to assess the huge volume of reviews also proved difficult and time-consuming, and the often-varied nature of these reviews made it hard to identify and summarise consistent trends in the commentary.

This has now changed, thanks to the use of the machine learning algorithms inherent in NLP. L.E.K. Consulting uses these in its proprietary NLP solution to analyse reviews and assess consumers' sentiments as expressed in their language, making the millions of customer reviews publicly available on the internet much more accessible as a source for NSS ratings. The process can be applied to a range of organisations — from consumer-facing fast-moving consumer goods (FMCG) businesses through to service providers like hospitals, government departments and financial institutions.

How does NSS process work in practice?

L.E.K.'s process uses algorithms to qualitatively score the reviews, opinions and commentary of consumers. The analysis examines the language used in reviews to determine how positive or negative a review is, alongside the linguistic 'drivers' of the

review, to better understand how reviewers are commenting on their experience and assign a negative or positive sentiment score to each review.

The NLP approach can examine very large quantities of reviews and commentaries from a range of websites and apps, delivering real insights and a clear interpretation of trends from these often varied and unstructured reviews. Essentially, the process is to:

1. Define what the organisation needs in order to understand the users' sentiments regarding their experience and determine the right question set to use in the data analysis process
2. Source the reviews and other data and run the algorithmic process using thousands of individual data points from a wide range of sources
3. Determine a sentiment score and identify any overarching linguistic drivers of the reviews; give a summary of findings

The algorithms also allow for bias in these reviews through their ability to examine the language used to determine whether the review is a genuine experience, or a more generalised comment on the product or service. It can also monitor reviews as they change over time, to identify any corresponding sentiment changes along the way.

The entire process can be very quick — faster than other traditional brand perception measures — and can provide real insights into brand or organisational strategy as well as the impact that consumer feedback should have on these key business drivers.