Getting Ahead of the Curve: Properly Positioning Probiotics

By Dr. A. Elizabeth Sloan

Probiotics represent one of the recent bright spots in the U.S. nutraceuticals industry. In 2006, Danone's Activia Yogurt netted $128 million in year one sales, followed by another $62 million for Activia Light in 2007 per SymphonyIRI Group.

Sales of food, drinks and over-the-counter (OTC) supplements with a probiotic claim topped $1.26 billion in U.S. supermarkets for the year ended 3/20/10, up more than 7% over last year, according to Nielsen.

But despite its success, unaided awareness of probiotics remains relatively low—28% in 2009, up from 19% in 2008 and 5% in 2005, reports Gallup's "2009 Study of Probiotic Consumers."

Moreover, probiotics are closely associated with yogurt and, to date, attempts to broaden its product base have been met with limited success at best. According to Mintel, 32% of consumers bought a fortified yogurt in 2009; 27% a heart/cholesterol claiming yogurt and 20% a probiotic and/or prebiotic or digestive claim yogurt. Only 16% looked for probiotics in a functional food;11% in a healthy beverage.

If companies are to realize the potential of probiotics, and capitalize on the bevy of highly desired health linkages, it's time to adjust marketing efforts to better solidify the specific health connections.

Market Potential

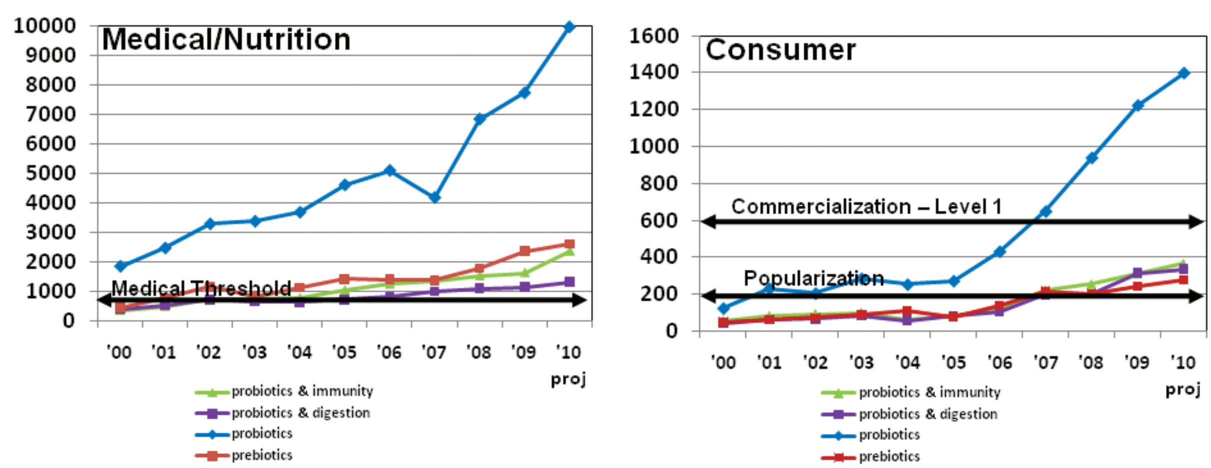
According to Sloan Trends' TrendSense model, probiotics represent a strong and rapidly accelerating market segment, having crossed into the Commercialization mass-market phase in 2007. Scientific/Nutrition activity has increased nearly 10-fold in the past decade, after crossing the Medical Threshold, which signaled the beginning of a long-term sustainable trend, in the late 1990s.

But even with skyrocketing Medical activity, the amount of research actively linking probiotics to immunity and/or digestion and prebiotics directly has not kept pace, resulting in significantly lower marketplace receptivity for either of these associations vs. probiotics alone.

On an unaided basis, Gallup reports that only 1 in 10 U.S. adults associates probiotics with digestive health; there is no recall of probiotics with immune defense on an unaided basis at all—that benefit is attributed largely to vitamin C. As a result, coupling probiotics with other well-recognized ingredients linked with digestive health or immunity is a smart strategy.

However, probiotics and their association with immunity, digestion and prebiotics crossed over into the Popularization Phase by 2008, signaling perfect timing for launching products with these associations into the health food/specialty channels and for very health conscious and condition-specific consumers. Unaided awareness of prebiotics, however, remains very low, at 4% per Gallup.

TrendSense™ Predictive Model: Probiotics & Prebiotics



** Although there are many factors that go into determining consumer trends, measuring how medical/nutrition activity levels have risen over the past decade, as well as some of the key milestones that have occurred and how these issues have been understood and embraced by the public are essential in predicting the sustainability of the Consumer trend line.*

Growth Opportunities

- 60-70 million Americans suffer from some sort of digestive issue per NIH.
- While the incidence of digestive issues increases with age; they are also prevalent among young adults.
- On an aided basis, half (52%) of adults cite some benefit of probiotics; 35% digestive health (Gallup).
- Aided, 1 in 5 links probiotics with: immunity, reducing the risk of colon cancer, cleansing the body of toxins and relieving bowel disease (Gallup). Interestingly, 44% of adults are very concerned about toxins in the body (HealthFocus, 2009).
- Fiber is 8 times more frequently associated with digestion than probiotics; vitamin C is significantly more linked to immunity (Gallup).
- Children are among the untapped probiotic markets—10-20% of schoolchildren's "bellyaches" affect activities; 40% of moms say kids regularly wake up with stomachaches (IMS, 2008).
- Preliminary research shows strong potential for applications targeting: dental, lowering blood pressure, weight control, respiratory issues, irritable bowel, antibiotic-related diarrhea, dermatitis and other issues.
- World sales of probiotic and prebiotic foods/drinks jumped 12.5% to $15.4 billion in 2008 (Packaged Facts, 2009).

Functional Foods & Beverages: Nearly two-thirds (63%) of those who bought a functional food/drink in 2009 would like more products that help maintain a healthy digestive system; 60% that strengthen the immune system, according to Mintel.

With consumers reporting a steady increase in dairy products containing probiotics and prebiotics, and with whole grains the most sought after ingredients for functional foods in 2009 per FMI, why not incorporate dietary fibers, high fiber fruit pieces or position prebiotics as super fibers to solidify the association of probiotic-containing foods to digestive health? After all, fiber is the most sought after ingredient in a functional food—by 47% of consumers; 31% look for added vitamins per Mintel.

Yogurt showed the largest consumption rise in kids' snacks and the largest growth in number of units consumed per child last year per NPD. Capitalize on the existing yogurt/digestion connection—for kids, Gen Y and other key yogurt consumers—by using yogurt flavors for non-dairy probiotic products such as bars, snacks and confections. Likewise, associate probiotics with foods high in vitamin C, such as juices, to benefit from the well established immunity health linkage.

Dietary Supplements: Although consumers who use probiotics are more likely to rely on foods and beverages as sources, about half of supplement users still look to supplements—and 20% to OTC products—to deliver their probiotics, reports Gallup.

Those 55+ are the most frequent users of dietary supplements; they are also accustomed to fixing health issues with pills (Packaged Facts, 2008). Among supplement users, 56% prefer to get their probiotics from supplements, another 13% prefer OTC digestive health products containing probiotics, according to Gallup.

Proctor & Gamble's Align and Bayer's Phillips Colon Health probiotic supplements enjoyed great success in 2009. Early 2010 SPINS data indicates that sale of enzymes for digestive health have also increased 7.5%

References furnished upon request.

About the author: *Dr. A. Elizabeth Sloan is president of Sloan Trends, Inc., Escondido, CA, which is a consulting firm that offers trend-tracking and predictions, strategic counsel and business-building ideas for food, supplement and pharmaceutical marketers. Each month she will provide analysis and discuss opportunities of a particular market being covered in a given issue.*

SLOAN TRENDS' TRENDSENSE is a 15-year-old trend tracking system, which identifies and quantifies trends as well as predicts the optimal timing, sustainability and lifecycle stage of ingredients, terms, product opportunities and related market issues.

The model displays medical and consumer "activity levels" based on a comprehensive analysis of five critical sources of information—consumer, trade and competitive, legal and regulatory and media coverage. The resulting charts give insight into the market's changing health issues and concerns, the ingredients that are up-and-coming and those that have just about run their course, as well as what health claims, marketing messages and products will bring your company the most success.

- **Emerging Phase** = Trends begin to appear on the radar screen. Companies should begin to collect literature and market details for those that exhibit continual growth and that might be of interest.
- **Popularization Phase** = Medical/Nutrition crossover to consumer media and marketplace; opportunity for niche or specialty markets. Marketers/manufacturers should begin a detailed evaluation of the supporting marketing and scientific data and determine if this term/trend offers a good strategic fit and is appropriate to pursue. Appropriate product development procedures should be undertaken.
- **Commercialization Phase** = Mass-market ready. Mainstream consumers have a significant degree of familiarity with the term/trend and there is opportunity for competitive advantage by getting out ahead of the competition or by providing a unique and highly innovative product positioning for success.