# US Wellness Industry Outlook 2023

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REDWOOD ADVISORS

# Introduction

Since Redwood Advisor's last Wellness Report published in 2019, US consumer interest in wellness has only grown, especially following the outbreak of Covid-19. Faced with a crisis and sweeping restrictions, many American consumers became more aware of and more responsible for their own health and wellbeing. Though rising rates of obesity and social isolation show that most Americans continue to fall short of personal wellness, 62% of Americans now say health is a bigger concern to them than before the pandemic.[1 2] And the US wellness industry is now larger than ever: Redwood Advisors estimates the US wellness industry is now worth $328 billion as of 2023.

Numerous recent innovations and growing consumer interest mean there has never been a better time to optimize health and wellbeing. In the $14 billion market for emotional wellbeing, consumers can choose from over 2,500 meditation apps, and teletherapy has allowed businesses to scale up affordable mental health support and reach more consumers.[3] In the $222 billion Nutrition market, wellness-oriented restaurant chains such as Sweetgreen are redefining restaurant food for health-conscious consumers, and new weight loss drugs such as Ozempic are poised to change the trajectory of obesity in America. In the $71 billion physical activity space, premium boutique gyms (e.g., SoulCycle, Barry's Bootcamp) have built their appeal and strong customer retention by creating strong communities at a time when many consumers want more social interaction and friendship. Precision sleep trackers have cemented themselves in the $21 billion sleep space, with Oura selling its millionth unit in 2022.[4] At the bleeding edge, some companies are tapping into a growing body of genetic data to individualize dietary recommendations and behavior.[5] For the informed and ambitious consumer, these solutions *can* make a difference.

Wellness-oriented businesses stand to gain from consumer's increasing interest and willingness to spend in this market. Numerous indicators suggest that consumers view wellness–nutrition, physical activity, emotional wellbeing, and sleep–as key priorities. Sentiments such as "I'll sleep when I'm dead" and skepticism of mental health services have fallen out of favor, with 50% of Americans now reporting wellness is a top priority in their daily lives.[6]

Sources: 1) WSJ; 2) We Forum; 3) QZ; 4) Business Wire; 5) Harvard SPH; 6) McKinsey

# Introduction

Younger generations are fueling this trend: more than six in seven 13-36-year olds reported taking actions to improve their health in 2019.[7] Wellness is also becoming a greater source of personal identity, status, and community. Whereas wealthy professionals may once have defined themselves with luxury cars and Rolexes, a growing cohort of millennials and Gen Z now view health and wellbeing as the ultimate status marker. As Luke Carlson, CEO of Discover Strength, notes, "for many young people, status is no longer about material items; today you see a 32-year-old who does not own a car but builds his community and status by belonging to his local premium gym or sauna."

> "For many young people, status is no longer about material items; today you see a 32-year-old who does not own a car but builds his community and status by belonging to his local premium gym or sauna" – *Luke Carlson*

Notably, the lines between wellness categories have begun to blur with players in one category (e.g., gyms) having opportunity to expand into adjacent spaces (e.g., nutrition, supplements). This change offers businesses in the wellness space an opportunity to broaden their consumer scope and offerings. For example, mental wellbeing has surpassed physical fitness as the top reason for exercising, suggesting gym-focused players may have the opportunity to provide their clients more than just traditional gym services.[8] And as the relationship between wellness and long-term health comes into focus, some insurers are beginning to reimburse gym memberships and healthy food, a shift that could unlock billions of dollars in value for the wellness market as US healthcare spend now exceed $4.3 trillion, over 10 times the size of the US wellness market.[9]

For existing players and potential entrants in the space, understanding the current and future opportunities is essential to growing and competing going forward. Through extensive independent research and interviews with numerous executives, entrepreneurs, physicians, and thought leaders, we have produced this report to provide top trends and marketing sizes for the wellness industry as a whole and four key segments. We hope this research helps businesses, investors, and entrepreneurs innovate, grow, and succeed in an industry with enormous potential to help consumers and business builders alike.

Sources: 7) Y Pulse; 8) Club Industry; 9) CMSS

# Market Overview

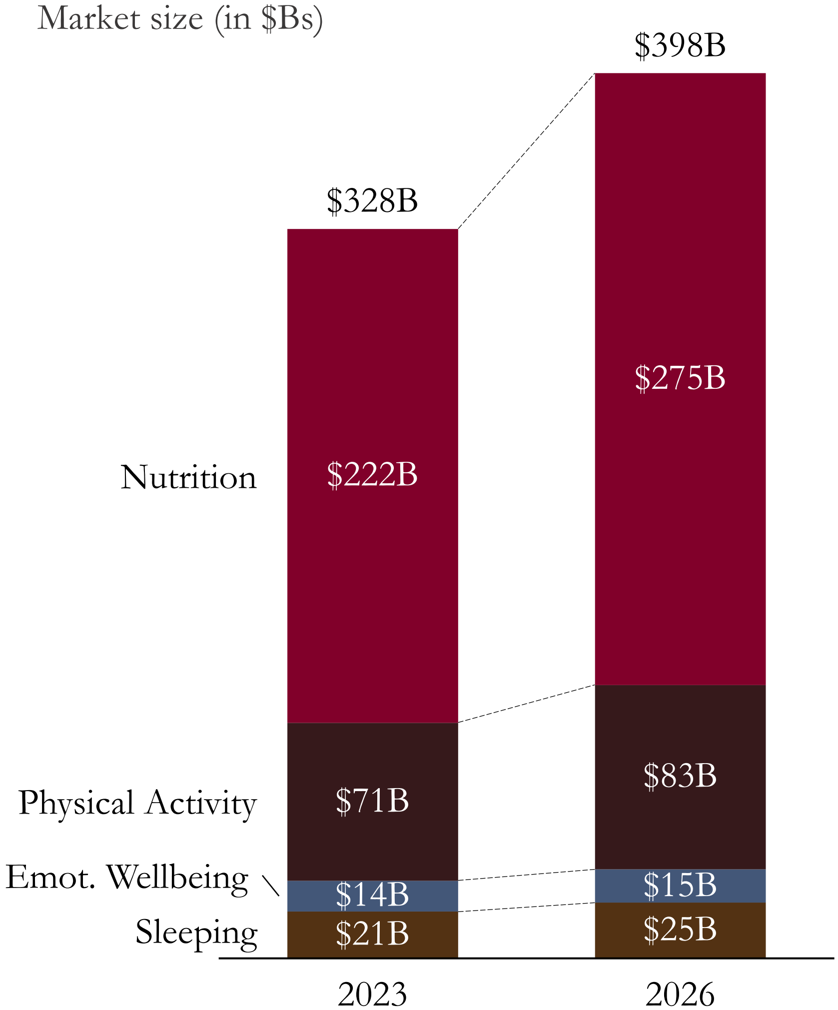
# Market Overview

We define the wellness industry as products and services that consumers purchase with the primary intention of improving their health and wellbeing (e.g., weight, mood, underlying physical health, emotional wellbeing, cognitive performance) and exclude traditional institutional medicine (e.g., physician care, surgery, pharmaceuticals) and products and services primarily used to treat serious, diagnosed medical conditions (e.g., drugs used to treat cancer, diabetes, etc.). We break the industry down into consumers' top areas of concern: **nutrition**, **physical activity**, **emotional wellbeing**, and **sleep**, while acknowledging the growing overlap between these categories.

**US wellness industry estimated at $328B in 2023 growing at an annual rate of 6.7% to $398B in 2026**

**US wellness market growth by segment, 2023-26**

Market size (in $Bs)




| CAGR '23-'26 | Definition |
| --- | --- |
| 4% | **Nutrition:** Food at home, food away from home, supplements, nutritionists and food tracking |
| 3% | **Physical Activity:** Health clubs & gyms, equipment, fitness trackers, and personal trainers |
| 3% | **Emotional Wellbeing:** Therapy, mindfulness and corporate wellness |
| 8% | **Sleeping**: Mattresses, sleep trackers, and sleep labs |

## Nutrition ($222B)

The Nutrition segment includes foods and supplements intended to improve consumer health, as well as services aimed at facilitating better dietary choices. With a total spend of **$222 billion**, nutrition represents **67%** of the overall wellness market. We identify four major subsegments within Nutrition: 1) functional and fortified foods at home **(~$93B)**; 2) food away from home **(~$81B)**, which includes meals from restaurants with wellness as a top branding priority; 3) supplements **(~$46B)**, which includes vitamin, minerals and other nonessential compounds aimed at improving consumer health; and 4) nutritionists and food tracking **(~$1B)**, which includes dieticians and software used to help consumers make better dietary choices.

### Food at Home

Food at Home consists of store-bought functional foods, i.e., foods and beverages fortified with additional ingredients (e.g., vitamins, minerals, fatty acids, protein) to augment their positive health effects. At ~$93 billion in 2023, the subsegment represents 42% of the overall Nutrition market and has a 6.9% CAGR.

### Food away from Home

The Food away from Home subsegment consists of foods purchased from a restaurant with health and wellness as a top branding priority. This category is estimated at ~$81 billion in 2023, making up 36% of the Nutrition subsegment, and is growing at a 9.9% CAGR, as restaurants continue to rebound from the pandemic.

### Supplements

The Supplements subsegment includes all vitamins, minerals, and nonessential compounds taken for purported health benefits. Estimated at ~$46 billion in 2023, the Supplements subsegment constitutes just over 20% of the Nutrition space and has a 4% CAGR.

### Nutritionists & Food Tracking

The Nutritionist and Food tracking subsegment includes professionals providing dietary advice and apps aimed at tracking food and nutrient intake. Despite obesity rising rates, the market is small, at just ~$1 billion in 2023, and much of overall weight loss spend is captured in the Food at Home and Supplement subsegments. CAGR is estimated at 4%.

# Physical Activity ($71B)

The Physical Activity segment includes all services and products aimed at improving health and wellbeing through activity, including services and products designed to facilitate and inform exercise. With a total spend of **$71 billion**, Physical Activity represents **21%** of the total wellness market. We break this segment into health clubs and gyms **(~$31B)**, exercise equipment **(~$15B)**, fitness trackers **(~$15B)**, and personal trainers **(~$9B)**.

## Health Clubs & Gyms

Health Clubs & Gyms account for the largest market share within Physical Health, at an estimated size of ~$31 billion in 2023. This figure remains below pre-pandemic estimates but has rebounded rapidly as lockdowns have eased. Companies in this space range from class-based boutique studios, such as SoulCycle and Orangetheory Fitness, to lower cost value gyms such as Planet Fitness.

## Exercise Equipment

The Exercise Equipment subsegment includes fitness equipment ranging from high-tech stationary bikes to dumbbells and yoga mats. As of 2023, the estimated size of this subsegment is ~$15 billion, with CAGR estimated at ~1% in wake of the pandemic.

## Fitness Trackers

The Fitness Tackers subsegment encompasses products designed to monitor health-related metrics such as heart rate, blood oxygen levels, and sleep quality. This includes high-tech smartwatches, such as the Apple Watch, and basic fitness trackers, such as Fitbit, but excludes dedicated sleep trackers. While smartwatches are not always bought primarily as a fitness tracker, their activity tracking remains a primary draw for consumers who already own a smartphone and continues to be a focus of producer R&D. The US market for fitness trackers is estimated at ~$15 billion in 2023, with annual growth of 14% expected in the coming years–the highest growth of any Physical Health subsegment.

## Personal Trainers

The Personal Trainers subsegment includes individuals who offer one-on-one and small-group fitness training and coaching, as well as personalized diet programs. Personal trainers are often employed by gyms, fitness studios and hospitals, but large-group instructors and professional athletic trainers are not included as part of this industry. We also exclude trainers who already work within the Health Club & Gym subsegment, giving a ~$9 billion estimate as of 2023, with just ~0.4% CAGR.

# Emotional Wellbeing ($14B)

The Emotional Wellbeing segment consists of services aimed at promoting consumer mental health. With a spend of **$14 billion**, Emotional Wellbeing represents just over **4%** of the total wellness market. It consists of three subsegments, including therapy for those without a diagnosed mental health condition **(~$7B)**, mindfulness **(~$1B)**, and corporate wellness initiatives focused on stress reduction and work-life balance **(~$6B)**. We exclude pharmaceutical interventions such as SSRIs and therapy aimed at high-acuity mental health conditions such as schizophrenia and bipolar disorder.

## Therapy

The therapy subsegment includes services by psychologists, counselors, and social workers serving clients with lower acuity conditions such as anxiety. It does not include psychiatrists, licensed medical professionals who write prescriptions. As of 2023, this market is estimated at ~$7 billion, with a 3% CAGR.

## Corporate Wellness

Corporate wellness includes employer-sponsored programs designed to promote employee health and wellbeing. While many such programs encompass elements of each segment, we focus on those programs centered on work-life-balance and stress management. This portion of the corporate wellness market is estimated to be worth ~$6 billion in 2023, with a 3.6% CAGR.

## Mindfulness

Mindfulness covers services and products aimed at facilitating meditation practices. While mindfulness has exploded in popularity in recent years, its size, mostly stemming from meditation apps such as Headspace and Calm, remains small at an estimated ~$1 billion in 2023, with a 7% CAGR. These numbers also give weight to retreats and other programs.

## Sleeping ($21B)

The Sleep segment covers products and services aimed at facilitating healthy sleep and rest. At **$21 billion** in spend, Sleep covers **6%** of the overall wellness market. Within it, we identify three subsegments: mattresses **(~$13B)**; sleep tech **(~$3B)**, which includes products and peripherals specifically designed to provide data on sleep quality or improve sleep conditions; and sleep labs **(~$5B),** clinics that monitor and provide feedback on sleep

### Mattresses

The mattresses subsegment includes the entire US mattress market. While some mattresses are more wellness-oriented than others, the small size of the market and ubiquity of "healthy rest" as a branding priority make further breakdown difficult. As of 2023, the US mattress market is estimated to be worth ~$13 billion, with a CAGR of 2.8%.

### Sleep Tech

Sleep tech includes tech products aimed at tracking or facilitating better sleep, while excluding more general fitness trackers such as smart watches. Examples of innovations in this space include the Oura Ring and Eight Sleep. The sleep tech space is estimated to be worth ~$3 billion in 2023, with a CAGR of 16%.

### Sleep Labs

Sleep labs monitor a person's sleep overnight and measure key metrics such as oxygen levels and time spent in different sleep phases. Consumers may seek out sleep lab services to gain insight on how to improve their sleep and to diagnose or rule out conditions such as sleep apnea. While sleep labs often cater to those with medical conditions, the growing rate of sleep problems has spurred more people than ever to seek out these services. As of 2023, the sleep lab market is estimated to be worth ~$5 billion, with robust growth of 8% in recent years. This number excludes people with higher-acuity conditions such as sleep apnea.

# Key Insights

A. Nutrition

B. Physical Activity

C. Emotional Wellbeing

D. Sleeping

E. Takeaways

## Executive Summary

1. Nutrition represents most wellness industry spend ($222B of the $333B total estimated wellness spend)
2. Americans seeking "healthy-seeming" foods over flagrantly unhealthy ones
3. Plant-based meat declining, but dairy alternatives and fermented foods growing quickly
4. Insurers now experimenting with healthy food reimbursement
5. Wellness-oriented restaurants rare but growing with companies such as Sweetgreen and True Food capitalizing on Americans' greater wellness focus
6. Fewer young Americans consuming alcohol
7. Delivery meal kit services have floundered post-pandemic, including wellness ones
8. Traditional weight loss services struggling to find footing after decades of limited results
9. New obesity drugs such as Ozempic likely to shape the future of the weight loss industry
10. Americans experimenting more with supplements beyond vitamins and minerals (e.g., nootropics)

## Nutrition Still Dominates

At $222 billion, Nutrition comprises roughly two-thirds of the wellness market. For all the fanfare around trends such as mindfulness and hot yoga, it is worth remembering that most consumers buy food a few times a month and eat daily. And while America's dietary habits often fall short of hitting the optimal wellness standard, it would be wrong to assume that Americans do not prioritize foods that they think are healthy. In fact, 50% of Americans claim they try to eat healthy, and as recently as 2016, 75% described their diet as healthy.[10 11] This contrasts sharply with the CDC's finding that "[f]ewer than 1 in 10 adults and adolescents eat enough fruits and vegetables, and 9 in 10 Americans aged 2 years or older consume more than the recommended amount of sodium." Yet even with rising obesity rates and poor dietary habits, it is wrong to assume that Americans are completely indifferent to the importance of healthy eating.[12 13]

**50%**
of Americans say they try to eat healthy, while **75%** described their diet as healthy

## Preference for Higher Quality Processed Foods

Despite rising obesity, many Americans are shunning the flagrantly unhealthy foods of yesteryear. Kraft Cheese, the iconic "cheese product," for example, has found limited appeal with the Millennial generation, which has demonstrated greater willingness to pay for premium alternatives.[14] Consumption of sugar-sweetened beverages has similarly declined significantly over the past two decades, and trans fats are now a historical artifact.[15]

But Americans have not given up on processed foods altogether. Instead, they are seeking a healthier middle ground–foods that can balance taste and palatability with nutritious ingredients. Accordingly, the $93 billion market for functional foods–roughly 10% of the overall grocery market–is today greater than the $76 billion market for fresh foods.[16]

Recognizing the opportunity, food conglomerates such as Mondelez International, the manufacturer of Ritz crackers and Oreos, are now striving to include higher quality processed foods in their snack portfolio.[17]

Sources: 10) Statista; 11) NPR; 12) CDC; 13) CDC; 14) USA Today; 15) NYTimes; 16) Statista; 17) Forbes

**Clif Bar & Co.**'s emergence as a nearly $1 billion revenue company reflects this evolution.[17] Clif distinguished itself from typical snack bars through its mountain-climber packaging and use of natural ingredients such as whole grains. While some might dismiss a Clif Bar as just another processed food for its added sugar and salt, it remains substantial improvement over a traditional Snickers bar, and consumers have rewarded Clif's health-conscious branding handsomely. Last year, the company was acquired by Mondelez International for $2.9 billion.[18] More niche healthy snacks are also entering the mainstream. Hu Kitchen, which specializes in dark chocolate bars made without refined sugar, recently sold to Mondelez International for $340 million.[19] Other conglomerates such as Del Monte are getting creative with their own product lines. The fresh and packaged fruit giant has recently introduced fruit cups with added coffee extract to provide a caffeine boost.[20]

Not everybody is availing themselves of healthier options. America's obesity rate continues to tick up even as many Americans pivot away from the worst dietary choices of prior decades.[21] But given America's growing appetite for somewhat healthier foods, companies that can build a compelling wellness brand without sacrificing the palatability and convenience of typical processed foods are best positioned for the future.

**Plant-based, Not Plants**

The market for plant-based products further illustrates this trend.[22] After years of warning from health authorities about the consequences of excessive meat and dairy consumption, Americans reported cutting back on animal products in 2020.[23] But rather than reaching for fresh produce, many may be embracing the burgeoning market for plant-based alternatives to animal products. From 2012 to 2018 foods and drinks using the term "plant-based" grew 268%, following the success of new plant-based meat companies such as **Beyond Meat.**[24]

From 2012 to 2018, foods and drinks using the term "plant-based" grew **268%**

In 2019, Beyond enjoyed one of the most successful IPOs in two decades, with its market cap swelling over 160% to $3.8 billion by the end of the day.[25] On the heels of Beyond's success, plant-based milks

Sources: 18) Inc; 19) WSJ; 20) Delmonte; 21) CDC; 22) Statista; 23) Gallup; 24) Washington Post; 25) Reuters have surged: last year Oatly's revenues approached $200 million, and the overall plant-based food market is expected to more than double by 2030.[26 27]

Yet skepticism of these alternatives persists, and not just from carnivores. **Chipotle**, for example, has refused to add Beyond Meat to its menu, citing the product as too processed, while **Whole Foods**' CEO has similarly deemed Beyond and its rivals unhealthy.[28 29] These doubts may be slowing the plant-based meat market's roll. Only 38% of Americans now think plant-based meats are healthy, compared to 50% in 2020, and supermarket sales for refrigerated fake meats witnessed a 14% decline in sales last year.[30] With the hype surrounding plant-based meats dying down, the opportunity for processed fake meats looks less assured than plant-based milk alternatives, which are already 13% of the size of the $16.1 billion dairy milk market, thanks in part to relatively widespread lactose intolerance.[31]

**Just 38%**
of Americans today think plant-based meats are healthy, **down from 50% in 2020**

Whether plant-based alternatives are healthy or viable, their sustainability compared to animal products is undeniable. **Nick Halla**, an early employee at **Impossible Foods**, emphasizes that the company's founding mission was to reduce the outsized carbon emissions of animal agriculture. Impossible and Beyond's ability to replicate the taste and texture of meat has made vegetarian diets accessible to those who once would have scoffed at a plant-based diet, potentially creating a gateway to a diet higher in fruits and vegetables

**Food for Mood**

While America's nutritional trajectory may be mixed, many health professionals believe the importance of a healthy diet is greater than ever. Scientists have begun to unravel the relationship between diet-determined gut bacteria and mental health. In particular, researchers have observed significant relationships between low gut bacteria diversity and low mood, as microbes in the gut are responsible for producing neurotransmitters such as dopamine and serotonin.[32]

In light of this research, consumers have shown growing awareness of and interest in gut

Sources: 26) Oatly; 27) Statista; 28) CNBC; 29) CNBC; 30) Bloomberg; 31) Bloomberg; 32) NYTimes health. On Tik Tok, videos covering gut health have garnered hundreds of millions of views, and most Americans now report familiarity with probiotics.[33] [34] The kombucha company Health-Aide's revenue recently swelled to $200 million, attracting private equity investments. And the prebiotic soda company Olipop has raced past $100 million in revenue since its founding in 2017.[35] As the significance of food for both mental and physical health becomes more apparent, gut-friendly foods and beverages look positioned to continue their high growth.

**Food as Medicine**

Growing recognition of the importance of diet is not just influencing Tik-Tokers, but the government as well. The Biden administration has approved Medicaid payouts for nutrition-based disease management, and states such as Arkansas are extending this initiative to preventative care.[36] For wellness players, the potential to capture healthcare spending could prove a major windfall as US healthcare spend is over 10x larger than our estimate of the US wellness market. Compared to traditional wellness consumers (who often skew younger and healthier), Americans with chronic diseases spend significantly more treating their conditions, can be stickier, longer-lasting customers, and offer the potential of higher margins over time. And while a wellness consumer may reduce their wellness spend due to an economic downturn or rising inflation, a patient managing a chronic disease has no such option.

> US healthcare spend is over **10x** larger than wellness spend

Government wellness initiatives may extend beyond healthcare. Some state legislators have proposed banning food stamps from being used to purchase junk foods in a bid to reduce diabetes and other health complications.[37] While some see this as curtailing liberty, proponents of such a measure point out that food stamps often act as a subsidy for junk foods. As recently as 2019, sweetened beverages alone made up nearly 10% of SNAP spend.[38]

With rising obesity rates and an aging population straining America's $4.3 trillion healthcare system, preventative nutritional measures will be vital to cutting future healthcare costs. As

Sources: 33) NYTimes; 34) Food Insight; 35) Food Dive; 36) WSJ; 37) USA Today; 38) USA Today the government and insurers try to improve consumer nutrition, healthy foods may benefit from these changing priorities and incentives.

**Revenge of the Nerds**

While gut-friendly beverages such as kombucha are booming, the US's most enduring fermented drinks–beer, wine and spirits–face the threat of a new wave of teetotalers (i.e., people who do not drink). In 2022, Gallup found that 60% of Americans said they drink, down from 65% in 2019.[39] Younger generations appear to account for much of this shift: from 2002 to 2018, the percentage of teetotalling college students jumped from 20% to 28%.[40] With fewer Americans drinking, non-alcoholic beers, mocktails, and CBD-based beverages have experienced particularly high growth, with Nielsen reporting that sales in this category increased 113% from 2020 to 2021.[41]

From 2002 to 2018, the percentage of teetotalling college students rose from **20% to 28%**

While this may seem like the cause for a toast, Americans' reasons for not drinking paint a more ambivalent picture. Indeed, a 2021 survey from Nielsen found that the top reason for not drinking–identified by 37% of respondents–was not going out as much.[42] With more Americans reporting social isolation and loneliness, this raises the question of how much alcohol abstinence comes at the expense of social engagement.[43] While there is no disputing the health consequences of heavy drinking, the deleterious effects of loneliness are equally established.[44]

The "sober-curious" movement has nonetheless succeeded in offering social alternatives to drinking. Dry bars, for instance, continue to crop up throughout the US. As Casey Means, Chief Medical Officer of Levels Health, notes, some nondrinkers are turning to healthier group activities such as gyms, saunas, and cold plunge clubs as a healthier alternative to traditional Friday night bar visits and nights out.[45] All these changes create significant opportunity for both non-alcoholic beer and wine producers and other wellness players (e.g., gyms) that can offer healthier social outlets for younger Americans less interested in social drinking.

Sources: 39) Axios; 40) Axios; 41) Nielsen; 42) Nielsen; 43) PBS; 44) CDC; 45) Provi

### Healthy Restaurants Must Compromise

With more than one-third of Americans consuming fast food daily, America's nutritional shortcomings likely owe as much to restaurant meals as store-bought foods.[46] In 2022, about 40% of overall food spend was on restaurant food, even with soaring food inflation.[47] Shifts toward healthier options have been slower for restaurant meals than home-cooked ones. Of the top 250 major chains in the US, we identify less than 5% as wellness-focused based on whether each includes wellness as a top 1-3 branding priority.[48] Even then, this small number includes chains such Chipotle and Subway, chains that offer unhealthy options despite their emphasis on freshness and health.

When looking at America's wellness restaurants, the largest players in the space maintain consumer optionality when it comes to menu options. Even restaurants that clearly prioritize healthy offerings such as True Food Kitchen–now one of the 200 largest chains in the US–serve alcoholic beverages and pizzas to meet the food preferences and habits of the American consumer.[49] And the largest restaurant to achieve an arguably junk-free menu, Sweetgreen, has obtained its scale with aggressive spending and currently operates at a net loss.[50] Sweetgreen's founders bet that younger generations will allocate more money to healthy dining than prior generations, but for the time being, it's unclear if the market for $14 salads can reach the scale of burgers and fries.

### Fast-Casual Goes Mainstream

Sweetgreen's founders are not completely off base: millennials and Gen Z have shown they are willing to pay a premium for "fast-casual" meals, which often prioritize healthier, higher quality ingredients than typical fast food. 50% of Gen Z even report that they prefer fast-casual restaurants to traditional full-service ones, and 62% report a willingness to pay more for sustainable foods, a focus for Sweetgreen.[51] [52]

**62%**
of Gen Z reports a willingness to pay more for sustainable foods

Sources: 46) CDC; 47) Restaurant Dive; 48) Restaurant Business Online; 49) Restaurant Business Online; 50) WSJ; 51) QSR; 52) Fitt Insider

While younger generations are willing to spend on higher quality restaurants, the fast-casual market overall be reaching maturity, with decade-old players consolidating in an increasingly crowded and competitive space.[53] **Cava**, a Mediterranean fast-casual restaurant and rival to Sweetgreen, recently acquired the Mediterranean restaurant Zoe's Kitchen and is planning an IPO as its revenues top $500 million.[54 55]

**Meal Kits Fail to Deliver**

Between groceries and eating out at restaurants, there is the increasingly popular middle ground of meal kits delivered to the home. With the outbreak of Covid-19 and near-zero interest rates, meal kit companies including **Freshly**, **Daily Harvest**, and **HelloFresh** flourished in recent years. Subsidized by investors, these companies grew significantly, offering subsidized meal kit services to consumers eager to kick and stuck at home. Wellness-centric delivery services such as HelloFresh, Daily Harvest, and Freshly also seized the opportunity, believing they could bring nutritious meal kits directly to health-conscious consumers.

But now, as inflation surges and consumers return to in-person shopping, meal kit companies across the wellness spectrum are finding it hard to keep delivery costs low without investor cash to subsidize operations.[56] Without lockdowns and easy money, the path to profitability for most existing services looks bleak. **Freshly**, which was acquired by **Nestle** in 2019, has shut down its delivery service, and **Daily Harvest** witnessed its sales drop by half in the span of four months last year.[57 58] Companies selling healthy pre-prepared meals only at grocery stores, such as **Urban Remedy** and **Positive Food**, have not encountered such consumer resistance post-pandemic. As one Wall Street Journal article put it, "[c]onsumers are happy to take deliveries when the cost is subsidized by investors, but when it isn't the market shrinks fast."[59]

**Weight Loss: Opportunity Persists, But Results Are Elusive**

Obesity rates in the US are higher than ever, with over 40% of Americans now qualifying as

Sources: 53) QSR; 54) QSR 55) Axios; 56) Washington Post; 57) Progressive Grocer; 58) Bloomberg; 59) WSJ clinically obese.[60] This trend only accelerated during the pandemic when 42% of Americans reported unwanted weight gain.[61] In response to these changes, 52% of Americans reported following a diet in 2022, up from 39% in 2021.[62]

While the opportunity in the $70 billion weight loss space is clear, many traditional players have fallen out of favor in recent years–no doubt owing to their failure to help most consumers achieve sustainable weight loss.[63] In 2015, a survey found 77% of consumers already thought diet products were not as healthy as they claimed to be, and 61% said most diets were not healthy.[64] The value proposition for traditional weight loss services appears to be a tough sell when evidence suggests that such services do not work for most people.[65]

**WW International, Inc.**, formerly Weight Watchers International, Inc., highlights the shifts underway. Recognizing the negative connotations of traditional diet services, the company has all but dropped its weight-centric branding as revenues began to decline.[66] The 40-year-old weight loss behemoth **Jenny Craig**, once nearing $500 million in revenue, is now shuttering its operations altogether.[67] [68] These ailing incumbents are being replaced by more scientific upstarts such as **Noom**, which uses cognitive behavioral therapy to alter users' eating habits, and a new class of weight loss drugs–GLP-1 agonists–which have gained significant public interest in recent years.

### The Future of Weight Loss May be Medicine

The recent emergence of effective weight loss drugs may define the future of weight loss. Unlike traditional diet programs, GLP-1 agonists such as semaglutide (best known under the brand name Ozempic) have been shown to consistently promote weight loss. In one study, those taking the drug lost an average of 15% of body weight.[69] The mechanism behind these results is simple: by increasing insulin secretion and blood sugar disposal, drugs such as semaglutide increase satiety and cause users to eat less.[70]

Though the weight loss results are impressive, concerns remain about the sustainability of the losses and the cost. As Dr. Peter Attia notes, patients taking GLP-1 agonists often lose disproportionate amounts of lean muscle mass.[71] Patients who stop taking the GLP-1

Sources: 60) CDC; 61) APA; 62) Food Insight; 63) CNBC; 64) NPR; 65) Harvard; 66) Macro Trends; 67) Biz Journals; 68) Bloomberg; 69) NYTimes; 70) HMRI; 71) Peter Attia agonists have been shown to regain much of their original weight. And, for now, prices can top $10,000 per year when purchased without insurance.[72 73] Insurers have been reluctant thus far to cover GLP-1 agonists for more than diabetes, making many users seeking weight loss go out of pocket. Despite these problems, there is no denying that the treatment represents a breakthrough in weight loss. **Andrew Wax**, a director at **LivHealth**, captured his ambivalence, calling the drugs "the closest thing to magic we have when it comes to weight loss," while noting that patients must avoid losing weight too rapidly to avoid muscle atrophy and metabolic slowdown.

Whatever the risks, companies are positioning themselves for a future with weight loss drugs. **WW International, Inc.** acquired a telehealth company prescribing Ozempic earlier this year. **Pfizer**, a key player in this market, expects the global GLP-1 agonist market to reach $90 billion by 2030.[74 75]

WW
Wellness that Works.™

**Not Your Dad's Vitamins**

While studies find that efficacy varies, more than half of Americans take dietary supplements, helping fuel a nearly $50 billion industry.[76] And while most people think of vitamins and minerals when they hear "supplement," more speculative compounds have arguably seen the greatest growth in recent years. **Ryan Springer**, a wellness investor at **Midnight Ventures** based in Austin, Texas, notes that brain health supplements, including mushroom and root extracts, are the fastest growing supplement categories. As Ryan notes, more consumers are realizing that "quality of life is more tied to brain health than whether you have ripped abs." Echoing our findings about fermented beverages, Ryan adds that probiotic and prebiotic supplements have similarly excelled.

While research on the effects of these compounds is still nascent, Americans appear more willing than ever to self-experiment. **Marty Orifice**, the founder of the supplement company **Aspire Nutrition**, emphasizes that the pandemic has led to less trust in the medical system among certain consumers, making them more willing to try supplements as an alternative to more traditional medical interventions. **Casey Means**, a founder of **Levels Health**, similarly observes polarization in the wake of the pandemic: "some people

Sources: 72) NYTimes; 73) Bloomberg; 74) ABC News; 75) Evaluate; 76) CNN are distrusting healthcare while others are worshiping it."

**Credibility Matters**

Consumers are not blindly trying the latest supplements, though. While the supplement industry has long been the wild west of wellness–with many products not even containing their purported ingredients–consumers are increasingly doing their own research to identify the best supplements and brands.[77] **Lauren Alexander**, head of marketing for leading nootropic company **Neurohacker Collective**, affirms that the level of consumer education about products is growing, and **Marty Orefice** adds that the competition among supplement companies for credibility is higher than ever. That helps explain the rise of quality and science-focused supplement companies such as **Thorne Supplements**, which has swelled to more than $100 million in revenue in recent years based on its reputation for high quality.[78] Thorne has achieved credibility by pairing high quality standards and transparency with the endorsement of influential wellness figures such as **Andrew Huberman**.[79] For smaller companies and value players in this space, competing with the authority of manufacturers such as **Thorne** and **Ritual** is likely to be a challenge going forward.

> "Consumers aren't wedded to a particular brand…they're educating themselves and selecting the best brand for each supplement" – *Lauren Alexander on the supplement marketc*

Sources: 77) Harvard; 78) Growjo; 79) McGill

## Executive Summary

1. Insurers now reimbursing gym memberships and exercise classes
2. In-person gyms and health clubs have recovered swiftly post-pandemic, while at-home equipment has fallen off faster than expected
3. The gym industry has "hollowed out," with higher cost boutique and lower cost value gyms capturing recent growth at the expense of middle-tier players
4. Post-pandemic, consumers have shown a desire for a community experience that online services fall short of
5. Fitness tracker technology advancing rapidly and will soon give consumer real-time insights into their blood sugar, hormones, and more
6. Gym membership and at-home equipment proving complementary

### Untapped Potential

While the benefits of exercise are well established, 75% of Americans did not meet the recommended threshold for physical activity in 2020.[80] The health-club and gym market is also comparatively small at an estimated $31 billion, exceeded by the $46 billion supplement industry. Nonetheless, in the decades prior to the pandemic, Americans showed growing awareness about the need for physical activity, and players in the physical activity space have witnessed rapid growth.

> Between 2000 and 2019, the number of US gym and health club memberships **more than doubled**, while the US population grew **less than 20%**

For example, between 2000 and 2019, the number of US gym and health club memberships more than doubled while the US population grew by less than 20%.[81] [82] As the benefits of exercise become more validated and extensive, growth in the physical activity segment may accelerate still. A recent meta-analysis found that exercise, even at relatively low intensities, was more effective in treating depression than many common pharmaceutical prescriptions, leading the study's authors to conclude that health authorities should cite exercise as a prescription for depression.[83] These findings and others show that exercise is not just a way to protect health tomorrow, but to improve wellbeing in the present. The growing evidence for the wide-ranging benefits of exercise augurs well for the growth of products and services that help facilitate physical activity over the coming years.

### Healthcare Comes to the Gym

Recognizing the potential of exercise for disease prevention and management, insurers such as UnitedHealthcare are now offering reimbursements for customers' gym memberships and classes, an aspiration gym owners and enthusiasts have hoped for for years.[84] Launched in 2018, United's Sweat Equity program pays for customers' memberships while also requiring that they visit and participate, requiring 50 workouts in every six-month period to qualify for reimbursement.[85] Private insurers are not the only ones taking note. Tax-advantaged healthcare savings accounts can also now be used for doctor-prescribed exercise, and 98% of Medicare Advantage plans now allow older adults to participate in the SilverSneakers

Sources: 80) CNBC; 81) Statista; 82) Census; 83) Washington Post; 84) MyUHC; 85) MyUHC program, which grants access to fitness classes in their area, at-home equipment, and online exercise and nutrition resources.[86 87] Launched in 2018, United's Sweat Equity program pays for customers' memberships while also requiring that they visit and participate, requiring 50 workouts in every six-month period to qualify for reimbursement.[85] Private insurers are not the only ones taking note. Tax-advantaged healthcare savings accounts can also now be used for doctor-prescribed exercise, and 98% of Medicare Advantage plans now allow older adults to participate in the SilverSneakers program, which grants access to fitness classes in their area, at-home equipment, and online exercise and nutrition resources.[86 87] Michael Rucker of Active Wellness observes that such initiatives are not empty gestures, as baby boomers are taking more measures to avoid assisted living facilities than prior generations. Given the outsized population and net worth of baby boomers, gyms that can cater to these older adults while building programs that work with insurers may open new avenues for growth.

With America's outsized spending on disease management and elder care, such preventative programs may be just the beginning. As Casey Means notes, insurers have begun to realize that possibly preventing a $200,000 heart attack is well worth a $50 monthly gym fee. As more insurers begin to incentivize exercise, gyms and at-home equipment alike could receive a significant boost from the more than $4.3 trillion US healthcare market.

**Pandemic Shakedown**

The pandemic hit the gym and health club segment harder than most. While restaurants got generous handouts to keep them afloat, gyms received less federal aid.[88] By last year, roughly a quarter had gone out of business.[89] Despite this tumult, the ending of pandemic restrictions has unleashed pent up demand. In 2022, monthly visits to gyms were up roughly 13% compared to pre-pandemic levels for the same period in 2019, and established chains such as Planet Fitness and Life Time have re-achieved profitability in recent quarters.[90]

Sources: 86) Optum; 87) Medicare Advantage; 88) Club Industry; 89) NYTimes; 90) Fitt Insider

### Free Real Estate

A major tailwind for gyms that survived the pandemic is the availability of real estate formerly occupied by traditional retail players that were hit hard by the rise of ecommerce during the pandemic. Landlords are increasingly courting gyms to fill vacant leases, hoping in part that gym goers will boost traffic for the remaining retailers. Gym and health clubs were new occupants to 2 million square feet of retail space at the end of 2021, and that number more than doubled to 4.5 million in the first quarter of 2022 alone.[91] These smaller spaces naturally lend themselves to boutique studios with class-based offerings, such as Orangetheory and Pure Barre, but budget gyms have enjoyed a boost too. Planet Fitness saw a 19% increase in revenue year-over-year for the first quarter of 2023.[92]

### Boutique Continues Its Ascendancy

> From 2013 to 2017, boutique gym memberships grew **121%** while those at traditional gyms grew **15%**

Even before the pandemic freed up real estate for boutique players, boutique gyms were all the rage. Between 2013 and 2017 boutique gym memberships grew 121%, while those at traditional gyms grew at a much more modest 15%.[93] Millennial and Gen Z urbanites have fueled this trend, with many seeking out the community and coaching boutique studios tend to offer. Above all, the economics of boutiques are attractive. Studios require significantly less overhead due to their small size but can charge significantly more than traditional gyms with memberships often running somewhere in the $75 to $200 a month varying by location and business. Some boutiques, such as SoulCycle, charge $30 on a per class basis.[94]

### Hollowing Out

While boutiques and lower cost budget gyms have rebounded well since the pandemic, the market for middle-tier gyms has struggled. Historically, middle-tier gyms have charged membership fees between those of low-cost gyms such as Planet Fitness ($10 per month) and luxury gyms such as Equinox ($200 per month). But as **Luke Carlson** of **Discover Strength** notes, these players have failed to distinguish themselves enough to justify their price point: “the middle tier charges for things that you can get at value gyms, but premium

Sources: 91) NYTimes; 92) Club Industry; 93) Fitt Insider; 94) SoulCycle gyms offer something that value gyms don't." One such player, 24 Hour Fitness, finds itself cutting staff as it struggles to adapt post-pandemic, and has even begun offering memberships at the $10 Planet Fitness price point in select states.[95] Value gyms such as Planet Fitness have meanwhile increased market share by buying out ailing middle-tier competitors, and luxury gyms continue to innovate with new amenities such as cold plunges and hot yoga.[96] For gyms, deciding whether to compete on price or amenities will be essential going forward.

> "The middle tier charges for things that you can get at value gyms, but premium gyms offer something that value gyms don't." – *Luke Carlson on the gym market*

**At-Home Exercise Overblown**

During the pandemic, many forecasted that the shutdown of in-person gyms would create a permanent shift to at-home fitness, as consumers learned to embrace Pelotons and other tech-enabled equipment. Americans themselves appear to have agreed: at one point 59% said they did not intend to return to an in-person gym post-pandemic.[97] But the swift rebound in gym and health club memberships have proven these predictions wrong.

> **59%** of Americans said they would not return to the gym post-pandemic, but gym membership levels are now above pre-pandemic levels

What did these prognosticators miss? Above all, they underestimated the social and identity value of the in-person gym experience. More recent surveys suggest that consumers find in-person classes more enjoyable than virtual ones.[98] Perhaps this is no surprise: in-person workouts can create a sense of camaraderie and accountability that many people find lacking when done remotely.[99] Other studies have even shown that group fitness programs have more mental health benefits than individual ones and that synchronizing exercise with others can increase pain tolerance after a workout.[100] [101] Casey Means of Levels also observes that more people are seeking social interaction following the pandemic: "There's a real resurgence of desire for community …people were isolated during Covid, and I'm seeing a lot more decks about potential businesses come across my plate that are in person brick and mortar boutique fitness studios and cold plunging places."

Sources: 95) Club Industry; 96) CNBC; 97) Fast Company; 98) Les Mills; 99) Les Mills; 100) Degruyter; 101) Taylor & Francis Online

**That Dusty Peloton**

With the return to in-person exercise, many pandemic favorites in the at-home equipment space have hit a wall. Peloton, the stationary bike with subscription-based classes, quickly fell out of favor as lockdown restrictions eased. While Planet Fitness was opening over a hundred new locations in 2021, Peloton was hemorrhaging cash and cutting 20% of its workforce. Its market cap dwindled from over $45 billion to a little less than $3 billion in May 2023. Other companies mistimed their ventures into the at-home fitness space, believing the pandemic boost to at-home fitness would last. Lululemon's $500 million acquisition of the at-home smart fitness device Mirror in 2020 is now nearly worthless and for sale.[102 103]

Cost remains arguably the biggest obstacle to widespread adoption of at-home equipment. As **Jeff Helfgott**, a former **Planet Fitness** franchisee, points out, "[m]ost Americans rent rather than own, and few have the capital to afford the equipment necessary to replicate a gym experience, let alone have the room at their house for it." A lack of in-person community further imperils Peloton's potential appeal at a time when many are starved for interaction. As one boutique gym-goer put it, "Peloton is trying to sell community via technology, but it does not have the same energy as the group experience…there is no one to go out for coffee with after."[104] For now, the $31 billion market for health clubs and gyms may continue to increase its lead on the $15 billion home equipment market.

"Most Americans rent rather than own, and few have the capital to afford the equipment necessary to replicate a gym experience, let alone have the room at their house for it." – *Jeff Helfgott on at-home fitness*

**Not Either Or**

While at-home devices are unlikely to supplant the health club and gym market, high-spending consumers are showing a willingness to pair existing gym memberships with at-home services and products in a way that's surprised many industry insiders. As Luke Carlson explains, "the industry belief a few years ago was that the in-person gym experience

Sources: 102) Yahoo; 103) Business Insider; 104) NYTimes experience and at-home equipment markets were substitute products. People would tend to pay for one or the other. What we're actually finding in practice now is that consumers are actually willing to pay for both - and see the services not as substitutes but as complements." As Luke further notes, consumers are spending more on fitness than ever before ("you can now find many people who now spend $400 to $500 a month on fitness; we didn't expect that a decade ago"), but they spread their spending across various products and services. Consumers now "want a Peloton and a brick-and-mortar experience."

Interestingly, industry observers note that companies who have attempted to dominate consumers' attention and engagement both at-home and in-person have largely failed. Leaders in the in-person gym space who have tried to extend into at-home workouts (e.g., Equinox) have largely been unsuccessful. As Carlson explains, "The in-person gym players have spent millions on apps to engage with consumers in the home, but it just hasn't worked. People want to visit Equinox and then use their Peloton at home." While companies like Peloton may not reach the scale once anticipated, at-home equipment and gym memberships are both likely to succeed as consumers increasingly view both options as complementary, not zero sum.

**Fitness Trackers Surge**

Within the physical health market, fitness trackers appear poised for outsized growth. In 2020, more than a fifth of Americans used a fitness tracker or smart watch.[105] Younger consumers show a growing willingness to share biometric data in exchange for individualized insights, and advancements in technology are increasing the scope and granularity of feedback such trackers can provide.[106]

But much of this innovation may take the form of general-purpose smart watches which offer an increasing number of capabilities, making it unclear what opportunity exists for dedicated fitness trackers such as Fitbit. Apple, for example, has made recent progress in achieving prick-less blood glucose monitoring for its flagship watch, an innovation that would allow even non-diabetic individuals to receive individualized insight into how specific

Sources: 105) Pew Research; 106) McKinsey foods affect them.[107]

Amazon's dedicated fitness tracker, meanwhile, was recently discontinued, likely due to an absence of dedicated fitness features beyond what typical smart watches offer.[108]

As for tracking innovation in general, **Casey Means** of **Levels** points out that the most premium tracking devices (such as the consumer-friendly blood glucose monitors and data sold by Levels) may soon be able to add even more measurements including cortisol, ketones, and lactate. While these molecules are larger and harder to measure than glucose, companies such as Abbott have already developed wearable technology for the measurement of lactate, ketones, and alcohol, and plant to bring it to market soon.[109] Lactate monitoring would provide insight into an athlete's level of exertion and recovery, while ketone measurements would offer a view of the body's fat-burning state in a given moment or period, aiding dieters and endurance athletes alike.

In the long run, it remains to be seen whether wellness players can carve out their own niche in the tracker industry with these innovations, or whether incumbent tech giants will seize the opportunity with their industry-leading smart watches that continue to add more and more capabilities. Perhaps more likely, the most innovative medical device companies such as Abbott will continue to offer the bleeding edge of capabilities while Apple and other tech players offer a more standard set of offerings in a consumer-friendly, mass market form factor.

Sources: 107) Business Insider; 108) The Verge; 109) Engadget

# Emotional Wellbeing Insights

## Executive Summary

1. **Younger generations more open to therapy**
2. **Teletherapy here to stay**
3. **Low-cost digital mental health services take off**
4. **Mindfulness leaders have likely achieved full consumer penetration**
5. **Companies investing more in worker mental health support**

Sources: (17) Food Insight's Food and Health Survey 2018
(18) Renee Frojo, San Francisco Business Times

### Need Has Never Been Greater

During the pandemic, mental health issues skyrocketed among Americans, as isolation and stress took a real toll on Americans' wellbeing. The mental health crisis hit the youngest generations especially hard and shows few signs of abating. In 2021, 42% of high school students reported feeling so sad or hopeless almost every day for at least two weeks that they stopped doing their usual activities.[110] Teenage girls have been impacted particularly hard with nearly 60% now reporting persistent feelings of sadness, up from 37% in 2011.[111]

> **60%** of teenage girls now report persistent feelings of sadness, up from **37%** in 2011

Some researchers have linked the rise of teen anxiety to social media usage, noting that these trends began with the emergence of platforms such as Instagram.[112] But whatever the cause, the reality remains that younger generations demonstrate greater interest in emotional support than those before them.

### Declining Stigma

In the face of this mental health crisis, younger generations are demonstrating a greater willingness to discuss mental health than generations before them. Notably, while older generations are less likely to identify depression as a health problem, Gen Z readily does.[113] Celebrities and athletes, too, are becoming more open about their own issues with mental health, which has set an example for younger fans.[114] Growing acceptance and need position this $14 billion market for high growth.

### Teletherapy Proves Viable

Before the pandemic, telehealth invited skepticism when compared to traditional in-person appointments. At the time, many therapists even received less pay for remote appointments than in-person ones. But psychologists now express overwhelming enthusiasm for teletherapy: 96% believe teletherapy works, while 97% think it should remain post-pandemic.[115] Overall, the benefits of teletherapy in a post-pandemic environment are clear, as therapists and patients alike can broaden their geographic scope and avoid commutes,

Sources: 110) CDC; 111) CDC; 112) Jonathan Haidt; 113) SBU; 114) Insider; 115) APA making it easier to receive therapy and to go more consistently. Even with lockdowns easing, the overall telehealth market grew by roughly 7% in 2022–suggesting a post-pandemic collapse is unlikely.[116] Players such as BetterHelp, which recently topped $1 billion in revenue, have seized the opportunity by providing lower cost, streamlined online therapeutic services.[117]

### The Doctor Is Out

While teletherapy services have managed to cut some costs, the aim for many startups in the mental health space is now to further digitize the patient experience and reduce reliance on licensed clinicians. In addition to professional therapists, platforms such as AbleTo have managed to tap into mental health "coaches"–many with no formal experience in medicine or psychology–to lend an ear to those in need of lower cost services.[118] Using instant messaging, platforms such as BetterHelp and Talkspace have also managed to offer mental health support around the clock with messaging, reducing the need for often strictly scheduled, time-constrained appointments.

Controversy remains, not least because such non-licensed services employ staff at low wages to remain competitive.[119] The startup Pear Therapeutics, which developed FDA-backed digital therapeutics for sleep and mental health before filing for bankruptcy this year, similarly cited excessive pressure to commercialize as contributing to its demise.[120] Still, digital therapy platforms have succeeded in offering affordable, science-based services to those who would be shut out of traditional therapeutic services that often don't accept insurance and cater to generally higher income clients.

> Digital therapy startups such as **Pear Therapeutics** have cited excessive pressure to commercialize as a major challenge

### Mindfulness Cashes In

After decades of hype, the benefits of mindfulness have become increasingly concrete. Studies suggest mindfulness can improve stress tolerance and alleviate depression and

Sources: 116) IBIS World; 117) Behavioral Health Business; 118) The Atlantic; 119) The Atlantic; 120) Stat News anxiety.[121] In the runup to the pandemic, mindfulness was already enjoying a moment. Between 2012 and 2017 alone, the number of mindfulness practitioners tripled.[122]

With the beginning of widespread lockdowns, though, consumers looking for stress relief turned to mindfulness apps in droves. In April 2020, the top 10 meditation apps saw an extra 2 million downloads compared to January of the same year.[123]

Yet as lockdowns eased, these apps foundered: Calm and Headspace reported 26% and 60% respective declines in usership from 2021 to 2022.[124] Despite these falling user rates, Calm and Headspace both managed to increase revenues from 2021 to 2022, as they cashed in on a portion of new users lured to their platforms during the pandemic.[125]

### …But Aims Higher

The recent surge in revenue notwithstanding, the mindfulness market remains small, at just over $1 billion, and following the pandemic, major players have likely gotten close to full consumer penetration. Recognizing the limits of mindfulness as a service, both Calm and Headspace (now Headspace Health) have moved into healthcare, seeking to expand their offerings to more general mental health care. Calm acquired Ripple Health Group in 2022 and is launching a mental health care service dubbed Calm Health.[126] Headspace Health merged with Ginger, a text-based mental health service, in 2021 and has made recent acquisitions of Sayana, developer of AI-enabled mental health-tracking apps, and the Shine app, a mental wellness platform focused on culturally specific offerings.[127]

### Corporate Wellness Trudges On

Corporate wellness entered the spotlight in 1979 when Johnson & Johnson introduced its Live for Life program.[128] Since its success, many companies have embraced a similar approach, and more than 80% of companies with over 50 employees now offer some form of a wellness program.[129]

When implemented correctly, corporate wellness may be a rare win-win for employees and employers. Johnson & Johnson estimated that its program saved it $250 million from 2000

Sources: 121) Harvard; 122) NIH; 123) Sensor Tower; 124) The Verge; 125) App Figures; 126) Fierce Healthcare; 127) Mobi Health News; 128) Forbes; 129) HHS to 2010, and another study examining high-risk employees within a single company found that those receiving a wellness intervention saved $6 in healthcare expenses for every $1 spent.[130] Tax incentives only make the case for wellness programs stronger, as companies can ease the burden of employee health insurance by offering such programs.[131]

**Over 90%** of large and mid-size US companies report increasing support services for mental health since the pandemic

In light of these benefits, wellness programs show no sign of slowing down. With nearly 43% of employees saying they feel exhausted and another 42% stressed, corporate-backed mental health services arguably show the most room to run among corporate wellness offerings.[132] Since the pandemic, over 90% of large and mid-size US companies report increasing support services for mental health, and 74% report increasing opportunities for work-life balance, usually with more generous leave policies.[133] In 2021, these companies spent an average of $6 million on overall wellness programs, up from $4.9 million in 2020.[134]

These trends may owe as much to a competitive labor market as corporate beneficence and will be tested as employment cools. But for now, employee satisfaction is at an all time high, and with and greater prioritization of work-life balance among younger generations, expect mental health-oriented corporate wellness programs to continue their ascendency for now.[135]

Sources: 130) HBR; 131) HBR; 132) Deloitte; 133) SHRM; 134) SHRM; 135) Conference Board

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Sources: (17) Food Insight's Food and Health Survey 2018
(18) Renee Frojo, San Francisco Business Times

**Less Sleep**

According to the CDC, roughly one-third of Americans don't get enough sleep, and that number has only risen since the 1980s.[136] Compared to the 1940s, Americans get an hour less of sleep today–down from an average of 7.9 hours to just 6.8.[137] In addition to affecting short-term performance, chronic lack of sleep is linked to depression, anxiety, weight gain, and cognitive impairment.[138] It is safe to assume that many of the other problems we have detailed in this report (e.g., rising obesity rates, rising anxiety levels) interplay with Americans' high rates of sleep deprivation.

The emergence of social media, streaming, and other internet activities especially threatens sleep time and quality. The American Academy of Sleep Medicine, for instance, recently found that 93% of Gen Z has stayed up past their usual bedtime to engage with social media.[139] Besides the distraction phones create, blue light from screens has been shown to disrupt the circadian rhythm, which diminishes both sleep quality and duration.[140] With artificial light from devices quite ubiquitous, achieving sound sleep may require more thoughtfulness and priority than before.

**93%** of Gen Z has stayed up past their usual bedtime to use social media

**…But Growing Awareness**

Despite these sleep woes, more recently Americans show a growing awareness of the consequences of inadequate sleep. A doubling in the number of Google searches related to sleep between 2003 and 2016 equally reflects growing cognizance of sleep's importance.[141] Scientific publications related to the consequences of short sleep similarly increased tenfold over the same period, reflecting growing awareness among researchers as well.[142] With both awareness and need as high as ever, opportunity abounds in the sleep space.

**Coaching Cure**

New companies are meeting the growing awareness around sleep's significance with innovative services to help coach people toward a good night's rest. Somn App, which was backed by Harvard Innovation Labs in 2022, works with users to track a user's activities and sleep to identify potential "sleep culprits."[143] Users may learn that having caffeine too close

Sources: 136) NIH; 137) Axios; 138) Axios; 139) AASM; 140) Sleep Foundation; 141) Penn Medicine; 142) Penn Medicine; 143) Sleep Foundation to bed or watching Netflix in the evening is diminishing their sleep quality. Much like Noom, Somn App then works to nudge users in the right direction by building new habits with tools such as app blockers and notifications. Apps such as Somn App lag the likes of Noom for now, but with the dangers of poor sleep quality becoming clearer, a behavioral sleep app may reach such heights in the near future.

**Bed in a Box**

Besides behavioral sleep interventions, there remains the foundational component of a good night's rest: the mattress. New mattress companies have emerged in the past decade offering consumers more personalized options often sold through ecommerce. Casper became the first to master the "bed in a box" in 2014, allowing their mattresses to be sold directly to consumers and shipped compactly. The brands Purple and Nectar soon followed with similar offerings. All emphasize personalization by providing sleep quizzes to help consumers determine their perfect mattress and offering generous return policies. Other bed-in-a-box companies such as Avocado Mattress provide high-quality organic mattresses for consumers wary of standard synthetic memory foams.

**Good Brands, Tough Businesses**

Casper and Purple seized market share by exploiting the failure of traditional mattress manufacturers to embrace ecommerce, a trend that only accelerated during the pandemic. But as older players begin to adapt, the newer, digital-first mattress companies face a more challenging market with a less clear and compelling value proposition. Most Americans only buy a mattress every eight-to-ten years, and it's harder to convince consumers to buy a mattress they don't need than a Fitbit.[144] Recognizing these constraints, players such as Nectar have expanded their offerings to include home furnishings to expand and optimize their customer LTV.[145]

Ecommerce is here to stay, but without any radical changes in America's mattress spend, the

Sources: 144) Inc; 145) Forbes

direct-to-consumer mattress market looks saturated. As of 2019, there were 175 online mattress companies, with experts pointing to minimal differences among them.[146] Even the leading online mattress retailer, Casper, has failed to achieve profitability despite reaching $500 million in sales, due in part to the $150 million marketing efforts it used to set itself apart from the competition. The company has now returned to private ownership after its IPO.[147] [148] Despite their popularity, direct-to-consumer mattresses may face a challenging period ahead with growing competition on pricing and features and the potential conditions for significant market consolidation.

In 2019, there were already **175** online mattress companies

Sources: 146) CNBC; 147) Retail Dive; 148) CNN

With all these segment specific facts and insights in mind, it is worth asking which trends can best characterize the wellness market overall. We identify eight key takeaways industry players and observers should keep in mind going forward.

### 1. Positive Outlook For Consumer Need and Awareness

In each of our segments, we identify both growing awareness and need among consumers. With the number of Americans falling short of healthy nutrition, sleep, mental health, and physical activity as high as ever, opportunity for the US wellness industry in the long-term is promising.[149]

Younger generations' interest in health and wellness is especially auspicious. For Gen Z, self-care has become a status symbol in the same way that long work weeks and luxury cars were for previous generations. Work life balance now even outranks paths to promotion as a top priority for jobseekers, suggesting greater aversion to stress and its consequences.[150] While the US has historically been an outlier among Western nations for its intense work culture–often at the expense of personal wellbeing–it could become more like the advanced European countries as wellness comes to the fore.[151]

### 2. But Growth Not Assured

At the same time, innovations in the wellness space are making certain solutions easier and cheaper to scale. This is likely to help drive the adoption of wellness services and products while also concentrating market share with a handful of players. Software solutions, such as mindfulness or food tracking apps, are likely to revolve around a few companies offering industry-leading offerings competing for a narrow band of willing subscribers. Already, clear market share leaders such as Calm, Noom, MyfitnessPal, Strava, and Sleep Cycle have emerged within their respective niches. And even as demand grows for services such as therapy, scaled digital solutions may be significantly cheaper than traditional offerings. For example, BetterHelp's teletherapy platform can charge less than $100 per session, which is more than 50% less than what many in-person therapists charge.[152]

Sources: 149) Kearney; 150) Good Therapy; 151) Forbes; 152) Money

### 3. Traditional Wellness Industries Still Dominate the Wellness Market

As trendy as practices such as mindfulness are, numbers do not lie: most of the money in wellness is wrapped up in long established areas. Consider that the market size for wellness restaurant food is roughly 80 times as large as the mindfulness market. Similarly, trendy at-home fitness equipment has failed to displace traditional gyms such as Planet Fitness, which has surged since the pandemic. And questions remain about consumer willingness to pay for new digital subscription services. As some long-time industry observers point out, getting consumers to pay an extra $5 for a premium salad upgrade such as salmon or steak seems to be a lot easier, for whatever reason, than getting the same consumer to pay $5 for a monthly subscription to a completely optional service, such as a sleep tracking app. This type of consumer bias towards physical products and services has some academic backing. One study on the topic found that consumers would pay 48% more for physical pictures than digital ones after visiting a tourist attraction.[153] We see consumer aversion to digital subscriptions, even if irrational in terms of ROI, as a major barrier to the profit potential of novel wellness technologies and apps.

### 4. Personalization Is Here to Stay

From fitness trackers to mattresses, and boutique gym classes to custom salad bowls, wellness companies are increasingly tailoring experiences to the individual. In turn, consumers, especially younger ones, show an increasing willingness to trade data for personalized feedback from products and services. In a survey last year, 39% of respondents said they were much more likely to prioritize personalized wellness products and services than a year ago–compared to just 9% who said they were less likely.[154] Within nutrition alone, 75% of shoppers said they were seeking "personalized nutrition" in 2022, up 13 percentage points from 2021.[155] We see this push for personalization across segments. In the supplement category, some innovative players are offering tailored, customized supplements and nootropics for consumers based on their interests and desires. Most online products and

Sources: 153) HBR; 154) McKinsey; 155) Deloitte services in the space offer significant personalization, taking user data to make a better, more personalized experience. And even traditional markets such as mattresses have deployed sleep quizzes to help consumers choose from a limited number of mattresses.

### 5. Innovation Slow Down

Rising interest rates have decimated the venture capital ecosystem and left many innovative wellness companies scrambling for profitability as funds dry up. Companies with recent IPOs, such as Casper, Peloton, and Beyond Meat, have all lost most of their market cap in the last two years with the easing of pandemic restrictions and tighter money. While most of these companies have established strong brands, their path to profitability is unclear in a macroeconomic environment that favors fiscal discipline and less discretionary spending.

Salad companies looking to change the world may have to wait, but value plays within wellness still show potential. Aaron Henderson, a wellness investor at Midnight Ventures, observes that more consumers are buying supplements in bulk, powder forms from direct-to-consumer sources to save money. Similarly, budget gyms such as Planet Fitness have rebounded robustly in the wake of the pandemic. While affluent consumers may continue to take barre classes and shop at Whole Foods, there appears to be a significant opportunity for value-oriented companies in an inflationary environment. Already, nearly half of grocery shoppers say they are buying less expensive foods to cope with high inflation.[156]

### 6. Wellness Increasingly Moving Into Healthcare

Nutrition, physical activity, sleep, and emotional wellbeing are all core to long-term health, so it is no surprise that many wellness companies have sought to broaden their scope to traditional healthcare. The opportunity is undeniable: health and medical insurance in the US is worth nearly ten times the $333 billion wellness industry, with a more attractive business model that includes stickier customers, bigger spends, and often higher margins.[157] Recognizing the potential, companies such as WW International and Headspace Health

Sources: 156) Deloitte; 157) IBIS World

have both made recent forays into healthcare through mergers and acquisitions, and the growing push to treat exercise and food as medicine is now allowing wellness companies to capitalize on insurance reimbursements.

### 7. Wellness Categories Blurring The Lines

The lines between the major wellness segments have never been less defined, as the scope of each segment's influence on health and wellbeing is understood to be greater than ever before. For example, whereas the primary focus of exercise was once physical health, 78% of gym-goers now cite mental wellbeing as a primary motivation–more than the 76% who cite physical health.[158] The all-encompassing nature of wellness means that players in one segment now can market to customers in another. Leading wellness companies have taken note. The meditation app Calm, for example, promotes many of its meditations as a sleep aid, and the exercise bike Peloton now offers its own meditation and sleep classes.[159]

### 8. Bleeding Edge Wellness Becoming the New Normal

In speaking with industry insiders, one theme stood out that was not obvious from our own research: protocols that were once fringe are entering the mainstream. Whether cold plunges or fasting, once esoteric practices are now common among wellness enthusiasts and spilling over into the general population. On TikTok, the #coldplunge trend has garnered more than 500 million views, with plungers attributing various physical and mental health benefits to the cold exposure.[160] Wellness podcasters such as Dr. Peter Attia, Andrew Huberman, Ph.D, and Dr. Mark Hyman meanwhile disseminate the latest science on topics such as fasting to their listeners.[161] The result has been a wave of funding for fringe services. Restore Hyper Wellness, for example, raised $140 million in 2021 for a line of recovery-focused services that includes cryotherapy, infrared saunas, and more.[162] With growing demand for left-field services, wellness companies must stay ahead of the knowledge curve to appeal to an increasingly educated consumer base. increasingly educated consumer base.

Sources: 158) Fitt Insider; 159) Sleepopolis; 160) Forbes; 161) Peter Attia; 162) PR Newswire

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Thank you for reading the US Wellness Industry Outlook 2023. We are happy to respond to questions on this report or to present its content. If you have any questions, comments, inquiries, or requests to present this material, please contact us here:

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