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Five Questions Food & Beverage Companies Should Ask to Unlock Growth in Health and Wellness

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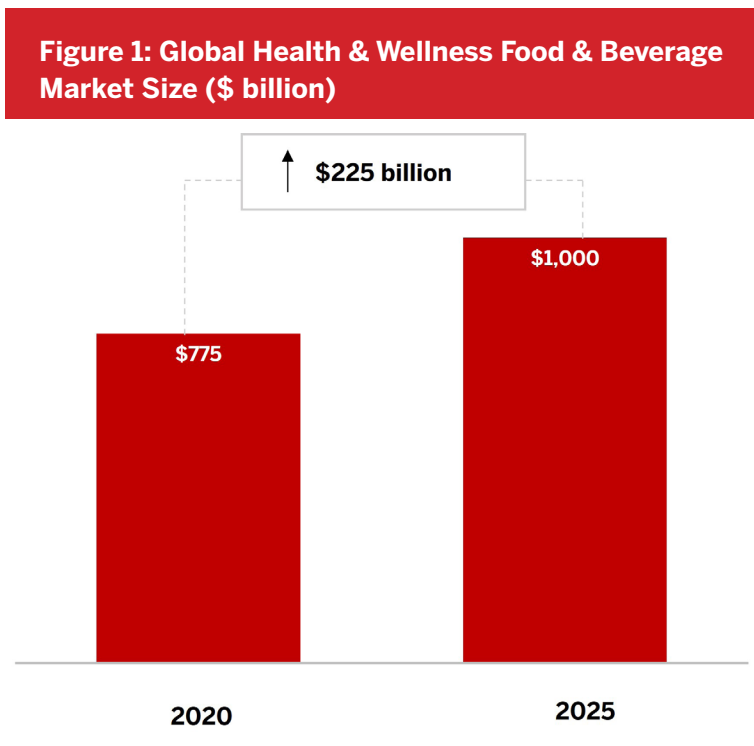


Accelerated by the pandemic and technology advances, health and wellness represents a growing opportunity for food and beverage companies. Over the next five years, health and wellness is projected to create \$225 billion of growth in food and beverage companies, resulting in an industry segment worth \$1 trillion by 2025 (see figure 1).

To successfully compete in this growing market, food and beverage companies will need to make an important shift: they will need to replace traditional category-centric or product-centric lenses with a consumer-centric orientation and mindset. That's because the proliferation of data, digitalization, and connectivity are giving consumers more power to define and control their health.

Consumers increasingly define health holistically as an overall state of well-being comprising mental, social, emotional, physical, and spiritual health.¹ As a result, consumers' health and wellness "jobs to be done" – the problem or goal they are trying to solve in a given circumstance – are now more important and widely held, leading them to seek better solutions. In addition, digital tools and data allow consumers to control their health in a more personalized way. Consumers can pull solutions into their lives that help them make progress on their health goals, as they define them.

A proliferation of options further empowers consumers. They can satisfy the same health and wellness jobs through traditional medicine, technology applications, food, beverages, or other solutions. For example, to feel relaxed, a person can choose to take supplements, or use a meditation app, or apply a soothing sleep balm, or consume relaxation drinks. The power dynamics are shifting from companies to consumers as they are increasingly becoming industry agnostic while choosing their health and wellness solutions.



Sources: Credit Suisse, Wellness Sector Report, An Apple a Day; Euromonitor

Data: Health and wellness F&B definition for the data includes organic, naturally healthy, free-from, fortified/functional and better-for-you

About Jobs to be Done

A “job to be done” is the problem or goal someone is trying to solve or achieve in a given circumstance. When customers buy a product or service, they are essentially “hiring” it to do the job. There are three types of jobs to be done – functional, emotional, and social.

Using a job lens can reveal what motivates consumers to make decisions: Why do they make a first purchase? Why do they make a repeat purchase? Why do they switch to a different solution? For more on jobs to be done, see the HBR article [Know Your Customers’ “Jobs to Be Done.”](#)

Using “jobs” is a powerful lens to reveal innovation opportunities that resonate with today’s health and wellness consumer and that go beyond established consumer product portfolios. In this article, we’ll explore the spectrum of consumer jobs, business model ramifications, investments in the food and beverage space, and identify five questions that can help a company move toward a more consumer-centric focus.

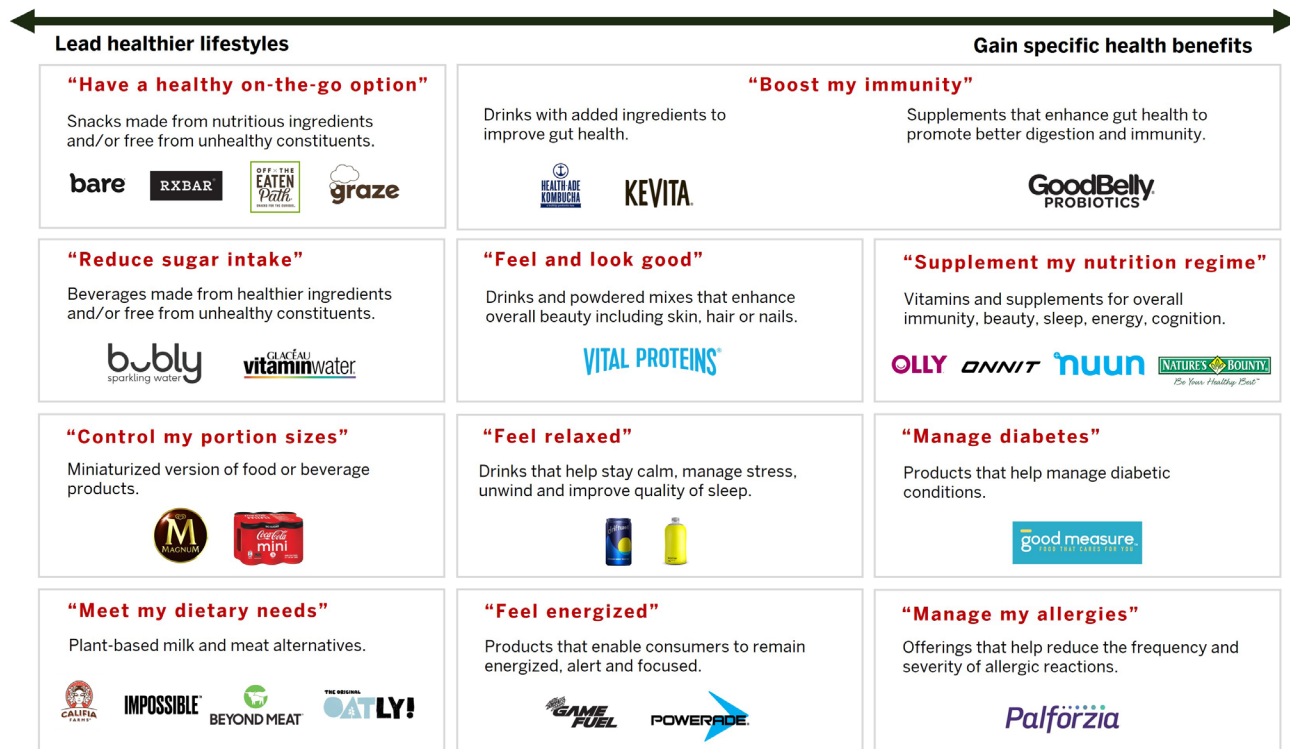
Helping Consumers Make Healthier Choices

Overarching health and wellness jobs broadly sit on a spectrum from “*lead healthier lifestyles*” to “*gain specific health benefits*” (see figure 2). As consumers seek to lead healthier lifestyles, they have specific daily jobs that influence decisions in each circumstance. For example, “*reduce my sugar intake*,” “*control my portion sizes*,” or “*meet my dietary needs*” drive decision-making as consumers balance sustaining, nourishing, and indulging themselves each day.

The ambitious corporate goals and recent product launches by food and beverage companies signal that they are acknowledging these jobs and their increasing influence on consumer selection criteria. For instance, Kraft Heinz aims to eliminate 60 million pounds of sugar in its products by 2025. Similarly, Coca-Cola aims to reduce added sugar while providing more drinks with nutritional benefits.² Companies are focusing on permissible indulgence through smaller portion sizes and catering to consumer’s dietary preferences by offering gluten-free, non-GMO, and plant-based options. These products help consumers lead healthier lives by seamlessly integrating into diets.

Consumers are also increasingly seeking solutions to achieve specific health and wellness goals. These include “*get energized*,” “*feel relaxed*,” and “*feel and look good*.” The pandemic has catalyzed consumers’ focus on preventative health. This ranges from more basic needs around “*boosting immunity*,” to more substantial healthcare needs such as “*managing allergies*.” In response, food and beverage companies are venturing deep into the healthcare ecosystem to solve consumers’ needs for specific disease areas and health conditions. For instance, Nestlé recently acquired Aimmune

Figure 2: Illustrative Products Addressing Health & Wellness Jobs to be Done



Source: Innosight Analysis

Therapeutics, which has developed the first FDA-approved treatment, Palforzia, to help reduce the frequency and severity of allergic reactions to peanuts.

Finding New Ways to Serve Consumers

In addition to reshaping product portfolios to address priority consumer needs, food and beverage companies will need to pilot new business models that improve how consumers access and pay for products. For example, Direct-to-Consumer (D2C) business models help food and beverage companies create a data flywheel based on consumer insights, which in turn helps to generate better insights into desired functionality and trends in health and wellness.

Consider the example of Dirty Lemon. The company started as a text-to-order company in which consumers could order 10+ varieties of drinks catering to different functions (e.g., +collagen called the beauty blend, +aloe called the skin hydrator, +valerian called the sleep potion). Dirty Lemon has created a scalable business model that addresses multiple consumer needs under one brand. The text-based delivery model also allowed the company to collect data, stay in touch with consumers, and gain back those who churned. Dirty Lemon showed resilience during the COVID-19 pandemic, with sales in

April 2020 up 22% year-over-year.³ The company is targeting sales of \$100 million by the end of 2021.⁴

Companies need to explore these new business models despite evident differences with the established core model. They must acknowledge the creative destruction required to break, adjust and re-build business models that unlock tomorrow's growth given the migration in value toward solving currently unsatisfied health and wellness jobs to be done. For example, PepsiCo acquired SodaStream⁵ in 2018 (for \$3.2 billion), enabling consumers to transform ordinary tap water into sparkling and flavored water at home in seconds, a more sustainable and healthier model to its core carbonated beverages business.

Putting Your Money Where Your Mouth Is

Health-focused food and beverage startups have drawn significant venture capital investments. Mergers and acquisitions have also soared in the food and beverage industry, with leading players making sizable investments to acquire health-oriented companies.

Analysis of recent venture capital investments in food and beverage suggests that startups in the alternative proteins category accounted for 56% of deals in 2020. The dairy alternatives market is expected to witness a strong CAGR of 12.5% through 2028, with Oatly going public and Califia Farms and Ripple Foods attracting funding from multiple top investors, including Singapore's Temasek and Google ventures.⁶ Functional food and beverage companies with innovative products and business models are also gaining attention from top investors. For example, Coca-Cola made a \$20 million⁷ equity investment in Health-Ade Kombucha and led a \$15 million⁸ investment round for Dirty Lemon's parent company Iris Nova.



PepsiCo acquired KeVita, which produces fermented probiotic and kombucha beverages. Coca-Cola recently announced its \$5.6 billion purchase of the remaining 85% stake in Bodyarmor, a healthier-positioned sports drink company.⁹ Nestlé spent ~\$5.7 billion¹⁰ to acquire several vitamin and supplements brands by The Bountiful Company, including Nature's Bounty. Unilever too sees an opportunity in the vitamins and supplements market. It recently acquired Onnit that offers a range of products aimed at helping consumers improve brain health, mood, digestive health, bone health, and performance.¹¹

Growing venture capital funding and prominent deals in the space further validate that food and beverage companies must act. Companies must have clarity on where to play

choices in health and wellness, synergies with the core and existing capabilities, and areas where they can differentiate. The cost of inaction is high. Companies that fail to address health and wellness trends with a clear strategy will remain stuck incrementally improving today's portfolio while value further migrates to the products and solutions that satisfy consumer jobs to be done.

Five Questions to Answer to Capture Value in Health and Wellness

1. Are we keeping pace with the migration of value toward health and wellness? F&B leadership teams must form an aligned point of view on the threats and opportunities of the health and wellness value migration. This requires defining a view of the world that identifies unsatisfied jobs to be done in the context of macroeconomic factors such as rise in prevalence of chronic health conditions, escalating healthcare costs, increasingly stringent health and environmental regulations, advances in science and technology, and increasing awareness of the importance of healthy lifestyles. Once this view of the world is established, the strategic alignment and sufficiency of the current portfolio and pipeline can be assessed, and current and planned actions benchmarked against traditional peers and non-traditional entrants. This allows the leadership team to draw clear conclusions as to whether the business is moving fast enough to address the migration in value.



2. Are we clear on what we stand for in health and wellness? Companies must have top leadership clarity on an enduring strategic positioning in health and wellness. This includes alignment on the shift towards broader health and wellness opportunities beyond continued core R&D to reduce salt, sugar, and fat. Given the depth and breadth of the health and wellness space,

leadership teams must focus the organization. This is achieved by making a handful of where to play choices envisioned as both attractive and feasible based on the established view of the world. This helps future-proof companies through “future-back” thinking, in contrast with “present forward” thinking. (See [Lead From The Future: How to Turn Visionary Thinking into Breakthrough Growth](#) for more on this approach).

Assessing attractiveness “future-back” is challenging because leaders hold differing levels of conviction to act on uncertain opportunities. When assessing attractiveness in health and wellness, leaders must recognize that they are competing in a much larger and growing value pool than what is defined by today's product lines and competitive set. When assessing feasibility, leaders should consider existing capabilities such as

R&D, manufacturing or co-manufacturing relationships, supply chain, distribution channels, and branding, but avoid getting overly constrained by established core capabilities. They must draw on only the unique capabilities that truly bring a competitive advantage to the new growth areas. If entirely new capabilities are needed, then, a path to obtain them should be defined through acquisitions, investments, and partnerships.

3. Are we being bold enough to capture value in health and wellness? Once leaders have clarity on their strategic positioning and where to play choices, they must evaluate whether this overall portfolio has the right balance of core renovation, line extensions, and bold beyond-the-core strategic moves. The ultimate test of this is an appropriately risk-adjusted portfolio that can deliver or exceed growth ambitions.

To ensure companies are truly thinking beyond traditional F&B, leaders must consider bold moves. From upcycling fiber-rich ingredients from discarded food scraps to using insect and algae as a compelling alternative protein source, the opportunity to innovate within food and beverage is immense. Leaders must also ensure that they have considered opportunities at the intersection of categories and trends.

Hard seltzer, which has exploded in recent years and is set for continued outsized growth, lies at the confluence of demand for lower-alcohol products, low-calorie options, and the convenience of ready-to-drink beverages. Finally, leaders must consider bold moves beyond products by exploring new ways to serve consumers with new business models.



4. Are we setup to pursue beyond-the-core innovation with global consistency and local autonomy? Most F&B companies struggle to pursue beyond-the-core innovation effectively and consistently. It requires a systemic approach that supports both hyper local (e.g., brand innovation) and global platform innovation (e.g., new business models).

A well-functioning innovation system has five key components – performance, priorities, pathways, portfolios, and people. The F&B companies that understand their innovation system today and take the steps needed to strengthen it across these five dimensions around its health and wellness strategy will create an innovation engine to own the future. (See the publication *Strengthen Your Innovation Capabilities to Drive Performance* for Innosight’s thinking on this topic).

5. Are we clear on our immediate growth opportunities using jobs-based marketing? Every F&B player can identify near-term opportunities to turbocharge the core product

portfolio through marketing based upon a more sophisticated understanding of health and wellness related jobs to be done. Selling based on the functional benefits of products leaves value on the table. Stories can be told, and emotions can be created that drive growth through relatively simple enhancements and marketing. For instance, PepsiCo Mexico marketed the idea of transforming a regular breakfast in Mexico (*licuado* or smoothie) into a “super” breakfast by adding its nutritious Quaker Oats.¹² Health-Ade Kombucha says in its mission statement that “*Health-Ade offers delicious feel-good bubbly beverages so that you can follow your gut and show the world what you’re made of.*”¹³ Each example illustrates how jobs-based marketing holistically around functional, emotional and social jobs to be done can inspire, guide, and motivate consumer choice.

As the lines between food and health continue to blur, future F&B company portfolios will look drastically different. Industry value migration toward health and wellness is a key growth lever for F&B leadership teams. Helping consumers make healthier choices and finding new ways to serve them is a strategic imperative, rather than a choice. The time to act is now.

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Endnotes

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2. **Company websites**
3. **CB Insights, *22 Of The Biggest Direct-To-Consumer Success Stories***
4. **Bloomberg**
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