Indian wellness services market to grow at 30-35% CAGR, says FICCI-Ernst & Young Report

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Mumbai, April 15, 2009- Notwithstanding the current economic slowdown which has impacted several sectors, the Indian wellness services market is expected to remain buoyant and has the potential to sustain a compounded annual growth rate (CAGR) of approximately 30-35% for the next five years, says a latest study by FICCI and professional services firm, Ernst & Young. The wellness services market is currently estimated at Rs 11,000 crore.

The FICCI-EY report, titled Wellness- Exploring the untapped potential, highlights that the growth is expected on the back of favorable market demographics, consumerism, globalization, changing lifestyles, increasing availability across categories and regions and rising awareness among people.

Says Farokh Balsara, Partner, Advisory Services, Ernst & Young "Given the favourable demand and supply dynamics, wellness presents strong business potential. With this report, we have sought to present a comprehensive picture of the complete wellness economy, comprising users, service providers and the facilitators, the challenges faced by each one and the way forward for each of these stakeholders, to successfully ride this wave."

The Report has classified the wellness industry into seven core segments within different products & services, such as Allopathy, Alternative therapies, Beauty, Counseling, Fitness/slimming, Nutrition and Rejuvenation. Of these, rejuvenation services such as spas, alternative therapies, ayurveda treatments and beauty services are expected to show growth rates as high as 30%. At the same time, fitness comprising gyms and slimming centers are expected to grow by more than 25%. Nutrition products, including dietary supplements, health food and drinks have shown a growth rate of 8-10%, whereas allopathy as a segment was not classified due to its traditional linkage to healthcare.

According to the report, the increasing level of activity is arising from the entry of several providers such as organized Indian and international players; expansion by existing companies to new product categories and regions; strategic alliances across the value chain, interest by private equity investors and also players in allied industries like hotels and real estate entering the wellness segments. The report also points to a trend of players moving towards offering a 'one-stop-solution' for all Wellness based needs by adding more products and services across various segments in wellness.

In terms of payback and gestation periods, products such as health foods & drinks, dietary supplements and alternative medicines require greater investments, normally exceeding Rs25 crore or more, says the report, with paybacks ranging from 3-6 years. At the same time, services such as ayurveda treatment, alternative treatment centers, salons etc require much lower investment and also have lower paybacks of upto three years.

When it comes to regions, the south is much ahead in terms of indicative concentration for the organized wellness-based centres per household (34.4 centres per lakh households), as compared to 13.6 for the north, 12 for west and 10.1 in the east. The report attributes south's lead to the presence of more alternative therapies based centres. There are also clear customer preferences in each region with regard to each segment. While alternate therapies are the most popular choice of people in southern India, customers in north are inclined towards beauty, while the maximum number of fitness/ slimming centres is in the west.

The report shows that across segments, on an average more than 50% of the market is unorganized and highly segmented with several small and regional players. While ayurveda and alternative treatments are predominantly unorganised; health foods and drinks and dietary supplements are more organised.The larger service providers face a challenge from the presence of the unorganized sector as it puts tremendous pressure on pricing and therefore margins.

Adds Mr. Balsara, "To create a sustainable model for the providers, there is a requirement of three key support pillars, which are media vehicles for generating awareness; skills-based education and training for human resources; and government support to stimulate the development of capacity, introduce quality standards and encourage customers to use accredited industry players.."

Other steps necessary to tap the potential include focus by the service providers to enhance assurance on quality of services provided, building collaborative distribution models to enhance depth and breadth of coverage and reach, a balanced product portfolio and deliver high standards in customer relationship and experience management.

At the government level, the report has called for better integration among different government entities; industry status for wellness so all the players can collectively work under one industry body; identify regions that are strong on wellness and integrate the state governments to take up collective efforts to make India a preferred wellness destination.

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