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Health and Wellness in the Philippines

EXECUTIVE SUMMARY

COVID-19 Impact on Health and Wellness

In general, COVID-19 had a negative effect on retail current value sales of health and wellness, food, and beverages in the Philippines during 2020. Health and wellness beverages bore the brunt of this. For example, there was a significant decline in retail current value sales of better-for-you (BFY) beverages, as increased consumer awareness of health and wellness drove a shift to bottled water. On the other hand, demand for fortified/functional (FF) hot drinks was boosted by the fact that consumers were spending more time at home.

Demand for some types of health and wellness packaged food, such as FF powdered milk, FF probiotic yogurt, and reduced salt shelf-stable meat, seafoods, fruits, and vegetables, benefitted from stockpiling. The pandemic has also helped to make consumers more health conscious, boosting demand for free from and FF packaged food. Demand for FF probiotic yogurt was boosted by increased consumer interest in products positioned as beneficial to immune system health.

Growth in retail current value sales of naturally healthy (NH) packaged food slowed to its lowest rate in a decade during 2020. This was largely due to sharp slowdowns in the rate of retail current value sales growth in NH cereal bars, NH fruit snacks, and particularly NH nuts, seeds, and trail mix. The fact that consumers spent more time at home led to significant declines in both impulse purchases and on-the-go consumption – key sources of demand for these three products – while the economic impact of the pandemic had a negative effect on discretionary spending.

Highlights

- This issue provides an overview of the COVID-19's impact on PH's health and wellness, food, and beverages industry, and the responses of companies towards this sudden shift.
- This report shows how retail has shifted and how e-commerce saw strong growth in its retail value share in both health and wellness packaged food and beverages in 2020.

Company Response

During 2020, social media played an increasingly important role in helping manufacturers of FF beverage brands to engage with homebound consumers. For example, Nestlé Philippines Inc continued to present Milo as a brand for both active adults and children but adjusted this message to the new normal of people exercising at home, rather than in the gym, and children playing at home, rather than at school or in the playground.

The production of some types of health and wellness packaged food was disrupted by COVID-19. For example, Gardenia Bakeries (Philippines) Inc, which dominates retail current value sales of NH high fiber bread, was producing at less than half of its capacity during March because a significant proportion of its employees could not get to work due to restrictions on movement. Meanwhile, Unilever Foods Philippines (CMC) revealed that it was planning to delist Lady's Choice Mayo Lite by the end of 2020 as part of its strategy of reducing

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the number of stock keeping units (SKUs) it produces. As a result, Lady's Choice Mayo Lite was not listed on Unilever's online store, which launched during the year. COVID-19 has actually increased demand for Unilever's products, and it is finding it difficult to meet all of this demand, prompting it to focus on its biggest SKUs and abandoning the smaller ones, such as Lady's Choice Mayo Lite.

The latter part of the review period saw Coca-Cola Bottlers Philippines aggressively expand the distribution of its reduced sugar soft carbonates in 200 ml polyethylene terephthalate (PET) bottles. This smaller pack size has enabled the company to compete more effectively on price with standard carbonates, particularly after the pandemic made many consumers more price sensitive. Meanwhile, AB Nutribev Inc launched Vitamilk in a smaller 200ml brick liquid carton during late 2019 in an effort to make the brand more affordable to those on low incomes. This SKU is sold through sari-sari outlets – traditional neighborhood stores.

Retailing Shift

Supermarkets dominate the distribution of health and wellness packaged food and beverages, with the notable exception of FF beverages, where other grocery retailers remain the most important channel. The pandemic reinforced the dominance of supermarkets in health and wellness packaged food, as it gained value share from convenience stores and forecourt retailers. COVID-19 led many consumers to make fewer grocery shopping trips and there was a significant decrease in on-the-go consumption – both trends that benefitted supermarkets at the expense of convenience stores and forecourt retailers.

E-commerce saw strong growth in its retail value share in both health and wellness packaged food and beverages during 2020, albeit from a very low base. Restrictions on movement, a fear of contagion, and increased interest in bulk buying led a growing number of local consumers to shop online, especially during the lockdown period. Even before the onset of the pandemic, some manufacturers had been increasing their focus on this channel. For example, Nestlé Philippines Inc launched the Nestlé Ready-To-Drink Baon Subscription service, which it claimed to be the first of its kind in the country, during the latter part of the review period. It is operated by Nestlé Philippines Inc's licensed distributor Gruppo Potenza Corp. Unilever Foods Philippines (CMC) also launched its own online store during 2020. Meanwhile, Kellogg Co had started to sell its products through Shopee during the fourth quarter of 2018 and on the Lazada platform during the second quarter of 2019.

Foodservice vs Retail Split

With foodservice establishments limited to take away and delivery between mid-March and June, there was a significant decline in on-trade volume sales of both soft drinks and hot drinks during 2020. This trend was particularly notable in FF hot drinks. Even after they re-opened, demand in the foodservice channel remained weak, as many consumers continued to spend a lot of time at home.



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What's Next for Health and Wellness?

Many of the trends inspired by COVID-19 during 2020 are likely to weaken or even be reversed during 2021, as the threat posed by the pandemic starts to weaken and daily life begins to normalize. In particular, demand will shift back from retail to the foodservice channel. Within retail, convenience stores and forecourt retailers are likely to regain some of the value share they lost to supermarkets. Moreover, the stockpiling of such products as FF powdered milk and probiotic yogurt that occurred during 2020 is very unlikely to be repeated. Meanwhile, demand for NH cereal bars, fruit snacks and nuts, seeds, and trail mix will begin to recover as consumers spend less time at home, which will boost on-the-go consumption.

Retail volume sales of both NH and BFY beverages are forecast to rebound during 2021. However, this recovery will be modest – even by 2025, retail volume sales of both NH and BFY beverages are forecast to remain below their 2019 peaks. Deepening consumer interest in health and wellness, which will continue to drive consumers away from health and wellness beverages and towards bottled water, will be an important factor in this.

As consumers, particularly more affluent ones, continue to grow more comfortable shopping online and retailers increase their pace of investment in this channel, the value share of e-commerce in health and wellness packaged food and beverages is likely to continue to expand during the forecast period. ■

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