Winds of change
The wellness consumer

FICCI
4th Annual Wellness Conference- August 2012

pwc
## Contents

<table>
<thead>
<tr>
<th>Page</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>04</td>
<td>Executive Summary</td>
</tr>
<tr>
<td>06</td>
<td>Revisiting the wellness market opportunity</td>
</tr>
<tr>
<td>12</td>
<td>Defining the wellness consumer in India</td>
</tr>
<tr>
<td>16</td>
<td>Consumer trends in the wellness space</td>
</tr>
<tr>
<td>24</td>
<td>Future trends – what lies ahead?</td>
</tr>
<tr>
<td>28</td>
<td>Appendices</td>
</tr>
</tbody>
</table>
Dear reader,

In the second year of PwC’s knowledge partnership at the FICCI Wellness conference, it gives us great pleasure to bring to you *Winds of change: The wellness consumer.*

As consumer needs for wellness products and services continue to evolve in India, growing income levels and increasing awareness have triggered a change in aspirations and behaviour. Health and wellness, which till recently was a relatively niche concept targeting a select few, has now gained mainstream audience. Consumers today want to take control of how they look and feel, and this is driving purchase decisions across categories such as food, beverages, personal care products and services. In response to this, marketers have launched products and services that today constitute the 590 billion INR wellness market in India.

While this industry continues to grow, it still remains a fraction (less than 4%) of overall consumer expenditure in India. Indian consumers display a wide spectrum of behaviour characteristics—right from ‘passives’ where demand for wellness products is still latent to ‘believers’ for whom wellness is an integral part of their regular schedule. In this diverse and complex market, it is critical for wellness players to identify their core target customer, align their value proposition with specific needs of this target segment and keep abreast with changing consumer needs.

The scope in the wellness market in India is immense—even a 1% increase in consumer expenditure can potentially create an additional opportunity of six billion INR for wellness players. Today’s young consumers are increasingly driven by wellness choices. They are likely to form the foundation for a more evolved and mature consumer base in a decade. This evolving consumer base will provide the momentum for growth, propelling the wellness market to cross one trillion INR in the next four years.

*Sandeep Ahuja*
Chairman, FICCI National Wellness Committee
MD, VLCC Healthcare Limited

*Rohit Bhasin*
Executive Director and
Leader, Retail and Consumer, PwC India
The wellness industry and the evolving Indian consumer

The wellness market in India continued on its growth path to reach 590 billion INR in 2011, a growth of 20% over the previous year. Products continue to comprise a majority of 55 to 60% of the market.

The Indian wellness consumer can be classified into four broad categories—'passives', 'beginners', 'actives' and 'believers'-depending on factors such as intent and extent of spend on wellness services and products, exposure to wellness concepts and importance given to wellness in their daily lifestyle. The 'passives' represent the largest volume opportunity, the 'beginners' are the fastest growing category, while the 'actives' and 'believers' together comprise only a small fraction of the population. These categories offer varying levels of opportunity for health and wellness players.

Some of the key consumer trends in the industry include the following:

• While health and wellness has transitioned from being a platform targeting a select few to a mainstream concept today, price considerations still continue to determine the choice of products and services for most consumers.

• While Tier 2 and Tier 3 cities offer headroom for growth, these markets require significant investment and a long-term focus.

• Many wellness segments are extending beyond traditional gender boundaries. Society’s fascination with celebrities is increasing the involvement of celebrities in the wellness industry.

• Traditional products and services continue to appeal to the Indian consumer, but these now need to meet modern sensibilities.
• Brands are becoming increasingly relevant for Indian consumers. Players will have to invest in communicating their proposition to stay active in the minds of users.

• Consumers are increasingly placing a high premium on their time. Hence, wellness players have started bundling convenience along with health and beauty benefits.

What lies ahead?

• While wellness concepts in India are dominated by mainstream and generic benefits today emerging niche categories are likely to result in new opportunities for players.

• Online channels will become increasingly relevant as a channel of interaction with consumers.

• As the mature adults (40+ years) age demographic grows in size and affluence, it is likely to start demanding solutions tailored to meet its specific requirements.

• Over the next three years, we expect the wellness industry to continue on its growth trajectory at a CAGR of 18 to 20% and reach 950 billion INR by 2014. As the Indian consumer continues to evolve, players will need to innovate in order to keep pace with changing consumer needs and develop sustainable models for growth.
Revisiting the wellness market opportunity

The 590 billion INR wellness market constitutes less than 4% of overall consumer expenditure in India.

We segment wellness offerings along hygiene, curative and enhancement needs of the consumer:

- **Hygiene needs** stem from the basic necessity to maintain personal cleanliness.
- **Curative needs** are aligned to prevent disease, cure ailments and maintain a healthy lifestyle.
- **Enhancement needs** focus on improving personal appearance and self-confidence.

In line with our projections last year, the wellness market in India grew at c.20% during 2011 to reach 590 billion INR. Products comprise 55 to 60% of the market.
The 230 billion to 245 billion INR beauty care market has grown at 20 to 25%

**Cosmetic products**
- Hair and skincare products continue to dominate the market. However, colour cosmetics and fragrances are outpacing growth in hair and skincare by 25 to 35%.
- Increased presence across smaller cities and availability of extensive range of products at various price points has spurred overall category growth.
- While premium products are growing at 1.5-2x mass-market products, they continue to be a small fraction of the market.

**Salons**
- Increased preference for branded professional beauty care providers who provide consistent consumer experience is boosting the organised segment.
- Organised players have also started exploring incremental revenue streams, extending into branded products (e.g. Jawed Habib) or adding additional wellness services into their portfolio (e.g. Naturals, VLCC and Lakme offering spa services).
- Topline growth for most players continue to be driven by the addition of new outlets.
- New entrants include UK-based Saks Hair & Beauty chain of salons.

**Cosmetic treatments**
- Value growth has slowed since last year as consumers show an increased preference for relatively inexpensive non-surgical treatments over more expensive surgical cosmetic treatments.
- The number of non-surgical treatments has grown at over 100% during the last year.
The 50 billion INR fitness and slimming market has grown at a robust c. 25 to 30%; growth across services has outpaced products

<table>
<thead>
<tr>
<th>Fitness services</th>
<th>Fitness equipment</th>
<th>Slimming services</th>
<th>Slimming products</th>
</tr>
</thead>
<tbody>
<tr>
<td>• This sector continues to be fragmented with a large number of players.</td>
<td>• New distribution models like tele-marketing and e-commerce have emerged.</td>
<td>• This sector continues on its growth trajectory, with 30 to 35% growth. However, the market continues to remain fragmented with few pan-India players.</td>
<td>• This sector continues to be the smallest fraction of the overall fitness and slimming market with 20% growth.</td>
</tr>
<tr>
<td>• Most leading fitness chains have grown aggressively and have doubled their number of centres.</td>
<td>• The institutional segment (i.e. corporate houses and fitness centres) continues to dominate the market (despite inroads made by the home segment).</td>
<td>• While weight-loss treatments constitute the majority of the market, body shaping is gaining popularity.</td>
<td>• Demand is being driven by rising obesity rates and increased body consciousness, especially among the youth.</td>
</tr>
<tr>
<td>• Expansion has been mostly driven by entry into Tier 2 and Tier 3 cities and towns.</td>
<td>• Product innovation has become a key differentiator with manufacturers launching fitness equipment with entertainment options, low energy consumption (green machines), etc.</td>
<td>• New entrants include Hypoxi Studios, a slimming service player from Austria.</td>
<td>• Direct sellers account for a majority of the slimming product sales in India.</td>
</tr>
<tr>
<td>• In order to attract new customers and retain interest levels, organised fitness service providers are looking beyond plain-vanilla services and adding new service offerings like pilates, spinning, zumba and power yoga to boost revenues.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: PwC research and analysis
Nutrition foods, beverages and supplements comprise a 145 billion to 150 billion INR market in India, growing at 10 to 12% annually

**Better for you (BFY) products**
- This is the smallest, but fastest-growing category among the health food and beverages market. Growth is being driven by the rising incidence of lifestyle diseases.
- New product launches pan across several categories - snacks, soups, beverages, biscuits, dairy, etc. during the last two years.

**Naturally healthy (NH) products**
- This has a longstanding preference in India through consumption of fresh produce.
- Packaged food companies have more recently started emphasising the use of naturally healthy ingredients such as 100% fruit, high-fibre cereals, soy, olive oil, green tea, etc.

**Dietary supplements**
- Vitamin and mineral supplements and protein powders continue to drive growth.
- Ayurceuticals-ayurvedic ingredients in packaged nutraceutical forms—are expected to witness high growth driven by the Indian consumer’s penchant for traditional products.
- The increasing usage of encapsulation and nanoceuticals is similar to that in global markets.

**Fortified foods and beverages (FFB)**
- This has grown to become the largest category in health food and beverages. The segment has witnessed increased penetration across existing categories (e.g. cereals, bread, etc.) and the emergence of new categories (e.g. soups, tea, etc.)
- Indian consumers have a high degree of acceptance for products that do not require significant changes in their consumption patterns.
- This is driving high growth in categories such as BFY, NH and FFB compared to dietary supplements.
Growth in the rejuvenation segment has been driven by the proliferation of day spas; alternate therapy continues to be a growing albeit fragmented market

**Rejuvenation**

- The rejuvenation market in India is estimated at 5 billion to 6 billion INR. Day spas account for half the market while destination spas, hotel spas and resort spas make up the rest.
- Day spas are growing at a faster clip compared to destination and hotel spas. Day spa players are rapidly scaling up by increasing their number of centres (refer box).
- Players are increasing awareness among hitherto under-penetrated customer segments as well as encouraging higher frequency of usage among existing customers.
- Medispas, where spas tie up with medical tourism as part of the ‘post-op’ recuperative holiday, are an emerging segment within the rejuvenation market.

**Alternate therapy**

- The alternate therapy market in India is estimated at 125 billion to 140 billion INR.
- The segment is largely focused on ayurveda and homeopathy. These have the largest number of practitioners and manufacturing units.
- While branded players are trying to gain a larger share of the alternate therapy market, the segment continues to be highly fragmented with a large number of regional players across both products and services.
- Alternate therapy is increasingly integrated with modern medical centres, with leading allopathy hospitals setting up alternate therapy centres, especially for reducing recuperation time.

*Burgeoning day spas- 15-25 centres*

- Day spas are rapidly scaling up the number of centres to reach out to a larger consumer base. Franchisee route for expansion is becoming increasingly popular.
- Most larger day spa chains in India on an average have 15 to 25 centres. However, going forward, a number of them have plans to expand their number of outlets by 100 to 200%.

“Consumers used to view the spa as an indulgence. However, this is changing, and we are investing in educating them that there are tangible health benefits associated with spa treatments.”
- Anurag Kedia, Director, The Four Fountains Spa
While there continues to be private equity interest in the wellness space, investments continue to be few

M&A activity in the wellness market is concentrated in the wellness food and beverages space

<table>
<thead>
<tr>
<th>Target company</th>
<th>Acquirer</th>
<th>Deal value USD (mn)</th>
<th>Segment</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madeinhealth.com</td>
<td>Healthkart.com</td>
<td>N/A</td>
<td>Online health</td>
<td>• Acquisition part of strategy to strengthen position in online health business</td>
</tr>
<tr>
<td>Valentine Agro Ltd</td>
<td>Naturex</td>
<td>N/A</td>
<td>Wellness food and beverages</td>
<td>• Acquisition by France-based foods ingredients manufacturer Naturex of Valentine to get a commercial presence in the Indian market</td>
</tr>
<tr>
<td>NourishCo</td>
<td>Pepsico India Holdings Pvt Ltd, Tata Global Beverages Ltd.</td>
<td>N/A</td>
<td>Wellness food and beverages</td>
<td>• JV for manufacturing and marketing affordable ready-to-drink wellness beverages</td>
</tr>
<tr>
<td>30-Plus Brand of Ajanta Pharmaceuticals</td>
<td>Dabur India Ltd.</td>
<td>113</td>
<td>Dietary supplements</td>
<td>• Acquisition by Dabur in order to expand presence in the OTC market</td>
</tr>
</tbody>
</table>

Private equity investment deal values are under USD 20 million

<table>
<thead>
<tr>
<th>Investee</th>
<th>PE investor</th>
<th>Deal value USD (mn)</th>
<th>Segment</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;R Salons Pvt Ltd (YLG)</td>
<td>Everstone Capital Management; Helion Venture Partners</td>
<td>19.7</td>
<td>Beauty, rejuvenation</td>
<td>• R&amp;R runs women-only salons under the brand name YLG.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Everstone and Helion have jointly invested in R&amp;R in its second round of funding</td>
</tr>
<tr>
<td>Mystic Cures Ltd.</td>
<td>Brand Capital</td>
<td>N/A</td>
<td>Rejuvenation</td>
<td>• Plans to fund its expansion through the PE investment</td>
</tr>
<tr>
<td>Healthkart.com</td>
<td>Sequoia Capital</td>
<td>6</td>
<td>Online health</td>
<td>• Funds will be used for expansion of its product portfolio and developing an online magazine.</td>
</tr>
</tbody>
</table>

Source: PwC research and analysis, Mergermarket, ISI emerging markets, Trade Press
Defining the wellness consumer in India

We have mapped the Indian wellness consumer into four distinct categories—‘passives’, ‘beginners’, ‘actives’ and ‘believers’—based on the relative importance of health and wellness in their overall consumption basket. Each of these consumer categories represents distinct opportunities for wellness solution providers.

Classification of consumers along the wellness pyramid depends on the following:

1. How much is the consumer likely to spend on wellness services, both in terms of ability to spend and willingness to spend?
2. What is the extent of consumption of wellness products and services, in terms of frequency of usage and extent of usage?
3. What is the degree of exposure to health and wellness concepts? What are their information sources on health and wellness?
4. How receptive is the consumer towards wellness messages and concepts?
5. Is there a willingness to change consumption patterns for health benefits?
Passives and beginners represent the largest volume opportunity; actives and believers together comprise only c.2% of the population

**Estimated population within wellness consumer categories**

<table>
<thead>
<tr>
<th>Category</th>
<th>Population Range</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passives</td>
<td>&gt;700 mn</td>
<td>Purchase decisions led by taste, ingrained habits, convenience and affordability; unwilling to make significant lifestyle changes or compromise on taste and convenience. Do not actively follow information on health and wellness, unless required to due an existing ailment or medical condition. Large section of passives characterised by lower levels of affordability.</td>
</tr>
<tr>
<td>Beginners</td>
<td>150-200 mn</td>
<td>Differing behaviour across age segments; younger beginners more willing to experiment. Influenced by celebrity endorsements, mass-media campaigns and peers; beginners expect quick results--instant gratification over long-term beneficial solutions. First steps towards preventive care by focussing on ‘what to avoid’; improvement of personal appearance is key motivator.</td>
</tr>
<tr>
<td>Actives</td>
<td>15-25 mn</td>
<td>Greater proportion of urban consumers and adult (25+) population. Closely follow health and wellness related information, and typically show more brand loyalty. Inclined towards natural and organic solutions; affinity towards traditional products connected with modern sensibilities. Willing to pay a premium for high quality products and credible claims of benefits.</td>
</tr>
<tr>
<td>Believers</td>
<td>1-2 mn</td>
<td>Urban adults (25-49) and working professionals constitute the core of this segment. Play the role of early adopters and opinion leaders. High awareness regarding wellness and global trends in health and wellness. Seek solutions beyond general wellbeing, and are receptive to products and services with distinct functional benefits.</td>
</tr>
</tbody>
</table>
**Health and wellness players have to target each of these consumer categories distinctly**

<table>
<thead>
<tr>
<th>Wellness lifestage</th>
<th>Implication for wellness players</th>
</tr>
</thead>
</table>
| **Believers**      | • Targeted avidly by players for value growth.  
|                    | • Relevant segments include lifestyle management solutions, function- or need-based health and wellness products and services. |
| **Actives**        | • Provide assurance on quality through product testing, clinical trials, professional endorsements and quality certifications; encourage repeat use through loyalty programmes and bundled services.  
|                    | • Relevant segments include naturally healthy foods, dietary supplements, rejuvenation services, fitness services and equipment, cosmetic treatments and alternate therapy services. |
| **Beginners**      | • Products positioned on an avoidance platform and services promoted on the 'looking good' platform found appealing, such as better-for-you products (low/reduced fat/sugar), health drinks, salons, fitness and slimming services, rejuvenation services (day spas), herbal products etc.  
|                    | • Ensure quick and demonstrated benefits to consumer and include familiar ingredients (e.g. Omega-3, antioxidants, fibre, herbal ingredients, etc.) |
| **Passives**       | • Invest in creating awareness and educating consumers about long-term health benefits.  
|                    | • Relevant products and services include functional foods and beverages with fortification, prescription led supplements, entry-level cosmetics etc.  
|                    | • Encourage trials and reduce barriers to usage (appropriate pricing, consumption led SKUs, trial formats, etc.).  
|                    | • Frugal innovation to help target BoP (bottom of pyramid) opportunity. |
**Consumer trends in the wellness space**

**Health and wellness has transitioned from being a platform targeting a select few to a mainstream concept**

**Health as a key purchase criteria**

- Increasing health awareness among Indian consumers driven by rising media penetration and greater coverage of wellness topics in mainstream media
- Increasingly larger number of Indian consumers taking into account health considerations as a part of their purchasing decisions

**Prevention over cure**

- Preventive care gaining more prominence over curative approach to disease management due to:
  - Increasing cost of medical care
  - Rising incidence of lifestyle diseases such as diabetes and cardiovascular diseases at a young age

**Increasing affordability driving consumer acceptance**

- Gross disposable income per household has almost doubled since 2005 to reach 0.3 million INR per household
- The per capita spend on wellness up from c. 300 INR in 2008 to over 480 INR per annum in 2011

While health and wellness has transitioned from being a platform targeting a select few to a mainstream concept today, price considerations still continue to determine choice of products and services for a majority. Tier 2 and Tier 3 cities offer headroom for growth, however these markets require significant investment and a long-term focus.

Source: PwC research and analysis, World Health Organization, NCAER, Company websites, Census India 2011
Wellness segments are extending beyond their traditional gender boundaries. Society’s fascination with celebrities is driving increasing involvement of celebrities in the wellness industry.

Traditional products and services continue to appeal to the Indian consumer, but they have to meet modern sensibilities.

**While there are more takers for premium products today, price considerations still continue to determine the choice of products and services for majority of consumers**

*Setting a very high price premium may restrict the penetration achieved by wellness players*

- Price sensitivity of consumers varies across categories depending on factors such as frequency of purchase, unit price and share within the consumption basket.
- Maintaining a price premium in FFB may prove difficult unless a company offers a product with a distinct functional benefit that cannot be easily imitated.

*Indian oil market is a good example to illustrate pricing vs volume tradeoff*

**Indian vegetable and seed oil market (volume split)**

<table>
<thead>
<tr>
<th>Oil</th>
<th>Pricing (INR per litre)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Naturally healthy Oils</td>
<td>400 – 750</td>
</tr>
<tr>
<td>Functional Oils</td>
<td>100 – 150</td>
</tr>
<tr>
<td>Regular Oils</td>
<td>&lt;100</td>
</tr>
</tbody>
</table>

*Price for naturally healthy oils is 4.7 times that of regular oils and as a result it constitutes only 0.2% of the oil market*

*While I know that probiotic and low-fat yoghurt is good for my health, I purchase it only occasionally as they are 20 – 60% more expensive than regular yoghurt.*

- A consumer in Bangalore
Wellness players are increasingly focusing on Tier 2 and 3 markets. However, these markets require significant investment and a long-term focus

Tier 2 and 3 cities present a huge opportunity due to their large population and rising incomes

Urban population distribution (million)

- At around 100 million, the Tier 2 and 3 population in India is larger than the population of countries like Germany and the UK.
- Aspirations of Tier 2 and 3 consumers match those of their metro counterparts. Even in small towns consumers have started spending on products and services such as anti-aging products, colour cosmetics, cosmetic treatments and gyms.

Wellness players are increasing their focus on Tier 2 and 3 markets

Distribution of wellness centres

- Product companies in the cosmetic products space and wellness food and beverages space are also developing distribution and marketing capabilities to cater to Tier 2 and 3 markets

Tier 2 and 3 markets require different focus and investment horizon

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Implications for players</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low willingness to pay pricing premium</td>
<td>Critical for players to price products and services accordingly. Introduce smaller SKUs for Tier 2 and 3 markets to induce trial</td>
</tr>
<tr>
<td>Ensuring reach in Tier 2 and 3 cities</td>
<td>India is a fragmented retail market with over 12 million retail outlets across India. Ensuring reach across the vast number of retail outlets in Tier 2 and 3 cities can be challenging.</td>
</tr>
<tr>
<td>Establishing brand awareness</td>
<td>Requires targeted marketing and communications strategy for Tier 2 and 3 markets keeping the target audience in mind.</td>
</tr>
</tbody>
</table>

Source: PwC research and analysis, NCAER, Company websites, Census India
Indian consumers have a strong tendency to emulate celebrity icons, resulting in increasing involvement of celebrities in the wellness industry

### Players in the wellness space are increasingly using brand ambassadors to promote their brand

- Realising that consumers have a strong fascination for celebrities, companies have started using celebrities who resonate with their brand positioning in mass media campaigns.
- For instance, 40-45% of the TV commercials launched in the last 6 months for health and wellness products and services featured celebrities.

### Celebrity involvement now goes beyond endorsements

- Indian cricketer MS Dhoni has entered the fitness space by launching a chain of gyms – SportsFit World – focusing on performance-based fitness. The company plans to open 200 gyms over the next five years.
- Bollywood actor Shilpa Shetty has launched a chain of spas in India.
- Actors such as Bipasha Basu and Lara Dutta have launched fitness videos.

### Social media websites have made stars more 'accessible'

- Indian consumers have a strong fascination for celebrities and want to 'look' like their favourite stars.
- The media buzz around celebrity wellness habits, covering every detail including nutrition, fitness and daily schedules further encourages consumers who want to emulate them.

**Source:** PwC research and analysis, Twitter.com, Company websites, Trade Press

*As of August 1, 2012

<table>
<thead>
<tr>
<th>Celebrity</th>
<th>Twitter followers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amitabh Bachchan</td>
<td>3,169,196</td>
</tr>
<tr>
<td>Priyanka Chopra</td>
<td>2,680,416</td>
</tr>
<tr>
<td>Sachin Tendulkar</td>
<td>2,559,329</td>
</tr>
<tr>
<td>Salman Khan</td>
<td>2,459,718</td>
</tr>
</tbody>
</table>

“People want to relate to their favourite stars and hence, want to look like them, follow the same fitness routine or use a product that the celebrity is endorsing.”

- PwC interview with Kiran Bawa, Partner/MD, IOSIS Spa

“Look up to movie stars and models and would love to get a physique like them.”

- A consumer in New Delhi
Traditional products and services continue to appeal to the Indian consumer, but these have to meet their modern sensibilities

Indian consumers have a positive association with traditional products and services...

- There exists strong consumer connect with traditional products and services including Ayurveda, Yoga, Homeopathy, etc. Consumers trust and believe in the goodness of natural and herbal products and ingredients.

“It is important to conduct clinical trials to prove and quantify benefits for consumers. It is also critical to deliver this message through proper labelling”
- PwC interview with Sandeep Ahuja, MD, VLCC Healthcare Ltd.

“If there is a new product with a herbal ingredient, I would prefer to buy that over a product with a chemical ingredient as I know it will not have any harmful side effects.”
- A consumer from New Delhi

“Traditional products have been tried and tested by Indians for centuries.”
- A herbal product user from Mumbai

... However, these need to meet the expectations of the new age consumers

<table>
<thead>
<tr>
<th>Category</th>
<th>What does the consumer want?</th>
</tr>
</thead>
</table>
| Products | Demonstrated quantifiable benefits | - Will lead to increased lead time from conceptualisation to market
- Costs and approvals associated with clinical trials
- Investments in educating consumers regarding benefits
| Well packaged products ensuring product safety (e.g. safety seals, Tetra Pak). Easy-to-open packaging | - R&D investment for packaging innovations
- Costs associated with packaging
| Proper labelling with easily understood nutrition and ingredient information | - Studies to quantify and validate nutritional information
- Costs associated with innovative and informative labelling
| Presence at multiple retail formats with a good distribution footprint | - Investments to ensure distribution reach and retail shelf space
| Services | Certifications by regulatory authorities and well-known health professionals and institutions | - Ensure adherence to all the norms as laid out by regulatory bodies
- Alliances with the right partners
| Well-trained professionals with proper qualifications | - Investment in training staff
- Higher cost implications due to paucity of trained professionals
| Good ambience and professional operating environment | - Ensure right retail locations and investments in look and feel of the outlet; provide consistent service experience across centres

Players like Dabur have leveraged technology to communicate the benefits of their herbal products

- Dabur is one of the largest herbal-focused FMCG player in India with revenues of over 52 billion INR in FY12
- The Company used quantifiable measures to communicate the superior benefits of its products to appeal to modern customers
- Media campaigns for Chyawanprash have been based on results of a clinical trial study that attempted to quantify the benefits (“3x improvement in immunity with daily 2 spoons of Chyawanprash”)
Wellness segments are no longer restricted by gender boundaries. However, this is still largely an urban centric phenomenon.

**Men’s grooming is a booming market**
- Men are becoming more conscious about their image due to increasing peer pressure. There is a need to look good and be presentable, which is resulting in increasing use of grooming products and services by men.
- Players are vouching for the rising image consciousness of the Indian male and are launching a variety of products such as anti-spot creams, whitening creams, under-eye gels, etc. targeted at men.
- A number of skincare brands that have a large women-centric portfolio have launched an array of products targeted at men.
- Beauty services are no longer dominated by women, with branded players focusing on setting up unisex salons to target male consumers as well.
- 60 to 70% of the branded salon market in India is unisex.

**Women are increasingly seeking fitness and nutrition solutions**
- Increase in the number of working women is leading to women having to balance both work and home life, which is resulting in them seeking fitness and nutrition solutions to address the associated stress.
- Number of working women in India has doubled in the past five years. Average monthly income of the urban Indian woman has gone up from 4,500 INR in 2001 to 9,500 INR in 2010.
- Women gym goers are no longer a minority; players have launched women-only fitness studios to capitalise on this.
- Companies have also launched nutrition and health food products targeted exclusively at women.

"While the majority of our customers are women, we are finding that men are also becoming conscious of their grooming needs- men account for nearly 20% of our walk-ins”
- PwC interview with Ajay Pahwa, CEO, Kaya Skin Clinic

"In Tier I cities, more women are enrolling at the gym, accounting for nearly 45% of total memberships. However, this is largely an urban phenomenon, with this number falling to 30% in Tier II/III cities ”
- PwC interview with Anant Gawande, CFO, Talwalkar’s

---

**Source:** PwC research and analysis, Company annual reports, Company websites, NCAER, IMRB, Trade Press
Brands are becoming increasingly relevant for Indian consumers and players will have to invest in communicating their proposition, to stay active in the minds of the users.

New-age Indian consumers aspire to be associated with a brand, as they evoke trust and familiarity resulting in loyalty.

“Members feel much safer going to branded gyms which promise international fitness solutions with certified trainers and world-class equipment at affordable prices and are also more hygienic, safe and convenient.”
- PwC interview with Srilekha Reddy, Director, Snap Fitness

Brands are becoming important; consumers are increasingly preferring branded wellness products and services:

- In certain product categories such as packaged fruit juice, honey, coconut water, etc. brands were almost nonexistent less than a decade ago. Organised players have succeeded in creating a distinct proposition in such categories to garner significant market share.
- Branded salon and gym players are witnessing 2-3x the revenue growth as compared to unbranded players.
- However, creating and promoting a brand requires significant investment both in terms of capital and time.

Wellness brands in India have invested significant amounts in advertising and promotion expenditure over the years:

<table>
<thead>
<tr>
<th>Player</th>
<th>Growth in advertising expenditure*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dabur</td>
<td>21%</td>
</tr>
<tr>
<td>Nestle</td>
<td>19%</td>
</tr>
<tr>
<td>Talwalkar’s</td>
<td>46%</td>
</tr>
<tr>
<td>VLCC</td>
<td>24%</td>
</tr>
<tr>
<td>Javed Habib</td>
<td>120%</td>
</tr>
</tbody>
</table>

*Growth in advertising and marketing expenditure for all players has been calculated between FY06 and FY11 except for Jawed Habib, which has been calculated between FY07-11. This includes both above-the-line and below-the-line advertising and promotion activities.

“The growth in the branded salon market over the years has been explosive. Consumers are opting to visit branded salons as they offer quality services in a better ambience.”
- PwC interview with Vikram Bhatt, Director, Enrich Salons
Players have recognised this need and have adapted their wellness offerings to address this need

- Product players have to tailor their product, packaging and point of purchase to appeal to consumers who are seeking convenient wellness solutions.
- Ready-to-go cereal bars are appealing to consumers who want to have their breakfast on the move.
- Services players will have to create formats that are conducive to meet the requirements of a time-strapped consumer.
- Players in the rejuvenation space have set up spas in malls and airports. These spas offer 15 or 30-minute dry foot massage, shoulder and back massage, etc. For example, companies have set up quick-fix spas in malls, airport spas targeted at passengers on-the-go and cab spas where consumers can enjoy a massage while travelling from point-to-point in a cab.
- Many retailers are joining hands with wellness service players to include beauty and salon centres in their large-format retail stores, to address the need for customer convenience and offer a ‘complete’ retail destination.
While wellness concepts in India are dominated by mainstream and generic benefits today, emerging niche categories are likely to result in new opportunities for players.

1. While wellness concepts in India are dominated by mainstream and generic benefits today, emerging niche categories are likely to result in new opportunities for players

- Certain categories that have become popular globally are yet to make a presence in India. For example “Beauty from Within” – i.e. Beauty supplements and nutri-cosmetics – is a high growth category globally with a market size of 2 billion to 3 billion USD.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Niche categories</th>
<th>% of overall segment</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>General skin care</td>
<td>60%</td>
<td>95%</td>
<td></td>
</tr>
<tr>
<td>Niche skin care</td>
<td>5%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Weight management</td>
<td></td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>Health and wellness foods and beverages</td>
<td>Digestive health</td>
<td>5%</td>
<td>This has been a key focus area in the recent past with a number of product launches across categories such as cereals, biscuits, dairy etc.</td>
</tr>
<tr>
<td>Cardiovascular health</td>
<td></td>
<td>4%</td>
<td>Heart diseases have emerged as the primary cause of death, causing c. 25% of deaths in the 25 – 69 age group. Increasing consumer awareness is driving the growth of this segment</td>
</tr>
<tr>
<td>Skincare</td>
<td></td>
<td>4%</td>
<td>This is nascent segment with a per capita spend of less than 1 USD compared to global average of 25 USD. It’s the second-fastest growing category in the consumer goods sector.</td>
</tr>
<tr>
<td>Anti-cellulite</td>
<td></td>
<td>0.8%</td>
<td>This is a niche category with over 40% growth, primarily driven by direct-selling brands.</td>
</tr>
</tbody>
</table>

There is opportunity for players to offer niche functional benefits, many of which are large markets globally. However, niches require significant investments in terms of management bandwidth, cost and time to reach critical mass.
2. Internet will become increasingly relevant as a channel of interaction with consumers

Internet will increase in relevance as a channel of interaction with wellness consumers

The customer purchase journey

Currently, Indian consumers use online media largely to research and compare wellness products and services.

Going forward, they are likely to use online media to purchase wellness solutions and also to interact with the brand (response, feedback).

Players have started recognising the need to extend their presence beyond physical frontiers and be visible online. However, this is yet to achieve significant scale.

- A few wellness product players have launched e-portals for online sale of beauty and wellness products.
- More recently, select wellness product players have started dedicated websites that allow consumers to research products and gives them ongoing advice and suggestions on how to lead an active lifestyle and have a healthy diet; they also have online tools that assesses nutrition needs and recommend relevant products for consumers.
- Companies have also started connecting with their customers on social media platforms such as Facebook and Twitter.
3. The mature adult (40+ years) age demographic is likely to be a significant customer segment going forward, and will demand solutions tailored to meet their specific requirements.

Globally, the 40+ age category is a very active consumer of wellness products and services.

- Key categories targeted at consumers aged over 40 globally include mental/cognitive health, heart health, skin health, bone health, etc.

India, with an increasingly affluent population, is likely to witness similar growth in demand from the higher age segments.

- The number of 40+ population in India is expected to touch 500 million by 2025.
- These consumers, who are in their late-20’s and 30’s today, already have an inclination to spend on health and wellness solutions and are aligned to 'looking good, feeling good'.
- As these consumers age, they will start demanding solutions that are relevant to their specific needs, and will actively seek ways to maintain their youth and improve quality of life.

Few players have started focusing on this category in India, and developing solutions suitable for a higher age band.

- International players offering longevity enhancement services and age management services have forayed into India.

“People in their 40s and 50s are keen on prolonging their youth and increasingly willing to invest in staying young and fit. This segment is under-addressed in India today.”

-PwC interview with Sandeep Ahuja, MD, VLCC Healthcare Ltd.
The wellness industry is expected to touch 950 billion INR by 2014, continuing on its growth trajectory at a CAGR of 18 to 20%.

While the wellness industry is expected to continue on its growth trajectory, organised players will need to focus on certain critical success factors:

- Develop sustainable and scalable models for growth.
- Invest in product innovation to develop offerings that suit the local palate and address price sensitivity.
- Develop tailored propositions for Tier 2, 3 and 4 cities; a one-size-fits-all approach will not yield expected results.
- Create multiple touch points for consumers to interact with the brand.
- Invest in communication of tangible benefits to target consumers.
## Glossary of terms and abbreviations

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bn/bn</td>
<td>Billion</td>
</tr>
<tr>
<td>c.</td>
<td>Close to</td>
</tr>
<tr>
<td>CAGR</td>
<td>Compound Annual Growth Rate</td>
</tr>
<tr>
<td>FMCG</td>
<td>Fast Moving Consumer Goods</td>
</tr>
<tr>
<td>FY</td>
<td>Financial Year</td>
</tr>
<tr>
<td>INR</td>
<td>Indian National Rupee</td>
</tr>
<tr>
<td>JV</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>Mn/mn</td>
<td>Million</td>
</tr>
<tr>
<td>NABH</td>
<td>National Accreditation Board for Hospitals and Healthcare</td>
</tr>
<tr>
<td>NCAER-CMCR</td>
<td>National Council of Applied Economic Research-Centre for Macro Consumer Research</td>
</tr>
<tr>
<td>OTC</td>
<td>Over-the-counter</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and development</td>
</tr>
<tr>
<td>SKU</td>
<td>Stock-keeping unit</td>
</tr>
<tr>
<td>Tier 1, 2 and 3 cities</td>
<td>Cities with a population of 4 million and above, 1-4 million, and 0.5-1 million, respectively</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>Alternate therapy products</td>
<td>Medicines and products formulated according to Ayurveda, Unani, Siddha, Homeopathy or other alternative systems</td>
</tr>
<tr>
<td>Alternate therapy services</td>
<td>Services rendered in Ayurveda, Unani, Siddha and Homeopathy treatment centres</td>
</tr>
<tr>
<td>Better for you (BFY)</td>
<td>Includes packaged food and beverages where the amount of a substance considered to be less healthy (fat, sugar, salt, carbohydrates) has been actively reduced during production</td>
</tr>
<tr>
<td>Colour cosmetics and fragrances</td>
<td>Make-up, Deodorants and Perfumes</td>
</tr>
<tr>
<td>Day spas</td>
<td>Offer a variety of spa by trained professionals on a day-use basis</td>
</tr>
<tr>
<td>Destination Spas</td>
<td>Offer all inclusive spa packages that all guests participate in</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Dietary supplements</td>
<td>Products intended to supplement the diet by providing additional nutritional substances (e.g. calcium supplements, mineral supplements, protein powder). Also includes vitamins, tonics and nutritive drinks</td>
</tr>
<tr>
<td>Fitness equipment</td>
<td>Includes cardiovascular equipment (e.g. treadmill, stationary bicycles) and weight training equipment (e.g. weight lifting machines, barbells)</td>
</tr>
<tr>
<td>Fitness services</td>
<td>Includes gymnasiums, dance studios, martial arts, etc.</td>
</tr>
<tr>
<td>Fortified foods and beverages (FFB)</td>
<td>Includes packaged food and beverages to which healthy ingredients (e.g. calcium, omega3) have been actively added. Health benefit needs to form part of positioning or marketing of the product.</td>
</tr>
<tr>
<td>Hair and skincare products</td>
<td>Personal care products for skin and hair</td>
</tr>
<tr>
<td>Hotel and resort spas</td>
<td>Similar to a day spa, but the spa facility is located within a resort or hotel property.</td>
</tr>
<tr>
<td>Surgical cosmetic treatments</td>
<td>Surgical cosmetic procedures (e.g. liposuction, abdominoplasty)</td>
</tr>
<tr>
<td>Meal-replacement slimming products</td>
<td>Nutritionally fortified, calorie-restricted products consumed as a replacement for a meal (e.g. snack bar)</td>
</tr>
<tr>
<td>Naturally healthy (NH)</td>
<td>Includes packaged food and beverages which are considered healthy in their natural form (e.g. 100% fruit juice, herbal tea, high-fibre food)</td>
</tr>
<tr>
<td>Non-surgical cosmetic treatments</td>
<td>Minimally-and non-invasive cosmetic procedures (e.g. botox, dermal fillers)</td>
</tr>
<tr>
<td>Rejuvenation</td>
<td>Services rendered in day spas, destination spas and resort spas</td>
</tr>
<tr>
<td>Salons</td>
<td>Services rendered in beauty centres including hair cuts, facials, pedicures, manicures and hair styling among others</td>
</tr>
<tr>
<td>Slimming products</td>
<td>OTC (over-the-counter) drugs and supplements specially formulated and marketed as being suitable for individuals who want to lose or control their weight</td>
</tr>
<tr>
<td>Slimming services</td>
<td>Includes slimming centres which focus on weight loss through combination of machine-based and floor exercises, along with diet counselling</td>
</tr>
<tr>
<td>Weight-loss supplements</td>
<td>Includes supplements positioned as actively aiding weight loss (e.g. appetite suppressants, crave suppressants)</td>
</tr>
</tbody>
</table>
Primary Research: Interviews conducted with the following

Sandeep Ahuja, MD, VLCC Healthcare Ltd.
Rohit Arora, Director, Jawed Habib Hair & Beauty Limited
Anurag Kedia, Director, The Four Fountains Spa, CMYK Health Boutique Private Limited
Philine Haydon, CEO-Pharmaceuticals, The Himalaya Drug Company
Ajay Pahwa, CEO, Kaya Skin Clinic, Marico Group
Jesper Hougaard, Managing Director, Serena Spa Private Limited
Kiran Bawa, Partner and MD, IOSIS Spa & Wellness Private Limited
Rajiv Vasudevan, Founder and CEO, AyurVAID Hospitals
Vikram Bhatt, Director- Growth & Strategy, Enrich Salons
Ananth Gawande, CFO, Talwalkar’s Better Value Fitness Limited
Srilekha Reddy, Director- Marketing, Snap Fitness India Private Limited
Select consumer interviews across cities of Mumbai, New Delhi and Bangalore
**Secondary Research**

“Needle Sharp Therapies”, Outlook Business Magazine, October 2011

“Dabur, VLCC, L’Oreal tapping the potential of tier 2 & 3 cities as demand for beauty & wellness products grow”, Economic Times, 12 March 2012


“Branded salons take off as the great Indian middle class’ desire to be groomed, styled and pampered”, Economic Times, 11 July 2012

“The healthy choice”, Pitch Magazine, April 2010

Consumer Trends in India: Opportunities in Health and Wellness Food & Beverages, Datamonitor, 2010

Global Spa and Wellness Summit, Understanding the Global Consumer for Health & Wellness, Euromonitor, 2012

Company Websites and Annual Reports

Euromonitor
Datamonitor
ISI Securities
Acknowledgements

The editorial, research and content team for this knowledge publication consisted of the following individuals

Transaction Services Strategy
P Rashmi Upadhya
Rashmi Nair
Lakshmi Yendapalli
Aprajita Khokha
Shreya Srinivasan

Brand and Communications
Abhishek Kakar

Markets and Industries
Sujata S Chakraborty
About FICCI

Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India’s struggle for independence and its subsequent emergence as one of the most rapidly growing economies globally.

With a membership of over 500 chambers of commerce, trade associations, industry bodies, FICCI speaks directly and indirectly for over 2,50,000 small, medium and large business units employing around 20 million people.

FICCI is the rally point for free enterprise in India. It has empowered Indian businesses in the changing times to shore up their competitiveness and enhance their global reach.

FICCI plays a leading role in policy debates that are at the forefront of social, economic and political change. FICCI works closely with the government on policy issues, enhancing efficiency, competitiveness and expanding business opportunities for industry through a range of specialised services and global linkages. It also provides a platform for sector-specific consensus building and networking.

FICCI’s stand on policy issues is sought out by think tanks, governments and academia. Its publications are widely read for their in-depth research and policy prescriptions.

Partnerships with countries across the world carry forward our initiatives in inclusive development, which encompass health, education, livelihood, governance, skill development, etc.

The FICCI head office is located in Delhi. It has eight state offices and six international offices.

Contact

Federation of Indian Chambers of Commerce and Industry (FICCI)
33-B, Krishnamai, Sir Pochkhanwala Road,
Worli, Mumbai 400 030
Phone: 022 2496 8000
Fax: 022 2496 6631/32
About PwC

PwC firms provide industry-focused assurance, tax and advisory services to enhance value for their clients. More than 161,000 people in 154 countries in firms across the PwC network share their thinking, experience and solutions to develop fresh perspectives and practical advice. See pwc.com for more information.

In India, PwC (www.pwc.com/India) offers a comprehensive portfolio of Advisory and Tax & Regulatory services; each, in turn, presents a basket of finely defined deliverables. Network firms of PwC in India also provide services in Assurance as per the relevant rules and regulations in India. Complementing our depth of industry expertise and breadth of skills is our sound knowledge of the local business environment in India. We are committed to working with our clients in India and beyond to deliver the solutions that help them take on the challenges of the everchanging business environment.

PwC has offices in Ahmedabad, Bangalore, Bhubaneshwar, Chennai, Delhi NCR, Hyderabad, Kolkata, Mumbai and Pune.

Contact

Rohit Bhasin
Executive Director and National Leader- Retail and Consumer
Phone: 0124 3306016
E-mail: rohit.bhasin@in.pwc.com

P Rashmi Upadhya
Associate Director- Strategy
Phone: 080 40797059
E-mail: p.rashmi.upadhya@in.pwc.com