

Winds of change

The wellness consumer



4th Annual Wellness
Conference- August 2012



pwc

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Foreword

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

Executive summary



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?

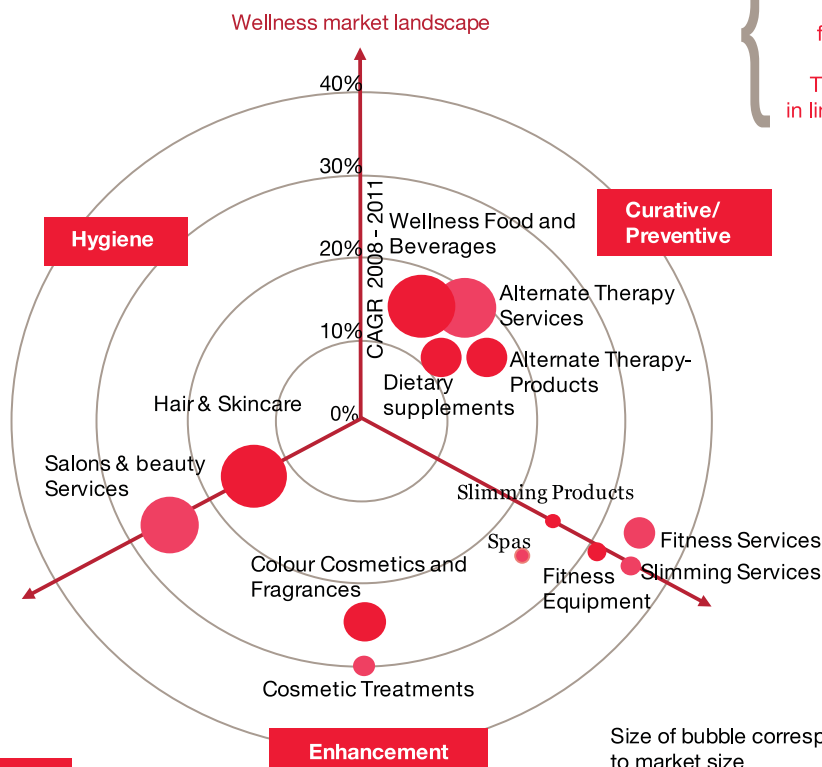
- While wellness concepts in India are dominated by mainstream and generic benefits today emerging niche categories are likely to result in new opportunities for players.
- Online channels will become increasingly relevant as a channel of interaction with consumers.
- As the mature adults (40+ years) 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

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



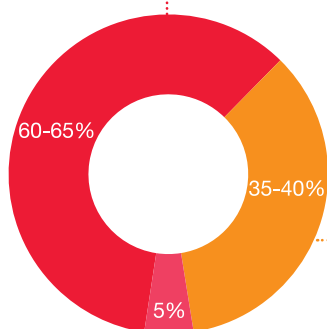
In our 2011 report **Riding the growth wave**, we had projected future market growth rate of 20%. The market has grown in line with our expectations

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.



The 230 billion to 245 billion INR beauty care market has grown at 20 to 25%



Source: PwC research and analysis

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.

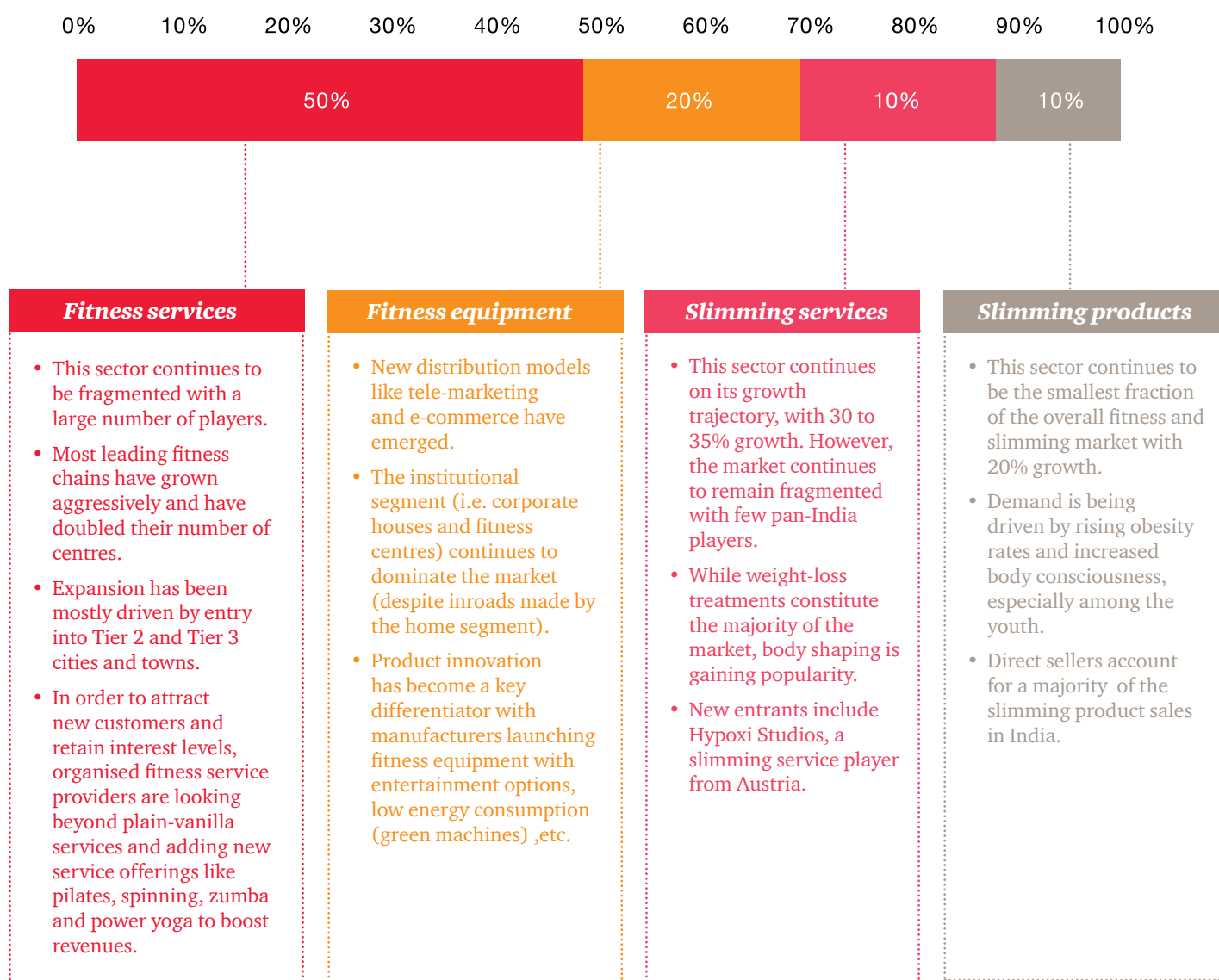
Salons

- 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

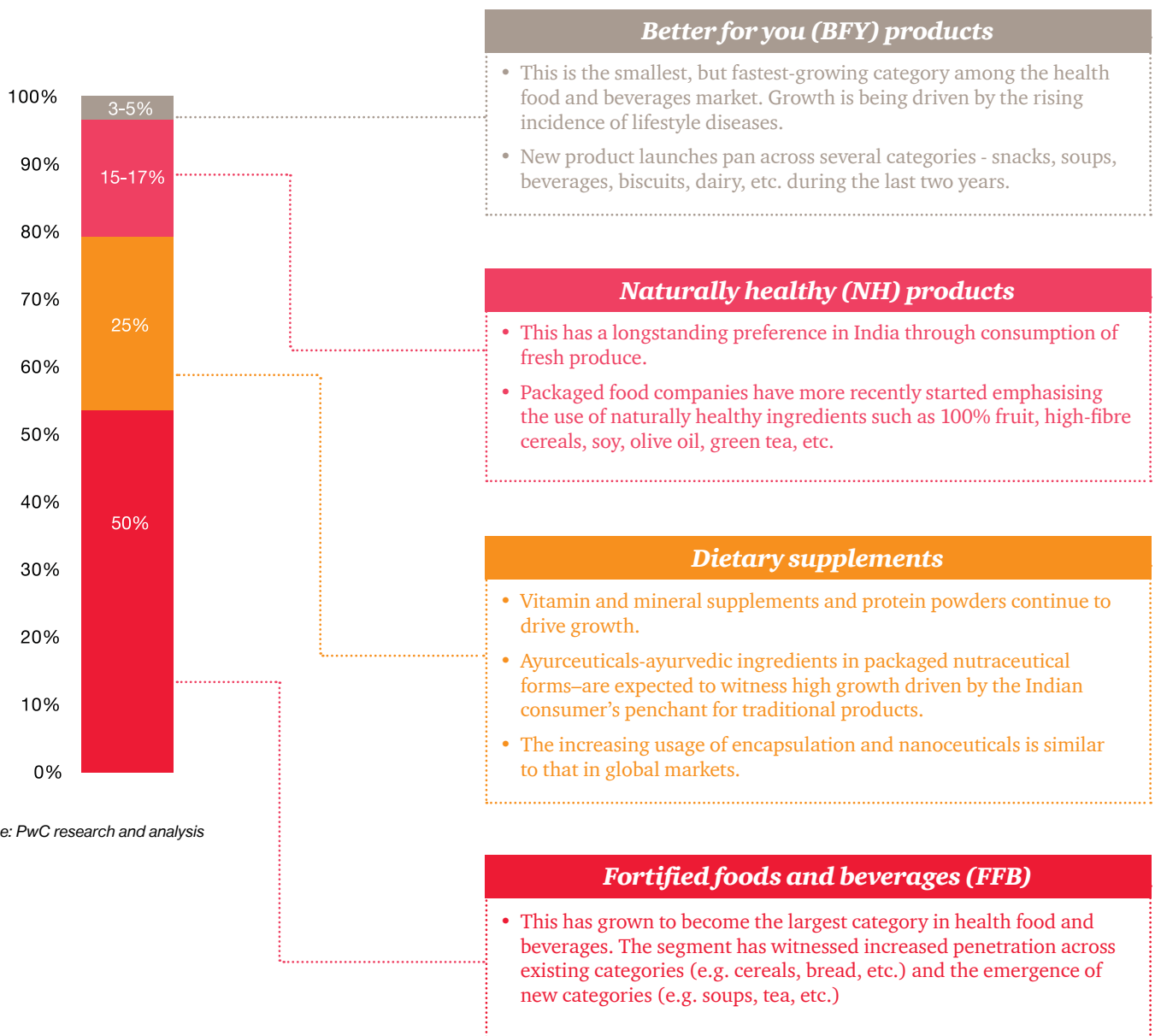
- Value growth has slowed since last year as consumers show an increased preference for relatively inexpensive non-surgical treatments over more expensive surgical cosmetic treatments.
- The number of non-surgical treatments has grown at over 100% during the last year.

The 50 billion INR fitness and slimming market has grown at a robust c. 25 to 30%; growth across services has outpaced products



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



Source: PwC research and analysis

- 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

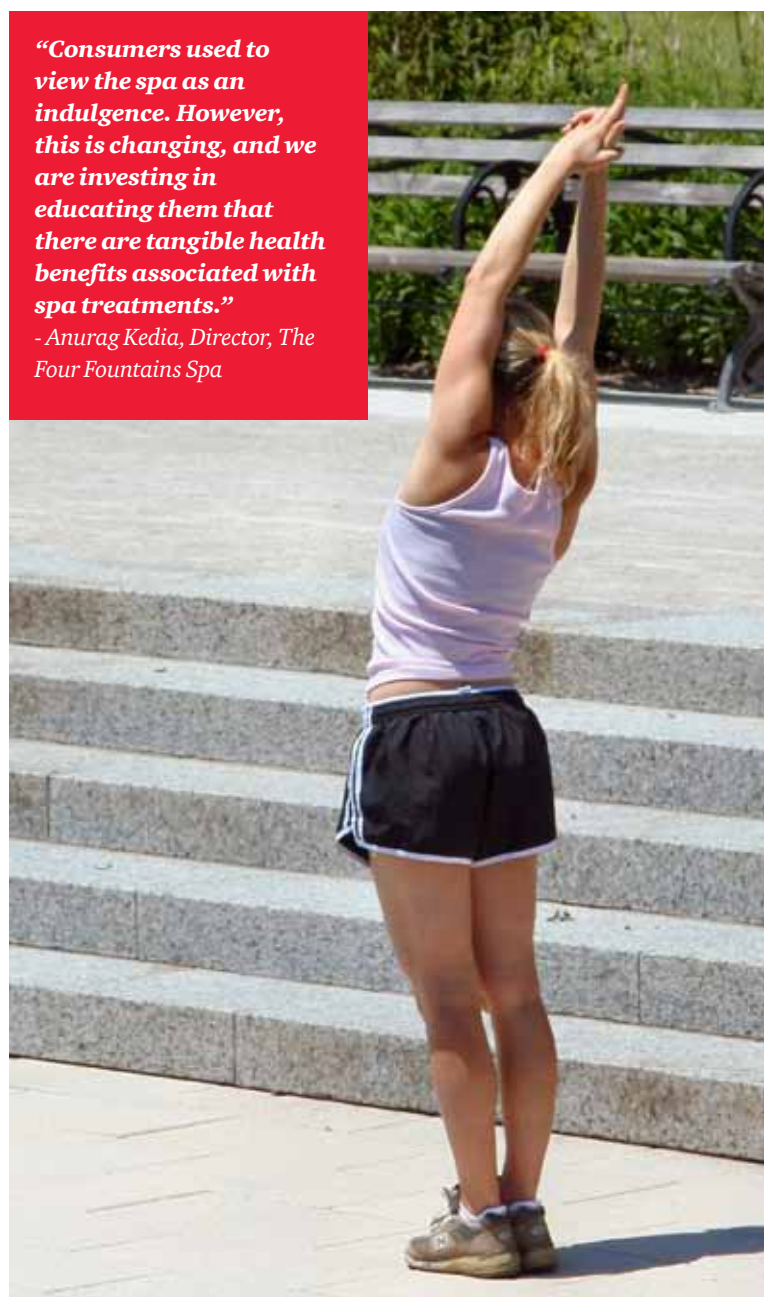
- The alternate therapy market in India is estimated at 125 billion to 140 billion INR.
- The segment is largely focused on ayurveda and homeopathy. These have the largest number of practitioners and manufacturing units.
- While branded players are trying to gain a larger share of the alternate therapy 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

Select recent M&A activity in wellness from Aug 2011 to July 2012

Target company	Acquirer	Deal value USD (mn)	Segment	Comments
Madeinhealth.com	Healthkart.com	N/A	Online health	<ul style="list-style-type: none"> Acquisition part of strategy to strengthen position in online health business
Valentine Agro Ltd	Naturex	N/A	Wellness food and beverages	<ul style="list-style-type: none"> Acquisition by France-based foods ingredients manufacturer Naturex of Valentine to get a commercial presence in the Indian market
NourishCo	Pepsico India Holdings Pvt Ltd, Tata Global Beverages Ltd.	N/A	Wellness food and beverages	<ul style="list-style-type: none"> JV for manufacturing and marketing affordable ready-to-drink wellness beverages
30-Plus Brand of Ajanta Pharmaceuticals	Dabur India Ltd.	113	Dietary supplements	<ul style="list-style-type: none"> Acquisition by Dabur in order to expand presence in the OTC market

Private equity investment deal values are under USD 20 million

Select recent PE transactions in wellness from Aug 2011 to July 2012

Investee	PE investor	Deal value USD (mn)	Segment	Comments
R&R Salons Pvt Ltd (YLG)	Everstone Capital Management; Helion Venture Partners	19.7	Beauty, rejuvenation	<ul style="list-style-type: none"> R&R runs women-only salons under the brand name YLG. Everstone and Helion have jointly invested in R&R in its second round of funding
Mystic Cures Ltd.	Brand Capital	N/A	Rejuvenation	<ul style="list-style-type: none"> Plans to fund its expansion through the PE investment
Healthkart.com	Sequoia Capital	6	Online health	<ul style="list-style-type: none"> Funds will be used for expansion of its product portfolio and developing an online magazine.

Source: PwC research and analysis, Mergermarket, ISI emerging markets, Trade Press

Defining the wellness consumer in India

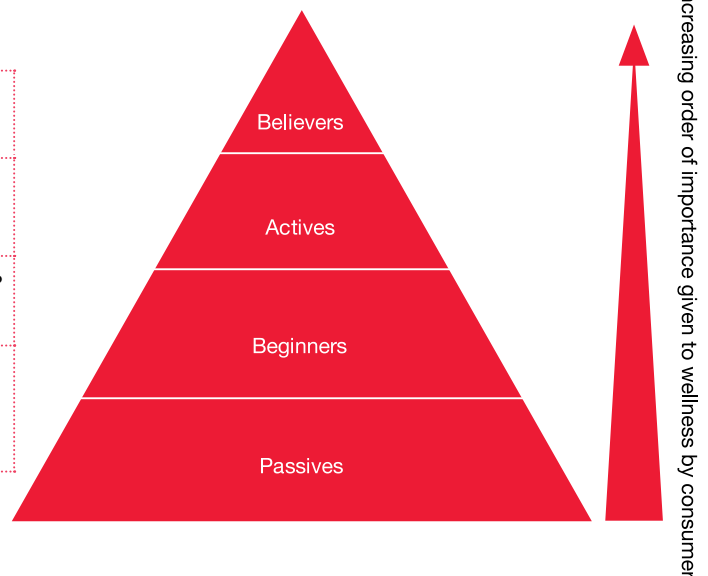
We have mapped the Indian wellness consumer into four distinct categories- 'passives', 'beginners', 'actives' and 'believers'—based on the relative importance of health and wellness in their overall consumption basket. Each of these consumer categories represents distinct opportunities for wellness solution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

We have mapped the Indian wellness consumer into four broad categories

Classification of consumers along the wellness pyramid depends on the following

Wellness consumer pyramid

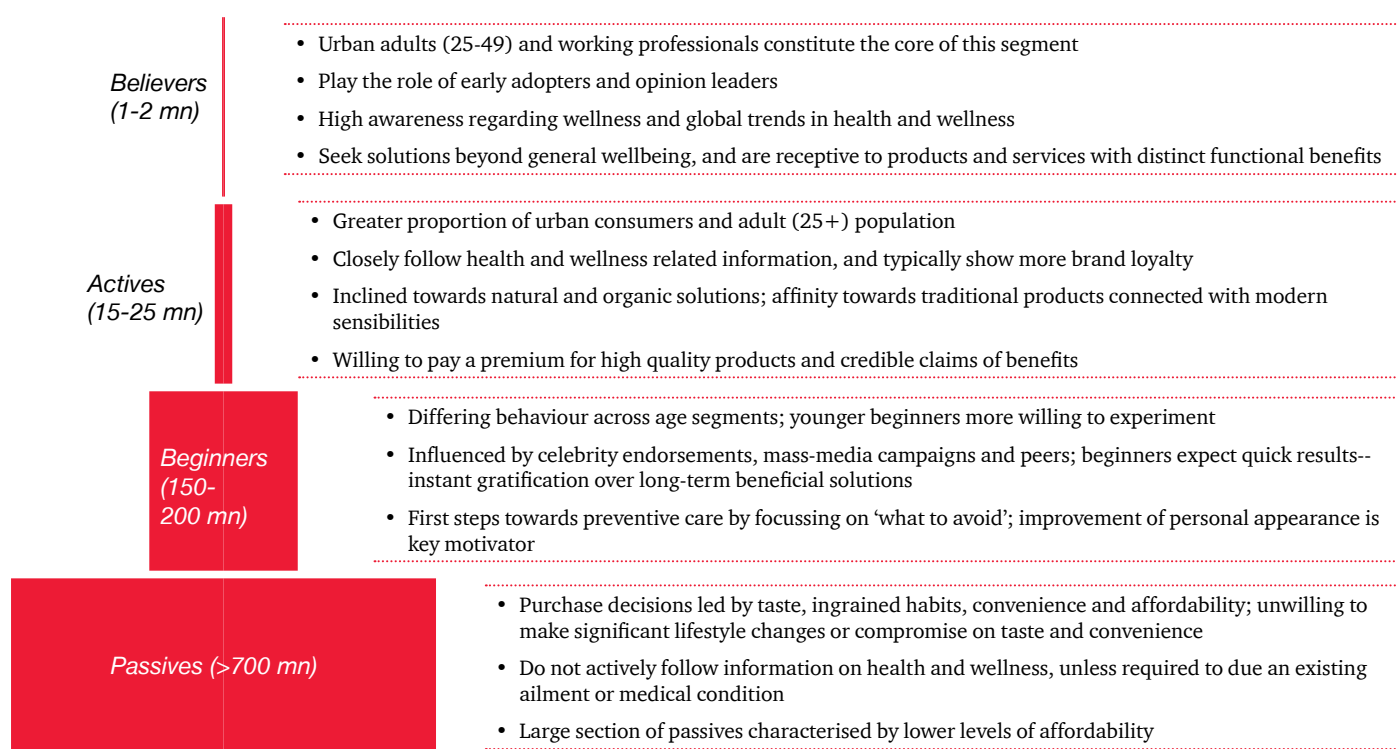
- 1** How much is the consumer likely to spend on wellness services, both in terms of ability to spend and willingness to spend?
- 2** What is the extent of consumption of wellness products and services, in terms of frequency of usage and extent of usage?
- 3** What is the degree of exposure to health and wellness concepts? What are their information sources on health and wellness?
- 4** How receptive is the consumer towards wellness messages and concepts? Is there a willingness to change consumption patterns for health benefits?





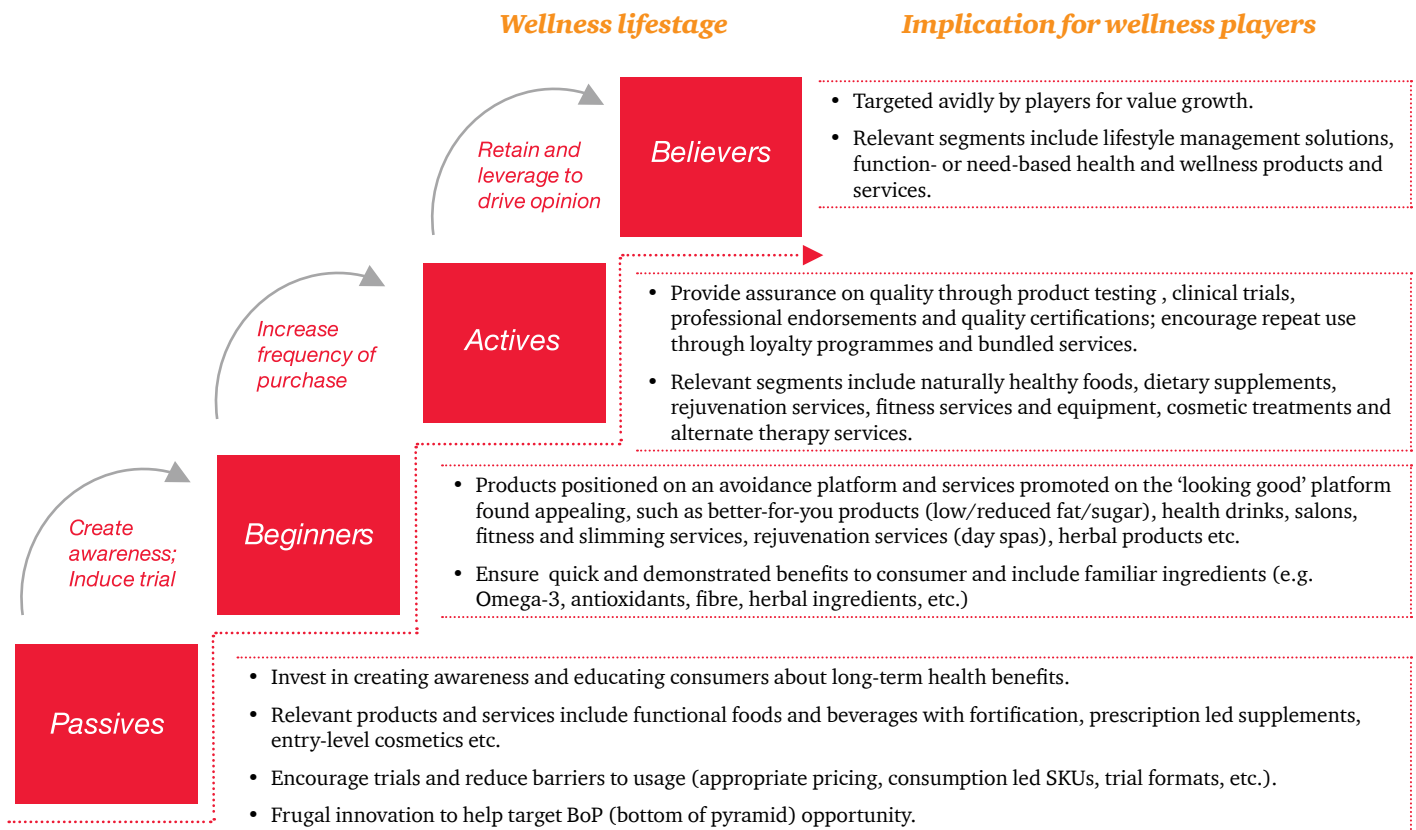
Passives and beginners represent the largest volume opportunity; actives and believers together comprise only c.2% of the population

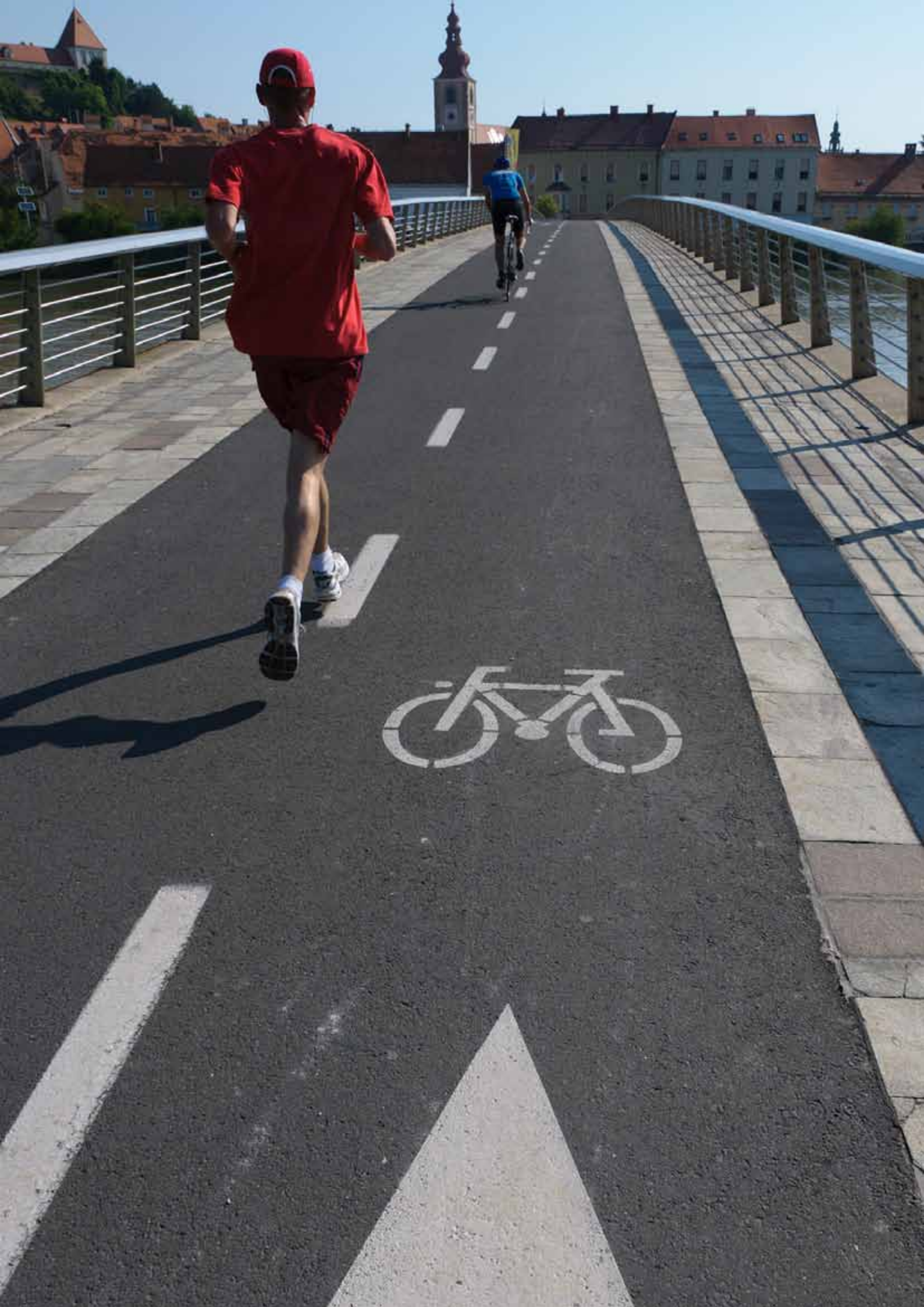
Estimated population within wellness consumer categories*



*Graph not to scale

Health and wellness players have to target each of these consumer categories distinctly





Consumer trends in the wellness space

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.

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

1

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

2

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

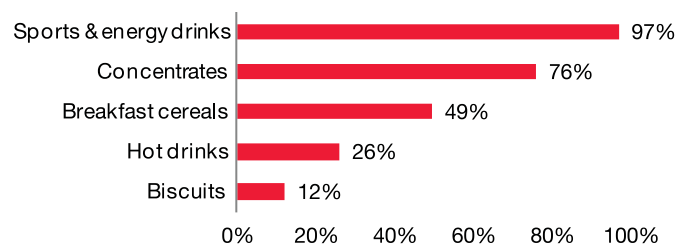
3

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

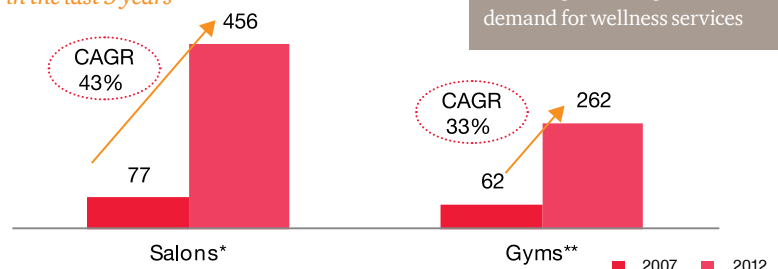
Health and wellness products and services are becoming more mainstream and widespread

Penetration of fortified foods and beverages (FFB)



Penetration of FFB has increased across categories

Growth in number of wellness service centres in the last 5 years



Service providers have scaled up to leverage on rising consumer demand for wellness services

*Growth in number of centres of select three branded players in salons

**Growth in number of centres of top four branded gym players

"With a large number of Indian consumers becoming increasingly health-conscious, the focus has shifted from treatment to prevention of illness and management of health."

-Philippe Haydon, CEO, Pharmaceuticals, The Himalaya Drug Company

"A few years ago I had to travel two to three kms to reach a gym. Now, I have two to three gyms in my neighborhood."

-Consumer in Mumbai

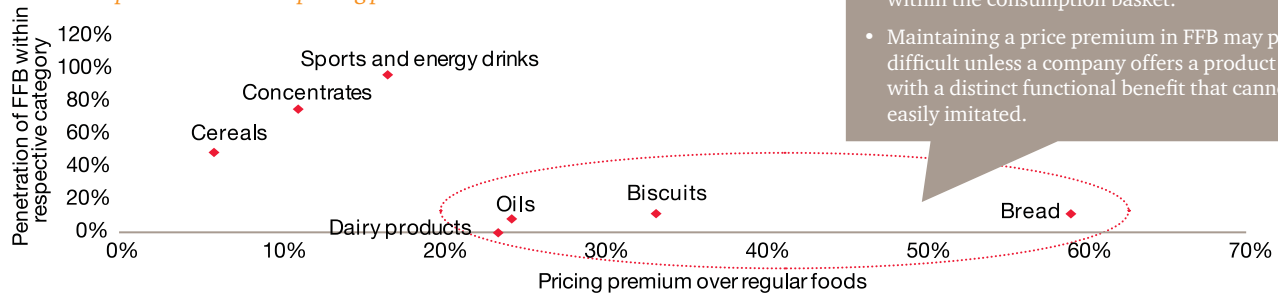
Wellness segments are extending beyond their traditional gender boundaries. Society's fascination with celebrities is driving increasing involvement of celebrities in the wellness industry.

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

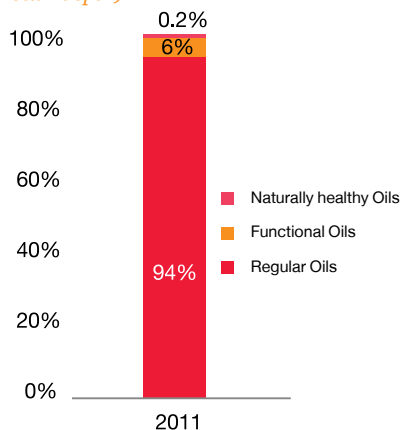
FFB - penetration versus pricing premium



- 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 v/s volume tradeoff

Indian vegetable and seed oil market (volume split)



"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

Oil	Pricing (INR per litre)
Naturally healthy Oils	400 – 750
Functional Oils	100 – 150
Regular Oils	<100

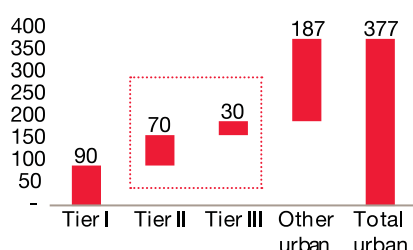
Price for naturally healthy oils is 4-7 times that of regular oils and as a result it constitutes only 0.2% of the oil market

Source: PwC research and analysis

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

40%	35%	30%	25%	25%	<i>Others</i> <i>Next 35 cities</i> <i>Next 15 cities</i> <i>Top 4 cities</i>
15%	15%	10%	15%	10%	
25%	20%	20%	30%	25%	
20%	30%	40%	30%	40%	
Fitness player	Slimming services player	National salon player	International fitness player	Large salon player	

Wellness players are increasingly looking beyond the metros to expand their footprint driven by the opportunity in Tier 2 and 3 cities as well as lower costs

- 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

Challenges	Implications for players
Low willingness to pay pricing premium	Critical for players to price products and services accordingly. Introduce smaller SKUs for Tier 2 and 3 markets to induce trial
Ensuring reach in Tier 2 and 3 cities	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.
Establishing brand awareness	Requires targeted marketing and communications strategy for Tier 2 and 3 markets keeping the target audience in mind.

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

Indian consumers have a fascination for celebrities...

- 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.

Social media websites have made stars more 'accessible'

Celebrity	Twitter followers*
Amitabh Bachchan	3,169,196
Priyanka Chopra	2,680,416
Sachin Tendulkar	2,559,329
Salman Khan	2,459,718

* As of August 1, 2012

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

... resulting in growing celebrity endorsements

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.

"I look up to movie stars and models and would love to get a physique like them."
- A consumer in New Delhi

"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



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

Category	What does the consumer want?	Implications for players
Products	Demonstrated quantifiable benefits	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • R&D investment for packaging innovations • Costs associated with packaging
	Proper labelling with easily understood nutrition and ingredient information	<ul style="list-style-type: none"> • Studies to quantify and validate nutritional information • Costs associated with innovative and informative labelling
	Presence at multiple retail formats with a good distribution footprint	<ul style="list-style-type: none"> • Investments to ensure distribution reach and retail shelf space
Services	Certifications by regulatory authorities and well-known health professionals and institutions	<ul style="list-style-type: none"> • Ensure adherence to all the norms as laid out by regulatory bodies • Alliances with the right partners
	Well-trained professionals with proper qualifications	<ul style="list-style-type: none"> • Investment in training staff • Higher cost implications due to paucity of trained professionals
	Good ambience and professional operating environment	<ul style="list-style-type: none"> • 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

- Even though men's grooming has been growing at a fast rate of 30-40%, it still constitutes only 8 to 10% of the overall cosmetic products market.
- Men's grooming value sales are predominantly urban-led, with urban consumers accounting for almost 75 to 80% of sales.

Source: PwC research and analysis , Company annual reports, Company websites, NCAER, IMRB, Trade Press

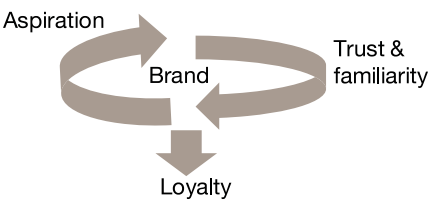


"In Tier I cities, more women are enrolling at the gym, accounting for nearly 45% of total memberships. However, this is largely an urban phenomenon, with this number falling to 30% in Tier II/III cities"

-PwC interview with Anant Gawande, CFO, Talwalkar's

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

“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

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

Player	Growth in advertising expenditure*
Dabur	21%
Nestle	19%
Talwalkar's	46%
VLCC	24%
Javed Habib	120%

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

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

There is a constant balancing act between accommodating health and wellness compulsions in an increasingly busy lifestyle

Increase in number of working women, rising pressures at work and need to multitask between home and work

Peer pressure, image consciousness, health compulsions driving need to stay fit, look and feel good

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.

"Consumers today are pressured for time and are looking for one-stop retail destinations. Tie-ups with retailers to offer salon services within retail stores addresses this need"

-PwC interview with Rohit Arora, Director, Jawed Habib Hair & Beauty

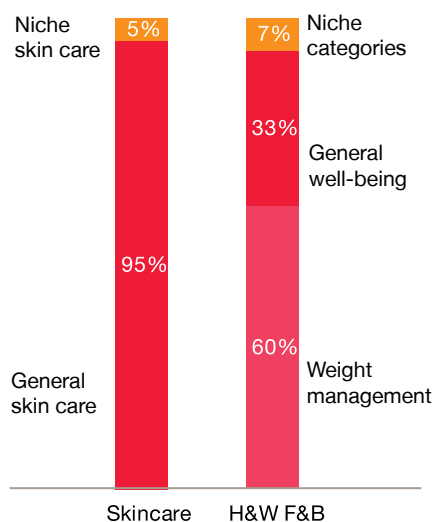


Future trends – what lies ahead?

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.

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

Wellness concepts in India are dominated by certain mainstream categories



Opportunities in other categories are being exploited by players, but these continue to remain niche

Segment	Niche categories	% of overall segment	Comments
Health and wellness foods and beverages	Digestive health	5%	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.
	Cardiovascular health	4%	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
Skincare	Anti-aging	4%	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.
	Anti-cellulite	0.8%	This is a niche category with over 40% growth, primarily driven by direct-selling brands.

- 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 nutraceuticals – is a high growth category globally with a market size of 2 billion to 3 billion USD.

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.



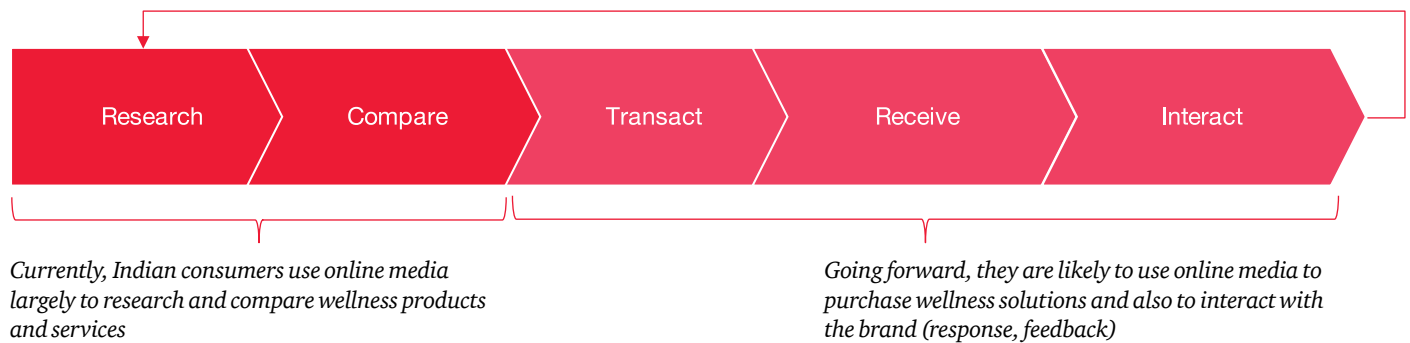
Emergence of new channels of communication and demand for tailored solutions for mature adults are other emerging trends.

The wellness industry is expected to touch 910-960 billion INR by 2014, continuing on its growth trajectory at a CAGR of 18 to 20%.

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

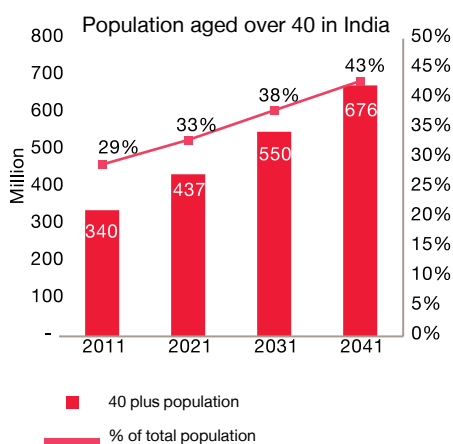


Players have started recognising the need to extend their presence beyond physical frontiers and be visible online. However, this is yet to achieve significant scale

- 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 on-going 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

India has a large population of consumers aged over 40 – more than the total population of the US



Source: PwC research and analysis, US Census Bureau, Company information

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

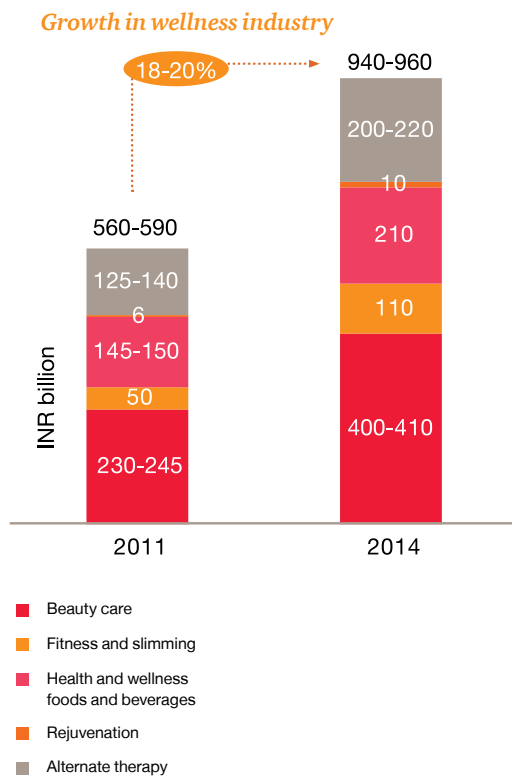
- International players offering longevity enhancement services and age management services have forayed into India.

"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%



Source: PwC analysis

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 Tier2, 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 and Citations

Glossary of terms and abbreviations

Term	Definition
Bn/bn	Billion
c.	Close to
CAGR	Compound Annual Growth Rate
FMCG	Fast Moving Consumer Goods
FY	Financial Year
INR	Indian National Rupee
JV	Joint Venture
Mn/mn	Million
NABH	National Accreditation Board for Hospitals and Healthcare
NCAER-CMCR	National Council of Applied Economic Research-Centre for Macro Consumer Research
OTC	Over-the-counter
R&D	Research and development
SKU	Stock-keeping unit
Tier 1, 2 and 3 cities	Cities with a population of 4 million and above, 1 -4 million, and 0.5-1 million, respectively
USD	United States Dollar
Alternate therapy products	Medicines and products formulated according to Ayurveda, Unani, Siddha, Homeopathy or other alternative systems
Alternate therapy services	Services rendered in Ayurveda, Unani, Siddha and Homeopathy treatment centres
Better for you (BFY)	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
Colour cosmetics and fragrances	Make-up, Deodorants and Perfumes
Day spas	Offer a variety of spa by trained professionals on a day-use basis
Destination Spas	Offer all inclusive spa packages that all guests participate in

Term	Definition
Dietary supplements	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
Fitness equipment	Includes cardiovascular equipment (e.g. treadmill, stationary bicycles) and weight training equipment (e.g. weight lifting machines, barbells)
Fitness services	Includes gymnasiums, dance studios, martial arts, etc.
Fortified foods and beverages (FFB)	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.
Hair and skincare products	Personal care products for skin and hair
Hotel and resort spas	Similar to a day spa, but the spa facility is located within a resort or hotel property.
Surgical cosmetic treatments	Surgical cosmetic procedures (e.g. liposuction, abdominoplasty)
Meal-replacement slimming products	Nutritionally fortified, calorie-restricted products consumed as a replacement for a meal (e.g. snack bar)
Naturally healthy (NH)	Includes packaged food and beverages which are considered healthy in their natural form (e.g. 100% fruit juice, herbal tea, high-fibre food)
Non-surgical cosmetic treatments	Minimally-and non-invasive cosmetic procedures (e.g. botox, dermal fillers)
Rejuvenation	Services rendered in day spas, destination spas and resort spas
Salons	Services rendered in beauty centres including hair cuts, facials, pedicures, manicures and hair styling among others
Slimming products	OTC (over-the-counter) drugs and supplements specially formulated and marketed as being suitable for individuals who want to lose or control their weight
Slimming services	Includes slimming centres which focus on weight loss through combination of machine-based and floor exercises, along with diet counselling
Weight-loss supplements	Includes supplements positioned as actively aiding weight loss (e.g. appetite suppressants, craving suppressants)

***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

Philippe 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

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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

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Lakshmi Yendapalli
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Notes

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AK-364 August 2012 Winds of change-The wellness consumer.indd
Designed by: PwC Brand and Communications, India