From shelf to self

Consumers are taking charge of their health. Healthcare brands can capture their loyalty with the personalized education, multifunctionality, and value they're searching for.

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Expanding health knowledge, customer loyalty—and basket size

More and more consumers seek wellness and prevention. They're taking healthcare into their own hands, searching for information they can trust to help diagnose their conditions and improve their outcomes.

Consumers also want more products designed to address multiple needs for both prevention and treatment, whether those are over-the-counter (OTC) medicines; sports nutrition offerings; or vitamins, minerals, and supplements (VMS). Companies have responded to this holistic health trend and demand for multifunctionality by stringing together the pearls of their portfolios as "need states" like gut health, brain health, and metabolism.

These many-in-one solutions can offer more bang for the buck, important as the cost of living continues to weigh heavy on many consumer minds and wallets. Inflation, while tapering through 2024, still has shoppers hunting for bargains.

But health products can be quite confusing. How does one distinguish between "doctor-recommended" and "best-selling"? Consumers also are frustrated by a lack of personalization, or the inability to figure out which product is best for their specific need and body.

This frustration is exacerbated as more shopping moves from the traditional drug or specialty store to club, discount, and big box retailers where more affordable options are available. The trade-off can be a poorer experience and, without a pharmacist, limited knowledge at the point of sale.

To better understand these dynamics, KPMG LLP interviewed executives at multiple US consumer health companies about how they view the challenges and opportunities to meeting the demands of these self-directed, health- and budget-conscious consumers. Through our discussions and based on our work across the industry, we identified three key themes to help consumer health companies think about their market positions and strategies:

Multifunctional products. Bargain hunters seek more holistic health benefits for less in products that meet multiple needs.

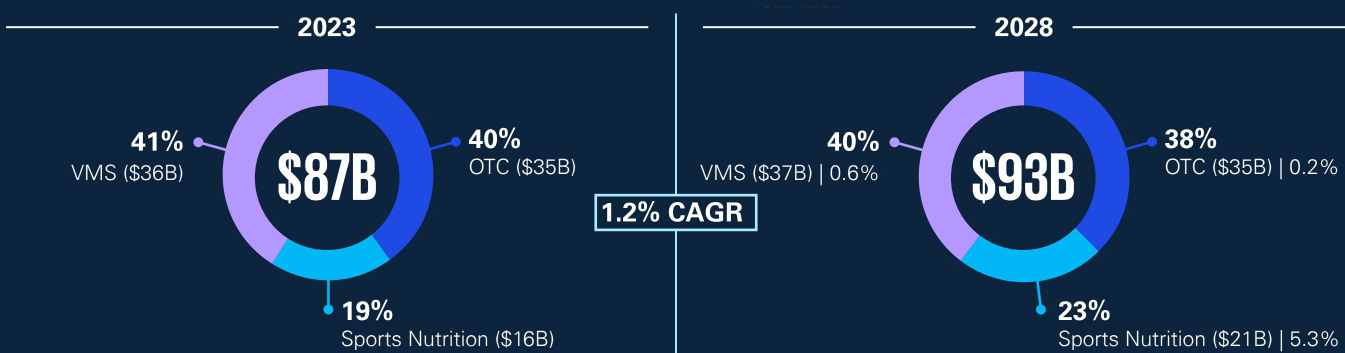
Trusted sources of health information. The voice of the healthcare professional carries the most weight, although artificial intelligence (AI) is gaining ground as a valuable resource.

Channel shift away from the drugstore. Consumers are changing where they shop for health and wellness products for value and convenience, but there's a trade-off.

Consumer health companies who innovate products to address multiple needs have an opportunity to create incremental growth. Working with retailers can help them better understand consumers and increase their health literacy so they make informed choices.

Indeed, consumer loyalty in the OTC, VMS and sports nutrition market is strongly tied to education. Those brands early to engage consumers on how to address health conditions and improve wellness can deepen loyalty and, in turn, grow basket size.

Consumer health market growth, projected



Sports nutrition is the fastest-growing segment relative to over-the-counter products and vitamins and dietary supplements

Source: Euromonitor International, internal research report, and KPMG analysis (2024).

Three themes to understand the self-care movement

The what, why, and how of consumer health product purchasing decisions

01 Multifunctional products

Bargain hunters seek more holistic health benefits for less in products that meet multiple needs.

Multifunctionality is a response to consumer feedback about pill fatigue, efficacy, and pricing. As cash-strapped consumers pare back spending and seek holistic health solutions, they want products that meet several need states without the inconvenience and cost of numerous pills and other products.

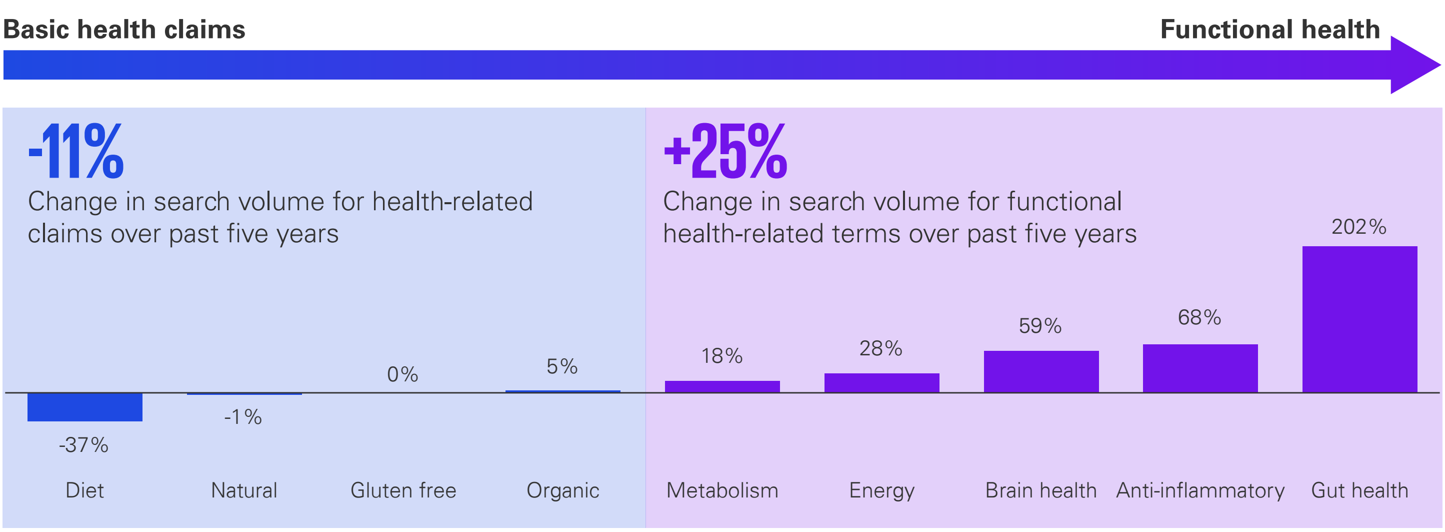
Consumer health companies have introduced new blends to address an array of health issues, as well as repositioned their existing products to highlight popular or trending benefits. Just consider the approach they are taking to provide products around lifestyle needs that inherently overlap: mental health, cognitive health, sleep, digestive health, beauty, immunity, inflammation, energy support, etc. By combining solutions to two or more need states in one product, companies are attracting consumers looking for their own "magic pill" to address their specific and multiple conditions.

Nearly **60%** of consumers take one or more supplements daily; 15% use four or more

National Health Statistics Reports, Number 183 (April 18, 2023)

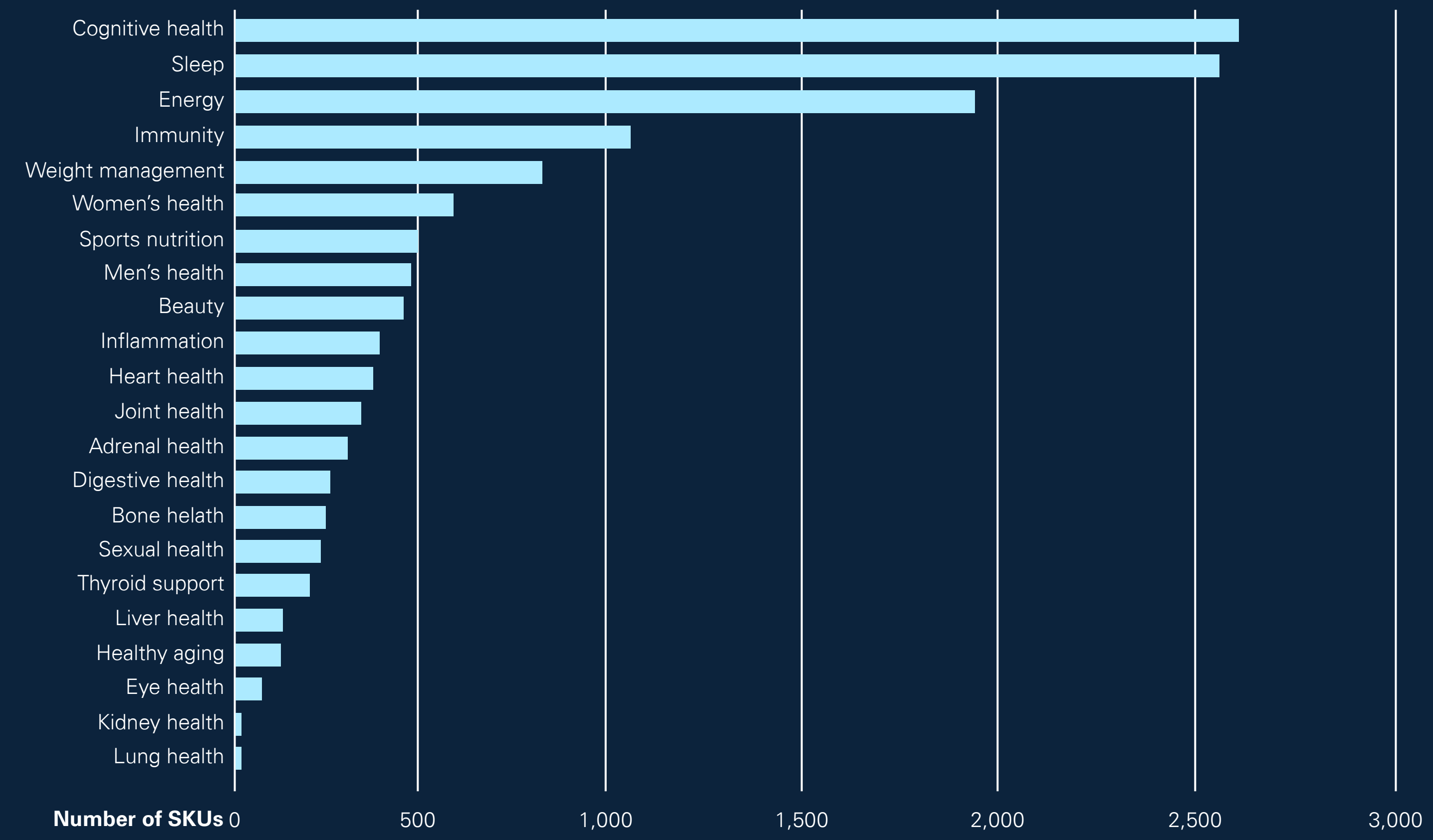
Consumer interest shift to outcome-based health benefits

Change in search volume 2019–2024



Source: Consumer health expert interviews, Meltwater sentiment analysis, KPMG analysis

Lifestyle needs and blended health SKUs by additional positioning, US

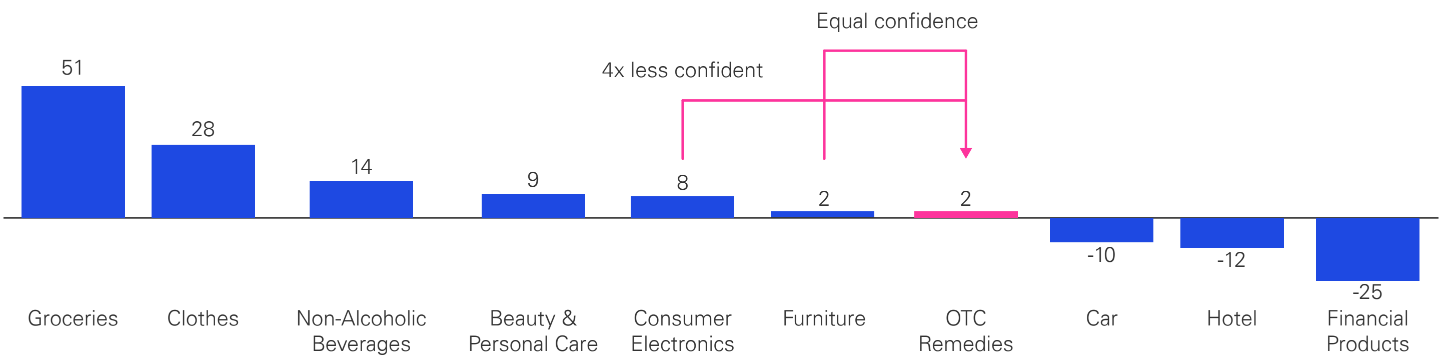


Source: Euromonitor International, "The Five Trends Pushing Global Consumer Health into 2024" (October 27, 2023)

But combined functionality and a wider spectrum of choices can breed greater confusion. Consumers often don't understand how—or even if—a product can solve their health issues.

By one study, consumers are as confident buying probiotics as they are choosing a couch. Purchasing electronics is four times easier than selecting an OTC remedy.[1] This is particularly true for VMS products, which are outside the purview of the Food and Drug Administration where the brand or manufacturer is responsible for the validity of claims, quality, and efficacy.

Consumers' relative confidence in decision-making



[1] Source: GLG webinar, "Future of Consumer Health 2024"

02 Trusted sources of health information

The voice of the healthcare professional carries the most weight, although AI is gaining ground as a valuable resource.

Consumers may be doing their own homework to find products, but they still rely more on healthcare professionals and scientific evidence to give them the most confidence in their buying decisions.

The doctor's office is an additional channel where consumer health brands can reinforce their message in front of consumers at the moment they are actively thinking about their health. Here, brands benefit from an explicit doctor recommendation but also an implicit endorsement if visible in the healthcare setting.

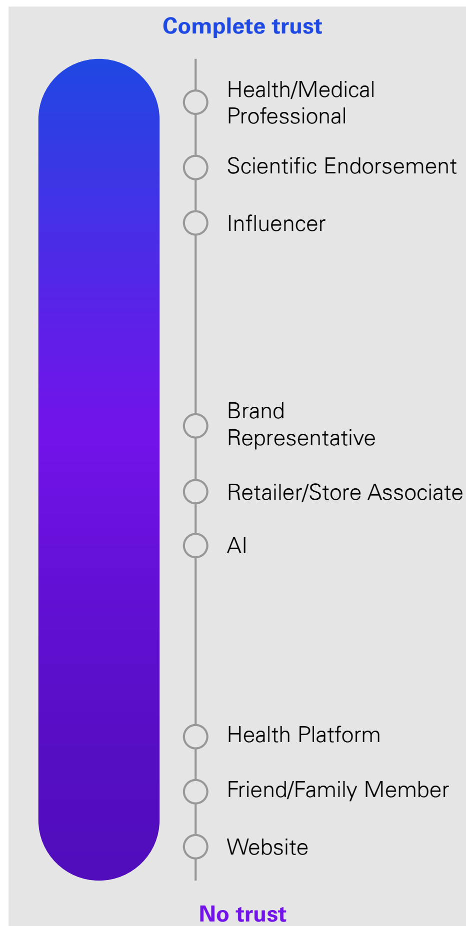
When companies KPMG spoke with tracked spending based on how consumers were introduced to a health brand, they found that the physician/healthcare professional (HCP) channel resulted in far more, and more durable, consumer spending.[2]

There are powerful opportunities for consumer health companies to generate profitable growth for their brands by doubling down on the HCP channel and seeking the ever-valued "#1 doctor-recommended" label. Brands also have an opportunity to integrate clear messaging that adds credibility, helping consumers understand the flurry of options and find the right solution for their specific health concerns.

Interestingly, content generated by generative AI (genAI) and accessed online is gaining ground as a go-to source of OTC and supplement information, approaching the level of trust consumers have in the human store associate.[3] For companies that can figure out how to leverage it, GenAI can be a cost-effective consumer acquisition tool.

While consumers have multiple options to learn about OTC products, and doctors have a great influence on what they buy, budget constraints still influence where they buy.

Consumers trust in sources of healthcare product information



Source: Consumer health expert interviews, Meltwater sentiment analysis, KPMG analysis

[2] Source: Consumer health expert interviews and KPMG analysis

[3] Source: Consumer health expert interviews, Meltwater sentiment analysis, and KPMG analysis

Reaching consumers through the doctor's office remains the most trusted and effective—yet underused—strategy to increase brand awareness and drive purchases.

#1

The voice and recommendation of a physician or health professional remains the most trusted source for health products

83%

of consumers purchase a product within a week of their doctor's recommendation

61%

increase in recommendations for brands that advertise in the doctor's office

82%

of consumers are highly influenced by assertions that a product is the "#1 doctor-recommended" solution

Sources: CDC.gov; Consumer Health Products Association, "An Untapped Channel for the '#1 Doctor Recommended' Claim"

Consumer health and retail companies collaborate on education

Consumer health brands and retailers, particularly big box and discount chains, are targeting specific demographics (families with kids, pregnant women, 65-plus, etc.) with omnichannel campaigns.

In one example, Kenvue partnered with Walmart to leverage data to confirm that customers lacked information on wound care and would respond well to a bundle of products designed to clean, treat and protect. Next, the companies used digital media to amplify first-aid education and make products easier to find online, and then visually grouped products together for easier shopping in stores.

The companies also cohosted wellness days with demos and product samplings, providing information on preventing infections and scarring. More than 80 percent of store operators adopted the in-store activation with Kenvue, and baskets containing the full regimen of clean, treat, and protect products grew more than 15 percent year over year.

Source: Walmart Data Ventures, "Kenvue: Clean, treat, and protect; Educating first-aid customers and growing baskets" (December 4, 2023)

03 Channel shift away from the drugstore

Consumers are changing where they shop for health and wellness products for value and convenience, but there's a trade-off.

More consumers are choosing club and discount retailers where lower prices and bulk options help them save an average of 15 percent to 20 percent on consumer health products compared to pharmacy and specially stores.[4] These retailers have invested in their healthcare product portfolios to compete with the typical depth and breadth of the drug channel, expanding their OTC offerings 25 percent over the past five years.[5]

As a result, club and discount stores now account for a quarter of OTC sales, up from 18 percent five years ago. The traditional drug channel has lost share while nondrugstore sales of consumer health products are growing three times faster.[6]

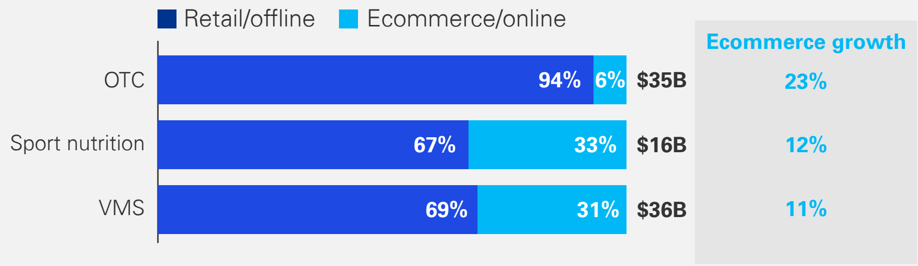
However, while discount shoppers will still stick with their favorite trusted brands, the change in venue means they are often trading health education and experience for value. There's no pharmacist at the back of the store to ask questions. According to our conversations with sector executives, the absence of health product information and education can shrink basket size; consumers struggling to find the right health products may leave the store with less.

The health literacy gap can be solved jointly by brands and retailers together, irrespective of channel. The education provided needs to become more personalized as consumers ask not only, "how does this product help," but, "*how does this product help me,*" according to consumer health executives. Some retailers and consumer health companies have hosted health fairs and other experiences to help to educate consumers around typical conditions or broader-need states, resulting in greater loyalization around their brands.

Online, the sports nutrition and VMS segments already have a significant e-commerce presence, accounting for approximately one-third of their revenues and growing. While still small, e-commerce for OTC has grown the fastest, 23 percent in five years, supercharged by the accelerated growth in digital health platforms since the pandemic. Consumers are simply more comfortable buying medicines and other healthcare needs online.[7]

Consumer health channel penetration and growth, 2018-2023

OTC has the lowest ecommerce channel penetration but is growing faster, corresponding with the increase in online prescriptions and pharmacies



Euromonitor International, internal research report, and KPMG analysis

[4] Source: Consumer Reports, 2024

[5] Source: Consumer health expert insights and KPMG analysis

[6] Source: Euromonitor International, internal research report, and KPMG analysis

[7] Source: Euromonitor International, internal research report, and KPMG analysis

Consumer health product selection criteria

Which, if any, best describe why you decide to buy one OTC brand over another (% of U.S. adults)?

	All	Gen Z	Millennial	Gen X	Baby boomer	Silent generation
I've used it in the past and know it works for me	49	38	39	48	58	64
Price	47	39	41	51	52	44
Value for money	41	35	37	44	44	32
I recognize the brand name	33	25	35	31	31	34
Strength of the medicine	26	24	27	28	25	18
It was recommended to me by my doctor	26	32	29	22	25	31
It was recommended to me by my friends/ family/colleagues	20	33	25	17	16	14
Size of the packet	14	15	17	15	10	9
I did some research on the internet and it was the best option	8	12	10	7	7	7

Source: YouGov, "US: What are the deciding factors when purchasing over-the-counter drugs? Most say it's not ads," April 20, 2023

In the hunt for value, OTC brands still matter

In the OTC drugs market, brand loyalty and efficacy are inextricably tied. Consumers who have had a good experience with a particular OTC medicine are likely to return to the same brand because they know it works, even if another brand or white label product costs less, company executives have observed. This is especially true for customers with physical labor-intensive jobs, and customers can't afford to experiment with their aches and pains as they age. Understanding this, brands should clearly state and communicate the product's purpose to consumers.

Opportunities for consumer health companies

Declutter the shopping experience

Consumers crave easy access to clear, explicit information that can help them make purchasing decisions. Technology both online and in-store can play a prominent role in providing the details consumers want with the level of detail they need: understandable product information and how those products address and treat their particular health issues.

Drive loyalty through collaborative education

Consumer health companies can join forces with retailers to curate comprehensive solutions around need states and deliver through store-within-a-store concepts—for example, a seasonal summer skincare pop-up or featured shelf space for "head care" offering education and treatments for headaches, sleep, and focus. The earlier companies can reach customers with new and useful information, the greater the opportunity they have to build and maintain consumer loyalty to their products and channels.

Support incrementality through product innovation

By giving customers what they increasingly demand—multiple benefits in a single product—companies can help drive net new revenue. Focus innovation on creating offerings that cover several needs, such as gut-brain health and sleep/restore solutions, and that target body synergies across categories like metabolism, energy, and stress.

Identify customer microsegments with meaningfully meshed data

Understand individual consumers to a degree that was not possible before with insights beyond basic shopping behavior. By combining traditional transactions with customer insights—data around sentiment, product motivation, engagement, loyalty programs, shopping behavior, etc.—consumer health companies can better understand customers based on who they are, what they love, why the buy, how they decide, what matters most, and more, supporting confident portfolio and channel investments.

Offer value across channels

Online pharmacies, digital health applications, and telehealth services continue to grow, while retailer and brand investments into need states are a boost to in-store shopping. Consumers will take advantage of both, gathering information, comparing prices, and transacting across virtual and physical channels. Consumer health companies should make sure they are meeting the consumers where they are with what they are looking for in that moment.

Use genAI as a complementary and increasingly trusted source

More consumers are using AI-generated content to help triage conditions and direct them to potential products and solutions. Since brands are often seen as biased toward their own products, companies can look for creative ways to leverage AI as an additional unbiased or less-subjective voice to help consumers gather product information and, ultimately, make purchasing decisions.

How KPMG can help

KPMG works side by side with companies to help navigate this dynamic environment with evolving consumer behavior, digital disruption, high costs, increasing speed to market, and emerging competition. We combine our deep sector knowledge with customer strategy and business transformation experience to uncover opportunities that can help drive growth, capture value, and build loyalty among customers with ever-changing demands.

Our work includes helping companies to:

- Design and build thorough and smooth omnichannel customer experiences.
- Drive revenue and extract greater returns from customer-centric business investments.
- Use data and analytics to help understand and anticipate customer needs at a deeper level, resulting in the development of targeted customer-led digital products and integrated sales and marketing strategies.
- Understand how to use digital technologies, including genAI, to find creative approaches to delight customers, and innovative solutions to help improve business processes.

For more information about how KPMG helps consumer health companies and organizations across sectors, read about our Consumer & Retail and our Customer Advisory practices at kpmg.com.

For more information, contact us:

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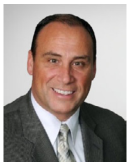

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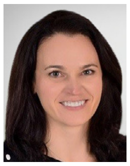

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