White Paper

Consumer Mindset in Uncertain Times

Global Consumer Health Trends 2023

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Consumer mindsets are inevitably impacted by global macroeconomic factors as well as the gradual emergence from the COVID-19 pandemic. Across markets consumers are being more considerate of where they spend their money, however, maintaining their health and those of their families remains a key aspect of their lifestyles. Yet, choices are being made between 'need to have' healthcare products and 'nice-to-have' aspirational products, altering the market dynamic across categories.

Brazil: Consumer optimism flourishes despite financial challenges

Market growth in Brazil has been sustained by consumer optimism despite inflation, household financial challenges, and social and political uncertainties (Exhibit 1). However, economic worries remain and have an influence on consumers' shopping decisions.

Underneath these general trends, there is good news for the consumer health sector in Brazil, with the majority of survey respondents expecting their spending in the various consumer health categories to stay the same or increase in the three months into the spring/summer of 2023, as shown in Exhibit 2.

BASED ON A SURVEY OF 1,015 RESPONDENTS[1]

49% 49% of Brazilians said they were very worried about the rising cost of living and energy crisis; these were the top two factors impacting their financial outlook

72% 72% agreed that a more unstable economic and financial climate in the country impacted decision-making for major expenditures

56% 56% said that their health and wellbeing were affected by the rising cost of living

57% Yet, 57% of respondents said they were not reducing consumption or use of healthcare products to save money. Some 19% said they were reducing consumption of these products, but for non-financial reasons

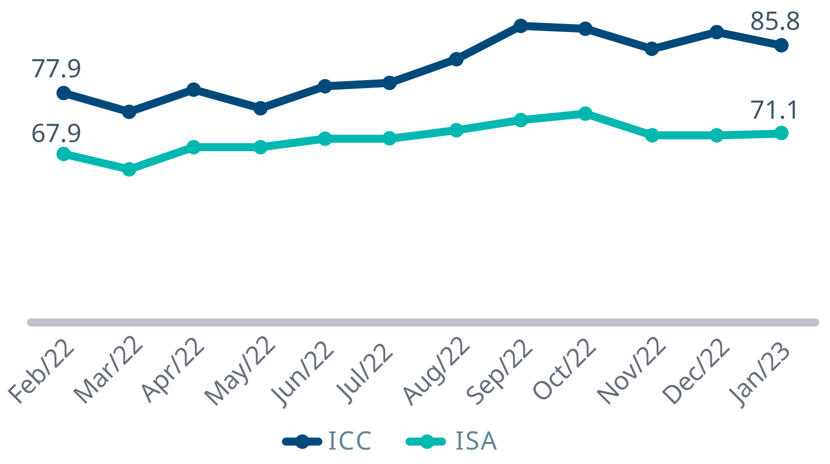
71% 71% of respondents believed that their financial situation would improve within the next three months, with 37% being satisfied with their life situation as of January 2023

Exhibit 1: Brazilian consumer sentiment 2023

Consumer confidence index

The ICC measures and compares how consumers view the overall economy, business conditions, and labor market presently and over the next six months. It gives a grade from 1 to 100 based on the responses.

The ISA is the extract from the current evaluation of consumer perspective.



In a survey with 1,015 respondents

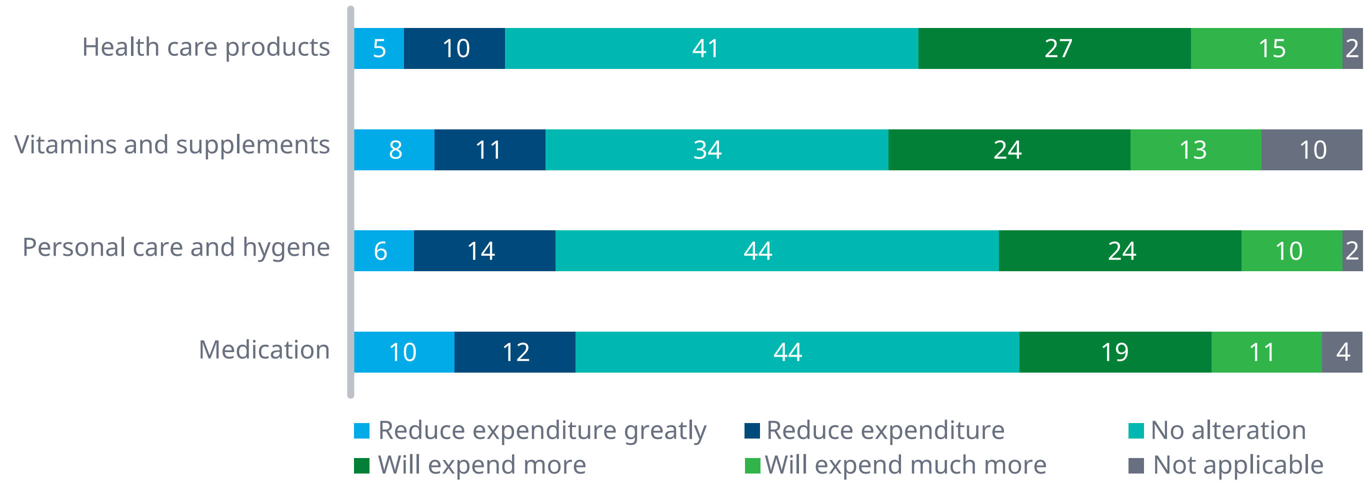
71% **Believe that their financial situation will improve within the next three months.**

With less than **10%** expecting a **worse** situation for the same period. When asked through the whole of 2023, the number of respondents expecting improvement jumps to **81%**.

37% **Declared being satisfied with their current life situation in Jan/23.**

Evaluated their situation from 1 to 10, 9 and 10 being classed as "satisfied". **38%** gave a 7 or 8.

Exhibit 2: Forecast expenditures on OTC products in Brazil in the three months from January 2023



Mexico: Proactive health mindset expected in 2023

While spending is a key metric, attitudes toward health are also playing a big part in consumer behaviour in consumer health, such as in Mexico where consumers are expected to take a more proactive approach to their health in 2023 (Exhibit 3).[2] A survey of 524 individuals found that 44% planned to start exercising or exercise more, 39% intended to improve sleep and rest habits, 38% planned to get medical checkups or have them more often, and 36% aimed to preserve or improve their mental health. Only a few people (6%) intended to 'self-medicate less or not self-medicate.'

Exhibit 3: Mexican healthcare aspirations in 2023 (%)

Source: IQVIA – "Health Trends 2023" Study – Dec 2022

India: Pandemic changes in mindset and behaviors forecast to continue

These changing consumer attitudes towards health also move beyond personal and financial. Looking at the Indian market shows factors such as healthcare infrastructure and the gradual progression of the regulatory framework, as well as the rising cost burden (Exhibit 4). The vast size of India makes digital approaches and use of other technologies essential to market penetration, since a physical presence in all areas would be impractical.

The impact of COVID-19 is still felt in the Indian market, with behaviour shifts during the pandemic appearing likely to continue. Growth in the consumer health sector has accelerated, with the Indian market forecast to grow at almost 1.7 times the global category average.

A growing sophistication in Indian consumers understanding of self-care is aiding this growth, for example, the VMS market is expanding based on innovation and deepening consumer awareness of the risk of deficiencies – such as those for vitamin B12, zinc and biotin – and the role of supplements in addressing them. Differentiated behavior is also being seen among Indian consumers, who take personalized approaches to purchasing based on their age, lifestyle and living environment.

As a result, the Indian market offers multiple opportunities for the consumer health industry – beyond sheer size – to innovate to address these evolving market and consumer needs. Industry needs to gear up to match the pace at which the consumer mindsets and behaviors are changing.

Exhibit 4: Factors shaping Indian consumer health sector

Gaps in healthcare infrastructure

- **1 Dr : 10000**
20 HW: 10000
- Gap of **~2.6 million** health workers
- **1-1.5%** Of public spending as proportion to GDP
- **Concentrated private sector** healthcare ecosystem

Rising cost burden

- **62% Consumers avoid seeking medical advice primarily due to Financial constraints**
- High cost of HCP consultation even for minor ailments, increases cost burden
- Lack of reimbursement facility consultation, prescription or OTC expenses

Gradual progression of regulatory framework

- New OTC Class
- Labelling norms
- Support extended to Nutraceutical sector
- Increased monitoring of claims

Evolving consumer adoption

- **Information Influx**
- **Mindset shift** to Wellness
- **Niche or innovative** therapies
- Adoption of **Natural/Aruyvedic**
- Willingness to **try & pay** premium

Australia: Economic issues are top of mind

In Australia, COVID-19 related behavioral changes remain, but economic concerns – including inflation and the rising cost of living – are now top of mind (Exhibit 5). Some consumers remain focused on health and wellbeing, a positive response in the post-pandemic environment. However, others appear more indifferent to COVID-19, tending to cut back on wellness expenditure. Suppliers will need to take account of the likely impact of these mindsets on consumer willingness to spend. Inflation concerns may ultimately dictate spending preferences as COVID-19 resilience builds in this region.

Exhibit 5: Economic concerns top of mind in Australia

- Some consumers remain attentive to specific elements of health and well-being
  - A positive response in the post-pandemic environment
- Inflation concerns may ultimately dictate spending preferences as COVID-19 resilience builds
- Others, indifferent to COVID-19, may adopt behaviours that reduce wellness spending

- Pharmacy remains essential, with on-site vaccinations ahead of winter, and prescribing trials
- Restricted scheduling of higher potency goods and larger pack to boost pharmacy demand
- Grocery likely entry point for selected categories, especially for younger audience

- Work from home and / or flexible arrangements to influence demand, positively and negatively
- COVID-19 can stimulate immunity, C&F, energy and adjacencies but perhaps to a lesser extent
- Cost concerns may dictate preferences at point of sale

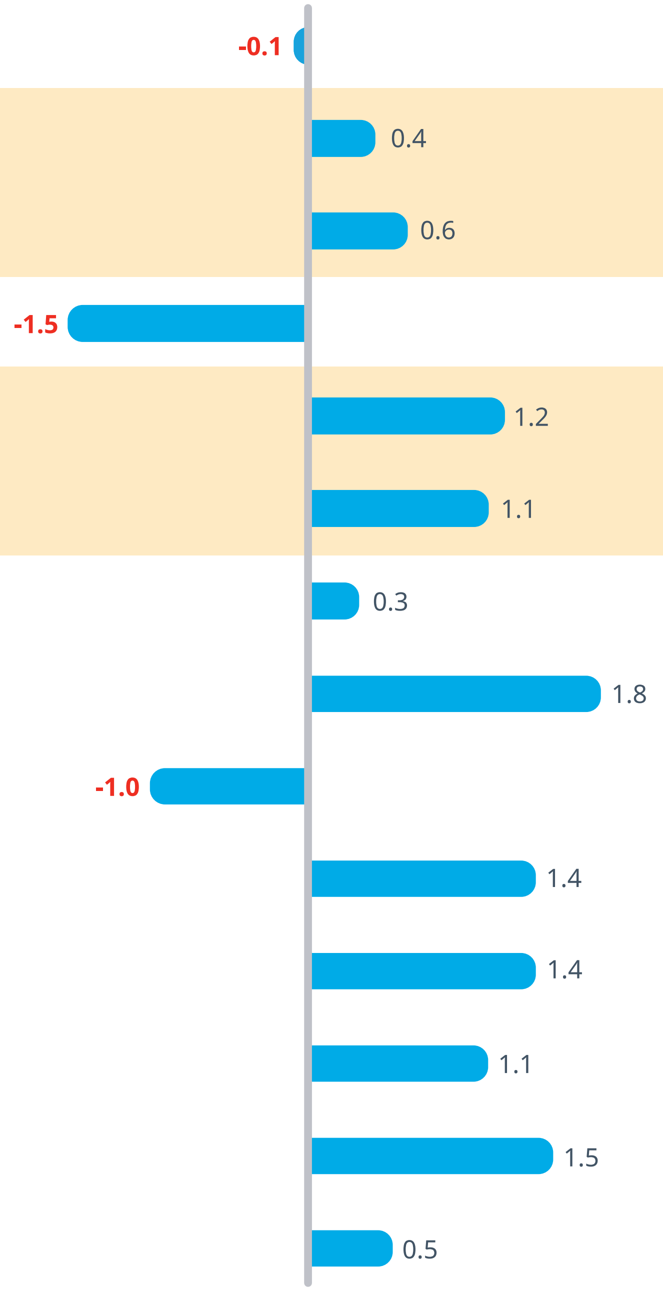
- Economic concerns, specifically inflation and cost of living concerns are top of mind
  - Will impact fulfilment i.e. willingness to spend or shifts in spending patterns
- Suppliers need to be more informed on consumer needs and financial sensitivities

Canada: Discount channels benefit from consumer worries

As in Australia, consumer concerns around cost of living have started filtering into the OTC market, with consumer switching to discount retailers (see Exhibit 6). However, in the cough and cold category a combination of supply chain issues and the 'immediate need' nature of such illnesses has curbed this change. Meanwhile, consumers have also started to down-trade to private label products in some categories, with the VMS and Pain categories seeing the biggest share shifts to private label.

Exhibit 6: Percentage change of Discount channel share across OTC categories in Canada

Category	Discount share TY	Discount shr Pt Chg
Total OTC	**26.8**	**-0.1**
Vitamins, minerals, supple-ments	34.4	0.4
Pain relief	23.8	0.6
Cough & cold relief	21.9	-1.5
Natural health supple-ments	26.5	1.2
Digestive/intestinal health treatment	28.2	1.1
Allergy	22.0	0.3
Habit treatment	35.8	1.8
Nasal relief	18.7	-1.0
Topical treatments	19.4	1.4
Travel air remedies	22.2	1.4
Miscellaneous	40.4	1.1
Calm sleep & mood enhance-ments	24.0	1.5
Total OTC excl cough & cold	**27.8**	**0.5**



Source: IQVIA Consumer Health Insights Canada (CHIC), National Discount, National Including Nfld Grocery+Drug+Mass, latest 52 weeks, period ending Feb. 25, 2023

China: Increased demand for immunity-boosting therapies

COVID-19-related behavioral changes and symptoms experienced by 'long COVID' patients have jointly increased demand for immunity-boosting products, vitamins and TCM[3] (Exhibit 7) – in contrast to the rest of the world where sales of VMS products have slowed as consumers move back to more 'normal' supplementation habits – and have led to wider positive consumer health behaviour changes including:[4]

- Strengthened self-care awareness: With relaxation of pandemic control, citizens' awareness of the option of self-diagnosis and treatment has strengthened, leading to strong demand for OTC symptom relief and an upturn in self-care habits.
- Regular consumption of supplements: During the pandemic, more consumers began taking immunity-boosting supplements on a weekly basis (around 50% of respondents) and for overall health improvement (40% of respondents).[5]
- Increased consumer confidence index: Following the end of China's 'zero COVID' strategy, the country's consumer confidence index reached 88.3 in December 2022, an increase of 3.2% over November 2022. This index is expected to continue to rise in 2023.

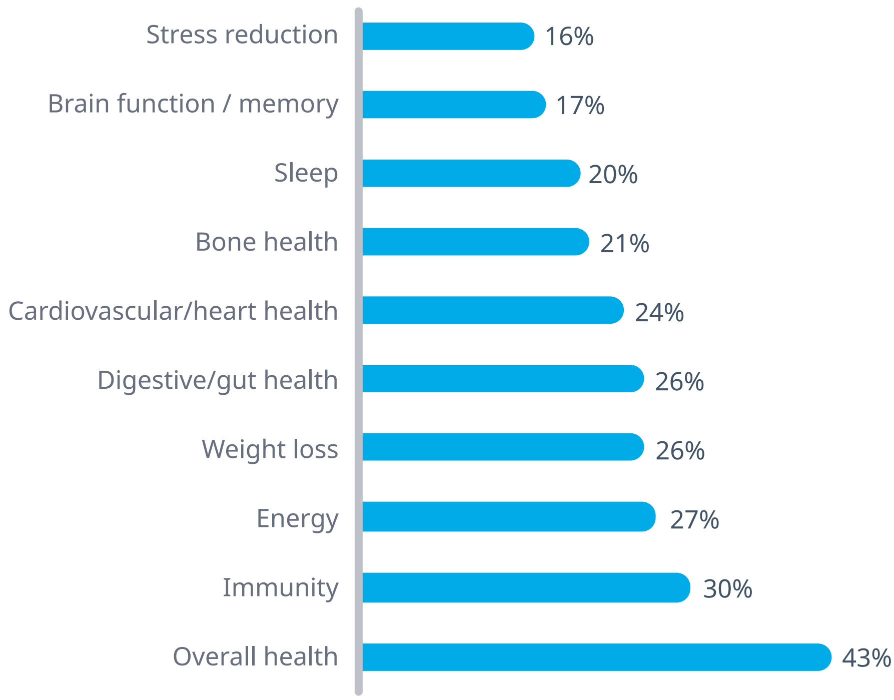
Exhibit 7: Increased demand for immunity-boosting products in China

After the outbreak of Covid, the awareness of self-medication among global consumers has further increased

Long-covid contributes to increased demand of immunity improvement and vitamins

6.2%

of individuals who had symptomatic SARS-CoV-2 infection experienced at least 1 of the 3 Long COVID symptom clusters in 2020 and 2021.



Source: Source: IRI May 2021; WHO, Post COVID-19 condition (Long COVID

The Philippines: Post-COVID "revenge spending" drives growth

"Revenge spending" following the lifting of pandemic curbs and full reopening in the last three months of 2022 resulted in an extremely strong fourth-quarter economic performance in the Philippines.[6] However, an inflation rate greater than income growth, coupled with a generally weak peso and a saturated job market, increased consumer pessimism during the fourth quarter (Exhibit 10), with the overall confidence index decreasing to -14.6% from -12.9% in the third quarter of last year. In general, the weaker consumer outlook reflects concerns about rising prices of goods and higher household expenses, low incomes, and fewer available jobs and working family members.

Indonesia: Empowered consumers build accelerated self-care trend

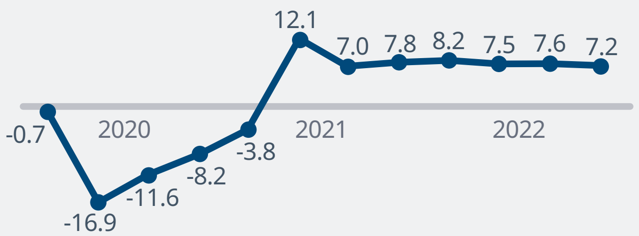
Elsewhere in APAC, empowered healthcare consumers in Indonesia continue to trend towards self-care and self-medication with OTC products. A range of IQVIA surveys of 1,000 consumers over the past 3 years found that 40% of Indonesian's self-medicated before the pandemic (March 2020), a figure that decreased to 37% during the pandemic (September to October 2020), then rebounded to 48% post-pandemic (January to July 2022).[7] The remainder of those interviewed chose to consult with HCPs on their care.

Exhibit 8: Consumer sentiment in Philippines 2023

Year-on-Year Growth Rates, Q4 and Full-year 2022, in Percent

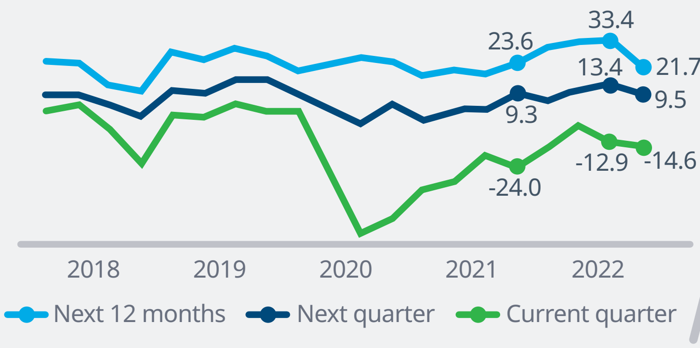
	Q4 2022	Full-year 2022
Gross national income	9.3	9.9
Gross domestic product	7.2	7.6
Gross primary income	57.2	76.4

Gross Domestic Product, Year-on-Year Growth Rates, Q1 2020– Q4 2022, in Percent



- Main contributors to the fourth quarter 2022 growth were:
  - Wholesale and retail trade 8.7%
  - Repair of motor vehicles and motorcycles 8.7%
  - Financial and insurance activities, 9.8%
  - Manufacturing, 4.2%
- Household Final Consumption Expenditure (HFCE) grew by 7% Q4 2022 and grew by 8.3 percent for FY 2022
- Families continued to spend despite inflation climbing to 8.1% in Dec 2022

Overall Consumer Index2 Philippines, Q1 2018 – Q4 2022



- Consumer sentiment more pessimistic in Q4 2022 as the overall confidence index (CI) decreased to -14.6 percent from -12.9 percent in Q3 2022
- Weaker outlook of consumers largely due to their concerns over the:
  - faster increase in the prices of goods and higher household expenses
  - low income, and
  - fewer available jobs and working family members

Source: Philippine Statistics Authority | Republic of the Philippines (psa.gov.ph) | http://www.bsp.gov.ph/=

References

1. IQVIA Brasil CMI 2022; Barometer – Toluna – Wave 21 Fev/23 – 1015 respondents; Latin & North America Consumer Health Trends 2023 – Mar 2023 – IQVIA Consumer Health

2. Source: IQVIA – “Health Trends 2023” Study – Dec 2022 Latin & North America Consumer Health Trends 2023 – Mar 2023 – IQVIA Consumer Health

3. IRI May 2021; WHO, Post COVID-19 condition (Long COVID)

4. IRI May 2021; WHO, Post COVID-19 condition (Long COVID)

5. Source: IRI May 2021; WHO, Post COVID-19 condition (Long COVID APAC Consumer Health Trends 2023 – Mar 2023 – IQVIA Consumer Health)

6. Source: Philippine Statistics Authority – Republic of the Philippines (psa.gov.ph) – http://www.bsp.gov.ph/

7. Base: N=1000 consumers Source: IQVIA Syndicated Study – WellTrack W3 APAC Consumer Health Trends 2023 – Mar 2023 – IQVIA Consumer Health

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