

# Interim Report – Addressing The Loopholes: How The Recent Legislation Change Will Effect The Sports Nutrition Industry

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## **1.0 Introduction**

The main focus during this semester has been based around core research in order to gain an understanding which is required to manufacture the final deliverable, a sports nutrition drink which will succeed within the present industry. The creation and trial analysis of the surveys using three separate methods has proved time consuming yet beneficial. The further research into the industry and how organisations are adapting to the legislation change has given me an insight into the relevant industry and this is essential in order to ensure the success of the final sports nutrition product which will be launched next semester.

## **1.1 Problem**

Following the legislation change which now requires all sales of sports nutrition products to be subject to VAT, the price of good quality and innovative products has risen for consumers. I am currently unaware of any products that is effective, good value for money and fulfils consumer's goals.

## **1.2 Scope**

During the scope of this project I wish to manufacture a sports nutrition product which will succeed within the sports nutrition marketplace following the legislation change, a change which will require all sales of sports nutrition drinks to be subject to the standard rate of VAT. I will use numerous methodologies in order to complete this goal, I will focus my interim report on the creation and analysis of the trial questionnaire alongside research into the industry as it is today. By completing this effectively it will enable me to introduce more methodologies next semester where I can focus on the SSM modelling and Systems Dynamic section of the project, all three methodologies will have a direct effect on the final deliverable at the end of next semester.

## 2.0 Background: Understanding the Legislation Change

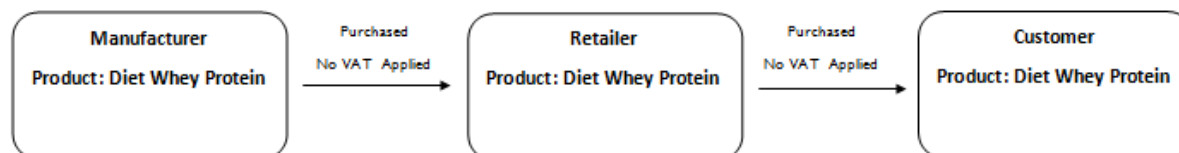
The core problem surrounding the project is in regards to the legislation change itself, in order to adapt to this change enterprises within the industry have adopted different strategic approaches. The sports nutrition sector is an extremely competitive market, with many companies pushing the boundaries of innovation to ensure their products are developed to be more effective and efficient at meeting the consumer's goal. The recent VAT application to all sports nutrition drinks has caused the industry to take a step in the wrong direction, with manufacturers now looking more towards other factors such as reducing serving sizes or reduce the quality of the ingredients used in order to market the products at a similar price to what they were prior to the legislation change.

During a budget meeting within the House of Commons dated 21<sup>st</sup> March 2012 the chancellor announced that he would be looking to close loopholes and anomalies within the UK Value Added Tax system, this included a change which would force all sales of Sports Nutrition drinks following the 1<sup>st</sup> October 2012 to be subject to the standard rate of VAT at 20%. Under previous legislation, prior to the 1<sup>st</sup> October 2012, most sports drinks were classed as beverages designed to rehydrate, quench thirst or give pleasure, which resulted in them being subject to the standard rate of VAT under except item 4 to the VAT food zero rate[3]. However, some sports drinks are zero rated based upon the fact that the courts found that they were not classed as beverages due to their high nutritional content, these were branded as sports nutrition drinks.

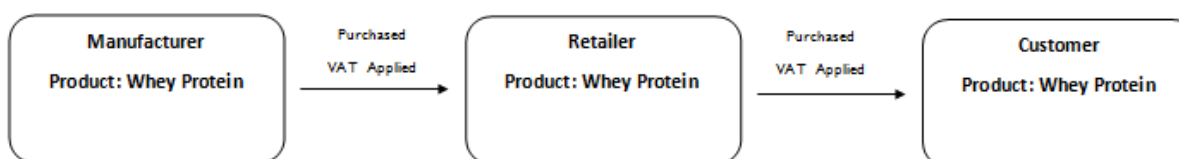
Following 1<sup>st</sup> October 2012 HM Revenue & Customs Secondary legislation will introduce a new Excepted Item 4A into Group 1 to confirm that sports drinks that are marketed as products designed to enhance physical performance, accelerate recovery after exercise or build bulk, and other similar drinks, including syrups, concentrates, essences, powders, crystals or other preparations of such drinks will be standard-rated.[4]

Although this exploits other anomalies and loopholes within the VAT system which manufacturers may utilize, sports nutrition drinks marketed to aid weight loss will not be subject to the VAT increase. Reflex Nutrition, a large corporation who manufacture sports nutrition supplements within the UK currently manufacture "Diet Protein", all sales of this particular product will not be subject to VAT at the standard rate as the product is not designed to *"enhance physical performance, accelerate recovery after exercise or build bulk"* as stated within the review of the legislation. If we look at the diagrams created below we can see that this will directly affect the cost to the consumer. By comparing both standard Whey Protein product and a Diet Whey Protein product we can see that VAT is applied across two sales on a normal whey protein product which could lead to a large increase in price compared to a diet whey protein product which will not be subject to the application of VAT.

### Sales of Diet Whey Protein Products – Reflex Diet Protein



### Sales of Whey Protein Products – Reflex Instant Whey



According to the HMRC analysis of the new legislation they have estimated that the application of VAT at the standard rate to all sports nutrition drinks will raise in excess of £15 million per annum for the UK economy, they also state that the change may cause a slight drop in demand for sports nutrition drinks however the overall macroeconomic impact are expected to be negligible.

## 2.2 Background: Understanding the Sports Nutrition Industry

The sports nutrition industry has showed signs of continuous growth over recent years, an increased emphasis on physical activity and sporting participation enhances the requirements and demands for nutritional products. Consumers now use sports nutrition products to enhance recovery and performance in a manner that is not detrimental to your health and, in fact, the nutritional benefits of certain sports nutrition products can help aid a healthy lifestyle and should not be restricted to those who participate in extensive physical activity. Retail sales within the industry grew by 14% in 2011 to reach £230 million; and these are expected to reach £414 million by 2016. In 2011 the NHS Information Centre reported that near a quarter of adults participate in physical activity on a regular basis, and industry specialists stated that only 10% purchase a form of sports nutrition product, this leaves a significant scope for substantial growth within the sector. [2]

### 3.0 Approach: Market Research: Surveys

The construction of the questionnaires and interviews was aimed at gaining a greater knowledge of how the legislation change has affected different individuals involved within the sports nutrition industry, it was also hoped that the questionnaire would also reflect further analysis of customer buying patterns and how the VAT increase has affected them individually. There are three separate methods in which I used to would conduct this analysis; these are; a face to face interview, a telephone interview, and an electronic questionnaire. These methods where designed to extract useful information that could be analysed in order to help with the project. The main focus of the surveys this semesters was a two stage trial and analysis process across the three multiple methods chosen; this enables me to have a greater understanding of the best methods to use in larger scale surveys next semester.

#### Comparison of Survey Methods

Method	Response Rate	Time	Non Response Bias
Face to Face	High	Slow	Low
Telephone	Moderate	Fast	Moderate
Electronic	Low	Fast	High

#### Face to Face

Strengths	Weaknesses
<ul style="list-style-type: none"><li>• Can see participants reaction</li><li>• More detailed opinions / answers</li><li>• Interview can adapt questions based on answers to gain more information</li><li>• Easier to develop trust to gain more confidential information which may not be presented in the other two methods.</li></ul>	<ul style="list-style-type: none"><li>• Time consuming as you are required to book an appropriate time for a meeting and then interviews can be longer than other methods.</li><li>• Restricted to geographical location</li><li>• Requires interview skills in order to conduct</li></ul>

#### Telephone

Strengths	Weaknesses
<ul style="list-style-type: none"><li>• Saves time</li><li>• Good response rate as you are interacting with the participant</li><li>• Ability to develop certain level of trust in order to gain more information that would be released by an electronic survey alone</li><li>• Ability to adapt questions based on response.</li></ul>	<ul style="list-style-type: none"><li>• Requires a certain level of interview skills</li><li>• Cannot see participants reaction</li><li>• Participant has less time to think about the answer; therefore answers could be less accurate than gained from other methods.</li></ul>

## Electronic

Strengths	Weaknesses
<ul style="list-style-type: none"><li>• Extremely time efficient</li><li>• Gives participant more time to respond to answers</li><li>• No interview skills required</li><li>• Can reach many participants with minimal effort</li></ul>	<ul style="list-style-type: none"><li>• Cannot develop level of trust to gain more information that could be obtained by using other methods</li><li>• Low response rate</li><li>• Cannot see participants reaction</li><li>• Cannot adapt questions based on responses by participant.</li></ul>

In my surveys, I aimed to target three main groups who I felt would help me retrieve the information needed, these were:-

1. Managing Director of a large corporation who focus mainly on Business to Business sales
2. Managing Directors/Managers of large manufacturers who focus mainly on Business to Customer sales
3. Customers / Consumers who purchase sports nutrition drinks on a regular basis

The used both the face to face interview and telephone interview methods in order to gather information about groups one and. These methods proved most effective as they allowed me to gain information relevant to how the change has affected the corporation, trying to focus mainly on business strategy, sales and quality of products in order to gain an understanding of how certain businesses have adapted following the legislation change in order to remain competitive. The electronic questionnaire designed towards customers would be more focused on how they have adapted their buying patterns and product expectations; this would be extremely useful information which will be excessively used in order to work towards my final deliverable.

### ***Trial Analysis of Surveys***

It is essential that before I conduct the trial run of the surveys I ensure the questions that will be asked are both relevant and self-explanatory to ensure the trial surveys are effective and provide the information I require in order to proceed with the final draft surveys for next semester. In order to complete the pre-test I arranged a focus group consisting of 5 individuals who are both students within Cardiff School of Computer Science and Informatics and also consumers of sports nutrition products. The focus group was designed to highlight any flaws within the three surveys, I found it essential I arrange a focus group, through conducting a two stage pre-test this semester it will ensure the results I obtain from the questionnaires next semester will be accurate and relevant to the chosen topic, it will also help me retrieve all the information I need from the surveys. The initial questionnaires can be seen in Appendix I, Appendix II and Appendix III. There were the questionnaires created for the focus group session with the five individuals earlier in the semester.

### ***Adaption Made From Focus Group***

The focus group was extremely useful in highlighting adaptations that could be made to each of my surveys in order to increase the effectiveness of all three; the comments made have been stated below:

#### ***Business to Business: Face to Face Interview Survey:***

*Question 1: Go into more detail regarding which legislation you are talking about, companies are often faced with more than one legislation so you may want to explain which one you are trying to gain information about.*

*Question 2: No real need to adapt the question as it is self-explanatory.*

*Question 3: May want to add in what specifically you want them to speak about whether it's how they run the company or strategy of the company just so they have a better idea of what to answer. Also if you leave the question that vague you may not get as good of a response as a more specific question.*

*Question 4: Do not highlight small companies in the questionnaire, maybe change it to "Small to Medium Size Enterprises" (SME's) to come across more professional.*

*Question 5: No change required.*

*Question 6: Nothing wrong with the question but maybe change it to a yes or no answer.*

*Question 7: No change required.*

*Question 8: No change required.*

*General Comments: Few changes can be made in order to enhance the potential of the survey to gain more relative information.*

#### ***Business to Customer: Telephone Interview Survey:***

*Question 1: Same as previous survey as question is the same.*

*Question 2: No change required.*

*Question 3: Same as previous survey as question is the same.*

*Question 4: May want to rephrase this to make more logical sense as it can come across slightly confusing on what your actually asking in this question.*

*Question 5: No change required.*



*Question 6: Same as previous survey as question is the same.*

*Question 7: No change required.*

*Question 8: No change required.*

*General Comments: Most changes were the same as the first survey as questions were similar.*

**Customer: Electronic Questionnaire:**

*Question 1: No change required.*

*Question 2: Re phrase the question so it's understood slightly better and more professional.*

*Question 3: Would be better to ask what form of sports nutrition drinks do they take rather than asking specifically for one.*

*Question 4: No change required.*

*Question 5: Too similar to question 2.*

*Question 6: No change required.*

*Question 7: No change required.*

*Question 8: No change required.*

*Question 9: No change required.*

*Question 10: No change required.*

*General Comments: Change order of the questions so they lead on to one and other more effectively so the questionnaire is more professional.*

**Adaption of Surveys**

After a review of all the feedback gained from the focus group the comments were taken and the surveys were adapted in order to enhance their ability to retrieve the relevant information required of them. The updated surveys which were used for all three methods within the second stage of the pre-test can be found in appendix IV, appendix V and appendix VI.

### **3.1 Approach: Market Research: Summary of Finding from Surveys**

The surveys have been a crucial part of the development of the research methodology, it is essential that both the face to face interviews and telephone interviews are engaging and provide an effective insight into the information available at that time. The information retrieved and reviewed from these surveys this semester will impact the quality and effectiveness of the surveys and methodologies next semester. The review comes in two forms, the first two surveys in the form of a face to face interview where I attended a meeting with one of the largest business to business sales orientated sports nutrition corporation based in United Kingdom, the second in the form of a telephone interview with three large sports nutrition manufacturers based within the UK, included

within this is the largest sports nutrition manufacturer in Europe. The customer questionnaire will be statistically analysed to ensure that the data we are retrieving will be useful in implementing into our systems thinking model next semester, if all criteria assessments for the trial run are met then no changes will be made to the surveys before conducting the main surveys next semester where the surveys will be tested on a larger scale. These trial questionnaires are crucial in giving me an insight into my final deliverable in the form of a sports nutrition product, I have focused this semester around these 3 methods in an attempt to gain as much feedback from the trial run as possible.

### **Summary of Finding from Face to Face Interview**

A face to face interview was conducted at Vydex Corporation Limited headquarters in Cardiff on Wednesday December 12<sup>th</sup> at 13:00, the questions asked in the face to face interview were based upon the updated version of the business to business questionnaire seen in appendix IV. Note that in appendix VII there is a transcript of the face to face interview including the questions asked and answers retrieved.

Q1 Feedback – The feedback gained from the managing director from question one is that he thought the change was appalling, he believed the legislation change was a tax on healthy individuals and also compared the change to the pasty tax quoting “I don’t see how you can justify a tax on nutritional products where there is no tax on unhealthy snacks such as pasty’s”

Q2 Feedback – Although the change has affected many companies within the sports nutrition community it had a minute effect on Vydex Corporation Limited, main reason surrounding this is that the wholesale price to small companies is still extremely cheap and as most the companies are VAT registered they are claiming the VAT back on purchases from Vydex, however they are operating of a lower profit margin than before the change.

Q3 Feedback – Operating of smaller profit margins, however the business model has stayed intact and the company continues to operate successfully.

Q4 Feedback – Yes

Q5 Feedback – Yes, although there was a concern on how long this would last as it is effectively another loophole within the legislation which is why the change happened, so this may be reviewed in future.

Q6 Feedback – Operating of lower profit margins rather than operating of lower sales, sales haven’t really been affected.

Q7 Feedback – Often find customers now are purchasing protein products with a less percentage of protein and more “filler ingredients” in order to make the product cheaper, so the quality has definitely changed. Customers are now looking at other sources of protein which could be more cost effective but just as effective to the consumer.

Q8 Feedback – Managing directors personal opinion here is that the only reason it will have no effect on the market is because of organic growth within the industry, the sports nutrition industry is

growing at such a fast rate that the change will not deteriorate the current market. Although in no way did he support the change.

### **Review of Telephone Interviews:**

As seen in appendix VIII, appendix IX and Appendix X the telephone interviews were carried out across three large sports nutrition manufacturers within the UK, the general feedback I obtained from these interviews are noted below for each question. I believe the telephone interview was an extremely useful method of extracting information from manufacturers who are not based within my geographical location.

**Q1 Feedback** – There was mixed reviews in regards to the first question, one company state they have seen a big reduction in sales where the other two have noticed a drop in profits however sales have remained constant.

**Q2 Feedback** – All three companies have adapted slightly to the change, mostly in the form of offering special offers more regularly or offering free products alongside a purchase of another specific product.

**Q3 Feedback** – Similar answers to question two as most of the interviews went into depth, they have adapted slightly in order to remain more competitive within the marketplace.

**Q4 Feedback** – Mixed views again on this question, one manufacturer stated that they believe in future this may happen however they haven't seen anything as of yet, where other believe it will not happen and if it does they will source products elsewhere in order to counteract against this change.

**Q5 Feedback** – This question was a yes or no answer where all three companies stated yes.

**Q6 Feedback** – This question again was a yes or no answer however one company stated yes where the other two stated no; this may be to do with company business strategy.

**Q7 Feedback** – I think the manufacturers found this an interesting question and again had mixed opinions although all three agreed that the change was an awful idea which should be re-evaluated.

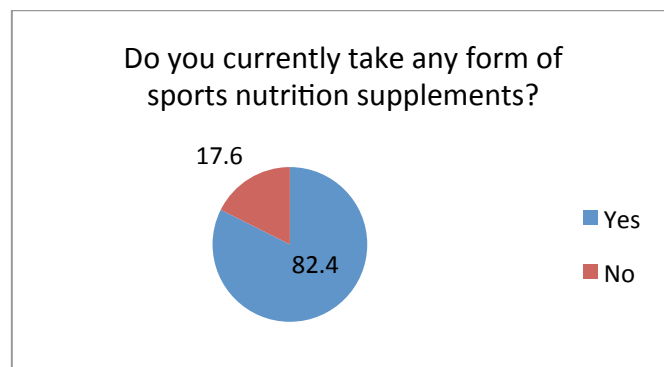
**Q8 Feedback** – All three manufacturers agreed no satisfaction levels have dropped over reviews since the legislation change, although one stated that satisfaction levels of customers in general have dropped not against products but against the tax itself.

## Review of Electronic Questionnaires:

The purpose of the electronic questionnaires was more in regards to research for the way in which the final deliverable will be presented, I wanted to gain an understanding of consumer buying patterns and the type of products used within the industry, as this was a trial the results were limited to X people, however by analysing these results it will prepare my for the full analysis next semester and also ensures the project deliverable is on track. As this was designed for a large scale compared to the other two methods the questions were mostly multiple choice, therefore a graphical representation of the analysis could be made to compare the trial.

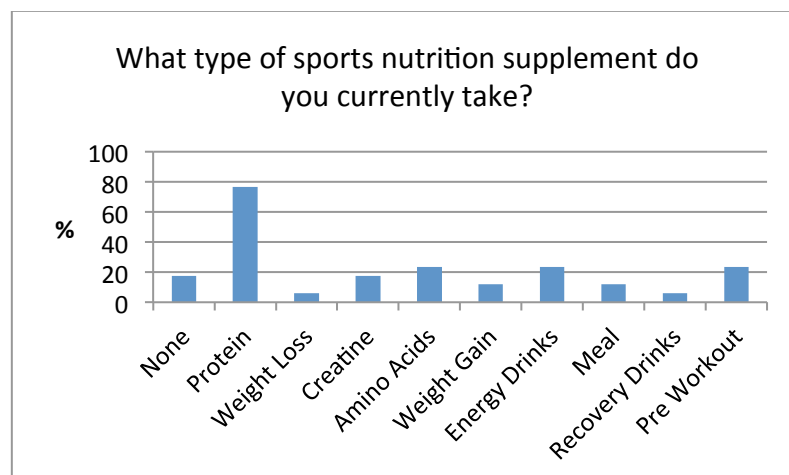
### Q1 Feedback

The main thing to note here was that most of the participants completing the questionnaire currently take sports nutrition products, although the participants were targeted so that a high percentage of participants were currently taking sports nutrition supplements in order to gain a better understanding of the questions following this.



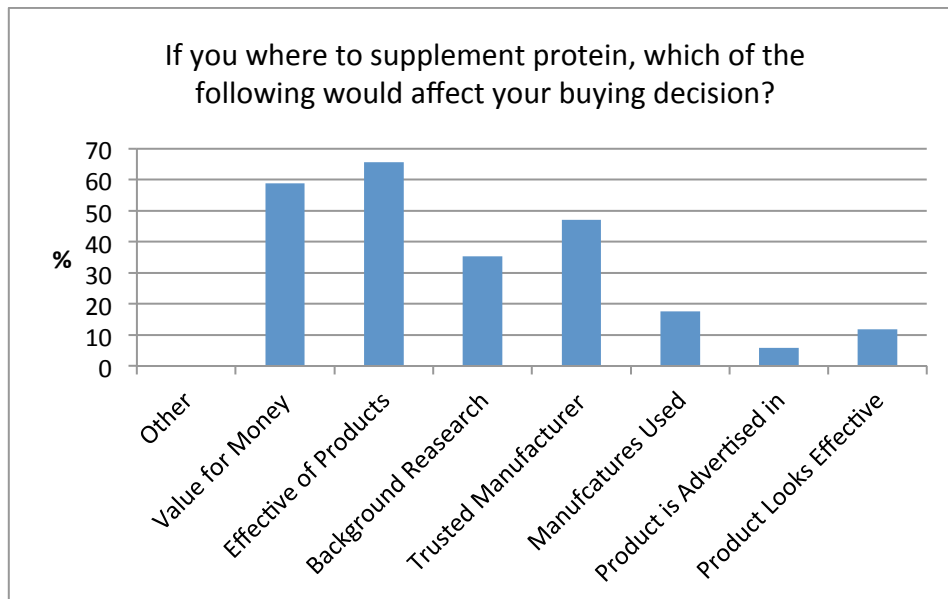
### Q2 Feedback

The second question was targets so I could get a greater understanding of the final deliverable, to ensure the product being delivered would be relevant to the industry, as I will be manufacturing a sports nutrition supplement designed to thrive within the industry following the legislation change I needed to ensure that the product I was manufacturing was a popular choice of purchase for consumers, the trial run suggest this, although further analysis will be needed next semester.



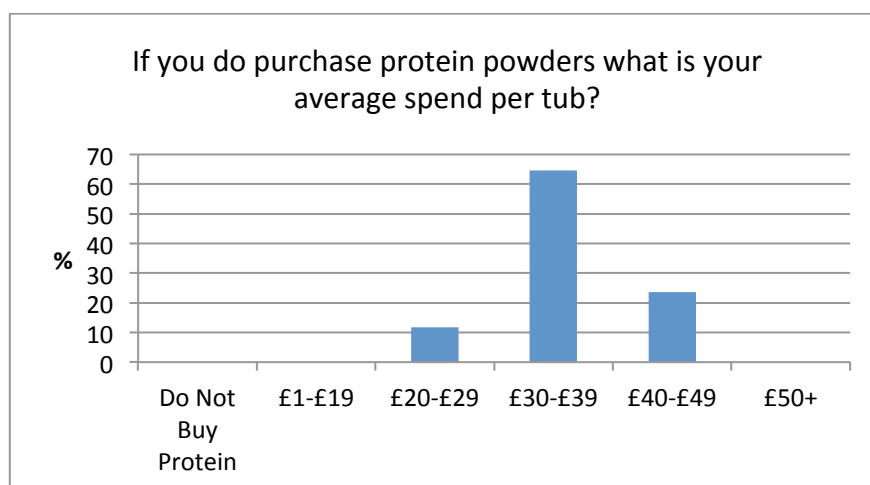
### Q3 Feedback

This question was designed to target the audience buying patterns, in order to create a successful product it will need to be based on the buying patterns of the consumer to ensure the marketing of the product will appeal to the consumer. There would be no point introducing an expensive, effective product to the industry if consumers are now looking for cheaper alternative that is slightly effective. The analysis shows that they purchase mostly from trusted manufacturers with effective products that are good value for money. Therefore this will be further analysed next semester and if the analysis is yet again the same conclusion this will be implemented into the final deliverable.



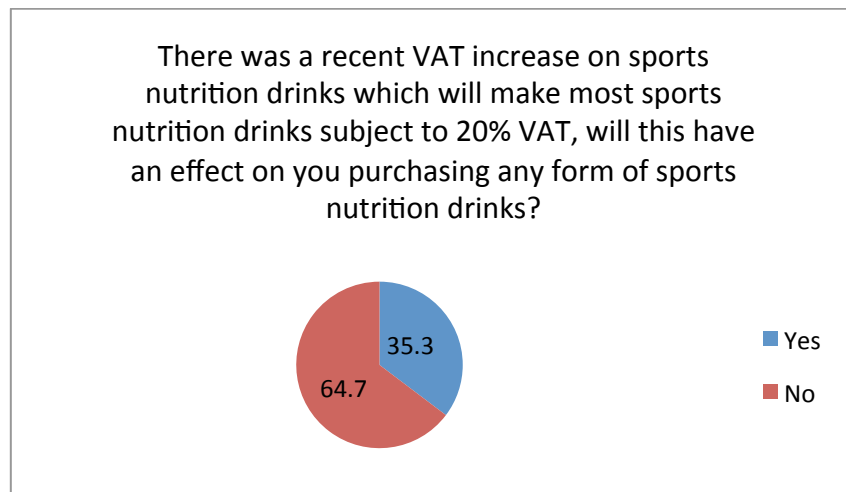
### Q4 Feedback

The following graph displays the analysis conducted on question 4, designed to get a rough cost price for our final deliverable in order to ensure it meets the majority of requirements within the industry, from the trial analysis we can see basing a product over £30 would appeal to 88.2% of consumers from the trial analysis. Further analysis will be made on this next semester when the full questionnaire is released to a great audience.



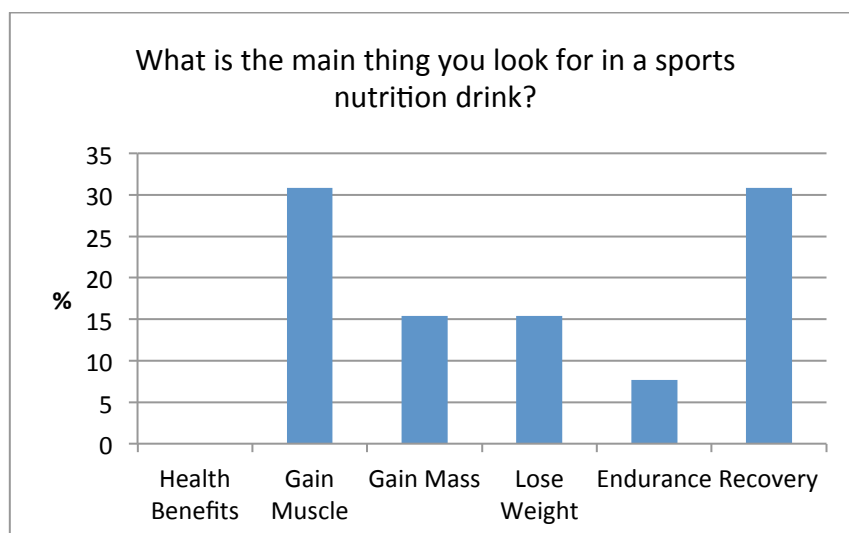
### Q5 Feedback

I wanted to gain an understanding of how participants have reacted to the legislation change and if it has affected them purchasing sports nutrition supplements. Quoting a statement made previously in the report where the HMRC stated that the change would have a minor effect on the amount of individuals using sports nutrition supplements, as this is only a trial run we cannot conclude the evidence however during next semester if we see similar figures in the official release then we can prove that the statement made by the analysts at HMRC was false.



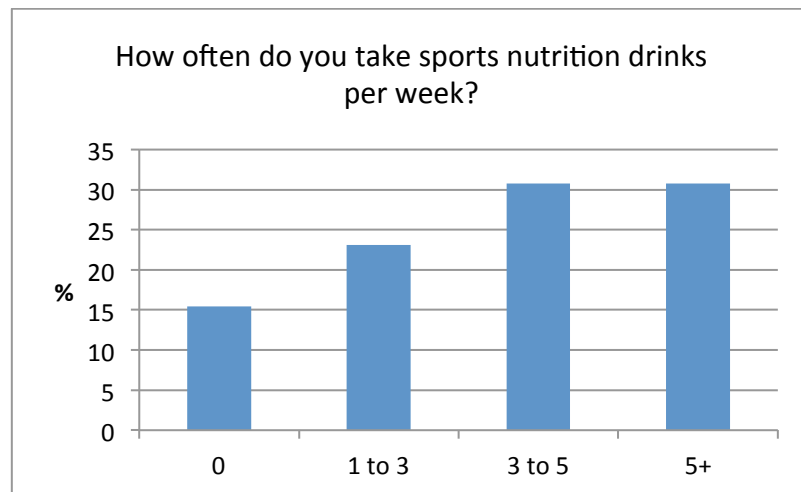
### Q6 Feedback

Furthering the analysis of customer buying patterns I then wanted to move towards customer goals and what they wish to achieve from purchasing the products, again this will be conducted as a full analysis next semester however we can see from the following analysis that the final deliverable should be a product marketed to gain muscle and enhance recovery in order to appeal to the majority of the participants involved within the questionnaire, however next semesters analysis could provide a different conclusion.



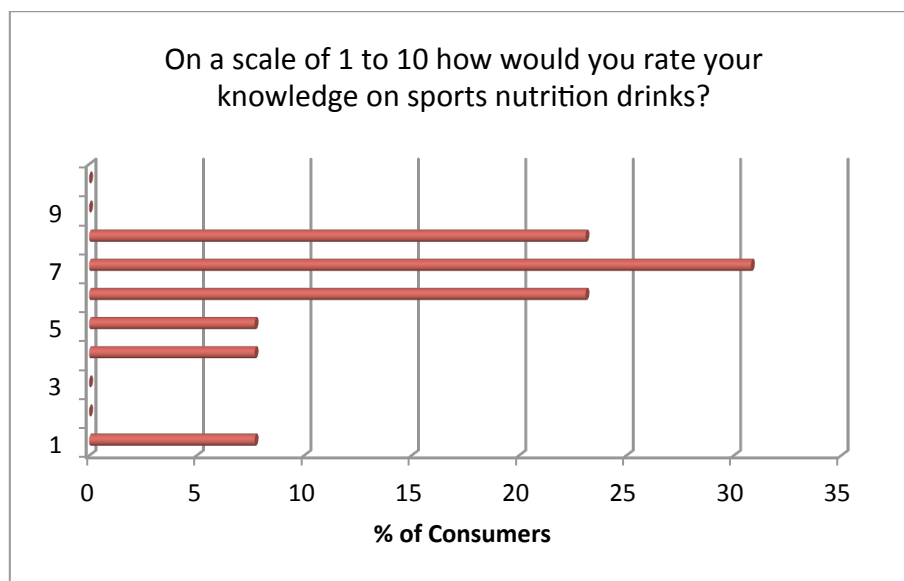
### Q7 Feedback

The following graph displays information regarding the use of sports nutrition drinks and how often they are used by individuals, it is targeted as a market research technique in order to gain an understanding of repeat sales and how often a company can expect a repeat sale from a customer based on the amount of servings within a product compared to how often a customer consumes a serving. We can see by the analysis most participants would consumer over 3 servings of their sports nutrition drinks per week.



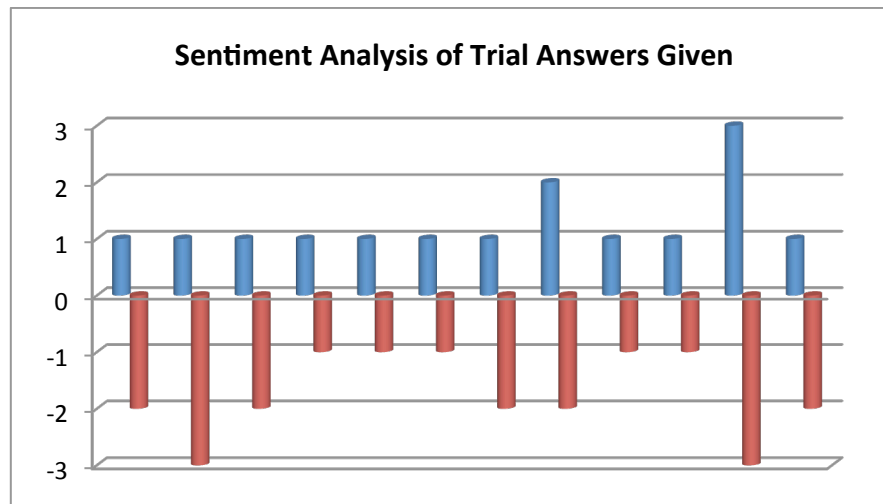
### Q8 Feedback

The following graph displays customer feedback based on their knowledge of sports nutrition drinks, the reason I use this is to gain an understanding of how to advertise the final deliverable, would I need to express the exact ingredients used? This analysis next semester will enable me to answer the previous question to ensure the advertisement of the product is effective.



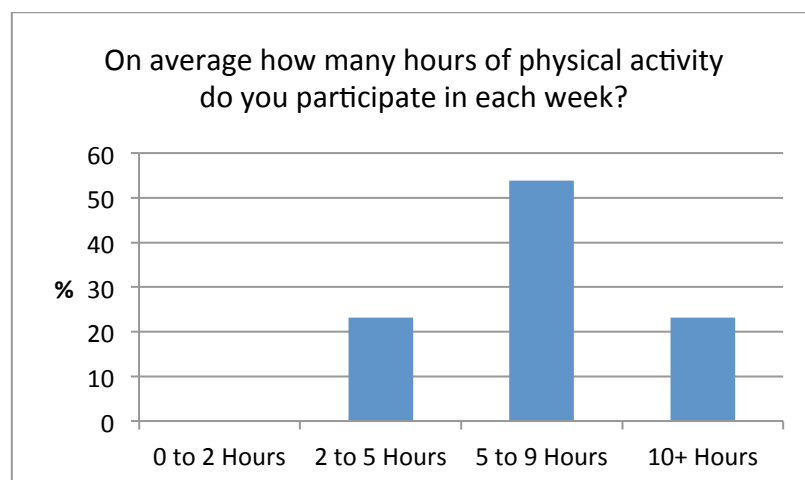
### Q9 Feedback

The general feedback from the question "What is your personal opinion regarding the VAT increase on sports nutrition drinks?" was that not anybody could justify the reasoning behind it, some comments where reflected that of the manufacturers expressing the legislation change as a tax on the healthy, I believe this particular question is extremely useful to include and I will conduct a full sentiment analysis on the official questionnaire release next semester. For the purpose of the trial questionnaire I have included a sentiment analysis of the answers given, positive ratings average 1.25 where average of negative rating is -1.75.



### Q10 Feedback

The last question was an analysis of how many hours per week individuals participate in physical activity, we can then express our opinion on the products that would be suitable for that specific category in order to finalize our final deliverable.





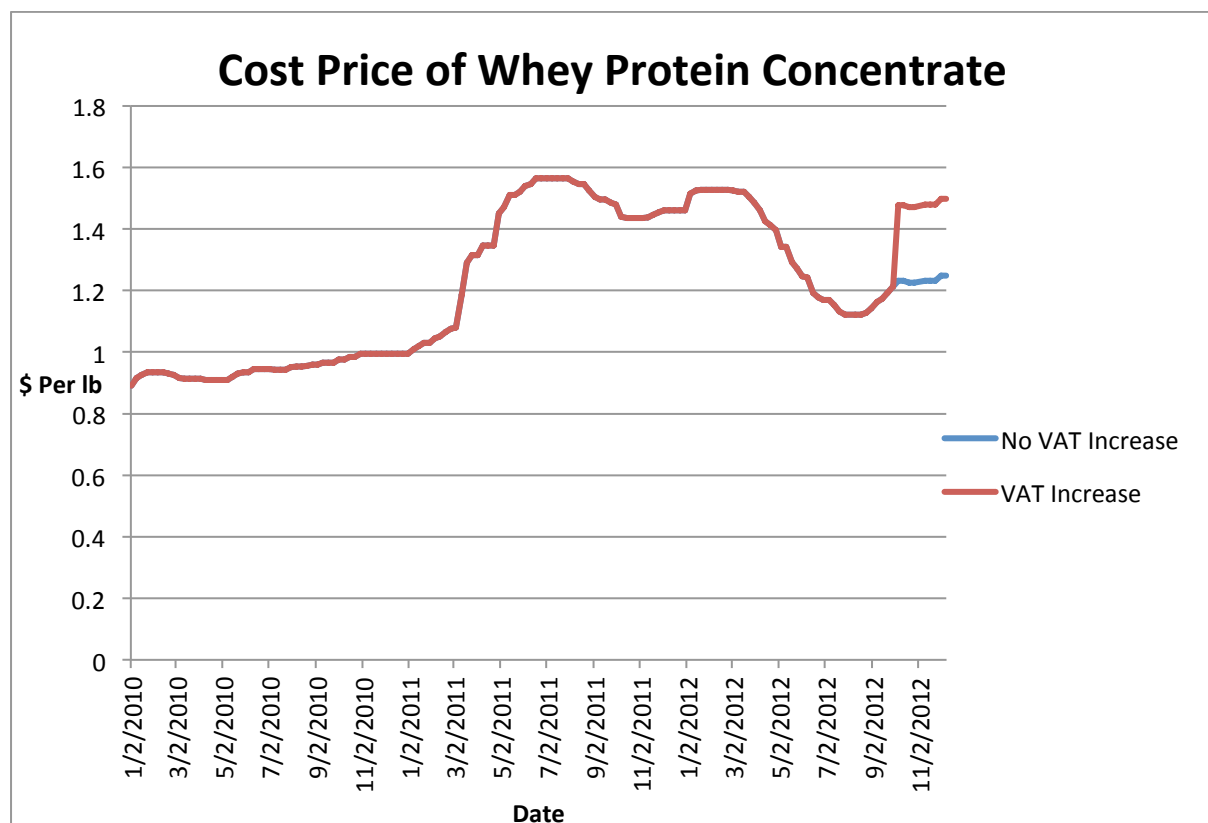
### 3.2 Approach: Market Research: Conclusion of Survey Analysis

The conclusion from the surveys produced is that the individual methods used have been effective in generating the information required from each group, although a face to face meeting with every participant would be more beneficial time constraints of the project and geographical location make that unrealistic. I believe I have concluded in my trial surveys that the final deliverable will be adapted slightly to match the evidence concluded and will be adapted further next semester in order to ensure the effectiveness of the product on launch. I believe the trial analysis of the customer electronic questionnaires have proved extremely useful in giving me insight into the type of questions I will need to ask next semester in order to gain the understanding of the industry which I need in order to launch a successful product.

### 3.2 Approach: Market Research: Analysis of Corporations

The following graph displays the cost price of whey protein concentrate since 2010. Whey Protein Concentrate is the most popular form of protein used within sports nutrition drinks. The VAT increase will only affect purchases following the 1<sup>st</sup> October 2012; through viewing the graph we can see a big difference in the cost price following this date. All manufacturers purchasing Whey Protein Concentrate from sources within the UK will be liable to this increase, however all manufacturers purchasing the Whey Protein Concentrate from outside the UK where VAT is not applicable can avoid these extra charges, however VAT will still be applied on sale of the product within the UK.

The graph is displayed in dollars per pound (mass) due to the fact that most purchases of whey protein concentrate are made to or from the United States of America.



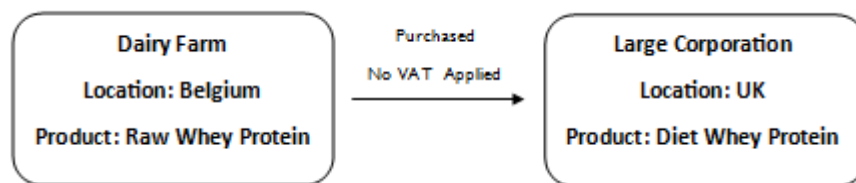
Graph Data Obtained From: [http://future.aae.wisc.edu/data/weekly\\_values/by\\_area/1610](http://future.aae.wisc.edu/data/weekly_values/by_area/1610)

### ***How this graph will affect corporations?***

Larger corporations could suffer less than Small Corporation if we take into account purchasing power, larger companies having a stronger purchasing power which opens a wider scope as to where they purchase their raw materials. This gives them the option to look abroad in other European countries to source their raw materials where they will not be subject to VAT dependant on the country of choice, however smaller companies are often limited to their purchasing options, often restricted to buying their raw materials from wholesalers based within the UK, this leaves them liable to having to pay VAT on their purchases. Although this can be reclaimed if the company is VAT registered it puts them at a slight disadvantage for having to pay the extra fee in the first place where they could be investing the money into innovation of their product range.

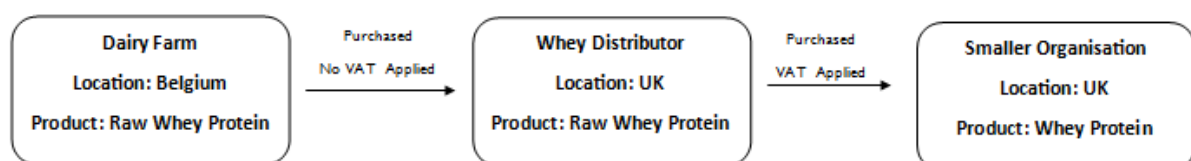
#### ***Larger Corporation:***

Greater purchasing power enables the corporation to purchase their raw materials from outside of the UK, using Belgium as an example where no VAT is applicable on the sale of Whey Protein to the UK company.



#### ***Smaller Corporation:***

As the smaller company is limited to their options, they may be forced to purchase the raw materials from a distributor based within the UK, who source their raw material abroad where no VAT is applied. VAT is applied to the sale of the raw material to the smaller organisation from the distributor.



## 4.0 Conclusion

I believe this semester has proved extremely challenging yet effective in terms of the progress of the project, the two-stage pre-test for the interviews and questionnaires has proved extremely helpful in gaining an advanced understanding of how to improve on that specific topic next semester. The research and development for the product has been successful and I now have variables in which I can build upon during my systems dynamics modelling next semester, I believe further research still has to be made next semester but the progress has exceeded my expectations. I now have a set piece of research so that I can start adapting my final deliverable for next semester. I believe the strain of the multiple modules taken this semester has restricted my time however it now leaves me with more time to continue my work next semester and ensure the final deliverable is effectively produced.

As a conclusion of this semester's work I can now adapt my interviews and questionnaires and begin finalising my Soft System Methodology and System Dynamics Modelling. Next semester I will complete the following:

1. Completion of SSM model to incorporate the business model and final deliverable
2. Completion of Systems Dynamics model including iThink simulation in order to simulate the final deliverable to ensure variables are correct when manufacturing the product.
3. Launch full surveys, including interviews and questionnaires on a larger scale in order to complete full analysis of results.
4. Further investigation into Market Research to ensure final deliverable will succeed within the industry on launch.
5. Manufacture final deliverable.

## 5.0 References

- [1] Antony Seely, (2012). VAT: Budget 2012 changes to loopholes and anomalies. [ONLINE] Available at: [www.parliament.uk/briefing-papers/SN06298.pdf](http://www.parliament.uk/briefing-papers/SN06298.pdf). **VAT: Budget 2012 changes to loopholes and anomalies.** (1), pp.31
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## Appendix I

### ***Business to Business Face to Face Interview Survey Page 1:***

**\*1. What is your personal opinion regarding the new legislation?**

**\*2. What effect has the legislation change had on Vydex Corporation Limited?**

**\*3. Have you felt the need to adapt your business to remain competitive within the industry?**

**\*4. As many of your customers are small companies, do you feel the amount of Non-VAT registered businesses operating within the industry has increased since the legislation change?**

☐ Yes

☐ No

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### ***Business to Business Face to Face Interview Survey Page 2:***

**\*5. The VAT increase will not be applied to the sales of Diet Whey Protein, have you seen an increase in sales on this specific range since the VAT increase?**

☐ Yes

☐ No

**\*6. Have you experienced a decrease in sales on products that have been affected by the VAT increase since the legislation change?**

**\*7. do you feel the overall quality of the custom blends you now manufacture for customers has decreased since the VAT increase?**

**\*8. Based on the HMRC Analysis the expected boost to the economy from this change will raise £15 Million by 2016, although they did not feel there would be a decreased number of customers purchasing sports nutrition drinks, what is your opinion?**

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## Appendix II

### ***Business to Customer: Telephone Interview Survey Page 1:***

\*1. What is your personal opinion regarding the new legislation?

\*2. What effect has the legislation change had on Monster Supplements?

\*3. Have you felt the need to adapt your business to remain competitive within the industry?

\*4. Do you feel the overall quality of products on the market has decreased as a method of counteracting the price increase on products?

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### ***Business to Customer: Telephone Interview Survey Page 2:***

\*5. The new legislation will not effect the sales of Diet Whey Protein, have you seen an increase in the sales of this specific range?

☐ Yes

☐ No

\*6. Have you experienced a decrease in sales on products that have been affected by the VAT increase since the legislation change?

\*7. Based on the HMRC Analysis the expected boost to the economy from this change will raise £15 Million by 2016, although they did not feel there would be a decreased number of customers purchasing sports nutrition drinks, what is your opinion?

\*8. As you have customer reviews integrated into your online store, do you feel the overall satisfaction level of customers has changed since the change?

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## Appendix III

### Customer: Electronic Questionnaire Page 2:

\*1. Do you take any form of sports nutrition supplements?

- ☐ Yes  
☐ No

\*2. There was a recent VAT rise on sports nutrition drinks which will make most sports nutrition drinks subject to 20% VAT, will this have an effect on you purchasing any for of sports nutrition drinks?

- ☐ Yes  
☐ No

3. Do you take any form of protein supplement?

- ☐ Yes  
☐ No

\*4. If so what is your average spend on a tub of protein?

- ☐ £0  
☐ £1-£19  
☐ £20-£29  
☐ £30-£39  
☐ £40-£49  
☐ £50+

\*5. Would you be willing to pay more as a result of the VAT increase?

- ☐ Yes  
☐ No

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### Customer: Electronic Questionnaire Page 2:

\*6. On average how many hours of physical activity do you participate in each week?

- ☐ 0-2 Hours  
☐ 2-5 Hours  
☐ 5-9 Hours  
☐ 10+ Hours

\*7. What is the most important factor for you when buying protein supplements?

- ☐ Value for Money  
☐ Effectiveness of Product  
☐ Background Research of Product  
☐ Trusted Manufacturer  
☐ Manufacturer Used Previously / Recommended To You  
☐ Product is Advertised in Magazine / TV  
☐ Product Looks Effective Based On Branding

\*8. What is the main thing you look for in a sports nutrition drink?

- ☐ Health Benefits  
☐ Gain Muscle  
☐ Gain Mass  
☐ Lose Weight  
☐ Endurance  
☐ Recovery

9. On a scale of 1 to 10 how would you rate your knowledge on sports nutrition drinks?

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10

\*10. How often do you take your sports nutrition drinks?

- ☐ few times a day  
☐ Daily  
☐ few times a week  
☐ Weekly  
☐ few times a month  
☐ Monthly

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## Appendix IV

### Updated Business to Business: Face to Face Interview Questions: Page 1

\*1. What is your personal opinion regarding the new legislation which requires sales of sports nutrition products to be subject to the standard rate of VAT?

\*2. What effect has the legislation change had on Vydex Corporation Limited?

\*3. Have you felt the need to adapt your business strategy to remain competitive within the industry?

\*4. As many of your customers are SMEs, do you feel the amount of Non-VAT registered businesses operating within the industry has increased since the legislation change?

- ☐ Yes  
☐ No

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### Updated Business to Business: Face to Face Interview Questions: Page 2

\*5. The VAT increase will not be applied to the sales of Diet Whey Protein, have you seen an increase in sales on this specific range since the VAT increase?

- ☐ Yes  
☐ No

\*6. Have you experienced a decrease in sales on products that have been affected by the VAT increase since the legislation change?

- ☐ Yes  
☐ No

\*7. do you feel the overall quality of the custom blends you now manufacture for customers has decreased since the VAT increase?

\*8. Based on the HMRC Analysis the expected boost to the economy from this change will raise £15 Million by 2016, although they did not feel there would be a decreased number of customers purchasing sports nutrition drinks, what is your opinion?

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## Appendix V

### Updated Business to Customer: Telephone Interview Questions: Page 1

\*1. What is your personal opinion regarding the new legislation which requires sales of sports nutrition products to be subject to the standard rate of VAT?

\*2. What effect has the legislation change had on Monster Supplements?

\*3. Have you felt the need to adapt your business strategy to remain competitive within the industry?

\*4. Do you feel the overall quality of products on the market has decreased as a method of counteracting the price increase on products?

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### Updated Business to Customer: Telephone Interview Questions: Page 2

\*5. The new legislation will not effect the sales of Diet Whey Protein, have you seen an increase in the sales of this specific range?

- ☐ Yes  
☐ No

\*6. Have you experienced a decrease in sales on products that have been affected by the VAT increase since the legislation change?

- ☐ Yes  
☐ No

\*7. Based on the HMRC Analysis the expected boost to the economy from this change will raise £15 Million by 2016, although they did not feel there would be a decreased number of customers purchasing sports nutrition drinks, what is your opinion?

\*8. As you have customer reviews integrated into your online store, do you feel the overall satisfaction level of customers has changed since the change?

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## Appendix VI

### Updated Customer: Electronic Questionnaire: Page 1

\*1. Do you currently take any form of sports nutrition supplements?

- ☐ Yes  
☐ No

\*2. What type of sports nutrition supplement do you currently take?

- |   |   |
|---|---|
| <input type="checkbox"/> Protein Powders      | <input type="checkbox"/> Energy Drinks      |
| <input type="checkbox"/> Weight Loss Capsules | <input type="checkbox"/> Meal Replacements  |
| <input type="checkbox"/> Creatine             | <input type="checkbox"/> Recovery Drinks    |
| <input type="checkbox"/> Amino Acids          | <input type="checkbox"/> Pre Workout Drinks |
| <input type="checkbox"/> Weight Gain Powders  |   |

\*3. If you where to supplement protein, which of the following would affect your buying decision?

- |   |  |
|---|--|
| <input type="checkbox"/> Value for Money                | <input type="checkbox"/> Manufacturer Used Previously / Recommended To You |
| <input type="checkbox"/> Effectiveness of Product       | <input type="checkbox"/> Product is Advertised in Magazine / TV            |
| <input type="checkbox"/> Background Research of Product | <input type="checkbox"/> Product Looks Effective Based On Branding         |
| <input type="checkbox"/> Trusted Manufacturer           |  |

\*4. If you do purchase protein powders what is your average spend per tub?

- |  |                               |
|--|-------------------------------|
| <input type="radio"/> Do Not Buy Protein | <input type="radio"/> £30-£39 |
| <input type="radio"/> £1-£19             | <input type="radio"/> £40-£49 |
| <input type="radio"/> £20-£29            | <input type="radio"/> £50+    |

\*5. There was a recent VAT increase on sports nutrition drinks which will make most sports nutrition drinks subject to 20% VAT, will this have an effect on you purchasing any form of sports nutrition drinks?

- ☐ Yes  
☐ No

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### Updated Customer: Electronic Questionnaire: Page 2

\*6. What is the main thing you look for in a sports nutrition drink?

- |                                       |                                   |
|---------------------------------------|-----------------------------------|
| <input type="radio"/> Health Benefits | <input type="radio"/> Lose Weight |
| <input type="radio"/> Gain Muscle     | <input type="radio"/> Endurance   |
| <input type="radio"/> Gain Mass       | <input type="radio"/> Recovery    |

\*7. How often do you take sports nutrition drinks per week?

- ☐ 0  
☐ 1-3  
☐ 3-5  
☐ 5+

8. On a scale of 1 to 10 how would you rate your knowledge on sports nutrition drinks?

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10

\*9. What is your personal opinion regarding the VAT increase on sports nutrition drinks?

\*10. On average how many hours of physical activity do you participate in each week?

- |                                 |                                 |
|---------------------------------|---------------------------------|
| <input type="radio"/> 0-2 Hours | <input type="radio"/> 5-9 Hours |
| <input type="radio"/> 2-5 Hours | <input type="radio"/> 10+ Hours |

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## Appendix VII

### ***Vydex Corporation Limited Interview***

**What is your personal opinion regarding the new legislation which requires sales of sports nutrition products to be subject to the standard rate of VAT?**

*Appalling, it's basically a tax on being healthy. It's bad how pasty tax isn't in place, more people are eating unhealthy, draining the NHS resource where we are promoting a healthy lifestyle and you're getting taxed for it. Healthy individuals are less likely to visit the NHS therefore the tax cannot be justified in that manner.*

**What effect has the legislation change had on Affordable Supplements?**

*Small effect on sales, eventually it will actually benefit us as we are a cheap alternative to some other companies however I do not condone the legislation change, legislation is supposed to be in place to make things better but im not sure this is doing that.*

**Have you felt the need to adapt your business strategy to remain competitive within the industry?**

*Fortunately sticking to our original business model has been good for us, most our customers are VAT registered so it doesn't actually effect them in the long run.*

**As many of your customers are SMEs, do you feel the amount of Non-VAT registered businesses operating within the industry has increased since the legislation change?**

*Yes*

**The VAT increase will not be applied to the sales of Diet Whey Protein, have you seen an increase in sales on this specific range since the VAT increase?**

*Yes, although eventually the legislation will be changed again as that is a loophole within the new legislation, its only a matter of time before that is closed.*

**Have you experienced a decrease in sales on products that have been affected by the VAT increase since the legislation change?**

*I would say our profits have decrease but our sales have remained constant, due to what I explained earlier on in the interview.*

**Do you feel the overall quality of the custom blends you now manufacture for customers has decreased since the VAT increase?**

*I think more people are looking at cheaper alternatives for the meantime, so quality is slowly reducing, however I believe a lot of research is being made into cheaper alternatives that are just as effective for the consumer.*

**Based on the HMRC Analysis the expected boost to the economy from this change will raise £15 Million by 2016, although they did not feel there would be a decreased number of customers purchasing sports nutrition drinks, what is your opinion?**

*I believe the lack of impact is based on organic growth, there will always be more people using sports supplements therefore the analysis is correct but for the wrong reasons. Doesn't make up for the fact that the tax has been put in place. You could have easily increased tax on alcohol or cigarettes which would have been more effective for the economy and more beneficial for society.*

## Appendix VIII

### ***Affordable Supplements Interview***

**What is your personal opinion regarding the new legislation which requires sales of sports nutrition products to be subject to the standard rate of VAT?**

*The change has had a big effect on people purchasing products, personally I do not agree. There's an obesity epidemic, the government are trying to push individuals to be more active to counteract this and yet they are penalising the individuals who are keeping active and taking sports nutrition drinks to aid them to become healthier.*

**What effect has the legislation change had on Affordable Supplements?**

*We have experienced a drop in sales for sure! The 20% increase on certain products has thrown people off purchasing; we have also had to offer more discounts in order to remain competitive.*

**Have you felt the need to adapt your business strategy to remain competitive within the industry?**

*We offer different discounts and a lot of products are sold as bundles, cheap products such as creatine are sold alongside the protein as a gift in an attempt to justify the price increase to the customer, we are also operating off lower profit margins to remain competitive within the industry.*

**Do you feel the overall quality of products on the market has decreased as a method of counteracting the price increase on products?**

*I think at the moment it doesn't seem to have changed, but there have been talks between myself and manufacturers which could suggest this as an option in future if the industry continues to decline.*

**The new legislation will not affect the sales of Diet Whey Protein, have you seen an increase in the sales of this specific range?**

*Yes.*

**Have you experienced a decrease in sales on products that have been affected by the VAT increase since the legislation change?**

*Yes.*

**Based on the HMRC Analysis the expected boost to the economy from this change will raise £15 Million by 2016, although they did not feel there would be a decreased number of customers purchasing sports nutrition drinks, what is your opinion?**

*I definitely noticed a drop in our sales, I can't answer for other companies across the UK, but for such a small increase to the economy I think the government need to re-evaluate the legislation change.*

**As you have customer reviews integrated into your online store, do you feel the overall satisfaction level of customers has changed since the change?**

*As far as I am aware it hasn't had an impact on the way customers review our products although this is a very difficult question to answer without doing research into this.*

## Appendix IX

### ***Predator Nutrition Interview***

**What is your personal opinion regarding the new legislation which requires sales of sports nutrition products to be subject to the standard rate of VAT?**

*I believe the change has resulted in a step backwards for the industry, I don't think it will benefit either the industry, customers or government in anyway.*

**What effect has the legislation change had on Predator Nutrition?**

*Costs price for the products we sell have increased, although there hasn't been a massive effect on sales, although it has only been two months since the change took place so things could change in future.*

**Have you felt the need to adapt your business strategy to remain competitive within the industry?**

*We are running more special offers, not just us but most companies across the industry are doing so. Our profit margins have also decreased.*

**Do you feel the overall quality of products on the market has decreased as a method of counteracting the price increase on products?**

*We have strict policies on the quality of the products we buy, if we found out a manufacturer where selling us lower quality products we would probably look to source products elsewhere.*

**The new legislation will not affect the sales of Diet Whey Protein, have you seen an increase in the sales of this specific range?**

*Yes.*

**Have you experienced a decrease in sales on products that have been affected by the VAT increase since the legislation change?**

*No.*

**Based on the HMRC Analysis the expected boost to the economy from this change will raise £15 Million by 2016, although they did not feel there would be a decreased number of customers purchasing sports nutrition drinks, what is your opinion?**

*It's a tough question to ask, it probably won't decrease the number of people who carry on using sports nutrition products but it might decrease the number of new individuals looking to try sports nutrition products.*

**As you have customer reviews integrated into your online store, do you feel the overall satisfaction level of customers has changed since the change?**

*Satisfaction levels have decreased but not on the service or the product, but mainly in general peoples attitude towards the tax. Customers are now more aware of value for money and special offers and are not so much fixed to certain products like before.*

## Appendix X

### **MyProtein Interview**

**What is your personal opinion regarding the new legislation which requires sales of sports nutrition products to be subject to the standard rate of VAT?**

*I think the general feel across not only the UK but the whole of Europe was shocked at this change, especially people involved in the sports nutrition community. It's not logical to tax a healthy nutrition supplement were other product detrimental to your health go ahead as zero rated*

**What effect has the legislation change had on My Protein?**

*We are operating off smaller profits which isn't ideal, we are researching methods into increasing our profit margins back up without passing the charge on to the customer.*

**Have you felt the need to adapt your business strategy to remain competitive within the industry?**

*We have kept a solid strategy at the moment however it is only a recent occurrence and strategy adaption take time and analysis before being approved.*

**Do you feel the overall quality of products on the market has decreased as a method of counteracting the price increase on products?**

*At the moment that isn't the case and I hope this doesn't become the case, we will do everything in our power to ensure the quality of our ingredients doesn't take a step backwards.*

**The new legislation will not affect the sales of Diet Whey Protein, have you seen an increase in the sales of this specific range?**

*Yes.*

**Have you experienced a decrease in sales on products that have been affected by the VAT increase since the legislation change?**

*No.*

**Based on the HMRC Analysis the expected boost to the economy from this change will raise £15 Million by 2016, although they did not feel there would be a decreased number of customers purchasing sports nutrition drinks, what is your opinion?**

*Firstly, I think they will be raising a lot more than £15 million per annum by 2016 based on our predictions for growth, but I do believe it will affect the amount of new consumers being tempted into nutrition supplements now that the VAT has been applied as it does make a huge difference based on a product used on a regular occurrence.*

**As you have customer reviews integrated into your online store, do you feel the overall satisfaction level of customers has changed since the change?**

*Not at all, our products haven't changed in quality and will remain that way, customer continue to be happy with out services.*