

GlobalDemographics
Healthcare

Which Are the Growth Consumer Segments Across Asia?

Dr Susan Ward

Global Demographics Healthcare

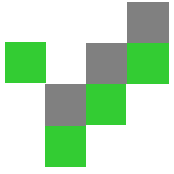
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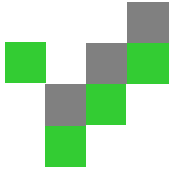
OTC Pharma Asia Conference Feb 2011



Which Are the Growth Consumer Segments Across Asia?

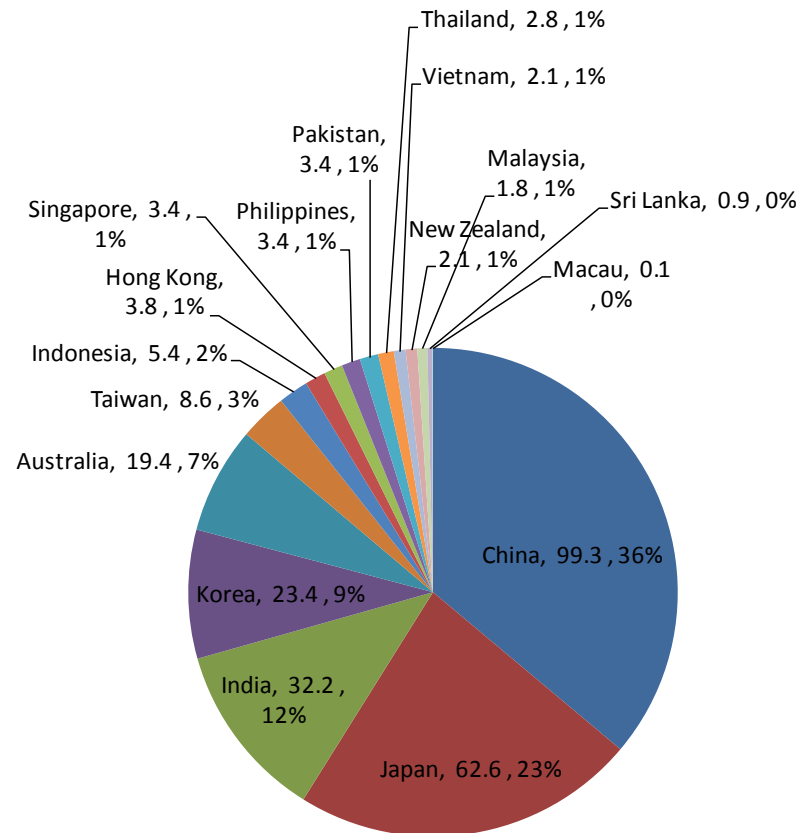
This presentation will look at

- Asia's propensity to spend on health (out of pocket)
- How will the demand for healthcare change across Asian countries?
- What will be the change in demand for healthcare by income segment?
- What are the strategic implications for pricing and resource allocation?



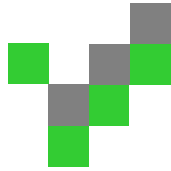
Asia Pacific's Health Demand

Asia Pacific Household Health Expenditure US\$ Bn, 2010

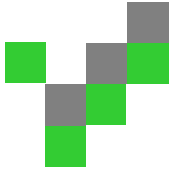


Total US\$275Bn

China, Japan, India, Korea and Australia 87% of market

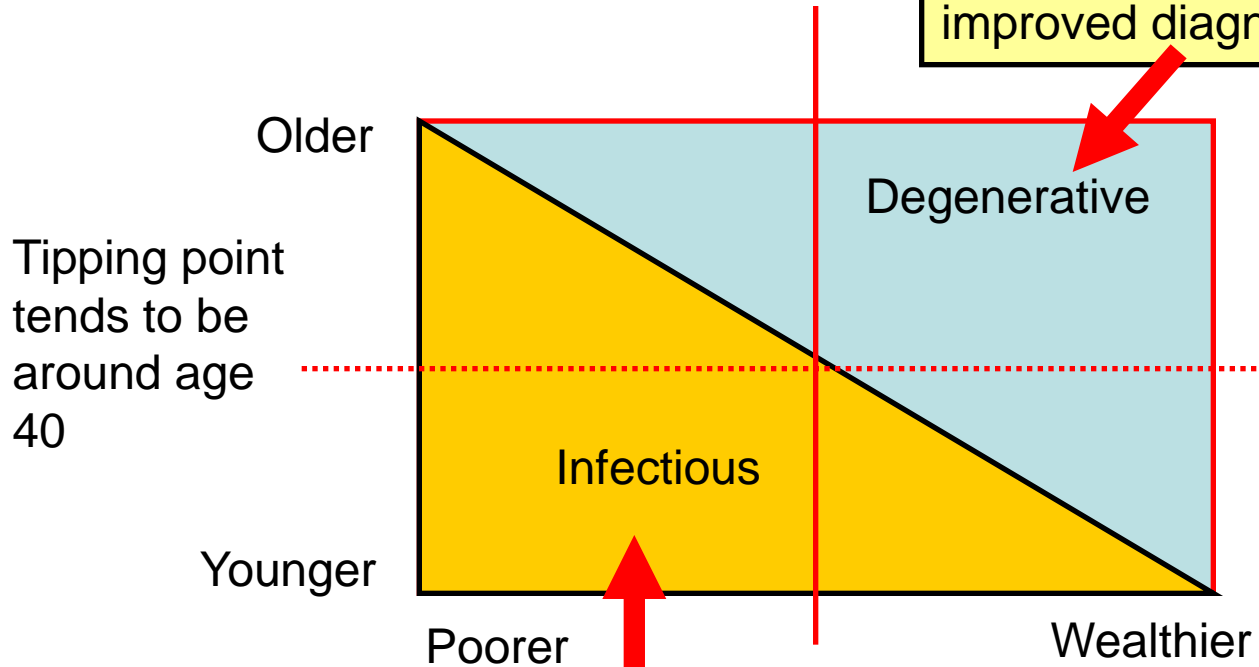


How will the demand for health change?

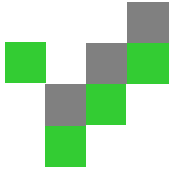


The Demand Profile

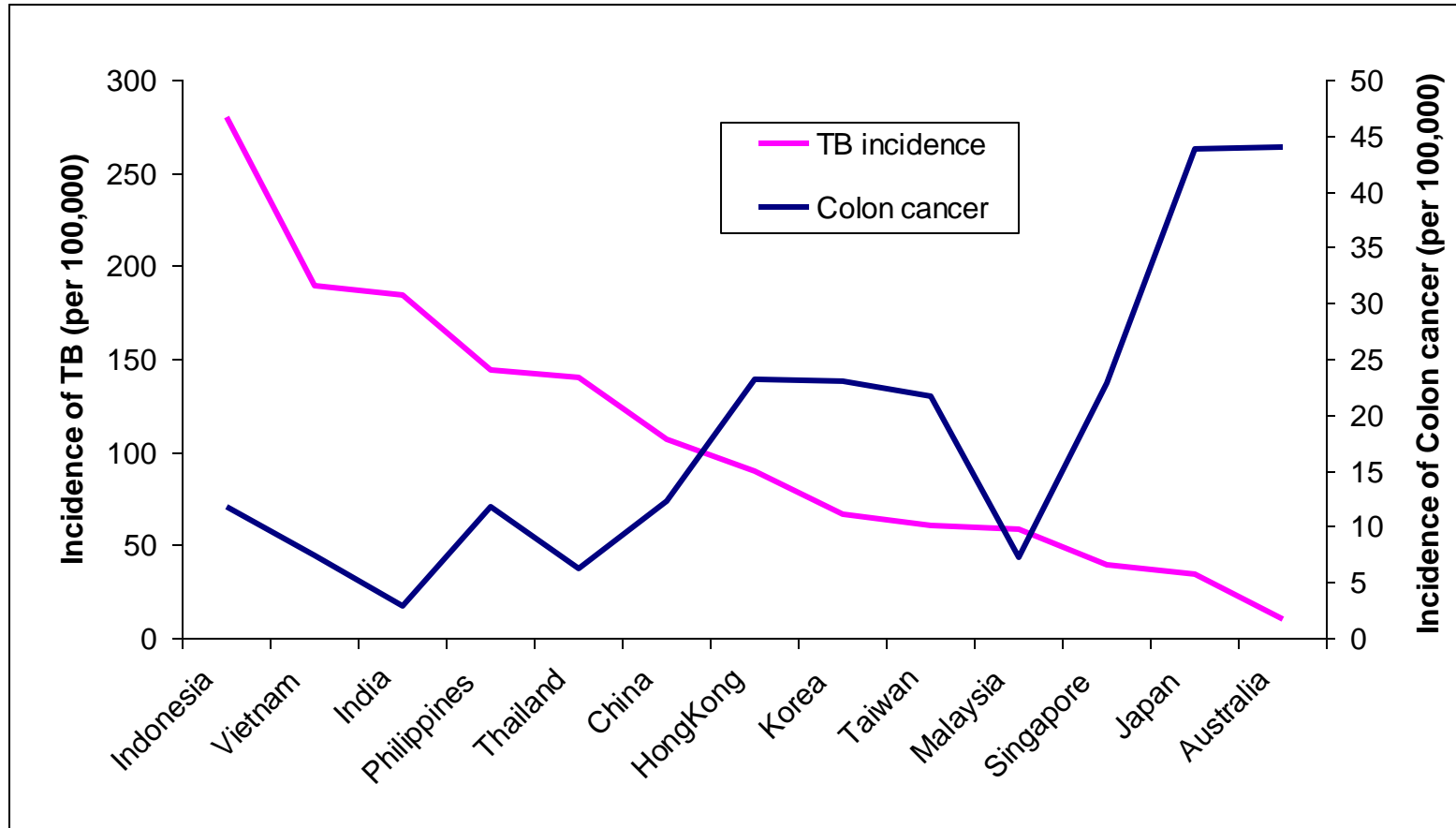
Old affluent particularly prone to degenerative disease due to rapid shifts in diet and lifestyle and improved diagnostics

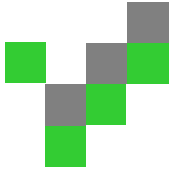


Young poor Particularly prone to infections disease due to poor hygiene, education and low access to treatment



Relative Incidence of Degenerative and Infectious Diseases





Key Question for consumer segment growth?

1. How big are the age – affluence segments
2. Where are they located?
3. How are they changing in size and value over the next 20 years?
4. What is their share of household health expenditure/health demand?

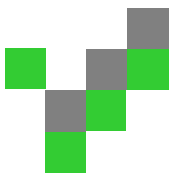
Some definitions

For simplicity sake –

Four **age** groups: 0-14: 15 to 39: 40-64: 65 +

Four **household income** levels in US\$

- Poor: 0 to 10,000;
- Middle Income: 10,000 to 50,000;
- Affluent: 50,000 to 100,000;
- High Income: 100,000 plus



Absolute Size of key Age Groups in 2010

Middle aged already larger than youth but dominant group is 'young adults'



Household income pa US\$	Persons (Millions) aged			
	0-14	15-39	40-64	65+
Australia	4.2	7.6	7.1	3.2
Hong Kong	0.9	2.5	2.8	0.9
Japan	17.0	38.8	43.5	28.4
Korea	7.8	18.5	17.2	5.2
Macau	0.1	0.2	0.2	0.0
New Zealand	0.9	1.5	1.4	0.5
Singapore	0.9	1.9	1.9	0.5
Taiwan	3.8	8.9	8.1	2.5

Total Affluent	35.4	80.0	82.1	41.2
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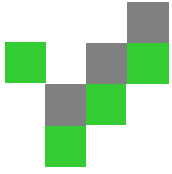
Indonesia	68.7	96.9	54.1	11.5
Malaysia	8.8	12.0	6.8	1.5
Pakistan	58.1	72.2	26.2	5.2
Philippines	26.1	39.3	19.4	3.5
Thailand	12.8	26.4	20.9	5.7
Sri Lanka	5.0	9.6	5.0	1.2
Vietnam	20.0	38.1	21.2	5.3

Total Less Affluent	199.6	294.5	153.5	34.0
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India	364.1	479.9	254.3	64.0
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China	221.0	484.2	495.1	133.0
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Total	820.1	1338.6	984.9	272.3
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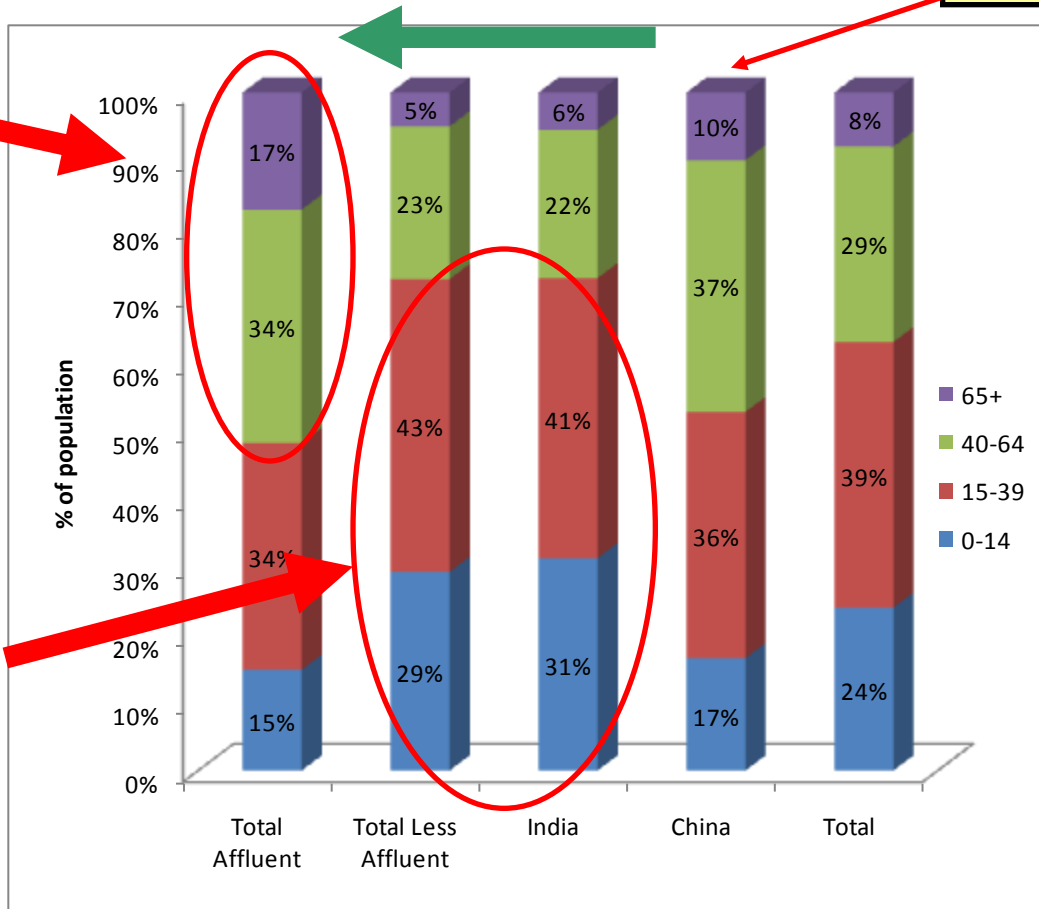


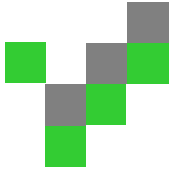
But age profile varies by Country Segments

China's age profile similar to Affluent Asia

Half Affluent Asia is over 40 yrs

Over 70% of Less Affluent are under 40 yrs (excl China)



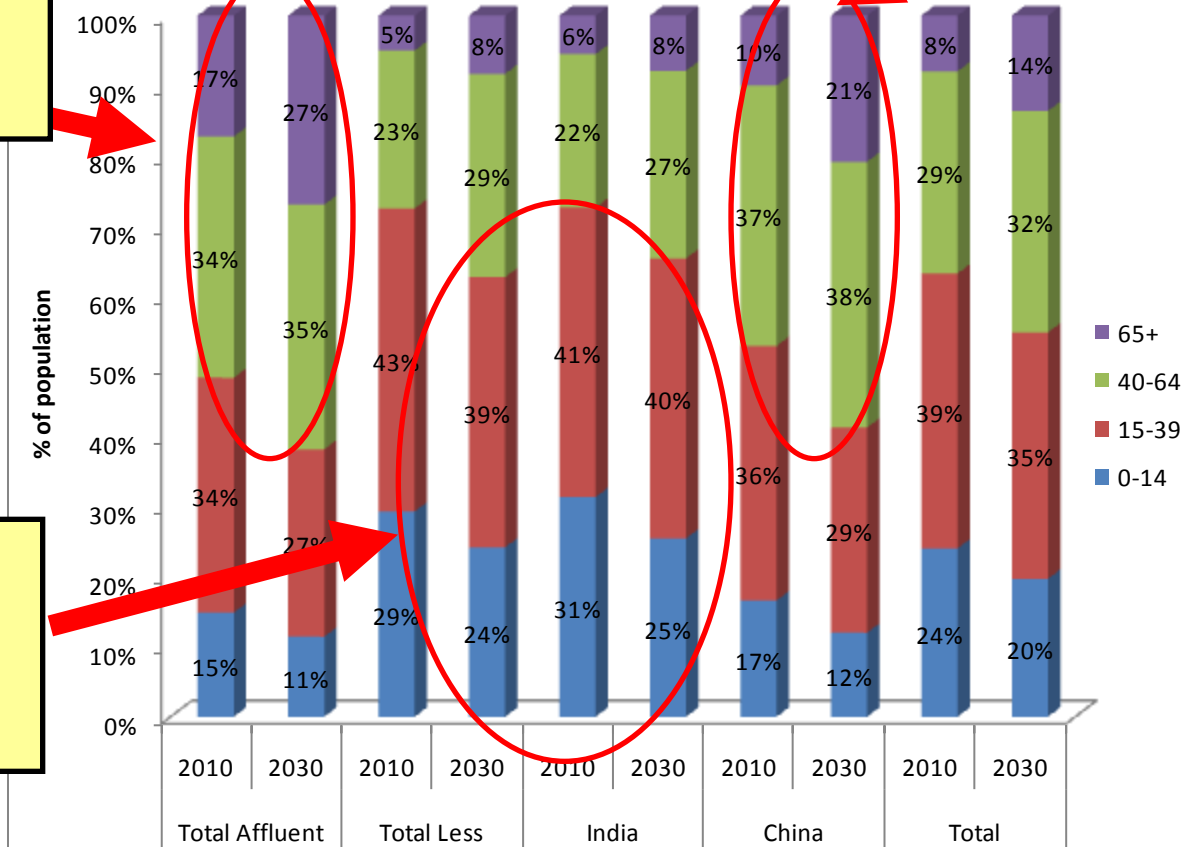


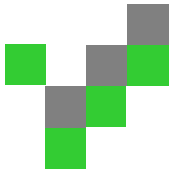
But age profile varies by Country Segments

Affluent Asia – 62% over 40 yrs

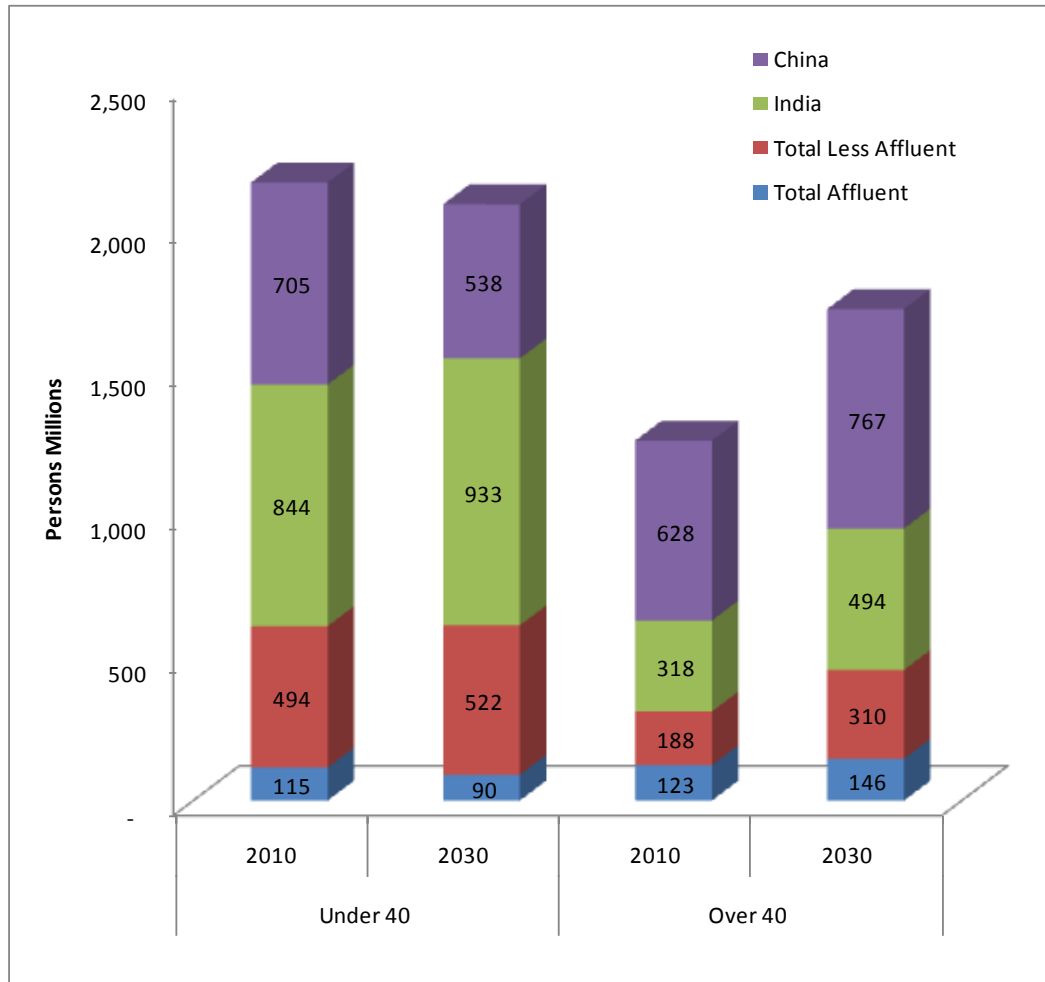
China ages rapidly from 47% over 40 yrs to 59%

Less affluent still young but decline

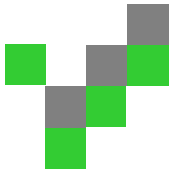




But Proportions Hide Size

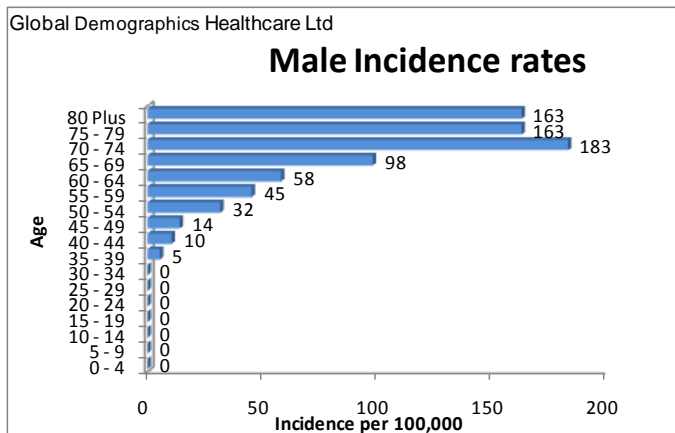


Even though small proportion of less affluent country's populations, they still have more aged than in affluent countries

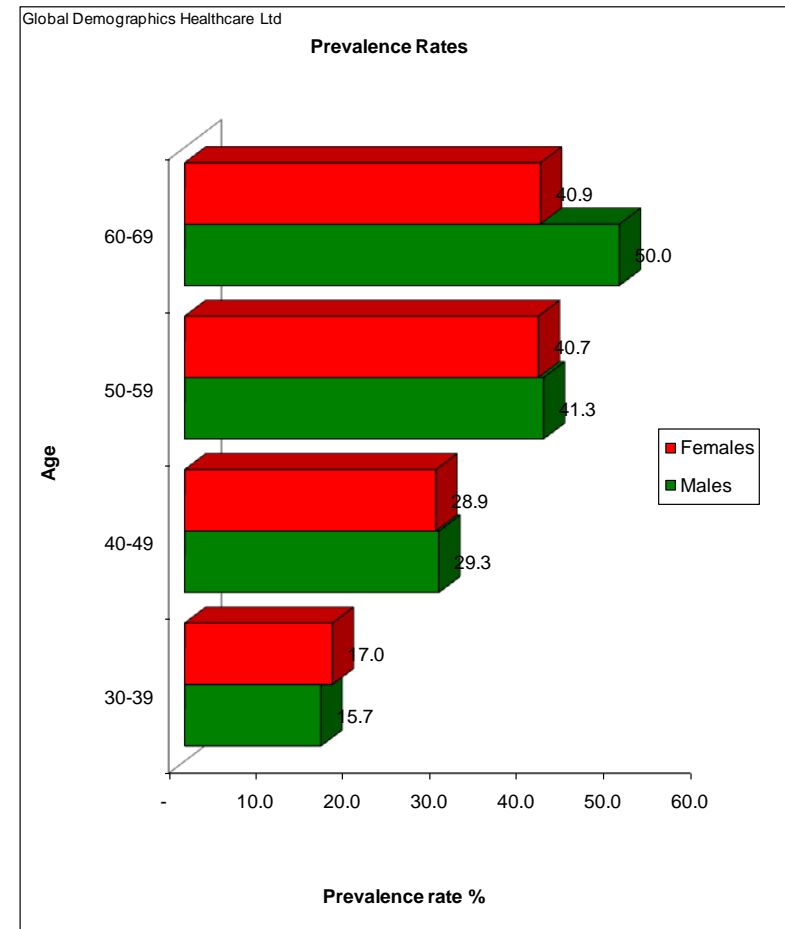


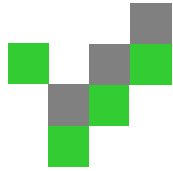
Chronic disease rates increase with age

Colon cancer incidence rate urban Philippines



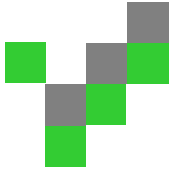
Diabetes prevalence rate Urban India





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So What About Affordability



Where is the Money Today

Household income pa US\$	Persons (Mns) with household income of				
	0 to 5,000	5000 to 10,000	10,000 to 50,000	50,000 to 100,000	100,000+
Australia	0.1	0.4	8.5	7.4	5.6
Hong Kong	0.0	0.1	3.0	2.3	1.7
Japan	0.7	2.3	50.3	42.8	31.6
Korea	0.8	2.6	30.7	10.0	4.5
Macau	0.0	0.1	0.4	0.1	0.0
New Zealand	0.0	0.1	2.2	1.3	0.7
Singapore	0.0	0.1	2.2	1.7	1.1
Taiwan	0.3	1.1	14.2	5.1	2.6

>90% of US\$50K+ is in the affluent countries

Total Affluent	2.0	6.8	111.4	70.7	47.8
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Indonesia	126.1	66.3	37.6	1.0	0.3
Malaysia	4.3	8.1	15.7	0.8	0.2
Pakistan	81.4	50.0	29.2	0.8	0.2
Philippines	39.5	28.9	19.1	0.6	0.2
Thailand	30.7	15.7	17.7	1.4	0.4
Sri Lanka	15.8	1.5	3.1	0.3	0.1
Vietnam	74.9	7.3	2.3	0.0	0.0

China accounts for 50% of the US\$5-10k segment

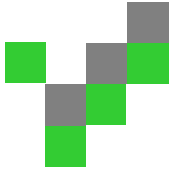
Total Less Affluent	372.7	177.9	124.7	4.9	1.3
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India	967.2	153.3	41.0	0.6	0.1
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China	897.4	333.5	111.7	0.5	0.1
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Total	2239.4	671.4	388.8	76.7	49.3
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65% <US\$5k



And how it Changes in the Next 20 years

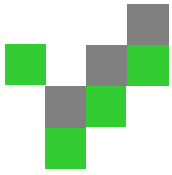
Household income pa US\$					
0 to	5000 to	10,000 to	50,000 to	100,000+	
	5000	10000	50000	100000	

Total affluent	2010	2.0	6.8	111.4	70.7	47.8
	2030	1.6	5.4	103.4	74.2	58.7
Total less affluent	2010	372.7	177.9	124.7	4.9	1.3
	2030	367.0	246.1	207.1	9.2	2.6
India	2010	967.2	153.3	41.0	0.6	0.1
	2030	786.2	430.6	204.3	4.5	1.1
China	2010	897.4	333.5	111.7	0.5	0.1
	2030	429.8	221.2	606.9	26.2	4.5
Total	2010	2239.4	671.4	388.8	76.7	49.3
	2030	1584.6	903.4	1121.8	114.0	66.9

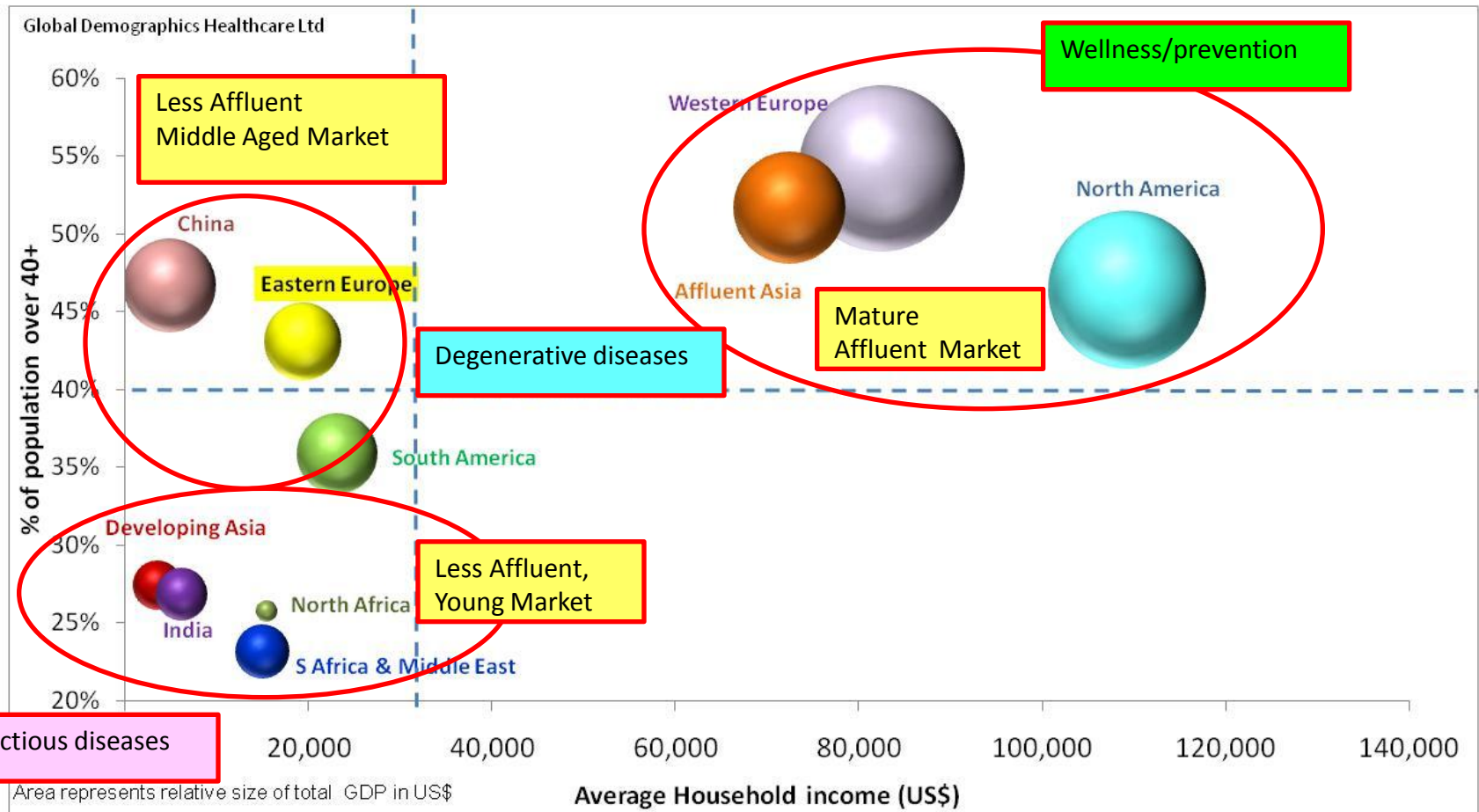
>60% of the US\$100K+ growth is in affluent countries, 25% is in China

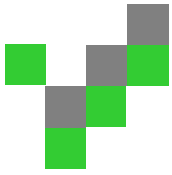
<US\$5k declines

>50% of the US\$10-50k and 2/3rd of \$50-100k growth is in China

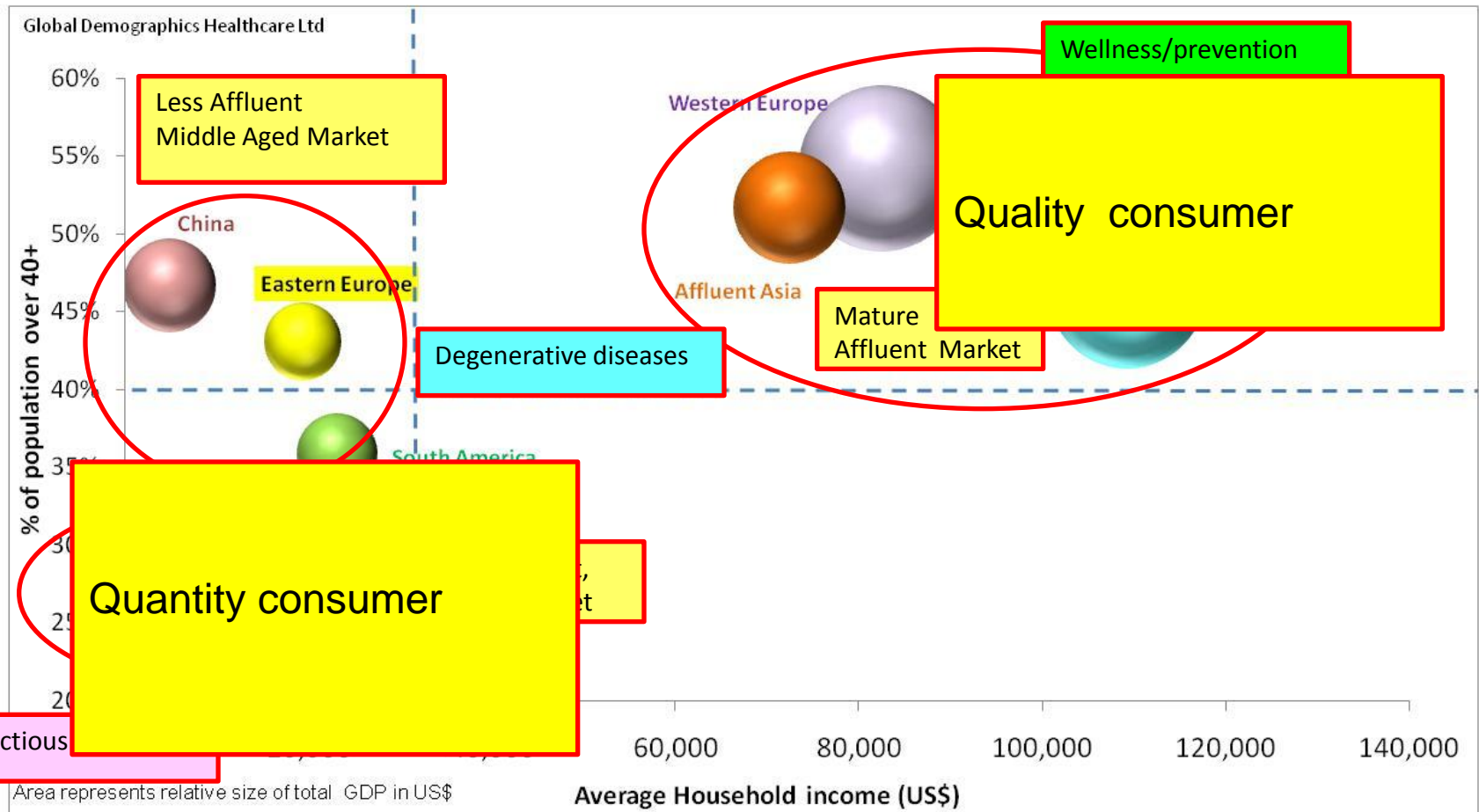


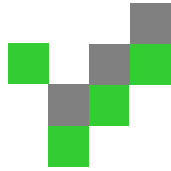
Age Affluence Profile Compared to Rest of the World





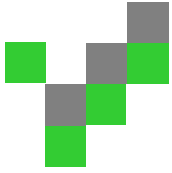
Age Affluence Profile Compared to Rest of the World





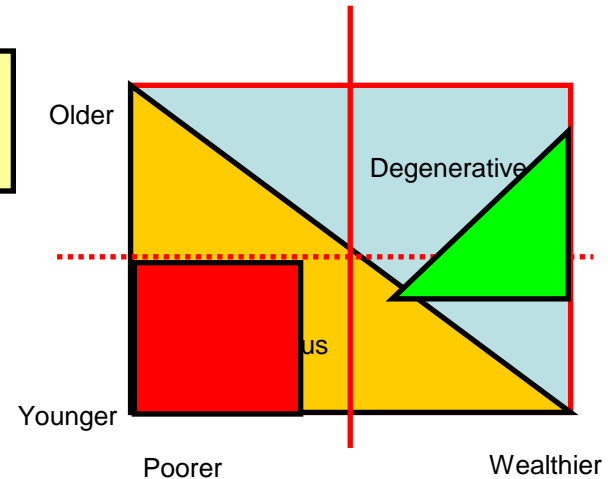
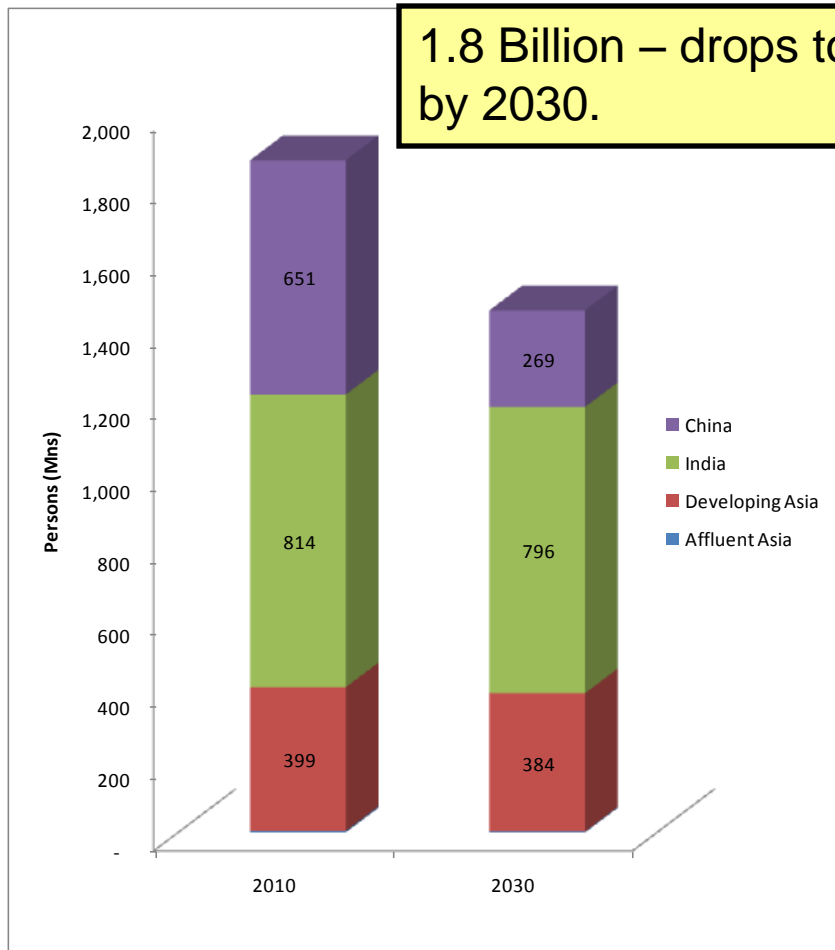
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**So Looking at the growth consumer
segments**



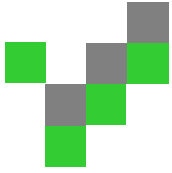
The Young Poor

(under 40 yrs Lt US\$10,000 Household income)



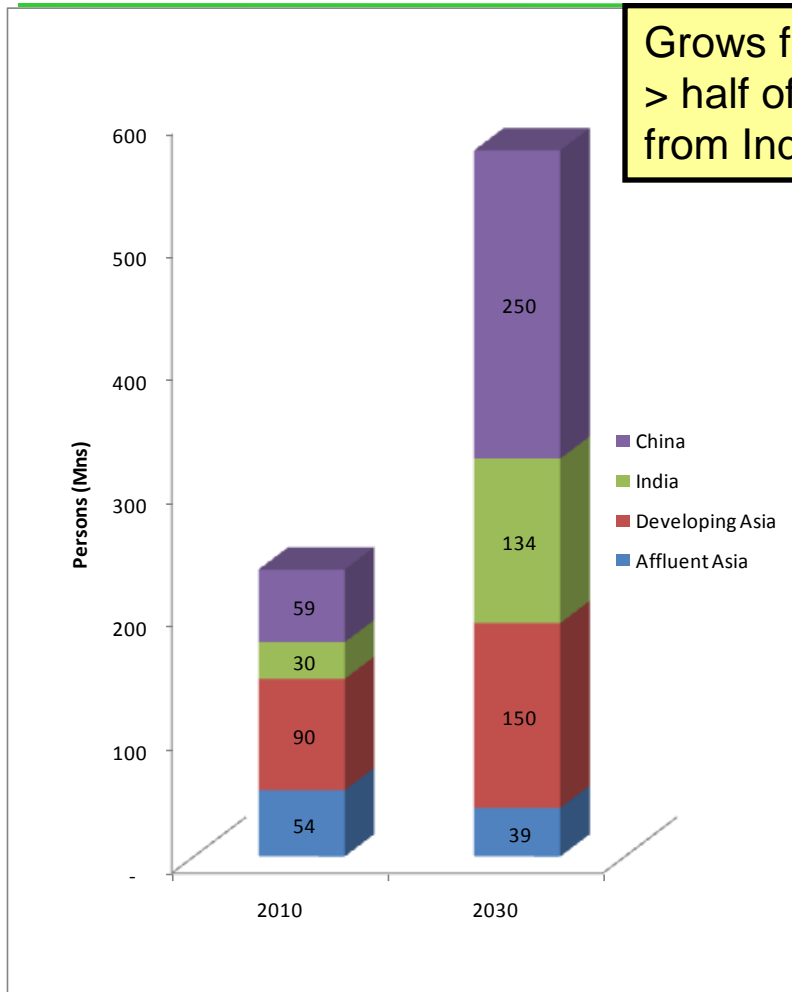
Poorly educated, limited funds for health care, largely rural. Quantity consumer-low cost OTC

Infectious diseases dominate, malnutrition, focus on child maternal health.....

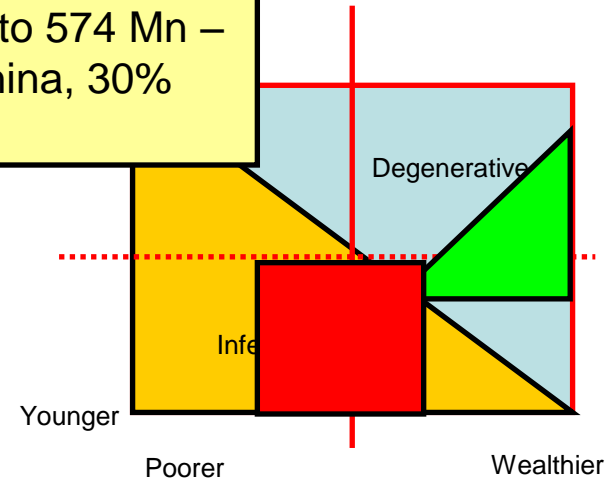


The Young Middle Income

(under 40 yrs: US\$ 10,000 - 50,000 Household income)

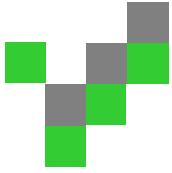


Grows from 233 Mn to 574 Mn –
 > half of this from China, 30%
 from India



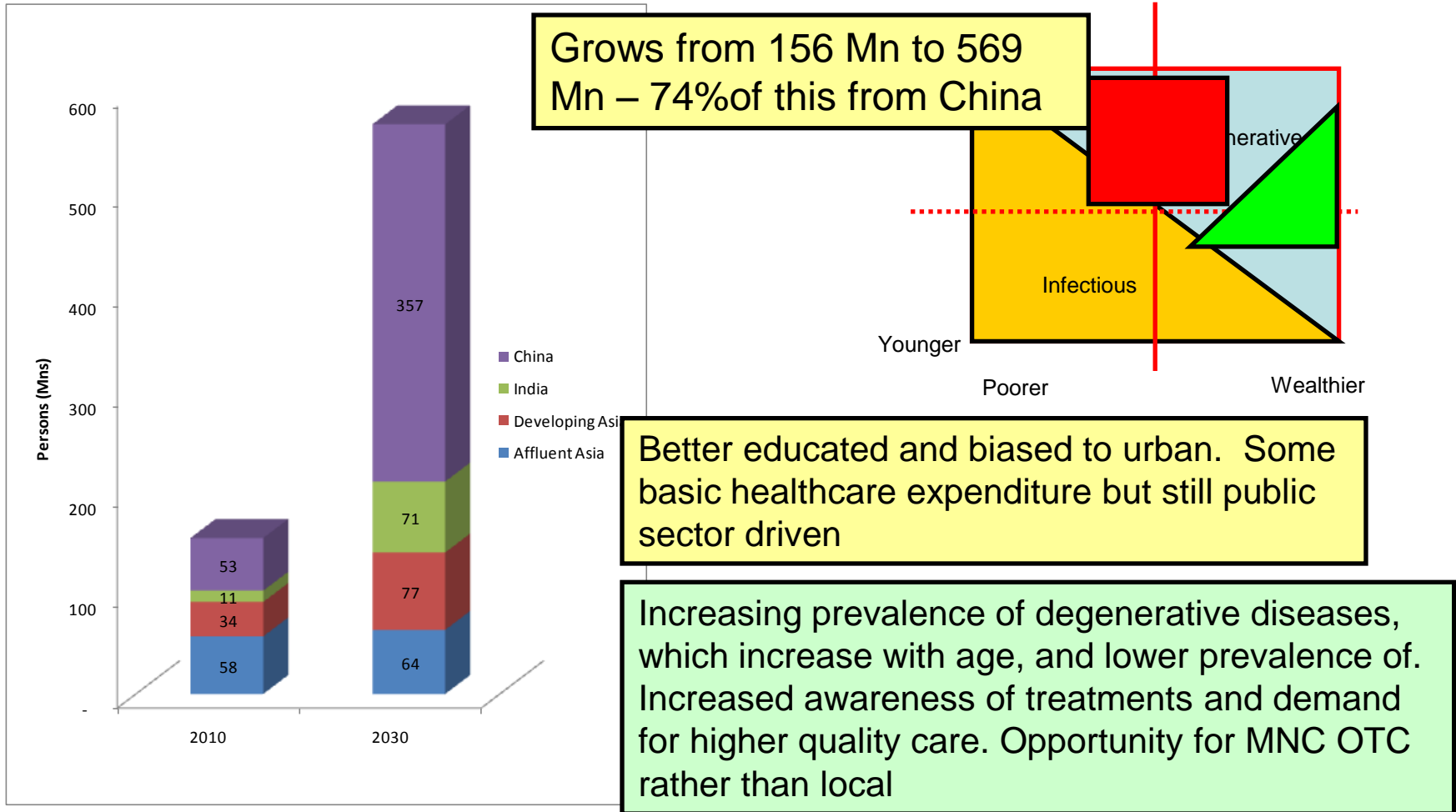
Better educated, biased to urban. Some basic health expenditure.

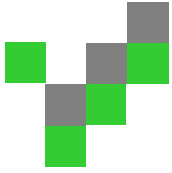
Increasing prevalence of degenerative diseases, lower prevalence of infections. Increased awareness of treatments and demand for higher quality care. Opportunity for MNC OTC rather than local, acute rather than chronic



The Older Middle Income

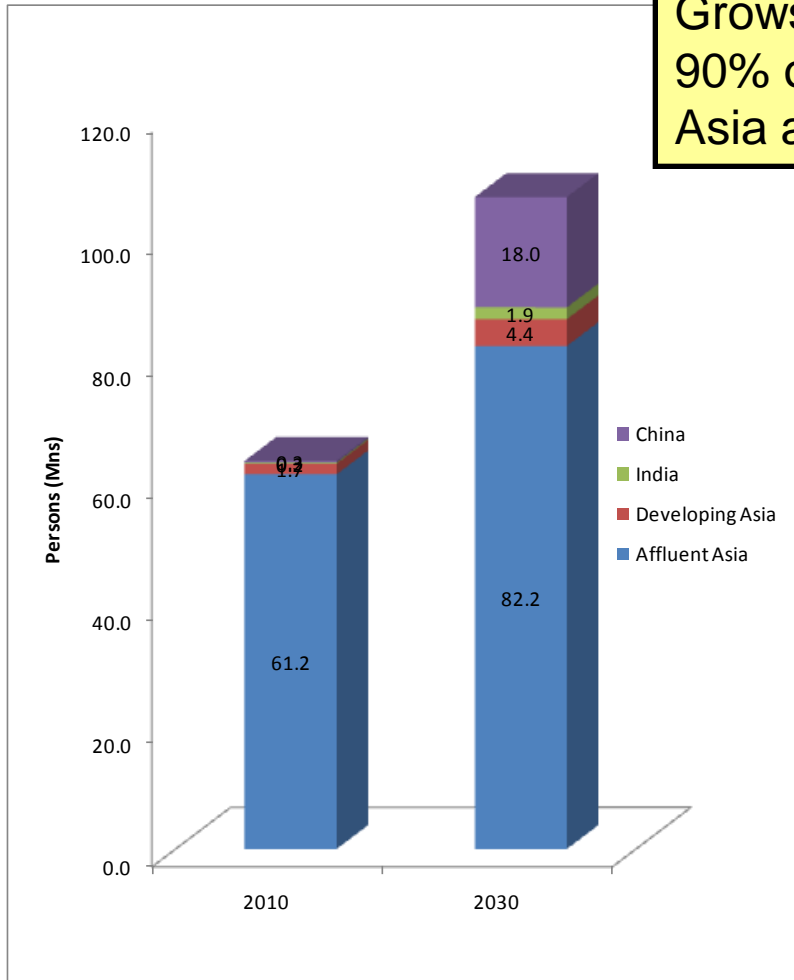
(over 40 yrs: US\$ 10,000 - 50,000 Household income)



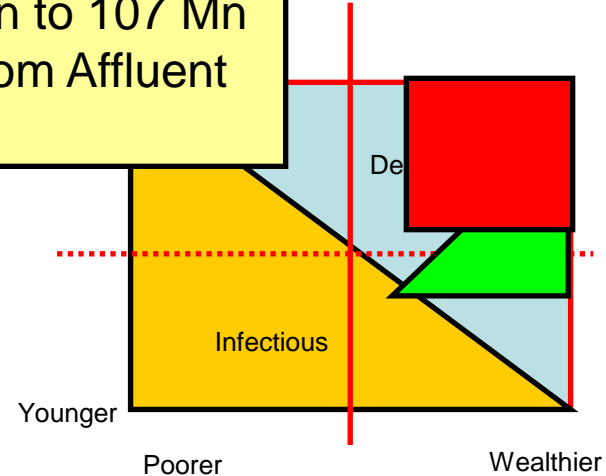


The Older Higher Income

(over 40 yrs: US\$ 50,000 + Household income)

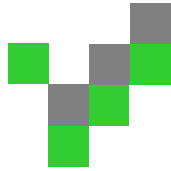


Grows from 63Mn to 107 Mn
90% of growth from Affluent Asia and China

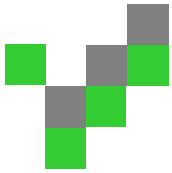


Well educated and urban. Significant Health exp- Quality consumer

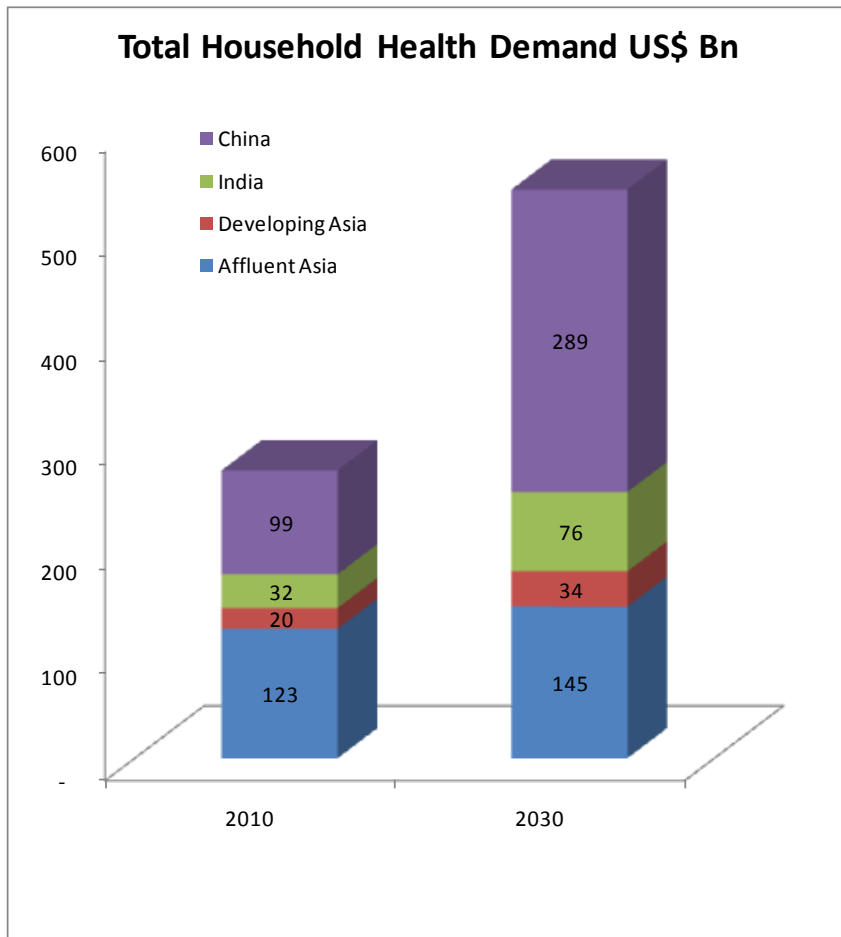
Abundance of food; overeating, diets rich in high GI carbs, history of toxin exposure, e.g. smoking, and physical inactivity. Degenerative disease (Oncology, diabetes etc) dominate, sickness and wellness sector important . Branded OTC



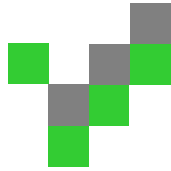
Growth in Demand for Healthcare



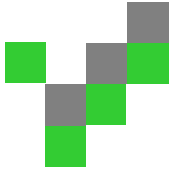
Total Healthcare Demand – Asia Pacific



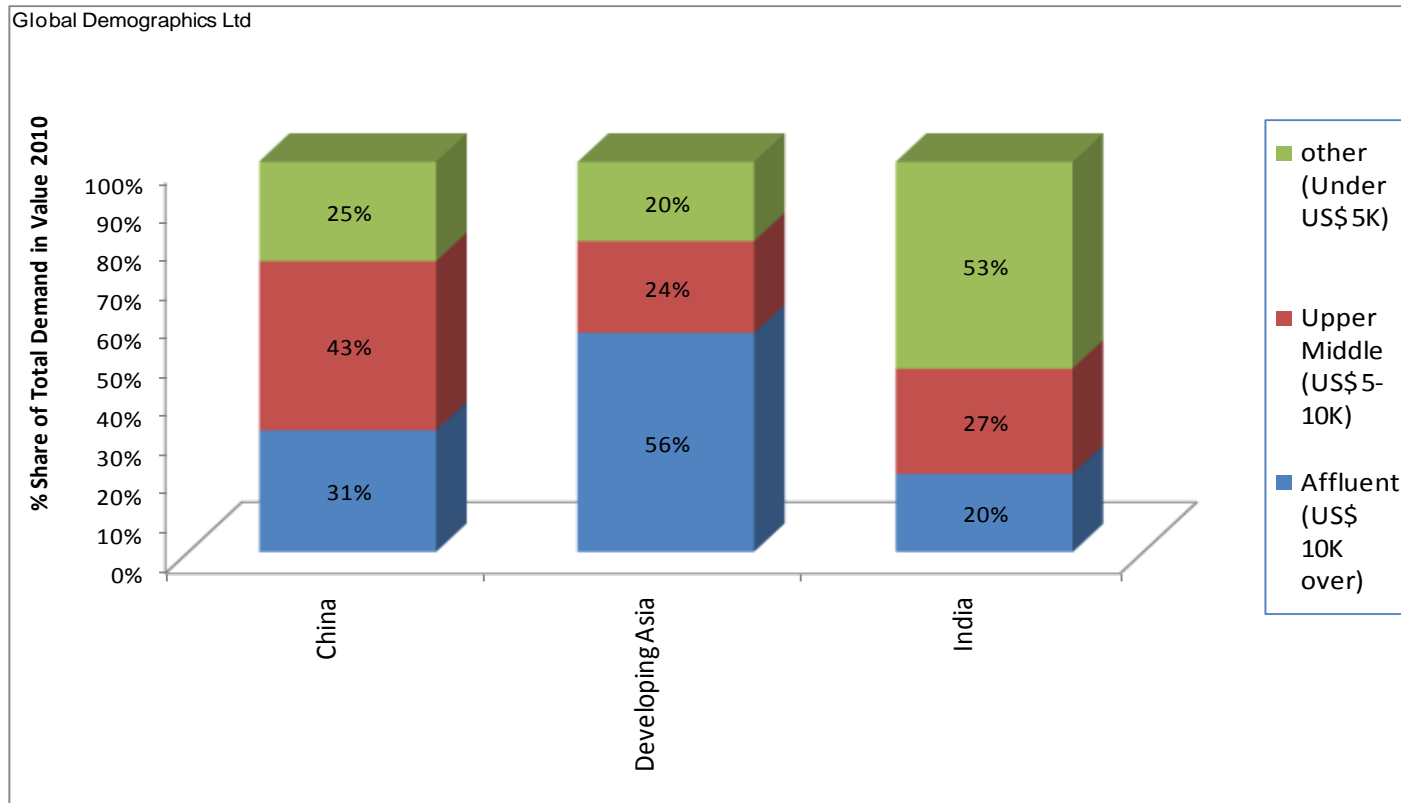
	Total Household Healthcare Demand US\$ Bn		CAGR	% change
	2010	2030	2010-30	2010-30
Affluent Asia	123	145	0.8%	17%
Developing Asia	20	34	2.7%	69%
India	32	76	4.4%	135%
China	99	289	5.5%	191%
Total	275	543	3.5%	98%

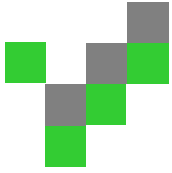


Healthcare Demand by income segment

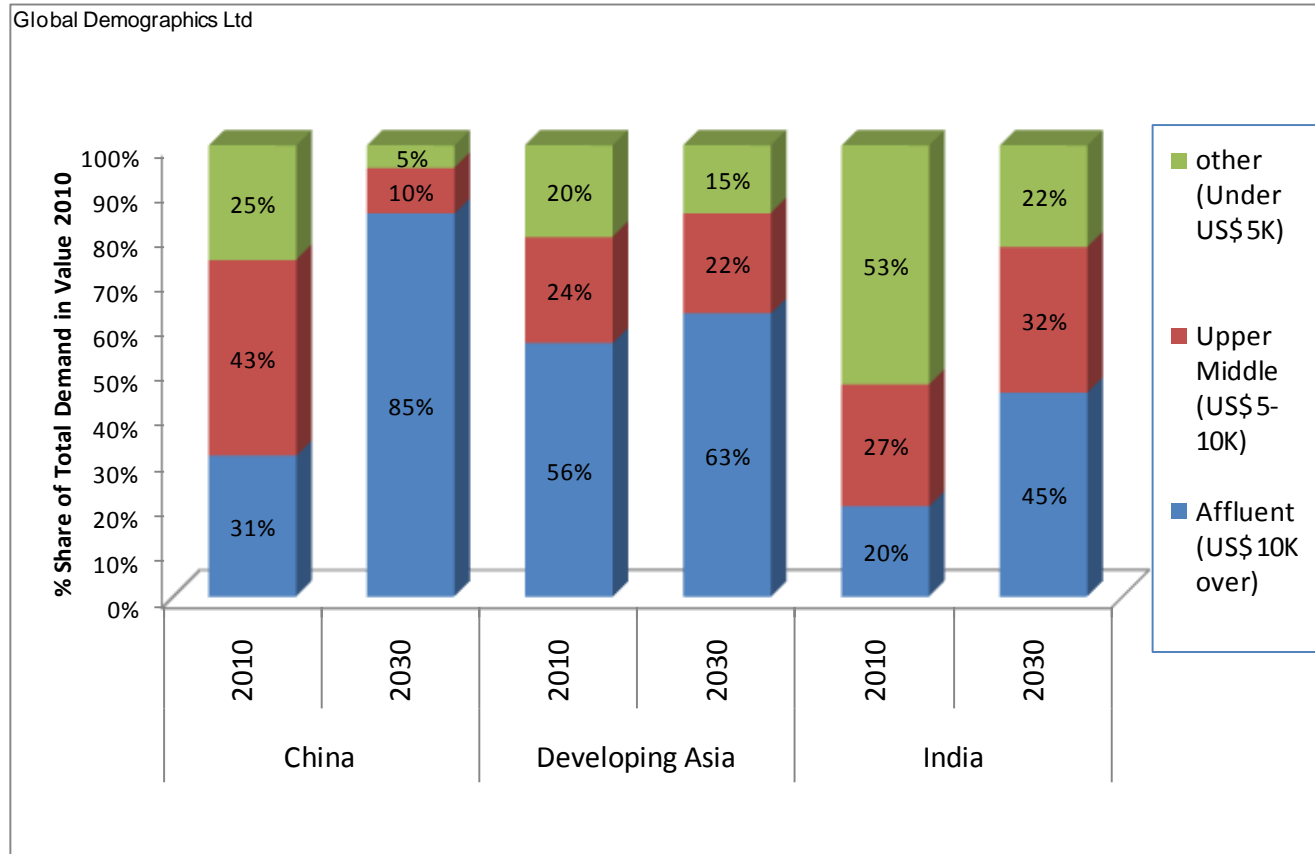


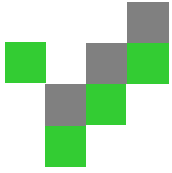
Healthcare Demand by Income Segments, Low Income Countries 2010



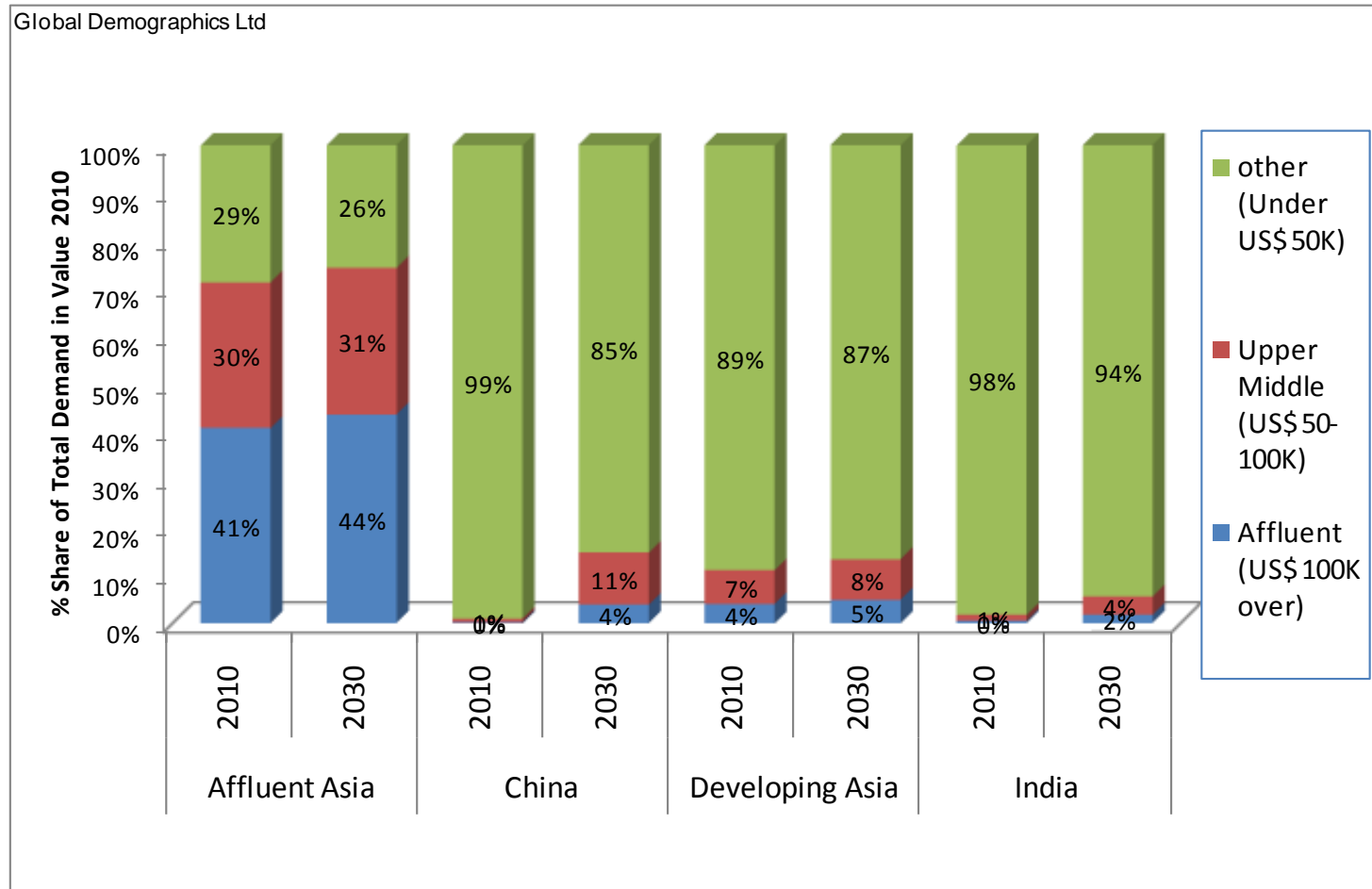


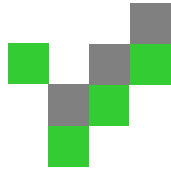
Healthcare Demand by Income Segments, Low Income Countries 2030



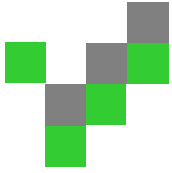


Healthcare Demand by High Income Segments - 2030



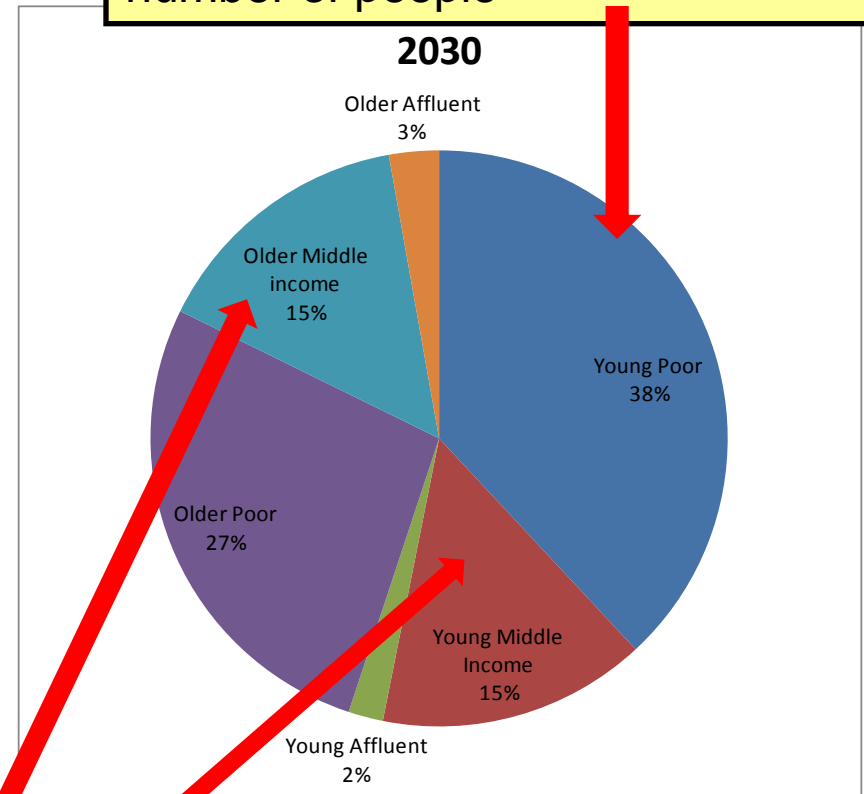
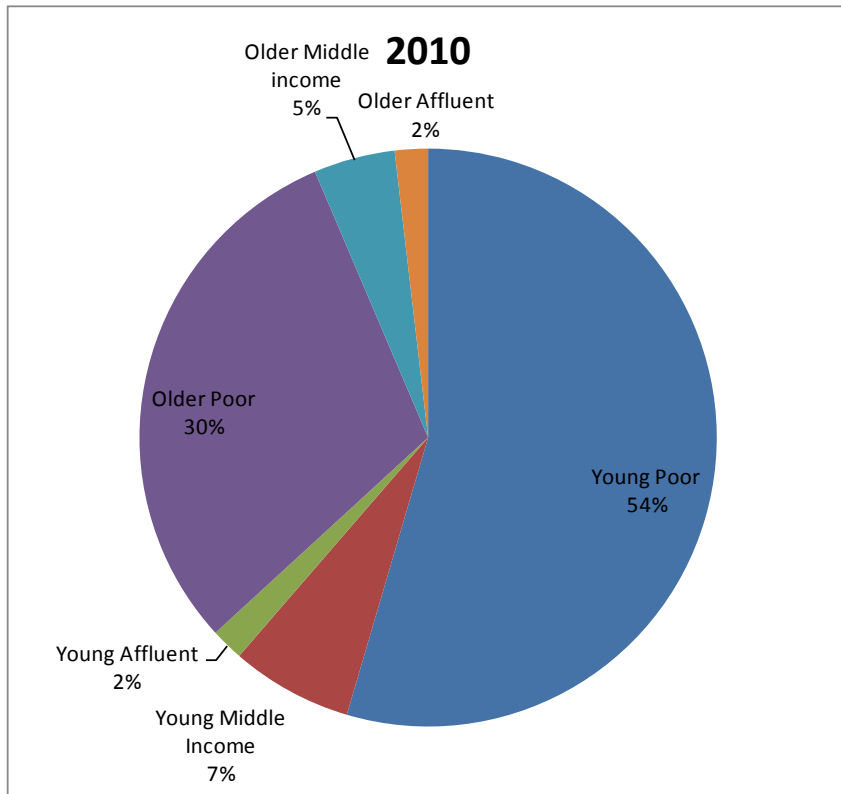


Back to our consumer segments

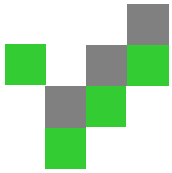


Share of age affluence segments

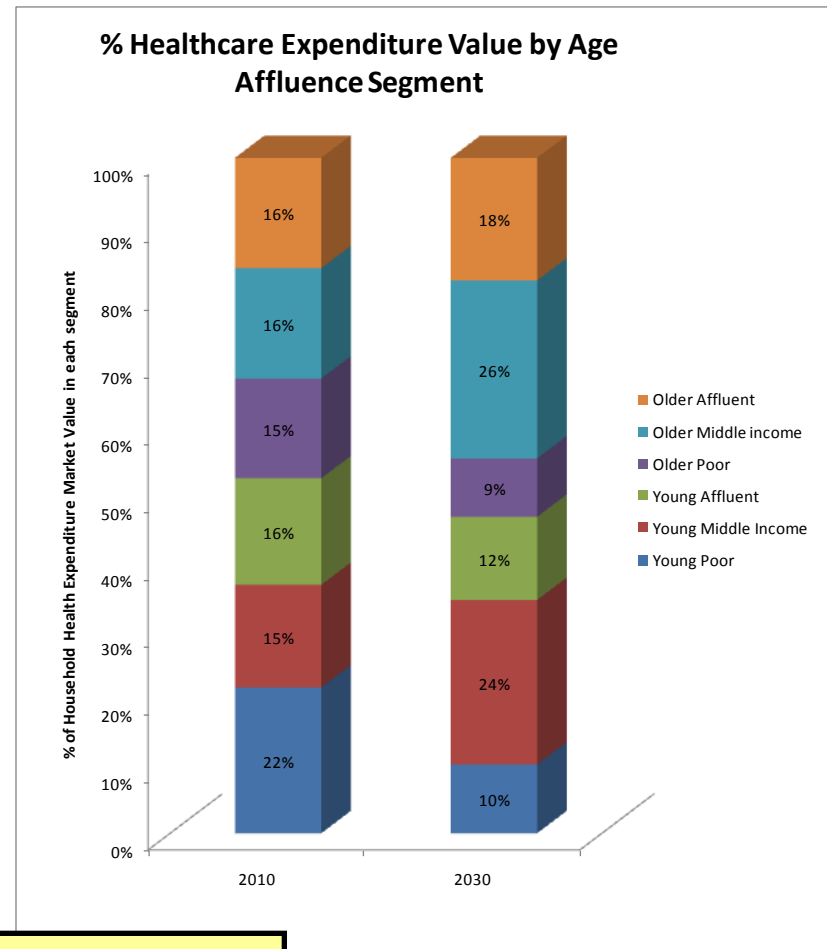
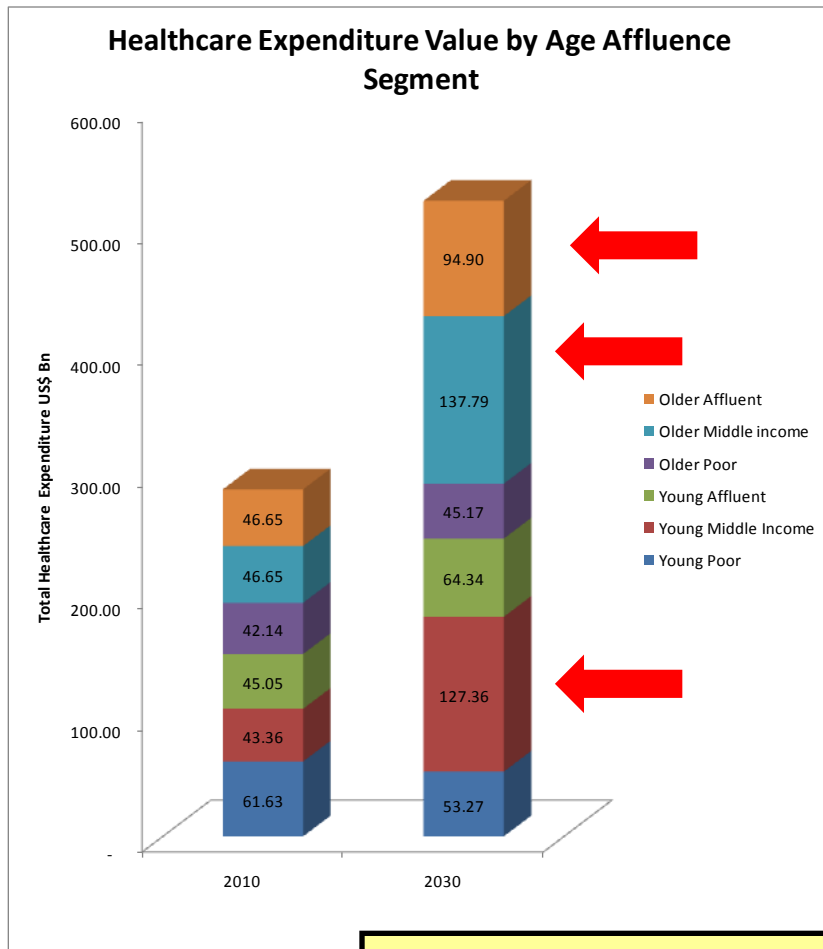
Young poor decline as both % and number of people



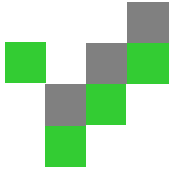
Middle Income (Young and Old) are the key growth segments



Share of health demand



Middle Income (Young and Old) are the key growth segments



Summary of Health demand growth by consumer segment 2010 -2030

Consumer Segment	Region	CAGR % pa
Young Poor <40 years <US\$10k	Affluent Asia	-1.6%
	Developing Asia	1.1%
	India	1.9%
	China	-3.4%
	Total	-0.7%
Young Middle Income < 40 years, US\$10k-50k	Affluent Asia	-0.9%
	Developing Asia	2.4%
	India	7.9%
	China	8.6%
	Total	5.5%
Young Affluent <40 years, >US\$50k	Affluent Asia	-0.9%
	Developing Asia	2.4%
	India	7.9%
	China	8.6%
	Total	5.5%
Older Poor >40 years, <US\$10k	Affluent Asia	0.5%
	Developing Asia	3.4%
	India	3.6%
	China	-1.1%
	Total	0.3%
Older Middle Income > 40years, US\$10k-50k	Affluent Asia	-5.9%
	Developing Asia	11.9%
	India	26.6%
	China	31.4%
	Total	5.6%
Older Affluent >40 yrs, >US\$50k	Affluent Asia	1.9%
	Developing Asia	5.2%
	India	11.9%
	China	22.6%
	Total	3.6%

Very high growth >20% pa:

- Older Middle Income-India & China
- Older Affluent - China

High growth 10-20%

- Older Middle Income - Developing Asia
 - Older Affluent – India
- 5-10%

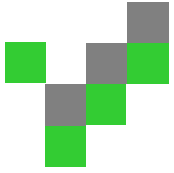
Medium Growth

- Older Affluent – Developing Asia
- Young Affluent – India & China
- Young Middle Income – India & China

Affluent Asia- low growth but larger affluent base

Key

<0%	Negative Growth
0-5%	Low Growth
5-10%	Medium Growth
10-20%	High Growth
20% +	Very High growth



Summary

Asia Pacific region is a high growth region with demand for health doubling by 2030.

High growth consumers can be identified and sized by segmenting population by age, affluence and health demand

High growth consumers are

- High income groups in all countries
- Middle and higher income groups in India, China and Developing Asia
- China has the greatest growth

BUT remember the size – Affluent Asia has a large number of affluent

With increasing affluence demand for higher priced and quality products will increase as consumers tend to upgrade.