



WELLVEST CAPITAL

Wellness Investing™

HEALTH AND WELLNESS SECTOR – ONCE THE DUST SETTLES

December 1, 2020

With a COVID-19 vaccine nearly here, it is time to reassess what the Health and Wellness (H&W) sector landscape will look like once the dust settles. COVID-19 has created a fault line in time, the world will never return to what it was. Fortunately for the H&W sector, the pandemic acted as a powerful accelerant, fueling the macro trends that were already in place. While it is impossible to predict with certainty the long term future of the Health and Wellness (H&W) sector; Wellvest believes sector growth will continue aggressively as consumers habits have been permanently modified. Thoughtful assessment of the future state H&W landscape will enable companies to tailor strategies that best align to the new post-COVID world.

Distribution is Permanently Altered

Unique, segmented, and siloed distribution channels still exist but integration is transforming distribution models. The conventional concept of “Omni-channel” distribution; distributing over multiple channels, each with their own tactics and approach no longer does justice to what is actually occurring. The blending and blurring of channels was already in flight before the pandemic. Supply chain disruptions, lockdowns and social distancing conspired to move distribution very rapidly to a ***merger of offline with online.***

Consider the options available to Walmart shoppers. They can buy on-line and have products delivered to their home, they can buy on-line and have curbside pick-up, they can order on-line and pick up in the store or they can go to the store and purchase goods the traditional way. Product selection, discovery and education is available on multiple digital platforms. This is just one platform brands can utilize to reach customers. In the post-COVID world these changes to the distribution model are permanent and will evolve over time as new capabilities and use cases come on-line.

Overseas Alibaba and others are building out platforms that span digital retail, social media, financial transactions, entertainment, and physical locations. The outcome is a capability that allows companies and their brands to get closer to consumers than ever imaged. The overlay of business intelligence algorithms and Artificial Intelligence (AI) to this extensive data set enables very customized marketing,

H&W SECTOR AFTER COVID

- Distribution channels permanently changed
- Integrated customer information drives customization
- Demand for H&W products and services reaches new demand floor
- Door is open for innovative new brands, products and go-to market strategies

Proactively investing and preparing now will ensure future opportunities are maximized.

branding, and customer solutions; mass personalization. These platforms are going well beyond the role of traditional eCommerce distribution channels by combining branding, marketing, advertising and direct to consumer outreach into one holistic connection with customers. This platform model aligns very well with younger demographics such as Gen Y and Millennials that were born digitally native. The majority of H&W brands are targeting this demographic so leveraging this new distribution world will be critical to their success.

Rise of Integrated Information

Knowing who your customers are and why they chose your product or services has always been a high priority. Obtaining accurate and actionable information has historically been difficult until very recently. The information that was available was fragmented and siloed. The very rapid ascension of information gathering, analysis and consolidation via on-line platforms including eCommerce and social media coupled with point of purchase transaction data (IRI, Nielsen, SPINS, Amazon) are enabling a detailed and accurate view of individual consumers behaviors. The rapid increase in on-line purchasing due to COVID-19 has created a firehose of new data and an increase in demand for this data to empower retailers, marketers, and brands to better reach consumers. New robust data analytics and AI are generating actionable outputs. This bold new world in enabling the “personalization” of goods and services especially within the health and wellness sector in categories such as supplements, nutrition, and fitness couple with the ability to micro target consumers.

Global leaders such as Amazon, Alibaba, Walmart and Target are transforming the entire consumer ecosystem by merging the offline with the on-line to become close to the customer. Are these companies retailers, tech companies, data providers or entertainment providers? They are all of them, but not in the sense of the “conglomerate” model of the past. These companies and many others have integrated the capabilities and functionality of each business into a holistic model designed to meet consumers where they are and anticipate their needs and wants. Thus, adding value across multiple consumptions needs and profiles. As H&W market players chart their path to future growth post-COVID, it is a must that they incorporate this transforming ecosystem into their strategies, tactics, and execution roadmap.

What does this mean for the H&W Sector POST COVID?

What was already underway and growing rapidly has now been accelerated by about 10 years ahead of schedule. A new higher demand base for goods and services that maintain and improve health and wellness has been established. During the early days of the pandemic consumers gravitated to products and brands they trusted and were available. As time went on, they prioritized health and wellness over trust and comfort opening the door to trial of new products and services with a caveat that the product **better deliver** or there will never be a repeat sale.

The market landscape for the sector has been radically altered, lowering barrier to entry, enabling innovative avenues to not only reach consumers but anticipate demand. Micro-niche marketing, personalized solutions, brand centric communities, and consumer driven brand

loyalty are now mainstream. The digital ecosystem and COVID induced consumer adoption have been the great enabler.

Coil the Spring – be prepared

The COVID effect has brought the future forward by a decade. H&W companies need to reimagine their place in this new information enabled competitive landscape. Consumers have embraced the pivot to healthy lifestyles across a wide spectrum of products and services. How and where companies meet them is wide open, but meet them they must, as consumer expectations are quickly evolving. Wellvest believes and historical evidence confirms proactively embracing change and integrating it throughout the organization produces very fruitful long-term results.

