



The Sunrise Consumer Health and Nutrition Sector

A Confluence of Consumer -
Pharmaceuticals - Technology

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Foreword



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The Indian consumer has taken rapid strides in the last two decades post economic liberalization. Unbranded to branded foods, adoption of global cuisines, premiumization, fortification, responsible consumption are trends demonstrating a movement from basic to specialized foods. The first wave of this change witnessed companies launching “better for you” products and vitamin or calcium fortified variants to help consumers manage their health proactively. Health infused products allowed players to differentiate against competitors, and premiumize to improve profit margins. However, companies have acknowledged that healthy products are successful only when there is no compromise on taste, and R&D teams are busy matching goodness of ingredients and organoleptic profiles to create win-win opportunities.

Rapid urbanization, pollution, long working hours, quality of food, lack of exercise and the ills of the modern world are leading to health issues and lifestyle diseases. The pandemic has accelerated

the “proactive healthcare curve”, paving the way for fortified foods, supplements, natural and ayurvedic products. There is an increasing interest from companies and investors to enter the consumer foods and nutraceuticals segment, as it promises huge growth headroom and strong margin potential. Consumer education is key, and digitized ecosystems with D2C delivery models need to be developed to create the right customer engagement ecosystem.

Global markets have seen significant transaction activity, driven by need to acquire product or process IPR, brands and customers. The Indian consumer health foods segment is at a nascent stage but likely to witness strong transaction activity in the coming decade. In summary, we are witnessing the emergence of the next sunrise sector, driving convergence between the large consumption base of packaged foods, the scientific orientation of pharmaceuticals powered by technology enabled customer engagement and outreach.



Contents

From “Healthcare” to “Wellness and Vitality”

08

Evolving needs through life-stages

10

Construct of health and wellness products in India

11

Which are the big consumer bets?

13

Pharmaceuticals + FMCG = Nutraceuticals

14

Interesting business models

16

Industry challenges in realizing future potential

19

Key imperatives to unlock growth

20

Outlook on private equity and strategic M&A transactions

21

The way forward

22

Appendix: Glossary

22

Expert speak

“Kapiva's successful model hinges on 3 primary pillars, namely, having a right and easy to consume product format, building scientifically based claims that work and building technology delivered content through a strong ecosystem of content, Ayurvedic doctors, D2C platform and CRM”. Building science-based products requires strong procurement and manufacturing know-how, which is critical for product efficacy.”

Ameve Sharma

Co-Founder, Kapiva

“There's a visible shift towards preventive healthcare and the pandemic has only accelerated the adoption curve. Foods and supplements addressing specific health needs such as women's health, digestive, immunity building using old world ingredients but packaged in contemporary formats would drive growth in this segment. While disease prevention and vitality are important consumer planks, another relevant thematic for innovation would be Energy and Fitness.”

Kshitij Sheth

Managing Director, Chryscapital

“We are witnessing the emergence of the proactive consumer who invests time and energy in taking care of health and wellness. Engaging these consumers is a continuous and multistage process. Generating trials is just the first step, but improving repeat and loyalty in the health segment is about creating value, beyond just selling products. A very important lever for our category is educating consumers and helping them build a habit of leading a clean and holistic lifestyle. At OZiva, we target high customer retention through the right products for different consumer needs and a comprehensive post purchase consultative ecosystem, which allows us to generate better LTV to CAC ratios and thereby efficiency in marketing.”

Aarti Gill

Co Founder - OZiva

“Consumer health and nutrition is one of the most buoyant sectors post the pandemic with increasing awareness towards wellness and prevention. More importantly natural products have seen widespread adoption both in India and globally. Businesses that have a unique product offering, is fast to market and Omni channel in approach will be more attractive than others. We prefer businesses with strong GM profile. Also, one trick ponies will not scale beyond a point. Ability to launch and scale multiple SKUs is the key.”

Puncham Mukim

Managing Director, Everstone Capital

“The past 2-3 years have seen a sudden spike in the nutritional and supplement offerings available to the nation. With Innovative effervescent electrolytes to high quality amino acids, the average Indian has now got options beyond the basic ‘protein’ and the ‘vitamins’ which defined “nutrition” in India for the longest time. E-commerce has also opened up the avenues, products don’t need to be imported through grey channels, but are available officially online. Urban India has been given a nutritional boost and it is definitely running with it.”¹

Varun Khanna

CEO and Founder, Fullife Healthcare Pvt. Ltd.

“There are two distinct market opportunities for the Indian nutraceutical industry i.e. exports-led and domestic demand-led. At \$4-5 billion today, the nutraceutical market has immense potential to achieve at least two to three times growth in the next five years. Innovation, sufficient funding, regulatory support by introducing conducive measures, and tax subsidies will be the key drivers in bringing the growth and motivating entry of new players in the market.”²

Sanjaya Mariwala

Executive Chairman and Managing Director, OmniActive Health Technologies

“There is a shift from curative to preventive care in the Indian market. With immunity taking centre stage due to the onset of the pandemic, consumers are relying more on nutraceuticals. Increasing costs of hospitalisation and awareness of preventive care and access to information have helped in consumers looking at health supplements and nutraceuticals in a big way.”³

Sudheer S

Business Head - Zindel, The Himalaya Drug Company

“The adage, ‘prevention is better than cure’ is now well etched into the minds of consumers. As a result, nutraceuticals are now looked upon as important supplements that are on the priority list of monthly expenses, which, like food, cannot be skipped.”⁴

Sandeep Gupta

Chief Founder & Director-Expert Nutraceutical Advocacy Council (ENAC) and CEO & Chief Founder- NUTRAWORKS

“Nutraceuticals can be incorporated into treatment protocols in various conditions and used in conjunction with pharma interventions. Specific segments of individuals under medical supervision require nutritional interventions (e.g. pregnant women, paediatric and geriatric populations). These interventions can be promoted to healthcare practitioners through the same channels that promote pharmaceuticals for these populations.”⁵

Akshay Pai

Founder and CEO, Nutrova

“India has taught the world the importance of Ayurveda, curcumin-curculife, Ashwagandha-KSM66, etc. These success stories led to companies’ worldwide studying botanical ingredients with evidence. It is India that can show the world evidence-based nutraceuticals because we have a solid reference in Ayurveda that can be modernised through modern evidence gathering methodologies.”⁶

Amit Srivastava

Nutrify India

1 - <http://www.businessworld.in/article/Boosting-Sports-With-Nutrition/12-03-2020-186127/>

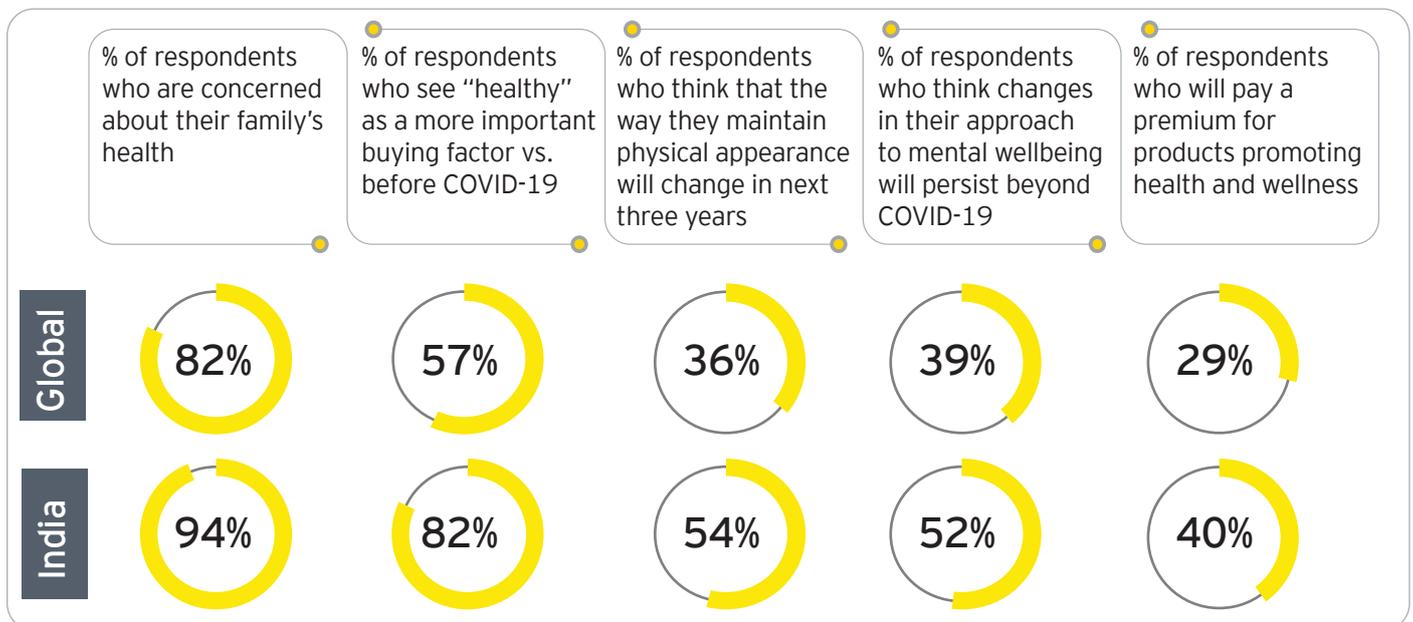
2,3,4,5,6 - <https://www.expresspharma.in/six-reasons-why-india-is-poised-to-be-a-global-leader-in-nutraceuticals/>

1 | From "Healthcare" to "Wellness and Vitality"

COVID-19 has created the biggest seismic shift taking health and immunity to the centre stage. Approximately 94% of Indians are worried about their family's health against 82% globally. Indian consumers have opened their wallets towards fitness classes and activities, consuming natural foods, health supplements, and following specialized diets.

are leading to higher willingness to pay for proactive health management, early intervention, and disease-risk reductions. Consumers have started to realize the benefits of spending today for a healthier tomorrow. In India, with relatively suboptimal access to health infrastructure, this could pave the way for a new balanced model of managing health. Economic progress,

Current awareness levels and concern for healthy living are riding very high in consumers psyche in India



Source: EY Future Consumer Index (November 2021); No. of respondents - Global: 16,000; India: 1,002

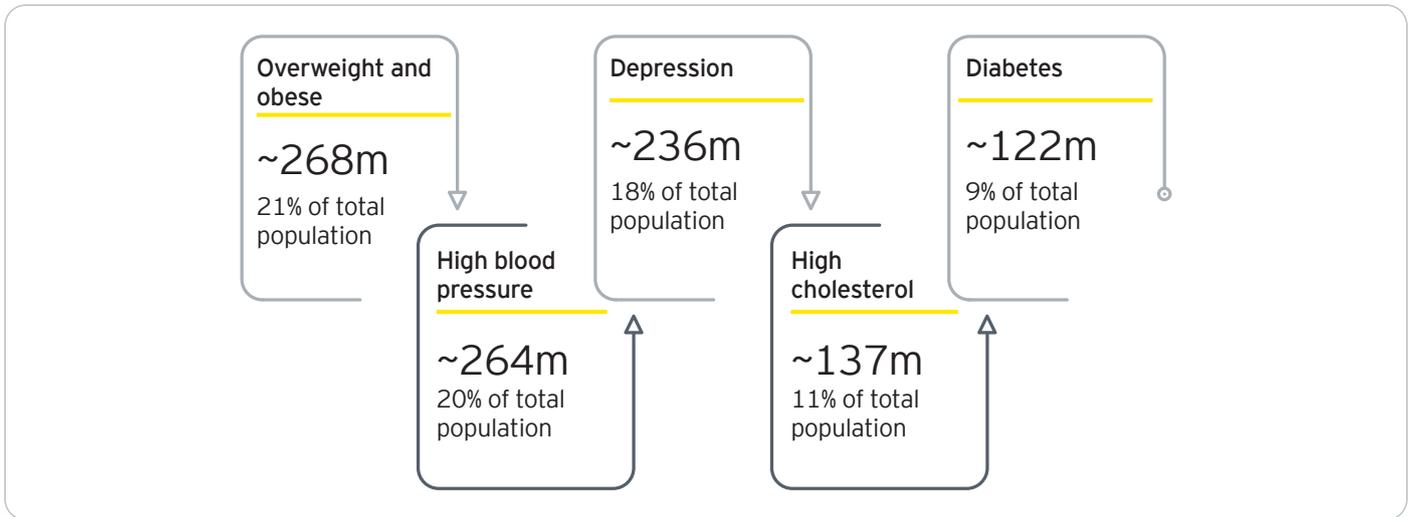
While some experts may see this as a short-term phenomenon, we expect this phase to catalyze a larger acceleration in propensity towards personal health, hygiene, fitness, holistic nutrition. Additionally, there is a growing self-awareness toward health monitoring and medical check-ups. 54% Indian consumers opine that the way they maintain physical appearance will change in next three years - a significant high from 36% globally. The pandemic has also accelerated the adoption of digital technologies. Customers embracing digital platforms on health subjects is a new reality opening a range of opportunities for companies in the sector.

As growth begins to stabilize in more developed countries such as the US, attention is turning to emerging markets with a fast-expanding middle class. Favourable demographics and economic upgradation

urbanization, and busier lifestyles pave the way for lifestyle diseases and related risk factors, such as high cholesterol (affects ~137m representing ~11% of the Indian population), obesity (21% of the population), high blood pressure (20% of the population), and poor diet, is boosting demand for specialized care services. The prevalence of non-communicable diseases (NCDs) in India is 116 per 1,000 population and more than two-thirds of individuals suffering from NCDs are in the most productive-life age groups - between 26 and 59 years¹. Hence, demand for products that suit different lifestyles and diet requirements such as Keto, diabetic-friendly snacks, fortified foods, immunity boosting products etc. continue to see meteoric growth.



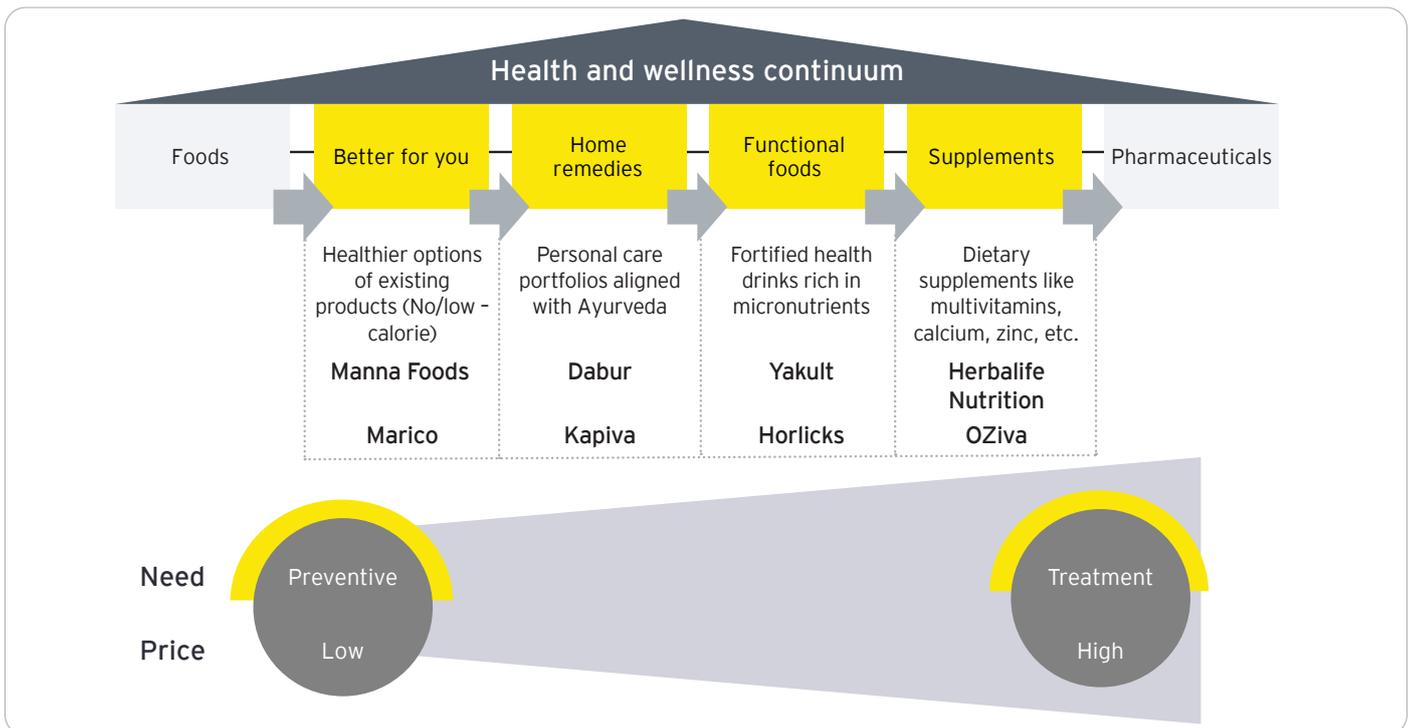
Indians are witnessing a rise in lifestyle diseases and health concerns



Source: Fit India Report 2020, NFHS 5 2019-20, EY Analysis

While many of the European and Asian nations have adopted functional foods and supplements, the Indian consumer is still predominantly showing preference for “better for you” foods and home remedies. Ayurveda and herbal are increasingly becoming “back to roots” answers to modern problems. At one end of the spectrum are

“better for you” foods and beverages targeting wellness and the other are more pharmaceutical products aimed at illnesses. At the cusp of the two, lies a huge opportunity of functional foods, supplements, and nutraceuticals- the next big wave of consumption and opportunity.



Source: Fit India Report 2020, NFHS 5 2019-20, EY Analysis

7 - <https://www.livemint.com/news/india/prevalence-of-non-communicable-diseases-among-indians-is-116-per-1-000-report-11627026330627.html>

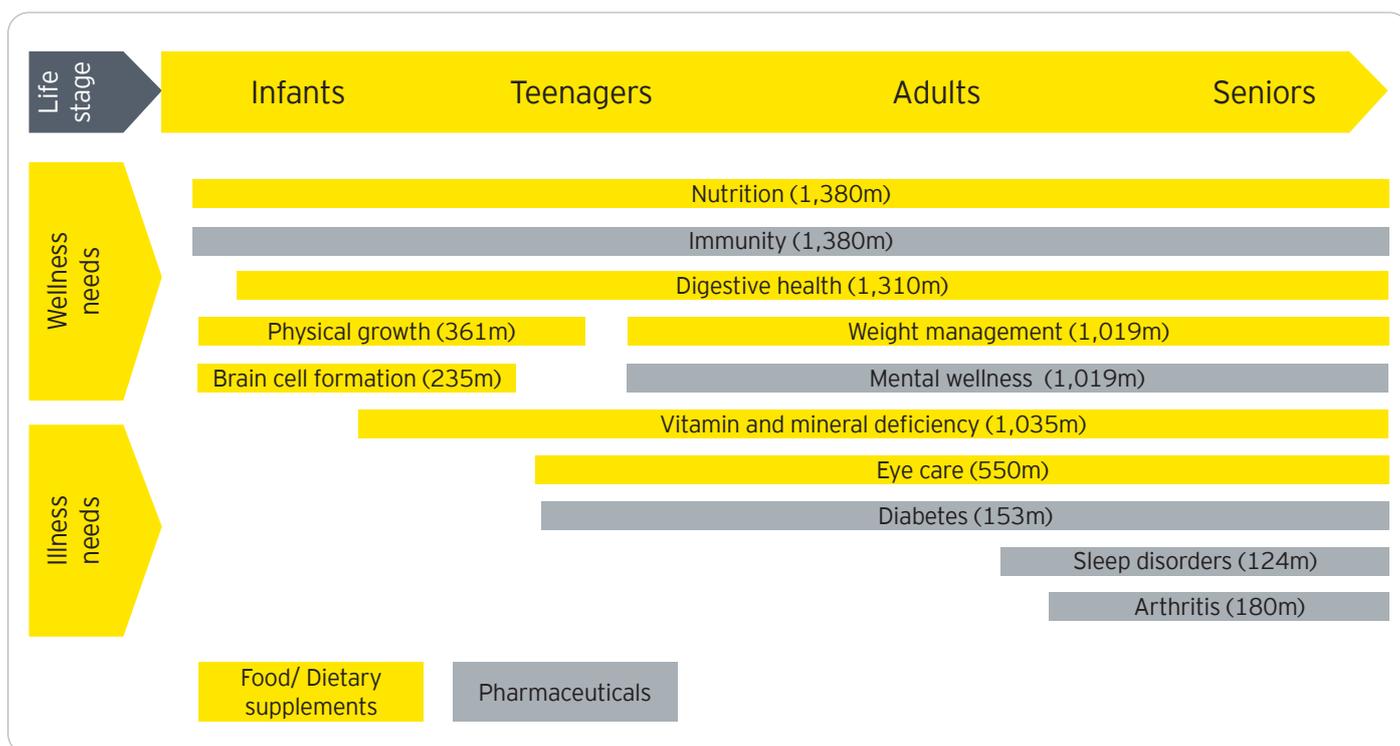
2

Evolving needs through life-stages

While illnesses concern only the affected population, wellness needs are universal. Some of the top needs that have witnessed traction in India across ages are nutrition, immunity, digestion, weight management, providing innumerable growth avenues for companies in health and wellness space. For example, eye care is a growing area of concern not only for 40+ ages but also for teenagers due to increased screen time, especially after the pandemic. Hence, supplements with combination of vitamins are gaining ground across all age groups.

However, there are significant variations in type of supplements depending on the age specific needs. Infancy and adolescence require adequate nutrition for brain and overall development, while middle age is a transition period with greater focus on reducing the known risk factors such as high cholesterol, or to slow or prevent the progression of common diseases like diabetes and muscle loss. Alternatively, cognition and mental decline are major areas of concern for seniors, requiring sustained use of health supplements.

Varying consumer needs and life stages



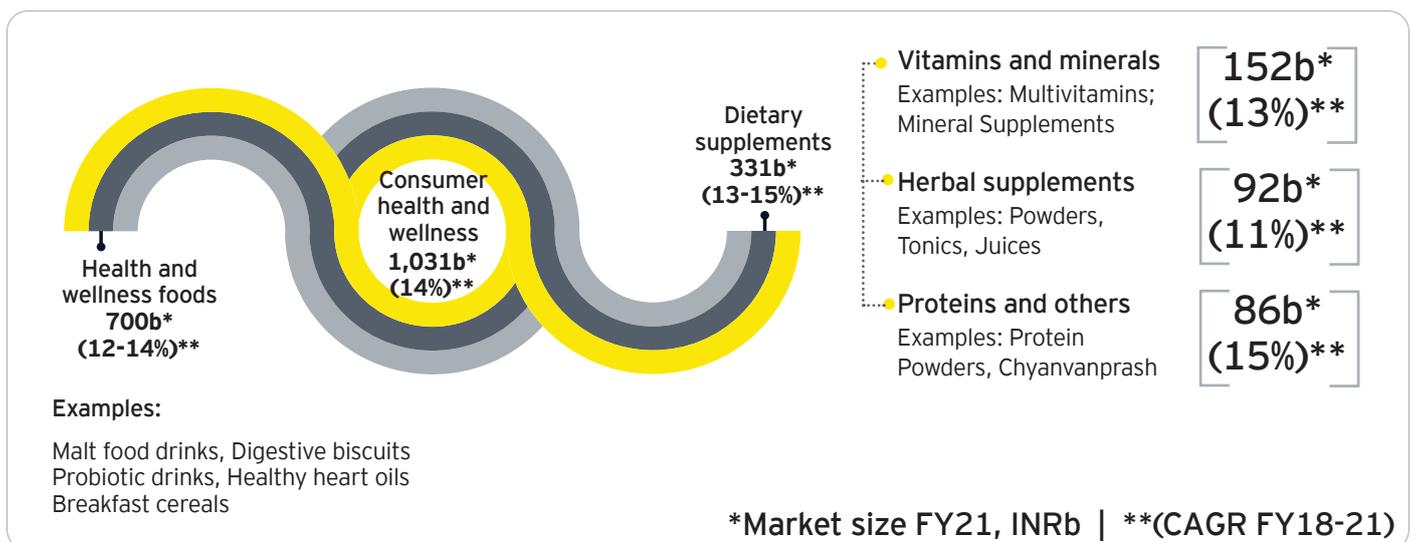
Note: Bracket represents addressable population in million; Source: EY Analysis

3 | Construct of health and wellness products in India

The consumer health products market size in FY21 was INR1.03t and witnessed a compound annual growth rate (CAGR) of 14% over the last three years (FY18-21). This, on one hand comprises healthy variants of foods and beverages such as digestive biscuits, low fat snacks and on the other hand comprises dietary supplements. In the first wave of adoption, consumers have opted for healthy variants of food, which represents ~70% of the health products segment.

Dietary supplements at INR331b is a fast-growing market, and manifests itself in herbal supplements, vitamins and minerals and proteins. COVID-19 has acted as catalyst to fuel the demand of dietary supplements, as consumers increasingly are adopting these specialized products for preventive health and well-being.

Dietary supplement including herbal supplements, vitamins, minerals and proteins is estimated to be an INR331b in FY21



Source: EY analysis

Health and wellness foods

The health food and beverages segment grew at ~14% CAGR during FY18-21 to reach INR700b in FY21. Consumers are actively looking out for brands with incremental nutrients like protein, fibre, vitamins, calcium, and minerals, enhancing the purpose of basic foods.

The market breaks into “better for you” products such as “baked not fried”, “low sugar” and functional products like fortified juices, protein shakes.

Most large food players have adopted functionalization in their product portfolio to differentiate, and drive value for consumers.

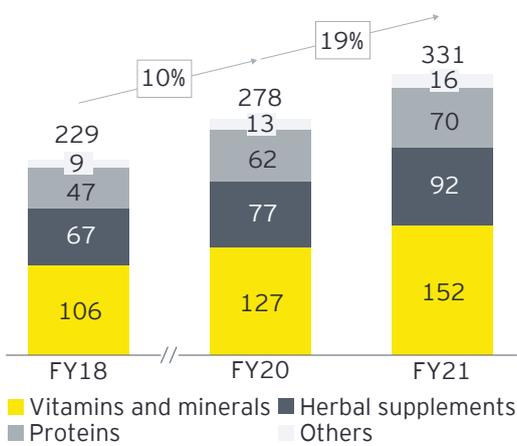
Dietary supplements

The dietary supplements market in India grew at ~15% CAGR during FY18-21 to reach INR331b in FY21. This segment, always considered to be high potential given the growing lifestyle diseases, has witnessed an accelerated adoption curve, post COVID-19. Over the last year, the demand for herbal supplements and vitamins and minerals such as vitamin C and zinc have witnessed growth of over 25%.

Dietary supplements market witnessed 19% growth in FY21

Zinc, vitamin C/ D along with herbal supplements witnessed unprecedented growth post the COVID-19 outbreak

Dietary supplements markets (INRb)



Segment-wise growth estimates (%)

	FY18-FY20 CAGR	FY20-FY21 growth rate
Others	18%	25%
Proteins	14%	14%
Herbal supplements	7%	20%
Vitamins and minerals	9%	20%

Source: EY analysis

While there are well established players like Dabur, Hamdard, Himalaya and Baidyanath playing in the ayurvedic and herbal supplements, other non-traditional players include Amway, Herbalife International, Novartis, Abbott². The sector has witnessed emergence of contemporary Ayurveda, herbal and other wellness products start-ups such as Kapiva, OZiva, Power Gummies, Full Life who are packaging home remedies

and other nutrients in contemporary formats such as effervescent tablets, gummies and lozenges.

The future looks to be very interesting for the dietary supplements market, as more companies from the pharmaceutical industry and the FMCG industry enter the market, invest in product technology and brands, and influence consumption habits amongst consumers



8 - <https://www.prnewswire.com/news-releases/india-dietary-supplement-markets-report-2021-major-companies-are-investing-in-rd-and-launching-new-products-to-retain-their-share-in-the-competitive-market-301292756.html#:~:text=The%20Indian%20Dietary%20Supplement%20Market%20is%20controlled%20by%20several%20major,Limited%2C%20Danone%20Nutricia%20International%20Pvt.>

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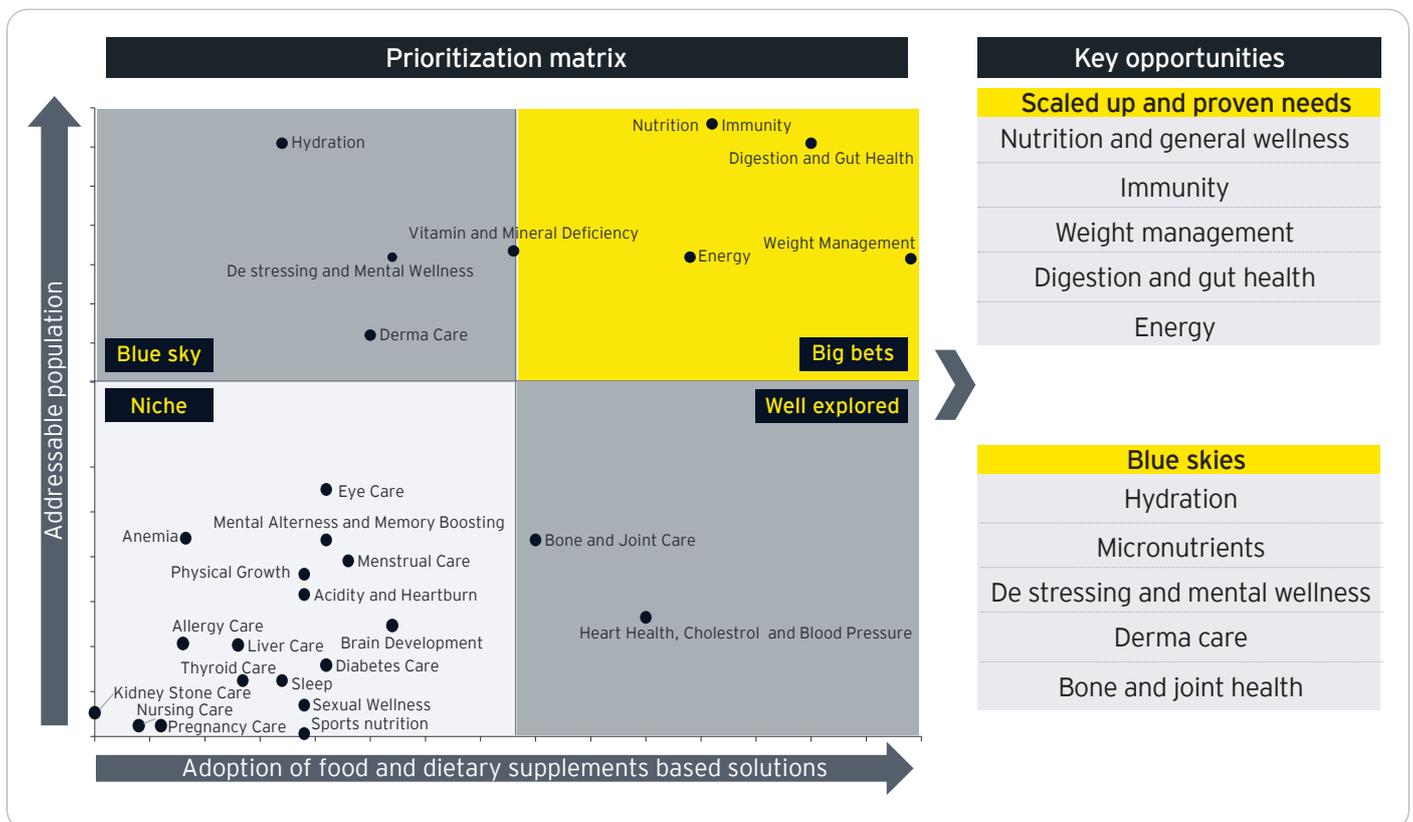
Which are the big consumer bets?

Diverse needs and multitude of available solutions make it difficult for companies to decide on the innovation funnel. There are large and established needs like heart health, blood pressure, menstrual care, allergies, but consumers have preferred adopting the medicinal route for many of them. Our analysis suggests three clear criteria for establishing the innovation bets for a company:

1. How widespread is the need? (addressable consumer base)
2. How serious is the illness/ wellness need?
3. How is the efficacy of the preventive solution?

Our analysis of global markets indicates that there are large global brands that have been built on planks of immunity, weight management, micronutrient deficiencies. Based on a global and regional comparison, we identify the top 10 needs that could form the backbone of a successful innovation platform. We expect the above needs and consumer whitespaces to drive marketing and product innovation in the coming years.

Needs and consumer whitespaces to drive marketing and product innovation in the coming years



Source: EY analysis

5

Pharmaceuticals + FMCG = Nutraceuticals

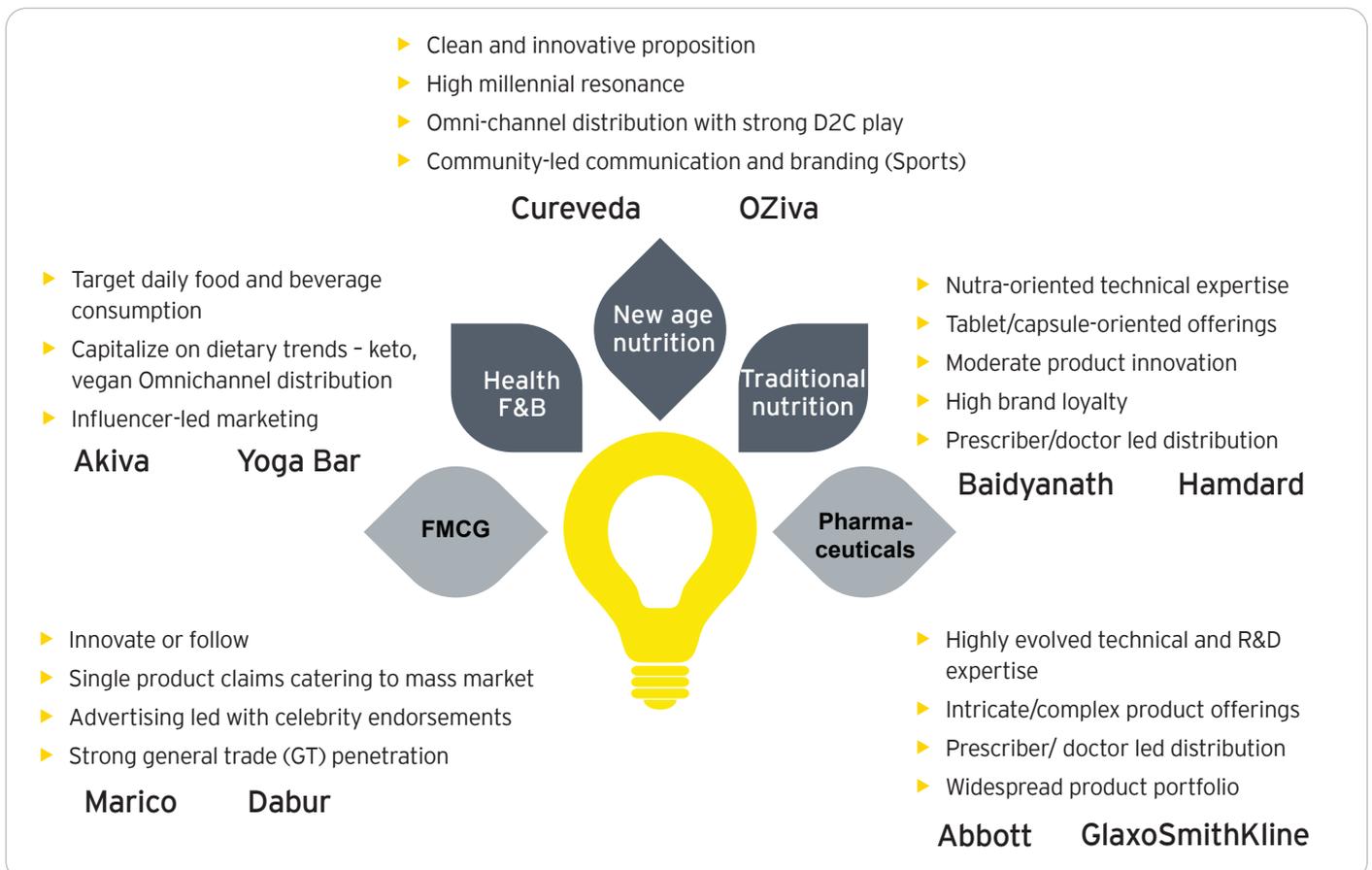
Product technology, solution efficacy and medical advice of pharmaceuticals coupled with marketing, demand creation and push based distribution of FMCG companies

Many companies from pharmaceutical and FMCG industries want to discover the sweet spot. From a category attractiveness perspective, the gross margins of formulation driven products are much higher than foods products, making this play interesting. From research and development on fortifying packaged food, usage of natural grains across categories like cereals and noodles, innovation in categories such as vitamins and dietary

supplements, to beauty and personal care products, companies are working hard to establish differentiated planks on the concept of inner and outer wellness.

Additionally, the growing interest in Natural and Ayurvedic products has encouraged companies already active in the area to assert their credentials more strongly, while it has also attracted the attention of players from pharmaceuticals. For example, in vitamins, established companies such as Herbalife Nutrition without an Ayurvedic positioning have started using traditional Indian ingredients, such as amla, turmeric, and black pepper in their products. The company has launched a separate label called Vritilife to position it as amalgamation of ayurvedic principles and modern science. Several FMCG players with an Ayurvedic positioning have also worked to highlight their local heritages through their formulations, packaging, and marketing.

Market players have chosen distinctive "ways to play" with each requiring a distinct set of capabilities to succeed





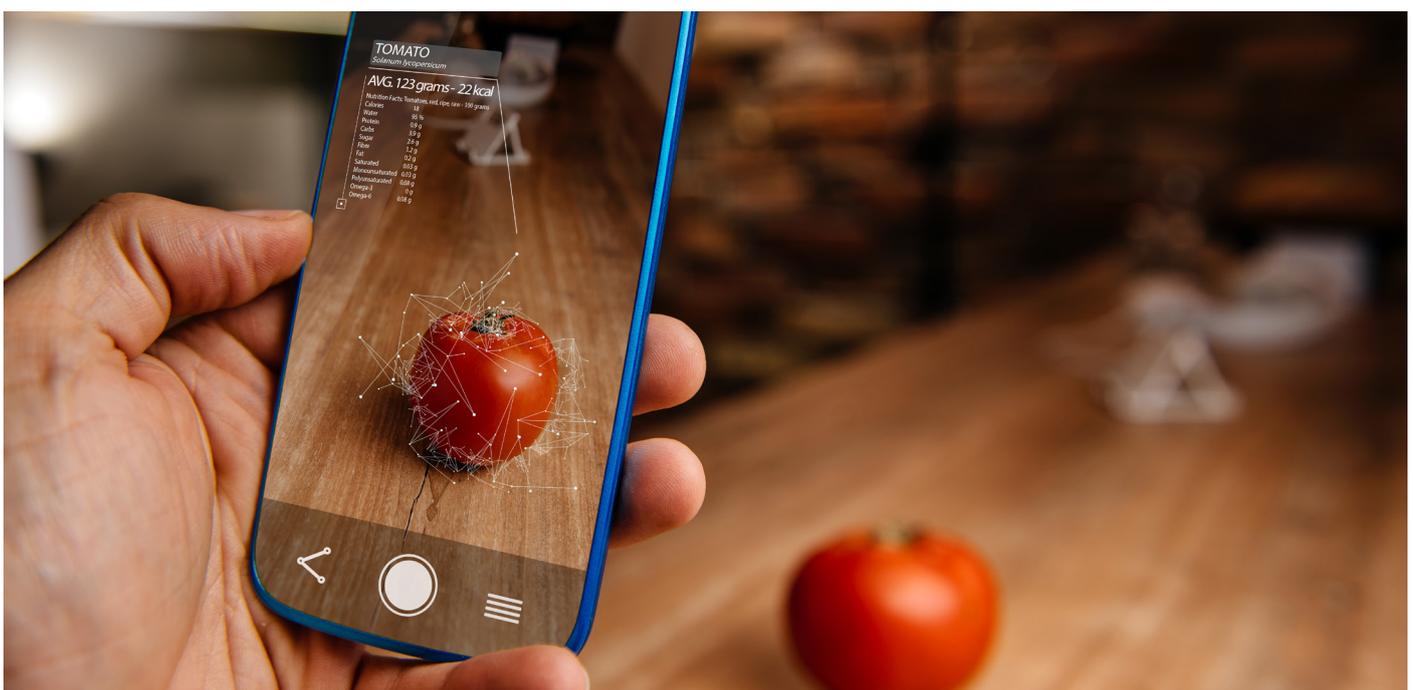
Consumer companies stepping on the gas in nutraceuticals

Consumer companies are keen to build their medical credentials and capabilities, with the aspiration to eventually achieve the higher margins available from these products across their portfolio. They have an inherent advantage in branding, consumer market expertise, and access to mass distribution channels. However, they are still learners in the fields of scientific innovation, regulatory affairs, and medical marketing expertise.

Emami is strengthening its presence in the consumer healthcare market. Before acquiring Zandu, the company had just three main brands in its ayurvedic over the counter (OTC) portfolio - Sona Chandi Chyawanprash, Himani Fast Relief pain reliever and Mentho Plus balm. Today, the group owns more than 10 consumer healthcare brands, including OTC brands such as Lalima (blood and skin purifier) and Fast Relief (pain reliever), while also expanding Zandu portfolio to include Ortho Vedic Oil (for Musculo-skeletal joint health), Nityam (laxative to relieve constipation) and ayurvedic hand sanitizer.

Then there are start-ups that typically are extension of FMCG space, with niche products that target daily food and beverage consumption to capitalize on dietary trends like Souful which has a range of millet-based breakfast cereals and snacks. They are still evolving but fast growing, and with limited resources for category creation. Typically, such players find investments or are acquired by big industry players. In Feb 2021, Tata Consumer Products acquired Souful entering adjacent categories in the food space⁹.

In the next 5 years, we expect consumer product companies to invest in demand creation and increasing consumer education using virtual equivalents of multi-level marketing (MLM), medical representative models, social media-based influencing and direct-to-consumer (D2C) approaches.



9 - <https://www.livemint.com/companies/news/tata-consumer-products-to-buy-maker-of-soufull-cereals-11612280267261.html>

6

Interesting business models

Herbalife Nutrition India: championing localization and direct distribution

The company is a global nutrition company that is paving the way for a healthy, active life - making a mark globally for over 40 years and in India for the past 21 years and counting. With the company's intrinsic values of top-quality and care, Herbalife Nutrition offers a wide range

of products that vary from weight management, target nutrition and sports nutrition.

What sets the company apart is that they grow through creating and building positive communities through a network of Herbalife Nutrition Independent Associates, who make this healthy journey personalized to suit an individuals' needs. Its' strong research and development focus has helped Herbalife Nutrition localize products and flavours for Indian palate, while also catering to a wider target group.

Innovative product range

Weight Management (Local Flavours)



Nutrition Shake - Kulfi Flavour

Ayurvedic Range (with Modern Science)



Immunity Booster

Targeted Nutrition (Fuels the body)



Probiotics - Zero Additives

Energy & Fitness (with sports range)



Sports Nutrition

Unique positioning to a wider target group

Offer supplements across all age groups and needs (from millennials seeking micronutrients to athletes)

Multi level marketing to establish personal contact

Only direct selling; thus personalised relations

Rewards for frequent purchases to build loyalty

Additional discounts for "preferred customers"

Source: EY analysis



Power Gummies: portfolio of tasty, functional vitamin gummies backed by science

At a time when the nutraceutical industry, is flooded with companies providing nutrition and supplements with dubious claims of quick results, Power Gummies has carved a niche by launching essential micronutrients in chewable gummy format and validated by clinical trials. The company functions over 3 thumb rules - convenience, product efficacy and consumer trust.

The gummies are not only tasty and convenient for on-the-go consumption, but are habit forming. Both the quality and effectiveness have been lauded, suiting perfectly for an urban millennial's demand such as weight management and healthy hair. It is now entering wider categories - multivitamins, calcium, sleep, detox, kids thereby catering to wide audience and occupying multiple consumer moments in a day. Power gummies are primarily available on online channels through the company website and across all other major e-commerce platforms such as Amazon, Flipkart, Nykaa, Netmeds, and HealthKart. For marketing, its core focus has been Instagram with strategic use of influencers for word-of-mouth marketing.

Innovative product range targeting unique needs of millennials

Gorgeous Hair & Nails



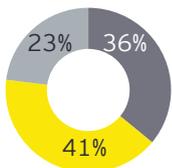
Weight management



Period pain solution



Digital first presence with a strong presence in key channels



- Own Website
- Nykaa & Amazon
- Offline & Other marketplaces

Natural ingredients free from synthetic additives

Vegan-based with no added sugar, gluten & gelatin-free

Innovative format and convenient to consume

Chewable gummies (no need of water and hard to swallow pills)

Stable form suitable for all weathers

Only gummy brand that is stable in all Indian climatic conditions

Proof of effectiveness to build consumer trust

Products are backed by clinical trials; Certified by FSSAI and FDA compliant

Source: EY analysis

Kapiva: contemporary Ayurveda

Ayurveda players have focused on a traditional, middle aged, non-millennial consumer. The opportunity that Kapiva spotted was at the intersection of Ayurveda, food, and millennials. The company's product portfolio is organized along two vectors: ingredients and solutions. Kapiva's products are relevant to the young and affluent

but rooted to traditions. It has sharply tailored product, formats, design and branding. Some of Kapiva's interesting products are juices, including variants like Aloe and Amla. To make it even more consumer friendly, there are options to shop by formats, from powders to gummies.

Innovative Form Factors



Juice



Effervescent Powder



Gummies



Breakfast Mix

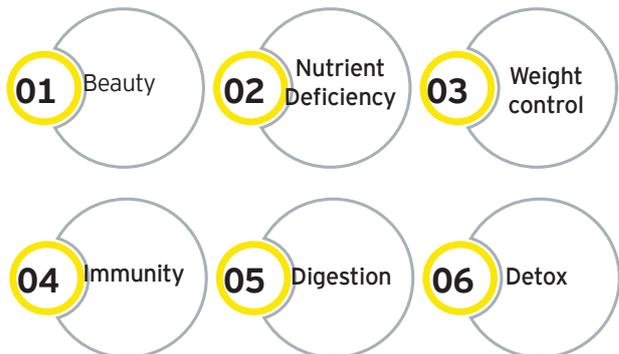


Protein Supplement



Chyawanprash

Products catering to myriad of health needs



Differentiated Manufacturing

e.g. Cold Pressed Technology

Differentiated Manufacturing

e.g. Ripe Amlas from UP

Source: EY analysis

7 | Industry challenges in realizing future potential

1

Consumer awareness and education

- The Vaidis in Ayurveda, doctors in pharmaceuticals and OTC, MLMs in functional products leaves a void in the consumer products model- the influencer and guide. There is a large section of the population that is still unaware of supplements because of cultural misconceptions as they give more weightage to traditional pills and dietary changes. Moreover, exaggerated, or misrepresented product claims contribute to a lack of confidence and erodes trust among consumers and healthcare providers. The need of the industry is to build awareness through a channel, which can provide guidance to the consumer. D2C platforms are the future way to build this consumer engagement platform. Companies could also have a hybrid model of physical and digital, much like the transformation witnessed with insurance and travel agents.

2

Brand credibility and efficacy

- Once the need is established, there would be a need to build credibility of brands over generics. It may be a tough ask to brand a multivitamin product and premiumize, given cheap generics from competition. A similar challenge has been witnessed in Omega 3 tablets, where consumers have switched to the cheapest generic, rather than brands.

3

Continuous science-based innovation

- Consumer companies would have to transition from being "excitement", "functionality" drivers to "performance" drivers. This would require rapid innovation, a science-based approach to claims and efficacy, and partnerships/ joint ventures/ licenses on access to proven technologies.

4

Evolving regulatory environment

- Being at the cusp of food, Ayurveda and pharmaceuticals, the regulatory environment comes under the purview different authorities like Food Safety and Standards Authority of India (FSSAI), Ministry of Ayush and the Central Drugs Standard Control Organization in India. As the industry gets better established, the regulatory framework is expected to become more stringent in the interest of the consumer, eventually marginalizing fringe players, and incentivizing research and innovation.



8

Key imperatives to unlock growth

1 Micro segmentation based on age, gender, need and price to develop more consumer-centric value proposition

- a. **Age- and gender-based segmentation:** GlaxoSmithKline India launched Junior Horlicks (for preschool kids), and Horlicks Women (for women between 19 and 50 years of age)
- b. **Need-based segmentation:** Herbalife Nutrition offers separate supplements for special needs like weight management and digestive health in India. OZiva, has launched OZiva Clean Beauty range consisting of a wide range of skin and hair care products such as Phyto Cleanse range (anti-acne products) and Youth Elixir range (anti-ageing)

2 Create new digital opportunities

across the entire value chain including personalized self-care services (tie-ups with nutritionists) and growing e-commerce platforms. Though many of these options are still in their infancy and far from the mainstream, the success of telehealth in 2020 supports a bullish attitude towards the near-term adoption of additional digital health options as technologies improve and as health systems and platforms personalize their approach without sacrificing users' privacy.

- a. **Develop innovations in narrowing delivery windows,** the expansion of omnichannel options such as click and collect/curbside pick-up, and the improvement in educational tools and professional recommendations, especially in e-commerce and social media platforms in India.
- b. **Develop a full D2C engagement platform:** Collaborate with health technologies providers such as personalized nutrition; wearables and health trackers; online health assistance such as telehealth and teletherapy; and online advice through social media, apps, and dedicated health portals. For example, Curefit, has an integrated healthcare, fitness, and wellness platform for consumers using a mixed channel strategy of online and offline. It offers a variety of services such as food (eat.fit), physical fitness (cult.fit), mental wellbeing (mind.fit), primary healthcare (care.fit) on a single platform.

3 Humanize digitally enabled solutions

- a. **Put human connections and communication** at the heart of digitalization endeavours and integrate community-focused features that cultivate one-to-one interactions and replicate social activities
- b. **Explore the full sensory spectrum,** including stimulation of the tactile and olfactory senses
- c. **Factor in emotional need states,** in addition to physical health data monitoring and digital wellness in the face of overexposure to technology.

4 Establish product leadership

Adopt a 360-degree approach in product development and brand building through the lens of an integrated physical, emotional, and mental ecosystem

- a. **Innovation and brand extensions:** Amway entered a strategic partnership with ITC to offer products in the immunity and wellness space . The company also plans to boost research and development, manufacturing automation and innovation in adjacent categories in nutrition space .
- b. **Mergers and acquisitions** are the significant factors driving capability acquisition as demonstrated by industry players. Technological joint ventures, licenses, acquisitions could catapult growth for players in the industry

5 Measure efficacy and building brand loyalty

It is not enough to let increasing awareness alone translate to consumers' trying and regularly using dietary supplements. Information overload through online channels and availability of plethora of options to choose is challenging for consumers and practitioners to sift through to make the best selection. Hence, improving trust would be a key indicator of consumer engagement and acceptance and would represent an influential metric for industry.

9 | Outlook on private equity and strategic M&A transactions

Nutrition and wellness categories have been attracting both the strategic and financial investors and this interest has only increased with the pandemic. Strategic players driven by their need to short circuit the product development lifecycle and acquire capabilities and / or channels (D2C) that some of these businesses have built. There have been multiple examples globally like Unilever's acquisition of Olly and Smarty Pants , Procter & Gamble's acquisition of Merck's consumer health business , Nestle's acquisition of Nuun , The Bountiful Company , Vital Proteins etc.

Financial investors on the other hand are attracted by growing target market, strong unit economics and

high growth that these businesses are experiencing. With several global acquisitions in this space led by the likes of Unilever, Nestle and Procter & Gamble, there is also strong exit thesis that supports the interest of financial sponsors. The segment has seen multiple fund-raising deals in the past few quarters both in the venture and early growth stage. There has also been a strong strategic interest in the segment, but the deals have been hard to come by due to lack of scale of some of these businesses and general allergy the larger wellness businesses have had for mergers and acquisitions (M&A). We expect that as some of the VC/ PE investments mature, the market should see a spate of M&A transactions led by both global and local majors.

Notable transactions in the space

Month	Company	Investors	Funds raised (\$ million)
Jul-21	The Whole Truth	Sequoia, Matrix	5.5
Jun-21	Wellbeing Nutrition	Fireside, ACG	2.0
Mar-21	OZiva	Eight Roads, F-Prime Capital, Matrix	10.5
Feb-21	Man Matters	Sequoia, Matrix, Elevation	7.0
Jan-21	Kapiva	Vertex Ventures, 3One4, Others	11.0
Jun-20	FastnUp	Sixth Sense, Rekha Jhunjhunwala	4.0

Source: press articles and EY analysis

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The way forward

India might be a late entrant in the health supplement game, but COVID-19 has brought a renewed focus on healthy lifestyle habits and diet, which is expected to further boost the adoption of preventive healthcare solutions. The growing social media penetration and vernacular content platforms have also broadened the healthcare horizon for Indians.

In the end, a win-win for all - For companies, this segment provides a great combination of growth, profitability, IPR driven competitive moats and long-term consumer franchise. Consumers benefit from better health and living, and the society in general from a reduced healthcare burden.

Appendix Glossary

FMCG: Fast moving consumer goods

M&A: Mergers and acquisition

R&D: Research and development

D2C: Direct-to-consumer

IPR: Intellectual property rights

CRM: Customer relationship management

SKUs: Stock keeping units

DIY: Do-it-yourself

LTV: Lifetime value

CAC: Customer acquisition cost

NCD: Non-communicable disease

CAGR: Compound annual growth rate

OTC: Over the counter

MLM: Multi-level marketing

FSSAI: Food Safety and Standards Authority of India

VC/PE: Venture capital/Private equity

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