

Capture the growth

The opportunities
for new entrants
in healthcare
and wellbeing

February 2016



Contents

Executive Summary	4
Healthcare challenges	5
Healthcare spending and the rise of new entrants	7
What consumers want	10
Who are these consumers?	11
• Differences and similarities	18
How can organisations make the most of this?	19
Implications for healthcare providers	24
Implications for healthcare and non-healthcare organisations	25
How we can help you	26
Contact	27
Appendix I and II	28
Health Industries – Our People	29
Sources	30

Foreword



Rt Hon Alan Milburn

Health Industries Oversight Board Chair

The time is ripe for new ideas in UK healthcare. Some of those new ideas and solutions will come from new sources – organisations which traditionally have not been involved in healthcare, fitness or wellness. Worldwide, the players on the healthcare pitch are changing. And the UK is no exception. New entrants are emerging, disrupting the old ways of doing things.

This report analyses these changes. It is based on research about what people think is happening in healthcare now, how they approach their own fitness and wellness and what needs to happen in the future. The insights of healthcare professionals, people getting care and people looking for ways to stay healthy help pinpoint where opportunities lie for new entrants to make the biggest contribution to improving health and care.

Real opportunities for the right ideas

The UK's unique healthcare system faces challenges. An ageing population. A rise in chronic conditions. And pressure on finances for the taxpayer-funded National Health Service (NHS). But there are opportunities too. New technologies are opening up new ways to foster good health, maintain fitness and prevent ill-health. New ideas are being embraced to optimise resources and improve outcomes. And, critically, people are more interested in their own health and wellbeing than ever.

The trick is to find ways of harnessing the traditional strengths of the UK's healthcare system and marrying them with the new insights and innovations that new entrants can bring.

Understand consumers, master systems

What matters most is connecting with individual consumers. This report shows they're keen to take the initiative in looking after themselves and finding the best ways to be looked after. They're increasingly motivated to stay fit and well. And they have an open mind about who provides services and how and where they are provided.

That opens the door to organisations who can find a way to give people what they need in new ways and to partner with the NHS and private healthcare providers in doing so. For those who are prepared to walk through that door there is a bright future ahead. New entrants can help reshape the health, fitness and wellness landscape in the UK.

If you've got new ideas, we'd love to talk them over.

**Total spending
on healthcare,
wellness and
fitness is forecast
to be**

**£209_{bn}
in 2020**



**Consumer
spending on
wellness is
forecast to
grow by**

**20%
by 2020**



Executive summary

The UK healthcare landscape is changing, with customers more engaged than ever in their healthcare, fitness and wellness. This opens up opportunities for new entrants to new and existing markets if they can design care models with availability, convenience and value for money at the core of their offer. These opportunities exist whether new entrants are targeting NHS funding or private spend.

While the UK healthcare and wellbeing market is large (c.£180bn) and growing, it's facing a number of financial challenges. They're particularly affecting the taxpayer-funded National Health Service (NHS), which accounts for about 85% of healthcare spending. Privately-funded healthcare accounts for the other 15%, but it's growing at a faster rate than the public system, partly because of a challenging NHS environment.

A bigger business, more engaged customers

An ageing population, increases in chronic disease and more expensive healthcare treatments mean the underlying drivers of spending on healthcare should carry on growing strongly with continued pressure for health spending to consume an ever-larger share of GDP. And that will put more pressure on already stretched public finances. At the same time, consumers are taking ever more ownership of their own healthcare, fitness and wellness and demanding more.

These trends create opportunities for new entrants in healthcare and especially fitness and wellness in the UK – if they focus relentlessly on meeting consumers' needs.

Our research, involving over 2,000 consumers, patients and physicians suggests people are demanding more convenient care, more access and a bigger say in decisions about them and their care. What's more, they're willing to have their care in non-traditional settings, from non-traditional players.

And in certain cases, they're also willing to pay for aspects of their treatment such as diagnostics and basic tests and interventions if they get value for money alongside convenience and access. However, in the UK, once patients pay privately, they need to carry on with private care or start their treatment again in the NHS. This key barrier to private, out-of-pocket services means entering the UK health market will be materially different to other geographies.

What is a new entrant?

A non traditional healthcare player who offers its brand, engineering expertise and knowledge of customers to disrupt the healthcare landscape.

To help bring this to life we have focussed in on three different types of consumer and looked at their needs and what's important to them. This gives us an understanding of what they want from healthcare, wellness and fitness and how and where they want it. Jack is 24 and reflects the younger, more technology focused consumer; Donna is a mum who has a greater focus on family and Betty represents the older generation, the biggest users of healthcare. Understanding their lives and needs gives us better insight into the growth areas and where the new opportunities are.

Opportunities despite the barriers

Given the NHS's current funding challenges and the Secretary of State's focus on innovation as a way to improve performance, any provider saving the NHS money, whether a new entrant or not, has an opportunity to create value. But designing a product and navigating the complexities of the NHS organisational structure will still be a challenge for those not familiar with the system.

The biggest opportunity, though, lies in wellbeing (fitness and wellness), where no-one in the UK offers a mass market, comprehensive product. Consumers, including older ones, are increasingly interested in keeping fit and well, and are willing to pay to do so. For many consumers, particularly beginners or those at an entry level, a key concern is: 'How do I do this and where do I get equipment, services and advice?' These initial concerns can be off-putting for consumers and there's a gap for more holistic solutions that meet a number of these needs.

Understand consumers, create value

This report discusses some of these themes and the big issues that need to be considered. The main one is around understanding consumers' changing attitudes to healthcare and wellbeing. Get that right and there are opportunities to create and capture value in a large and growing market.

Healthcare challenges

Disruptive trends are revolutionising the global healthcare industry

Key global trends are affecting the health industry...

...which means:



Demographic shifts and social change



Technological advances



Rebalancing global economic power



Empowered consumers



Globalisation of care



New business models



Rise of new entrants



Outcomes over volume



Private sector and consumers financing delivery of care



Distributed care / care in the palm of your hand



Data as a way to improve healthcare

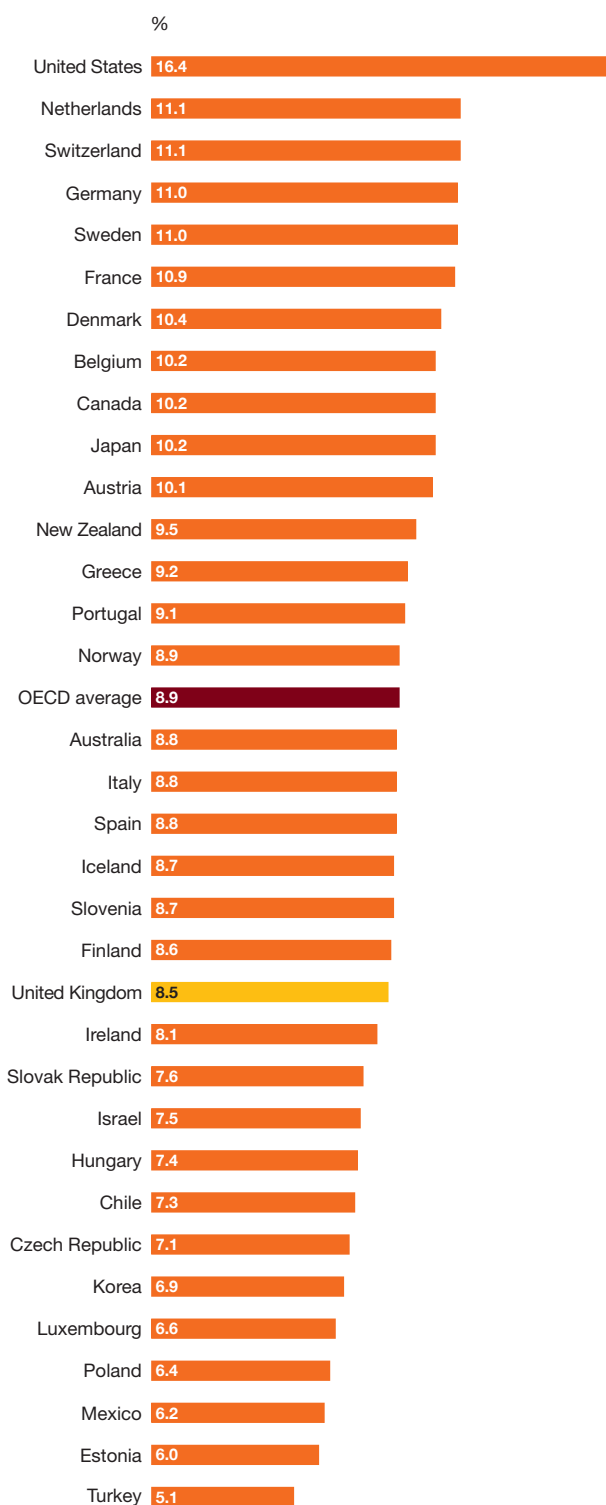
The UK is facing unprecedented healthcare challenges. Various factors, some unique to the UK and others that exist in the West as a whole, have come together to create this situation. The UK faces the same health challenges as many other developed nations. The population is ageing. Chronic diseases are increasing. So are the costs of diagnosis and treatment. And empowered consumers are demanding ever-higher standards of healthcare, not only in terms of clinical quality but also access and convenience.

The major difference between the UK and many of its peers is, of course, the NHS. This is a healthcare system funded from general taxation, where care is free for those ordinarily resident in the UK. Taxes are collected by the Treasury, with funding then distributed by the Department

of Health (DH). The system is split into payers (local health commissioners) and providers (also the NHS or private operators). Private providers in this context will provide services to patients on behalf of, and funded by, the NHS (they can also provide care to private payers, of course, and many do both).

The NHS is in the midst of its most challenging financial environment since it was founded in 1948. It's one of the most efficient healthcare systems in the world in terms of output per pound spent. But UK healthcare spending as a proportion of GDP, of which the NHS makes up about 85%, is lower than other comparable countries. In addition, the system was designed and created in a time when demands on healthcare services were much lower.

Healthcare spend as percentage of GDP, OECD members (2013 or nearest available year)

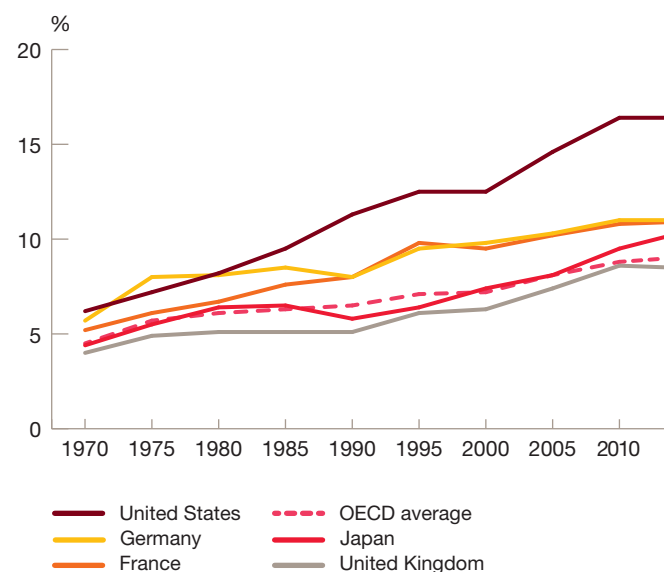


Source: OECD

Healthcare spending under pressure, despite high demand

Healthcare spending had been taking an increasing share of GDP for much of the time since the NHS was created. But this trend has been far more difficult to maintain since the financial crisis of 2008-09, when the UK embarked on a strategy of fiscal consolidation. NHS funding growth has slowed in real terms.

Healthcare spending as percentage of GDP, 5 largest OECD economies



Source: OECD

Consumers care more about health, fitness and wellness

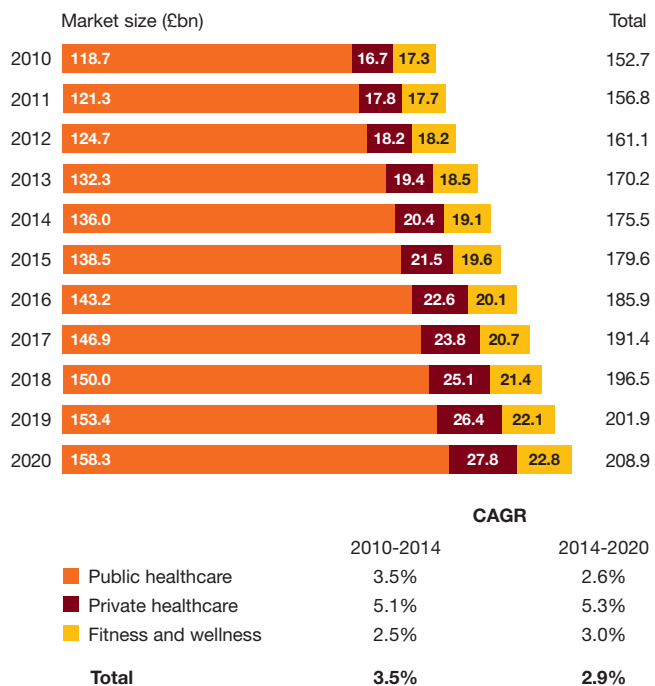
Also, consumers are taking more of an interest not only in their health, but also their fitness and wellness. They're increasingly interested in all aspects of their wellbeing, from tracking physical activity and exercise through wearables, and sleep patterns through smartphones and apps, to monitoring symptoms and signs at home, whether it's blood pressure, blood sugar or pulse rate.

So what does this all mean for the NHS and the faster-growing private sector? And what opportunities could these challenges create for new entrants? What role can non-traditional private sector organisations play in providing healthcare services and products? And crucially, what do consumers want from their healthcare providers? What's their attitude to non-traditional providers and what role will fitness and wellbeing play?

Healthcare spending and the rise of new entrants

Healthcare spending is dominated by the NHS, but private spending is large and growing

UK Healthcare (public and private), wellness and fitness market



Source: PwC analysis

For companies with a proposition that meets both funders' (where relevant) and consumers' concerns and needs, the size of the prize is big. The UK is forecast to spend an estimated £180bn in 2015 on healthcare, fitness and wellness. Clearly, the public sector accounts for the bulk of this, but private healthcare spending is estimated to be worth over £20bn in 2015. What's more, it's forecast to grow at over 5% a year – twice the rate of public healthcare spending growth.

A fast-growing wellness and fitness market

The wellness and fitness market, which includes gym memberships, studios, nutrition and sports drinks, alternative medicines, sports equipment, wearables and apps was estimated to be worth £20bn in 2015. This market is also forecast to grow above public sector healthcare rates.

But within this, some sub-categories are forecast to see far higher growth rates. For example, much of the forecast growth in the market is due to wearables and healthcare apps, which are expected to show significant growth of between 25% and 35% a year until 2020. Meanwhile more traditional areas of fitness and wellness spending on things like gym memberships and fitness DVDs/downloads are likely to see far lower growth rates.

Overall, the potential prize is large and growing. How best can traditional and non-traditional healthcare players, or new entrants, create and capture value in this market?

UK examples of new entrants

Harley Street at University College Hospital (UCH)



HCA, the world's largest private hospital group, has partnered with UCH to deliver private hospital treatment in central London.

Sainsbury's healthcare services



Investing £40m in primary and community care facilities offering services such as optical, dental, audiology and podiatry. Also experimenting with store-within-a-store concepts by giving space to NHS GP surgeries.

Babylon



A subscription service, accessed through an app, which lets users get medical consultations by text and video. Currently believed to have over 250,000 subscribers in the UK, including through NHS and private medical insurance partnerships.

Less disruptive: traditional players

More disruptive: non-traditional players

Although dominated by the NHS, private expenditure is large and growing

Where and on what are the UK government and individuals spending money?

Wellness

+ 20% growth

£10.3_{bn}
in 2015

to £12.4_{bn} in 2020



Fitness

+ 14% growth

£9.2_{bn}
in 2015

to £10.4_{bn} in 2020



Top performers

Health apps

+ 360% growth

£100_m
in 2015

to £460_m in 2020



Wearable devices

+ 200% growth

£125_m
in 2015

to £375_m
in 2020



Worst performers

Fitness DVDs/ downloads

- 26% decline

£10_m in 2015

to £8_m in 2020



Consumers' spending on other wellness and fitness categories



Nutrition

+34%

£500m in 2015
to £670m in 2020



Telehealth

+23%

£260m in 2015
to £320m in 2020



Sports equipment

+21%

£3,900m in 2015
to £4,700m in 2020



Alternative medicine

+18%

£5,700m in 2015
to £6,700m in 2020



Weight loss

+17%

£1,800m in 2015
to £2,100m in 2020



Pilates and Yoga

+17%

£760m in 2015
to £890m in 2020



Personal trainers

+12%

£600m in 2015
to £670m in 2020



Vitamins

+10%

£410m in 2015
to £450m in 2020



Gym membership

+5%

£4,000m in 2015
to £4,200m in 2020

What consumers want

Consumers are becoming more demanding and new entrants will mean different things for different groups of consumers

Consumers are becoming more discerning and have specific demands across the healthcare, wellness and fitness spectrum. The key for new entrants is to respond to these, whether that be through products or services.

Key factors to consider are:

Key factors

What are their needs?

- What parts of healthcare, wellness and fitness are they engaged with?

What's important to them?

- What drives their usage and purchasing decisions?
- What are they willing to pay for?

What do they want?

- What products and services do they want?
- And how do they fit into their lives?

How do they want this delivered?

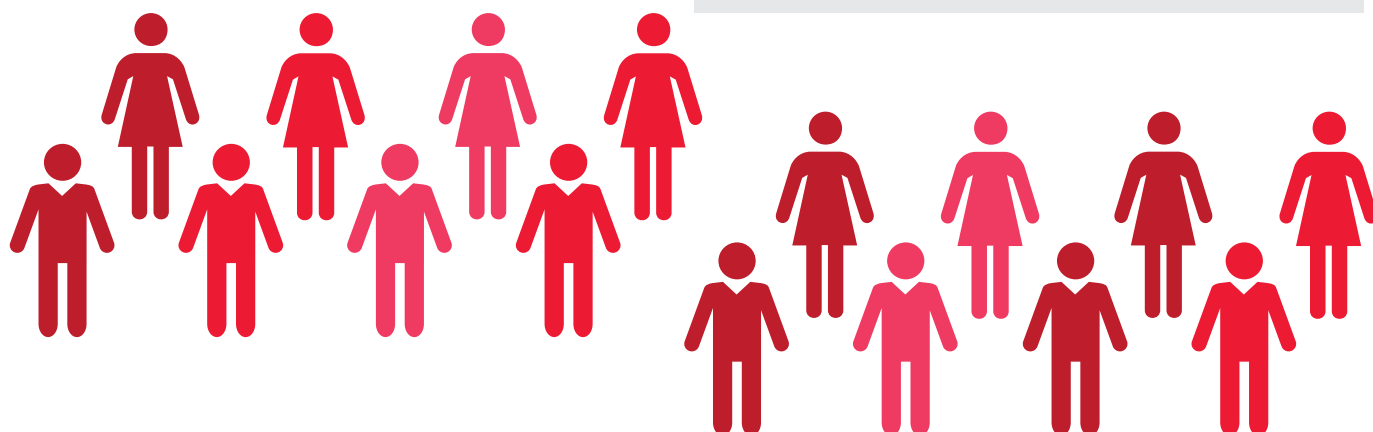
- What are the key channels that they use for healthcare and retail?

Different groups of people will have different needs and demands. Specifically, different segments will engage with different parts of healthcare, wellness and fitness. They will also interact with products, services and providers in different ways. The key is to understand what different segments mean for new entrants.

There are some important considerations to bear in mind including influencing how people think and behave, which in turn affects how they buy and use what new entrants offer.

Key considerations

- How do they engage with healthcare, wellness and fitness?
- How does this influence their lifestyle?
- What role could new entrants play?
- What triggers do they respond to?
- What are their expectations and demands?
- Where do they look for advice and guidance?
- How risk averse are they?
- Which channels do they use?
- How price sensitive are they?



Who are these consumers?

Some distinct consumer segments have emerged

To bring this to life, let's look at some examples of different types of consumer. We'll find out how they engage with healthcare, wellness and fitness and what the opportunities for new entrants could be.



Jack, 24:
a fitness fan with an app
for everything



Donna, 43:
a busy mum who puts
her children's health first



Betty, 73:
a woman who wants old-fashioned
care, close to home

Bringing Jack to life...



Jack, 24:
a fitness fan with an app
for everything

Jack likes to take care of himself. Whether he's lifting weights in the gym, or going out for a run, he's always got one eye on his activity tracker wristband to check how he's doing. Technology has always been a big part of Jack's life, so he's got apps for everything, including a virtual personal trainer and personal best tracker.

Jack doesn't really do doctors. He's fit and healthy, so he rarely thinks about using them. The few times he has needed to see someone, Jack's always complained about stuffy waiting rooms filled with ill people. All he wants is to get in and get out as quickly as possible.

If he can avoid visiting a doctor completely by running his symptoms through an online checker, he will. Or, if he really needs a second opinion, he's happy to bypass the waiting room and email pictures to his GP or book a virtual consultation.

At the moment, seeing a doctor in person isn't quick or convenient for Jack. Would he use them more if they weren't so out-of-the-way – in the sports centre, for example? Perhaps. Jack would definitely want to check out his doctor or pharmacist online first, though, to check they've got some good reviews. Those are the second opinions he trusts most.

Jack's got a long shopping list for the coming year, including new trainers, sessions with a personal trainer and the latest protein supplements (with the best reviews). And that's just for starters. He'll be spending more on fitness next year than ever. He's happy to spend a lot as long as he thinks he's getting value for money.

One day Jack will be interested in medical treatments. But right now it's all about prevention and staying fit and well.

...and understanding what new entrants could mean for him



What are their needs?

Fitness

Over 50% of 18-34 year-olds regularly spend on **gyms, exercise and personal training**

Wellness

Over 50% of 18-34 year-olds regularly spend on **vitamins and supplements**

Technology

46% of 18-34 year-olds have a **health, wellness or fitness app** (and they're more likely to **pay for them** than other groups of consumers),

while **31%** of 18-34 year-olds would be willing to have a **consultation via a mobile app**

Healthcare

Less of a priority – feel fit and healthy, only go to the doctor if they really need to

What's important to them?

Easy access and convenient access

77% of 18-34 year-olds say that this is important to them when shopping for healthcare, wellness and fitness

Value for money

Usually want the **lowest possible price...**

...unless it's something

fitness related, in which case they want the top-of-the-range products from the best brands

70% of 18-34 year-olds say that this is important to them when shopping for healthcare, wellness and fitness

Recommendations from peers

48% of 18-34 year-olds say that **recommendations from family and friends** are important to them when shopping for healthcare, wellness and fitness

What do they want and how do they want it?

Fitness and technology focused products and services

Happy to use **non-traditional channels**

80% of 18-34 year-olds would be willing to receive treatment in a **high street store or pharmacy**

Want to be able to buy products and services **online**

Bringing Donna to life...



Donna, 43:
a busy mum who puts
her children's health first

Donna's diary is jam-packed. She's the first one up in her house each morning: making lunches, waking the kids, doing the school run, sitting through meetings, meetings and more meetings in the office, picking up the kids from after-school club, running round the supermarket, fixing dinner, helping the kids with their homework, reading bedtime stories, falling asleep in front of the TV... and starting it all again the next day.

That's on a good day.

It's when the kids are unwell that things get tricky. At the moment, Donna takes GP appointments when she can get them, usually taking the kids out of school and missing work. Donna's been seeing the same GP for years and she trusts her. That's important as she certainly won't take any chances when it comes to her children's health. If she trusts the person treating them, she'll trust any products they recommend, too.

Sometimes, Donna wonders if there's an easier way to look after her family. Although she's always done it, her heart's not set on only using her GP or driving to the hospital. If the kids get into minor scrapes, or need something simple, like a blood test, she'd think about using a local clinic. Especially if it was next to the supermarket or right by school. She wouldn't sacrifice face-to-face consultations, though. Speaking to an expert, whether that's a doctor, nurse or pharmacist, reassures her that her children are in good hands.

The most important thing for Donna is that care fits in around the hubbub of family life, and that it's convenient, quick and reliable.

Donna relies on the NHS at the moment, but she expects to spend more of her own money on healthcare in the future.

...and understanding what new entrants could mean for people like her



What are their needs?

Healthcare

Prioritise their **family's health** over their own

60% of respondents would be willing to have their **child access minor healthcare in a high street store or pharmacy**

Around **50%** of 35-54 year-olds regularly buy **non-prescription medication**

Wellness

Focus on wellness as a step to **help improve their own health**

About **50%** of 35-54 year-olds regularly buy **vitamins and supplements**

Fitness

Have **started taking steps** to improve their fitness but time is a key issue

What's important to them?

Ease of use

80% of 35-54 year-olds say that this is important to them when shopping for healthcare, wellness and fitness

Easy and convenient access

78% of 35-54 year-olds say that this is important to them when shopping for healthcare, wellness and fitness

Value for money

77% of 35-54 year-olds say that this is important to them when shopping for healthcare, wellness and fitness

What do they want and how do they want it?

Wellness focused on them. **Healthcare** focused on their family

Access at **times that suit them** and fit in with their busy lives

Want to be able to shop **online and in stores**, whatever is most convenient

Happy to use **non-traditional channels**

74%, 73% and 55% of 35-54 year-olds would be willing to receive healthcare **at home, in a pharmacy or in a mobile unit**, respectively

But want it to come from a **trusted source**

45% of 35-54 year-olds say that **reliability and credibility** would be important to them when using a new healthcare product or service

Bringing Betty to life...



Betty, 73:
a woman who wants
old-fashioned care, close
to home

Betty isn't as fit as she used to be: she's got a few more aches here, a few more pains there. Not that she's going to let that stop her. She's doing everything she can to stay as healthy as possible. For as long as possible.

Betty's learned that the quicker she nips health problems in the bud, the less likely they are to leave her suffering for weeks. So if she's under the weather, the main thing she wants is quick, high-quality treatment.

When Betty was ill growing up, there weren't any apps or websites to help her get better. If she was unwell, she'd talk to her GP in person. And that's still what she feels happiest doing now. She's got a smartphone (a present from her son) but she'd never dream of using it to get a diagnosis. How could she trust it?

Betty's phone has helped her, though. Nowadays she never forgets an appointment. Even if she hasn't looked in her diary, she'll get a text message from the hospital or her GP to remind her. And she always remembers to take her daily aspirin thanks to an alarm her son set on her phone.

Betty doesn't want to travel too far for care. If she could get it at home, she'd be very happy. She wouldn't mind popping in to see someone on the high street when she's out shopping, either. But Betty won't see just anyone. It's got to be an NHS doctor, or a pharmacist she trusts, like the nice young man who works in the local pharmacy.

Betty's grown up relying on the NHS, but she expects she'll be spending more on healthcare, on medicines or even private care, as she gets older.

...and understanding what new entrants could mean for people like her



What are their needs?

Healthcare

A **priority** as they're getting older and they need more care

Have started getting **regular health-checks** and will go to the doctor for advice when they need it

20% of 55+ people say that they've started getting more regular health-checks in the past 12 months

Wellness

Have **started to think more** about wellness, as a step to **improving their health**

Over 50% of 55+ people have focused on **improving their diet** over the past year

And **30%** have significantly **reduced their sugar intake**

Fitness

A bit **apprehensive and not very confident**, but aware that it's important and that they should take steps to improve their fitness

What's important to them?

Advice from a trusted source

70% of 55+ people say that this is important to them when shopping for healthcare, wellness and fitness

Recommendations from healthcare professionals

70% of 55+ people say that this is important to them when shopping for healthcare, wellness and fitness

And **60%** say that they'd be **willing to use a new healthcare product or service if it came from a trusted source**

Quick access

80% of 55+ people say that they'd be willing to get care in a non-traditional setting if they could be **seen by a doctor or nurse more quickly**

What do they want and how do they want it?

Healthcare is their key focus...

...but also interested in **entry-level wellness and fitness** to help them improve and manage their health

Usually prefer to receive care through **more traditional channels**, e.g. GP surgery, hospitals, clinics

But also willing to access care through **alternative channels**, if they can be seen more quickly

86%, 70% and 73% of 55+ people would be willing to receive healthcare **at home, over the phone or in a pharmacy**, respectively

Want to see a **trusted professional, face-to-face...**

...so prefer shopping **in stores**, where they can see and speak to someone

Differences and similarities

Bringing different consumer segments together

			
			
What are their needs?	Fitness Technology Wellness	Family's health Wellness Starting to think about fitness	Healthcare is a priority Starting to think about wellness and fitness to improve their health
What's important to them?	Easy and convenient access Usually want the lowest possible price... ...unless it's fitness-related , in which case they want the top of the range products from the best brands Recommendations from peers (friends/family)	Easy to use Easy and convenient access Value for money	Ability to get advice from a trusted and reliable source Recommendations from healthcare professionals Quick access
What do they want?	Fitness and technology products and services	Wellness focused on them Healthcare focused on their family	Healthcare Entry-level wellness and fitness to help improve and manage their health
How do they want it?	Happy to use non-traditional channels , e.g. high street stores Want to be able to buy online	Access at times that suit them and fit in with their busy lives Want to shop online and instore , whatever is most convenient Happy to use non-traditional channels , e.g. at home or in mobile units... ...but want products and services from reliable, credible and trustworthy sources / brands	Prefer to receive healthcare in more traditional settings , e.g. GP surgery, hospitals, clinics or at home Want to see a trusted professional face-to-face... ...so prefer to shop in stores , where they can see and speak to someone

How can organisations make the most of this?

UK consumers are willing to try new entrants

So people are clearly open to new models of care, treatment in non-traditional settings, and are very interested in wellness and fitness. And for at least some of these things, they're also willing to pay privately.

What does this mean for new entrants in the UK? A key point they'll need to consider, and which is very different from the US and other Western markets, is the dominance of the NHS, not only as a funder but also as a provider of fully comprehensive healthcare to the whole population, notwithstanding the growing private market. This has important implications for new entrants looking for a slice of NHS expenditure. Below we discuss what they are and what they mean for the opportunities available in the private healthcare and wellbeing markets.

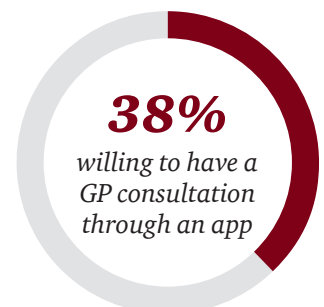
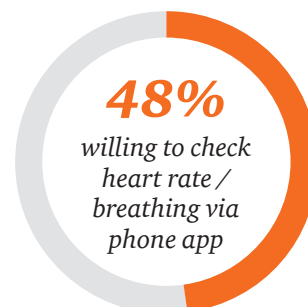
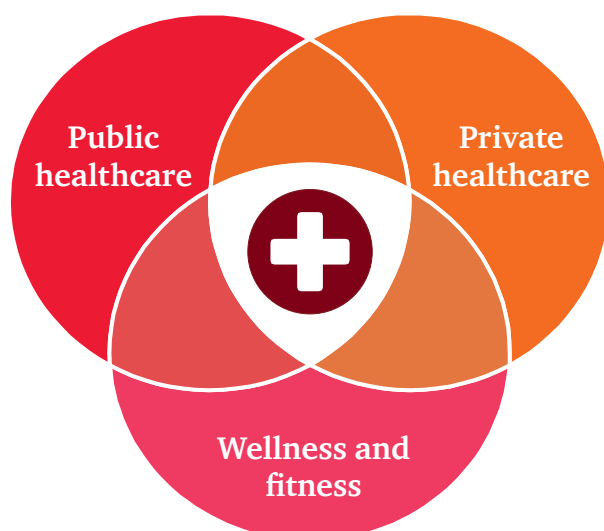
New entrants and public and private healthcare

The NHS is important for new entrants in two ways: (i) why would consumers pay for healthcare when free, comprehensive treatment is available on the NHS? and (ii) can new entrants engage with the NHS to become an outsourced provider and partner?

Why would consumers pay for healthcare in the UK and what are the implications?

Private healthcare is a well-established and growing part of the UK healthcare market. The majority of this private spending is through Private Medical Insurance and only about 10% of the population are covered by these policies.

But it's also clear that consumers, from the younger Jack to older Betty, would be willing to have some of their healthcare in non-traditional settings and pay for it out-of-pocket, if that gets them treatment quicker: 77% of respondents to our survey said quicker access is the key reason for having healthcare in a non-traditional setting and 54% say it's a more convenient treatment location (e.g. high street store or online). When it comes to treatments they'd be willing to get from new entrants in non-traditional settings, typically these would be (i) diagnostic tests and relatively minor procedures in a retail or pharmacy environment and (ii) self or remote treatment and diagnostics. This came through strongly in both our consumer survey and focus groups.





Self contained treatments or those where the follow up would predominantly involve out-of-pocket expenditure would offer the greatest opportunity for new entrants in healthcare.

- Flu jabs
- Vaccinations
- Strep throat tests
- Physical or virtual GP consultations
- Therapies (e.g. physio)
- Smoking cessation or other advisory clinics

Consumers would be willing to pay for these treatments as long as they were confident they'd get value for money along with quicker access and greater convenience. Brand trust is also a strong driver of likely purchasing behaviour, particularly among older consumers who are less likely to do their own research. Brands with strong healthcare associations (e.g. Boots, GSK, AstraZeneca) would be best placed in the minds of these consumers.

In the UK, the challenge is what happens after the consumer has their treatment or diagnosis privately? The NHS doesn't allow queue-jumping. So if a consumer pays privately for a diagnostic test or minor procedure and then wants to have follow-up treatment in the NHS, they may be asked to join the NHS diagnostic queue and repeat the test. Some consumers may want to continue privately. But this does potentially restrict some of the opportunities for new entrants in a way that doesn't happen in the US, for example. The UK structure doesn't encourage the development of small packages of out-of-pocket care.

Can new entrants engage with the NHS to become an outsourced partner?

In the UK, many healthcare services are delivered by the private sector on behalf of the NHS such as out-of-hours primary care, some elective surgical procedures and large parts of mental health care. Can new entrants follow this model?

Potentially, yes. There is a drive towards new care models, with £200m of funding for vanguard sites announced in the 5-year forward view. These are, however, focused on existing health and social care bodies integrating home care, mental health and community nursing, GP services and hospitals. Opening the NHS door to a new entrant offering a new model of care may be more challenging unless proof of concept or positive trial evidence can be offered. One example is Babylon Health, now being offered by the NHS in certain areas although it is relatively small in scale.

At a time when the NHS is desperately searching for efficiencies (£22bn of them by 2020), there will be scope for new entrants who are able to demonstrate financial efficiencies and improve the patient experience. The Secretary of State has already championed technology, innovation and data and the UK Chancellor announced £1bn investment in health technology in November 2015.

New entrants, with their different skill-sets and mind-sets, will be best placed to deliver on many of these priorities. Those who can provide services while saving the NHS money will be the clear winners.



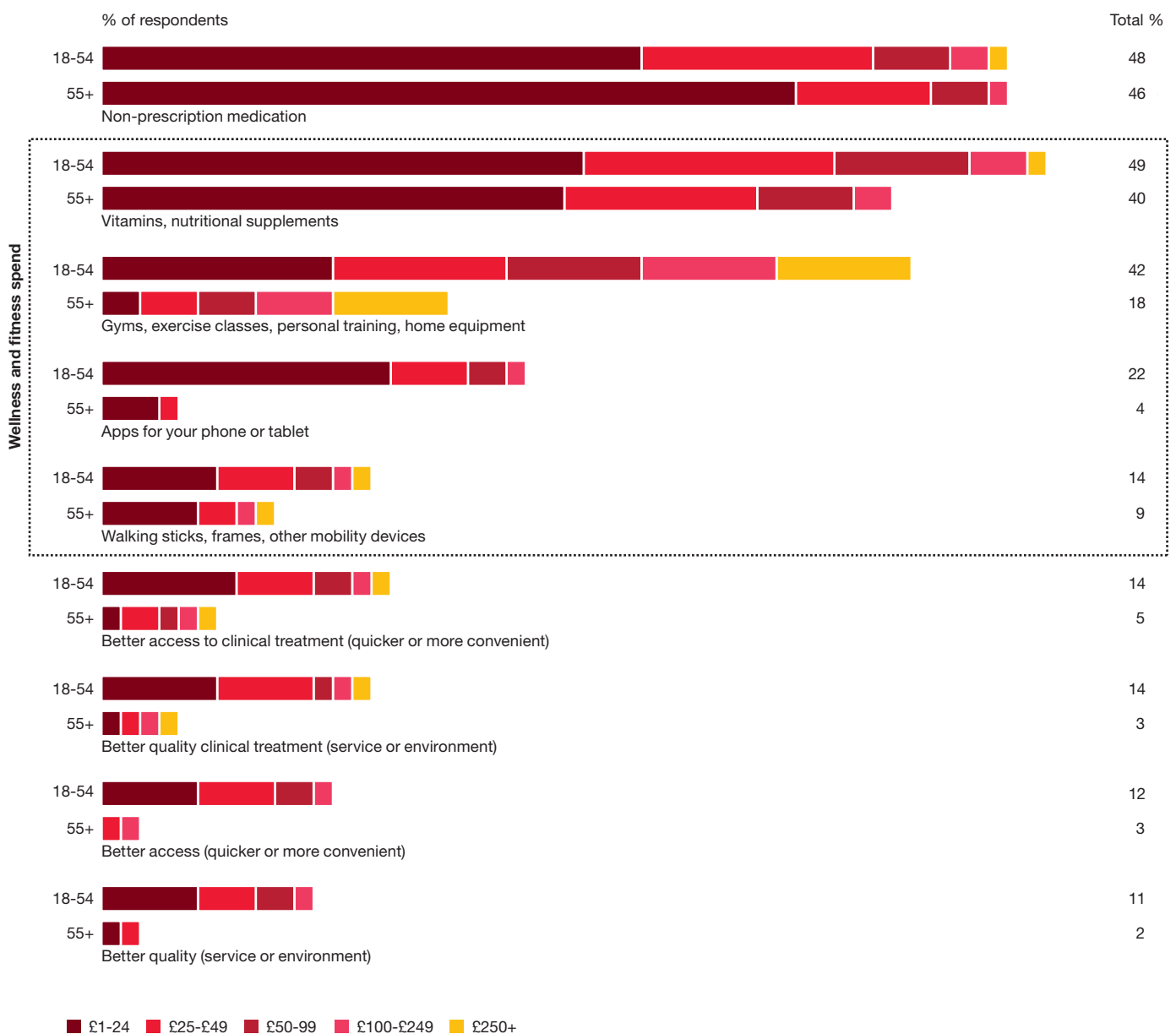
Case study 1 – K1 Syringe (Disruption through product design)

The World Health Organisation estimates that 1.3m people die each year from re-using needles, along with 21m hepatitis B infections and 2m hepatitis C infections. Repeatedly encountering the impact of this global challenge inspired inventor Marc Koska to develop the K1 syringe. Through unique engineering technology, the syringe auto-disables after one use. It's cheap to manufacture and doesn't need extra clinical training to use. The K1 syringe has posed a significant threat to traditional syringe manufacturers, selling over 4bn units in 40 countries to date.

Wellness, fitness and new entrants: a large, growing and untapped opportunity

Wellness and fitness is wholly privately paid-for. What are consumers spending their money on? According to our research, they spend more on wellness and fitness than on treatments. And within this, vitamins and nutritional supplements, and gyms and exercising are the most valuable.

How much would you say you've spent on the following in the past 12 months (of those spending £1 or more)?



Source: PwC consumer survey, 2015

Around 25% of consumers have health-related apps. This rises to 35% for 18-54 year-olds and 46% for 18-34 year-olds.

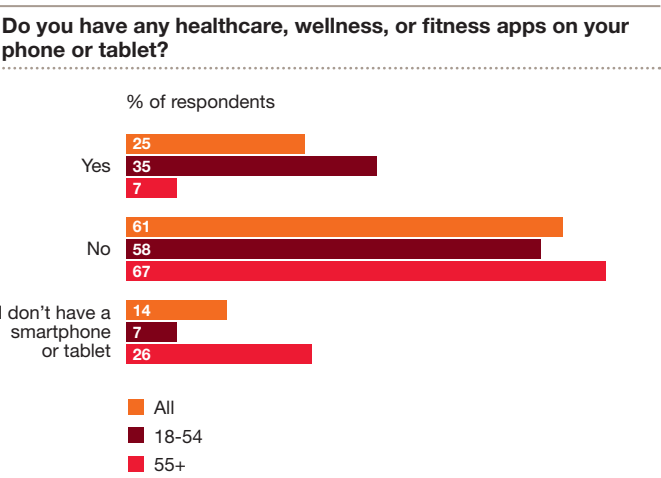
How can new entrants make the most of this opportunity? Clearly, there will be significant continuing demand for fitness and wellness apps, though persuading consumers to pay in large numbers is still not straightforward. Creating attractive revenue models is a challenge, as it is for app developers in other sectors. But there could also be an opportunity to develop a truly distinctive wellness and fitness proposition outside of apps.

Fitness and wellness for the masses

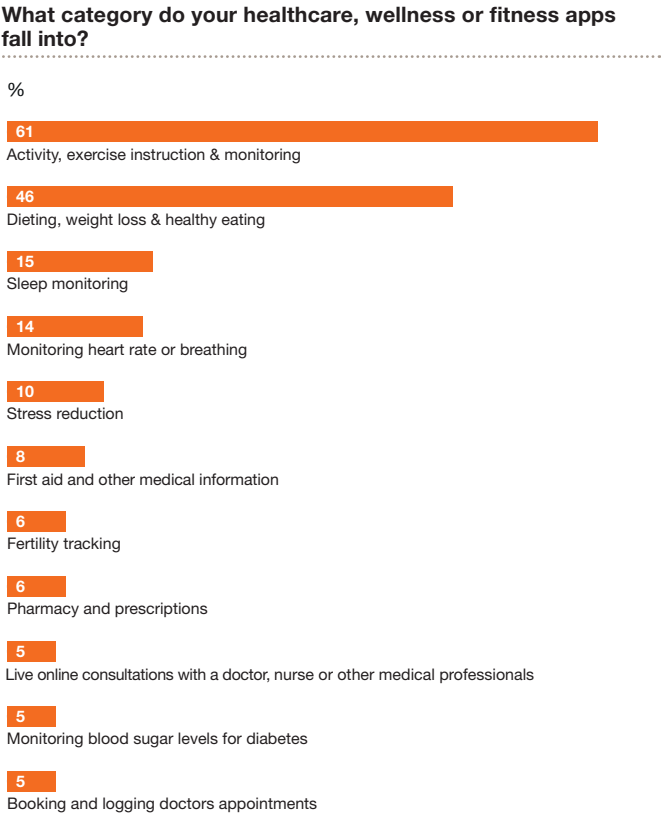
Unsurprisingly, in our research, younger consumers are more interested and invested in their own fitness and wellness than older consumers. They want to monitor their health, build and maintain fitness, and compete with their friends and family in their training and exercise regimes. And they'll invest time and money in products (equipment) and services (apps, websites). 42% of 18-54 year-olds spent money on gyms, exercise classes, personal training and equipment over the last 12 months. Also they often know what they want and where to get it.

Our research suggests that older consumers are also interested in their fitness and wellness, particularly diet and exercise. But they're not so confident about the 'how'. They commonly ask: 'What should I be doing? Where should I buy equipment? What should I be looking for? Where do I go for all of the above?'

For many, these initial concerns can be a barrier to action in a way that doesn't affect younger consumers. These are entry-level wellness and fitness enthusiasts and the question of where to go to meet their needs is an interesting one. For many, retailers would be a natural destination, given how familiar and convenient they are and how big a range of products most stores now have.



Source: PwC consumer survey, 2015



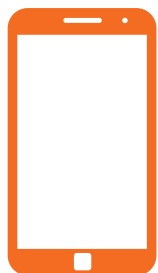
Source: PwC consumer survey, 2015

But in the traditional retail layout, nutritional supplements, healthy foods, sports equipment, gym clothes and keep-fit DVDs are all in different sections of the store. This means there's no health and wellness 'centre' at the front of these entry-level wellness enthusiasts' minds. It also makes getting advice on wellness as a whole more difficult for these consumers.

In the US, Walmart stores will often have the healthcare, wellness and fitness products in one place, so consumers on their weekly shop know exactly where to go and who to ask for advice.

Also Target CEO Brian Cornell made health and wellness a top priority (online and in stores) when he started in the role in 2014. Strong like-for-like sales growth has followed.

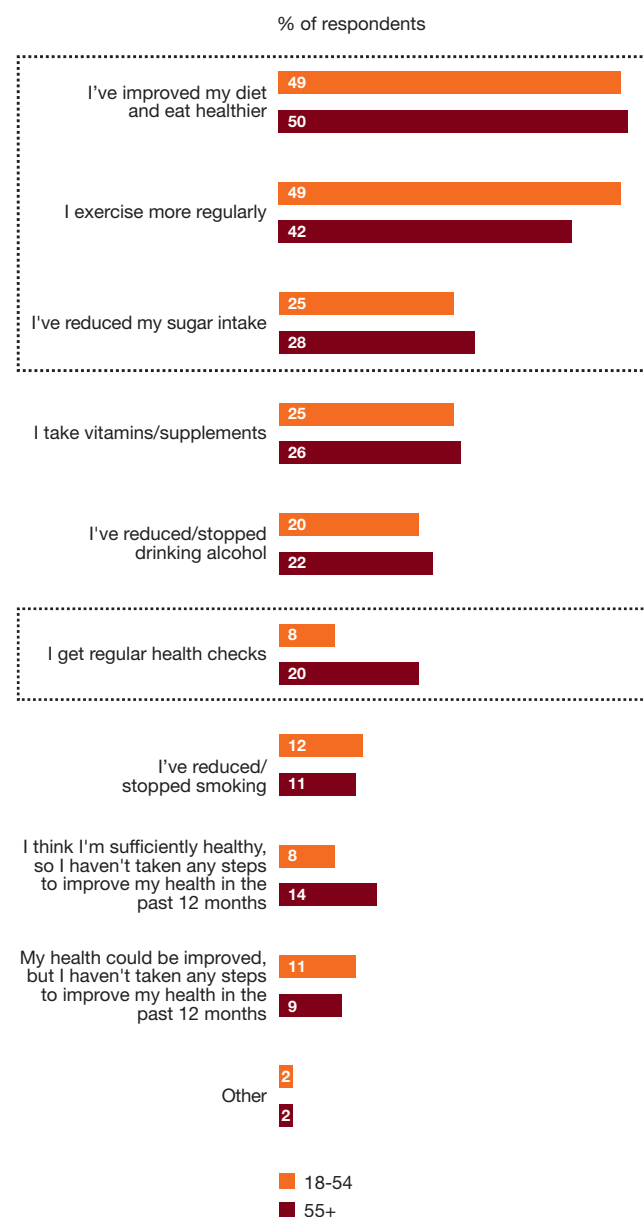
This is not as prevalent in the UK, but could be an opportunity for retailers. They could increase sales of higher-margin products and use spare shop space. Given the one-off or semi-frequent nature of some of these purchases, they could also look to move into health and wellness advice and so increase customer engagement.



Case Study 2 - Boots UK (Market expansion into health and wellness)

In partnership with online training channel the Body.Network, Boots UK, the country's leading pharmacy chain, now offers online fitness classes for £3 a session or £15 a month. With varied training programmes, and classes on multiple mobile devices, Boots is trading on convenience. It's also broadening its retail health offerings to include wearable devices and gym equipment, alongside the sports supplements and injury treatments it already sells.

Which steps have you taken to improve your own health in the past 12 months?



Source: PwC consumer survey, 2015

Implications for healthcare providers

What's the impact on clinicians?



Amit:
a doctor who's looking to
get the balance right

When it comes to technology, you wouldn't call Amit an early adopter. He's got a smartphone, and he's replaced the piles of paperwork that once filled his filing cabinets with digital copies. But he's still sceptical about more recent digital developments, such as online diagnosis tools.

Amit's always said that 'A little knowledge can be a dangerous thing', and the internet is bringing out the hypochondriac in quite a few of his patients. Since diagnostic tools are only as reliable as the patients inputting the data, it's risky, too. That's why Amit still sits down with his patients to make a first diagnosis. So in his opinion, face-to-face consultations are the best way to have that initial contact with patients.

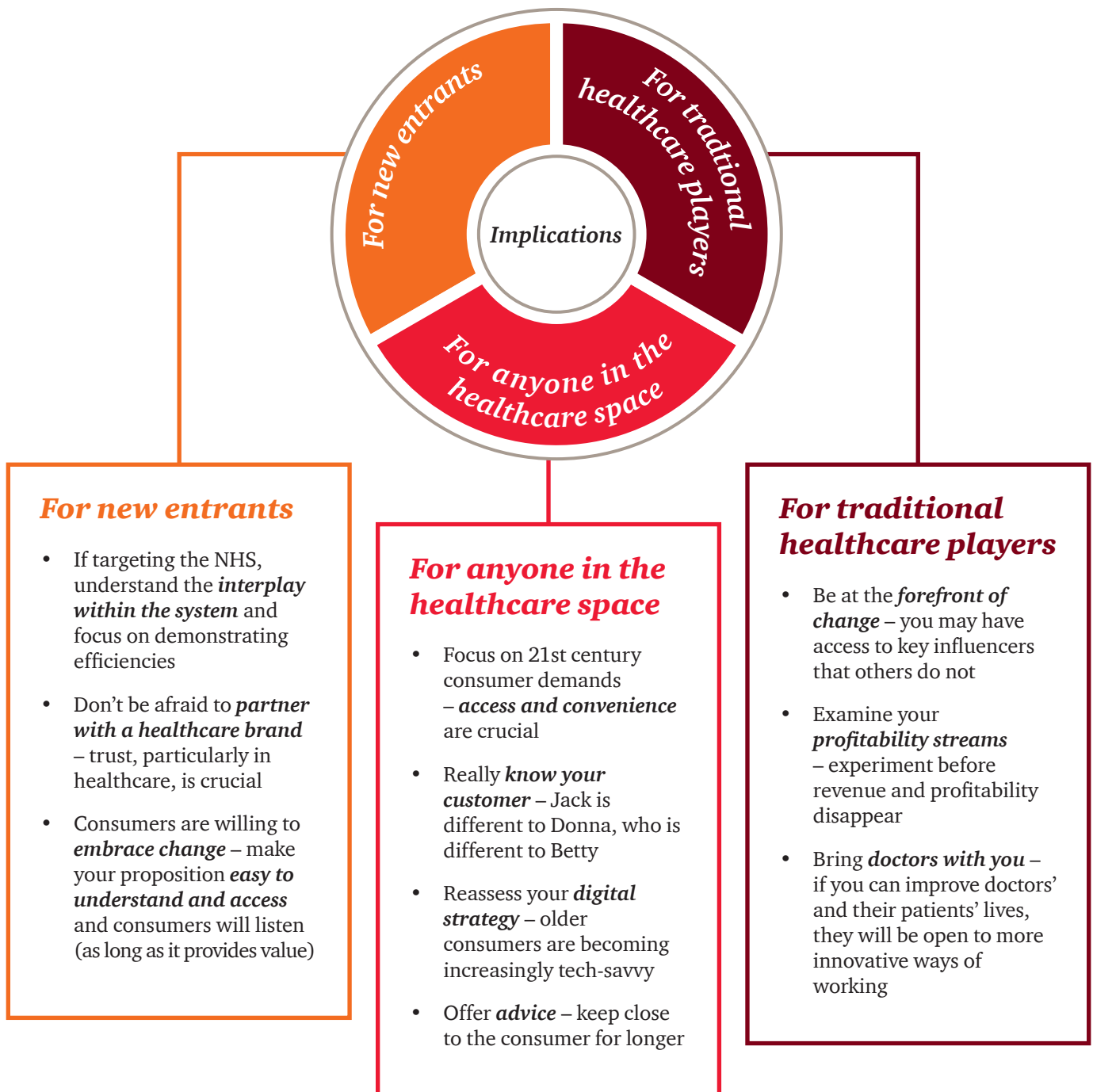
But technology could help Amit and his patients in other areas. He could hold virtual follow-up appointments, for example. This could be particularly useful when helping patients with chronic conditions who no longer need to wait for physical outpatient appointments.

Whether it's the latest heart rate monitor or a simple pedometer, technology makes it much easier for Amit to track and monitor his patients' data, too. As long as it works. When his patients' health is at stake, Amit needs to make sure the information he gathers is controlled, regulated and documented, so it can help other doctors and patients, too. One of the biggest benefits of virtual consultations is that appointments would be recorded. Then some of his older patients think that it's something they would find useful.

So while Amit is sceptical about a few things, he's starting to see the benefits that technology can bring to care. And if something can help him do an even better job, he'll always be interested in it.

Implications for healthcare and non-healthcare organisations

What does this mean for your organisation?


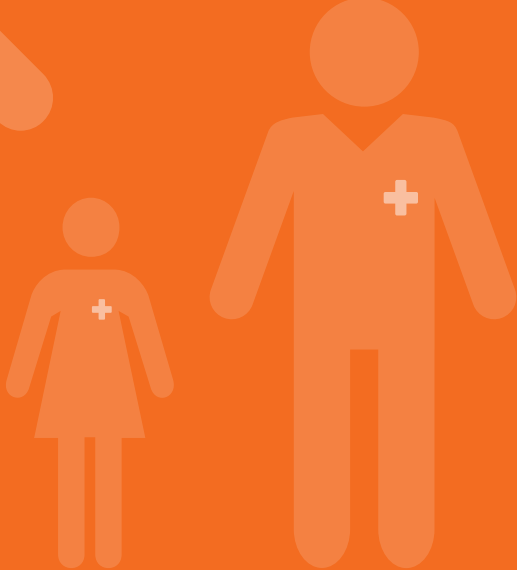


How we can help you

We can help you better understand the landscape for new entrants, what it means for your organisation and what it means for consumers including:

- 
- **Identifying the pockets of opportunity** across healthcare, wellness and fitness
 - **Identifying the opportunities** for new entrants
 - **Identifying which consumer segments to target for growth**, serve tactically and/or deprioritise

- 
- **Proposing evolutionary or revolutionary moves** to promote growth within these markets
 - **Developing propositions** to best meet the needs and demands of consumers including product offering, pricing, channels and marketing
 - **Determining the market opportunity** within your overall brand strategy

- 
- **Strategies to maintain and serve your existing customers** whilst targeting and attracting new ones
- 

Contact



Andrew McKechnie
Partner, Strategy – Healthcare
Tel: +44 (0)20 7212 6327
andrew.mckechnie@uk.pwc.com



Reena Virdee
Manager, Strategy – Healthcare
Tel: +44 (0)20 7213 4270
reena.virdee@uk.pwc.com



John Gariba
Senior Manager, Strategy – Healthcare
Tel: +44 (0)20 7804 0575
john.gariba@uk.pwc.com



Anika Heavener
Manager, Consulting – Healthcare
Tel: +44 (0)77 1156 2002
anika.s.heavener@uk.pwc.com

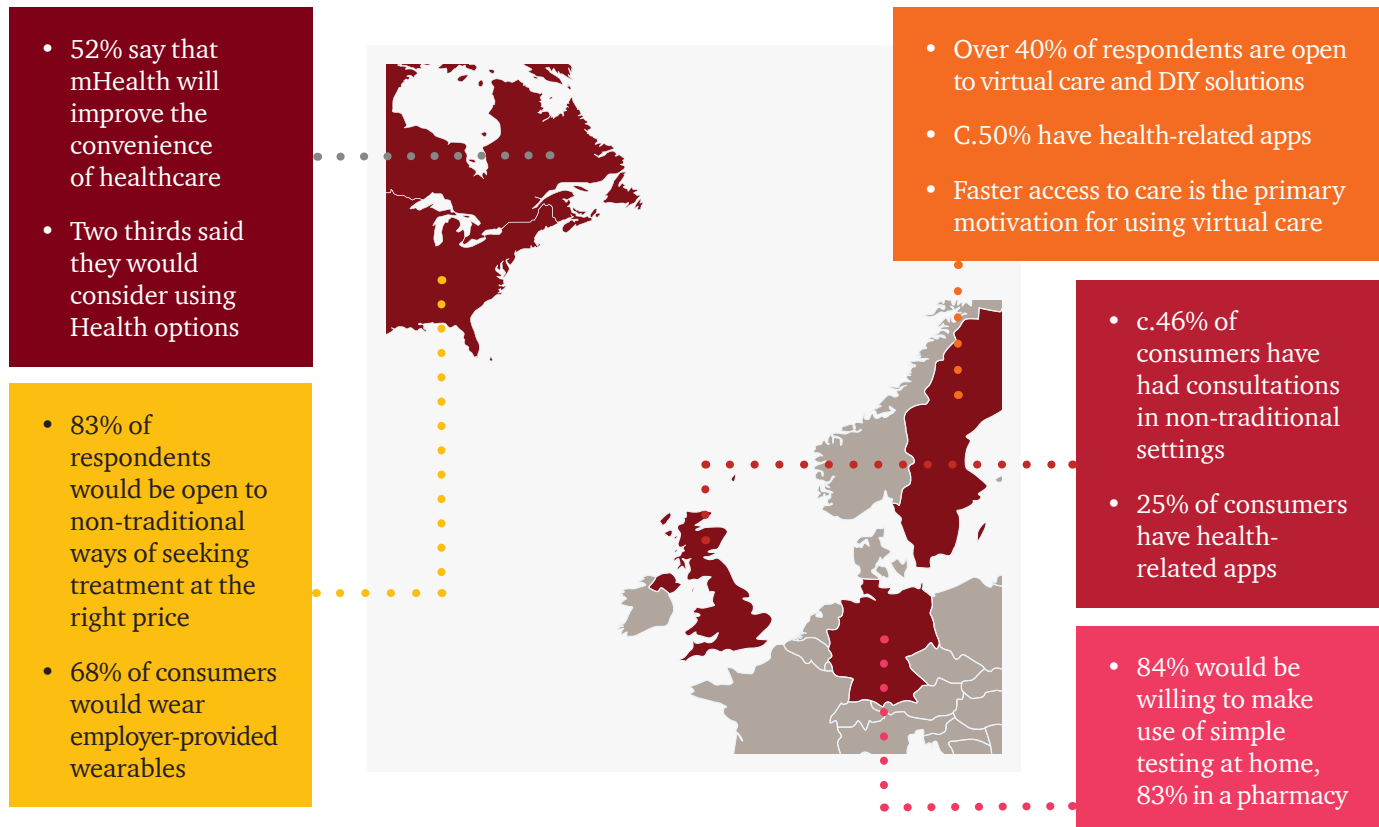
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Tel: 020 7583 5000

www.pwc.co.uk

Appendix I

Our research is supported by global work on new entrants, which suggests a growing openness to non-traditional care and new technologies



Appendix II

Methodology

Our work has been underpinned by extensive primary research, involving over 2,000 UK consumers, patients and physicians. We conducted an online survey with a nationally representative sample of 2,000 people to understand how they think and behave today and how they expect this to change in the future. We captured detailed insights on their usage and spend on healthcare, wellness and fitness, their willingness to use non-traditional channels and their views towards new and innovative products and services. To support these quantitative insights, we also carried out a number of focus groups with

consumers and physicians to probe specific areas of interest in more detail and capture more qualitative insights on their needs, demands, drivers of behaviour, and willingness to pay for specific products and services across the healthcare, wellness and fitness spectrum.

We have estimated the size and forecasted the growth profile of healthcare, wellness and fitness markets by analysing data from a number of sources, including The Department of Health, HM Treasury, Laing & Buisson, Verdict Retail, Mintel, among others.

Health Industries – Our People

Healthcare matters to us and it matters to our clients. We all want better healthcare, sooner and the potential is there to make it happen. New technology, new breakthroughs, new ideas. But while there are opportunities, there are challenges too: constrained budgets, an ageing population and an increase in chronic conditions. At PwC we're working with clients to steer a course to success in this new health economy so we help improve healthcare for all.

We're working with the NHS, nationally and locally, as well as the private sector and the pharmaceutical and life sciences sector to deliver real, workable solutions to today's challenges. We're delivering transformation and integration projects with patient outcomes at their heart. And we're supporting organisations through testing financial times, often developing bespoke operational and digital systems. We give strategic support to organisations across healthcare and pride ourselves on convening different parts of the system to solve problems.

We also bring insight and expertise to healthcare as well as engaging in the public policy debate. For more information, sign up for our Health Matters blog at:

www.pwc.blogs.com/health_matters



Quentin Cole
Partner, UK Health Industries Leader
Tel: +44 (0)20 7212 6784



Sunil Patel
Partner, Government & Health Industries
Partner and Health Technology Lead
Tel: +44 (0)20 7212 3484



Rt Hon Alan Milburn
Health Industries Oversight Board Chair
Tel: +44 (0)20 7212 6784



Jo Pisani
Partner, Pharmaceutical and Life Science
Consulting Leader
Tel: +44 (0)20 7804 3744



Andrew Packman
Partner, Pharmaceutical and Life Science
Sector Leader
Tel: +44 (0)18 9552 2104



Ian Baxter
Partner, Corporate Finance
Tel: +44 (0)20 7213 3914



Andrew McKechnie
Partner, Private Health Sector Leader
& Deals Lead
Tel: +44 (0)20 7212 6327

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The Design Group 30093 (02/16)

