AlixPartners

FEBRUARY 2021

CRACKING THE CODE ON HEALTH AND WELLNESS IN CHINA

Unlocking complex and unmet consumer demand

The Chinese consumer wants to pursue a 'healthy' lifestyle but figuring out what that means can be very confusing.

Consumers report a growing interest in pursuing a healthy lifestyle, but their actual behaviors are much more mixed. Interpreting these conflicting messages is a challenge for consumer products companies in nearly every segment.

In April 2020, AlixPartners surveyed 1,000 consumers in China 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 Overall, the Chinese market and consumer have matured since 2018, with better quality and more accessible products and with consumers having greater awareness and discernment on the key attributes of healthy products.

2 Consumers in China reported that the importance of a healthy lifestyle increased, with 76% saying it had become more important in the previous 12 months.

3 However, they also indicate that barriers to purchasing healthy have increased with time and remain powerful.

4 Among these barriers, price, confusion, and availability were the highest factors, but product appeal is also increasingly cited as a factor.

Interest in health and wellness (H&W) continues to be high with 97% 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[1]

97%
Participate in at least one activity

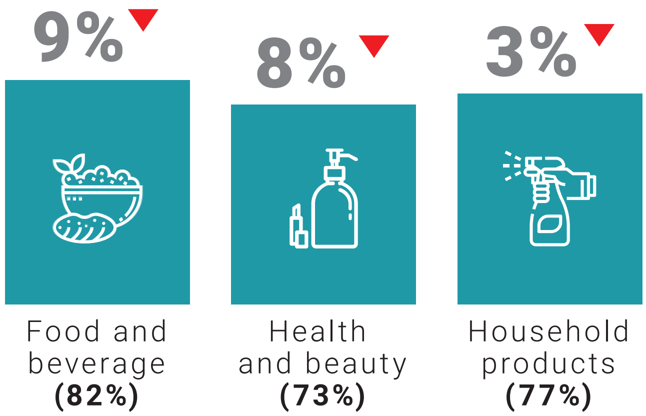
3%
Do not participate in any activity

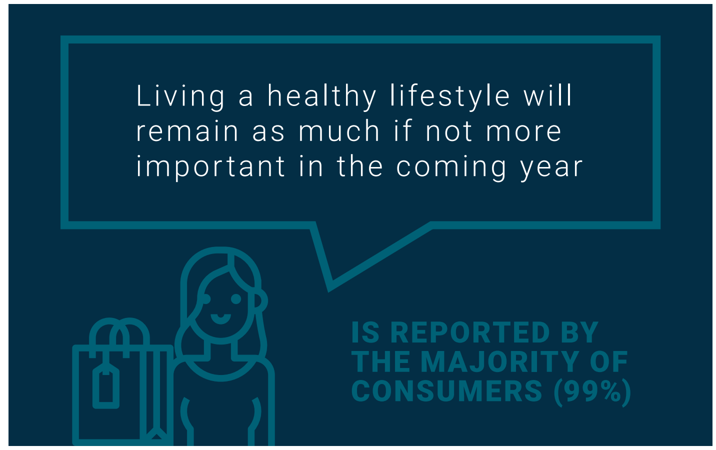
- Focused on food quality at home
- Prepared more food at home
- Tried to get more sleep
- Increased exercise
- Reduced amount of meat eaten
- Focused on food quality away from home
- Went on weight-loss diet
- Used fitness device and/or app
- Meditated or focused on mental health
- Adopted a specific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

1. This was part of a global study of health and wellness trends, fielded between February and April 2020. See last page for more on methodology.

Despite sustained interest in health and wellness, consumers in China report buying healthy products less frequently

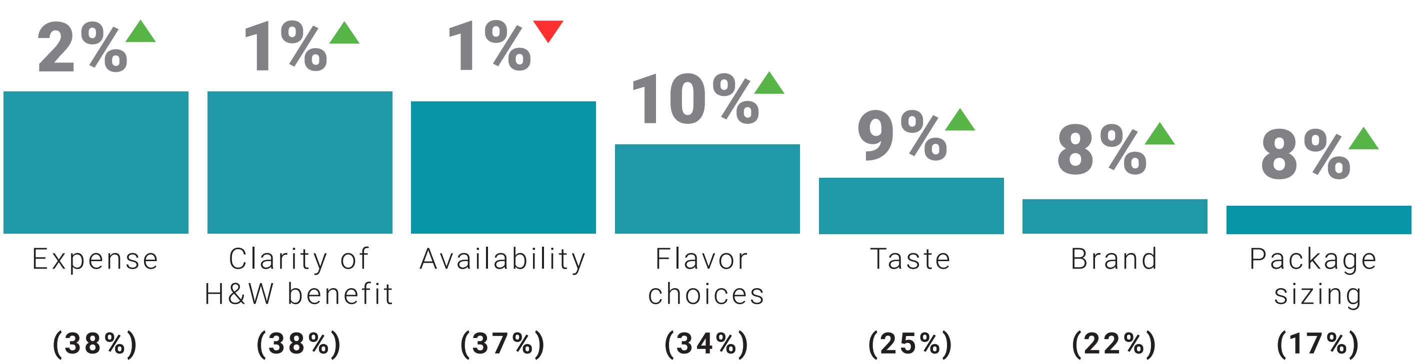
FREQUENT PURCHASE OF H&W PRODUCTS (2018 VS. 2020)





All the barriers to purchase increased, except for availability which fell slightly

BARRIERS TO PURCHASING HEALTHY PRODUCTS (2018 VS. 2020)



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 Chinese consumers from purchasing healthier as often as desired.
- Availability is the only category which has decreased over the past two years, suggesting that health and wellness products are becoming more commonplace in China.
- Expense and confusion are the highest obstacles for 38% of consumers, increasing slightly from 2018.
- Product appeal has increased the most, with consumers increasingly dissatisfied with the taste, choices, and brands on offer.
- 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

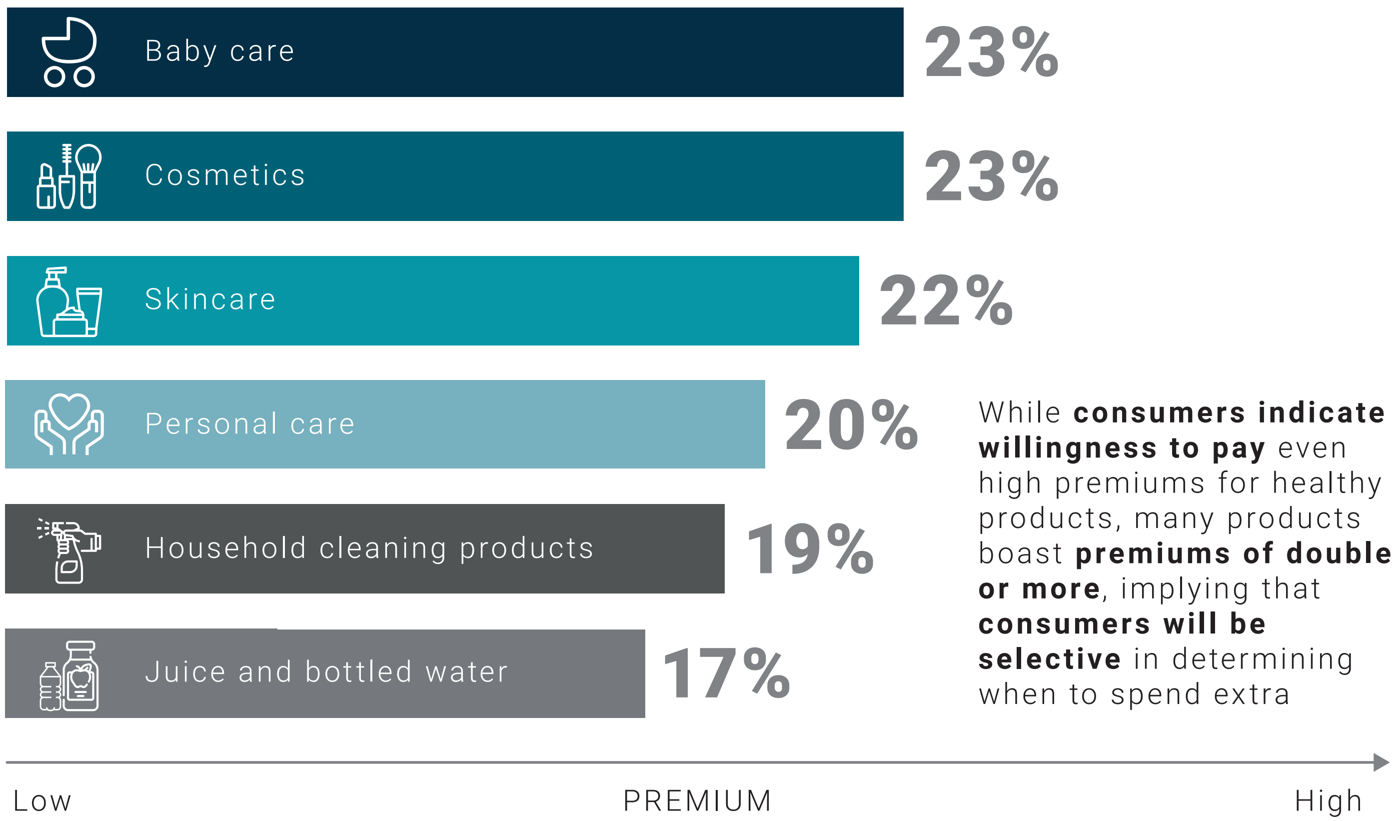
CONFUSION

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[2] FOR HEALTHY PRODUCTS



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

HOW TO RESPOND

- Consumer feedback shows that categories have a health and wellness utility. Not all food types are equally important in achieving health and wellness goals.
- Among those categories with the highest utility are baby products, cosmetics, and skin care, categories which are non-negotiables.
- More indulgent products, like confectionary, have a lower health and wellness utility, as do cleaning, pet, and paper products.
- Daily necessities such as confectionary, meat and seafood, and dairy have a lower health and wellness utility as customers expect these to be safe and healthy.
- 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.

Online reviews (increasingly by key opinion leaders/ consumers via videos or livestream) are the most trusted source of influence across many products.

BARRIER #2: CONFUSION

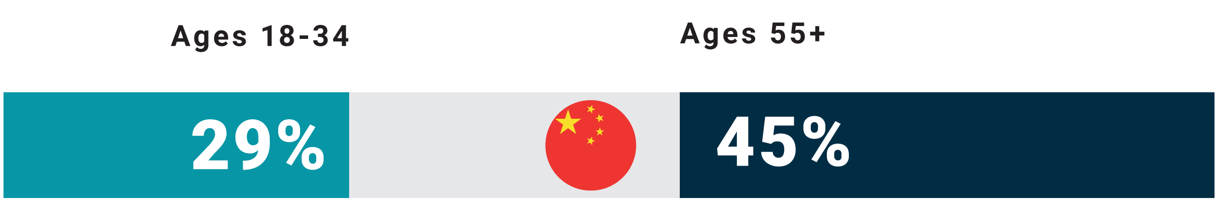
Finding ways to educate without causing more confusion is particularly difficult in a market cluttered with a multitude of health and wellness attributes and claims.

38% of Chinese consumers cite lack of clarity over health and wellness benefits as being a barrier to purchase.

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, 71% of consumers rely on online reviews when making their skin care purchases, compared to 46% who look to the product packaging itself.

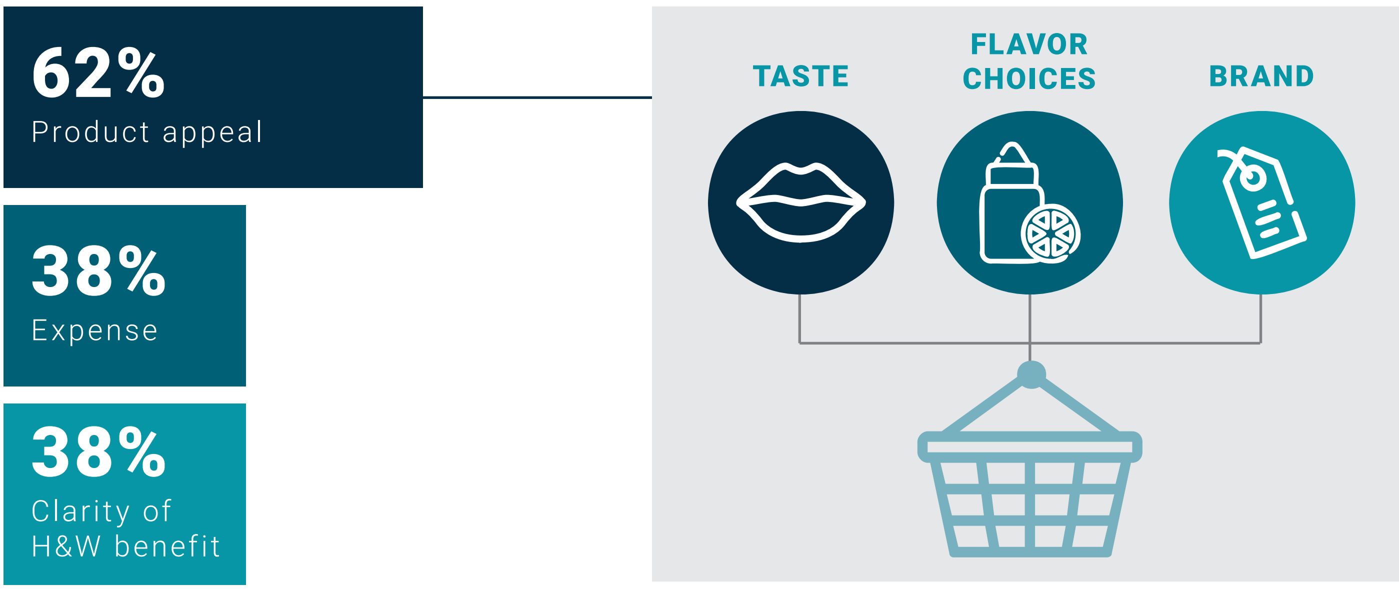
LACK OF CLARITY OF H&W BENEFITS AS BARRIER TO PURCHASE BY AGE GROUP



BARRIER #3: APPEAL

Lack of product appeal, whether taste, flavor choices, or brand, is the highest barrier to purchasing healthy for Chinese consumers.

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



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

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 methods to bridge this gap.
- Plant-based meats, which are gaining traction in China, 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.
- Brands need to tailor flavors to meet local Chinese tastes, using local ingredients and/or balancing the saltiness and sweetness factors especially for foreign brands.

NO SILVER BULLETS

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

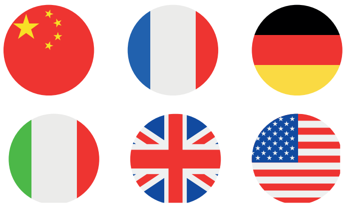
APPROACHES TO TAP UNMET CONSUMER DEMAND

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



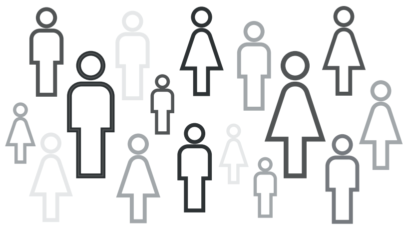
DATA COMPARISON

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.

AlixPartners

CONTACT THE AUTHORS:

Jian Li
Managing Director
jianli@alixpartners.com

Jason Ong
Director
liong@alixpartners.com

Michelle Wong
Director
miwong@alixpartners.com

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.