The rise of wellcare

A new market at the nexus of health, food, and beauty
# Contacts

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<th>Indianapolis</th>
<th>Mumbai</th>
<th>Munich</th>
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Executive summary

The health, food, and beauty markets are converging into a consumer products category that we call wellcare, a segment that is growing rapidly thanks to consumer demand, discretionary health spending, and global technology platforms. With its combined focus on wellness, fitness, beauty, and environmental sustainability, wellcare encompasses a broad range of key players, including some of the world's largest companies in the consumer healthcare, fast-moving consumer goods, biopharmaceuticals, and medical device industries. In addition to these traditional competitors, there are new entrants establishing positions, including niche organic beauty companies, functional food businesses, retailers, and technology companies that offer devices and platforms designed to monitor individuals with specific health conditions. Mobile platforms make it particularly easy for new competitors to appear out of nowhere, taking advantage of the accelerated product development cycles and the highly personalized consumer engagement tools.

Although each company has its own distinct set of advantages, the ultimate goal remains the same. Every wellcare player, new or old, needs to extend its core capabilities and competitive advantage with a continual flow of innovative and environmentally friendly new product offerings and technological breakthroughs, all designed to serve the demands and tastes of a customer who is increasingly health- and beauty-conscious and has no shortage of choices.

Companies in the wellcare space can maximize opportunities for growth through strategic partnerships, differentiated research and product development processes, differentiating capabilities, and integrated use of technology at all levels of the value chain and distribution network. Integrated ecosystems are essential to providing the supply of goods and services that consumers demand. Market participants can either generate their own ecosystems and align their skills accordingly, or link their products and services to existing platforms that are consistent with the wellcare consumer’s values and aspirations. Whichever route they take, however, a timely action is necessary.
Sandra Regina was a typical customer of Natura, a personal care company headquartered in São Paulo with an emphasis on natural ingredients and sustainability. For years, a Natura beauty consultant named Fatima would come to her home on the northeast coast of Brazil every week, and Sandra looked forward to her regular delivery of organic lip balm, antiaging serum, and body lotions.

Before Fatima moved on from Natura, she encouraged Sandra to take her place as a consultant. Sandra, a middle-aged suburban housewife, was so familiar with the product range and had such enthusiasm for its quality that Fatima figured she’d be an ideal addition to Natura’s sales force. Two years later, Sandra has not only retained Fatima’s original customer base but expanded her clientele, becoming one of the company’s top-selling consultants.

The Natura company and its network of loyal followers are part of the expansive new industry segment we call wellcare — an umbrella term that includes products and services that build their branding around the delivery of health, beauty, or well-being benefits. Wellcare covers a wide range of beauty products, natural and environmentally sustainable nutritional foods and supplements, discretionary medical care aimed at cosmetic enhancement, digital health services, and technologies that speak to a number of growing consumer trends (see Exhibit 1, next page).

Rapid transformations around the world, such as demographic and socioeconomic shifts, are leading to a growing global consumer class that is interested in health and beauty products and services that embody holistic concepts of well-being. Rising income in emerging markets is fueling demand for health products, as is the increasingly mainstream focus on sustainability and green products. Meanwhile, technological breakthroughs offer new solutions for well-being and also drive customer awareness of the benefits of technology when it comes to tracking health conditions and fitness goals.
Exhibit 1
Trends that shape wellcare products

**Sensorial wellness**
- Inner balance, relaxing
  - Yoga
  - Aromatherapy
  - Food and beauty “rituals”

**Green glam and sustainability**
- Natural beauty products
  - Organic food
  - Upgrading of the “green market”
  - “Green goes mass”

**Need for trust**
- Well-known and trusted brands
  - Product certifications
  - Full declaration of ingredients
  - Carbon footprint
  - Social media feedback, online product reviews

**Health lifestyle/illness prevention**
- Daily fitness routine
- Individual healthy diet
  - Organic food, antioxidants, no carbs
- Metabolic balance

**Prevention of aging**
- “50 is the new 30” (feeling and looking younger)
- Fighting signs of age in skin, hair color, weight, appearance

**Prevention of aging**
- Plastic surgery, invasive and noninvasive treatments
  - High-performance care products (almost medical)
  - Use of digital (health apps, fitness trackers, telemedicine)

**Perfectionism and beauty enhancement through medical procedures**
- Celebrity role models
- Weight and beauty obsession
  - Beauty docs
  - Invasive treatments (liposuction, Botox, implants)

**Convenience**
- On-the-go treatments and products
- Faster product performance
- Convenience food

**Individual me**
- Beauty and appearance as the ultimate self-expression
  - Hunt for smaller, cooler niche brands
  - Individual “street style” replacing model ideals

**Source:** Strategy& analysis
The increasing demand for preventive health measures and general well-being has led to a healthcare product and service sector that PwC defines as the “new health economy.” Wellcare products capture many of the same consumers, but the term encompasses a wider range of both pharmaceutical and nonprescription consumer products aimed largely at preventive care, nutrition, fitness, and cosmetic enhancement. Based on our analysis, we estimate the total global wellcare market to be US$674 billion, and expect future growth rates of double digits for many categories (see Exhibit 2).

As resources become scarcer, we expect to see growing demand for consumer products that embrace sustainability. In a 2015 study, PwC found that 59 percent of people all over the world believed it was important for businesses to adopt the U.N.’s Sustainable Development Goals, with some of the largest responses in favor of sustainability.

Exhibit 2
The $674 billion wellcare market

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Source: Strategy& analysis
coming from emerging markets, including Argentina (80 percent), Brazil (60 percent), India (58 percent), and South Africa (69 percent). A 2017 market report by the Soil Association, the U.K.’s leading organic certification organization, shows six consecutive years of double-digit growth in organic beauty and well-being products, indicating that more people are willing to pay a premium for sustainable products as green goes mass.

The continued growth of a consumer class will also increase purchasing power for health and beauty products across more regions. PwC’s survey “The World in 2050” finds that Brazil, China, India, Indonesia, Mexico, Russia, and South Korea are expected to have larger economies measured by gross domestic product and purchasing power parity than any of the G7 nations by 2030.

These global trends have helped shape three distinct wellcare consumer segments, which are defined by the goals that inform their purchasing decisions. A typical customer might pick and choose among these goals, but will have at least one of them in mind (see Exhibit 3, next page).

1. Well-being. These customers are searching for inner balance and sensory enjoyment. For their health, they go to the spa, practice yoga, and turn to alternative, holistic remedies like Ayurvedic medicine. Consumers in search of a sense of well-being often eat low-carb, organic food; stock natural products in their pantries; and drink wellness teas. Natural ingredients are a must, even in cosmetics. Many of these customers are middle-aged, high-income people, but individuals on a budget also increasingly turn to well-being products. They are interested in work–life balance, health maintenance, and regular physical checkups, and wish to appear naturally healthy.

2. Well-conditioned. In their quest to stay healthy, youthful-looking, and in shape, these customers work out, take vitamins and supplements, and choose low-calorie and low-fat diets. Face and body care includes at-home and spa treatments. This segment of the market likes regular workouts, personal training, and body-fat control, and is interested in devices that monitor calorie or fat intake and calories burned in exercise.

3. Well-shaped. This goal is typical of a higher-income, older group focused on fighting signs of aging and enhancing their looks through dental and dermatological treatments, cosmetic enhancement, antiaging products (Botox, hyaluronic acid), and lifestyle drugs.
## Exhibit 3
Wellcare consumer segments

<table>
<thead>
<tr>
<th>Health</th>
<th>Well-being</th>
<th>Searching for inner balance and sensory enjoyment</th>
</tr>
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<tbody>
<tr>
<td>Yoga, meditation</td>
<td>Disease prevention, regular checkups</td>
<td>Cosmetic enhancement</td>
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<tr>
<td>Alternative, holistic medicine, Ayurveda</td>
<td>Regular workouts</td>
<td>Dental and dermatological treatments</td>
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<td></td>
<td>Vitamins and supplements</td>
<td>Workouts and diet, lifestyle drugs</td>
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<table>
<thead>
<tr>
<th>Food</th>
<th>Well-conditioned</th>
<th>Staying in shape, staying healthy, looking young</th>
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</thead>
<tbody>
<tr>
<td>Organic food</td>
<td>Health food, supplements, and healthy convenience food</td>
<td>Strict dieting</td>
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<tr>
<td>Natural products</td>
<td>Balanced diet</td>
<td>Functional food</td>
</tr>
<tr>
<td>Wellness teas and drinks</td>
<td>Low-cal, low-carb, low-fat food</td>
<td>Nutraceuticals and supplements</td>
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<thead>
<tr>
<th>Beauty</th>
<th>Well-shaped</th>
<th>Fighting signs of aging, defining own perfect look</th>
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<tbody>
<tr>
<td>Green cosmetics, natural and organic personal care</td>
<td>Full regular routine of face and body care</td>
<td>Early adoption of innovations</td>
</tr>
<tr>
<td>Spa treatments, wellness rituals</td>
<td>At-home and spa treatments</td>
<td>Antiaging products</td>
</tr>
<tr>
<td>Natural ingredients</td>
<td>Antiaging products</td>
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Source: Strategy& analysis
A race for new products

Within the industry, there is a race to bring to market more products backed by scientific research and regulatory approval. Established players are seeing competition from retailers like Walmart, Tesco, Aldi, and Lidl — all of which have begun to offer their own organic brands — and from specialized smaller players and new entrants that focus exclusively on wellcare, such as Weight Watchers and Nutrisystem, as well as digitized health services like 23andMe and Fitbit fitness trackers. Then there are the new entrants from the technology industry that sell products such as health apps, telemedicine, and light therapy.

The traditional large pharmaceutical and consumer health companies in the over-the-counter (OTC) market, such as Bayer, GlaxoSmithKline, Johnson & Johnson, Pfizer, and Sanofi, are taking initiatives to reach the full range of customers through supermarkets and drugstores, as well as online. They are using their resources in R&D, along with their experience with drug agencies, to develop multitasking nutraceuticals and cosmeceuticals that promise combined health, nutrition, and beauty benefits. In creating such product lines, the pharma industry is already considering strategic moves into territory where the fast-moving consumer goods (FMCG) industry has a competitive edge in developing global brands through marketing campaigns and customer insights gleaned from extensive research.

On the other hand, the FMCG sector, which includes giants like Avon, Danone, L’Oréal, Nestlé, Procter & Gamble, and Unilever, faces limitations when it comes to clinical R&D. It takes time, research, and deep pipelines to find products that not only fall between pharmaceutical and beauty or food categories, but also can withstand complex regulatory certification procedures while demonstrating additional value to consumers. These businesses need to invest considerable resources in studies, providing proof of clinical effectiveness and working with agencies like the U.S. Food and Drug Administration and its counterparts, before they can make health claims of any kind. In late 2016 and early 2017, PwC Strategy& conducted an online survey of consumers across Germany. Of the 1,000 respondents, 77 percent said medical proof of the efficacy of wellcare
products is important or very important to them when purchasing a product. In most regulatory environments, promoting health benefits such as weight loss requires extensive clinical studies. Though an FMCG company might lack extensive regulatory know-how, clinical study expertise, and an ability to translate science into products and solutions, its deep knowledge of its consumers could be an important asset in some fruitful collaborations with biopharmaceutical companies.

Nestlé, with its subsidiaries Nestlé Health Science and Nestlé Skin Health, is one prominent player that is making the transition from FMCG to consumer health company, leading the effort with medical nutrition and skin health products that play into its core capabilities in nutrition and consumer awareness. Nestlé Health Science provides novel therapeutic nutrition products for gastrointestinal and brain health. Nestlé Skin Health has developed a range of aesthetic and corrective skin care products, some available over the counter and some only with procedures in a physician's office. Through investing in innovation and leveraging leading-edge science, Nestlé aims to develop a business in safe nutritional therapies that offer quality-of-life benefits and proven clinical and health economic value.

Unilever is also branching into the consumer health arena. Through its venture capital and private equity arm, Unilever Ventures, the consumer packaged goods conglomerate has launched Nutrafol, a line of nutraceutical supplements for healthy hair growth for men and women, as well as Sun Basket, a meal kit startup that features antibiotic- and hormone-free organic produce, meats, and fish, along the lines of Blue Apron, Purple Carrot, and Home Chef, for customers who are looking for healthy but convenient meal options. Unilever’s Dove Nutritive Solutions app helps individuals customize products that work for them according to their specific hair and skin needs.

In addition to its traditional OTC health products, P&G’s Personal Health Care division sells a line of minerals and supplements and offers the Oral-B app, which monitors the customer’s oral hygiene habits via a Bluetooth connection.

At the same time that they’re developing new products, companies must also determine how they’re going to showcase their capabilities to meet the demands of the consumer markets. As the industry grows increasingly competitive, many companies will want to develop a role for themselves at the center of a customer’s health and beauty regimen. Although this is just beginning to happen, in the future companies will find it important to provide each customer with an ecosystem, or platform, that organizes data and insights to create an individual health and fitness, nutrition, and beauty profile. A company can create its own ecosystem for its customers or participate on someone else’s.
Both are possible ways to play, but each requires a different set of capabilities. Natura, for example, has built a set of interlocking capabilities that allows it to compete in its home market and increasingly across the globe as a relationship-focused experience provider on its own platform. Natura’s capabilities, as outlined in the book *Strategy That Works: How Winning Companies Close the Strategy-to-Execution Gap* (Harvard Business Review Press, 2016), include the following:

- Direct-sales distribution through qualified representatives called consultants
- Rapid innovation, with a steady stream of new products that create an emotional connection with customers, consultants, and employees
- Operational prowess, manufacturing and delivering more than 100 new products a year
- Creative sourcing through a supplier network that gives the company unique access to rain forest products and helps it to build its reputation for sustainability
- Sustainability-related management, making environmental responsibility an integral part of its operations, expressing the idea in everything it does

Arivale, Vida, and RedBrick, all cutting-edge health and technology companies that combine genomics, nutrition, and exercise into personalized recommendations, are taking a similar holistic approach. They are investing the time to get to know who is buying and what follow-up services and products they might need, leveraging social media and other digital platforms and services to develop this lifelong relationship with their customers and keep in close touch with them. Data access, integration, and personalization of analytics are among the biggest challenges that these players with multiple platforms are trying to address. The healthcare analytics platform Lumiata, the remote monitoring service provider Healthsense, and to some extent the organic food retailer Alnatura are moving in that direction, and other wellcare players would be wise to follow suit.
Taking action

We see five specific actions that are particularly timely and important for securing a share in the growing wellcare market. Of course, for this diverse group in terms of specialty and size, not every action step applies to every company, and a tailored strategy should be defined.

**Action 1: Grow inorganically through brand acquisition, mergers, and asset swaps**

For the larger, more established companies that might find it more efficient to buy than to build, this is one route to capitalize on the exploding number of wellcare consumers and their broad-ranging health, nutrition, and beauty requirements.

Sanofi, for example, with its acquisition of 11 consumer healthcare companies between 2009 and 2011, has become an important player in the wellcare market, with a projected €6.3 billion (US$7.1 billion) in sales by 2020. Other pharmaceutical manufacturers looking to bolster their OTC offerings, adding such wellcare-related products as vitamins, dietary supplements, sports nutrition, and weight management programs, include Abbott Laboratories, which in addition to its specialist nutrition lines — such as Glucerna for diabetic patients, Similac infant formula, and Ensure supplement shakes — now has a portfolio of lifestyle-oriented nutrition products such as ZonePerfect nutrition bars. About half of Abbott’s apps are aimed at creating a consumer experience, including VertiGo Exercise, the Similac Baby Journal, the Knowledge Genie for general health information, and a diabetics menu app. Bayer has also branched out to OTC products through its 2014 acquisitions of Merck’s OTC business and Dihon Pharmaceutical Group, which makes Chinese herbal medicines.

On the FMCG side, P&G’s 2011 joint venture with Teva Pharmaceutical to create a consumer health division — PGT Healthcare — merged complementary capabilities: P&G’s state-of-the-art marketing process and Teva’s clinical manufacturing expertise and established portfolio of branded OTC medicines.
For FMCG companies, a partnership with a pharmaceutical manufacturer provides strength in R&D, as well as more direct access to pharmacies and greater cross-selling opportunities for OTC products and prescription treatments. For the pharmaceutical partner, an FMCG company offers distinctive capabilities in consumer insight and engagement.

Other strategic partnerships are aimed at digital delivery of services. Last year, for example, Nestlé and Samsung announced a joint venture that aims to combine nutrition science with Internet of Things technology and biosensors to empower customers with new insights into health and wellness.

Corporate giants, however, should consider the value that customers place on their smaller acquisition targets; it might be a mistake to swallow them whole. Wellcare customers tend to trust the smaller, more grassroots brands because of the natural quality of the products and the personalities or stories behind them. By taking steps to preserve an acquired asset’s established identity in the marketplace, the P&Gs and Unilevers of the world can benefit from its brand loyalty in much the same way that Estée Lauder continues to gain from acquisitions such as the New York–based premium beauty and skin care company Aveda, and L’Oréal from Kiehl’s, which began as an independent apothecary in Manhattan more than 150 years ago. Many Kiehl’s customers have no idea that their beloved brand is now owned by one of the largest beauty companies in the world.

**Action 2: Strengthen capabilities in R&D and regulatory affairs**

Wellcare customers demand products with clear health and beauty benefits. Of course, as desirable as it is to be able to make health claims about certain products and ingredients, almost every regulatory environment poses challenges, with strict standards for proof of efficacy and safety. The European Commission, for example, is demanding greater burdens of proof for health claims on food, and has begun to require scientific testing on sunscreen protection. When assessed in total, these actions by regulators reflect the converging consumer and policy interests in improving the health quality of products in the emerging wellness industry.

Although an R&D capability can help a company prove the effectiveness of its products, it must be able to operate at a high speed of innovation. The *Strategy& 2016 Global Innovation 1000 Study* found that eight of the 20 top spenders in R&D in 2015 were pharmaceutical companies, second only to the total for the computing and electronics industry, while FMCG
companies were next to last. This is changing, partly through M&A deals and partnerships, but consumer goods companies need to pick up the pace by building R&D capabilities inorganically or organically in more specialized fields with higher degrees of clinical orientation.

Nestlé, as part of its shift into the wellcare market, launched the Nestlé Institute of Health Sciences in January 2011, and now has more than 170 research collaborations for its new medical nutrition division. Digital platforms, such as consumer and patient engagement services, and tools, such as virtual simulations for prototyping, provide another set of assets to accelerate product development cycles.

The pharmaceuticals industry, meanwhile, needs to build on its traditional innovation strengths to develop more consumer-driven capabilities. New formulations to make the switch from prescription to OTC, for example, will require more rapid product innovation with frequent and faster cycles. Pharma companies can improve time-to-market with less stringent requirements for clinical substantiation, relying more on consumer demonstrability (such as demos) and substantiation before media bodies (such as the Advertising Standards Council).

**Action 3: Cultivate expertise in specialty areas with growth potential**

Players with an exclusive focus on specific wellcare products or customer groups can build a loyal following by becoming industry experts in niche areas like weight management and medical technology. Such specialty companies face more regulatory restrictions on marketing than their FMCG rivals, but they tend to be nimbler than more traditional pharma and consumer companies when it comes to adapting to changes in the market. With an emphasis on innovation and a deep understanding of their customers’ needs, they are often successful at marketing via social media, health apps, and telemedicine. Many of these products and services use big data to make their services highly personalized, from customized weight and pain management programs to activity and sleep trackers. Big data and individual client needs provide entirely new types of personalized services, some even involving the buyer’s DNA and health biomarkers.

Examples of these specialists include the personal genomics and biotechnology company 23andMe; the fitness device makers Fitbit and Jawbone; Quell, which makes a wearable device for chronic pain relief; and Touch Bionics, which makes multifunctional high-tech prosthetics. Many of the weight management companies are integrating consumer and clinical data to help consumers achieve desired outcomes.
Another example is Google Ventures, which has spent 36 percent of its investment budget on health. New product development investments and partnerships include TeleHealth, a “smart” contact lens with monitoring capabilities being commercialized in partnership with Novartis, and a genomics cloud platform.

FMCG players, meanwhile, have been quick to exploit the wellcare consumers’ growing appetite for niche products like cosmeceuticals — cosmetics with pharmaceutical capabilities, such as plant stem cell–based skin creams. P&G, L’Oréal, Unilever, and Beiersdorf are leaders in this market.

**Action 4: Leverage innovative technology and digital solutions throughout the entire value chain**

Digital solutions are not just for the wellcare end-user. In an industry based on such research-intensive production, wellcare businesses can reap huge benefits through the digitization of the entire value chain, from research and early development through to clinical trials, operations and manufacturing, marketing and sales, consumer engagement, and supply chain and distribution. Cloud-based simulation models, and mobility-driven real-time electronic research data, can be used at the earliest stages of R&D. Increasingly complex product portfolios can be better managed at the operations and manufacturing level with digital systems that can centralize batch monitoring and facilitate regulatory compliance.

For marketing and sales, these companies can use social media and mobile apps for consumer, patient, and physician outreach. Digital tools make it possible to provide novel and continuous consumer engagement strategies that can distinguish a company from its competitors. Digital technology can also facilitate and protect the supply chain and distribution through electronic product codes, predictive modeling to optimize order fulfillment, and mobile anti-counterfeiting drug identification.

**Action 5: Build an ecosystem of product, service, social media, community, and environmental activism around the consumer**

As the wellcare industry evolves, it’s not just about the product, but also about the services and narrative that encompass the branded offerings.

To imagine what an integrated ecosystem could look like in the fairly near future, consider Adam, a hypothetical example of a man who wants to lose weight *(see Exhibit 4, next page)*. He has downloaded and
Exhibit 4
A wellcare ecosystem for weight loss

I want to lose weight

Health and wellcare apps

AI system and database

I have a personalized diet meal plan for you!

Adam (consumer)

Diet meal delivery

Lisa (chatbot)

Online shop

7-day diet meal plan for Adam

Food company

Source: Strategy& analysis
registered a health app on his smartphone. Through the app, he shares his personal data (weight, blood pressure, allergies, fitness performance, and location) with his personal advisor, Lisa, who is actually a chatbot linked to an artificial intelligence system with millions of data points owned by a global technology company. Based on his specific health profile, the system instantly provides Adam with a diet and fitness plan for the upcoming weeks, including an offer to deliver personalized healthy meals to him at home. Over the next several weeks, Lisa monitors his diet and coaches him on his calorie intake and fitness regimen.

Many weight management companies are already moving in this new direction. Nutrisystem and Weight Watchers, for example, offer a variety of meal plans on their websites. Customers can tap into the online community and find support from fellow users. Nutrisystem operates a hotline with counselors who can answer questions about calories, exercise, and what to do when a dieter’s weight hits a plateau and stays there. Nutrisystem’s app allows users to track their food, weight, and activity levels, taking their personalized plan with them wherever they go. Beachbody streams its workouts from laptops or mobile devices and provides individual coaching.

Natura, on the other hand, has created an ecosystem that is based less on technology than on relationships, using its network of representatives to create an emotional connection with customers. Its advertisements feature ordinary women instead of models, and its practice of coming out with 100 new products each year gives its sales team plenty of reasons to remain engaged with customers. Sandra Regina, the sales rep from the suburbs of Pernambuco, Brazil, for example, knows the people who buy from her so well that she invests her own money to keep their favorite products in stock, anticipating what they will like among the flurry of new products Natura puts out.
To fully participate in the growing wellcare market, companies will need to assess their capabilities and enhance their market offerings, making use of innovative technology wherever appropriate. They must also determine whether they can support faster product innovation and customization based on consumer preferences, or if they can extend their reach and their value proposition through strategic partnerships.

These changes are necessary because, ultimately, the wellcare customer is going to demand more than just a product or service. From antiaging potions made from plant extracts to technology that monitors all of the calories burned and consumed in the course of a day, wellcare does best when focused on the microcosm of an individual customer’s needs, ensuring that the experience keeps customers coming back to a trusted brand that cares about their fitness, health, appearance, and overall well-being. To cater to the wellcare market, companies must shift their investment and organizational focus into areas with strong growth potential, all the while remaining close to their customers through technology, social media, and a deep understanding of their evolving end-to-end needs. In an industry that is likely to grow exponentially over the next decade, all participants, no matter how successful they are today, need to keep ahead of their competitors by continuing to hone their capabilities and sustain customer loyalty.
Indian naturals: Ancient methods meet modern business

By Nikhil Bhandare

In India, Swami Baba Ramdev is something of a rock star. He teaches yoga regularly on TV and his own YouTube channel, which is watched by millions. He wrestles Olympic athletes and wins. He is involved in his country’s political scene. And he owns his own brand of wellness clinics and products, with a large and loyal following.

Ramdev’s company, Patanjali, positions itself as Ayurvedic, based on the traditional Indian system of medicine that seeks to bring the body, mind, and spirit into balance. The company itself is named for the ancient Hindu saint and yoga philosopher. The combination of modern spiritual leader and ancient values forms a natural-products powerhouse, both capitalizing on and spurring India’s naturals rebirth.

Natural products in India are loosely defined as those having natural ingredients extracted from plants (e.g., aloe vera), animals (e.g., milk), living organisms (e.g., probiotics), and naturally occurring minerals (e.g., salt). The naturals personal care market in India had revenues of approximately US$3.8 billion annually in 2016, 37 percent of the country’s overall personal care spending, and is pegged to grow about 12 percent annually over the next four to five years — compared with only 9 percent for the whole personal care market in India, according to Strategy& analysis.

Growth in naturals can be attributed to several factors: Indian consumers are by and large comfortable with these products, as the country has always had an Ayurveda heritage rooted in using natural ingredients for personal care. On top of that, the recent availability of natural ingredients in convenient packages has led to more customers purchasing these products, rather than creating their own formulations at home. Also, much as in the West, there is an increasing awareness around health and wellness and an interest in ingredients. Many consumers perceive natural-ingredient products to be more healthful and less harmful than those made with synthetic compounds such as parabens and sulfates. Indian millennials, like their Western counterparts, are becoming more aware of these “greener” options for both manufacturing and packaging. Finally, a significantly lower price point for many of the products has led to increased affordability and higher sales.

In addition to Patanjali, other Indian-based companies are having success with naturals. The three companies highlighted here all emphasize their connection to Ayurveda and natural ingredients, as do others. However, each of these three companies has chosen a unique way to promote its brand in order to distinguish itself in an increasingly crowded marketplace.

Patanjali means credibility

Patanjali has seen its sales jump 80 percent annually since 2011, to $750 million, and is targeting sales of $1.5 billion in fiscal 2018. The key to its success is Ramdev’s credibility with his 30 million followers, who faithfully tune into his yoga TV show every day. The company’s R&D process is simple: Take top-selling products from multinational companies and develop similar ones based on herbal
formulations. Employees are ardent followers and willing to work long hours for relatively low compensation. Customers already trust the brand and are further attracted by the product prices, which are 20 to 30 percent less than those asked by big-brand consumer packaged goods (CPG) companies. Patanjali also benefits from essentially free advertising on yoga programs aired on the Aastha TV channel, which is owned by Patanjali’s primary shareholder. Over the past three years, the company has significantly expanded its distribution presence. Once mostly selling multibranded Ayurvedic pharmacies, the company now has 10,000 branded shops and has made deals with supermarket chains to sell products in exclusive aisles.

*Forest goes for luxury*

Positioning itself as luxury Ayurveda, Forest Essentials has seen its revenues rise 40 percent annually since 2011, to more than $30 million in fiscal 2016. Its products are priced at a premium — 50 to 100 percent or even more than products from its Indian Ayurvedic competitors, as well as global CPG rivals. It has benefited from a vertically integrated model, with its own manufacturing facilities and 43 branded brick-and-mortar shops, plus its online store. It has also partnered with more than 190 luxury hotels and spas all over the globe, including Taj and Oberoi hotels as well as spa resorts in 10 countries, including the Maldives, Australia, the UAE, and Japan. Investments by U.S. cosmetics giant Estée Lauder in 2008 and again in 2014 have helped streamline its manufacturing and distribution processes and improve quality.

*Biotique stresses technology, experts*

Biotique, which has increased revenues 25 percent annually since 2011, to more than $20 million in fiscal year 2016, stands out by leveraging its strong R&D capabilities. Its products are the result of combining modern biotechnology and ancient Ayurveda methods. With facilities in India and Switzerland, its products are designed by Ayurveda doctors in conjunction with Swiss cosmetologists and dermatologists. Biotique also employs in-store beauty advisors to educate customers about product benefits. Products, which are available in 25,000 stores, have kept their signature green-colored packaging for 24 years, which has aided in brand recall and emphasizes the packaging’s biodegradability. The company recently introduced gray packaging for its premium line.

*Naturals need a unique approach*

The naturals phenomenon is no longer just a trend — it is here to stay. At this point, there are no clear winners in India’s naturals space, though in terms of revenue Patanjali has a clear lead, and Forest and Biotique have carved out their unique pieces of the market.

Traditional CPG players that attempt to enter the market will need a unique approach. New capabilities will need to be honed around R&D, and Ayurveda specialists will need to be hired. An understanding of sourcing and the value chain will need to be acquired to ensure an adequate supply of key natural ingredients. CPG companies will need a go-to-market strategy that may include their own retail stores to promote their brands’ stories and alternative channels such as pharmacies.
and Ayurveda centers. Credibility will also be an issue, so companies will need to secure certifications and the help of local influencers.

Companies have several strategic choices to make regarding platforms, propositions, consumer segments, and channels. Those that are able to develop a coherent strategy around a clear set of differentiating capabilities stand to reap the benefits.

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