

strategy&

The sexual wellness devices market

December 2021



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It is not possible for us to assess with any certainty the implications of COVID-19 on the sexual wellness devices market, either in terms of how long the current crisis may continue or in terms of its impact, potential or actual, on the market. As such, any comments on the impact of COVID-19 on the market can only be of a general nature, and should therefore be treated with considerable caution.

The sexual wellness devices market is fundamentally attractive with positive long-term growth dynamics

Sexual wellness devices is a fundamentally attractive market with a large global presence across multiple categories

- The global sexual wellness devices market is estimated to be worth **c.\$19bn in 2021**
 - **Vibrators and dildos are the largest product categories** (c.27% and c.25% respectively of the global market) followed by male masturbators (c.11%) and bondage accessories (c.10%)
- This report deep-dives on three markets, the US, UK and France, which together for account c.30% of the global market
 - **The US is the largest global market** at c.\$4.4bn in 2021 (c.23% of global market value) whilst the UK and France are smaller (worth c.\$0.6bn and \$0.4bn respectively)

The market has positive long-term growth dynamics which COVID-19 has structurally accelerated, unlike some other consumer markets

- The global market grew at **c.5% p.a. pre-COVID-19** and then experienced a significant COVID-19 boost, with the global market and selected deep-dive geographies growing by **1.5x between 2019 and 2021**
- Post-COVID-19, the market is **forecast to grow at an accelerated c.7% p.a.** to 2026
- Within the US, UK and France, markets were growing at c.4-5.5% p.a. (UK lowest, France highest) pre-COVID-19 and are forecast to grow at c.6-7.5% p.a. (UK lowest, France highest) to 2026
- Long-term growth is supported by multiple positive demand tailwinds...
 - Interest in sexual wellness has grown as **attitudes have liberalised**
 - Sexual health and wellbeing are now viewed as important in maintaining **overall wellbeing**, which has grown in importance, particularly during COVID-19
 - The broad range of different product types within each category supports **multiple use cases**, with consumers in selected geographies owning an average of c.4 toys
 - Consumers are increasingly purchasing more **premium products** and average selling price is increasing – supporting overall growth in the premium segment, which accounts for c.25-33% of the market in select geographies
- ...as well as supply drivers
 - The industry has shifted away from explicit brands towards **wellness brands**, and products have become more design-oriented with **discreet packaging**
 - A range of **product innovations** (e.g. AI feedback, customisable settings) has broadened appeal and introduced new use cases
 - **Online penetration** (c.70-82% in select geographies) has accelerated due to COVID-19 and is forecast to remain high, whilst there are also an increasing number of **mainstream retailers** entering the sexual wellness devices market
- Some other “enthusiast” consumer markets have experienced a COVID-19 boost and then a partial unwind – e.g. the US cycling market is forecast to be flat from 2021-22 and then to grow at c.3% p.a. vs. pre-COVID-19 growth rate of c.9% p.a. Our work does not support a post-COVID-19 unwind in sexual wellness devices

The market is fragmented and served by brands with different business models

The market landscape is fragmented with different business models

- There are several clear brand archetypes, including **premium sexual wellness brands** focused on women / couples (including Jimmy Jane, LELO, Lora DiCarlo, Lovense, We-Vibe, Womanizer), **affordable sexual wellness brands** (including Kandid, ROMP, Satisfyer), and **mass-market male sex toys** (including Adam & Eve, Doc Johnson, Fleshlight, Regulation)
- The market has been evolving over time, with a **shift away from explicit brands towards wellness focused brands**
- A range of **new sexual wellbeing brands** have entered the market in recent years, which has furthered this shift; these lifestyle brands are characterised by a focus on design and branding

Within the wellness segment, brands differentiate themselves through product offering, distribution and digital / social

- This report benchmarks selected representative wellness brands within both the premium and affordable segments
- Amongst these brands, some offer a **wide range of products** for women, men and couples (including Kandid, LELO, Lovense, Satisfyer) whilst others **focus on specific types of toys** (including Womanizer which focuses on clitoral massagers, Lora DiCarlo); some brands also offer adjacent products including condoms and menstrual cups
- Products are differentiated across a **number of characteristics**, including weight, time to charge, vibration options, colours and remote control access, as well as by **price**. Benchmarked premium brands offer vibrators ranging from c.£70-210 whilst affordable brands range from c.£45-55
- Most brands sell through **D2C platforms, Amazon** and **sexual wellness specialists** whilst some have a stronger offering with other online and in-person retailers (including pharmacies, beauty specialists, and department stores)
- Based on the focus of their distribution strategies and tenure in the market, brands have **wide ranging traffic to their websites**. Most of this traffic is through **search or direct channels**, despite strong social media presence of several brands

Recent sex toy purchasers show high affinity towards brands with NPS more variable

- In general, customers have a **high affinity towards most brands** with >70% of their customers loving or liking them
- However, net promoter scores (**NPS**), as defined by number of advocates (who rated a brand 9-10) less number of detractors (who rated a brand 0-6), are much **more variable**, ranging from **-5 to +25**. **Affluent** customers appear **more likely to recommend** brands but a wide range of scores remain (from +10 to +35). NPS does vary by consumer vertical which reflects different category dynamics (e.g. brand repertoire, level of engagement, frequency of purchase)

Contents

Market size and drivers

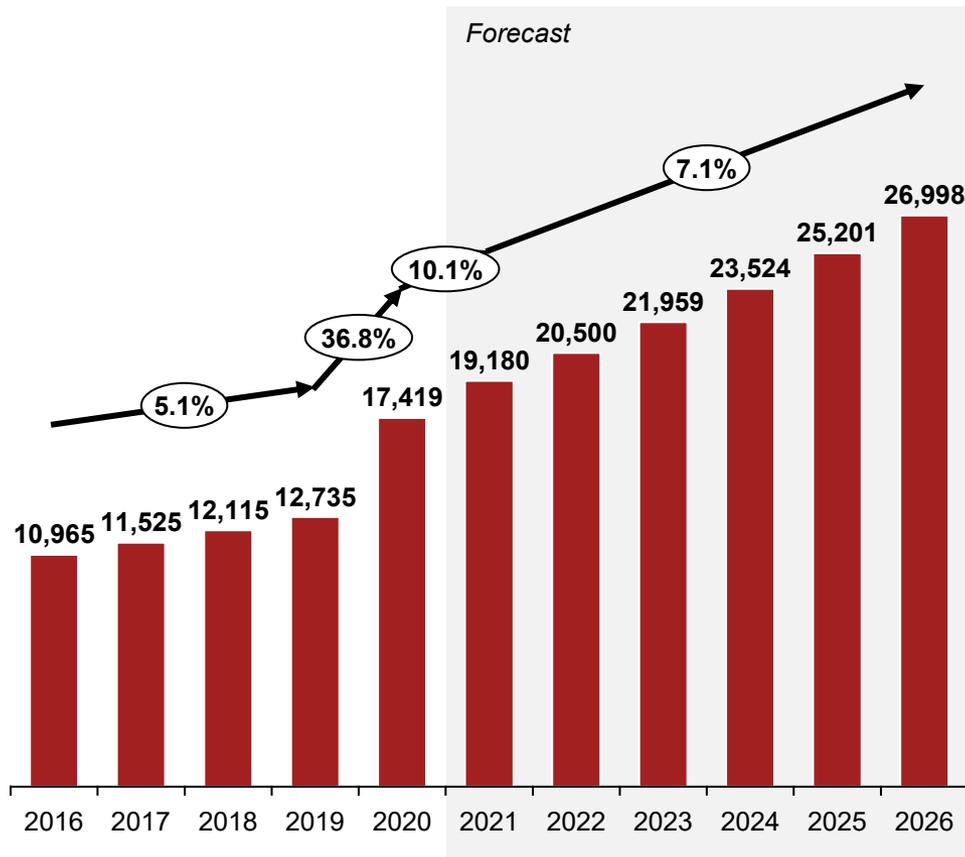
Competitive environment

Appendix

The global sexual wellness devices market is worth c.\$19bn in 2021 and forecast to grow at c.7% p.a. from 2021 to 2026

Global sexual wellness devices¹ market

\$m, retail sales value (RSV), 2016 – 2026F



- The global sexual wellness devices market grew steadily at c.5% p.a. pre COVID-19, driven by positive demand and supply drivers (e.g. increasing interest in, and liberalisation of attitudes towards, sexual wellness and devices; product innovation; premiumisation)
- COVID-19 contributed to a significant boost in market value with the market growing 1.5x from 2019-21, partly due to lockdowns encouraging experimentation and redirection of leisure spend away from categories such as travel
- Market growth during the pandemic was driven by both volume and value, with new customers entering the category for the first time, and existing customers spending more per product and buying into new product categories
- Post COVID-19, the market is expected to continue growing at an accelerated rate vs. pre COVID-19. The unwind in demand seen in other COVID-19-boosted categories is not expected to occur in sexual wellness devices (see next page), with consumers continuing to be positive about their future spend intentions
- Future market growth is expected to be driven by both volume (in terms of number of customers and purchases per customer) and value, with different dynamics in different geographies. The market is expected to continue to shift towards the wellness focused segment and online, in particular D2C channels

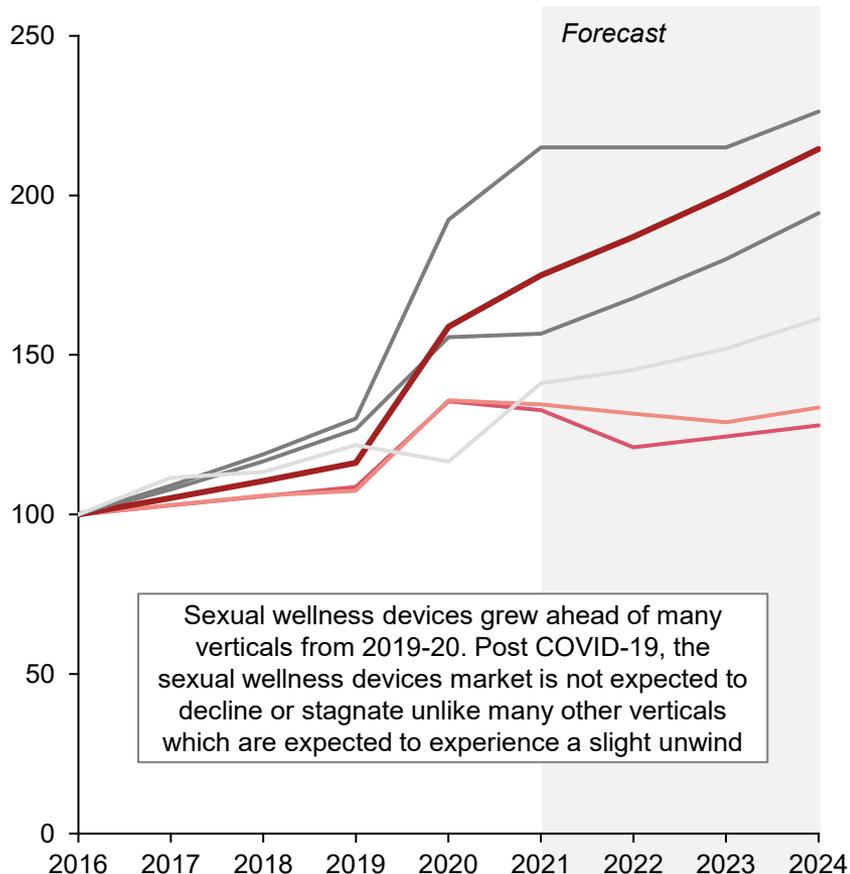
Notes: 1) Includes sex toys (e.g. vibrators, dildos, male masturbators, bondage accessories, anal toys, love eggs, cock rings, and other devices) and excludes products such as romantic accessories (e.g. personal moisturisers, massage oil and candles), lingerie, condoms, and lubricants | Source: Strategy& Sex Toys Consumer Survey (UK, US and France. In field: 15 Oct - 8 Nov 2021), Strategy& Interviews, Arizton, Allied Market Research, Technavio, Insight Partners, Strategy& Analysis

Sexual wellness devices outperformed many retail verticals during COVID-19 and growth is not expected to unwind post-pandemic

Illustrative

Indexed market growth by verticals¹

Indexed RSV, 2016 value =100, 2016 – 24F



CAGR

	16–19	19–20	20–21	21–22	22–24
Cycling (US)	9%	48%	12%	0%	3%
Sexual wellness devices (Global)	5%	37%	10%	7%	7%
PC gaming equipment (Europe, Russia & Australia)	8%	23%	1%	7%	8%
Beauty (Global)	7%	(4%)	21%	3%	5%
Crafts (UK)	2%	26%	(1%)	(2%)	1%
Fishing equipment (EMEA)	3%	25%	(2%)	(9%)	3%

Cycling

- Increased participation during COVID-19. Slight 'readjustment' post COVID-19, where growth stagnates before increasing again from 2023 onwards but at a lower rate than pre-COVID-19

PC gaming

- Uplift in participation and spending during COVID-19. Participation is expected to decline in 2021 and c.56% of gamers expected to reduce their spend

Beauty

- Reduced participation during COVID-19, although participation recovered in 2020 as economies partially reopened. Beauty is expected to continue growing from 2021 onwards, but at a slower rate than pre-COVID-19

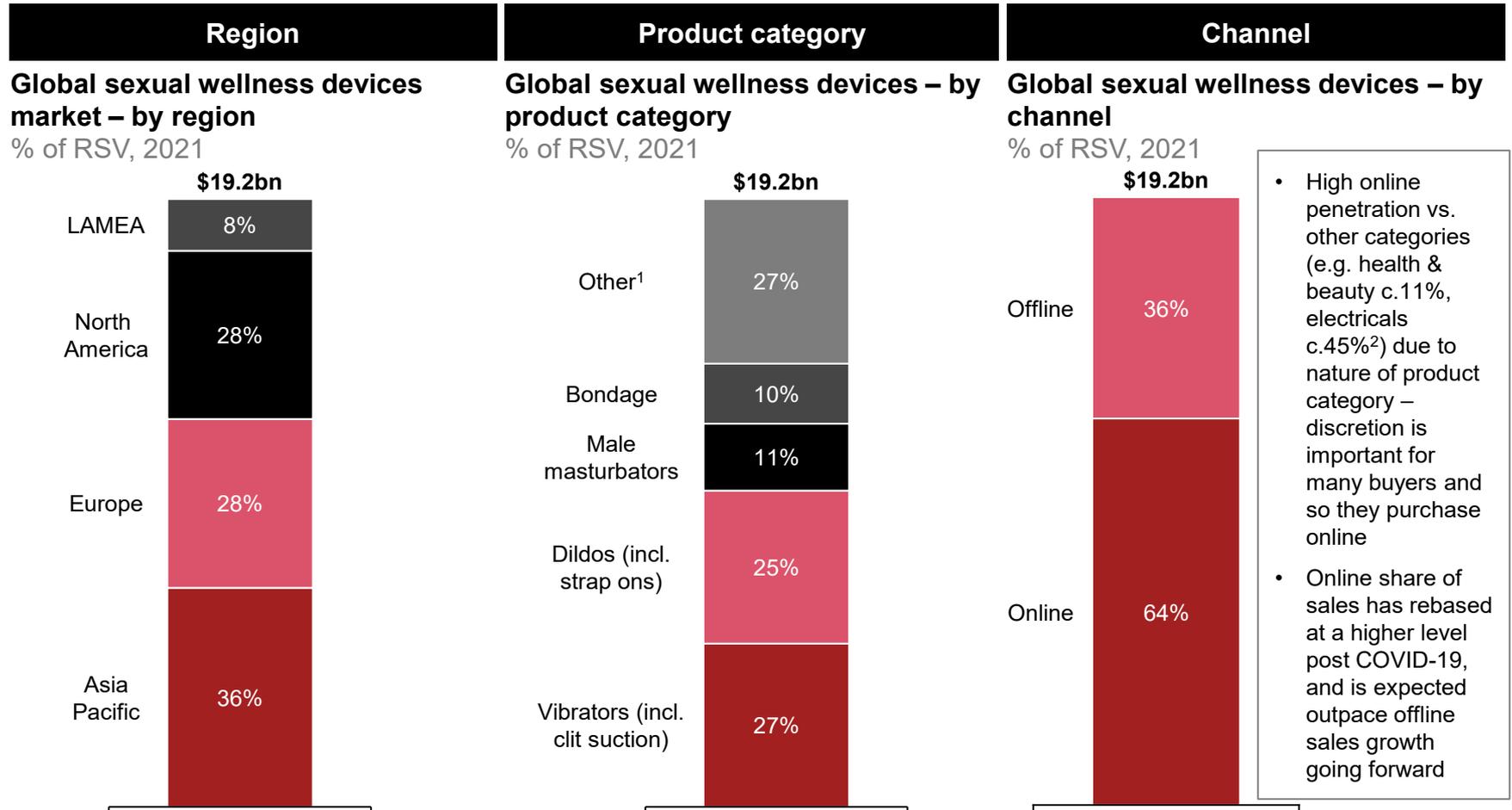
Crafts

- Uplift in participation and spending during COVID-19. Participation is expected to decline in 2021-2023 and expected growth in spend per head is limited, in line with historical trends as competing leisure activities become available

Fishing

- Increase in participation during COVID-19. Participation is expected to decline post COVID-19, as consumers have less spare time. Market growth is estimated to return to pre COVID-19 levels from 2022 onwards

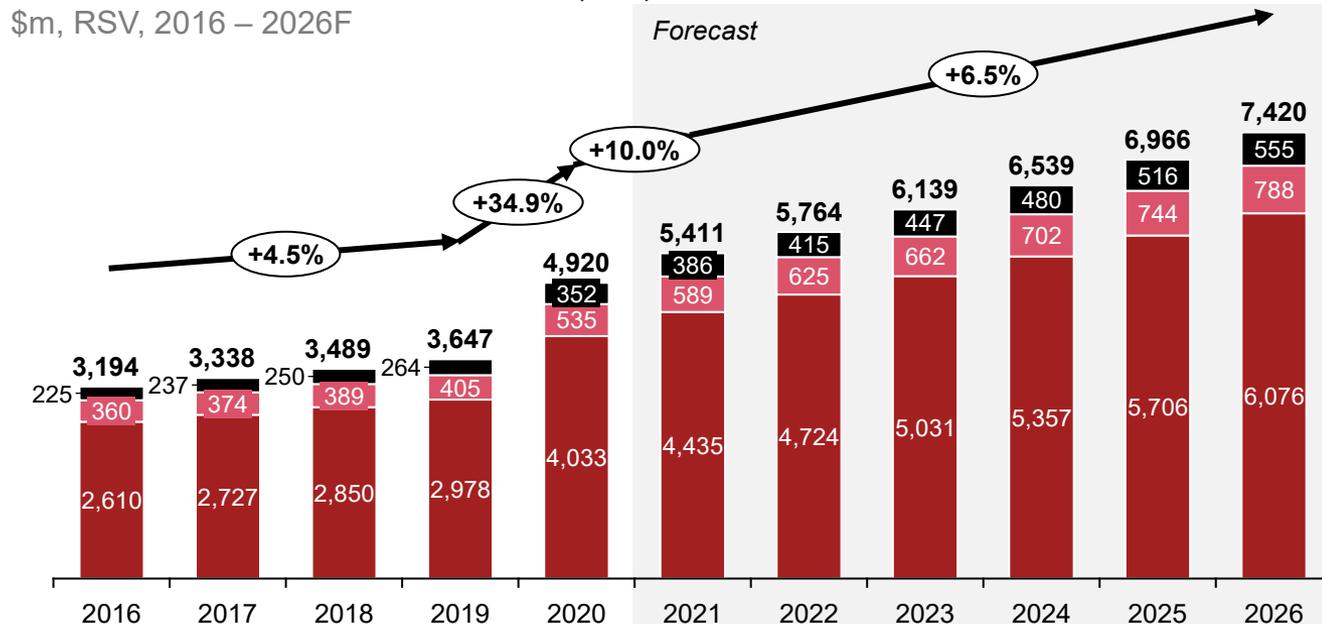
The sexual wellness devices market is characterised by wide reach across regions and categories, with high online penetration



The US, UK and French markets account for c.28% of the global market and are forecast to grow in line with the overall market

Sexual wellness devices market – US, UK, France

\$m, RSV, 2016 – 2026F



- Growth is expected to be driven by both ASP and volume, with some premiumisation as well customers purchasing higher volumes of toys and new customers entering the market
- Currently, c.29% of adults in the US¹, c.25% in France², and at least 25% in the UK³ use sexual wellness devices
- The segment focused on wellness is likely to outpace the broader market due to its alignment with consumer trends, as are the online and particularly D2C segments

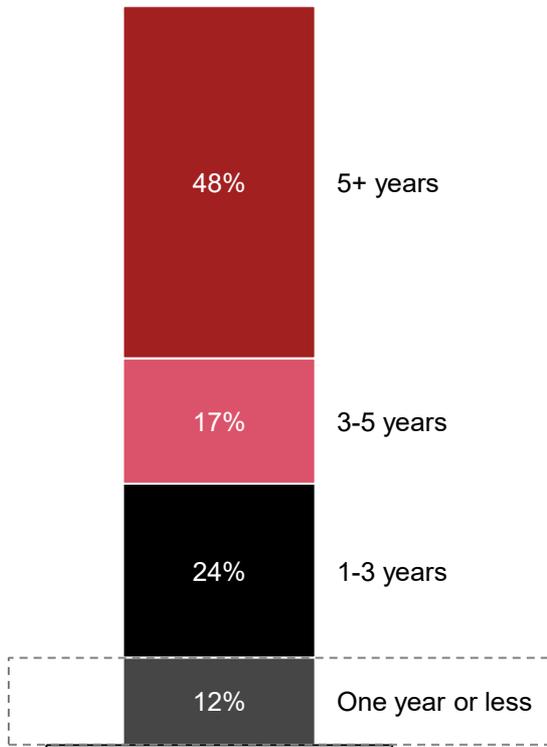
CAGR	16-19	19-20	20-21	21-26	Share of global market (2021)
France	5.5%	33.5%	9.7%	7.5%	2%
UK	4.0%	32.1%	10.1%	6.0%	3%
US	4.5%	35.4%	10.0%	6.5%	23%
Global	5.1%	36.8%	10.1%	7.1%	100%

Notes: 1) Proportion of respondents who have some experience with sex toys from 2020 consumer research by Civic Science (n=6,000); 2) c.25% of respondents used a sex toy at least once in 2016 whilst c.49% had used one at least once in their life from 2017 consumer research by IFOP (n=2,000); 3) c.25% of respondents had used a sex toy between Mar-Jul 2020 from 2020 consumer research by NATSAL (n=6,654) | Source: Strategy& Sex Toys Consumer Survey (UK, US and France. In field: 15 Oct - 8 Nov 2021), Civic Science, IFOP, NATSAL Strategy& Analysis

COVID-19 has encouraged new customers to enter the market, with the majority of these customers expecting to continue to purchase sexual wellness devices

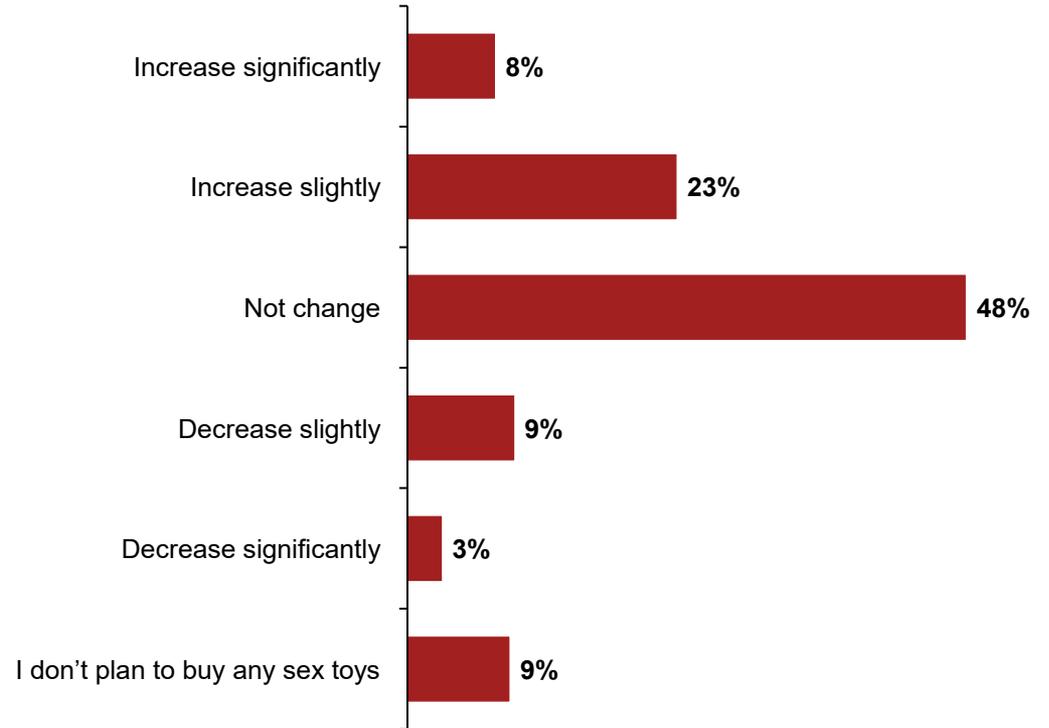
Length of time since first sex toy purchase – US, UK, France¹

% of respondents, 2021 (n=6,105)



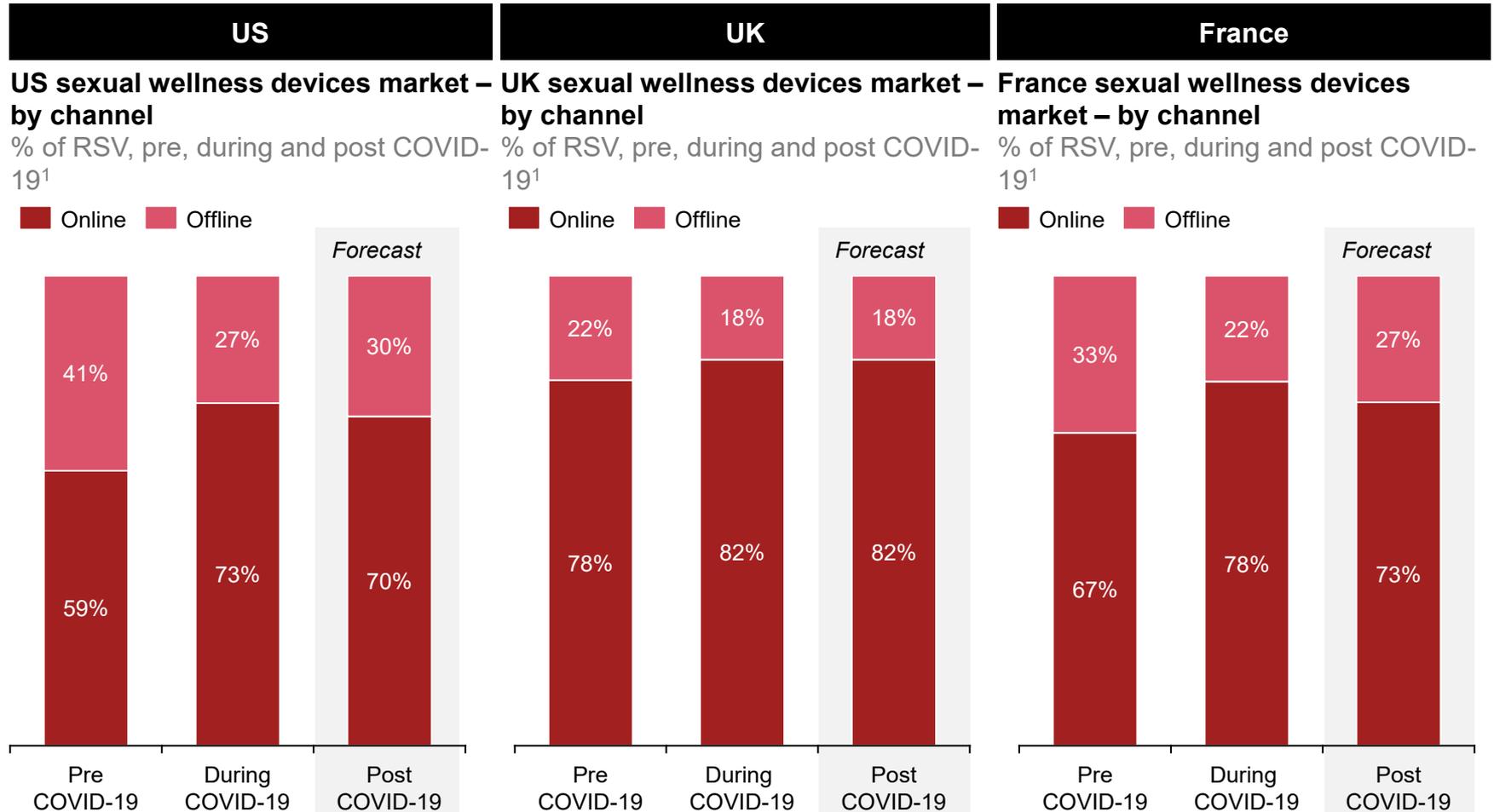
Post COVID-19 purchase volume expectations (relative to during COVID-19) – US, UK, France²

% of respondents that first purchased sex toys in the last year, 2021 (n=724)



Notes: 1) Respondents were asked "When did you first purchase a sex toy?" The survey sample includes respondents who have purchased a sex toy in the past 2 years; 2) Respondents were asked "Thinking about when COVID-19 restrictions ease, how do you expect the number of sex toys you purchase in a year to change (relative to an average year where COVID-19 restrictions were in place)?" | Source: Strategy& Sex Toys Consumer Survey (UK, US and France. In field: 15 Oct - 8 Nov 2021), Strategy& Analysis

Across the US, UK and France, high online penetration accelerated as a result of COVID-19

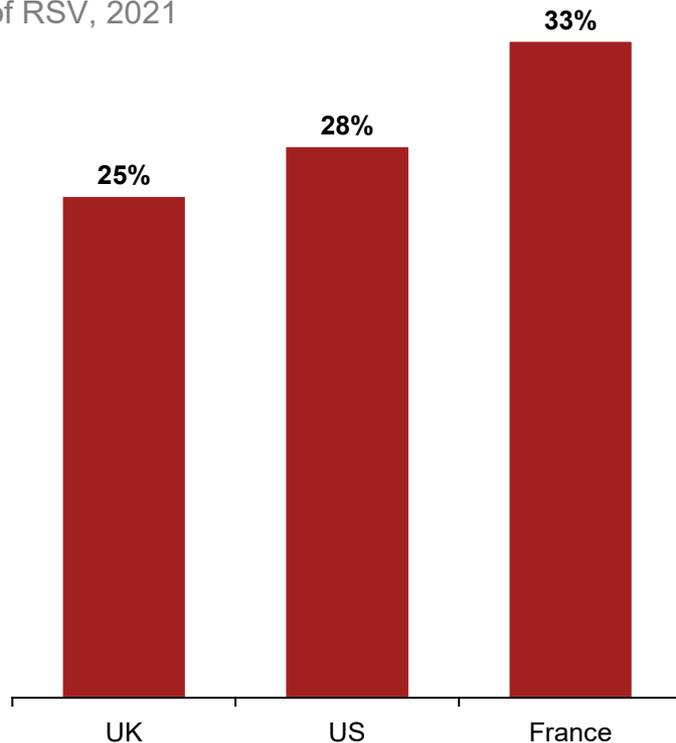


The premium segment accounts for c.25-33% of the market in select geographies and is expected to grow in importance

The premium segment of the market represents c.25-33% in select geographies...

Premium share of sexual wellness devices market in value terms

% of RSV, 2021



...and, together with the D2C and wellness segments, is expected to gain share going forward

Winning model	Benefits	Expert feedback
Premium	<ul style="list-style-type: none"> Aligns with shifts in consumer demand Delivers high margins compared to the value segment 	<p><i>"Customers are spending more money on more expensive and more premium products...the top sellers are premium brands"</i></p> <p>-Head of Category Management - E-Commerce, Large Online Retailer</p>
D2C	<ul style="list-style-type: none"> Capitalises on high and increasing online penetration Enables brands to own the customer relationship and control the customer experience 	<p><i>"Brands are moving into D2C... Once you build a brand, D2C allows consumers to know you and be willing to pay more"</i></p> <p>-Co-funder and CEO, US-based Sexual Wellness Company</p>
Wellness focus	<ul style="list-style-type: none"> Benefits from increased consumer focus on health and wellbeing, especially post COVID-19 Aligns with shift away from sexually explicit branding 	<p><i>"Market players are increasingly focused on health and wellness, this is a major societal trend and the market is growing towards that direction"</i></p> <p>-Former COO, Large Sexual Wellness Company</p>

Growth in the sexual wellness devices market is underpinned by favourable demand and supply drivers

Sexual Wellness Devices Market Drivers

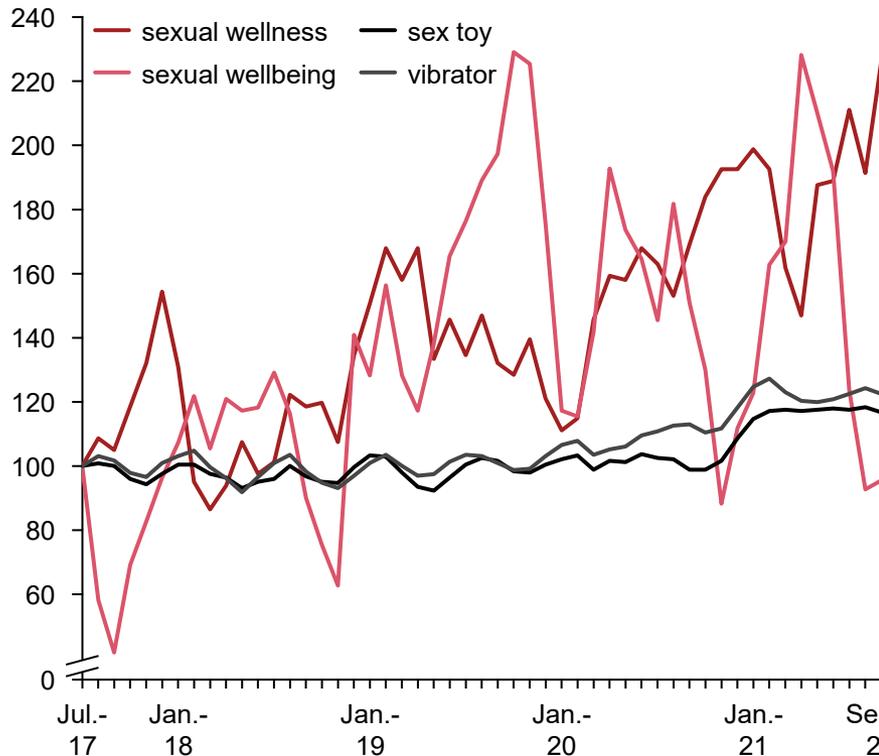
	Demand				Supply		
	Liberalisation of Attitudes	Health and Wellbeing Benefits	Multiple User Cases	Premiumisation	Shift Towards Wellness & Discretion	Product Innovation	Channel Diversification
	<ul style="list-style-type: none"> Interest in sexual wellness has increased (more Google searches and social conversations), in part driven by growth of more liberal Millennial and Gen-Z generations (6% of population in 2000 vs. 47% in 2020) Attitudes towards LGBTQ+ community have liberalised (homosexuality was legal in 41% of countries in 1990 vs. 66% in 2019) 	<ul style="list-style-type: none"> Interest in overall self-care and wellbeing has increased (downloads of wellbeing apps were up 25% on prior weeks in late March 2020) Sexual health and wellbeing are now viewed as pivotal in maintaining overall wellbeing Leading doctors are increasingly recommending sexual wellness devices for the treatment of medical conditions (e.g. vaginismus) 	<ul style="list-style-type: none"> There are a range of different product types within each category catering to different use cases (e.g. Rabbit vs. suction vs. bullet vibrators) This supports ownership of a range of sex toys (c.27% of consumers own 6+) Consumers (c.31%) also report that they expect the number of sex toys they buy to increase post COVID-19 	<ul style="list-style-type: none"> Sex toy shoppers are spending more per product (c.33% expect to spend more on sex toys, of which 29% want more premium toys) This is in part due to average selling price (ASP) increases across the industry (industry experts believe ASP has increased by c.10% in the UK over the last 5 years) 	<ul style="list-style-type: none"> There is a shift in the industry away from sexually explicit brands towards sexual wellbeing brands, with new entrants focused on wellness and developing lifestyle offerings Products have become more sleek, design-oriented and gender neutral Packaging has become more discreet (e.g. Lovehoney subscription packages arrive in plain gift boxes) 	<ul style="list-style-type: none"> There is a range of product innovation across the sexual wellness devices landscape, broadening appeal and introducing new use cases (e.g. clitoral stimulators and wearable vibrators) Recent technological advancements include AI feedback, customisable product settings and smart device connectivity 	<ul style="list-style-type: none"> High online penetration (c.70-82% in UK, US and France) accelerated as a result of COVID-19 (4-11ppt. increase from 2019-21) There are an increasing number of mainstream retailers entering the sexual wellness devices market, including pharmacies (e.g. CVS), grocers (e.g. Tesco, Walmart) and beauty specialists (e.g. Cult Beauty)
Historical impact (2016-19)	➡	➡	➡	➡	➡	➡	➡
COVID-19 impact (2020-21)	➡	➡	➡	➡	➡	➡	➡
Future impact (2022-26)	➡	➡	➡	➡	➡	➡	➡
Key: ➡ = Very positive outlook ➡ = Positive outlook ➡ = Neutral outlook ➡ = Negative outlook							

Consumer interest in sexual wellness and sex toys has been increasing...

Searches for sexual wellness and sex toy related terms have been trending upwards..

Google searches for sex related terms

Indexed rolling average (July 2017=100)¹, July 2017 – September 2021



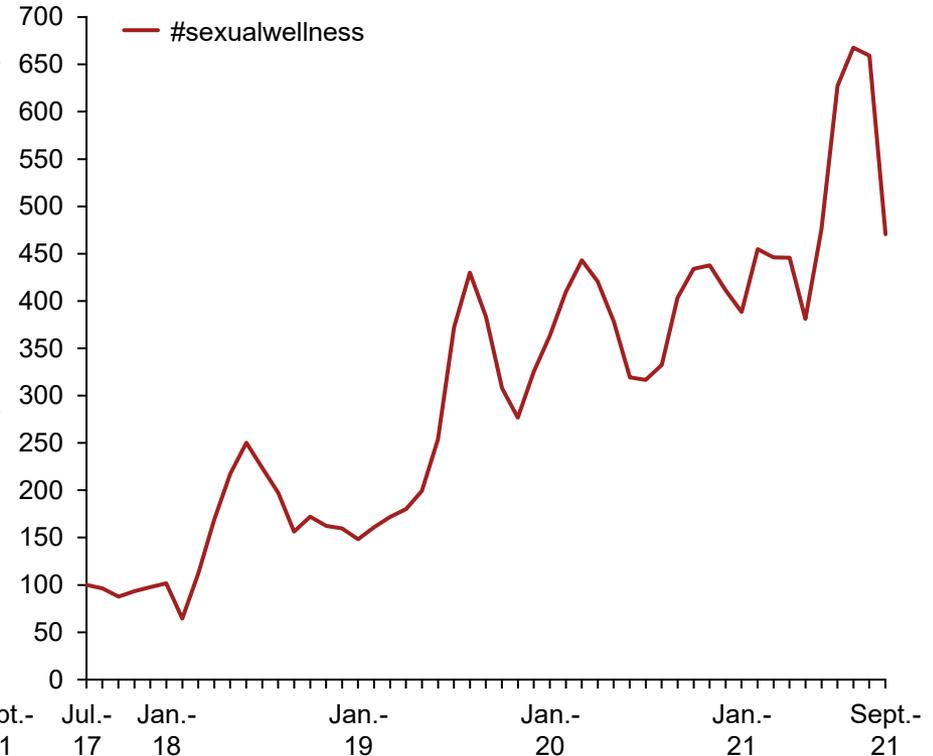
Sexual wellness devices market
Strategy&

Notes: 1) 3 month rolling average
Source: Google Trends, Brandwatch, Strategy& Analysis

...and consumers have been talking about sexual wellness more frequently

Twitter mentions of sexual wellness

Indexed rolling average (July 2017=100)¹, July 2017 – September 2021



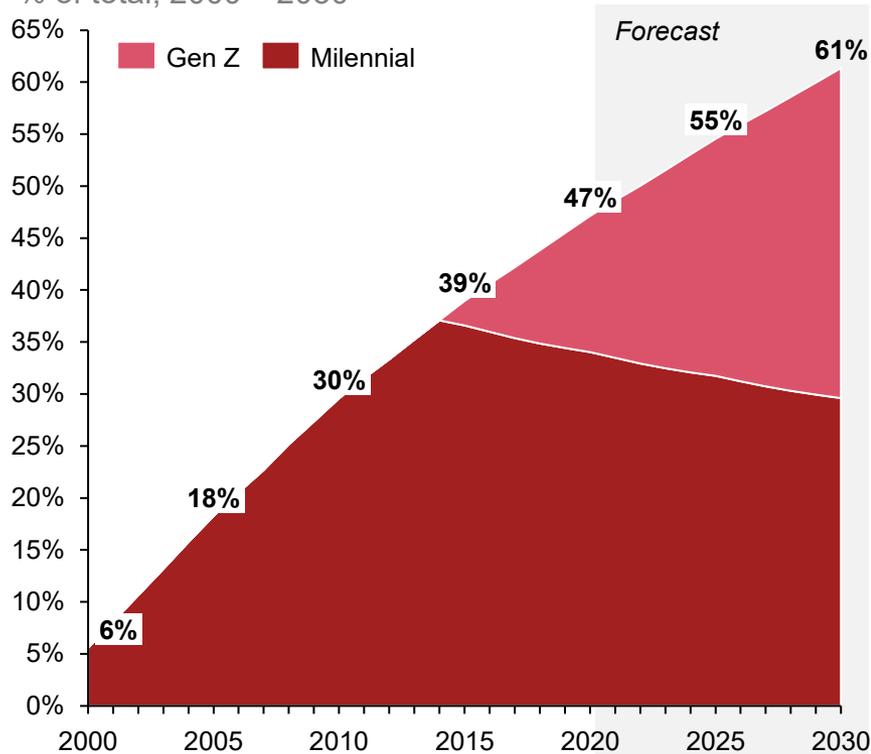
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...in part driven by growth of more liberal Gen Z and Millennial generations

By 2030, Gen Z and Millennial generations will account for c.60% of the adult population

Gen Z and Millennial generations¹ share of global adult population²

% of total, 2000 – 2030

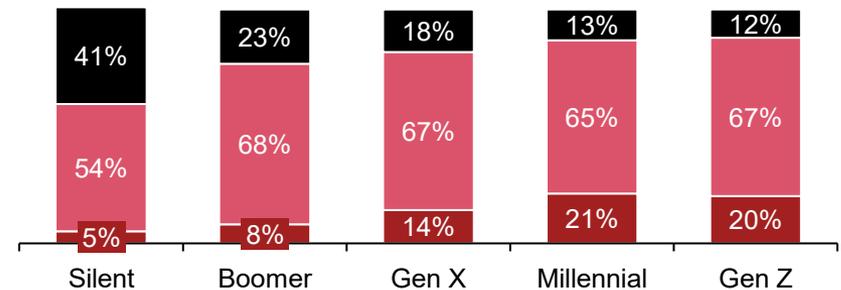


These generations are generally more liberal than prior generations regarding relationships

Generations' attitude towards premarital cohabitation – US

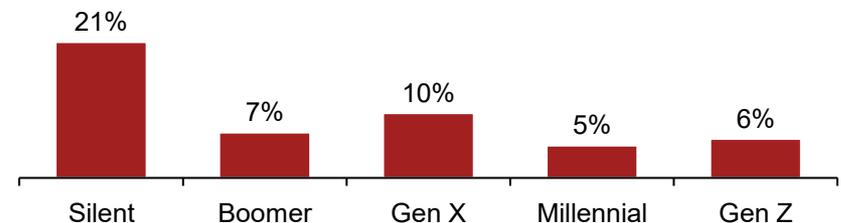
%, 2018

■ Good thing ■ Doesn't make a difference ■ Bad thing



Generations' disapproval of premarital cohabitation – UK

% disapproving of cohabitation, 2018/19

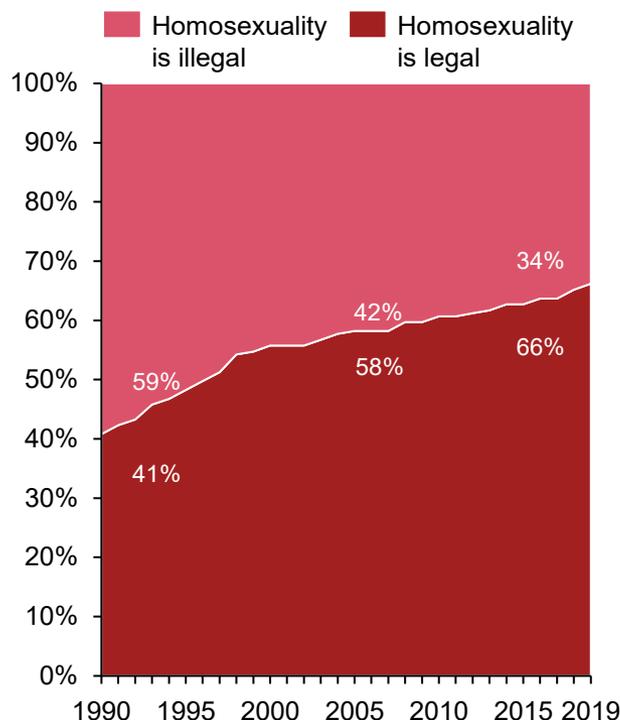


Attitudes towards the LGBTQ+ community are also liberalising around the world

A growing proportion of countries are legalising homosexuality...

Proportion of countries where homosexuality is legal

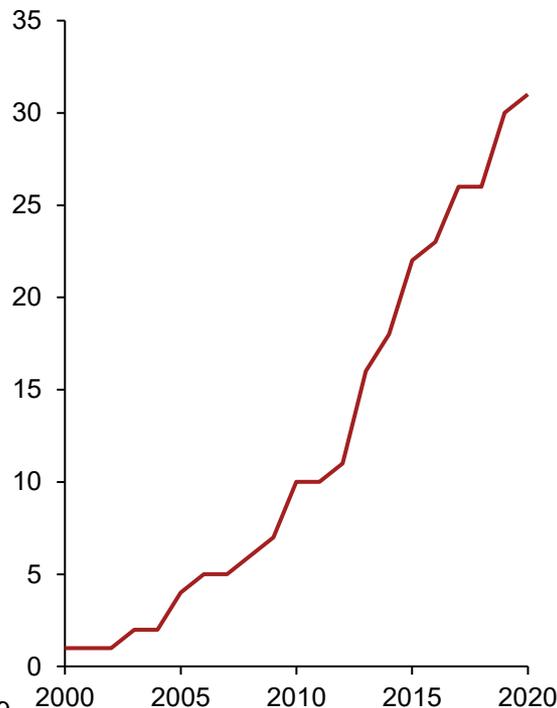
%, 1990 – 2019



...and allowing same-sex couples to marry...

Number of countries where same-sex marriage is legal

#, 2000 – 2020



...supporting demand for sexual wellness devices, including specialised products

Products designed for same-sex couples



Double-Ended dildos facilitate sex positions for same-sex couples

The Semenette is an ejaculating dildo that can help lesbian couples **conceive** through at home intrauterine insemination¹



The Shi-Shi is a vibrator best used in the **scissoring position** for female couples

The media has reinforced liberal attitudes across multiple formats

Illustrative

Films and Entertainment

Fifty Shades of Grey

'Fifty Shades of Grey' Sex Toys in Sales Frenzy

Branded whips, wine and classical music see a spike as one sex-toy maker trades profits and author EL James (but not Universal) rakes in \$66 million a year bondage bonanza.

Hollywood report – Feb 2015



50 Shades of Grey, a popular series of films (and novels), achieved over \$1bn in box office sales. Ann Summers credited the film as causing a 200% increase in sales¹ of love bead toys, which are featured in the series

Magic Mike



Refinery29
– May 2017

MOTHERSHIP
Why I Highly Recommend Seeing
Magic Mike Live With Your Mom

Magic Mike is a 'risqué' film and stage show about the male stripping industry. It attracts a majority female audience across a range of age groups, including older women

Newspapers & Magazines

Sexual Wellbeing Columns



The Guardian
– Oct 2021

The Mirror – Oct 2021

Leading newspapers, including The Guardian and The Mirror, have columns dedicated to sexual wellness

Magazines focusing on sexual wellbeing

8 Perfect Post-Pregnancy Sex Positions for New Moms

Sit back, relax, and let your partner do all the work for these.

Cosmopolitan
– Oct 2019

How to Have Good Sex When You're Older

According to a study, you're only as old in bed as you feel

Men's Health
– May 2017

Magazines such as Cosmopolitan and Men's Health regularly discuss sex; both publications target readers across age groups

Literature and Education

Scientific Journals and Bodies

What is sexual wellbeing and why does it matter for public health?

Lancet – Jun 2021

On World Sexual Health Day, WHO celebrates every person's right to sexual wellbeing

WHO – Sep 2021

Journals including the Lancet and organisations including the WHO have published on the importance of sexual wellbeing

Sexual Wellness Literature and Novels



Books such as The New York Times bestseller, Come as You Are, encourage sexual exploration

Education



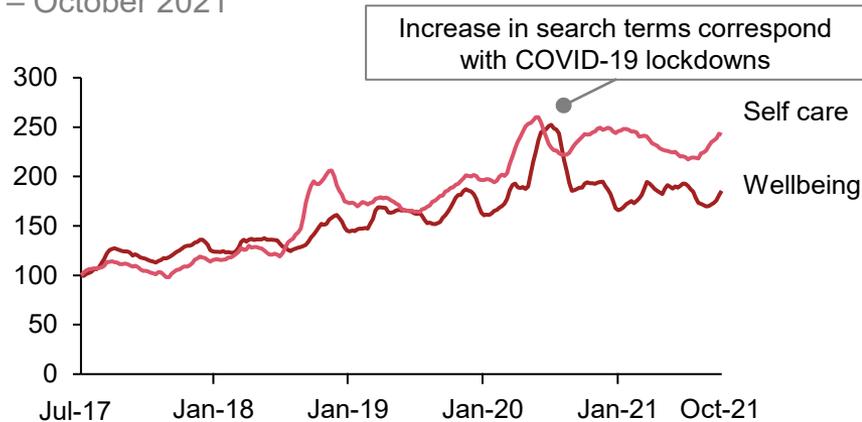
There are an increasing number of Podcasts and Ted Talks by sex educators; examples include 'The Sexual Wellness Sessions' by Kate Moyle and 'Where Should We Begin' by Esther Perel

Consumers are increasingly focused on wellbeing and self-care, which has accelerated during the pandemic...

Consumer interest in self-care and wellbeing is increasing...

Google searches for Self care and Wellbeing

Indexed 12-week rolling average (July 2017=100), July 2017 – October 2021



Wellbeing app downloads



Smartphone applications geared towards mental wellbeing have seen rapid growth, accelerated by the COVID-19 pandemic:

- Downloads of mindfulness apps in the week of 29 March 2020 were up 25% (to 750k) from the weekly average in January and February 2020
- Calm has seen subscribers grow from 0.75m in 2017 to 4m in 2020

...and sexual wellness is being viewed as increasingly important in overall wellbeing

*“The last two years have been a time of **great social upheaval and awakening**... we’re starting a conversation to help women close the ‘orgasm gap’ and normalise commonplace issues”*

-Alexia Inge, Founder, Cult Beauty

*“[The sexual wellness devices market] is sort of the last frontier in terms of wellness... **nothing is more zeitgeist right now than women’s empowerment, body positivity for women**”*

-Beth McGroarty, Vice President, Global Wellness Institute

*“The sex toy industry is moving towards **trends in wellbeing**, and that segment is growing”*

-Former COO, Large Sexual Wellness Company

*“By enhancing overall **sexual health and wellness**, you can build on the lifetime value of customers”*

-CEO, Large Sexual Wellness Company

...with sexual wellness devices being used as an important tool in the maintenance of sexual health

Sexual wellness devices are used for the treatment of certain medical conditions...

Medical conditions that can be treated using sexual wellness devices

Condition	Description
Symptoms of menopause	Symptoms include hormonal changes that can have a physical (e.g. decreased libido) and emotional (e.g. anxiety and fatigue) impact on a woman's sex life
Vaginal atrophy	Thinning and drying of the vaginal walls (symptoms include vaginal dryness)
Vaginal dryness	Reduced lubrication of the vagina, often caused by a change in hormone levels
Vaginismus	Muscle tightening following attempts at penetration

A number of academics have spoken publicly about the role that sexual wellness devices can play in treating these conditions

...and are being recommended by leading doctors

"Frequent vibrator use can prevent and ward off conditions such as painful vaginal dryness and atrophy. Within a month, women should notice a difference"

-Dr Mary Jane Minkin, clinical professor of obstetrics and gynaecology, Yale University

"Almost half of all women suffer from a sexual dysfunction, and sex shops and their accoutrements could be a vital part of their therapy"

-Dr David Goldmeier, consultant and lead technician in sexual function, London St Mary's Hospital

"Vibrators are routinely used, and as a physician and sexual health expert, there are a number of solutions and medical conditions that prompt my recommendation to use a vibrator"

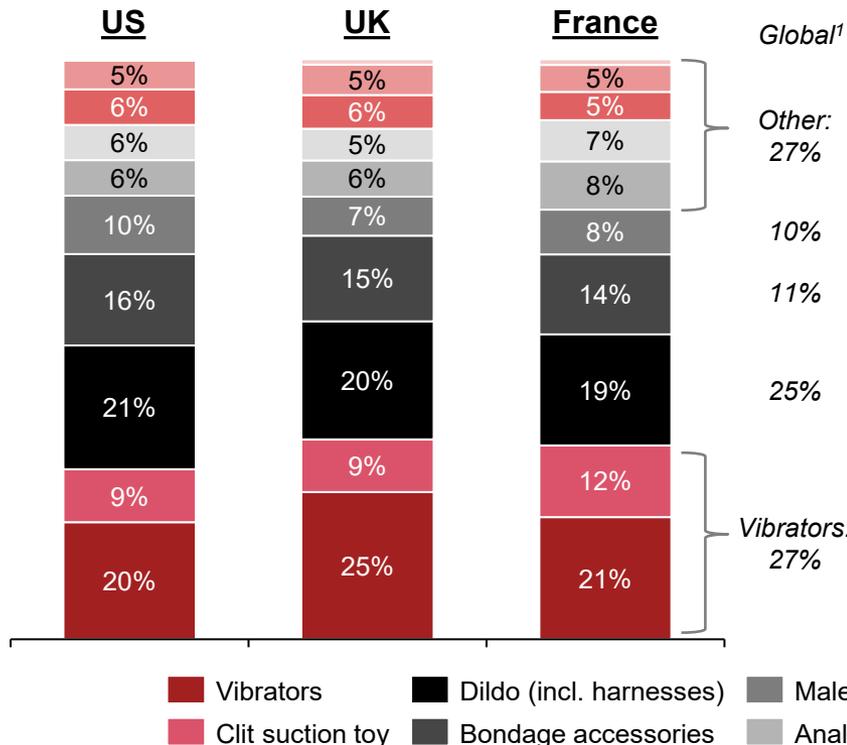
-Dr Lauren Streicher, Clinical Professor of Obstetrics and Gynaecology, Northwestern University

Sexual wellness devices are available across a range of product categories, and most consumers buy into more than one

Vibrators and dildos are the largest categories across all selected markets

Sexual wellness devices market value – by product category

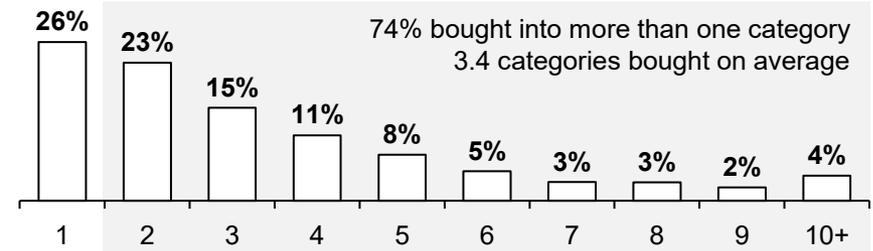
%, 2021



Most buyers purchased across multiple categories in 2021, with vibrators and dildos the most popular

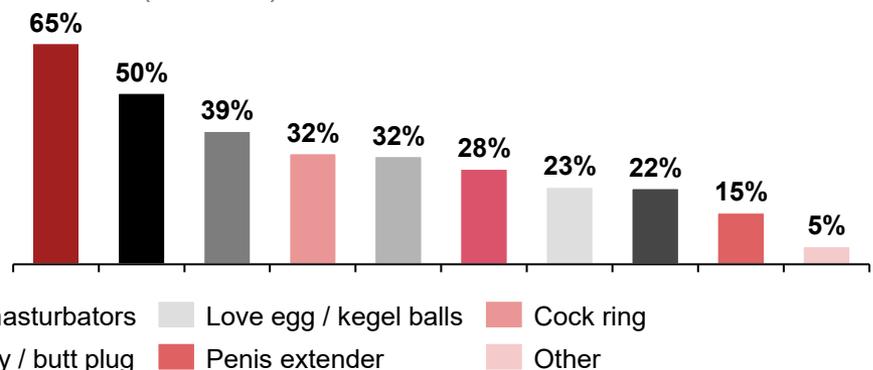
Number of categories purchased by 2021 buyers – US, UK, France²

%, 2021 (n=4,732)



% 2021 buyers that bought into each category – US, UK, France²

%, 2021 (n=4,732)



Consumers are purchasing an increasing number of sex toys, as new product designs create new use cases

Each device category encompasses a wide range of different designs, addressing different use cases

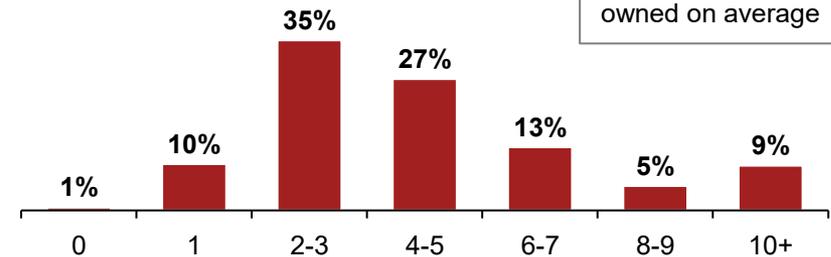
Types of vibrators and use cases

Type of Vibrator	Product Image	Use case
Rabbit		<ul style="list-style-type: none"> Simultaneous stimulation of both the clitoris and vagina
Wand Massager		<ul style="list-style-type: none"> Versatile, unisex massager that can be used for body massage (e.g. to relieve muscle pain) or for genital stimulation
Clitoral stimulation		<ul style="list-style-type: none"> Pulsator that delivers targeted, heightened sensation to the clitoris
Bullet		<ul style="list-style-type: none"> Portable vibrator for easy and discreet travel use Pairable with other toys (e.g. dildos)
Suction		<ul style="list-style-type: none"> Delivers a sucking-like sensation to the clitoris, mimicking oral sex
G-spot targeting		<ul style="list-style-type: none"> Curved shape design is angled so as to stimulate the g-spot erogenous zone
Wearable vibrator		<ul style="list-style-type: none"> Hands-free – the device can be worn by the user leaving hands free to use other toys or stimulate other areas

Consumers own multiple toys, with 31% planning to buy more in the future

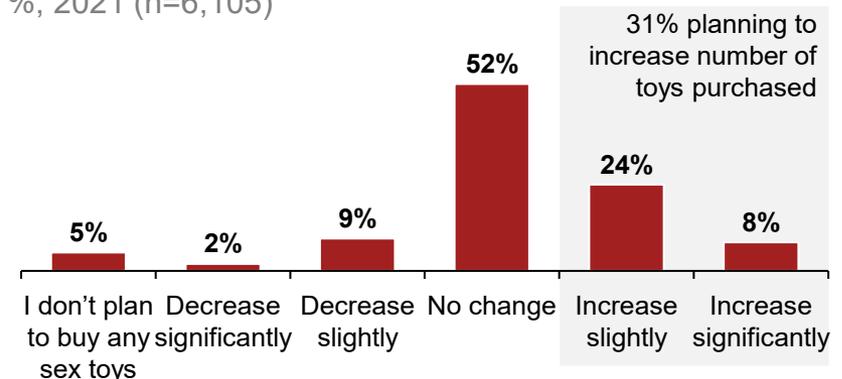
Number of sex toys owned – US, UK, France¹

%, 2021 (n=6,072)



Expectations for volume of sex toys purchased post COVID-19 (vs. during COVID-19) – US, UK, France²

%, 2021 (n=6,105)

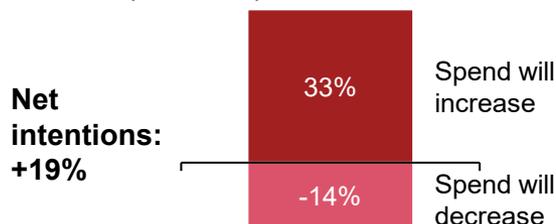


Consumers are also spending more per product...

Net spend intentions are positive, partly due to intentions to purchase premium products

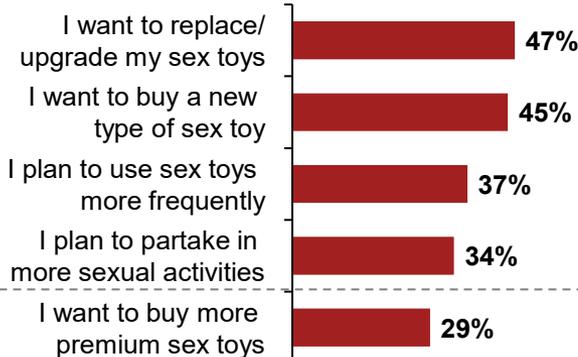
Expectation for total spend on sex toys post-COVID-19¹

%, 2021 (n=6,105)



Reasons for spend increase²

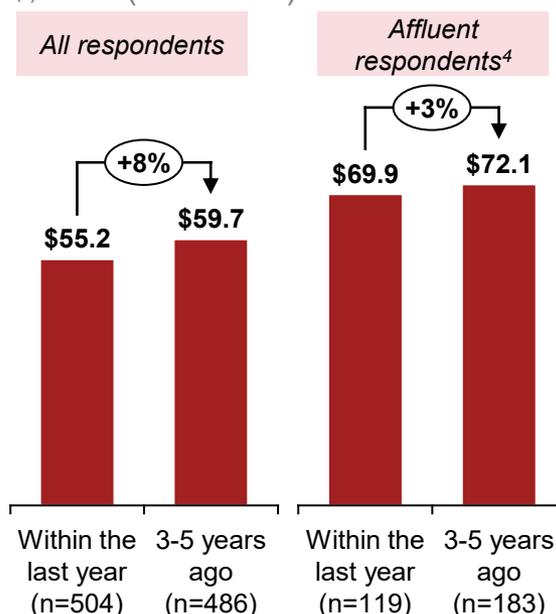
%, 2021 (n=2,025)



Longer-term buyers tend to spend more per product

Average price paid for a vibrator (largest product category) in the last year, by time of first sex toy purchase³

\$, 2021 (n=variable)



Industry experts confirm that ASP is increasing

"I see a trend in increasing average selling price, either brands increasing prices or introducing more premium products. The ASP has increased around 10%"

-Head of Category Management - E-Commerce, Large Online Retailer

"People are buying more luxury, expensive and technology-based toys. Sex toys are trending towards being more expensive toys with more features...I think compared to 2016 the ASP is £10 higher today in the UK"

-Former COO, Large Sexual Wellness Company

"There's a trend towards premiumisation... it is an attractive space and it will definitely keep growing as more value brands extend their offering into the premium space"

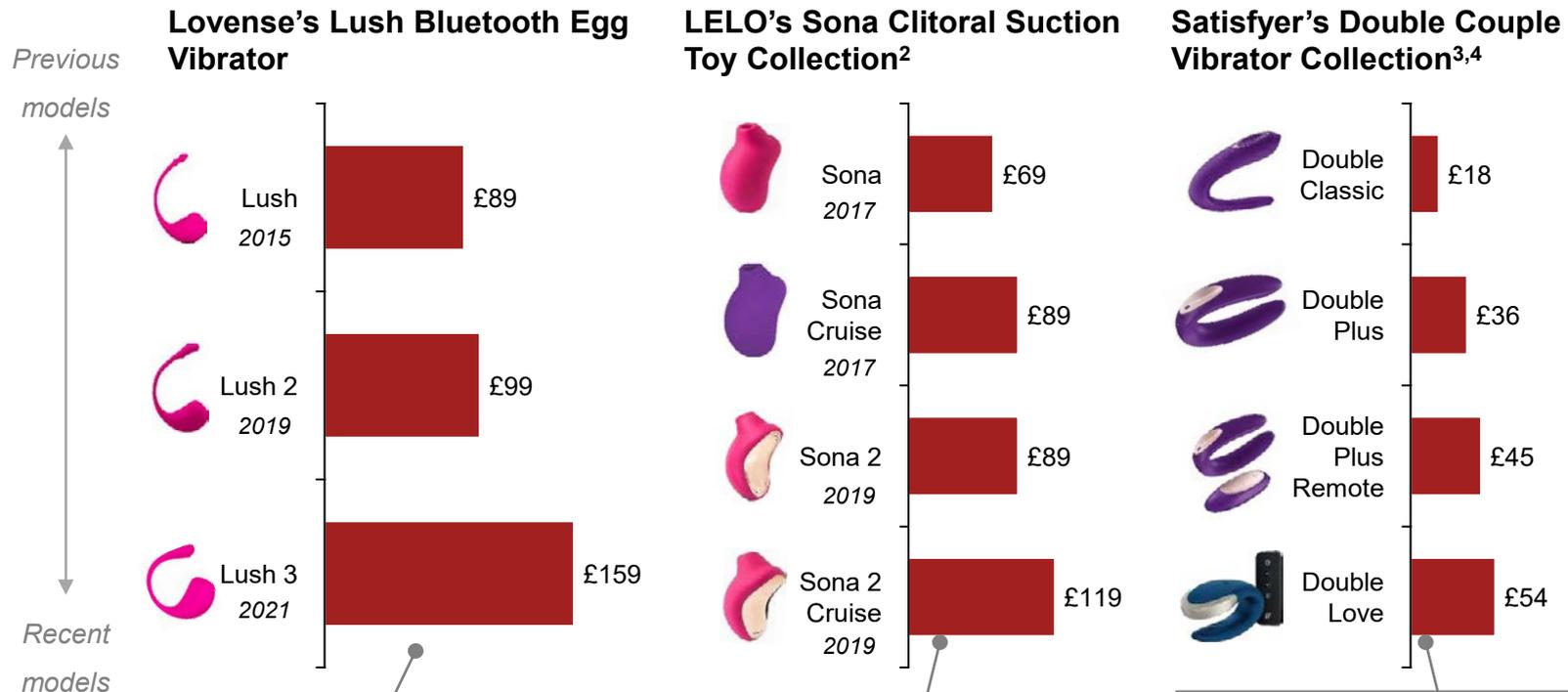
-Co-founder and CEO, Sexual Wellness Company

Notes: 1) Respondents in US, UK and France were asked: "You said that you spent X over the course of an average year while COVID-19 restrictions were in place. How do you expect your total spend on sex toys to change next year (relative to an average year where COVID-19 restrictions were in place)?" 2) Respondents in US, UK and France were asked: "You mentioned that you expect your spend on sex toys to increase next year, why do you expect to spend more?" 3) Respondents in US, UK and France were asked "You mentioned that you have purchased a vibrator in the last year. Roughly, how much did you pay for it?" and "When did you first purchase a sex toy?"; 4) Household income >=£40k in the UK, \$75k in the US, €56k in France | Source: Strategy& Sex Toys Consumer Survey (UK, US and France. In field: 15 Oct - 8 Nov 2021), Strategy& Interviews, Strategy& Analysis

...which is in part driven by more premium new model launches

Illustrative

Product price points by model¹



- Lovense's Lush is a wearable vibrator, operational via Bluetooth
- Lush 2 offers additional features, e.g. more power and better Bluetooth connectivity
- The Lush 3 has an improved tail allowing for more precise positioning of the toy in the body

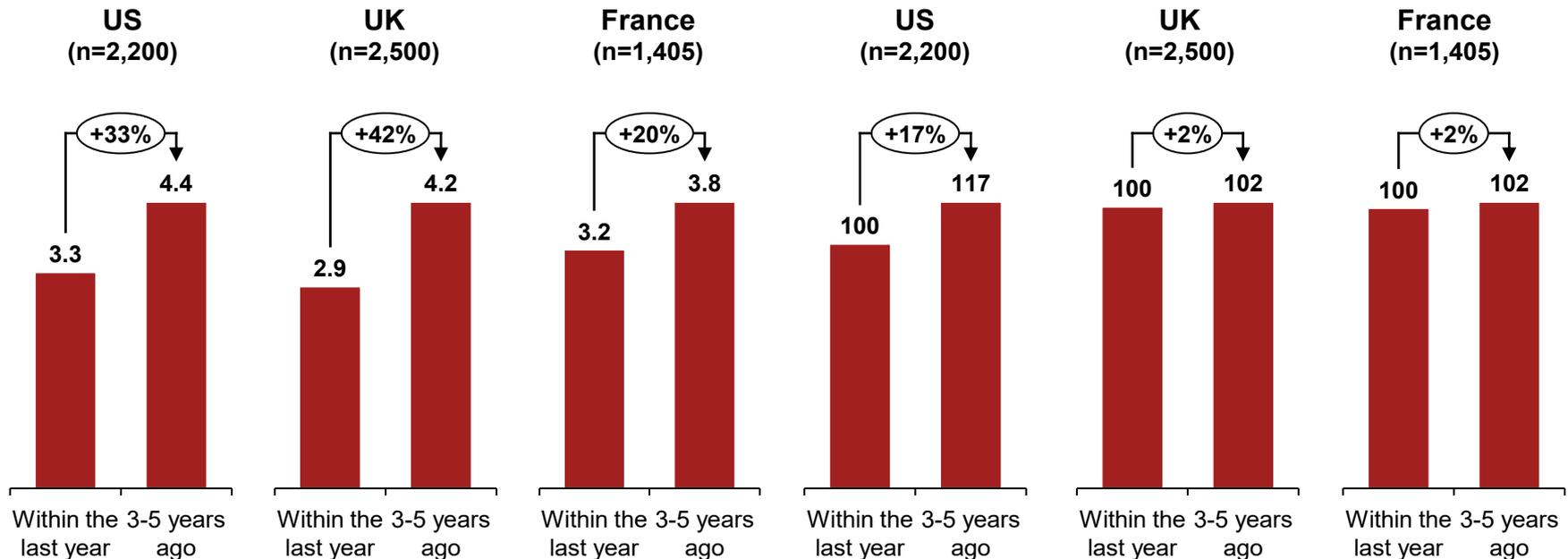
- LELO's original Sona, clitoris suction toy utilised sonic wave technology
- Subsequent models benefitted from cruise control (Sona Cruise) and extra clitoral stimulation (Sona 2 and Sona 2 Cruise)

- Satisfyer's Double Classic provides simultaneous penis and G-spot stimulation
- The Plus range has an additional motor and hands-free play
- The latest toy, Double Love, can be remote controlled or operated via an app

As consumers spend more time in the market, their annual spend and 'number of toys in the box' increases

Sex toy buyers that have been engaged in the market longer own significantly more toys on average than new buyers...

Average number of sex toys owned, by time from first purchase¹
of toys, 2021



...and also spent more overall during COVID-19 than new buyers did, particularly in the US

Indexed average annual spend, by time from first purchase¹
Indexed (100='within the last year' cohort average spend), 2021

There has been a shift in the sex toy market towards wellness and discretion which is expected to continue

 Illustrative

New brands are focused on wellness, with design-oriented and gender neutral propositions

Maude

- Sexual wellness start-up that launched in 2018
- Maude sells vibrators with **subtle designs** and **neutral colours**, as well as lubricants, candles and bubble bath
- Its sexual wellness devices are positioned as **self-care and wellness products**



Discreet packaging is increasingly common, encouraging new users into the category

Product packaging

- LELO packages its sexual wellness devices in **discrete** black boxes
- Sleek packaging contributes to the premium look and feel of the brand



65% of sex toy customers see discreet packaging as an important criteria when deciding which sex toy brand to purchase from¹

Delivery packaging

- Lovehoney offers subscription packages that arrive in **plain packaged gift boxes**
- Brands, including Tenga, offer **100% discreet delivery** packaging allowing consumers to purchase sexual wellness devices confidentially



Always Delivered Discreetly.

Unbound



- Sexual wellness start-up which launched a vibrator ring in 2019
- Products feature geometric shapes and metallic colour options (e.g. gold and silver) to create a **refined feel, suitable for wearing**

Notes: 1) Respondents were asked "When choosing which sex toy brand to purchase from, how important are the following factors on a scale of 1-10, where 1 is not at all important and 10 is absolutely critical? Discrete packaging and delivery". Important is a score of 8 or more out of 10 | Source: Brands' Website, Facebook, Strategy& Sex Toys Consumer Survey (UK, US and France. In field: 15 Oct - 8 Nov 2021)

Product innovation has introduced new capabilities and USPs to the market, broadening appeal

 Illustrative

Select product innovations over time

Pre-COVID-19

Bi-directional control on app-connected toys (2013)

- Lovense introduced the Max masturbator and Nora vibrator
- **Offers connectivity with smartphones and bi-directional control** (when one toy moves so does the other)
- Increases stimulation in 'cybersex', for **long distance relationships**



Sex jewellery (2014)

- Crave popularised **sex jewellery** through the Vesper necklace
- Products combine sexual wellness devices with fashion; they are understated and discrete in design



Connectivity to smart devices (2019)

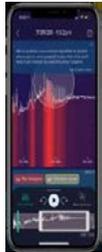
- OhMiBod introduced vibrators which can be **controlled via the Amazon Alexa voice assistant**
- **Offers connectivity with Apple Watches** so the vibrations can match a partner's heartbeat



During COVID-19

AI technology (2020)

- Lioness introduced Vibrator 2.0
- Promises **AI-assisted orgasms, with 30,000+ data points** used to provide **biofeedback**
- User can see how their body responds & view **recommendations** for future use



Warming Vibrators and Plugs (2021)

- Lora DiCarlo introduced Drift, Tilt & Sway
- Integrates **thermal conductive polymer technology** (Warmsense)
- Mimics body temperature, providing **sensation of human touch**



Dual stimulation sonic massager (2021)

- LELO introduced the Enigma massager
- Designed to titillate both the **entire clitoris and G-spot**
- Promises intense orgasms with an option for **both kinds of stimulation**



In future

*"Innovation is still going on – new designs, products, materials, functions and marketing techniques. I **don't see it slowing down for at least ten years**"*

-Former COO, Large Sexual Wellness Company

*"I think **innovation is important for the industry**... There is minimal customer loyalty for sex toys, you need to have innovative products to attract customers"*

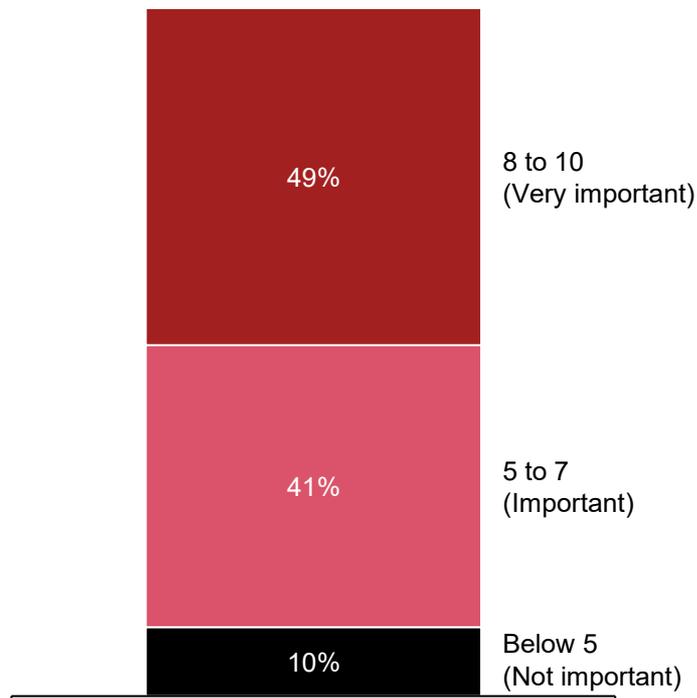
-CEO, Large Sexual Wellness Company

Consumers view innovation as important, and brands are offering more expensive products to cater to this demand

The majority of consumers consider product innovation very important when purchasing sex toys

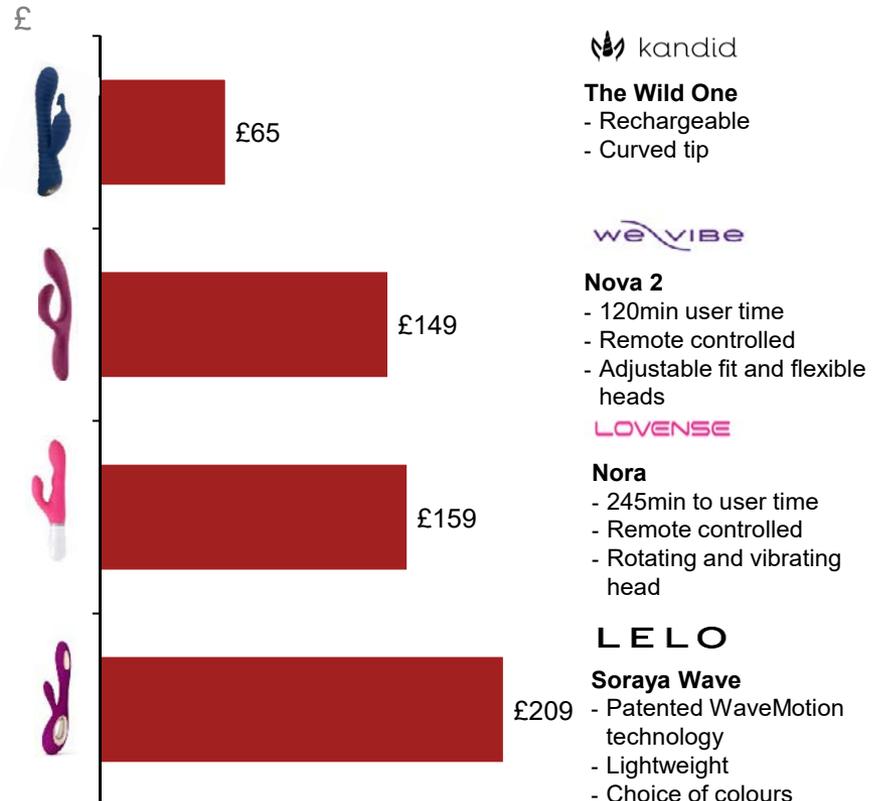
Importance of innovation when purchasing sex toys – US, UK, France¹

%, 2021 (n=6,105)



Brands are catering to this requirement by offering more expensive products with greater functionality

Rabbit vibrators: functionality by price²

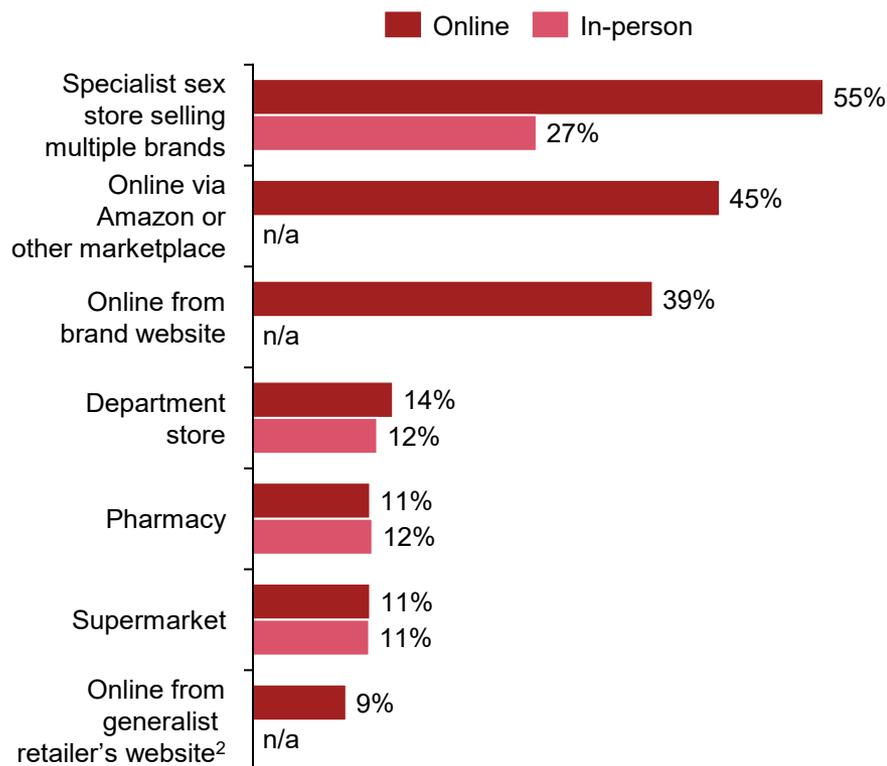


Notes: 1) Respondents were asked: "When choosing which sex toy brand to purchase from, how important are the following factors? (On a scale of 1-10, where 1 is not at all important and 10 is absolutely critical?)" 6. New innovation / functionality; 2) Prices shown at full price, excluding promotions as of November 2021 | Source: Strategy& Sex Toys Consumer Survey (UK, US and France. In field: 15 Oct - 8 Nov 2021), Company Websites

Sexual wellness devices are increasingly sold across a wide range of mainstream retail models and channels, improving ease of purchase

Consumers buy from a variety of channels, online and in-person

Channels used to purchase sex toys – US, UK, France¹
%, 2021 (n=6,105)



Mainstream retailers are increasingly stocking sexual wellness devices, improving ease of purchase

Mainstream retailers which stock sexual wellness devices

Type of Store	Retailers	Example
Online marketplaces	  	<ul style="list-style-type: none"> A search for sex toys on Amazon UK's 'Sex and Sensuality department' returns over 20,000 results
Grocery stores	  	<ul style="list-style-type: none"> PlusOne, a line of premium sexual wellness devices, debuted at Walmart In 2018
Specialist beauty Retailers	  	<ul style="list-style-type: none"> Cult Beauty stocks premium brands, such as LELO and Smile Maker
Lifestyle brands	 	<ul style="list-style-type: none"> Urban Outfitters partnered with Maude for an exclusive vibrator colourway
Pharmacies / Drugstores	 	<ul style="list-style-type: none"> Lloyds pharmacy stocks Lovehoney toys

Contents

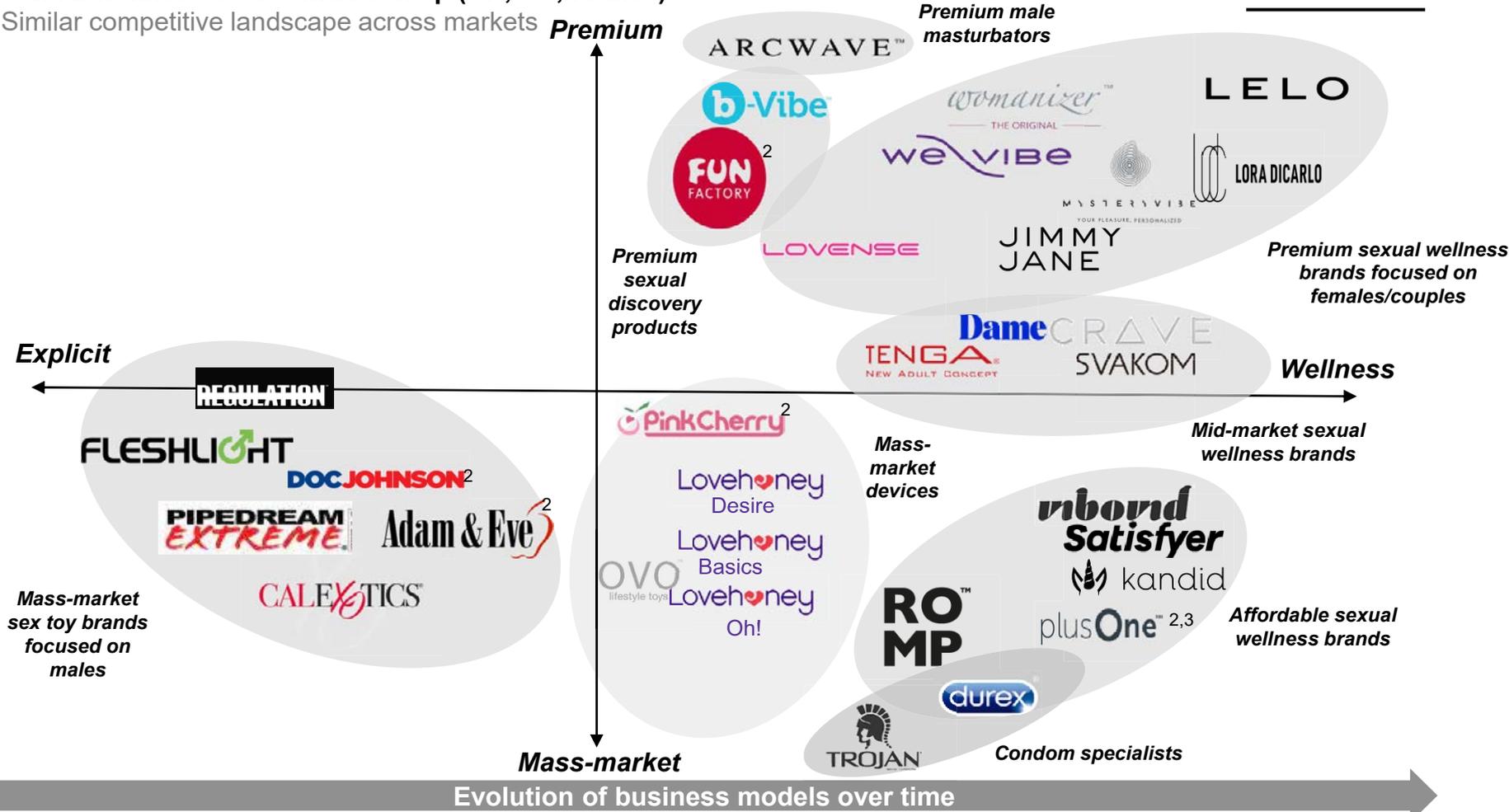
Market size and drivers

Competitive environment

Appendix

The sexual wellness devices market is highly fragmented with different business models

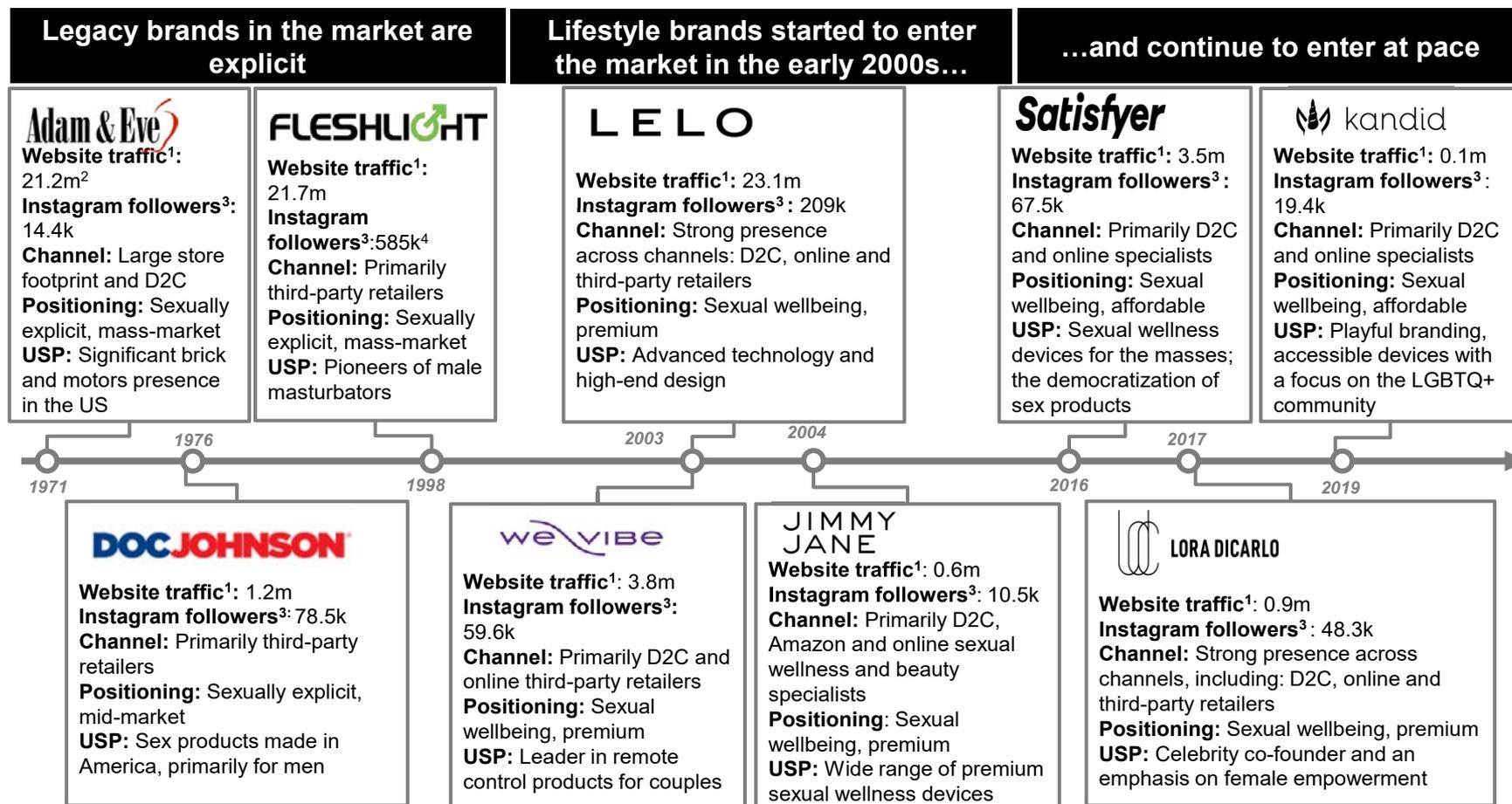
Sexual wellness device market map (UK, US, France)¹
Similar competitive landscape across markets



Notes: 1) On the x-axis, brands are positioned from 'explicit' to 'wellness' using a scorecard which assessed homepage imagery, content and language. On the y-axis, brands are positioned based on the average price of a vibrator/stimulator/masturbator (depending on product availability); 2) Adam & Eve, Fun Factory, Pink Cherry, PlusOne and Doc Johnson are not available in France; 2) PlusOne is only available in the US | Source: Company Websites, Strategy& Analysis

A range of new lifestyle-focused sexual wellbeing brands have entered the market in recent years

Illustrative



With the market moving towards wellness, we have benchmarked select premium and affordable wellness brands

These lifestyle brands are characterised by a focus on design and branding

		Brand USP / strapline ¹	Product attributes ¹
More established brands	 <p>LELO</p>	<i>'Beyond your wildest expectations'</i>	<i>'The most refined, most luxurious and most iconic... award-winning products'</i>
	 <p>weVIBE</p>	<i>'Dive in and conquer new territory in pleasure.'</i>	<i>'Our products set new industry standards for ergonomic design and high performance while remaining eco-friendly and body-safe'</i>
	 <p>JIMMY JANE</p>	<i>'A design-centric brand founded on the belief that pleasure is power'</i>	<i>'Design-centric... high-tech products that inspire adventurous play and empower your overall well-being'</i>
New entrants	 <p>Satisfyer</p>	<i>'Everyone has the right to discover their sexual potential and the joy it can bring'</i>	<i>'Groundbreaking technology' with 'elegant designs' at 'accessible prices'</i>
	 <p>LORA DICARLO</p>	<i>'Empower your path to pleasure'</i>	<i>'Engineered to be inclusive, user-friendly, and most importantly, mind-blowing... innovative technology with beautiful design.'</i>
	 <p>kandid</p>	<i>'A sexual wellness company on a mission to take the stigma out of sex toys for everyone'</i>	<i>'Gender-neutral sex toys... lavishly designed'</i>

“New entrants in the market are definitely more **focused on marketing and packaging**”

- Former COO, Large Sexual Wellness Company

“When you start a new brand **it's all about brand-building**, how you advertise and build an organic following”

-Co-founder and CEO, US-based Sexual Wellness Company

Some brands offer a wide range of products for women whilst others are more focused on specific types of toys

		Total no. sexual wellness devices ¹	Sexual wellness devices – for women ²								
			Clitoral massager / vibrator	Wand massagers	Rabbit vibrators	Bullet vibrator	G-spot vibrators	Panty vibrator	Dildo	Anal products ³	Kegel balls
Premium	LELO	c.45	✓	✓	✓	✓	✓	✗	✓	✓	✓
	JIMMY JANE	c.40	✓	✓	✓	✓	✓	✗	✓	✓	✓
	weVIBE	c.25	✓	✓	✓	✓	✓	✓	✗	✓	✓
	LOVENSE	c.15	✓	✓	✓	✓	✓	✓	✗	✓	✗
	womanizer™ <small>THE ORIGINAL</small>	c.15	✓	✗	✗	✗	✗	✗	✗	✗	✗
	LORA DICARLO	c.10	✓	✗	✗	✗	✓	✗	✗	✓	✗
Affordable	MYSTERY VIBE <small>YOUR PLEASURE, PERSONALIZED</small>	c.5	✓	✗	✗	✗	✓	✗	✗	✓	✗
	Satisfyer	c.80	✓	✓	✓	✓	✓	✓	✓	✓	✓
	kandid	c.20	✓	✓	✓	✓	✓	✗	✓	✓	✓

Some also offer a range of products for men and couples, as well as accessories and other products

	Total no. sexual wellness devices ^{1,2}	Sexual wellness devices – for men ²		Sexual wellness devices – for couples		Sexual accessories			Merch	Other ³	
		Prostate massager	Masturbator	Remote control vibrator	C-ring	Soft bondage	Lubricants	Candles	T-shirt /bag	Condoms	Menstrual cups
Premium	 LELO c.45	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	 JIMMY JANE c.40	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓
	 weVIBE c.25	✓	✗	✓	✓	✗	✗	✗	✗	✗	✗
	 LOVENSE c.15	✓	✓	✓	✓	✗	✓	✗	✗	✗	✗
	 womanizer™ c.15 <small>— THE ORIGINAL —</small>	✗	✗	✗	✗	✗	✗	✗	✓	✗	✗
	 LORA DICARLO c.10	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗
Affordable	 MISTERVIBE c.5 <small>YOUR PLEASURE, PERSONALIZED</small>	✓	✗	✓	✓	✗	✗	✗	✗	✗	✗
	 Satisfyer c.80	✓	✓	✓	✓	✗	✓	✗	✗	✗	✓
	 kandid c.20	✓	✓	✗	✓	✓	✓	✗	✗	✗	✗

Products are differentiated by weight, time to charge, vibration settings and colours

Product overview – Rabbit vibrator¹

Illustrative

Product ²		Soraya Wave™	Nora	Glo Rabbit	Nova 2	The Wild One	Pro + G-spot
Brand		LELO	LOVENSE	JIMMY JANE	wēvibe	kandid	Satisfyer
Price (£)		209	159	150	149	65	54
Patented technology		✓	X	X	X	X	X
Weight (g)		c.180	c.290	c.320	c.205	-	c.325
Charge	Time to full charge, min	120	150	120	90	-	180
	User time/ charge, min	120	245	120	120	-	120
Vibration settings		8 vibration modes	7 vibration modes ³	10 vibration modes	10 vibration modes	9 vibration modes	10 vibration modes ⁴
Colours		Deep rose, midnight blue, black	Pink	Pink	Fuchsia	Blue	White
Remote control		No	Yes ³	No	Yes ³	No	No
Warranty		1 year	1 year	1 year	2 years	1 year	15 years

Key: Top performer

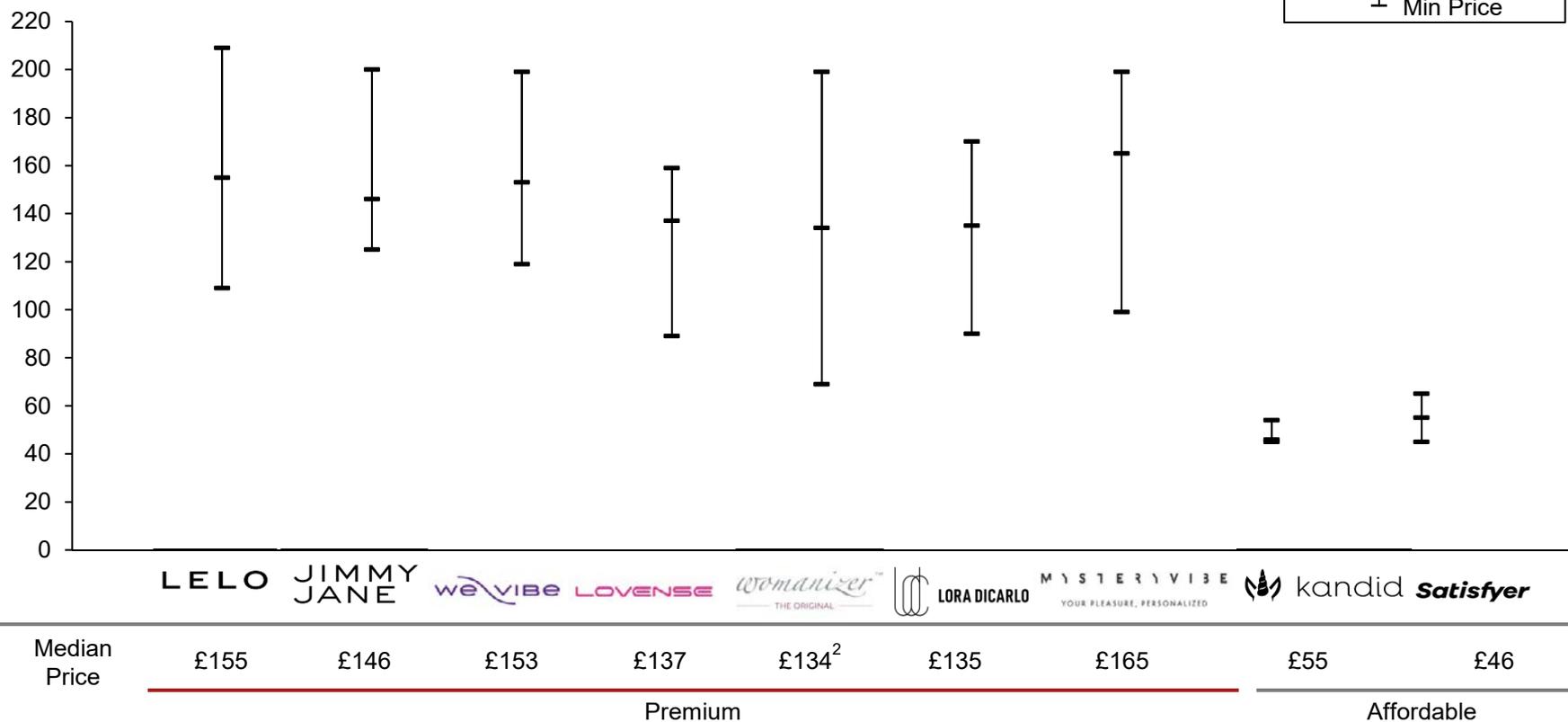
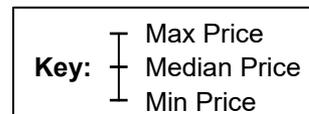
Notes: 1) Only brands that offer rabbit vibrators are included here; 2) The most expensive product in the category was chosen for comparison purposes; 3) Also has 3 speed options; 4) Also has 11 speed options; 5) Nora and Nova2 offer local and long-distance remote control via app | Source: Company Websites

Premium brands offer products at a wide range of price points whilst affordable brands have less variability

Illustrative

Price architecture of female rabbit and G-spot vibrators by brand¹

£, as of October 2021



All benchmarked brands offer products via D2C platforms and Amazon, but some have a stronger offering with other online and brick and mortar retailers

Brands' product sales channel¹

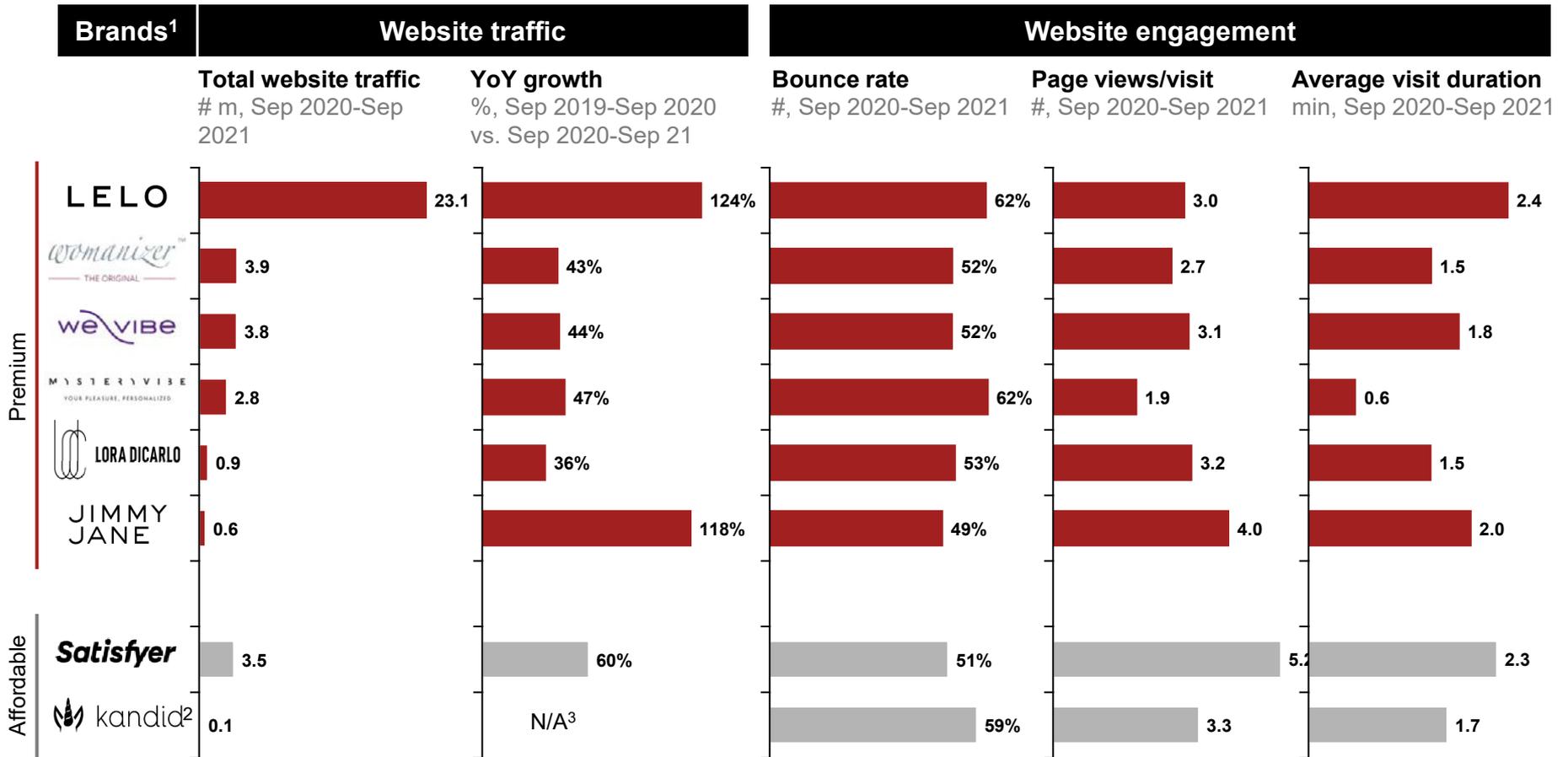
Worldwide, as of October 2021

LELO, Lora DiCarlo and MysteryVibe products are sold in Selfridges

	D2C platform	Amazon.com	Sexual wellness specialist ²	Pharmacist ³	Beauty specialist ⁴	Department stores ⁵	Lifestyle retailers ⁶
Premium	LELO	✓	✓	✓	✓	✓	✓
	JIMMY JANE	✓	✓	✓	X	✓	X
	weVIBE	✓	✓	✓	✓	X	X
	LOVENSE	✓	✓	✓	X	X	X
	womanizer™ THE ORIGINAL	✓	✓	✓	X	X	X
	LORA DICARLO	✓	✓	✓	X	✓	✓
	MYSTERYVIBE YOUR PLEASURE, PERSONALIZED	✓	✓	✓	X	X	✓
Affordable	Satisfyer	✓	✓	✓	✓	✓	X
	kandid	✓	✓	✓	✓	X	X

Notes: 1) Brands ordered by number of sexual wellness devices; 2) e.g. Lovehoney, Harmony; 3) e.g. Boots, Superdrug; 4) e.g. Beautybay, Cult Beauty; 5) e.g. Selfridges; 6) Online and offline wellness and lifestyle retailers selling across a range of product categories, they most typically include: fashion apparel, housewares, beauty, food and wellness products, e.g. Urban Outfitters, Goop | Source: Brands, Retailers and Specialists' Websites, Strategy& Interviews

There is variation in both traffic and engagement metrics that reflect the strength of the brand and UX

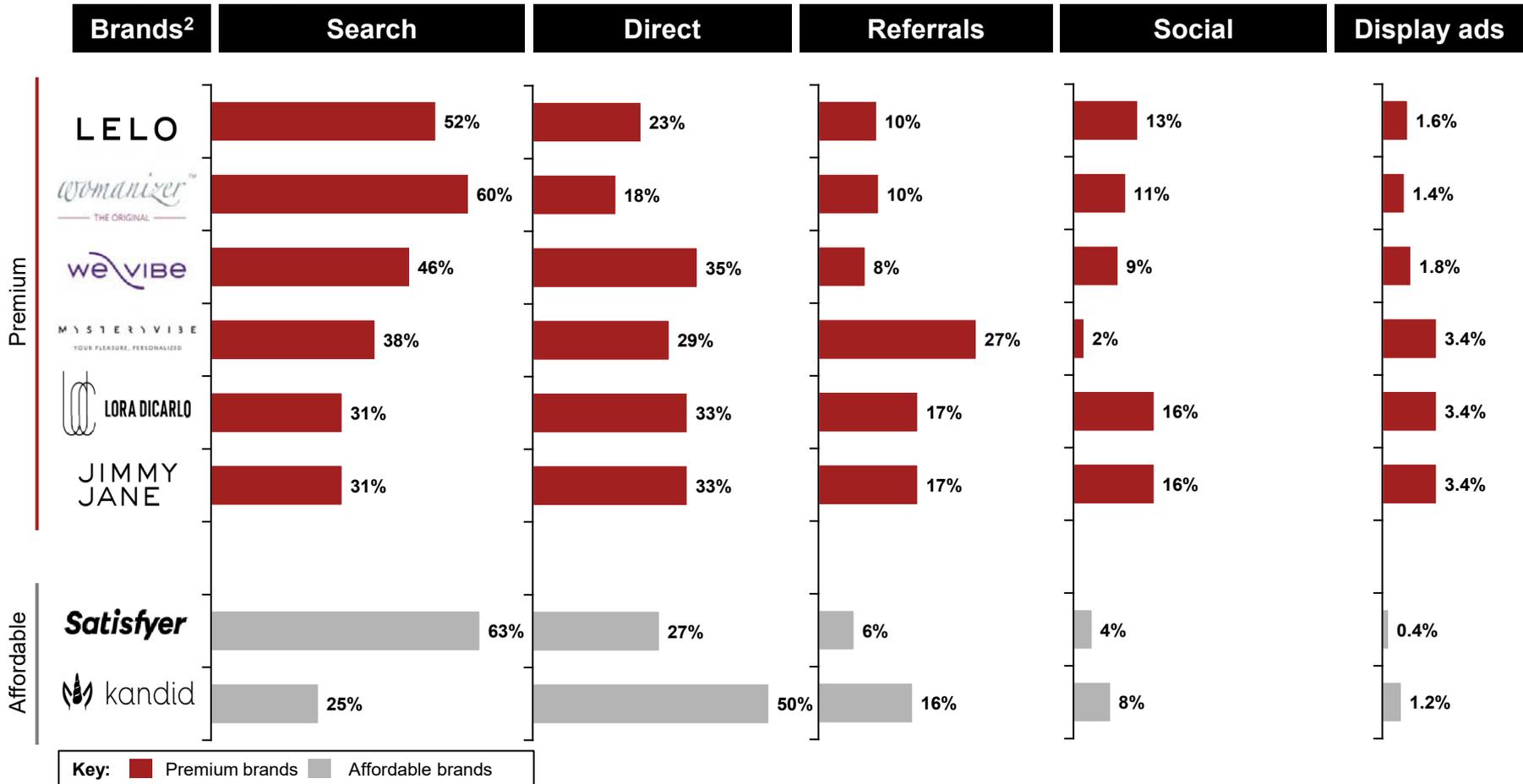


Key: Premium brands Affordable brands

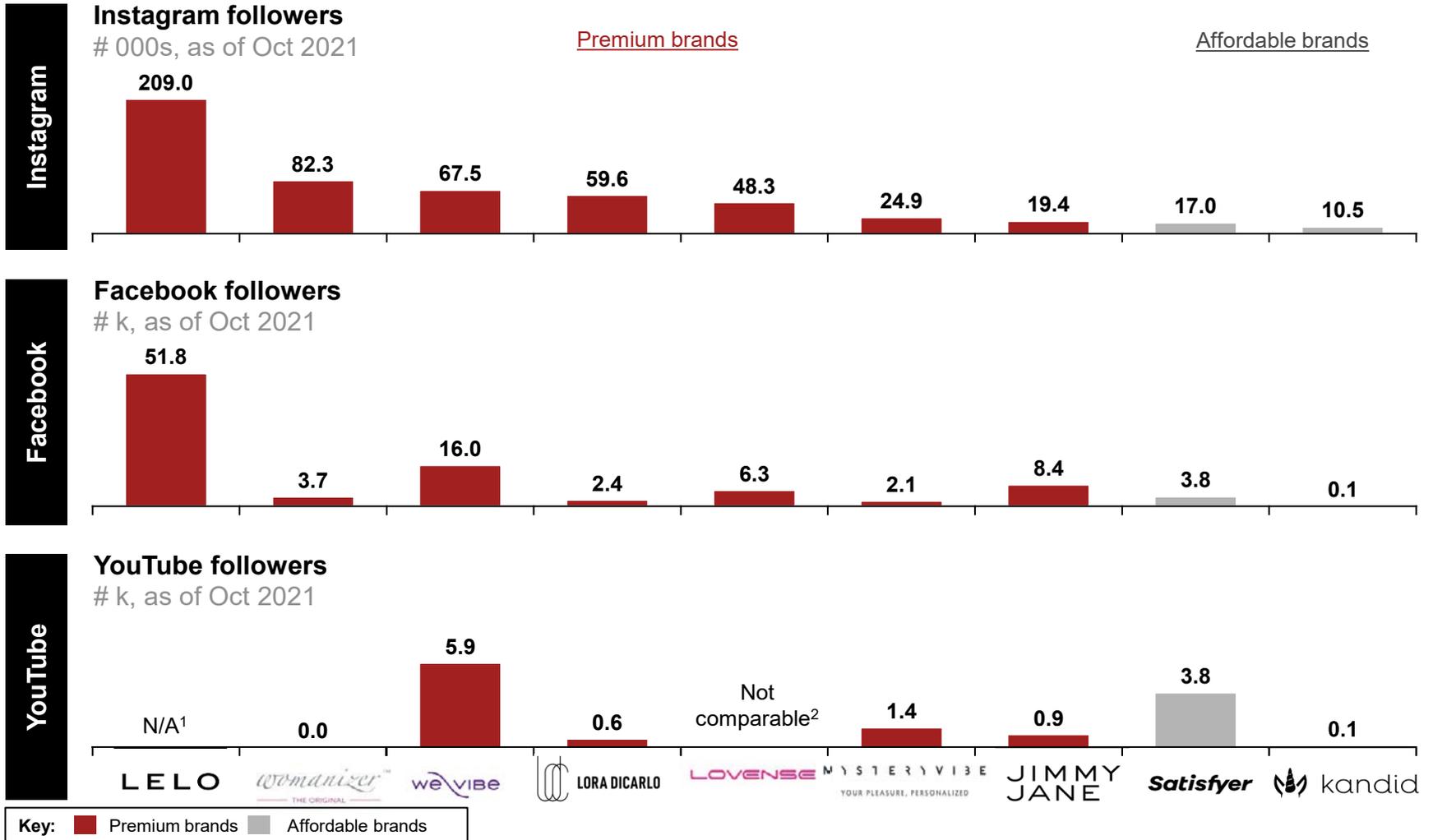
Traffic for most brands is through search or direct channels

Mobile traffic by referral channel¹

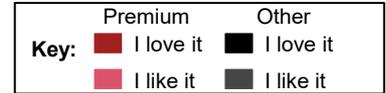
%, Sep 2020 – Sep 2021



Social media followers reflect the strength of the brand and their social strategies

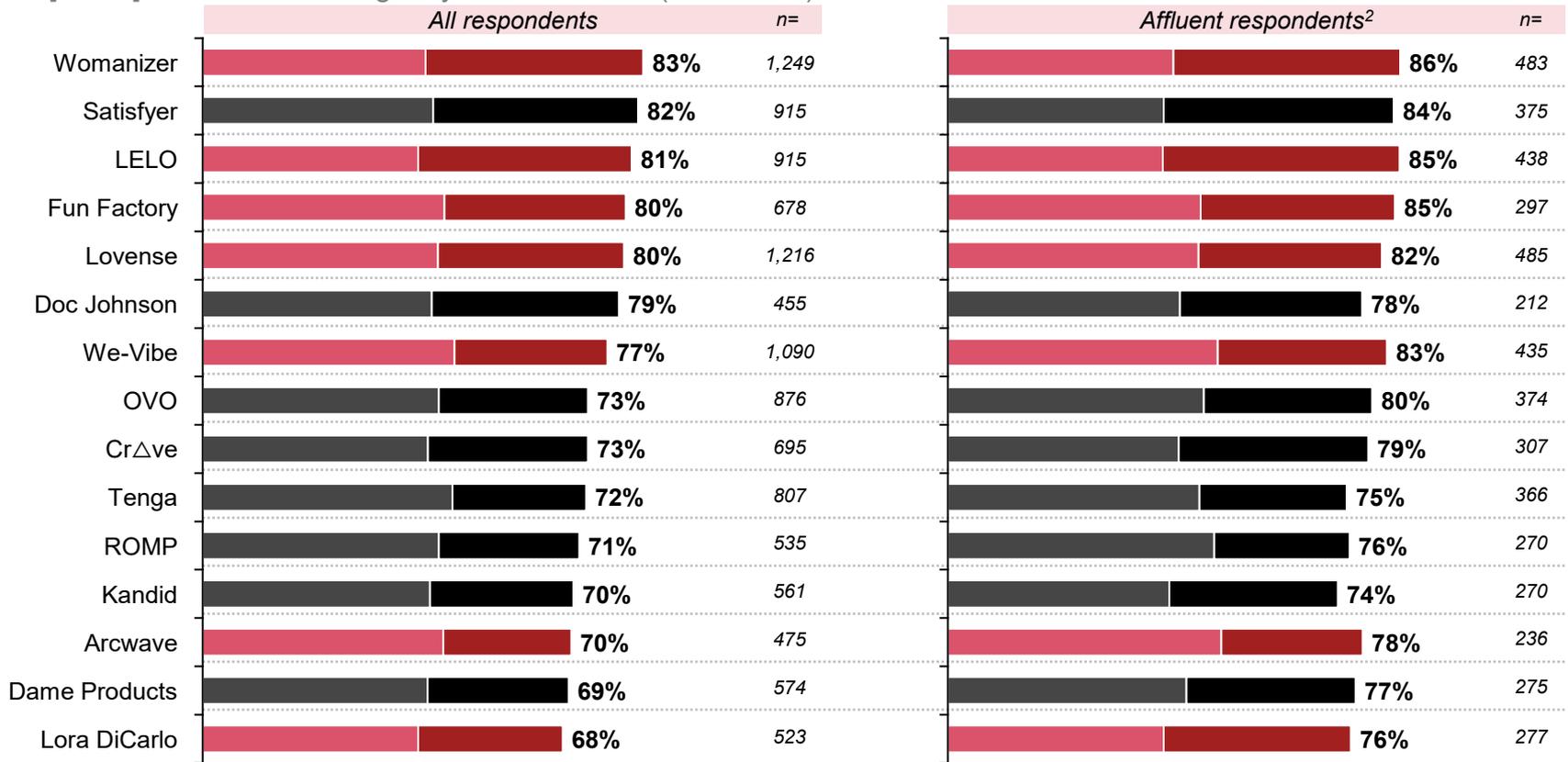


Brands generally have high brand affinity – for most brands, >70% of their customers love or like them



Q: “What best describes your attitude towards [BRAND] in terms of how important it is to you?”

% of [brand] customers¹ stating they love it or like it (n=variable)

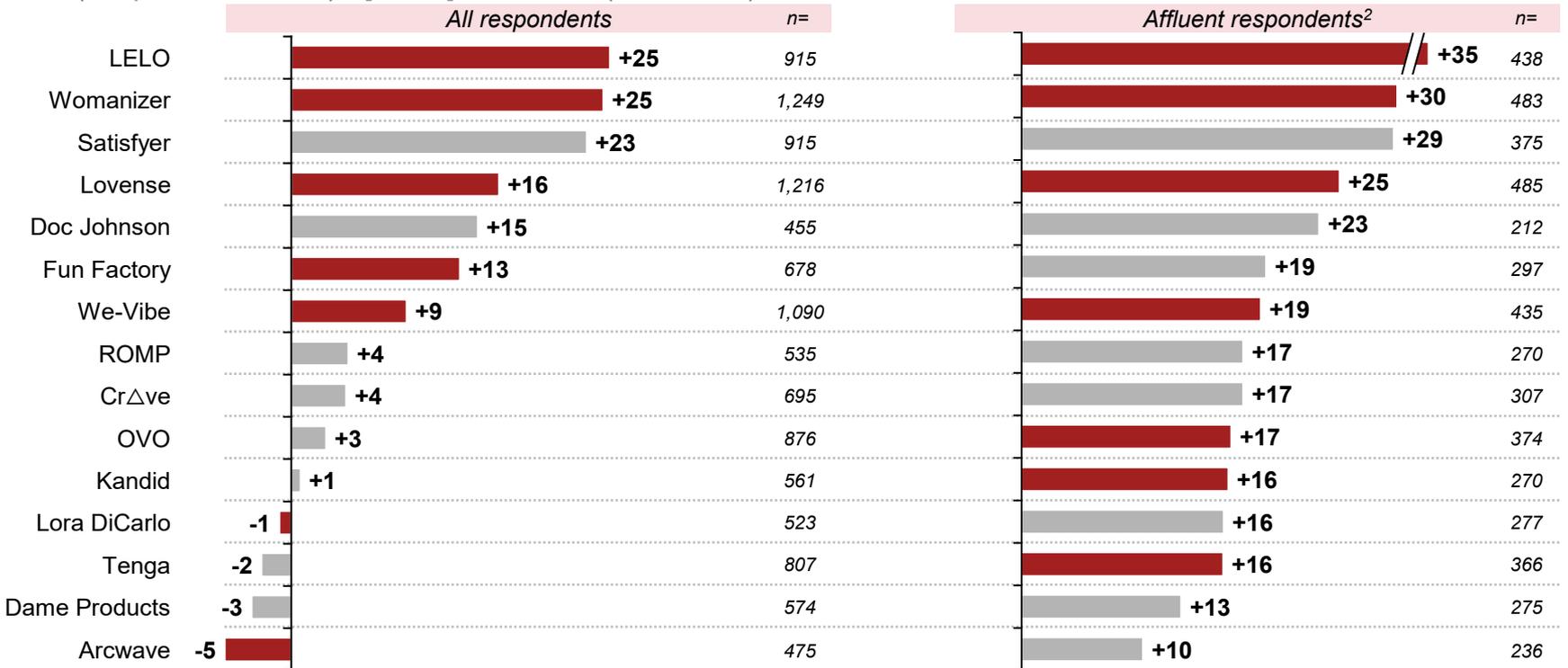


However, there is much more variation in likelihood to recommend, with NPS ranging from -5 to +25 for all respondents

Key: Premium brands (Red), Other brands (Grey)

Q: "How likely would you be to recommend [brand] to a friend, where 10 = most likely and 0 = not at all likely?"

NPS (net promoter score)¹, [brand] customers (n=variable)



NPS does vary by consumer vertical which reflects different category dynamics (e.g. brand repertoire, market fragmentation, level of engagement in sector, frequency of purchase)

Contents

Market size and drivers

Competitive environment

Appendix

We have used a range of primary and external sources to inform our analysis

Interviews	Survey	Other sources
<p>Market expert interviews (n=5)</p> <ul style="list-style-type: none"> • CEO, Large Sexual Wellness Company • Former COO, Large Sexual Wellness Company • Co-founder and CEO, Sexual Wellness Company • Head of Category Management - E-Commerce, Large Online Retailer • Co-founder and CEO, US-based Sexual Wellness Company 	<p>Strategy& Consumer Survey</p> <ul style="list-style-type: none"> • Circulated to adults (18+) in the US, UK and France • n = 6,105 people that had purchased a sex toy in the last 2 years • n by country: <ul style="list-style-type: none"> • US: 2,200 • UK: 2,500 • France: 1,405 • In field 15 October – 8 November 2021 	<p>External Sources</p> <ul style="list-style-type: none"> • Allied Market Research • Arizton • Technavio • Insight Partners • GlobalData • SimilarWeb • Instagram • YouTube • Facebook • Trustpilot • Mintel • ONS • Google Trends • Brandwatch • Pew Research • British Social Attitudes • Our World in Data • Business of Apps • Public Health England • Sexual health websites • Press and magazines • Company websites

Glossary

Term	Definition/Meaning
ASP	Average selling price
Anal toy / butt plug	A sex toy designed to be inserted into the rectum for sexual pleasure
Ben Wa ball / Kegel ball	Small, marble-sized balls which are used for sexual stimulation or medical muscle strengthening exercises by insertion into the vagina
Bondage	The practice of tying, binding or restraining a sexual partner for erotic / aesthetic stimulation
CAGR	Compound annual growth rate
Cock ring	A ring designed to be worn around the penis, usually at the base, to produce a stronger erection / maintain an erection for longer. Some models may also vibrate
Clit suction	A sex toy which delivers a sucking-like sensation to the clitoris, mimicking oral sex
Dildo	A sex toy which is usually phallic in appearance, intended for sexual penetration / other sexual activity during masturbation or with sex partners
D2C	Direct to consumer
Hard bondage	In survey, examples for this category were whips, nipple clamps, sex swings
KPC	Key purchase criteria
Love egg	An egg / bullet shaped sensual vibrator used for stimulation
Male masturbator	A masturbatory aid, which contains flesh-like material in its inner sleeve and used by inserting the penis into its opening. Some models may also vibrate or pulsate
Menstrual cup	A menstrual hygiene device which is inserted into the vagina during menstruation
NPS	Net promoter score
p.a.	Per annum
Penis extender / enlarger	External medical device, which stretches the penis size in the flaccid state to make it longer
ppt	Percentage points
Romantic accessories	Consumables that are used to enhance sexual activity (e.g. massage oil)

Glossary

Term	Definition/Meaning
Retail sales value	Retail trade at current prices (in nominal terms)
Soft bondage	In survey, examples for this category were handcuffs and blindfolds
Strap-on dildo / dildo harness	A type of dildo, which is designed to be worn (typically with a harness) during sexual activity
USP	Unique selling point
Vibrator	An electric-powered sex toy, which vibrates / throbs to produce sexual stimulation

Thank you
