AlixPartners

OCTOBER 2020

CRACKING THE CODE ON HEALTH AND WELLNESS

Unlocking complex and unmet consumer demand

Figuring out what “healthy” means these days can be very confusing.

Consumers report a growing interest in pursuing a healthy lifestyle, but even before the full impact of COVID-19 has been felt, their actual behaviors are decidedly more mixed. Interpreting these conflicting messages is a challenge for consumer products companies in nearly every segment.

Earlier this year (at the early stages of the pandemic), AlixPartners surveyed 6,000 consumers in six countries about their health and wellness preferences, updating research we conducted in 2018.[1] Our study looks at how these attitudes and behaviors are changing, as well as recommending ways in which companies can break down some of the barriers to healthier purchases and tap into unrealized potential.

AT A GLANCE

1 The importance of a healthy lifestyle increased globally, with 59% saying it had become more important in the previous 12 months.

2 However, consumers indicate that barriers to purchasing healthy have increased with time and remain powerful.

3 Among these barriers, price was cited by fewer consumers than in 2018, but it remains the single-highest factor, even as all other barriers increased in significance.

Interest in health and wellness (H&W) continues to be high with 94% of participants actively engaged in at least one H&W activity

PARTICIPATION IN H&W ACTIVITIES IN PAST 6 MONTHS TO ACHIEVE H&W GOALS

94%
Participate in at least one activity

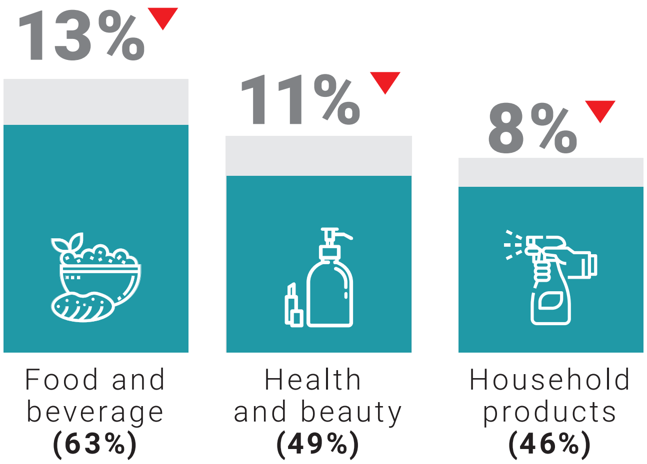
6%
Do not participate in any activity

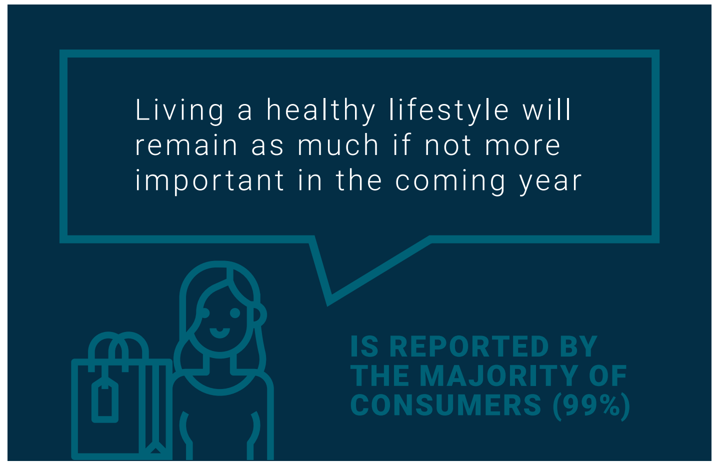
- Focused on food quality at home
- Prepared more food at home
- Tried to get more sleep
- Increased exercise
- Reduced amount of meat eaten
- Focused on food quality away from home
- Went on weight-loss diet
- Used fitness device and/or app
- Meditated or focused on mental health
- Adopted a specific diet

1. The 2020 survey was fielded between February and April. During the administration of the survey, all countries had limited activities allowed due to COVID-19, with the exception of the United States and United Kingdom, which were in the early stages of the pandemic. See last page for more on methodology.

Despite sustained interest in health and wellness, consumers around the world report buying healthy products less frequently

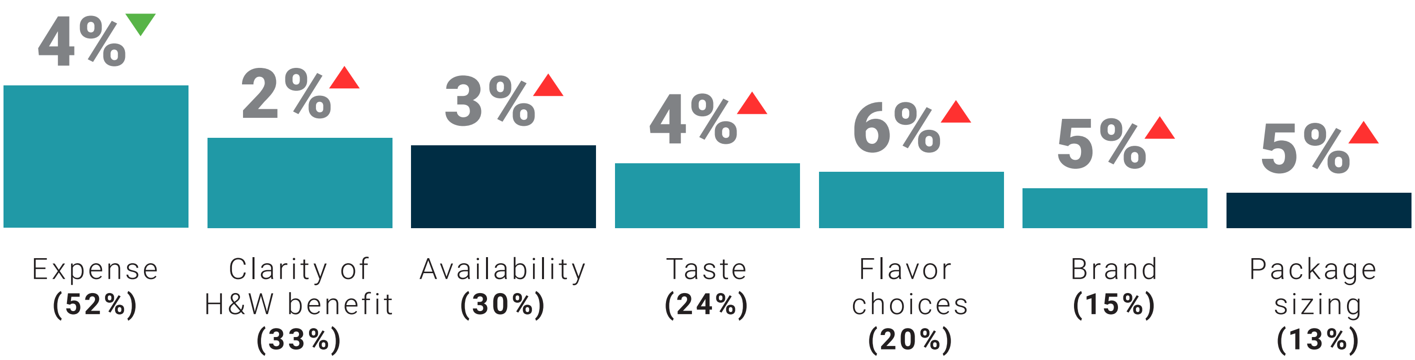
FREQUENT PURCHASE OF H&W PRODUCTS (2018 VS. 2020)[1]





While expense as a barrier to purchasing healthy has decreased slightly, it remains high and other barriers have all increased

BARRIERS TO PURCHASING HEALTHY PRODUCTS (2020 VS. 2018)[1]



1. Consumers in Italy surveyed in 2020, but not 2018, so do not appear in the global figures above

- While interest in health and wellness remains high, actual purchase frequency has fallen since we last surveyed consumers in 2018.
- This suggests that barriers remain that are preventing consumers from purchasing healthier as often as desired.
- While expense remains the highest obstacle for about half of consumers, it has decreased by 4% in the past two years.
- However, all other barriers surveyed increased in importance.
- The enduring and widening gap between interest in health and wellness products and actual purchasing behaviors presents an opportunity for consumer products companies to meet unmet demand.

OUR THREE KEY BARRIERS

EXPENSE

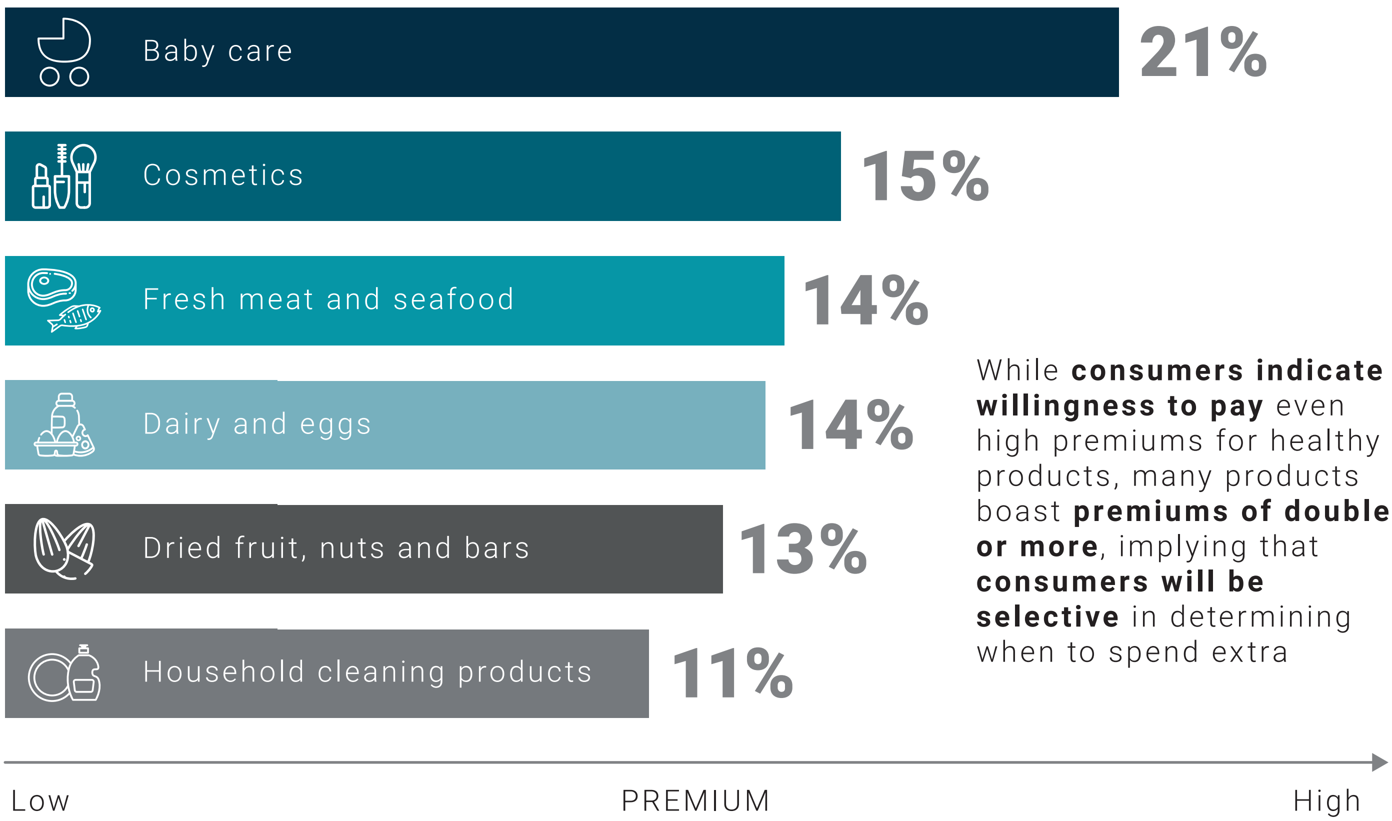
CONFUSION

APPEAL

BARRIER #1: EXPENSE

Consumers are willing to pay premiums for healthy products, but willingness and premium range vary by category

PERCENTAGE WILLING TO PAY HIGH PREMIUM[1] FOR HEALTHY PRODUCTS



While **consumers indicate willingness to pay** even high premiums for healthy products, many products boast **premiums of double or more**, implying that **consumers will be selective** in determining when to spend extra

1. High premium defined as 25% or more, based on self-reported data

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HOW TO RESPOND:

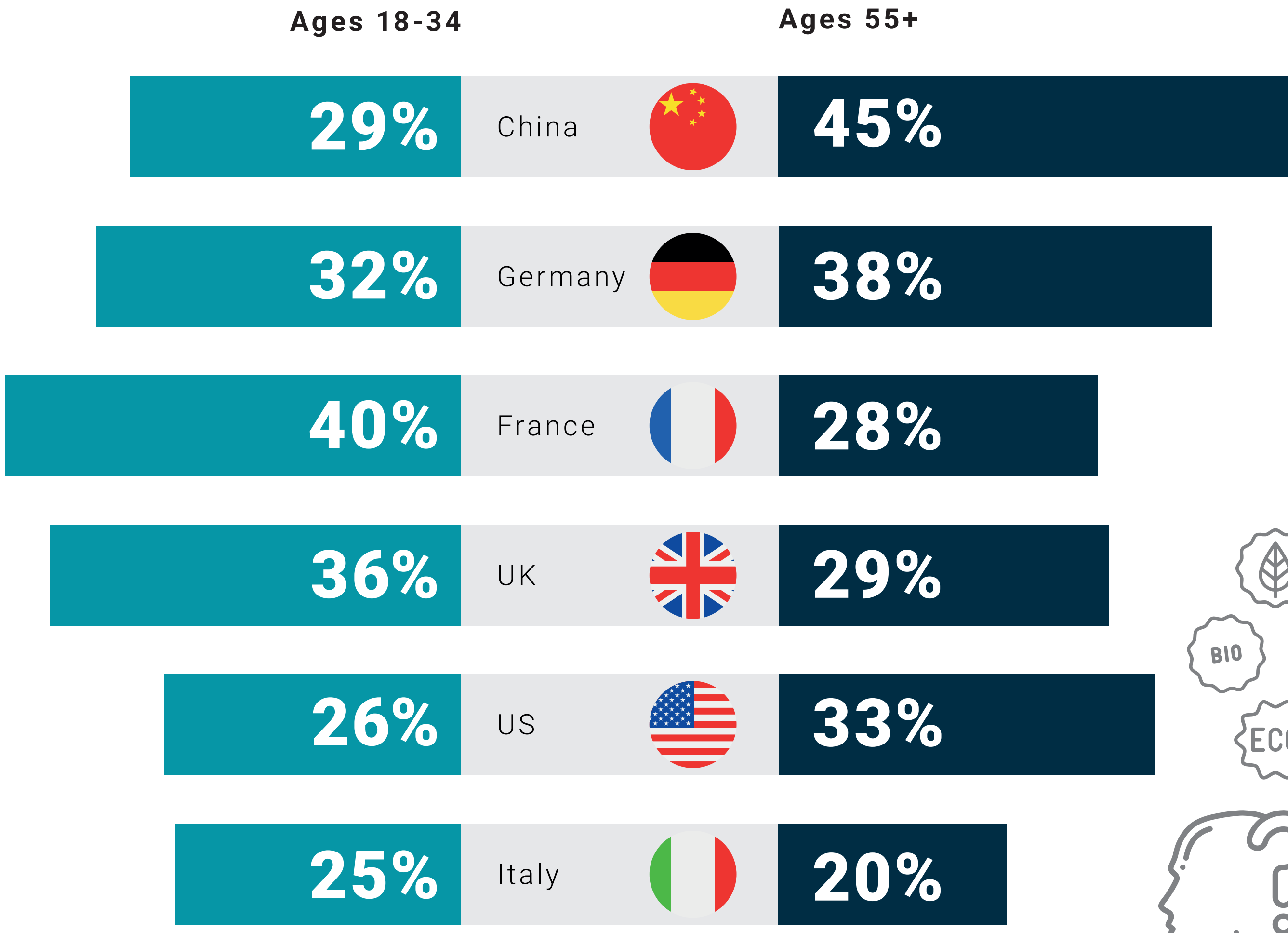
- Consumer feedback shows that certain categories have a higher health and wellness utility. Not all food types are equally important in achieving health and wellness goals.
- Among categories with the highest utility are fresh meat and seafood, dairy and eggs, and baby products.
- More indulgent products, like confectionary and salty snacks, have a lower health and wellness utility, as do cleaning and paper products.
- Executing on lower prices is key, but because health and wellness products often need high premiums to succeed, understanding a product's price elasticity can help clarify when premiums can be protected.

59% of consumers report product packaging as the most important influence in decision-making when purchasing healthy products, followed by friends and family at 48%.

BARRIER #2: CONFUSION

Lack of clarity around products' health and wellness claims is high globally across all age groups, including younger consumers

LACK OF CLARITY OF H&W BENEFITS AS BARRIER TO PURCHASE BY AGE GROUP



33% of consumers cite lack of clarity over health and wellness benefits as being a barrier to purchase.

Finding ways to educate without causing more confusion is particularly difficult in a market cluttered with a multitude of health and wellness attributes and claims.

HEALTHY LABEL EXAMPLES

IMPOSSIBLE™

Fresh meat and seafood
Clear packaging showcases product with simple checklist of attributes

RXBAR®

Dried fruit, nuts and bars
Few ingredients, listed front and center

bubly sparkling water

Juice, water and non-carbonated drinks
Simple messaging, terminology free

HOW TO RESPOND:

- Influences on purchasing vary across product segments and consumer groups.
- However, given the importance of product packaging, simplifying messaging may help clarify many consumers' confusion.
- Targeting messages in the communication channel most trusted by consumers is another strategy.
- For example, 15% of consumers aged 18-34 look to influencers and celebrities when making their skincare purchases, compared to only 5% of those over 55.

BARRIER #3: APPEAL

Lack of product appeal, whether taste, flavor choices or brand, is a core barrier to purchasing healthy nearly on par with expense

LACK OF PRODUCT APPEAL AS BARRIER TO PURCHASE VS. EXPENSE AND CLARITY

46%
Product appeal

52%
Expense

33%
Clarity of H&W benefit

Note: Totals may not sum to 100% as respondents could pick multiple attributes.

The overall appeal of health and wellness products, particularly in food and beverage, is increasingly an issue for consumers, despite new innovations by consumer products companies.

TASTE IS CITED BY

24% of consumers as a barrier to purchase (an increase of 4% over 2018)

FLAVOR CHOICES ARE CITED BY

20% of consumers as a barrier to purchase

Understanding this H&W utility can help inform product positioning that will appeal to consumers

SAMPLE H&W PRODUCT POSITIONING

BLACK BEAN BURGER

Provides healthy alternative, though changes form

PLANT-BASED MEAT

Innovates and creates new replacement that directly competes with original product

Fresh meat and seafood

LACTOSE-FREE MILK

Addresses common dietary need with little change to the product

ALMOND MILK

Serves as alternative for traditional product, with its own H&W benefits

Dairy and eggs

VEGGIE CHIPS

Represents version of the traditional snack using desirable ingredients

DRIED CHICKPEAS

Introduces new entry to the category using ingredients with desirable H&W benefits

Salty snacks

SNACKING CHOCOLATE

Creates a new occasion by focusing on healthy aspects of an indulgent product

Confectionary products

HOW TO RESPOND:

- Demand for health and wellness products cannot be met adequately without products and brands that consumers like.
- New ways of positioning these products offer ways to bridge this gap.
- Plant-based meats have been successful at recreating the taste, texture, and experience of consuming animal-based products in a category in which consumers are demanding healthier options.
- For more indulgent products, like confectionary or salty snacks, the opportunities may be smaller and more niche, but still exist where companies can successfully deliver on aspects that consumers demand (like saltiness or sweetness).

NO SILVER BULLETS

Consumer product companies must evaluate their portfolios to apply the right combination of solutions

APPROACHES TO TAP UNMET CONSUMER DEMAND

1. **Understand a product and/or category's H&W utility** to the consumer, informing potential product positioning
2. **Explore the nuances around desired attributes,** which can vary by category, country and demographic, to ensure those put forth resonate with consumers
3. **Address price** by determining market elasticity, price pack architecture and promotional activities
4. **Determine potential reach,** recognizing that health and wellness products can appeal well beyond niche communities
5. **Educate in a simple way** using a multi-faceted approach, focusing on clarity and consistency

ABOUT THE SURVEY

To understand how H&W preferences have changed since our 2018 study, we conducted a survey in 2020 of 6,000+ consumers

MULTIPLE COUNTRIES

DATA COMPARISON

2020 vs 2018

MULTIPLE SEGMENTS AND CATEGORIES

- Food and beverage
- Health and beauty
- Household products

ACROSS DEMOGRAPHICS

SURVEY TIMING (FEB–APR)

Before COVID-19 activity limitations	**United States** **United Kingdom**
After COVID-19 activity limitations	**France** **Italy** **Germany** **China**

SURVEY TOPICS ADDRESSED

Our data covers a number of H&W topics, providing breadth and depth to shed light onto global consumer preferences

- Label reading frequency and impact on purchase
- Frequency of and barriers to purchasing healthy products
- Importance of healthy product attributes for 16 distinct categories
- The importance of healthy lifestyle and activities
- Sustainability and relationship to health and wellness
- Social support for achieving health and wellness goals
- Willingness to pay for healthy product attributes by category

AlixPartners fielded a global, online health and wellness survey during February and April of 2020. Countries surveyed were the United States, United Kingdom, France, Germany, Italy, and China. During the administration of the survey, all countries had already limited activities allowed due to COVID-19, with the exception of the United States and United Kingdom, which were in the early stages of the pandemic. This survey followed one that was fielded in 2018, with some updates made between 2018 and 2020. The most notable changes included the addition of Italy to the roster of countries surveyed, as well as new questionnaire content focused on healthy lifestyle.

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ABOUT US

For nearly forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.