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Scientific Evidence And E-Commerce Key To Seizing The Probiotic Opportunity

by David Ridley

Exclusive: CEO of global probiotic firm BioGaia, Isabelle Ducellier, speaks to HBW Insight about the company's science- and e-commerce- based growth strategy.

Swedish probiotics specialist BioGaia AB is in a unique position to capitalize on the global probiotics trend, which has been boosted by the coronavirus pandemic, according to the firm's CEO Isabelle Ducellier.

Speaking exclusively to HBW Insight, Ducellier pointed to BioGaia's science-backed products and e-commerce success in the US and China as key pillars of the company's growth strategy.

In the decade leading up to 2015, the global probiotics market grew at roughly double figures, she explained. While growth has slowed recent years and is predicted by Euromonitor to stabilize at 4% between 2020 and 2024, Ducellier said that this was prediction "conservative."

"I know my figures," Ducellier insisted. "If I look at our own sales and those of biggest competitors and add that up, I can say I know pretty well and when I add up that I say that it will be much higher."

A major factor driving this above-prediction growth will be the coronavirus, she predicted, which has seen consumers turn increasingly to wellness and prevention, especially to immune health supplements and probiotics.

"You can see a switch of perspective with consumers," Ducellier commented. "They are thinking, 'wait a minute, even if I've got the COVID-19 perhaps if my own immune system is stronger, I will have milder symptoms.'"

However, this recent turn to wellness is only an acceleration of an existing trend, she argued.

Recent OECD figures show sustained increases in out-of-pocket healthcare expenditure across the world since the millennium, a trend that Ducellier insists will continue into the future.

“It’s a big increase and that’s just the beginning,” she said. “Now that we have had the COVID-19 wake up call, we have realized that we are fragile and we have to take care of ourselves.”

Seizing The Opportunity

BioGaia is in an excellent position to take advantage of this opportunity, Ducellier said, thanks to its science-backed probiotics and e-commerce strategy.

All of BioGaia’s probiotics are aimed at specific health conditions and their efficacy supported by clinical trials published in respected scientific journals, she boasted. “This is extremely important,” Ducellier added, “and is in the DNA of our business model.”

For example, in May 2019, BioGaia launched a probiotic to prevent bone loss. “Here we have a fantastic clinical study,” Ducellier explained, “demonstrating that probiotics slow down bone-loss in women by 50%. It’s amazing.”

Having science-backed products has helped the company connect with healthcare professionals , which Ducellier said was crucial in connecting BioGaia’s products with consumers.

In the European Union – BioGaia’s main market – probiotics are regulated as food supplements, which means that companies are not allowed to make health claims for their probiotic products. In fact, “probiotics” is itself considered a health claim within the EU. In terms of packaging, companies are only permitted to include the scientific name(s) of the probiotic strains contained in the product.

“Medical marketing has been a key success story for BioGaia,” Ducellier commented.

“Historically, given our presence in the child health area, we have a strong position among pediatricians in many countries. But now we are starting to activate HCPs relevant to new product categories, for example gynecologists.”

However, with the coronavirus pandemic and associated lockdown measures, people cannot go to the doctors or other HCPs as easily. “BioGaia now needs to go more directly to the consumer,” she noted.

While BioGaia has seen some success in recent years in using social media, Ducellier said that e-commerce is becoming increasingly important for the company as a way to connect directly with consumers.

In 2018 BioGaia entered into retail partnerships with Amazon in the US and Alibaba in China. As

a result, roughly three quarters of the company's total sales in these countries now come through e-commerce, Ducellier reported.

While EMEA is by far BioGaia's biggest market – contributing about half of the company's total turnover in 2019, which grew by 3.6% to SEK768m (\$81m) – Asia-Pacific is now its fastest growing region.

“One of the lessons of COVID-19 is that we now have to see e-commerce as another channel, a convenient channel for probiotics,” Ducellier explained. “So we are going to have to do this more in coming years.”

Good Start To 2020

BioGaia has had a good 2020 so far, Ducellier reported, with first-quarter group sales advancing by 7% to SEK183m compared to the first three months of last year.

EMEA has seen the fastest growth, she revealed. “I was very surprised to see that a large part of this was coming from Italy, where the coronavirus hit the hardest when it reached Europe.”

Italian consumers were particularly interested in BioGaia's vitamin D probiotic combination products, Reuterin D3 800 Compresse and Reuflor D3 800 – both containing 10µg vitamin D and the company's patented *Lactobacillus reuteri* DSM 17938 “Protectis” probiotic strain – marketed by Noos and Italchimici respectively.

“You would have expected Italy to be a catastrophe but we have had strong growth there and that's now one of our biggest European markets,” Ducellier commented. “People wanting to boost their immune system say they could get double the impact when buying probiotics with added vitamin D.”

On a negative note, BioGaia's sales in Japan – where the firm's oral health probiotic Prodentis is proving very popular – were “disappointing,” she said, because of supply chain problems originating in Belgium. This dragged on the Group's overall performance in the three months, she added.

Looking to the future, Ducellier said that, despite her prediction of the probiotic trend continuing, she wanted to remain cautious, because of the long-term impact that the coronavirus will have on the global economy.

In terms of expansion, she that Argentina and the UK were two countries on her radar for 2020. “We've just signed an agreement for distribution in Argentina after years of trying to find a good partner.”

“The UK is a fantastic market for probiotics, so I hope to be able to sign something before the end of the year,” she added. “That’s the plan, anyway.”