Get well sooner

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Wellness has become a huge consumer trend over the last few years. From jade rollers to gluten-free everything to Fitbits to juice cleanses, taking care of your health and wellbeing has become the purview of the individual and we are now more aware than ever of our own health. This is creating a host of opportunities across the investment universe, although there are risks to be mindful of too, as is the case with any investment trend.

Around the world, greater interest in health and wellbeing is being prompted in part by the rising cost of healthcare. Since 2008, the average contribution of a US worker towards their healthcare premiums has increased by 65%, making staying healthy seem all the more valuable.¹

The rise of technology has also contributed to this, as there are now a number of healthcare apps available to help with tracking food intake, water intake, activity levels, sleep quality, hormonal cycles and medication timings, among many other things. More than three billion healthcare apps were downloaded in 2015, up 30% year on year.² This democratization of health information empowers people to do more to improve their wellbeing.

The Health Consumer

As people spend more on their healthcare and take more interest in it, we are seeing individuals behave not just as patients but more like consumers too. This means brand becomes very important. Healthcare companies now have new impetus to consider their branding and marketing to patients (not just doctors), to try to entice them to choose their products or services. Companies that understand the market and brand themselves effectively are likely to have an edge.

As consumers, people also expect greater convenience from their healthcare providers than they have in the past. No longer willing to wait two weeks to see a doctor, people are turning to healthcare apps, which enable consultations with doctors over the phone on demand, effectively allowing people to walk around with a doctor in their pocket.

In Israel, 57% of consultations with children now happen by smartphone, which is important for busy parents who want their child to be checked out as soon as possible.³ Companies with strong brands and the ability to improve the efficiency of healthcare delivery are poised to do very well. This trend is having a big impact on a number of companies involved in preventative measures too. The fitness industry is growing rapidly, with gym penetration increasing around the world. In the last seven years, UK gym membership has grown by 2.6 million.

Technology is part of this new exercise regime too, with 77% of 18-24 year olds using technology as part of their fitness routine.⁴ This might include using YouTube to do a workout at home, using wearable technology, or using fitness apps.

¹ Kaiser: 2018 Employer health benefits survey, 3 October 2018
² Research2guidance, 31 January 2015
³ Dell Healthcare
⁴ Citi Research
technology to track your heart rate and calorie expenditure, or using a fitness app to keep track of your progress in the gym or on the scales.

Intertwined with wellness is nutrition; malnutrition – which includes hunger, undernourishment, obesity and micronutrient deficiencies – affects 40% of the world’s population, and costs the global economy $3.5 trillion each year. It is so severe that the UN has designated the decade of 2016-2025 as the decade for nutrition, in a hope to improve outcomes around the world. This creates a major opportunity for companies offering treatment for diseases related to obesity and nutrition deficiency as well as for those offering healthier options and nutritional supplements.

There is also an increasing awareness of the importance of mental health. With 300 million people across the world suffering from depression and the World Health Organization estimating that depression and anxiety cost the global economy one trillion dollars each year in lost productivity, there are economic gains to be made by treating mental health more effectively.

Wellness in Practice

There are many real-life examples that show this wellness theme in practice. From the US to South Africa to China, health insurance companies are now offering their members wearable devices to improve healthcare outcomes and reduce healthcare costs. A US health insurer that offered its members wearables to track their activity in return for a discount on their insurance premium found that those who accepted saw lower healthcare costs and far fewer hospital visits than those who did not. In contrast, there is evidence in Australia that younger, healthier people are shunning expensive healthcare insurance and instead investing in sports, recreational activities and supplements to keep them healthy instead.

There is also a growing range of diagnostic tools available through healthcare apps on your phone. It is now possible to take a picture of a mole, upload it via your smartphone and have it analysed by a doctor anywhere in the world to find out if it is healthy or needs further investigation.

Of course, while there are many opportunities for companies in this area, there are also risks. Regulatory bodies and governments may well step in, as they have done recently in the UK by implementing a sugar tax to try to curb rising rates of obesity. Consumers also tend to demand price transparency as they aim to maximize value for money, and this is likely to threaten certain profit pools in healthcare, in cases where companies have thrived on lots of opacity about the true cost of their products or services. There are also lower barriers to entry in consumer-led healthcare compared to traditional healthcare, which may exert pressure on margins in the industry.

There are a number of aspects of our changing healthcare landscape that warrant further exploration, of which wellness and the consumerization of healthcare is only one. We believe that this focus on wellness, combined with the technological revolution, is going to present great investment opportunities over the coming years, as well as help us identify areas at risk that we want to avoid.

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5 GLOPLAN, 2016,
6 UN News: One in three people suffers malnutrition at global cost of $3.5 trillion a year
   – UN, 1 December 2016
7 Deloitte
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