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In Depth Analysis of the Premium Nutraceutical Supplements Segment in India

By

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Under the guidance of

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CERTIFICATE

This is to certify that Mr. **PRATEEK CHHAJER** student of Institute of Health Management Research University, Jaipur has undergone summer training at **Lintac Solutions & Consultants Private Limited, Gurgaon** from April 2, 2014 to May 16, 2014.

The candidate has successfully carried out the project assigned to him during summer training & his approach to study has been sincere scientific & analytical.

This summer training is in partial fulfillment of the course requirements.

We wish him success in all his future endeavors.

22/7/14

Mr. Rahul Sharma
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To whomsoever it may concern

This is to certify that Mr. **Prateek Chhajer**, pursuing his Post Graduate Diploma in Pharmaceutical Management (1st year) from Institute of Health Management Research, Jaipur has successfully completed summer internship at Lintac Solutions & Consultants Pvt Ltd, Gurgaon; from 2nd April 2014 to 16th May 2014.

We found him hardworking, inquisitive and result oriented. He worked well as part of a team during his tenure. We take this opportunity to thank him and wish him all the best for his future.

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I hope that I can build upon the experience and knowledge that I have gained and make a valuable contribution towards the industry in coming future.

PRATEEK CHHAJER

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LIST OF ABBREVIATIONS

Item	Description
ABO	Amway Business Owner
ADD	Attention Deficit Disorder
BEC	Brand experience center
CEO	Chief Executive Officer
CEP	Continuous Education Program
CVD	Countervailing duty
DAP	Distributor Acquisition Price
DCGI	Drugs Controller General of India
DGFT	Directorate General of Foreign Trade
FAA	Founder’s Achievement Award
FSSAI	Food Safety and Standards Authority of India
GIP	Growth Incentive Program
HBN	Herbalife broadcast network
HCL	Hydrochloric Acid
HS Code	Harmonized commodity description and coding system
IBO	Independent Business Owner
IDSA	Indian Direct Selling Association
IEC	Import Export Code
IU	International Unit
MCG	Microgram
MD	Managing Director
NOC	No objection certificate
PFA	Prevention of food adulteration
PV	Point Value
QSR	Quick response center
STS	Success training seminar
TAB	Top Achiever’s Business
TVC	Television Commercials

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BACKGROUND

As Indians become conscious about their health and how they look and feel, the market for dietary supplements, sports nutrition products, and weight loss products that are broadly clubbed under nutraceutical is beginning to pick up speed. The nutraceutical market has been growing at a compound annual growth rate of 20 per cent for the last three years. This is just about 2 per cent of the global market for nutraceutical. The opportunity is apparent. The US and Europe are the largest markets for such products accounting to 36 per cent and 25 per cent respectively. Along with the growing healthcare industry in India there is an emerging trend in Fast Moving Healthcare Goods (FMHG) in India worldwide known as Nutraceutical, which are by definition, ingredients with human health benefits beyond basic nutrition[1].

Functional foods will be the quickest growing category till 2015 followed by dietary supplements. However, dietary supplements, specifically herbal and dietetic supplements will form the greatest opportunity areas for Nutraceutical manufacturers, driven by growing demand from an evolving consumer base.

Large global food companies, which are always on the lookout for ways to diversify their product line and still turn a profit, have set up functional food or nutraceutical divisions. Pharmaceutical companies are now adopting the nutraceutical and the recent trend is convergence of food manufacturing companies with pharmaceuticals to implement the research necessary for drug discovery; the move into the less expensive and time consuming nutraceutical research process. It is thus becoming a logical progression for many food companies to enter into nutraceutical market.

INTRODUCTION

A nutraceutical is a food or food component that claims to have health benefits, including treatment and prevention of disease. In 1989, Stephen DeFelice, M.D., derived the term "nutraceutical" from "nutrition" and "pharmaceutical." Some are dietary supplements while others are classified as functional foods. Nutraceuticals do more than just supplement the diet. They, as was pointed out, help with disease prevention and treatment. Theoretically, the appeal of nutraceuticals has to do with accomplishing treatment goals without side effects.

Nutraceuticals market in India was dominated by functional food and dietary supplements.Within dietary supplements there were over 2,700 brands demonstrating a high degree of fragmentation.The size of Indian nutraceutical market was approx. INR 100 bn. In 2013, out of which 45% belong to functional foods, 44% to dietary supplements & 11 % to functional beverages.[3]

86% dietary supplements present in market are in solid dosage forms like tablets/capsules. The products are classified on basis of per unit cost. Those having per unit cost less than 4 INR are termed as low-end, products having per unit cost between 4-8 INR are termed as mid-end & those having per unit cost greater than 8INR are termed as premium nutraceutical supplements.

The premium Nutraceuticals has share of 27% in solid dosage dietary supplement market, which accounts to approx. INR 10.1 bn. Therr are approx. 200-250 premium brands in market of which top 5 products cover 54% market share. Some major brands of this sector are Nutrilite (Amway), Formula 2 multi vitamin mineral and herbal tablets (Herbalife), MegaMen (Guardian).[4]

LITERATURE REVIEW

According to **Dureja.H.et.Al.**In recent years there is a growing interest in nutraceuticals which provide health benefits and are alternative to modern medicine. Nutrients, herbals and dietary supplements are major constituents of nutraceuticals which make them instrumental in maintaining health, act against various disease conditions and thus promote the quality of life. The explosive growth, research developments, lack of standards, marketing zeal, quality assurance and regulation will play a vital role in its success or failure.

An article by **Palthur.MP.et.Al.** states that Nutraceuticals create an open environment for new products that promise novel solutions to health-related issues. Nutraceuticals will play important role in future therapeutic developments. The greatest challenge will remain in the public policy andregulatory arenas, which will encourage research and development of products providing health benefits and permit truthful, non-misleading communications of these products while protecting public health and maintaining public confidence.

Beside the external literature respective companies' websites & allied links are studied exhaustively for findings.

SCOPE OF STUDY

The overall market size for premium nutraceutical supplements makes it an attractive market for healthcare companies to enter and capitalize on the small market, strong brand equity and increasing propensity of Indian customers to spend. Actual growth in the ethically promoted OTC segment could be even greater if healthcare companies directly attack market share of MLM companies with properly positioned products.

This study makes an attempt to analyze the market scenario of some major premium nutraceutical supplements segment.

The study findings canbe used by the Client to develop a robust go to market strategy to introduce new product into the Indian market through developing the information.Along with that major competitors are also studied on different parameters.

RESEARCH QUESTION

1. What is the current & future market scenario of nutraceutical supplements?
2. What are the growth drivers & barriers for the nutraceutical industry?

RESEARCH OBJECTIVES

- To assist Client to develop an in-depth understanding of the current and future size and structure of the premium supplements market in India.
- To identify players who operate in the premium category and evaluate the current and forecast strategy of each major player within this category.

METHODOLOGY

Study area: New Delhi, Punjab, Haryana, Uttar Pradesh, Chandigarh, Andhra Pradesh, Tamil Nadu, Kerala, Karnataka, Bihar, Jharkhand, West Bengal Orissa, Maharashtra and Rajasthan

Study type: The study was descriptive cross-sectionalin nature.

The responses by interviews are analyzed& compiled to have common points of findings.

Sampling technique and sample population: The purposive sampling was used for field interviews of500respondents of different category likechannel partners, KOL's, regulatory authorities, etc.

Methodology adopted: 5-10% results are based on exhaustive secondary research. Besides that telephonic & field interviews are conducted with non-structured questionnaire. The main objectives behind interview questions are to find out:

- Sales data
- Marketing strategy
- Channel of distribution
- Personals at each channel level
- Future plans of companies
- Competition market handling by company
- Allied services by company
- Product superiority
- Area of coverage
- Margins & schemes

FIELD INTERVIEWS SAMPLE POPULATION & SIZE

Respondent categories	Estimated number of interviews
Target companies	115
Channel partners including distributors, retailers and others	230
Companies in support functions such as promotion and advertising agencies, C&F agents and so on	30
Toll and contract manufacturers	10
Other companies that participate in the same or adjacent segments	10
KOL's /clinicians and nutritionists	75
Regulatory authorities	12
Associations	8
Others	10
Total	**500**

RESULTS

OVERALL NUTRACEUTICAL MARKET

FIXED SOLID DOSAGE DIETARY SUPPLEMENT MARKET FORECAST BY PRODUCT SEGMENT, 2013-2015			
Segment	**2013 (INR billion)**	**2015Expected (INR billion)**	**CAGR 2013-2015**
Low-end	19.2	32.4	14%
Mid-end	8.5	18.1	21%
Premium	10.1	45.5	46%
Total	**37.8**	**96**	**27%**

PREMIUM FIXED SOLID DOSAGE DIETARY SUPPLEMENT MARKET FORECAST BY MARKET SEGMENTS, 2013-2015			
Segment	**2013 (INR billion)**	**2015Expected (INR billion)**	**CAGR 2013-2015**
MLM channel	9.5	43.1	46%
Ethically promoted/OTC	0.4	2.1	51%
Grey channel	0.2	0.3	11%
Total	**10.1**	**45.5**	**46%**

On an overall basis, fixed solid dosage dietary supplement market would grow at a CAGR of 27% .The market share of premium brands is expected to increase from 27% in 2013 to 47% in 2015, representing a robust CAGR of 46%[4]

Multilevel marketing (MLM) would remain the dominant channel-to-market and will be preferred by companies with large product portfolios, however, ethically promoted and OTC brands are expected to grow faster than MLM during 2013 through 2015.MLM segment is becoming crowded in terms of brands, the current size is large and opportunities for differentiation are diminishing.[4]

The overall market size for premium ethically promoted/OTC makes it an attractive market for healthcare companies to enter and capitalize on the small market, strong brand equity and increasing propensity of Indian customers to spend.

Actual growth in the ethically promoted OTC segment could be even greater if healthcare companies directly attack market share of MLM companies with properly positioned products.

COMPANY &BRAND PROFILING

1. AMWAY INDIA ENTERPRISES

Established in 1995, Amway India is a wholly-owned subsidiary of US$ 11.5 billion(source:company website)Amway Corporation, USA It is the world's leading direct selling company, with presence in over 90 countries.

In 2013, Amway India's employee base comprised 500 full-time personnel; it generated indirect employment for 2,000 people.

Amway India is a member of Confederation of Indian Industries (CII) and Federation of Indian Chambers of Commerce (FICCI). In addition, it provided income generation opportunities to over 600,000 active independent Amway Business Owners (ABOs)

Presently, Amway India offers over 130 products in five categories-Personal care, Home care, Nutrition and wellness, Cosmetics & Great value products.

Company Overview		
ITEM	**DESCRIPTION**	
Sales revenue, INR million (from company websites & reports)	Overall: • 2009: 14,070 • 2010: 17,900 • 2013: 21,300	Nutraceuticals: • 2009: 7,800 • 2010: 9,500 • 2013: 11,550
Growth, % (2013 over 2010)	Overall: 19	Nutraceuticals: 22
Business focus and segment contribution (%), 2013	Nutrition and wellness and beauty products Nutrilite: 54%	
SBU(s) promoting nutraceuticals	Nutrilite	
Channel-to-market	Multi-level marketing	

NUTRACEUTICALS (NUTRILITE)

- India's product portfolio includes 24 products.
- Nutrilite leads the Indian nutraceutical market, with more than 12% market share.
- Nutrition and wellness category contributed 54% to Amway India's total sales and generated INR 11,550 million in revenue in 2013
- Key factors for growth of nutraceutical market–increasing health awareness, desire to maintain healthy lifestyles, increased disposable incomes, favorable market demographics, changing lifestyles and globalization.
- Nutrilite growth is driven by following factors:
  - Penetration in semi-urban and rural areas
  - Amway's brand building advertisements
  - New products offered under Nutrilite kids range
- Nutrilite Protein Powder and Nutrilite Daily are the highest selling products, contributing INR 4, 500 million to total revenue.
- Nutrilite Daily is Nutrilite's oldest and fastest growing brand, demonstrating highest growth at 38%.

ZONE	CONTRIBUTION TO REVENUE	BRANDS INCLUDED	GROWTH OF SEGMENT, 2010-13
Premium brands	INR 9,850 million	Nutrilite Protien Powder, Nutrilite Daily, Salmon Omega, Nutrilite Bio C and so on	22%
Mid-priced brands	INR 1,700 million	Nutrilite kids chewable calcium magnesium, Nutrilite kids chewable iron, Nutrilite iron folic, Nutrilite cal mag D, Nutrilite natural B	22%

<u>REGIONAL SALES BREAKDOWN</u>

- South India accounted for the highest Nutrilite sales (30%); West (25%) and North (24%) were the other prominent markets.

- East India accounted for lowest sales at 21% of total sales.

- 40% Nutrilite sales were in metro cities followed by tier 1 and tier 2 cities (25% & 20% respectively).
- Penetration of ABOs in South and West zones is higher than in North and East zones
  - Regional concentration of ABOs does not necessarily indicate the region's sales; this is because ABOs can build their business and purchase products globally.
- Highest sales of Nutrilite and other Amway products in South India were in Kerala at 40% of southern region's sales.

Nutrilite sales are expected to reach INR 14,000 million by 2014-end and INR 50,000 million by 2015. To achieve this target, Amway is adopting the following key strategies-

- Strong product pipeline
- High focus on diabetic and hepatitis prone Indian population
- High focus on kids range and "Healthy Ageing" products for aged Indian population
- Aggressive training for distributors
- Increased advertising and promotional budget at INR 530 million for 2012
- Offer incentives such as foreign trips to ABOs
- Strong focus on semi-urban and rural areas

2. HERBALIFE INTERNATIONAL INDIA

Herbalife International India (HII) Company started operations in India in 1999.It is the second largest direct selling company in India.HII is recipient of the prestigious **RashtriyaGauravRatan Award** for its outstanding contribution towards Economic & Social Development.

In India, Herbalife is a member of the Indian Direct Selling Association (IDSA).The company operates in 79 countries through a network of approximately 2.1 million independent distributors.

HII's conducts educational programs on nutrition and weight loss for its distributors and customers through:

- One-on-one wellness evaluations
- Home parties/shake parties
- Nutrition clubs
- Weight loss challenges

For products available in India, the company currently manufactures 80% of products in India; through contract manufacturing and rest 20% are imported.

Globally, Indian market for Herbalife is ranked at seventh position. India operations of Herbalife are ranked second in Asia-pacific region, following Korea as the leader in the region.

Company Overview		
ITEM	**DESCRIPTION**	
Sales revenue, INR million (from company websites & reports)	Overall: 2010: 3,052 2013: 6,500	Nutraceuticals: 2010: 2,565 2013: 5,200
Growth,% (2013 over 2010)	Overall: 113	Nutraceuticals: 103
Business focus and segment contribution (%), 2013	Weight management (65%) Personal Care (20%) Targeted nutrition (10%) Energy & Fitness (5%)	
Name of the SBU(s) focusing on nutraceuticals	- Nutraceuticals (Weight management, targeted nutrition, energy & fitness) - NouriFusion (Personal care)	
Channels-to-market	Multi-level marketing	

NUTRACEUTICALS (Formula 1/2/3, Herbalife, etc.)

- Nutraceuticals contribute 80% to Herbalife's business in India.
- Herbalife offers weight loss opportunity without intense physical workouts while fulfilling complete nutritional needs of an individual. This is coupled with a lucrative business opportunity without an initial investment. Collectively, these factors have enabled Herbalife to grow in triple digits .
- Formula 1 contributed 51% to HII's overall nutraceuticals sales.
- Formula 2 and Formula 3 contributed INR 880 million and INR 560 million, respectively to company's nutraceuticals revenues.

CATEGORY	CONTRIBUTION TO REVENUE	GROWTH OF SEGMENT,2010-2013
Premium brands	INR 5,200 million	103%

REGIONAL SALES BREAKDOWN

- Southern region (30%) generated the maximum revenue in 2013 followed by North (25%), West (25%) and East (20%)
- Distributors are the only sales channel for HII's products
- HII's 30% revenue is generated from Tier II cities and the reasons for the same are:
  - Concern for lifestyle diseases in tier II cities is equivalent to that in metros and tier-I cities (25% IN both). This coupled with limited availability of nutraceuticals brands in small cities, and weak competition, gives Herbalife a conducive environment to increase its market penetration and enhance its market share
  - MLM model provides a supplemental source of income for residents of tier-II cities

  - A close-knit society and high impact of word-of-mouth referrals makes MLM model a success in these cities
  - Increasing influence of people travelling from metros and tier-I cities to tier-II cities
- Distributors organize training sessions, seminars and workshops
  - They also run nutrition clubs for customers on an ongoing basis to boost sales.

3. GUARDIAN LIFECARE

- GNC is a Pittsburgh-based company that manufactures nutritional supplements. It was founded in 1935 by David Shakarian.
- GNC currently claims to be the world's largest retailer of specialty nutrition products.
- Manufacturing facilities for nutritional products are located in Greenville, South Carolina.
- GNC entered India in 2004 through an exclusive master franchisee agreement with **Guardian Lifecare**- a retail pharmacy chain. In accordance with GNC's standard international franchisee policy, the initial agreed contract term is 10 years, to be thereafter reviewed for renewal every five years. GNC-Guardian's current agreement is valid through 2014.

Company overview		
ITEM	**DESCRIPTION**	
Sales revenue, INR Million (from company websites & reports)	Guardian: 2010: INR 1,100 million 2013(e): INR 1,700 million	Nutraceuticals (GNC): 2010: INR 93.5 million 2013(e): INR 200 million
Growth,% (2013 over 2010)	Overall: 55%	Nutraceuticals (GNC): 114%
Business focus and segment contribution (%), 2013(e)	12	
SBU(s) promoting nutraceuticals	Nutrition	
Nutraceutical sales channel	**Retail**-Exclusive and implant stores within Guardian Pharmacy stores **Online**-www.guardiannutrition.in	

NUTARCEUTICALS (MegaMen, UltraMega, etc.)

- Protein supplements and weight managementrange were CNG's highest selling product segments in India
- 100% whey protein was the highest selling brand; it generated approximately 16% of total revenues
  - Protein supplements contributed 50% to GNC's total sales
- Multivitamins contributed 23% to total GNC sales
  - Among multivitamins, MegaMen range (daily nutritional supplements for men), accounted for almost 12% (INR 24 million) of total sales
    - Mega Men–INR 9.5 million
    - Mega Men 50 Plus–INR 7.5 million
    - Mega Men Sports–INR 7 million
  - Ultra Mega, nutritional supplement for women, accounted for 11% of revenues with INR 22 million in sales
    - Hair, Skin & Nails formula–INR 6.5 million
    - Ultra Mega Women's–INR 6 million
    - Ultra Mega Bone Density–INR 5.5 million
    - Ultra Nourish Hair–INR 5 million
  - Children's range, with Multibite as leading brand accounted for INR 1 million sales in 2013

ZONE	CONTRIBUTION TO REVENUE	GROWTH OF SEGMENT, 2010-13
Premium brands	100% (all GNC brands are premium)	114%

REGIONAL SALES BREAKDOWN

- Most of GNC's sales are generated in North region (80%), where Guardian stores have achieved highest penetration levels
  - This is because GNC's penetration mainly depends on presence of Guardian stores, of which, over 90% are located in northern region
- In West, GNC has a presence through exclusive stores in Mumbai and Pune, which contributed almost 12% of total revenue
- Since Guardian stores presence is limited to Bangalore in South India, a small portion of revenue (7%) is generated in southern region.
- East accounted for less than 1% of total sales because of limited awareness and less Guardian stores
- Metros generated the highest, at 55% to total sales; tier I & II, collectively accounted for 45%
- **Online sales:** Sales revenues, generated through online portals, accounted for almost 8% of total revenue
- In regional sales breakdown through online portals, southern and western regions accounted for approximately 85%
- Most orders in East were received through online portals

DISCUSSION

GROWTH DRIVERS FOR NUTRACEUTICAL MARKET

1. Population growth demographics and urbanization- Growth of population will lead to additional demand for nutraceuticals. The Indian population is expected to increase at a CAGR of 1.4% to reach around 1.3 billion by 2015. On account of an increasing working population, the share of the age group 30-60 years is expected to increase from 32% in 2007 to 36% by 2026. This working age group population is more prone to lifestyle diseases such as hypertension, diabetes and so on. The urban population proportion in the overall population is expected to grow from 28% in 2007 to around 31% by 2015. Stressful jobs in the services sector and increasing industrialization has led to a significant increase in lifestyle disorders. This would offer a better potential for nutraceuticals on account of high prevalence rates of diseases like diabetes and hypertension. Collectively, these factors would provide a befitting environment for nutraceuticals market to grow at exponential rate

2. Increase in per capita income- The number of households with income above US$ 5000 per annum (middle class and above) are expected to increase at a CAGR of 18% up to 2017 which resulted in an increase in average income of population. Cumulatively, these result in a population which has a higher spending capacity

3. Changing Lifestyle- The incidence of lifestyle diseases has been increasing amongst Indian population due to changing lifestyle. With limiting physical activities in everyday routines and shift in dietary habits towards higher fat cholesterol diet has resulted in increasing incidences of chronic disorders. This in turn will likely to spur the demand for nutraceuticals products

4. Consumer Awareness- With increase in media penetration and higher spending power of consumers at large have led to growing awareness of the advantages of wellness products to avoid illness. Increased access to the information on the benefits of nutraceuticals and greater health consciousness amongst major portion of population has led to increase in healthcare spending on healthcare and wellness products/services

5. Ageing Population- India's ageing population count is more as compared to developed countries and is estimated to reach 12.6% by 2025. With the introduction of innovative medications and improvement in medications, life expectancy of an Indian has increased from 58 years to 64 years. Thus increase in ageing population has fuel the demand for dietary supplements and organic & functional foods required to cater old age conditions. As a result, elderly population shift from curative therapies to preventive therapies are opening up new gates for companies dealing in nutraceutical industry.

6. Rising cost of conventional medication- With increase in incidence of chronic disorders, demand for multi-specialty and super-specialty services have increased which in turn is escalating the treatment and medication costs. Increasing healthcare expenditure is compelling many consumers to look for cost-effective alternatives, which are majorly provided by traditional forms of medication. As a result, many pharmaceutical and food companies seeking this opportunity are venturing into the nutraceutical market with an objective of providing dietary supplements and wellness products at affordable prices.

7. Awareness of preventive care- Reduced affordability of sickness related expenditure is driving consumers towards wellness. At present, there has been a shift in trend where the Indian consumers are opting more for preventive therapies rather than curative therapies. The average cost of treatment has doubled in the last decade in both rural and urban India. So it had become difficult for major share of Indian population to afford such high cost treatment where out-of-pocket expenditure constitutes 64% of healthcare expenditure. These factors are driving consumers towards health and wellness related services in order to lead healthier lifestyle and prevent spiraling sick care costs.

8. Increase in accessibility to healthcare professionals- With increase in physicians (doctors, nutritionists and dieticians) awareness about health benefits of nutraceuticals and role played by media and various diagnostic centres in creating awareness amongst consumers about health disorders and deficiencies, has intensified growth in nutraceuticals prescriptions. Gyms and

weight loss centres equipped with professional advisors served as another platform to consumers for professional advice on nutraceuticals.

9. Booming retail growth- Indian nutraceutical market is majorly driven by over-the-counter (OTC) sales. The pharmacy retail format is expected to grow at a CAGR of 26% over the next five years. A sudden rise in modern retail outlets has added a new dimension to the dietary supplement products availability, display, counseling and growth in sales. Thus, better product visibilities in retail outlets have provided greater exposure to nutraceutical products.

10. Introduction of novel channels- Increase in accessibility with introduction of relatively novel distribution channels like MLM channel, exclusive retail outlets for a selected range has helped in improving the acceptance levels for nutraceuticals. Emergence of newer distribution channels and growing organized retail is fuelling accessibility of nutraceuticals.

11. Evolving regulatory scenario- The Drugs Controller's had plans to make an availability of Schedule K drugs not only at chemist shops but also at grocery and departmental stores. The unrestricted spread of healthcare products in stores apart from chemist retail chains has been actively considered. The Government's positive attitude for expanding the nutraceuticals market has shown significant shift towards betterment of healthcare needs.

12. Professional endorsement- Among urban consumers, wellness is becoming a high involvement area. For minor ailments like cough, cold, acidity, back ache etc., majority consumers are opting for self-medication without consulting any physician. However in other serious ailments like fever, weakness and child health etc., consumer look for consultation from their family doctor to get doubly sure of their decision. Hence, brands falling into nutraceutical category are not only being promoted to end-users but the doctors are also in the loop for product promotion to ensure their positive belief towards the benefits the dietary supplements can offer to their patients.

13. Direct marketing- Direct marketing is at its nascent stage in India and is gaining popularity in a very short period of time. In nutraceutical industry, multi-level marketing (MLM) model has been well accepted and turned out to be very successful marketing strategy. Amway and Herbalife have done a tremendous job in Indian market by adopting MLM model and their nutraceutical business has grown like anything in last two years. For any new company to follow MLM model, could be a success mantra in Indian market.

14. Biodiversity in India- India is home to extensive varieties of herbal and medicinal plants such as neem, tulsi, amla, brahmi, ashwagandha, etc. Further India's strength in alternative medicines such as ayurveda and unani give India a distinct and unique advantage in the area of nutraceuticals.

GROWTH BARRIERS FOR NUTRACEUTICAL MARKET

1. Lack of standardized regulation- Indian nutraceutical sector is regulated by multiple laws. The companies are unable to avail any subsidy on manufacturing of nutraceutical products in India, due to absence of any regularized system for setting up of manufacturing units. As a result of non-transparency in regulatory guidelines, nutraceuticals are either considered as drugs or foods. In such case, quality and price control of these products have became a major issue which is expected to be addressed in future by the Central Government.

2. High pricing of products- High pricing of the nutraceutical products has been one of the key growth barriers in this sector. An average price of any dietary supplement costs in range of ~INR 800 to ~INR 1200 which is unaffordable for average consumers to purchase these products. In order to sustain and gain some market share in Indian market where nutraceuticals are basically marketed as OTC products, there exists an opportunity for companies to attempt reducing marketing and operational costs. It would allow companies to sell the products at lower prices to consumers.

3. Issues pertaining to marketing and distribution of products- The Indian nutraceutical market is unorganized and fragmented, as a result of that, it had led to many difficulties pertaining to marketing and distribution of products. As Indian market is majorly prescription-driven, the general consumers may not

willing to spend money on nutraceutical products and health supplements unless those are being prescribed by the doctor, dietician or nutritionist.

4. Lack of awareness among consumers- A large part of Indian population is still unknown about the health benefits of nutraceuticals. More than half of the Indian population have little knowledge or mixed understanding about nutraceuticals and dietary supplements whereas rest population have never listen or have vague idea about such products.

CONCLUSION

ASSESSMENT OF COMPETITORS

Parameters	Amway	Herbalife	Guardian Healthcare (GNC)
Type of channel	**MLM**	**MLM**	**OTC**
Target brands	**Nutrilite**	**Formula 2 multi vitamin mineral and herbal tablets**	**Megamen**
Target company market share within dietary supplement segment, 2013	19%	5%	Negligible
Target company market share within premium dietary supplement segment, 2013	72%	17%	Negligible
Channel strategy assessment	-Fixed margin of 20% for ABOs on Nutrilite products -Additional bonus ranging from 6% to 21% on group business volume -Various promotional schemes on Nutrilite Limited control on distributors	-Attractive distributor margins ranges from 25% to 50% -Incentive events as motivation for channel partners -Limited control on distributors	-GNC range is maintained through 6 exclusive and 35 implant stores -Stores majorly limited to North India -GNC range maintained depending on location of store
Current marketing & promotion strategy	-Word of mouth referrals, TVCs and print media -Brand experience centers for display and first-hand experience of Amway's product -Consumer engagement shows	-Celebrity endorsements -Training seminars for distributors -MICE events as incentive schemes for distributors -Nutrition clubs for display and first-hand experience of products -Mass media brand promotion activities	-Positioned as premium global nutraceutical range for needs of all age groups -Marketing and sales promotions primarily limited to in-store activities -Guardian maintains GNC as premium and exclusive range -Kids range does not receive any special highlight

Product portfolio	Number of brand: 1 Nutrilite with 24 line extensions	Number of brands: 10 Key brands: Formula 1, Formula 2 and Formula 3	Number of brands: 10 Key brands: 100% Whey Protein, Megamen, UltraMega
Future marketing & Promotion strategy	-Introduction of new range of products; focus on diabetic hepatitis and kids range -Enhanced focus on existing product portfolio -Increased focus to recruit distributors; plans to recruit 1,000,000 active distributors by offering attractive incentives -Aggressive training for distributors -Increased focus on semi-urban areas	-Expansion in product portfolio -Development of India as profit center by setting up a global manufacturing unit -Expanding reach in tier II cities -Converting customers into new distributors -Higher marketing spend -Association with reputed retail chains such as Spencers and More to enhance distribution network	-Introduction of new products -Expansion of GNC retail outlets across 25 identified cities; Guardian Lifecare has plans to open1,800 retail outlets by 2015 from 250 retail outlets in 2013 -To open retail outlets at selected HPCL outlets -Increase in number of GNC loyalists -Increasing revenue per customer

COMPARISION OF KEY PRODUCTS POSITIONED

Competing brands	Product classification	Communication message	Target customers	Positioning	Point of differentiaion
Nutrilite (Amway)	Multivitamins with multiminerals and natural plant nutrients	Good Health is a Daily Thing	Indicated for adults whose dietary intake of vitamins and minerals is inadequate as per individual requirements and people who take highly processed food and alcohol, smoke or skip meals	-Just one tablet per day gives 100% -Provides a wide spectrum of 24 essential vitamins, minerals and natural plant materials, in a concentrated, potent and convenient form	-Unique 'Nutrilock' coating for easyswallowing - One tablet for the complete daily needs of essential vitamins and minerals
Formula 2 Multivitamin &Multimineral (Herbalife)	**Single offering:** Multivitamins and Multiminerals and other natural herbs	Daily complex for long-term good health	Obese, health-conscious person with greater nutritional requirements related to lifestyle or life stage such as, sports persons, busy adults and elderly	-Take one tablet thrice a day with meals for supplying vitamins, minerals - Supports healthy weight management, overall good health and vitality	Multivitamin and minerals formula which supports weight management program
MegaMen (Guardian)	**Double offering:** Multivitamin and multiminerals with Korean ginseng	For men who do lots of things, MEGA MEN does many	All adult men as regular diet cannot supply all essential nutrients required by active men	Adult men who are health conscious and look for premium nutraceuticals for overall health with specialized formulation for: - good vitality and general well being - prostate health supporting formula - fighting stress with anti-oxidants	-Unique time-release tablets ensuring maximum nutrient uptake -Complete package for men's health with a high emphasis on complete nutrition, maintaining prostate & reproductive functions and bone health

ETHICAL CONSIDERATIONS

- The confidentiality of the client's identity and Data was ensured.
- The Data collected was authentic and reliable.

LIMITATIONS

- Time constraint
- Large study area
- Large No. of brands & companies

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