

The Market for Wellness: Important Industry Trends



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Executive Summary

There are a significant number of pertinent industry trends within the growing \$1.5trn wellness market that have implications for all players across the sector. McKinsey's research in this field highlights a number of strategies which, if applied correctly, can support companies and businesses to meet the direct needs of consumers and as a result, allow them to capitalise on the growth of the industry.

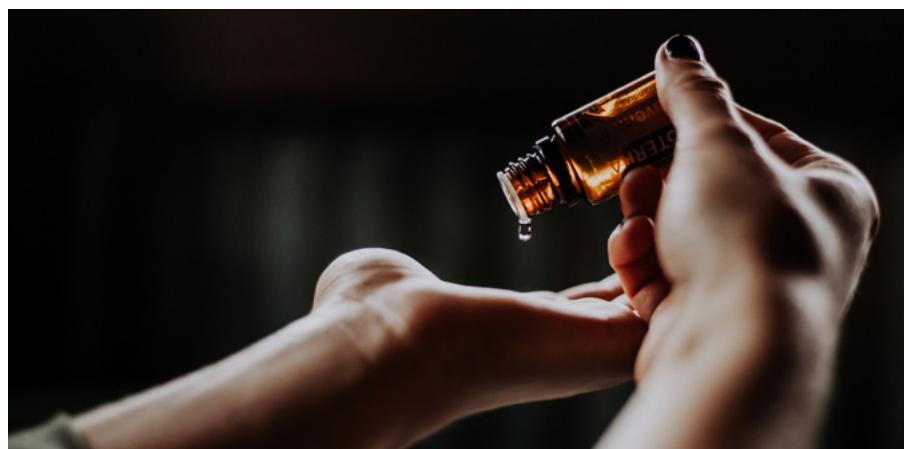
This report will discuss these trends, backed by McKinsey's research, and explore how our clients can deploy targeted strategies to successfully grow their wellness businesses and as a result, gain a strong foothold within this exciting and ever-growing market.

Introduction

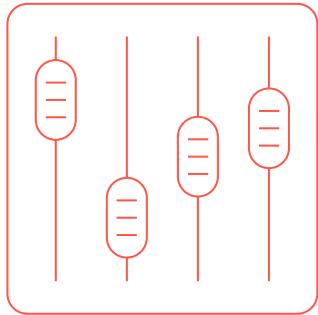
McKinsey's research concerning the "future of the \$1.5trn wellness market" revealed some pertinent industry trends that have implications for all players in the market. They state that a number of strategies, applied correctly, can help companies meet the consumer's needs and capitalize on the sector's rapid growth. In this report, we will discuss these trends and explore how our clients can deploy certain strategies to successfully grow their wellness businesses and gain a foothold in this burgeoning market.

The Desire for Natural Products

It appears that across the board, there is a strong desire for natural and clean products, especially for products such as; skincare, cosmetics, multivitamins, subscription food services, and sleep enhancers. Furthermore, in two of our previously featured, nations China and Brazil, customers overwhelmingly indicate a preference for natural products. This is likely to have stemmed from deeply cultural factors, such as the importance of herbal and natural medicines in China and the natural abundance of fresh fruit in the incredibly biodiverse and lush country of Brazil. Therefore, companies should ensure they are leveraging these aspects of their brand effectively to maximise the potential of their business. This can include reevaluation of development road maps to consider whether you have more opportunities to introduce natural or wellness-oriented products or to acquire natural and clean product lines. For those outside of FMCG, looking to highlight sustainable business practices and carbon neutrality can improve PR and contribute to continued business success.



The Desire for Personalisation



88%
of consumers
prioritizing
personalisation

As we have already discussed in previous reports, our two natural product loving nations; China and Brazil, favour privacy over personalisation, however in more mature and Western wellness, markets such as the United States and the United Kingdom, more than 88 percent of consumers report prioritizing personalisation as much as or more than they did two or three years ago.

Perhaps personalisation in wellness gives consumers the sense that they are being looked after, whether that is at a spa retreat, receiving personalised marketing or ordering their weekly organic groceries or taking a quiz to determine which skincare products are perfect for their routine. This essence of personalisation serves to maximise the sense of good that a wellness product or service does for the customer. For instance, filling out a form on a skincare site and subsequently being recommended products can make customers feel as if the products are more targeted and specific to their individual wellness needs. Simple tactics such as this can have a powerful impact on customer experience.

McKinsey also discusses the power of personalised marketing capabilities to target the precise consumer segments that may be most interested in particular products, with messaging and storytelling tailored to those consumers. Therefore, we urge businesses operating in Western markets to consider introducing personalised or semi-personalised offerings to your product road map.

A Digital Future for the Industry

Continued digitisation is completely inevitable and as we have discussed in our previous reports, growth in ecommerce for wellness is expected to continue. As per McKinsey, traditional channels holding for certain product categories, such as; fortified foods, multivitamins, and skincare are still largely being sold through brick-and-mortar stores. Other breakout categories, such as fitness wearables, are almost entirely online native. Consumers in China report the highest share of wellness spending online, followed by those in Japan and trailed by those in Europe, the United States, and Brazil. Therefore, Opportunus is excited by the untapped potential of wellness ecommerce in the West.



In addition to this, it is important that wellness brands create effective digital ecosystems. This can include integration with biometric technologies, wearables and health apps on user's phones. It is important that businesses develop seamless omnichannel and digital offerings to ensure that they meet their consumers where they are. For service offerings such as gyms, a holistic online strategy to build app-enabled features that keep consumers engaged throughout the ecosystem is imperative to achieving long term success.

Under the Influence of Influencers

10-15%

in the United States,
Europe, and Japan have
made a purchase based
on an influencer.



45-55%

in China and Brazil have
made a purchase based
on an influencer.

Inevitably, influencers are important in the wellness market. In the United States, Europe, and Japan, 10 to 15 percent of consumers say that they have already made a purchase based on an influencer's recommendation.

A much higher percentage say they definitely or probably will consider doing so in the future. Even more interestingly, in China and Brazil, the percentage of consumers who say that an influencer has driven their purchasing decisions is much higher, at 45 to 55 percent. An emerging pattern between these two enormous nations, with similar wellness consumer behavior. Who knew China and Brazil had so much in common?

Social media personalities can also help ratify the concept of "wellness" in consumer's minds. A good example of this is the prominent streetwear influencer, Emily Oberg, who founded the aspirational lifestyle brand, Sporty & Rich. The brand is a blend of "ready to wear" athleisure and a wellness blog, featuring retro design sweatshirts with "Sporty & Rich Wellness Club" emblazoned on the front and designs encouraging people to "Drink Plenty Water and Get Enough Sleep." Whilst this may seem rather trivial, continual references to wellness by prominent social media personalities contributes to the continued legitimisation of the concept of wellness and in turn will contribute to the sector's increased growth going forward.

Deploying influencers to win consumers across social channels is essential. Firms can partner with agencies to identify people who will be a natural fit

to their brand and resonate authentically with their target consumer base. For instance, consistently targeting viewers of specific YouTube channels can, overtime, legitimise a brand and even subconsciously be associated with a specific influencer. This can be a rather potent strategy and one that Opportunus strongly encourages our clients to deploy.

Furthermore, in 2015, McKinsey data showed that social media influenced 26 percent of purchases across all product categories, a percentage that has since increased. Their survey displays that this trend also applies to the wellness market.

Indeed, in every market they researched, more than 60 percent of consumers report that they would “definitely” or “probably” consider a brand or product posted by a favorite influencer.

Servicisation of the Industry

Whilst products remain a consistent and critical part of the segment, accounting for roughly 70% of self-reported consumer wellness spending globally, we cannot ignore the upward trend of services across the industry. This can include B2B wellness consulting, workplace wellness schemes or even general wellness services for sports teams. Servicisation is a growing part of this market and specific wellness experiences are becoming increasingly available as an offering. McKinsey's research indicates that consumers are shifting toward services that address physical, and mental-health needs, for instance, personal trainers, nutritionists, and counseling services. This trend represents an evolution of the wellness market as it begins to mature and we encourage our clients in the sector to explore their options to provide wellness as a service. This can lead to enhanced revenue opportunities, getting B2B contracts on a retainer and so on.



Blurred Lines

As the wellness market matures companies are considering how to play across the health and wellness categories and channels. McKinsey's survey revealed that the majority of consumers do not want a single solution or brand to help them with all facets of wellness, suggesting that targeted extensions are a more effective approach for companies. Thus, companies can go on the acquisition trail to buy out firms that would provide complementary capabilities. We have discussed in depth with our clients the specific rationale for acquisitions and stress the importance of performing due diligence and ensuring there is a clear strategic impetus for the practice. McKinsey affirms this, stating that it is important to ensure that any acquisition has a clear strategic rationale and makes sense in view of the acquirer's existing equity, skill set, and capabilities.



For instance, Lululemon's acquisition of Mirror gave it a digital offering to supplement its core fitness-apparel business. It has also experimented with nutrition, mindfulness, and fitness offerings in stores through studios and community-based classes. Thus, Opportunus recommends a thoughtful expansion of wellness offerings as opposed to a more gung ho approach as soon as a firm enjoys profitability. It makes sense that consumers do not want a one stop solution since the wellness sector is inherently broad. Therefore, we recommend that our clients move into adjacencies when growing their product and service offering.

Integration of Wellness in Hospitality

As mentioned in our previous report, the French hospitality giant Accor recently released a whitepaper, discussing how they are planning to fully incorporate wellness into their ecosystem, shaping how they develop their experiences for guests moving forward. The company views wellness as a lifestyle goal that is here to stay and is committed to developing new wellness experiences and focused environments for their guests as a key factor in driving return custom and growth. Accor regards the incorporation of wellness as a company wide imperative. They see wellness as a lifestyle goal that is here to stay and believe that through committing to the development and incorporation of wellness experiences and design into their facilities, their guests will be “here to stay” too. Accor believes that their research indicates a fundamental societal shift, with the pursuit of feeling healthier as a lifestyle goal truly entering the mainstream.



The French firm articulates this wellness plan as being good for guests, good for business and good for Accor with the aim of transforming their business into a holistic ecosystem of hospitality services by integrating new businesses to continually redefine their hospitality.

We believe that there is considerable business opportunity in adapting a hospitality company into a wellness orientated business, especially when you consider that wellness seeking travellers spend considerably more than average tourists. In addition to this, deliberate wellness elements incorporated into hotel design contribute significantly towards guest satisfaction and repeat custom. Wellness is also a growing conversation in general, with mentions of the term up 64% in the USA on social media, between 2017 and 2018. Therefore, plugging into this market is to join a growing conversation and to have the chance to capture already engaged users.

Accor also discusses the importance of “cross-fertilisation” between all sectors, in the pursuit of more healthy experiences with the products, services and environments we interact with in our lives. Furthermore, the hospitality giant believes that the wellness boom is fueled by an innovative spirit and the cross pollination between a wide range of sectors; from coffee to cars with Accor having a strong and legitimate role to play with travel, hospitality and wellness going hand in hand.

We expect this increased adoption of deliberate wellness design in the hospitality sector to continue, thus providing a wealth of opportunity for B2B wellness contracts providing services such as; designing environments, selling wellness products to hotel chains and advising companies on developing their wellness capabilities.



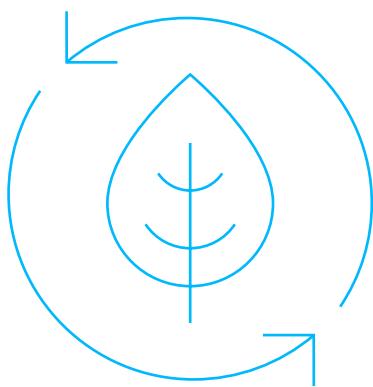
Wellness tourism is the fastest growing segment

Wellness tourism is the fastest growing segment within the global tourism market and of course major hotel companies are responding through acquisitions of specialist wellness brands, repositioning of existing

assets and formulating clear wellness strategies.

The wellness market has always tended to focus on the spa industry, however consumers are rapidly changing and for true success in the sector, a better understanding of what this means is necessary.

Prominent real estate advisers, Avison Young believe that over the next decade, wellness will become a central factor driving design, operational ethos and the balance of revenue in hotels. At Opportunus, we feel this will go even further, and incorporation of wellness will be a driving force in the design of living and working spaces. The spa economy is still of course a key driver of the wellness economy, but lines will begin to blur as traditional spa offerings merge with wider wellness programs to meet evolving consumer needs. Furthermore, Western nations value personalisation elements in their wellness experience and thus consumers will begin to demand more advanced and targeted spa and wellness technology and the ability to personalise aspects of their experience, such as making a stay more in line with ethical and sustainable practices. These values are fundamentally ingrained with the meaning of wellness.



At Opportunus, we urge our clients in hospitality not to be left behind by this cultural revolution.

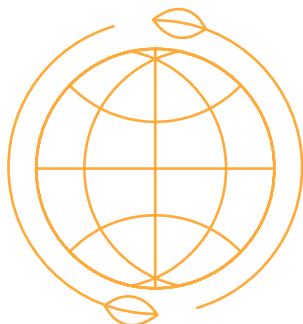
Failure to invest in sustainable and wellness design could be rather costly in the long term. As per Avison Young, within the funding, planning and regulatory environments, there is increased preference for sustainable buildings that can demonstrate ecological and wellbeing benefits, with an increasing

prominence for professional accreditation such as the “WELL” certification.

Within this decade, there are likely to be investor pools set up to specifically buy up buildings that don’t meet this criteria, in order to rectify them and boost their “green rating.” Burgeoning markets create interesting and unforeseen niches. This is why agility within a business is so important, so you can be ready to strike at emerging opportunities.

Closing Words

The global wellness market is healthy and growing. McKinsey's research revealed that in every category they surveyed, the consensus was that consumers were planning to spend more on wellness. This research indicated that consumers planned to increase their spending in specific areas, such as; memory and brain enhancers, anti-aging products, beauty supplements, non invasive cosmetic procedures, juice cleanses, nutrition coaching, fortified foods, and meditation and mindfulness offerings. The wellness market, with its quickening expansion and development, offers considerable room for growth in almost all segments, but at the same time, as the market matures, it will become more competitive. Therefore, businesses should think critically about strategies to engage their customers and consider building an ecosystem business model, in order to capture maximum value and harbour repeat custom.



Whilst it seems that consumers do not seek a one-stop solution to their wellness needs, which makes sense as the wellness sector is incredibly broad, it is advantageous for firms to create an ecosystem of wellness adjacencies. For instance, if a consumer's skincare provider incorporates a personalised form that produces recommended products based on the user's individual needs, they are more likely to purchase all of their skincare solutions from that company and perhaps even complementary goods such as cosmetics, that align and facilitate the consumer's overall skincare and wellness goals. Building successful ecosystems can also harbour trust, for instance if that skincare company has a strong reputation for sustainability and the user is happy with their products, they are not likely to

switch, thus increasing the chances of sustained competitive advantage.



Wellness was already flourishing and the pandemic has only served to accelerate this growth, highlighting to people the importance of their physical and mental health. Also, with increased time spent at home, the importance of the environments in which we live, work and spend our time has been magnified. This should lead to an increased focus on wellness in design and construction going forward. Wellness is a movement that puts people first. It represents a positive development in humanity, working to generally better an individual's standard of living and health whilst promoting positive values such as sustainability, health and mindfulness. At Opportunus, we are excited for the future of the wellness market and look forward to continuing our work with our clients in the sector.

As the wellness market matures customers inevitably develop new demands and expectations. In order to sustain competitive advantage in this burgeoning market, it is important to be adaptable. Relatively simple developments can have an important impact on conversions for wellness companies. For instance, to meet the emerging consumer demand for personalisation in developed wellness markets such

as the US and UK, a skincare website may develop a form for website users to fill in details about their skincare needs, before being presented a range of products “tailored” to them. Simple techniques like this meet new consumer demands and ensure that digital wellness commerce still makes the consumer feel like they are being looked after. This is also the advantage of developing effective wellness brand ecosystems, not deviating too much from core offerings, as research has indicated that this does not stimulate growth for businesses in the sector, but developing complimentary adjacencies to enrich consumer experience and ensure they do not need to look elsewhere for wellness products and services in the same segment. We look forward to working with our clients in this industry going forward, working to activate growth opportunities meeting emerging consumer demands in this exciting and rapidly developing industry.

Endnotes

Endnotes

01. <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/feeling-good-the-future-of-the-1-5-trillion-wellness-market>
02. <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/feeling-good-the-future-of-the-1-5-trillion-wellness-market>
03. <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/feeling-good-the-future-of-the-1-5-trillion-wellness-market>
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Thank you.