



Natural Personal Care – A “New” Growth Sector?

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Overall, health and beauty care (HBC) managers are seeing relatively stable category growth rates of approximately 4%. With the increased pressure on bottom-line results, managers need to stay attuned to trends within their industry. Within the grocery sector, there is a dedicated area that is showing annual growth rates in excess of 21%. How can an HBC manager capture some of this interest and channel it to drive sales?

Growth of the Natural Sector

Grocery managers realized that a threat to their business was coming from specialty health food stores. Increasingly, educated consumers, recognizing that there were healthy alternatives to traditional grocery offerings, increased their patronization of smaller specialty health food stores. Typically, these consumers will purchase fresh natural/organic ingredients in several establishments – vegetables from a local farmstand, meat from a butcher, and supplements and other products from a specialty health food store or chain, such as Wild Oats or Whole Foods. To purchase their everyday products, these consumers would then head to a typical grocery store. Whew!

Grocery marketers began to highlight natural and organic products within their consumer offerings in order to lure a portion of these customers back. Successful marketers established “store within a store” sections to provide a destination for the consumer who was currently shopping at a mix of stores. The increased convenience of finding higher quality natural products at the local grocery store led to increased sales in these areas.

Additionally, once the consumer was there, the relative proximity of different offerings united under a “natural” or “organic” theme drove complementary sales of alternative offerings to traditional products. An example would be natural dental care products, such as the excellent products offered by Tom’s of Maine. These products proved to be as effective as “traditional” offerings yet included no saccharine or other chemical ingredients. Consumers are especially interested in the quality of products that they ingest or apply to their skin.

The physical separation between competing products (everyday toothpaste and natural offerings) decreases price comparison and increases higher profit margin sales. Savvy marketers also locate these sections early in the walking pattern of the markets (typically after produce) so that the higher-margin natural/organic products make it into the shopping cart (and off the shopping list) early.

The now common natural store-within-a-store concept has been extremely successful as it provided a single “destination” for consumers to find the products, which have been offered in alternative outlets. Within the extremely competitive supermarket sector, these spaces have some of the highest square foot revenues in the store and have been expanded by many banners.

Mass marketers have not failed to notice the success of these spaces and have attempted to emulate them in their stores. Wal-Mart has introduced the space in some of their regional superstores and Target is currently working with Boots, PLC to create an area within their stores for this British company to show their unique offerings.

Who are These Customers?

Interestingly, a lot of these customers are already yours. As was mentioned earlier, the typical customer in these areas is well-educated and has a family income that is above average. In short, they are some of your best customers. She is extremely product-loyal and is relatively price inelastic. According to a recent study released by *Natural Foods Merchandiser/IA*, over 64% of conventional supermarket shoppers (i.e. Safeway, Albertson’s and Kroger) purchased natural, health or organic products. The study also found that most of these shoppers (typically female) have a disposable income over \$75,000 per year. In addition to the younger mother, an increasingly important demographic comes from aging baby boomers. Typically, they are embracing activities that promote health and well-being in an affluent period of their lives.

Typically, the consumer who makes these choices for their family is focused on the “quality” of the offerings and not the “quantity.” The products that they choose may be higher in cost than traditional “mass” offerings, but these consumers are typically less price sensitive.

Natural Personal Care

Natural personal care is one of the fastest growing segments of the personal care industry. According to a recent study, the natural personal care industry represents approximately \$3.8 billion or 9.5% of the \$39 billion U.S. (retail sales) “healthy lifestyles marketplace” (natural foods, supplements and personal care products). According to this report, the national personal care segment is expected to grow between 21% and 24% per year over the next five years, in comparison to significantly lower expected growth rates (less than 5%) for the conventional personal care sector.

In addition to the educated consumer who actively seeks out healthier options, supermarkets have been able to capitalize on other consumers who are interested in trying natural alternatives. Typically, the section will include literature and other information about the ingredients in natural products. This helps to educate the consumer about the potential benefits that are offered by these products.

Retailers have embraced natural offerings as well for several other reasons:

- First, of course, a strong desire by retailers to find new growth vehicles.
- Increased growth of national natural foods stores, such as Trader Joe’s, Whole Foods and Wild Oats.
- Developing recognition of the category by conventional mass market merchandisers and an understanding of how to successfully merchandise the category.

It’s All About Customer Choice

We are all trying to satisfy the demands of customers who have significant choices of where to spend their disposable income. Especially in personal care products, customers are faced with increasingly similar options. Natural personal care offers interesting, new alternative product lines for customers than just traditional offerings. Consumers are interested in trying organic natural products, making for a more interesting shopping experience. A better experience generates increased loyalty for retailers. Increased loyalty, especially to higher margin natural personal care products, can generate increased revenues. •