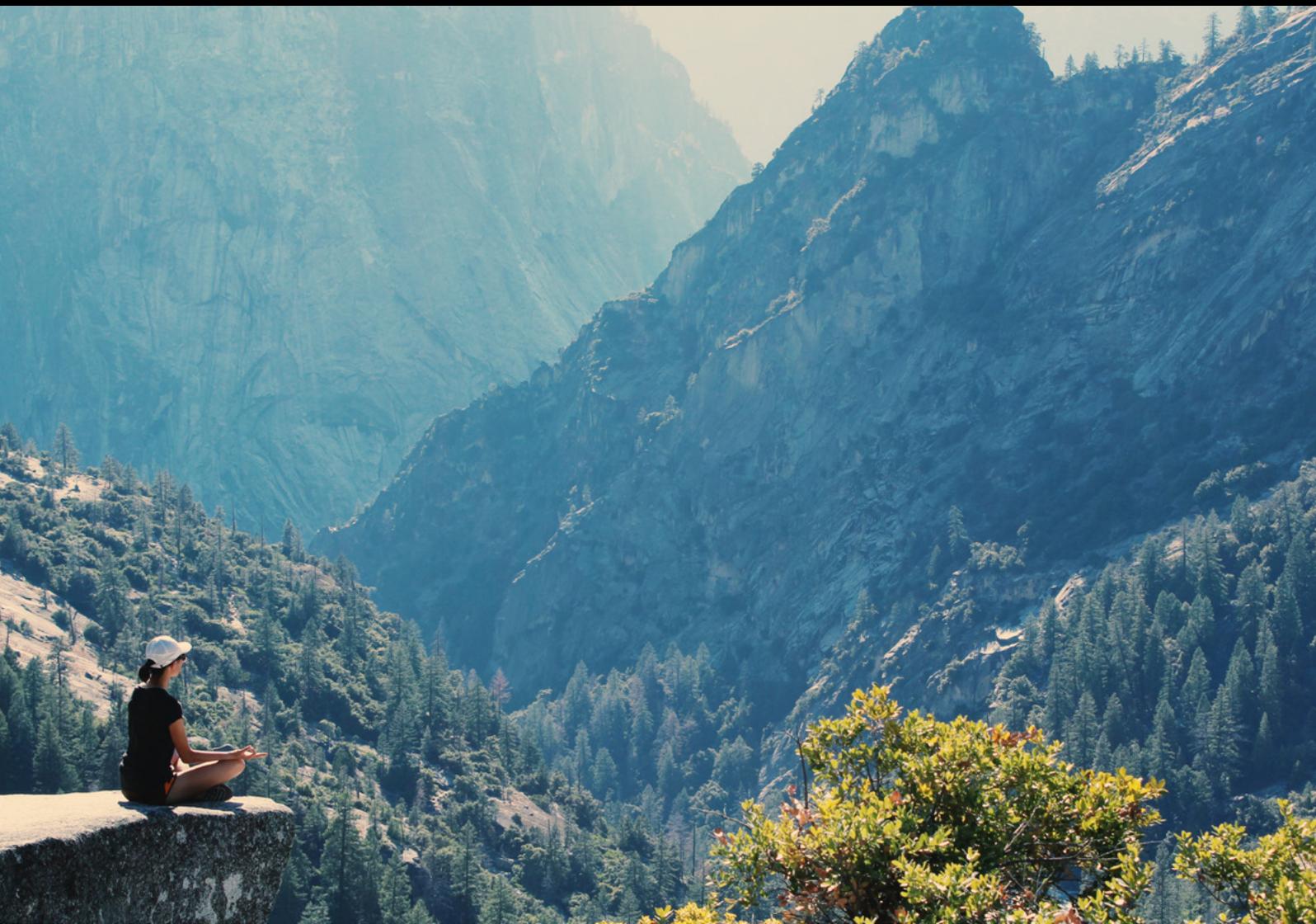


The Market for Wellness: Where do the opportunities lie?



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Executive Summary

The global wellness market is estimated at more than \$1.5 trillion, with an annual growth rate of 5 to 10 percent. This rise in both consumer interest and purchasing power presents tremendous opportunities for companies, particularly as spending on personal wellness rebounds after stagnating during the COVID-19 crisis.

This report looks at the key markets for wellness companies to target and discusses key market segments within the wellness economy. These statistics reflect a positive trend towards investing in and valuing wellness as a concept. This trend was inevitably heightened as a result of the COVID-19 crisis, something that the Global Wellness Institute (GWI) has described as a “wake up call to focus on wellness.”

Introduction

Wellness global market is worth

£1.5
trillion

The global wellness market is estimated at more than \$1.5 trillion, with an annual growth rate of 5 to 10 percent. This rise in both consumer interest and purchasing power presents tremendous opportunities for companies, particularly as spending on personal wellness rebounds after stagnating or even declining during the COVID-19 crisis.

Whilst the sector faced some challenges at the start of the pandemic, it has also highlighted the importance of physical and mental wellbeing for many, which is contributing to continuing growth. Moreover, there has been some impressive growth within specific market sectors in recent years, such as wellness within real estate which has grown by 6.4% and the spa economy which grew by 9.9% between 2015 and 2017.

These statistics reflect a positive trend towards investing in and valuing wellness as a concept. This trend was inevitably heightened as a result of the COVID-19 crisis, something that the Global Wellness Institute (GWI) has described as a “wake up call to focus on wellness.” Powerful expectations are emerging. For instance, many are looking to business leaders to become wellness leaders within their workplace, investing in wellbeing solutions for offices and other work environments. There is also a burgeoning real estate wellness trend, with developers incorporating intentional wellness elements into their designs, materials and buildings as well as their amenities, services, and or programming. For example, those in charge of the construction of prestigious residential developments may look to invest in luxury wellness technology as a selling point to position living spaces that are designed with human wellbeing at the forefront.

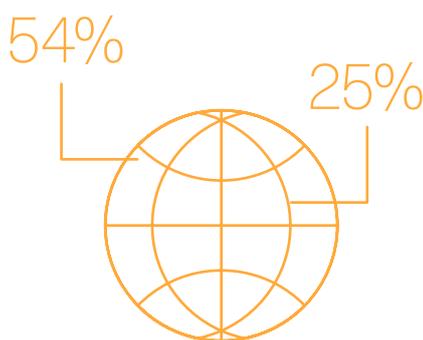
With this in mind, our report will look at the key markets for wellness companies to target and discuss key market segments within the wellness economy. As a result, firms can tailor their offerings to these markets and extract maximum value from them.

Corporate and Workplace Wellness

The GWI describes workplace wellness as a wide variety of services including products and platforms, such as health screening assessments, diagnostic tests, incentive programs, wearable devices and counselling services. They serve a wide range of needs, from exercise, healthy eating and sleep to chronic illness, obesity, addiction, depression and stress.



Corporate wellness is an emerging trend and presents an opportunity for a business to enter a market before it has reached maturity.



North America outperforms every other region substantially with 54% of workers having access to such programs, with Europe next best at 25%.

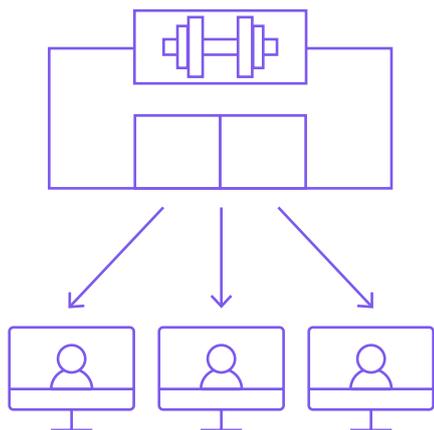
The USA is a key reason for the region's substantial investment in such programs, since the healthcare burden is mostly borne by employers in the country, so companies have the strongest incentives to control escalating medical costs while also improving productivity.

McKinsey urges firms to lead by example and make mental wellness an organisational priority,

demonstrating commitment from the top of the organisation. Large corporations may appoint a senior leader who is accountable for employee well-being and cultivate open lines of communication with employees. Whereas, for medium sized firms, managerial awareness of working environments with investment in amenities such as outdoor spaces, fitness facilities, bike racks and even simply office redesigns can have a big impact on staff wellbeing.

Thus, on both a human level and an economic level, investing in the wellness of a workforce is a positive move and a trend that will only continue going forward. Currently, it tends to be multinational corporations that are investing in corporate wellness programs for their employees with many solutions including a wide variety of products and services, ranging from access to counselling to big tech firms investing in luxury wellness technology for futuristic office spaces. However, in the medium term, more businesses will begin investing in workplace wellness solutions, with varying budgets, meaning there is substantial opportunity for firms from all market segments to target B2B contracts, whether that is for access to counsellors, high tech wellbeing equipment or simply skincare products and pieces of art to improve general office environments.

Improving Fitness



Pre-pandemic, in terms of revenue, the European health and fitness market grew by 3.0% to €28.2 billion in 2019 with around 64.8m members in health clubs across the continent. McKinsey's research indicates that fitness was steadily increasing across the board until pandemic-induced upheavals left gyms closed, leading to many unable to sustain their previous level of fitness. Thus, there has been increased investment into home fitness tech devices such as Pelotons and other digital workout technology.

Building on the previous pillar of corporate wellness, on a B2B side, investing in corporate fitness drives is also increasing in popularity as businesses increasingly look to invest in staff wellness, as discussed previously. Fitness is one of the longest standing facets to the wellness sector and thus has a plethora of established players, however present day demands are ever-changing and there is always room for innovators.

Entrepreneurs must not be discouraged from developing wellness offerings for an expansion into the realm of fitness if they feel they are addressing a valid market niche. There is significant room for growth in many European nations within this market sector, for instance the UK and Germany dominate the European fitness market in terms of revenue, both sharing 20% of the continent's entire revenues, whereas similar economies such as France lag behind with the EU's second largest economy only accounting for 9% of the continent's fitness revenues. Thus, we feel that there is considerable room for growth within the French fitness market.

There is also considerable room for growth in other European economies, such as Poland, that currently has a rather low penetration rate.

Wellness Tourism



2021

£639 billion

2028

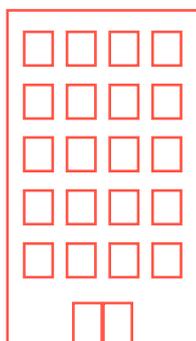
£1.1trillion

As per the GWI, wellness tourism is travel associated with the pursuit of maintaining or enhancing personal wellbeing. The Institute also estimates the size of this sector at \$639 billion, reaching \$1.1trn by 2028, making it a significant and fast growing segment of global tourism. Whilst the GWI's estimation of the market may be slightly overzealous, there is no doubt that wellness tourism is an important emerging trend and market that presents a plethora of opportunities for wellness firms to extract value from.

As per the BBC, major lifestyle brands are wanting a piece of the wellness travel pie, with many of these broadly lifestyle and fitness companies offering multi-day excursions for members with health and fitness at their core. Anne Dimon, President of the Wellness Tourism Association adds that whilst wellness travellers can be anyone, the bulk tend to be higher-educated women between ages 30 and 60. Thus, whilst educated females are currently the key audience of engaged users, a tremendous opportunity may lie in engaging males to take "wellness" trips, although it is likely that such products will have to be labelled differently, perhaps leveraging sport more prominently.

The northern hemisphere dominates wellness travel spending with Europe leading by the number of trips

taken and North America slightly ahead in terms of expenditure. It is also worth considering that wellness tourism is high-yield for the tourism industry, with the GWI estimating that international wellness travelers spend at a 53% premium over the average international tourist, whilst domestic wellness travelers spend at a 178% premium over the average domestic tourist. Furthermore, there is considerable opportunity for B2B success in the wellness tourism sector.



For instance, securing a contract with large hotel chains to supply them with high tech, expensive wellness items and technology would be incredibly lucrative.

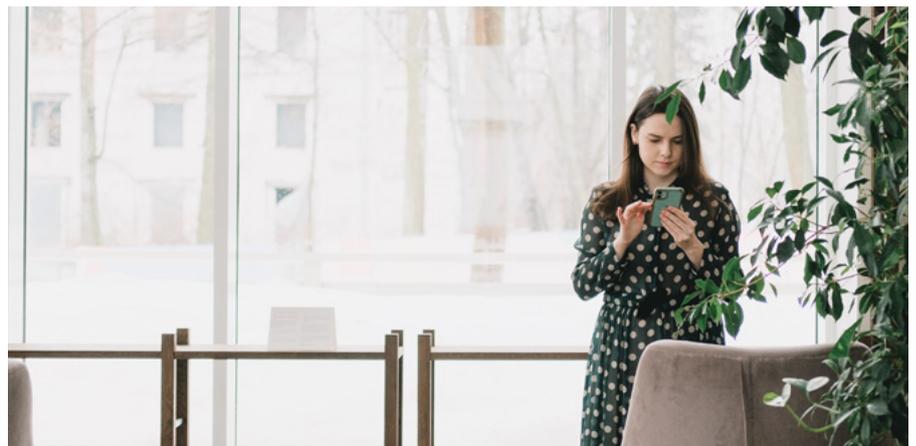
Additionally, there is significant opportunity to sell smaller ticket products and services as Bolt Ons for travel companies, such as day trips to natural thermal spas or massage services. We urge our clients in the wellness sector to recognise the emerging consumer expectation to get more out of their travel, seeking enriching experiences and expecting more from the environments in which they choose to stay. Thus, we see wellness tourism as an important segment for those in the industry to pursue and develop their products for.

The Asian market is currently experiencing the highest rate of growth, making significant gains in the number of wellness trips taken and overall wellness tourism expenditures. This increased demand has been stimulated by strengthening economies and expanding middle classes. However, some of this progress has been set back by the COVID-19 crisis,

with key markets such as India experiencing severe recession, depleting their newly buoyant middle class. On a macro level, given that India and China also account for more than a third of the global population, with approximately 1.4 billion people each, the course of the pandemic in these two countries – and how each recovers – will have a substantial effect on changes in the distribution of income at the global level. China has resisted such a dramatic economic contraction and is the perfect target for expansion of wellness businesses.

Real Estate Wellness

Another significant trend driving growth in the wellness industry is real estate wellness. This includes deliberately incorporating wellness elements into the design, planning, features and materials in the construction process of a residential or commercial property. In reference to this, Knight Frank's consultancy arm discusses how the future actions of both occupiers and investors will also be shaped over the course of the next decade by the primary influences of wellbeing and sustainability. This will keep staff more productive in office environments and contribute to the general wellbeing of workers, which is of course an incredibly positive step.



When we consider residential real estate wellness in the short term, we see opportunities for B2B growth in selling high ticket wellness machines to luxury residential developments. In the long term, we would also expect a significant rise in demand for specific wellness environment designers as we work towards a common goal of improving the designs of our living environments with better mental and physical wellbeing in mind.

Additionally, certain businesses, especially those seeking to raise capital or that are publicly traded, are becoming increasingly concerned about their ESG

(Environmental, Social, and Governance) rating. This is effectively a score based on how the company performs in these three areas. This can include business practices aiming to improve the working life within the company and gauging the positive external impacts the business has on society, for instance emphasising sustainability and championing equality. Thus, Opportunus expects heavy investment into services that show the company is making a direct effort to improve in these areas, for instance, spending significant capital on B2B wellness consulting or office redesigns to specifically incorporate wellness elements.

The GWI's data indicates that North America was leading in the number of wellness real estate projects in 2017 with the Asia Pacific region not far behind, as well as the sector as a whole growing at 6.4% annually since 2015. Therefore, we are excited about the untapped potential in Europe, the Middle East, North Africa and even parts of South America for such projects. The United States is by far the main global market for wellness real estate and they, along with a few key countries in Asia (China, Australia and India) and Europe (the UK and Germany), account for three-quarters of the global wellness real estate market.

Whilst these nations make for solid short term targets, we are excited by the opportunities for expansion in other developed economies with less projects in the pipeline, such as France, Canada and Italy as well as looking to emerging markets in the long term. This market segment is proliferating as its development is coinciding with health awareness reaching an all time high. People are beginning to take ownership and responsibility over their own

85%
of our
health
outcome

is connected to the
environment we live in

health and there are increasing expectations for business leaders to do the same for their workplace. Thus, it is important to acknowledge the science that is underpinning the ongoing increase in demand for this new lifestyle approach.

Research by the World Health Organisation shows that a staggering 80-90% of our health outcomes are ultimately connected to the built environment in which we live with a growing body of evidence suggesting that a wellness-optimised environment can have long term positive effects on even those suffering with chronic disease. With developments like this, it is becoming increasingly difficult to ignore wellness as a revolution that will shape how we think about our environments going forward. At Opportunus, we believe there is a wealth of opportunity for firms to extract value from the growing wellness real estate market. For instance, targeting large real estate developers in order to sell wellness tech for prestigious developments or offering B2B wellness consulting, aiding business leaders in building a culture of wellbeing and setting up positive working environments with a holistic approach to human health.

Since working from home has dramatically increased as a result of COVID-19, many firms are also looking at incentives to bring workers back into offices and as a result, many large American firms have been investing in wellness technology for their offices. This trend is also expected to continue as such selling points can be used to attract top level talent at the expense of a rival business.

Health, Spa & Wellness Clubs and Centres



9.9%
annual growth
with the spa
industry

In 2017, the GWI estimated that the number of spas had grown to over 149,000, earning \$93.6 billion in revenues and employing nearly 2.6 million workers.

This represented a 9.9% annual growth in revenue, which was much higher than the pace observed in the previous two-year period. The main drivers of this growth, within the spa industry, are rising incomes, rapid growth of wellness tourism, and an increase in consumer propensity to spend on all things related to wellness.

There is also a growing trend of prestigious “wellbeing” clubs in major cities, often adopting a “members only” business model, marrying high end fitness with self care. As these types of clubs continue to grow in popularity, they will inevitably become more available, growing their user base. The concept of “wellness clubs” is also becoming increasingly prominent, evident with the popular brand “Sporty & Rich,” whose tagline is “Good Health Starts Here,” advertising their “Wellness Club” online as part of their blog, encouraging customers to adopt a healthier lifestyle. Whilst this seems rather trivial, it is indicative of a trend gradually filtering to the

mainstream, further suggesting that wellness clubs will continue to become increasingly prominent and accessible.

Luxury hotels are always opening new spa facilities and whilst this does present a solid line of business, much hinges on whether they can secure a contract to supply these businesses that will already have rather steady supply chains. At Opportunus, we are more excited by the potential to be ahead of the curve, by marketing wellness services and products to a more niche “wellness club” market. Interestingly, the GWI discusses the increasing popularity of the thermal and mineral springs industry.



34,057

thermal and mineral
springs across **127**
countries

The institute estimates that there are 34,057 thermal and mineral spring establishments operating across 127 countries.

These businesses earned \$56.2 billion in revenues in 2017, and they employed an estimated 1.8 million workers. The Asia Pacific region dominates this specific market sector and therefore could represent significant opportunities for the sale of spa and wellness technology to these resorts as a form of expansion. Regarding these resorts, those that do offer spa services account for a much greater share of industry revenues (66%) and also experienced higher revenue growth (7.4% average annual growth versus 0.5% for those without spa services, over 2015-2017). This makes for an interesting sales pitch for those supplying wellness and spa products and services indeed.

Closing Words

In conclusion, at Opportunus, we are excited by the flourishing global wellness market and the profusion of opportunities for value extraction this presents for our clients, as the market as a whole continues to mature.

Certain market segments, that businesses may not even have particularly regarded as wellness until the concept had been somewhat ratified by businesses and society in recent years, such as spas and the fitness industry, are more mature, with long standing consumer demands and supply chains. These segments of course have tremendous value for businesses and still present healthy growth figures, but with mature markets comes stronger competition and deep rooted consumer spending habits, making such markets harder to penetrate.

Therefore, we are more excited by the potential that lies in emerging market segments, such as real estate and workplace wellness, that are emerging as a concept and seeing steady growth in mature wellness markets such as North America and Europe. As always, strength lies in agility and wellness businesses should be ready to expand both geographically and between market segments, whilst attempting to build effective ecosystems, through development or acquisition of wellness adjacencies to ensure sustained competitive advantage in this exciting and burgeoning market. Wellness is a movement that puts people first and investing in its continued growth is investing in the future of humanity and the continued improvement of our standard of living in general.

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Thank you.