

Growing but challenged

Australia's supplement brands face a different set of tests in the second year of COVID

By Gillian Fish, the 6 AM Agency

Australia has long been known for its outstanding complementary medicine brands, but what the future holds, as the nation staggers through an extended lockdown, remains uncertain.

According to the peak industry body, Complementary Medicines Australia (CMA), the Australian complementary medicines (CM) market is worth almost \$6 billion, with revenue growth steadying to 1.5% in 2020 and export revenues decreasing by 14%, amid challenges derived primarily from the global pandemic.

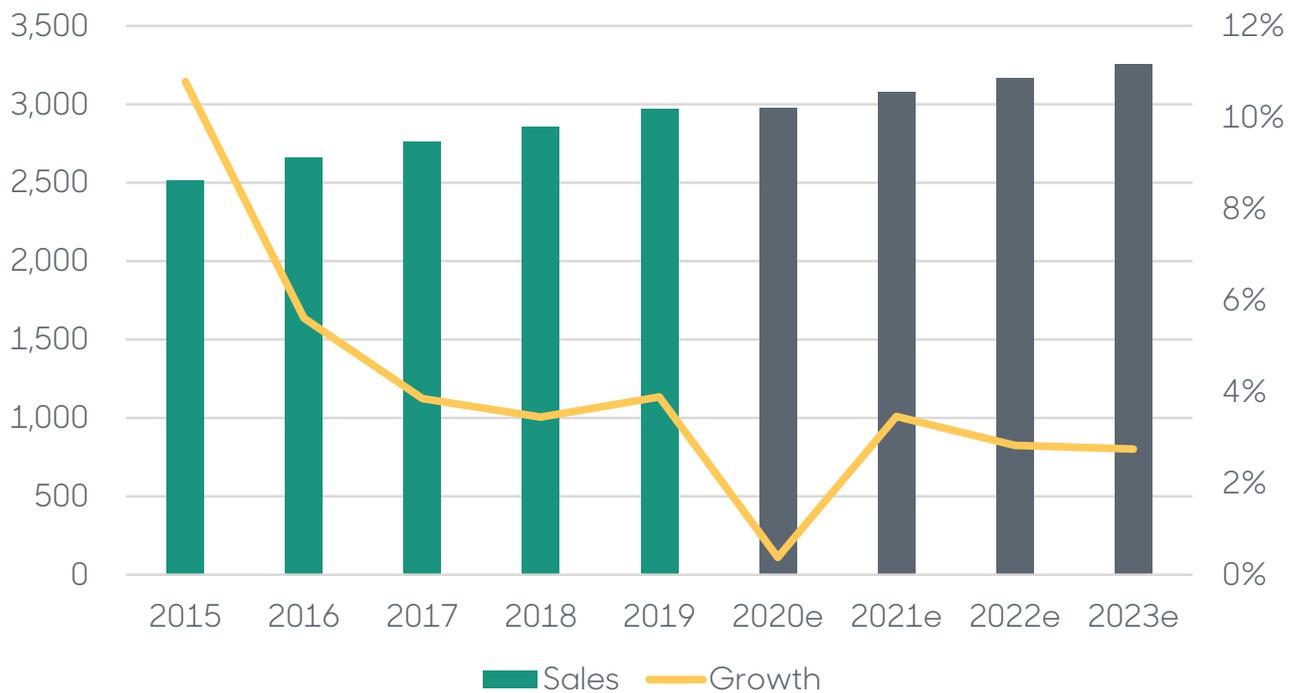
CM in Australia comprises vitamin,

mineral, plant, herbal, naturopathic and homeopathic preparations, nutritional supplements and certain aromatherapy products. This market includes direct-to-consumer products distributed through retail outlets, direct selling and online distributors, and practitioner-only products dispensed by qualified healthcare practitioners in a clinical environment. The practitioner-only market is estimated to be worth over \$210 million dollars and will continue to grow as new players enter the market. Brands with both a retail and practitioner offering are seeing a shift to practitioner-only brands,

NBJ Takeaways

- » The pandemic's impact on trade, particularly in China, challenged Australia's export-focused brands
- » Staggered lockdowns in Australia are ongoing, well into the third quarter of 2021
- » The pandemic has shuffled Australians' preference for consulting with pharmacists and practitioners in their purchases

AUSTRALIA AND NEW ZEALAND SUPPLEMENT SALES AND GROWTH, 2015-2023E



Source: Nutrition Business Journal (\$mil, consumer sales)

as consumers increasingly seek consultation with healthcare practitioners to support their health needs.

Seven out of ten people in Australia use complementary medicine. While this high percentage has remained relatively static over the last few years, how Australian consumers purchase their complementary medicines has changed since the start of the pandemic.

Paths to purchase

Historically, Australian consumers purchased complementary medicines from outlets that also provide healthcare advice; this is occurring less frequently, with growth in the supermarket sector and product choices made online. Consults can be replaced by chatbot features to ensure personalization is delivered even when online.

Key growth categories for 2020/21 have included immune support with a focus on

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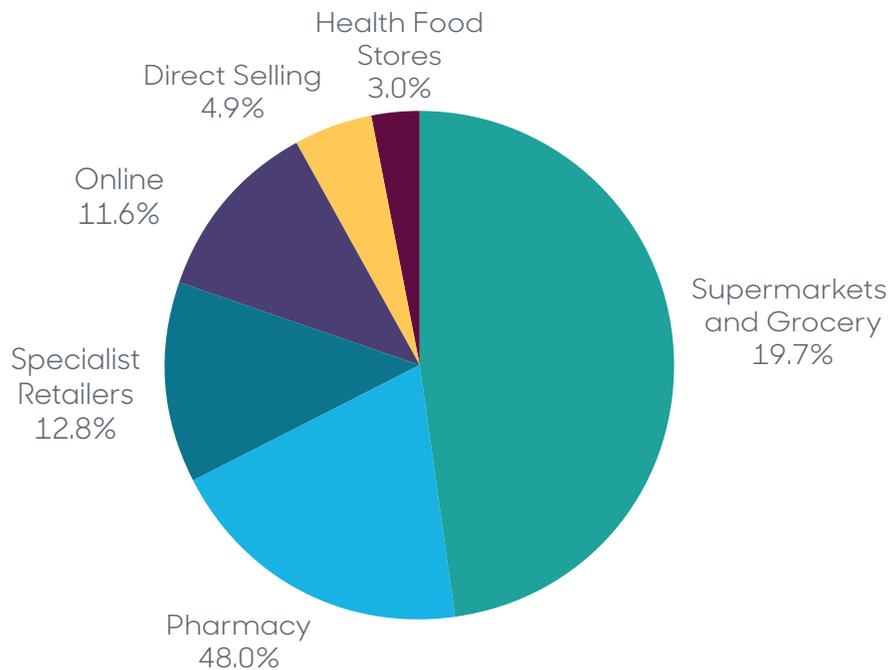
boosting immune health instead of treating cold and flu symptoms. Vitamins C and D, echinacea and Andrographis saw sales growth during 2020 across consumer and practitioner-only brands. Immune support nutrients will be important moving forward to support vaccination efforts. Preventing malnutrition, particularly in older populations, will also be vital for ensuring vaccination efficacy.

Sleep and stress support, probiotics, and plant-based product categories will drive future growth. These products reduce the stress of isolation, home-schooling and

financial pressures generated by the pandemic and will remain in demand for post-COVID recovery. Plant-based nutrients and functional foods to support the transition and adherence to low-carbon diets will also drive growth.

Anecdotal reports indicate that the mitochondrial energy sector continues to experience growth due to fatigue brought on by COVID-related sleep deprivation. Preliminary studies looking at the interaction between the COVID-19 virus and mitochondria, and the role of mitochondrial function in patients with “long-COVID,”

AUSTRALIAN COMPLEMENTARY MEDICINE SALES BY CHANNEL, 2020



Source: CMA Industry Audit 2021

suggest that compounds that modulate mitochondrial function and inhibit inflammation may help support patients with COVID-19. Further research into the benefits of CoQ10 and Ubiquinol for immune support to protect or boost recovery from COVID-19 will help drive growth.

Turning points and tailwinds

The past eighteen months have presented challenges across many areas of the CM industry, including decreased access to and increased costs of raw materials, the decline of foot traffic of Chinese shoppers in Australia, Therapeutics Goods Administration (TGA) re-labelling requirements, and changing consumer trends due to COVID-19.

CM companies have worked to strengthen supply chains and to meet these challenges. Carl Gibson of the CMA states, “Australian CM companies and the Australian government have worked tirelessly to ensure world-class ingredients sourced from around the globe continue to arrive in Australia. They are also working closely with the agriculture sector in Australia to grow more raw ingredients for the future.”

According to Australian Trade and Investment Commission, the growth in the Australian CM market will be driven by higher household disposable income—particularly due to reduction in international travel—an aging population, rising rates of chronic disease, and concerns about environmental pollution, food safety and food quality. Other factors driving growth will include new export opportunities and increasing health consciousness and personalization, especially amongst millennials wanting a holistic, preventative and personalized healthcare regime.

As the pandemic stretches into a long-term challenge and the relief promised by vaccines seems less reliable, mental health issues are a top-of-the-agenda concern for corporate leaders in Australia as the population struggles with the grief and the loss of the life as we knew it. Between March 16, 2020, and April 25, 2021, over 15 million Medicare Benefits Schedule-subsidised mental health-related services were

processed. As a result, sales in supplements to support anxiety and stress continue to rise including St John’s Wort and Ashwagandha amongst others.

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Personalization

Personalization is expected by the modern Australian consumer across purchas-

ing models, marketing communications, product development and product delivery, and should be at the forefront of development across all facets of the industry. Brands like **Vitable**, Australia’s leading digital platform for personalized well-being prescriptions delivered in compostable packaging, are forerunners in the product personalization space, using artificial intelligence to provide tailored nutritional products directly to consumers doors.

According to Deloitte Insights, interoperable data, machine and deep-learning capabilities, always-on biosensors, and behavioral research will enable personalised and real-time AI-driven behavioral interventions. CM companies that forge partnerships with medical device developers on novel approaches to integrating technology and product delivery will spearhead growth in this area.

Export market growth

Since the beginning of the pandemic, Australian CM exports have seen extreme

challenges, with the global market shutting down and export sales dropping fourteen percent. The impact of the pandemic is difficult to overstate and market-by-market challenges loom large with 70% of Australia’s CM exports going to China and Hong Kong.

Rebecca Wu, Director of CN Navigation, says CM continues to enjoy steady growth across Asia. and while the Asian market still presents substantial opportunities for further growth, there are challenges ahead.

“Success in China requires a thorough

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knowledge and understanding of the local regulatory environments, in order to develop appropriate route to market strategies, including cross-border e-commerce, B2C direct selling, and offline pharmaceutical channels,” said Wu.

Looking forward

Looking past the pandemic, the marching orders for Australia’s CM companies seem clear. Consumers want access to evidence-based, efficacious products delivered conveniently, to meet their changing lifestyles, via practitioner, in store (pharmacy, grocery or health food store) and online. Sustainability and traceability are high on the agenda, with increasing awareness of the needs for recyclable, reusable or compostable packaging. They want to buy from companies that blend profit with purpose and care for their staff and community. CM companies that engage with consumers, earn trust and demonstrate value will be embraced by the empowered health consumer. 🌱