



Smith

'Need States' Simplify Complex Category

The Defense Commissary Agency (DeCA) assortment of vitamins and supplements is one that is “very important to commissary patrons,” many of whom are shopping with health “need states” in mind, according to LaRue Smith, the agency’s Baby and Healthcare category manager, who counts these products as part of his responsibilities.

“DISRUPTIONS”

Smith told *E and C News* that vitamins and supplements have experienced what he referred to as “disruptions” over the last decade, including health ‘need state’ areas of focus. “By identifying those vitamins and supplements by need state — including general health, energy/fatigue and virility — it simplifies a complex category, educates patrons, and makes the category more shoppable,” he said.

In terms of heart health, the category manager said DeCA offers fish oil, CoQ10, and Nature Made CholestOff, a plant sterol-based cholesterol reducer, among other high-demand supplements. Smith noted that many of these products provide multiple health benefits; for instance, some heart health products can provide benefits for skin, mood, and cognitive function. “Likewise, CoQ10 can provide energy as well as heart benefits,” he said.

Another “disruption” that Smith described is that alternative product delivery formats are “transforming the category. Vitamin C powders and gummy vitamins are attracting millennials into the vitamin and supplement category.”

SALES TRENDS

The connection between trends and sales seems to be as strong as ever. “Trends are key drivers to growth in vitamins and supplements,” Smith explained. “For instance, gummy vitamins’ trends have brought both men and women into the category. While they may start with a single purchase of a multivitamin at first, customers will normally add other forms to their shopping list like gummy vitamins.”

Smith said that beauty and anti-aging supplements have also been popular “and are fueling growth for the category. Whether it is a gummy or another form, the formulas usually contain ingredients that provide visible results — i.e., hair growth, stronger nails, etc. — over a short period of time.”

Digestive health — sometimes referred to as “gut health” — has, according to Smith, “been a focus in the media for some time, and that has provided patrons knowledge of the importance of probiotics for digestive and immune health. In fact, many doctors are recommending probiotics when prescribing antibiotics in order to re-establish healthy bacteria. Probiotics and enzymes will continue to be important in the future to target specific gender and health needs.”

In addition, the category manager noted that sleep and energy health need states continue to generate patron purchases.

PROMOTIONAL NEEDS

Smith said that promotions “are critical” to achieving and maintaining sales growth in vitamins and supplements. “Most vitamin purchases are planned,” he



DeCA PHOTOS

DeCA's year-to-date fiscal 2016 vitamin and supplement sales through June 11 were \$23 million. A vitamin planogram at NSB New London, Conn.

DeCA Vitamins and Supplements Top Categories by Dollar Volume Fiscal YTD 2016*

Items	Sales
1) Glucosamine with Chondroitin	\$1,981,741
2) Unisex Non-Senior Multivitamins	\$1,321,080
3) Vitamin D	\$1,195,639
4) Fish Oil (regular)	\$1,186,750
5) CoQ10	\$1,169,966

* FYTD June 2016. Source DeCA

explained. “Sampling and promotions provide opportunities for our customers to try products with no risks. Promotions also draw attention to new forms and products as they are featured and displayed. Sampling and coupon support are strong vehicles to market vitamins, such as sampling of gummies, which tends to increase unplanned purchases,” Smith observed.

Since retailers in outside-the-gate venues aggressively promote vitamins and supplements through online and circular promotions, Smith said it is “incredibly important” that DeCA offer simultaneous promotions “to counter outside threats,” to commissary business in the category.

The category manager said that January, February and March were among DeCA’s most successful months for vitamin promotion in

early 2016. During this three-month span, when New Year’s Resolutions motivations are typically at their strongest, the category experienced a 35-percent lift beyond the average weekly unit volume and a 26-percent lift beyond the weekly dollar volume.

“These promotions were highly successful because of media support, seasonality factors and strong coupon support,” Smith said, adding that these promotions offered customers up to a 40-percent savings on top-performing brands.

Merchandising and in-stocks are also critical elements to building sales. “This past year, vitamins and supplements product flow was changed,” he said. “Alternative forms were grouped together and health need states were carved out next to multivitamins. Nature Made, Sundown, and Nature’s Blend were brand blocked and arranged alphabetically. This flow aids the patron in navigating the section, which will help grow sales.”

Smith said that it is vital that each commissary “consistently has inventory on

DeCA Vitamins and Supplements

shelf” to continue growth. “If products are unavailable, patrons will get frustrated, and most likely go somewhere else to shop,” he explained. “If out-of-stocks occur regularly, it is likely to lose that vitamin and supplement consumer altogether, including the whole customer shopping basket impacting total store sales.”

NEW PRODUCTS

Another way to grow sales is by regularly adding new product to the vitamins and supplements mix. “DeCA’s patrons are responding very well to the product innovations,” Smith noted. “Gummies are here to stay, so we anticipate continued growth opportunities in this area.

“In addition, I believe probiotics and enzymes will continue to evolve as well. Cognitive Health is probably the next big focus for need state growth. There will be an opportunity to reach aging boomers as well as millennials with different formulas.”

Since Smith said that DeCA patrons are so receptive to these new products, commissaries have carried a wide variety for them to choose from.

“Gummies, probiotics, and beauty/anti-aging vitamin and supplements ... are the bulk of new items on shelf this year,” he said. “Commissary patrons are enjoying the sensory experience of gummies, the improved digestive and immune health from probiotics, and the visual results from the beauty/anti-aging supplements.”

Smith said that Nature Made, Sundown and Vitafusion “continue to expand their depths of gummy supplements and are coming out with new flavors. Centrum also launched a gummy multivitamin this year. Nature Made, Vitafusion, and Nature’s Bounty all have hair, skin, and nails supplements that patrons are responding to positively. Nature Made and Nature’s Bounty also launched advanced probiotics that are gaining momentum.”

VALUE BRAND

DeCA carries all the major brands of vitamins and supplements in its wide assortment of these products, and Smith said it also carries what can be referred to as a “value brand” in this mix.

“We have only one value brand in vitamins, which is GoodSense,” he noted. “The role played by GoodSense in DeCA’s vitamins business is a complementary role. With limited space and consumer demand focused on top national brands, GoodSense provides an alternate or value option primarily for multivitamins.”

Though June 11, fiscal 2016 sales of this value brand’s vitamins were \$281,000, representing a 21.6-percent increase from the prior year.

SALES VARIATIONS

Smith reported that for year-to-date fiscal 2016 through June 11, the vitamin

and supplement category generated \$23 million in sales volume in the agency’s worldwide network of stores, which represented a 3-percent dip from the prior year. DeCA’s CONUS vitamin and supplement sales through the same period were \$20.44 million for the fiscal year.

Although the nine-month total was less than the previous year, regional sales have varied from the overall trend, and select subcategories have contributed to the sales gyrations.

“DeCA CONUS, with a 3.6-percent decrease, and Pacific, with a 0.7-percent decrease, are experiencing category dollar declines versus a year ago, but DeCA Europe has increased its category dollar sales by 4.1 percent versus a year ago,” Smith explained.

In terms of subcategory performance, the largest dollar volume growth and declines are specific to various subcategory trends. In CONUS, Smith observed, sales dips “are being sourced from non-herbs and calcium, and calcium is experiencing double-digit dollar declines in all regions.”

On the other hand, Smith said, that multivitamins, letter vitamins, and minerals were experiencing dollar growth in both the Pacific and Europe.

Overall, the category manager said the vitamins and supplement varieties showing the top growth thus far in fiscal 2016 include non-senior men’s, women’s and unisex multivitamins; probiotics; melatonin; vitamins B-12 and D; turmeric; and biotin. “These varieties represent 92 percent of total DeCA CONUS’ dollar gains in the category,” he explained. “Non-senior women’s multivitamins, probiotics, melatonin, and vitamins B-12 and D alone represent 75 percent of DeCA’s CONUS vitamins and supplement dollar growth.”

That said, overall dollar total volume was driven by the above growth leaders as well as by some now-familiar supplements including glucosamine and chondroitin, fish oil and CoQ-10 (*see chart*).

Motivators for commissary purchases are fundamentally the same as those found outside the gate, however, savings remain the determining factor for commissary visits.

“Regarding customers’ savings expectations, our customers enjoy an average savings of 30 percent over retail,” Smith said. “Therefore, DeCA’s patrons enjoy both an excellent assortment of vitamins and supplements and a high level of savings.”

“Customers desire products which offer personal, family health and wellness benefits,” Smith said. “More education is available through social media, lifestyle apps, streaming TV, and the Internet. For example, years ago, there was no significant attention given to Americans’ deficiencies in Vitamin D and magnesium, and how those deficiencies can detrimentally affect total body health. Now, many patrons are including these vitamins in their daily regimen.”

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