CLARKSTON CONSULTING

2020 CONSUMER HEALTH CARE TRENDS

Trends that have impacted the larger consumer products industry for years are becoming especially significant in the consumer healthcare space as we look forward to 2020. The rise of direct to consumer startups, growing expectations around personalization, and blurred lines with Big Tech are just a few trends forcing consumer healthcare companies to rethink how they go to market, reach consumers, and grow their business.

DTC DISRUPTION IN OTC

Recent years have shown an explosion of direct-to-consumer brands and the consumer healthcare category is no different with new entrants in several areas, such as:

VISION	WARBY PARKER
DENTAL	smile™ DIRECT CLUB; quip
GENETIC TESTING	23andMe; everlywell
PRESCRIPTION DRUGS	Truepill; NURX; hims
DIETARY SUPPLEMENTS	care/of; Baze

With every new DTC brand entering the market, not only are the consumer's expectations being disrupted but the path-to-purchase is being altered as well. Traditional consumer healthcare companies need to enhance and improve consumer activation to stay ahead of the game.

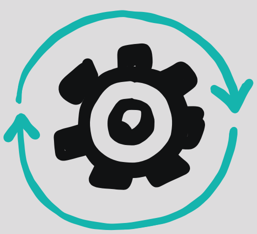
Some key characteristics of these DTC businesses:

CONSUMER-CENTRIC

Product and execution are driven by consumer needs and the consumer is put at the forefront

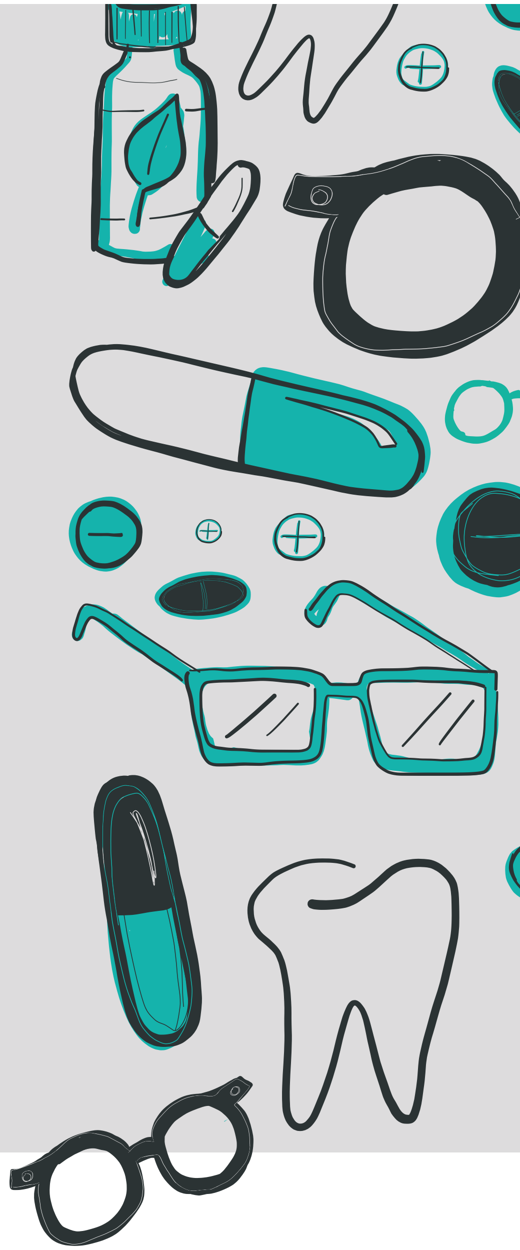
DIGITALLY NATIVE

These companies are born digital, with enhanced online consumer experiences and a substantial focus on eCommerce



AGILE

These companies are able to react fast to market dynamics without heavy processes



While DTC healthcare brands have provided many benefits to the consumer, there is some concern around the regulation of DTC marketing in healthcare. As FDA regulations around drug marketing were written before online CHC companies such as Hims or Kick Health existed, these businesses are resting in a **legal gray area**. With the boom of DTC healthcare companies, it is yet to be determined what the regulatory future for these companies will look like. Nevertheless, the consumer's expectations for the future has changed and companies need to be prepared to meet them.

HYPER PERSONALIZATION

The popularity of at-home genetic testing has exploded in the last few years, contributing to a trend in hyper-personalized consumer healthcare goods and services. This has been particularly true as the cost of mapping the human genome has dramatically fallen over the last 15 years (by almost 100,000%) so consumers are now expecting a greater degree of personalized care. Businesses such as 23andMe and Baze have already pursued products and services to capitalize on this trend:

23ANDME'S HEALTH SCREENING

In January 2019, after an elaborate process, 23andMe received FDA approval for DNA cancer screening of a hereditary colorectal cancer syndrome. The company already tests for other serious illnesses, such as Type 2 Diabetes, Late-Onset Alzheimer Disease, and some variants of breast cancer in women of Ashkenazi Jewish descent.

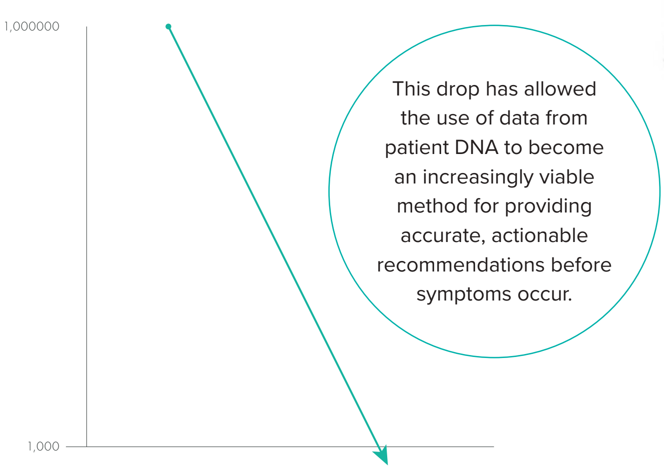
BAZE'S PERSONALIZED SUPPLEMENTS

The Swiss-based startup Baze launched in 2018 and raised $6M from Nature's Way in 2019. Using blood tests evaluated by nutritionists, they provide subscriptions for personalized nutritional supplements.

The advent of this level of personalization is changing consumers' expectations. But, as with many new innovations and breakthroughs in this space, some experts have raised concerns about the absence of a medical professional as an intermediary to interpret the results. These concerns are amplified in some cases where the results have limitations or require further specification.

With these products becoming more widespread, the regulatory landscape might catch up to govern these products more clearly. As DNA testing becomes more cost-effective and simpler to execute, consumer healthcare businesses must explore how to leverage it within their own products while carefully monitoring emerging regulatory issues.

COST OF MAPPING A HUMAN GENOME
IN THE LAST 15 YEARS



SOURCE

> **"There is also broad concern about such tests being offered to consumers directly, without the insight of a doctor or genetic counselor to help interpret results and plan any medical care accordingly"**
>
> SOURCE

At-home blood testing startup Baze rakes in $6 million from Nature's Way:

SOURCE

TECH GIANTS CONTINUING TO MAKE MOVES IN HEALTHCARE

With the consumerism of healthcare, the rise of digital heath platforms, the increase in wearables, and new DTC personalized products, there has been an incredible rise in consumer health technology, as well as a surge in the amount of valuable data generated by these initiatives.

With this marriage of consumers, health, and technology, Big Tech companies are continuing to make bold moves into the healthcare space. Apple has been at the forefront in health wearables with the Apple Watch, which received FDA clearance to use ECG heart monitoring features. Other companies in Big Tech are approaching healthcare from multiple angles:

AMAZON

Amazon has shown increasing interest in healthcare, with its acquisition of online pharmacy PillPack in 2018 and the 2019 launch of Amazon Care for its Seattle-based employees.

Also, in October 2019, Amazon launched its new Amazon Echo Earbuds – which are rumored to also have fitness tracking capabilities, an avenue for Amazon to enter the wearables game.

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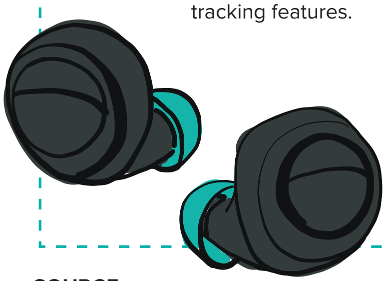

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GOOGLE

In November 2019, Google announced its acquisition of Fitbit after a bidding war with an at-the-time undisclosed competitor, later revealed to be Facebook. This contest for the fitness leader clearly demonstrates the competitive race for consumer healthcare and wearables in Big Tech.

FACEBOOK

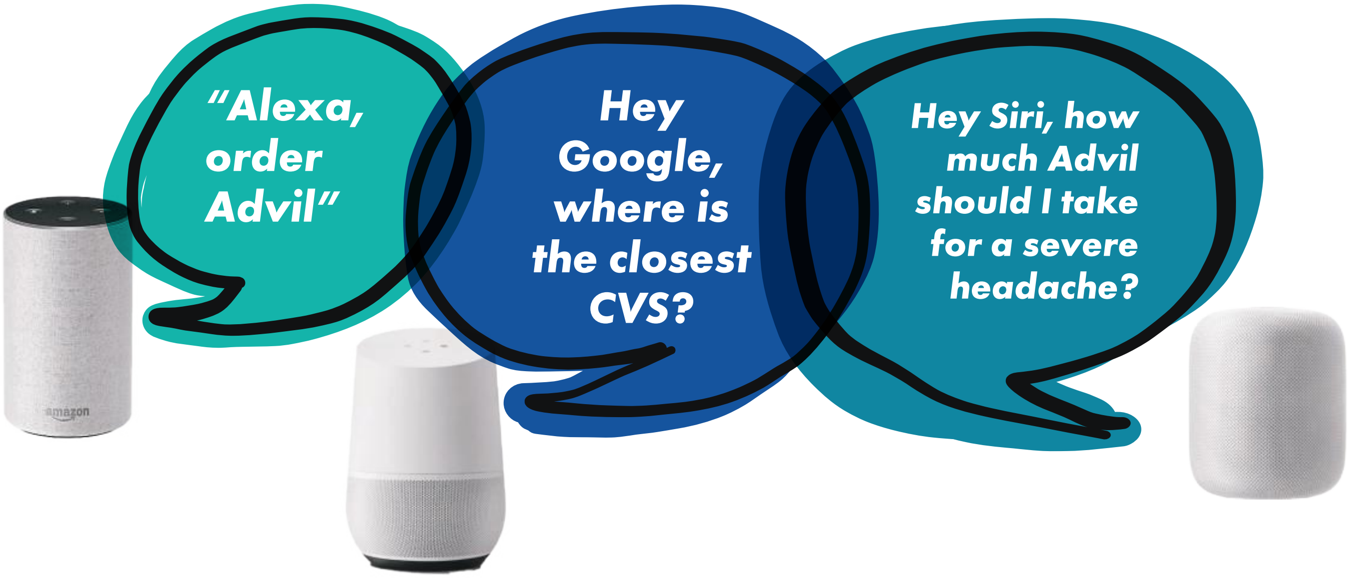
Facebook launched a new tool called Preventive Health in October 2019. The tool aimed to provide preventative, personalized recommendation based on user demographics. It focuses on getting users information such as screenings, vaccinations, and check-ups. Less a diagnostic and more a reminder tool, the tool is not currently connected to any medical records or systems.

As with any recent development in Big Tech, these impressive innovations are tinged with consumer concerns around data privacy and security, especially considering the nature of the data being collected and utilized.

But as juggernauts in the tech space continue to invest in healthcare in earnest, traditional consumer healthcare companies should take note and innovate accordingly. These businesses have succeeded in their own field with deep understanding and engagement of consumers – qualities that any consumer healthcare company strives to create and maintain.

Facebook was the mystery firm bidding against Google

SOURCE



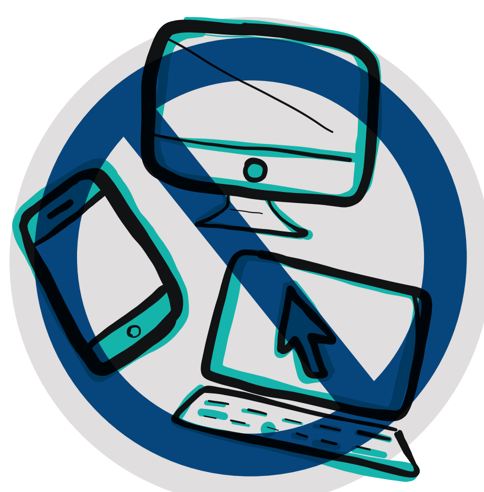
VOICE SEARCH IS CHANGING THE CONSUMER JOURNEY

According to Comscore, 50% of all searches will be voice in 2020 while Gartner predicts that up to 30% of searches will be done without a screen. These predictions show that voice search is growing and increasingly becoming the new norm. So what does this mean for consumer healthcare industry?

In today's world, the consumer journey in healthcare has already been heavily impacted by digital. As has been made clear for any consumer healthcare company, gone are the days when consumers only sought out their doctor for care advice. Today, consumers google their symptoms, use digital health platforms for diagnosis, and leverage DTC companies for prescriptions – all without even seeing a doctor.

Voice search is yet another element in that digital journey that consumer health companies should consider when planning their marketing activations. Companies need to understand the role search in general plays as a touchpoint in their consumer journey, and how voice search differs. It's critical to be present in voice search, or digitally-native companies will take the lead.

SOURCE



30%

OF SEARCHES WILL BE DONE WITHOUT A SCREEN

SOURCE

CBD FOR PAIN RELIEF

When the 2018 Farm Bill was passed in the U.S. it changed the future of CBD in the country and consumer healthcare industry. The bill removed hemp from Schedule I controlled substances, which decriminalized CBD derived from hemp. Regulation-wise, CBD will fall under the Federal Food, Drug, and Cosmetic Act. While the 2018 Farm Bill legalized CBD derived from hemp, it still rests in murky legal waters. The FDA is still formulating the policies and regulations that will ultimately govern CBD in the consumer healthcare, food, and beverage industries.

Since the publishing of the 2018 Farm Bill, despite the grey area, retailers like Walgreens, CVS, Whole Foods, and Amazon have taken the step (and risk some might say) to introduce CBD products. The muscle pain relief category is one experiencing an influx of new CBD products. Manufacturers have taken different stances on claims, some combining with approved active ingredients (such as Menthol USP) to claim temporary relief, while others avoid all claims. Still, these products are often placed within the muscle pain relief aisles at retailers even if they are not making claims.

The CBD category has the power to disrupt other categories, including that of consumer healthcare, and many big players like GSK and Pfizer are starting to research the benefits. 2020 has the potential to be a big year for CBD with increasing research and the expected FDA regulation to be published in the coming months. This could truly be the year to kick-start the US CBD market, which, despite all uncertainty, is already expected to reach $23.7 billion by 2023.

CONCLUSION

Consumer healthcare is changing. Traditional business models and strategies are being forced out by new innovations and radical competition in the industry. Succeeding today in consumer healthcare requires a consumer-first mentality backed by a deep understanding of consumers with products, messaging, experiences, and entire ecosystems built around that understanding.

ABOUT CLARKSTON CONSULTING

Leading consumer products businesses partner with Clarkston Consulting to address and adapt to the most critical industry challenges stemming from evolving consumer expectations, a highly competitive landscape, and an unrelenting pace of change. Our people combine industry and functional expertise to deliver solutions that fit your business, your goals, and your future. At Clarkston, your purpose is our purpose.

For more information about how we can help your company with the challenges and opportunities in consumer healthcare, please contact us.

CLARKSTONCONSULTING.COM

919.484.4400

INFO@CLARKSTONCONSULTING.COM

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