

Nutrition needs nurturing

The distribution channel for dietary supplements has room for innovation.

By Zainab Morbiwala

Changing lifestyles coupled with scarcity of time is opening up avenues for the consumers to look for alternative modes of sustaining healthier lives. The foray of various health & wellness companies with their nutrition supplements, comes as a saviour for the health conscious Indian consumer.

A category in the health and wellness segment that is drawing some attention – from national as well as international manufacturers – is Nutraceuticals. In India, nutraceuticals, defined as extracts of foods claimed to have a medicinal effect on human health, and usually contained in a medicinal format such as a capsule, tablet or powder in a prescribed dose, are gradually finding their place in the shopping list of customers looking for that quick-n-easy ‘something’ that would provide the body with all the essential nutrients. So, where does this trend stand now?

Nutraceuticals defined

The credit for developing the Nutraceuticals phenomenon may be given to the USA, which even today, happens to be the leading market in the segment. Nutraceuticals are generally made from herbal/botanical raw materials, and are functional foods or food components that provide demonstrated physiological

benefits or reduce the risk of chronic diseases, above and beyond their basic nutritional functions. A functional food is similar to conventional food, while a nutraceutical is isolated from a food, and sold in dosage form. In both cases, the active components occur naturally in food. To trace back the origin of the term, nutraceuticals are primarily obtained from plants, especially those with a well-established use as foodstuff. The blend of these pharmaceuticals and nutritional characteristics resulted in the name ‘nutraceuticals’.

Explaining the origins of nutraceuticals, Somnath Das, CEO, Manipal Cure and Care Pvt. Ltd. says, “The term ‘nutraceuticals’ is a hybrid of ‘nutrition’ and ‘pharmaceutical’”. It was coined in the year 1989 by Stephen DeFelice, MD, founder and chairman of the Foundation for Innovation in Medicine (FIM), Cranford, NJ. He defined nutraceuticals as, ‘a food (or part of a food) that provides medical or health benefits, including the prevention and/

or treatment of a disease’. Therefore, it can be said that the origin of nutraceuticals, as a category, is 19 years old.”

The global scenario

In terms of market size, the global market for nutraceuticals was worth USD117.3 billion in 2007. This

is expected to rise to an estimated USD123.9 billion in 2008, and is projected to witness healthy growth to cross USD187 billion by 2010. World demand for nutraceutical ingredients is forecast to advance 5.8 percent annually. According to Das, the United States, Europe and Japan dominate the global market, with a combined share estimated at about 86 percent for the year 2007. “These three regional markets would continue to hold on to their leading positions as global producers and consumers of nutraceuticals due to high income levels of consumers, greater awareness and widespread preferences, availability of speciality nutritional and herbal products, and



Vitabiotics' range of dietary supplements for women.

trends promoting preventive medicine and self-treatment,” he adds.

Comparing the current market for nutraceuticals in India vis-a-vis the western countries, Tej Lalvani, vice president, Vitabiotics feels that India still has a long way to go when compared against the USA or the UK. “They have a more sophisticated market when it comes to nutritional ingredients, although things are changing fast in India and a large proportion of the middle class are seeing the benefits. But the main drive of awareness is still coming from the prescription market,” he states.

According to a report released by US-based B2B media company Cygnus on the nutraceuticals market, it is believed that vitamins, minerals and nutrients constitute about 85 percent of the market while antioxidants and anti-agents account for 10 percent. Other segments such as herbal extracts occupy 5 percent of the market globally.

Whither the Indian market

Estimates on the Indian market vary; while Technopak says that the Indian market for nutrition supplements is estimated to be Rs 2,000 crore and is growing at 35-40 percent per annum, ORG figures indicate the nutraceutical market size in India to be Rs 2,700 crore and growing at 9 percent per annum, excluding the non-chemist channel. Though still being in the stages of evolution in terms of the awareness and availability, the market for nutraceuticals

in India has begun showing signs of maturity. This is evident from the fact that international companies under this category are showing interest in the Indian market and the Indian companies too are strengthening their base by tying up with international brands. Recently, Valensa International (Orlando, USA) and Parry Nutraceuticals (a division of E.I.D. Parry (India) Ltd., Chennai), as part of their growth strategy, joined forces to usher in the next generation of high-performance nutritional products. E.I.D Parry acquired a 48 percent strategic stake in US Nutraceuticals, doing business as Valensa International.

Elder Pharma followed suit by deciding to join hands with an international partner to offer Indian consumers with some new products in this category. The company has entered into an in-licensing agreement with the Tokyo-based nutraceutical company, Daiwa Pharmaceutical, for introducing the latter's nutraceutical products into the Indian market. Under the agreement, the company has launched a nutritional supplement – Imbran. At present, Elder already has a wide range of products in nutraceuticals category, including Eldervit ZC, Nephrocaps, Elmecob and Phytomega. All these together have facilitated the company to capture a sizeable share of the nutraceutical market segment.

Deliberating upon on the market for nutraceuticals in India, Himanshu Nayak, general manager, business development, Elder Pharmaceuticals Ltd. says, “Even though

the Indian nutraceuticals market is at a nascent stage, it is growing at a fast pace. Seeing the growth in world nutraceuticals' market and potential for India, many multinational and Indian pharmaceutical firms are entering in this arena. Also, these companies are introducing nutraceuticals as supplements to their main products in the therapeutic segments. FMCG firms are also venturing into this segment.”

Sharing an interesting aspect with regards to the Indian scenario for nutraceuticals market, Das shares, “So far as India is concerned, it is in a peculiar situation. This is basically due to the fact that in India, dietary supplements – functional foods as a category different from medicines – were not defined. This also emanates from the fact that some companies in the US and European markets, who introduced nutraceuticals by registering with the food authorities, came under the radar of Drugs Control Administration, resulting in litigations in a court of law. This deterred others to venture in the field openly.”

“It was only in the year 2006, when Food Safety and Standards Act was notified by the Government, that the category ‘Food for Special Dietary Uses or Functional Foods or Nutraceuticals or Health Supplements was defined under Section 22 of the Act. The provisions of this section recognises formulations in the form of powders, capsules, tablets, liquids or jelly and other dosage form, except injectables. This, according to me, is the greatest step. However, the section makes it clear that such products can only make certain health benefits or promotion claims as may be permitted by the regulation made under the Act.”

Despite such initiatives, Das points out that lack of Government action with regards to the promulgation of either the rules, or guidelines for the same, is not helping matters. “The DSHEA (Dietary Supplement Health and Education Act) was passed by the US Congress in 1994 to regulate dietary supplements in USA. This Act while promoting the use of dietary supplements or nutraceuticals has tried to prevent ‘tall’ claims by unscrupulous elements. Similar guidelines are there under European Regulations. These can be used resource material while making the rules in the Indian context.”

Vitabiotics recently introduced two products – Wellman and Wellwoman – in the Indian market. Sharing his views on the nutraceuticals market in India, Lalvani says: “I would say it is a rapidly growing market, especially as consumers become more aware about prevention, and understand the importance of nutrition. Initially, most nutraceuticals started with a prescription base and have now moved over to OTC. And now you see only OTC-launched focused supplements.”

So, are the challenges far too great for a robust nutraceuticals category in India? Das believes there are some unique advantages that India presents, particularly in the biological resource base. “India is home to almost all kinds of plants ranging from tropical, sub-tropical to temperate zone varieties. For natural products, there will be obviously no product patents. Scale of operation is an advantage for existing pharma players because their marketing and distribution channels are already in place,” he points out.

Defining the retail strategy

When it comes to creating a dedicated category on nutraceuticals at the retail end, modern format retailers are yet to explore this possibility. Outlining the reasons as to why HyperCity does not have a separate category on nutraceuticals, Ashutosh Chakradeo, head – food and grocery, HyperCity Retail (India) Ltd. states, “There are very few products available in this category. However, with health being looked as a major attribute by the food industry, we hope to see a lot of introductions in the coming years.”

Samar Singh Sheikawat, vice president, marketing, Spencer's Retail Ltd. agrees that this is a growing category in terms of awareness and acceptability level, at this moment of time, partly due to the fact that several foreign companies have introduced a complete range of products in India. “We are exploring the possibility of partnering with some of these brands and possibly start with a large range in a couple of evolved markets. Then closely monitor market response and scale up/down accordingly,” he adds.

Nutraceuticals in India currently tend to be purchased largely from



Vitabiotics' dietary supplement range for men.

chemists, and health & wellness chain stores and the wait-and-watch views expressed by most retailers do not come as a surprise. “The all-pervasive neighbourhood chemists and druggists have created a deep impact and are the first line of contact for advice on health supplements, or for that matter, remedies for minor ailments,” Das explains.

“However, there is an evident shift and a number of Indian companies with wellness as their business agenda have plunged into the market propagating the concept of wellness, and the benefit of health supplements. That is how now one finds wellness chain stores in our metropolitan cities. In another five years, I believe the category would be much sought after,” he adds.

Lalvani believes that nutraceuticals need to be first defined more clearly in the pharmacy segment before they move to grocery outlets. “These days, consumers pick products off the shelves at pharmacy stores on their own. This is where categorisation is the key. With regards to their availability and acceptability in supermarkets, the concept of shopping in supermarkets is quite recent in India, and once consumers get used to buying everyday grocery and convenience products there will be opportunities to sell nutraceuticals as well,” he states.

“Ultimately, it is a matter of educating both the consumers and the retailers. In the USA and the UK, over 70 per cent of nutraceuticals are sold through multiple chain stores; of that about 50 percent is through grocers!”

Sharing a word of advice for the nutraceutical industry, Das suggests, “There is a feeling that food supplements sold in India do not meet the quality specifications as there are no comprehensive laws to regulate the same. In my view, commercial considerations should never override ethical considerations. Until the regulations are in place, my appeal to the manufacturers is let there be no laxity in adopting the very same quality parameters in the production and quality assurance that are adopted in the manufacture of drugs. Most importantly, the consumers should not be misguided or misinformed. Whatever claims are made should be justifiable and must be evidence-

based. Consumer-oriented benefits of health supplements programs are necessary in order to popularise the concept.”

Challenges

Since the awareness and consequent availability of this product category is relatively low, the challenges faced by this industry are manifold. Gauging the market response, one of the major challenges for the industry players would be to convince consumers about the benefits derived from their products and that the products are absolutely safe to be picked up off the shelves from superstores, thus not restricting the sales channel only to chemist shops and inhibiting a product category from pervading a health conscious consumer's life.

Elaborating on the hurdles that face the segment, Das says, “The primary challenge is that the sector is highly unorganised, be it for product promotions or the distribution channel. The category is OTC-driven. Therefore, doctors are reluctant to accept the products. OTC products call for heavy investment in product promotion and retail space.”

Commenting on the tax and duty structure, Das adds, “Import duties on dietary supplements add up to almost 70 percent. At Manipal Cure and Care, we identified some very popular brands from Australia but had to retract because of unviable costing. In addition, delay on the part of the Central Government to come out with guidelines/ rules on health claims that can be made for the products is another concern. Unless this is immediately addressed, manufacturers will continue to operate in an uncertain situation, which

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is not conducive to the growth of the industry.”

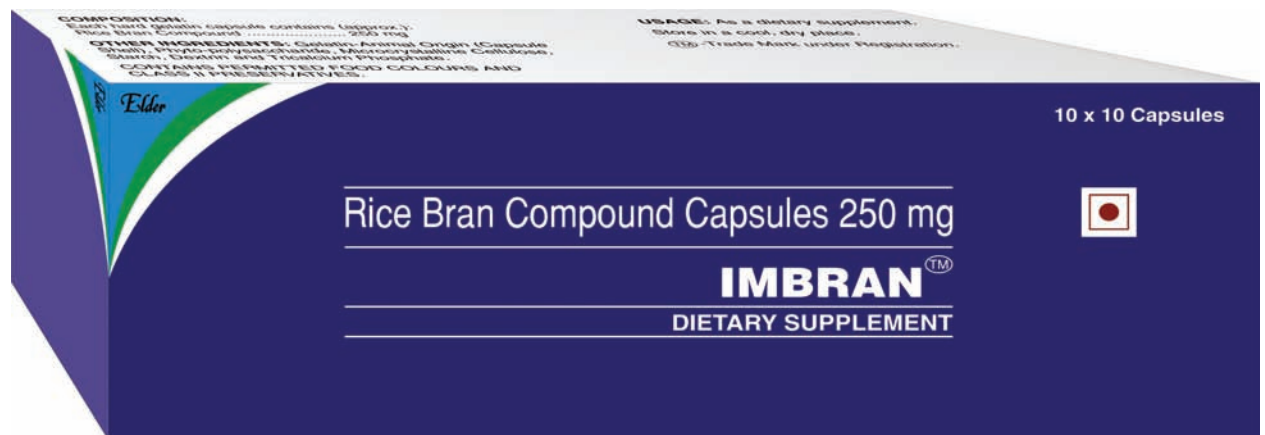
According to Lalvani, educating non-pharmacy retailers on the importance and potential of these products is critical. “It is about making nutraceuticals a part of consumer lifestyle, which will then eventually positively impact the purchasing pattern. With the knowledge and lifestyles of consumers evolving, supermarkets in the future will eventually account for higher share of nutraceutical sales.”

Despite the challenges, some of which are typical to any emerging retail category, analysts point out that there are some enabling features the Indian marketplace offers for startups and foreign investors. “An expanding proportion of elderly population, enhanced awareness about health and nutrition and, availability of scientific evidence linking diet and health are major factors that will contribute to the growth of nutraceuticals market. Escalating costs associated with healthcare constitutes

another factor that is pushing the demand for self-medication and healthy foods,” Das says.

“So far growth has largely been in the bones, joints and pregnancy segments, but I believe the future will lie in more lifestyle-based products focused on men's and women's health and beauty,” Lalvani comments.

“An emerging market typically boosts productivity and performance in all sectors, and that is the reason I continue to be very optimistic about the potential of nutraceuticals in India. The beginning that we have seen is all set to grow several-fold,” Das says. Talking about the retail strategy for nutraceuticals, Das feels that the emergence of modern supermarkets and hypermarkets has created potential retail destinations that the traditional pharma distribution channel does not cover. “In other words, you need to have two distribution channels – one to cover traditional medical shops and the other covering the modern supermarkets and wellness chains.” ■



Rice Bran dietary supplement capsules from Elder Healthcare.