



Transition or Transformation? How COVID is Reshaping Consumer Behavior in Asia

L Catterton Consumer Insights

April 2021

Introduction

The global pandemic has disrupted lives and livelihoods for well over a year now. Development programs at the largest possible scale were launched simultaneously across the diagnostics, vaccination, and therapeutics areas, and most countries are now at various stages of rolling out vaccines across their populations. To take the pulse of global consumers living through this once-in-a-century disruption, we commissioned a large-scale consumer survey in Feb 2021¹, polling 15,000+ respondents from 16 countries on their attitudinal and behavioral shifts related to the pandemic. Of the respondents, 6,000+ are from Asian cities including Beijing, Shanghai, Hong Kong, Mumbai, Tokyo, Seoul, Singapore, and Sydney. In this report, we parse through the results to understand how COVID-19 differentially impacted Asian consumers in a global context. Specifically, we shed light on the following findings and their implications for entrepreneurs and investors:

- Although Asian consumers were optimistic about economic recovery from COVID in February, debilitating new waves have reintroduced uncertainty. Wide attitudinal and behavioral dispersion existed across markets regarding vaccination. More policy interventions may be required to achieve herd immunity and return to normalcy.
- Given Asian consumers' elevated degree of openness to a hybrid way of life post-pandemic, more leading-edge digital innovation can be expected from the region in the future.
- Innovative nutritional and functional F&B players delivering catered offerings to Asian consumers are well-positioned to fulfill the new, COVID-induced demand.

COVID Recovery – Uncertainty Looms Large over Early Optimism

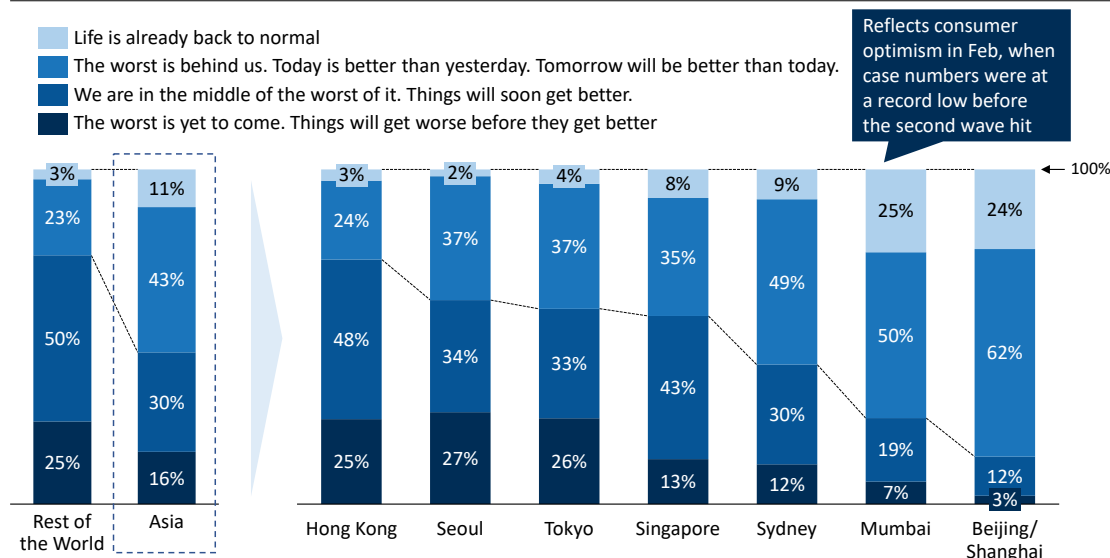
Self-reported attitudes from early February indicate that Asian consumers were the most optimistic about COVID being in the rearview mirror globally. At the time of the survey, China and India were the only two markets where 20%+ of respondents reported “life is back to normal”, whereas all other markets had less than 10% of respondents reporting the same level of comfort. This optimism, albeit temporary, could be attributed to the swift economic recovery and disease control measures the two countries had achieved by then.

Over the last two months, China has continued to see strong recovery, delivering record growth in the first quarter boosted by rising exports and business confidence. However, India has slipped into a severe second wave, with unprecedented new case numbers, a nation-wide oxygen shortage and an overwhelmed health care system. As such, Indian consumers' optimism about a speedy recovery in early spring has become marred by uncertainty.

¹ Fielding dates for the global survey were Jan 28th – Feb 17th 2021

Figure 1: Asian consumers were the most optimistic about COVID recovery in February

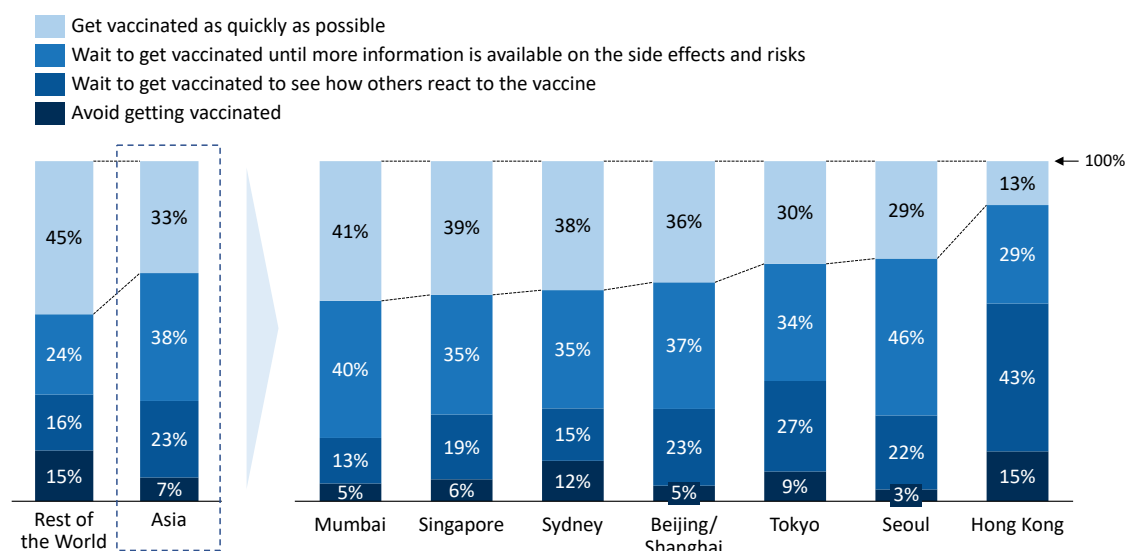
“Which of the following best captures your thinking today on the COVID-19 pandemic?” (Worldwide, N=15,196)



When it comes to receiving COVID vaccines, there was a wide dispersion across Asian markets in people’s willingness to get inoculated as quickly as possible. In Hong Kong, Seoul, Tokyo and mainland China, vaccine hesitancy can be attributed to various causes, including mistrust of the public institutions administering the jabs, skepticism about their efficacy and side effects, and the perception that the pandemic is already under control, so inoculation yields no meaningful or immediate improvement on one’s quality of life. In contrast, in Mumbai, where the impact of COVID has been far more debilitating, vaccination intent is high. For the world at large to return to normalcy, even those markets where the pandemic is more contained would need herd immunity. To nudge reluctant citizens, policymakers could borrow a page from Israel’s book by providing more incentives such as easing quarantine or social distancing requirements for vaccinated individuals.

Figure 2: Wide dispersion exists across markets in openness to vaccination

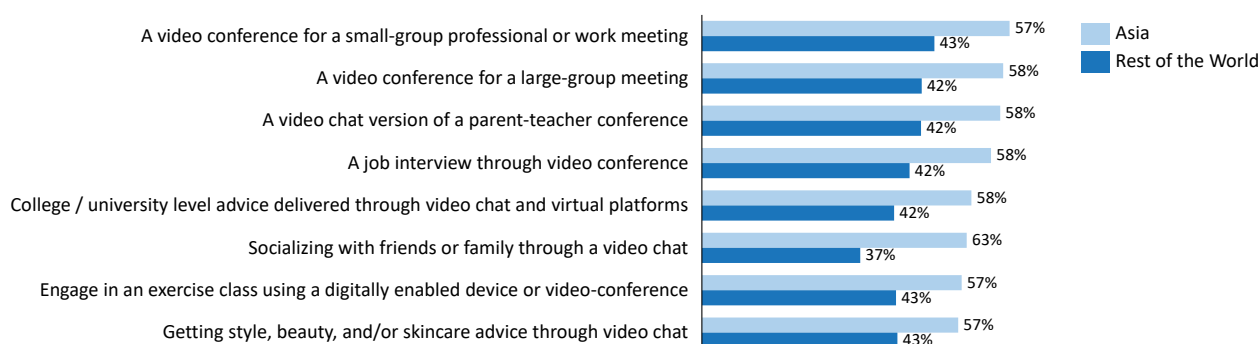
“If a vaccine becomes available to you, are you most likely to...” (Worldwide, N=15,196)



Another noteworthy but not altogether surprising trend is Asian consumers' degree of openness towards a hybrid way of life in a post-pandemic world. Although survey respondents are universally eager to resume face-to-face interactions, Asian consumers still exhibit a markedly stronger openness towards the continued usage of digital alternatives to in-person meetings. This difference is consistent with our observation that Asian consumers lead the most digital lives today and will continue to embrace further digital innovation in their professional and personal spheres. This unique digital-readiness in Asia has provided fertile ground for new e-commerce business models and DTC brands to thrive (see our last report, "[Fads vs. Facts: Hunting for Unicorns in China's Booming Consumer Market](#)".) We believe it will continue to create abundant opportunities for next-generation entrepreneurs in Asia to lead in reimagining how we live in the future.

Figure 3: Asian consumers most readily embrace digitalized way of life

Percentage Saying "Digital Tech can Somewhat or Fully Replace In-person Experience" (Worldwide, N=15,196)



Consumer Behavioral Shifts – Health Comes First

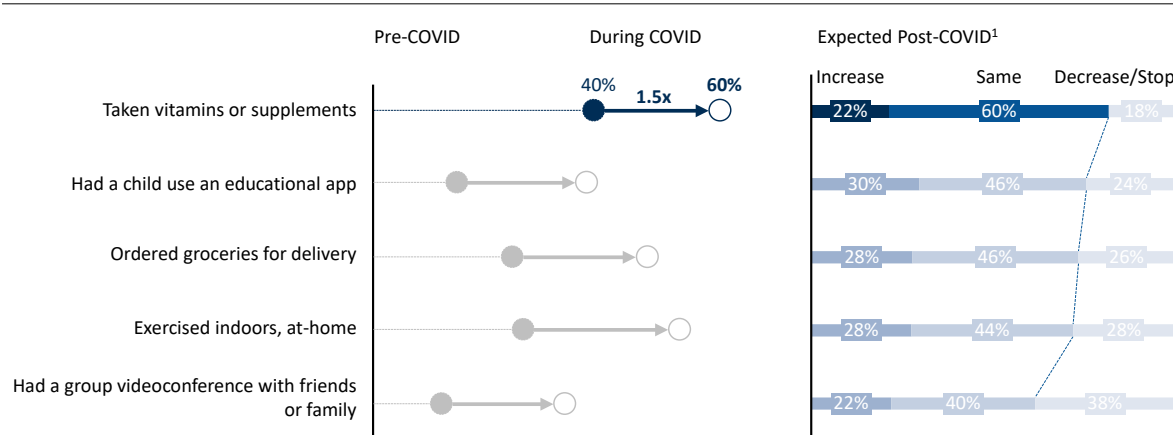
Since Asia is relatively ahead on the curve of recovery, the scale and persistence of behavioral changes in this market can serve as leading indicators of how consumers elsewhere might behave post-COVID. In our results, vitamin consumption stands out as one of the most pronounced and lasting changes.

With 40% penetration pre-COVID and 20% uptake during, vitamin and supplement consumption is expected to be the stickiest new behavior in Asia. Eighty-two percent of new vitamin-adopters plan on consuming the same amount or more after the pandemic, making this behavior relevant to ~60% of Asian consumers. This indicates a sizeable TAM for entrepreneurs and investors eyeing the space.

Figure 4: Vitamin/supplement consumption is the stickiest COVID-induced behavior

Percentage of population having ever used

Pre-COVID vs. during COVID vs. expected post-COVID adoption, (Asia, N=6,028)



1. For those who adopted the behavior during COVID, the percentage saying they plan to do it more frequently/the same amount/less frequently/stop doing it once the threat of COVID ends

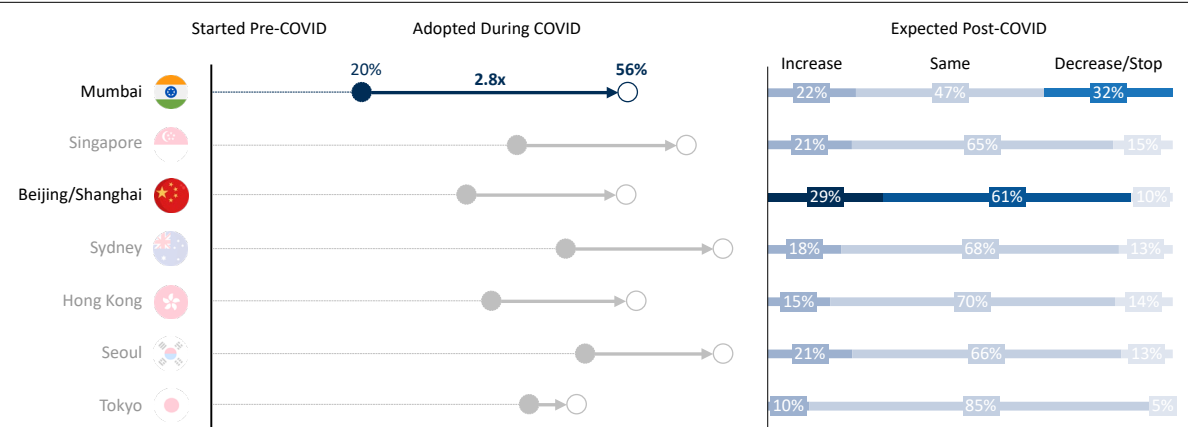
Across Asian markets, Mumbai ranked 1st in vitamin adoption during COVID, potentially due to the low penetration of 20% prior. However, the boost may be short-lived. As much as 1/3 of new vitamin-takers in India plan to decrease or stop consumption post-pandemic, whereas the drop is only 5-15% in other regions. This trend is also reflected by supplement sales in the market, as Vitamin C sales took off in Q3 and Q4 of 2020 but started tapering off in Q1 2021². This finding is less puzzling when one considers the popularity of traditional, herbal alternatives in India such as *Kadha*, a turmeric-based hot drink that is widely used as a local immunity booster during COVID.

In contrast, mainland China had the second lowest vitamin penetration overall pre-COVID. Though fewer than in India, new vitamin-takers in China express the strongest willingness to increase spending post-pandemic. This makes the Chinese market particularly attractive for new vitamin players, as opportunities exist to both acquire and retain new customers.

Figure 5: Mumbai and Beijing / Shanghai score high on vitamin adoption and stickiness

"Have you ever taken vitamins or supplements?" by Asian region

Pre-COVID vs. during COVID vs. expected post-COVID adoption, (Asia, N=6,028)



² Source: Times of India, Industry Expert

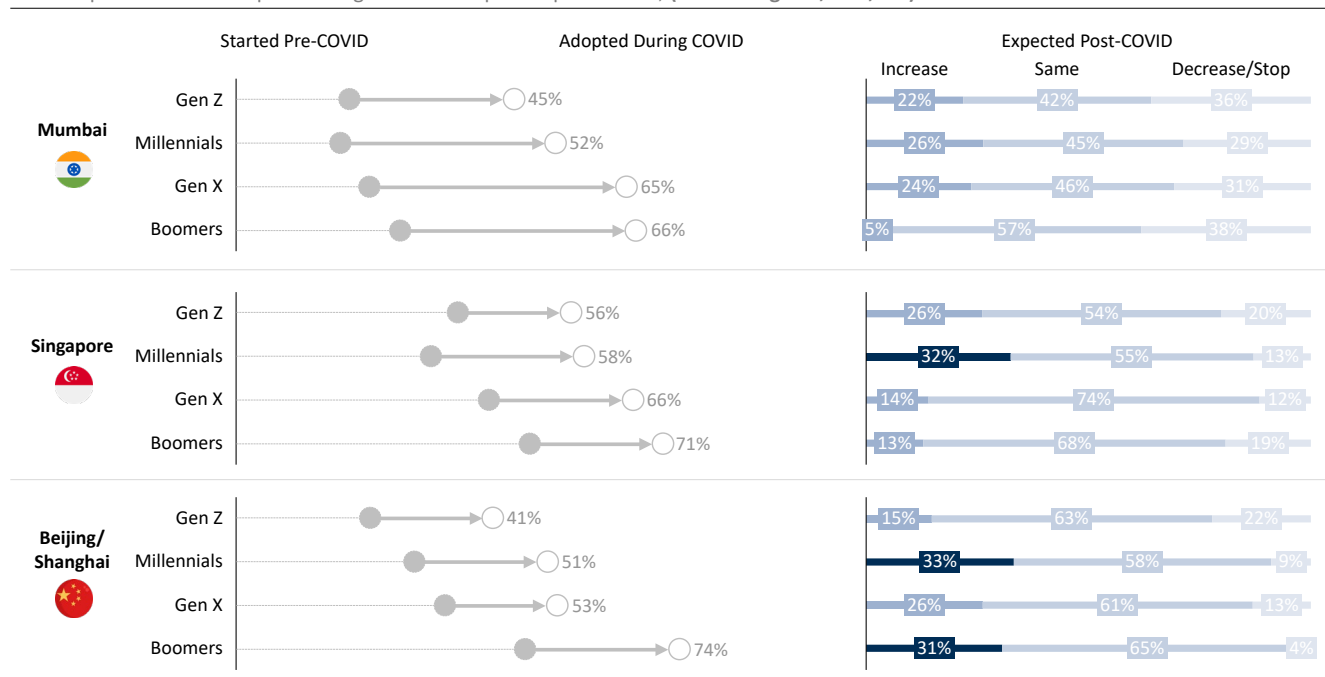
By age group, vitamin consumption is positively correlated with age in markets with low penetration pre-COVID (i.e., Mumbai, Beijing, and Shanghai.) While half of baby boomers were taking vitamins before COVID struck, less than a quarter of Gen Z did so. In contrast, in markets with higher penetration like Singapore, 38% of Gen Z consumers took vitamins pre-COVID.

As for new adoption and post-COVID usage, the strongest demand is expressed by millennials in Singapore as well as millennials and boomers in Beijing and Shanghai. Despite this cohort's relatively high pre-COVID adoption, Chinese boomers are still embracing vitamins and supplements with enthusiasm, with 96% of new adopters planning to increase or maintain the frequency of their intake. This level of organic pull indicates an opportunity for brands to create customized offerings for China's health-conscious millennials and boomers.

Figure 6: Millennials and boomers show enthusiasm for supplements

"Have you ever taken vitamins or supplements?" by generation¹

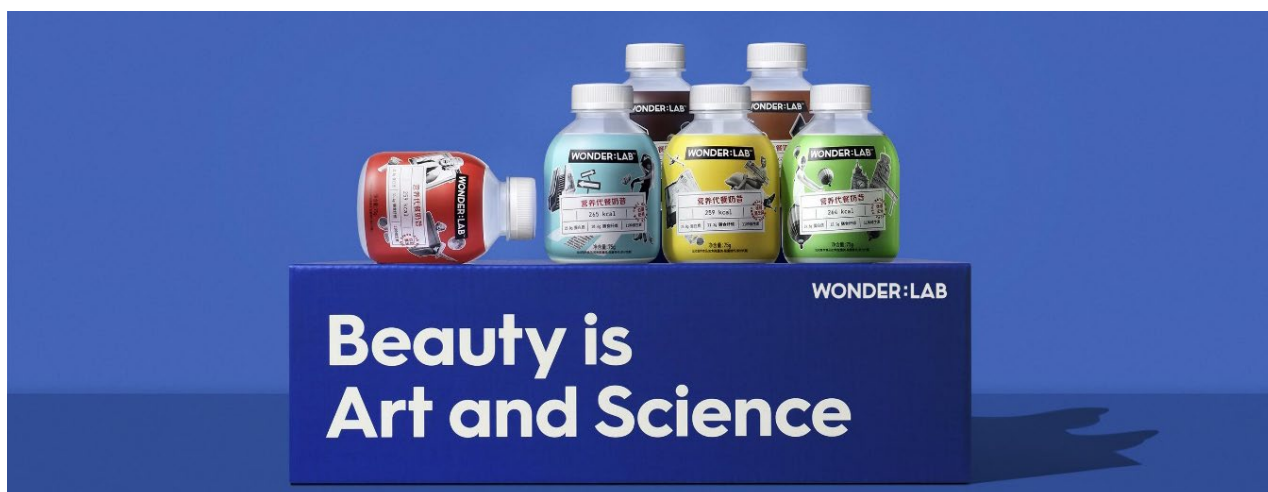
started pre-COVID vs. adopted during COVID vs. expected post-COVID, (3 Asian regions, N=3,017)



1. Gen Z: Under 24; Millennials: 24-39; Gen X: 40-55; Boomers: Above 55

Many innovative F&B brands have sprung up to seize the opportunity in vitamins and supplements. Two such examples are Wonderlab and BuffX in China. Targeting millennial women, Wonderlab combines nutrition, convenience, and creative flavors (e.g., brown sugar & boba, matcha red bean, and cheese & strawberry) in a product range that spans meal replacements, probiotics and gummies infused with beauty ingredients. In addition to product innovation, the brand's creative use of advertisement placements in WeChat and TikTok as well as its outside-the-box collaborations with popular brands such as HeyTea have won the hearts and wallets of millennial women all over China.

Figure 7: Wonderlab's core offerings include meal replacements and probiotics



In contrast, BuffX aims to own the niche category of nutritional gummies and targets a specific audience with its cyberpunk aesthetic. The company derives its name from the concept of “*buff*” – a booster in videogames that enhances a character’s capabilities. In doing so, it speaks to young consumers immersed in a digital, gamified way of living. Through its light-hearted design and messaging, BuffX turns the mundane task of supplement-taking into something cool and fun. Barely 6 months old, the brand has already surpassed US\$500k in monthly GMV and attracted investments from the likes of Sequoia, GGV, and Black Ant.

Figure 8: BuffX makes supplement-taking fun and light-hearted



Beyond Wonderlab and BuffX, other examples of companies taking advantage of the nutritional supplement trend abound all over Asia. As market competition and regulatory scrutiny intensify, key

determinants of long-term success will be the brands' abilities to achieve consistent innovation, compelling storytelling, and customer engagement.

Conclusion

At L Catterton, proprietary research is a core method we employ to gain deep insights into consumers' shifting attitudes and behaviors. Such insights inform and guide our investment approach. From the latest global consumer survey, we have the following key takeaways:

- Although Asian consumers were optimistic about economic recovery from COVID in February, debilitating new waves have reintroduced uncertainty. Wide attitudinal and behavioral dispersion existed across markets regarding vaccination. More policy interventions may be required to achieve herd immunity and return to normalcy.
- Given Asian consumers' elevated degree of openness to a hybrid way of life post-pandemic, more leading-edge digital innovation can be expected from the region in the future.
- Innovative nutritional and functional F&B players delivering catered offerings to Asian consumers are well-positioned to fulfill the new, COVID-induced demand.

As always, we remain committed to tracking these unfolding changes and serving as the partner of choice for the leading consumer innovators in Asia and around the world.

About Us

With over \$25 billion of equity capital across its fund strategies and 17 offices around the world, L Catterton is the largest global consumer-focused private equity firm. L Catterton's team of nearly 200 investment and operating professionals partners with management teams around the world to implement strategic plans to foster growth, leveraging deep category insight, operational excellence, and a broad partnership network. Since 1989, the firm has made over 200 investments in leading consumer brands. For more information about L Catterton, please visit www.lcatterton.com.

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