FICCI

5th Annual Wellness Conference: August 2013

Sizing the wellness market opportunity p4 / Key levers for sustained and profitable growth p6 / Looking forward p26 / Glossary and citations p28

Imperatives for growth
The wellness industry



pwc

www.pwc.in

Executive summary



The wellness market in India continued to tread its projected growth trajectory, to reach a market size of 700 billion INR in 2012. This represents a growth of more than 18% over the previous year. Products continue to comprise a majority share of 55 to 60% of the total market share.

Despite the slowdown in economic growth in 2012, the wellness industry has shown little signs of downturn as consumer spend on wellness products and services continues to be resilient. While industry prospects still remain bright, companies are fine-tuning their business and operating model in order to drive sustained revenue growth and ensure profitability.

Levers for revenue growth

Adopting a balanced approach to scaling up: Franchising has been a common route to achieve rapid scale. However, companies are also exploring hybrid models and expanding the network of their own outlets in order to manage the challenges around loss of control and brand dilution.

Multi-brand strategy to address diverse customer segments: Companies are chalking out a multi-brand strategy in order to target distinct customer segments, penetrate deeper into existing markets, and simultaneously diversify into newer markets.

Investing in building consumer awareness and trust: Consumer awareness and trust plays a key role in the growth of the wellness products and services market as well as widening its consumer base. Players have taken up a number of initiatives to educate and improve consumer awareness regarding the benefits of wellness products and services, and are setting up mechanisms for pro-active consumer connect and feedback.

Levers for growth in profitability

Diversifying portfolio in order to drive profitability: In the wellness industry, products traditionally have had higher margins than services. Many wellness service players are diversifying into products in order to improve business margins.

Chalking out a premiumisation strategy: Players are adding premium products and services to their portfolio mix in a bid to shore up gross margins. However, this necessitates creating a distinct value proposition and investing in additional capabilities.

Developing innovative strategies in order to manage cost pressure: Players across the industry are grappling with issues such as rising input, distribution, rental and manpower costs. In order to mitigate margin risks, they are being more pre-emptive and responsive to market dynamics. They are constantly in pursuit of new options in order to prune operating expenses. This in turn may call for companies to challenge existing practices and re-orient internal processes.

Industry concerns and challenges

There are a number of systemic challenges faced by the wellness industry which, if left unaddressed, can stymie the future growth potential of the industry. Prevailing challenges include the following:

- While players are developing strategies to control costs and arrive at optimal cost structures, managing input costs continue to be a challenge due to the limited capability of the players to pass on these costs to the customers.

- As highlighted in the previous editions of the PwC-FICCI wellness publications, the wellness industry continues to face a talent crunch. This paucity of skilled talent has resulted in high manpower costs and attrition levels. This may result in a 'war for talent', unless active measures are taken to create credible and accessible training infrastructure.

- On the whole, industry consensus emphasises on the importance of improving the overall quality standards within the sector, and project the image of India as a high-quality wellness destination. Accreditation and quality certifications are pre-requisites in order to achieve this goal. However, there are gaps that need to be bridged to mimimise execution challenges and ensure conformity to quality standards across the industry.

A call for action

Corrective measures to tackle these challenges have been introduced in the past. However, factors such as low consumer awareness and execution challenges around certification have limited the industry from achieving its desired results. Collective action from multiple stakeholders such as industry leaders, investors, the government and infrastructure and service providers to the wellness industry, can be a panacea for such challenges, and thereby enable the sector to live up to its trillion rupee potential by 2015.