

The Next Big Thing

In the twentieth century, our lives were revolutionized by things like the automobile, airline travel, the personal computer, and family planning. In those cases, initial discoveries led to the birth of empires and to unprecedented individual wealth for those entrepreneurs and investors who got in first. The next big thing of the twenty-first century has just begun, and it promises to similarly revolutionize our lives and offer opportunities for tremendous wealth building over the next 10 years.

This next big thing is the *wellness revolution*.

This book is not about a fad or a trend, it's about a new and infinite need infusing itself into the way we eat, exercise, sleep, work, save, age, and almost every other aspect of our lives.

The desire for wellness already pervades our decisions, from which toothpaste and shampoo we use in the morning to what we eat throughout the day to the type of bedding and cosmetics we use at night. We demand more safety from our products; we want more prevention from them, too. And yet we are only at the beginning of the public consciousness of this growing need—because most people still aren't aware of how simple choices affect their wellness, and many wellness products and services aren't yet widely available in the marketplace.

This book explains the emerging wellness industry to arm you with the information that you need in order to profit from it, both financially and personally.

I show you how to stake your claim in this huge opportunity—how to find your place in this new total-life industry that not only can bring you riches, but also does incredible good.

The Next Big Thing

When Henry Ford first invented a mass-produced automobile that was affordable to the common person, many scoffed at the thought that people would buy it. There were few paved roads on which to travel, gasoline stations were nonexistent, and most people lived within walking distance of their workplaces. But the need grew along with proliferation of the product. People moved to suburbia and needed cars. At the same time, gasoline stations sprung up. Soon the car became a necessity just to get to work or shop for daily necessities.

What if you had been told back then that Henry Ford's Model T wasn't just another new product, but the beginning of a whole new trillion dollar sector of the world economy—that in 100 years there would be 500 million cars on the road, necessitating ancillary trillion dollar industries in gas stations, road construction, replacement tires, suburban homes, and fast-food restaurants?

Would you have accepted this notion? In addition to the limitations of no roads, no gasoline stations, and conveniently nearby workplaces, people typically worked six days a week for little pay and with little time off for Sunday drives in the country. To accept this notion you would also have had to foresee the coming five-day, 40-hour workweek and the rise in discretionary income.

But suppose you overcame your skepticism and saw the new autopowered vehicles of Henry Ford and others as the beginning of a trillion dollar industry. As an entrepreneur or an investor, where would you have placed your bet? Would it have been on gasoline-powered cars or on electric or diesel ones? Would it have been on road construction, on replacement parts like tires, or on residential land development? And just as significantly, once you picked one of these areas, what specifically would you have done to stake your claim?

More recently, in 1981 a surprise mega-industry was born from the newly minted personal computer, the IBM PC, along with competitive models by Apple and RadioShack. Perhaps most people were similarly unable to predict that these were not just new prod-

ucts, but the harbingers of another trillion dollar sector of the world economy—a sector growing so fast that personal computer sales would surpass U.S. automobile sales in only 10 years, by 1991.

In our modern economy, changes that used to take place over the span of 100 years or more now take place in 10 years or less. Had you been able to foresee the rise of the trillion dollar personal computer business like Bill Gates (Microsoft, software), Michael Dell (Dell Computer, hardware), Jeff Bezos (Amazon, distribution), and countless others, in what part of the personal computer industry would you have placed your bet?

The self-powered vehicle and the personal computer were the ozymora of their times. After all, in the days of the horse and buggy, the public had a difficult time accepting that a vehicle could be self-powered. Similarly, in the days of room-size mainframe computers, who could easily visualize that a computer could be “personal”?

Historically, pivotal new products became available because of scientific breakthroughs that allowed their invention and affordable manufacture.

People didn’t need the automobile and the personal computer before they became available—any more than today we need interplanetary travel. Yet once they became available, they quickly went from being simply new products to becoming absolute necessities for daily work and life.

What was it about these two new products, and several others, that made them so immediately successful? Was there something evident about them that foreshadowed how pervasive they were about to become in almost every aspect of our lives? Knowing those traits could perhaps help you predict other new industries from which to profit.

There are actually five distinct characteristics of emerging pervasive industries, which I will tell you about in a moment. But first I want to share with you a crucial way of thinking about wellness and understanding the causes of its inevitable growth.

Defining the Trillion Dollar Wellness Industry

We are now at the very beginning of the next trillion dollar industry—an industry that will impact almost every aspect of our lives and achieve \$1 trillion in sales within 10 years, but one that is as

unknown today as the automobile industry was in 1908 or the personal computer industry was in 1981.

The automobile industry was spawned by scientific breakthroughs in chemistry, metallurgy, and mechanics. The personal computer industry was spawned by scientific breakthroughs in physics and binary mathematics.

This next trillion dollar industry is being spawned by scientific breakthroughs in biology and cellular biochemistry.

The wellness industry is tackling one of the most profound issues of life, solving one of the few remaining mysteries of human existence—age and vitality—on which technology has yet to make its mark.

In order to define the wellness industry and identify its opportunities, we must first distinguish it from a related industry based on some of the same technology—the current \$1.5 trillion (U.S.) healthcare industry.

Approximately one-seventh of the U.S. economy, about \$1.5 trillion, is devoted to what is erroneously called the “healthcare” business. *Healthcare* is a misnomer, as this one-seventh of the economy is really devoted to the *sickness* business—defined in the dictionary as “ill health, illness, a disordered, weakened, or unsound condition, or a specific disease.”¹

The sickness business is *reactive*. Despite its enormous size, people become customers only when they are stricken by and react to a specific condition or ailment. No one really wants to be a customer.

In the next 10 years, an additional \$1 trillion of the U.S. economy will be devoted to the yet-unnamed *wellness* business—defined in the dictionary as “the quality or state of being in good health *especially as an actively sought goal* [emphasis added].”²

The wellness business is *proactive*. People *voluntarily* become customers—to feel healthier, to reduce the effects of aging, and to avoid becoming customers of the sickness business. Everyone wants to be a customer of this earlier-stage approach to health.

From this point forward I use the following definitions:

Sickness industry Products and services provided *reactively* to people with an existing disease, ranging from a common cold to existing cancerous tumors. These products and services seek to either treat the symptoms of a disease or eliminate the disease.

Wellness industry Products and services provided *proactively* to healthy people (those without an existing disease) to make them feel even healthier and look better, to slow the effects of aging, or to prevent diseases from developing in the first place.

How to Read This Book

Throughout this book I highlight important points you need to know in order to explain the importance of this new industry to your family, associates, clients, customers, investors, and partners.

I also highlight points essential to helping you stake your claim through entrepreneurship, investment, distribution, and/or by using this information to change your existing business today.

In Chapter 1, I share with you my vision for the wellness industry over the next 10 years. When I began the research for this book, I thought the existing items in the wellness industry—fitness clubs, vitamins, and the like—might already total a few billion dollars in U.S. sales. I was very surprised to find that sales have already reached approximately \$200 billion—including \$70 billion for vitamins and \$24 billion for fitness clubs—and yet only a small percentage of the population even know about wellness. Imagine what will happen as more people understand the potential that wellness can add to the quality and longevity of their lives!

In Chapter 2, I explain the notion of demand, how it operates in relation to wellness, and how controlled growth of demand can occur. I show why the \$200 billion in proven demand today is only the tip of the iceberg and why these new products and services represent the beginning of a *new* \$1 trillion sector of our economy (as opposed to offshoot products in existing industries like agribusiness or medicine).

In Chapter 3, you learn how our \$1 trillion existing agribusiness and food industry targets overweight and obese consumers for ever

increasing consumption—causing a health crisis in the United States that finds 61 percent of the population currently overweight and 27 percent clinically obese. These numbers have doubled since 1980 and increased 10 percent in the last four years. Other developed nations, especially in the European Community, are not far behind. Then, in Chapter 4, you learn how this has created one of the greatest business opportunities of our time—educating consumers and providing healthy food and the necessary vitamins and supplements that are no longer contained in our modern food supply.

In the past, a significant part of the health and sickness industry was concerned with wellness. At the beginning of the last century, technological breakthroughs in inoculation and antibiotics allowed medicine to develop preventive measures for many diseases (smallpox, typhoid, tuberculosis, polio) that had been the scourge of humankind for millennia.

That was the past.

Most of the one-seventh of the U.S. adult population that work in the healthcare industry today focus on treating the symptoms of disease rather than on preventing disease. This is because it is more profitable for medical companies to research and develop products that create customers for life.

It is also because the third parties paying for most medical treatments—insurance companies and ultimately employers—no longer have a long-term financial stake in the health of their employees. If you are among this one-seventh of the workforce in the healthcare field, Chapter 5 examines some of the entrepreneurial opportunities arising in the wellness industry for medical professionals. Providing wellness products and services that people will voluntarily purchase with their own funds works better than providing bureaucratic procedures to unhappy consumers without choice who are financed by distant third parties.

In Chapter 6 you learn why our existing employer-based healthcare insurance system is on the verge of collapse and what you can do to protect yourself and your family. Despite a steadily rising economy in the past decade, U.S. personal bankruptcy filings doubled—from approximately 750,000 in 1990 to 1.5 million in 1999—with much of the increase resulting from family medical catastrophes. Then in Chapter 7 you learn how opting out of the

existing sickness-based system (i.e., getting Wellness Insurance™ today) can save you thousands of dollars a year and pay for the wellness products and services you need to invest in your long-term health and vitality.

The entrepreneurial opportunity to convert households from sickness to wellness insurance is as great an opportunity as is the entire wellness business itself.

As exciting as some of these developments may seem today, they all pale in comparison to the coming new wellness products and services. As with automobiles in 1908 and personal computers in 1981, the best new products and services are still in the laboratory and will be coming onto the market in the next few years. Already today, with a simple swab on the inside of the mouth, it is possible to examine a person's DNA and predict his or her probability of developing certain diseases. Using this information, a wellness entrepreneur could target specific exercise, food, vitamin, and supplement-based therapies—adding years in both quantity and quality to the life of a customer.

Even this immediate opportunity pales in comparison to what is coming next—for we are getting close to cracking the genetic code for aging itself, and once we do, the wellness industry will be at the forefront in distributing the resultant products and services.

In any industry based on new technology, the greatest entrepreneurial fortunes are consistently made by those who distribute products and services rather than by those who make them. This is partly because, in any area of rapidly advancing technology, today's CD-ROM disc is tomorrow's eight-track tape, and only distributors un beholden to a specific technology are able to quickly shift to new and more efficacious products. But it is mostly because of the following, as you learn in Chapter 8:

Today, 70 to 80 percent of the cost of most retail products is in distribution—which explains why the world's greatest individual fortunes between 1970 and 1999 were made by people focused on distributing things rather than on making things.

You also learn in Chapter 8 how the nature of the opportunity within distribution has recently changed—from the physical distribution of products themselves to the intellectual distribution of information about them. Sam Walton (Wal-Mart) became the richest man in the world in 1991 by physically distributing to customers what they already knew they wanted; however, by 1999 Jeff Bezos (Amazon) became *Time* magazine’s Man-of-the-Year by teaching customers about products that they didn’t know even existed. Nowhere is this more true than in the emerging wellness industry—an industry in which most of the costs of products and services lie in their distribution and in which the overwhelming majority of future customers do not yet know that the products even exist.

Suppose I told you in 1845 about the gold rush that would be coming to California in 1849. No matter how motivated you were to get rich and no matter how hard you worked once you got to California, you wouldn’t have made a dime unless you knew where to stake your claim once you got there. In reality, very few of the wanna-be miners who spent their lives searching for gold actually made it. Many of the fortunes of the California gold rush were made by individuals using skills and relationships they had already developed elsewhere to provide products and services for the gold rush industry—men like Henry Wells (1805–1878) and George Fargo (1818–1881), who formed the Wells Fargo Company to provide banking and express transport services for miners.

Each of us has generic abilities, functional skills, and personal relationships based on what we have done in our lives until now. In Chapter 9 you learn where you should stake your claim to your share of this emerging \$1 trillion wellness industry.

From providing services to distributing products to investing in wellness companies, there are numerous opportunities, but the best ones for each of us are the ones that best use the assets we already have.

The Five Distinct Characteristics of Pervasive Industries

The most successful investors and entrepreneurs know how to distinguish between a passing fad and a long-term trend—the five distinct characteristics of pervasive industries that I promised to tell you about. Let’s take a look at these characteristics and analyze each one with respect to the emerging wellness industry.

Most people think of Henry Ford as the inventor of the automobile in 1908 with his Model T. However, cars were actually around for decades earlier as recreational toys for the wealthy.³ Ford's real "invention" was to use various new technologies to produce, in his own words, a car "so low in price that no man making a good salary will be unable to own one."⁴

A similar story can be told about radios, televisions, restaurants, jet airplane travel, VCRs, fax machines, personal computers, e-mail, and many other inventions that have become ubiquitous and changed the way we live.

All of these products, like the automobile, started out as products for the rich. Then, once technology advanced to the point where they could be produced at a price affordable to working people, they became ubiquitous. Why did they become so popular? What else did these products or services have going for them in addition to being first enjoyed by the rich?

Each of these now-ubiquitous products or services had five distinct characteristics at the time they traveled from the classes to the masses.

Experienced entrepreneurs and investors look for all five of the following characteristics to be present before they launch a new mass-market business: (1) affordability, (2) legs, (3) continual consumption, (4) universal appeal, and (5) low consumption time.

1. *Affordability.* When the VCR first came out in 1976, every household wanted one, but few could afford the \$1,500 price. As advancing technology lowered the price to less than \$100, so many VCRs were sold that by 1990 there were 121 million VCRs in 110 million U.S. households. In some cases, such as with the automobile or single-family homes, rapidly advancing technology couldn't make them cheap enough to be affordable—but then another new industry, consumer finance, emerged to spread out the cost on an affordable monthly basis.
2. *Legs.* No amount of marketing will make a product or service ubiquitous unless it has legs—the ability to walk off the shelf without promotion once a critical mass of people own it. Cars, televisions, and PCs are all products that consumers immediately want once they see them being enjoyed by others. Marketing graveyards are filled with products that stopped selling the minute their promotion had stopped.

3. *Continual consumption.* It costs more than \$100 today in promotion and advertising expenses to get consumers to try a new product, and that's just to see if they like it. If they do like it, to succeed it must be part of a business with products or services that they will continue to purchase. With television or radio, continual use leads to more advertising sales, which leads to more shows, which leads to more televisions and radios. While a consumer might purchase a VCR for \$100 only once every five years, each VCR creates hundreds of dollars in annual sales and rentals of prerecorded tapes. Once people buy a new PC, they typically then want a new printer, a better monitor, a faster Internet connection, and so on. Ubiquitous products must be continually consumed in order to succeed.
4. *Universal appeal.* In order to become a mass-market business that changes the way in which we live, especially with the high cost today of customer education, the product or service must be one wanted by virtually everyone who learns about it. Virtually everyone today wants a car, a radio, or a PC—but not everyone wants a kayak, a bicycle, or a luxury cruise. However, just because a business has universal appeal doesn't mean that there is such a thing as a universal product—each consumer has different needs that must be served within the same product family. Henry Ford initially made his Model T affordable by making a single universal model, often boasting that he would sell you a car “in any color you want, so long as it's black.” Yet Ford lost out in the 1920s to General Motors when GM appealed to the Model T owner who wanted to trade up to a higher-quality model with a wide choice of colors and with annual model changes to stimulate recurring demand.
5. *Low consumption time.* This is the greatest challenge today for new products and services seeking to become ubiquitous—busy consumers must have time to enjoy them. At the time they became widespread, most of today's ubiquitous products, in addition to being enjoyable, actually saved the consumer time. The automobile and jet plane got them there faster, the VCR let them watch a movie in less time than it took to go to the theater (or gave them more time with their families while they watched their favorite show over dinner), and the PC produced finished letters in a fraction of the time it took using a typewriter.

Wellness Is a Pervasive Industry That Won't Go Away

Until recently, many wellness products and services were available only to the rich. I first became aware that such products and services existed when we built our family beach house in Pacific Palisades, California, and I noticed how my wealthy and celebrity neighbors approached the subject of food and health. After I became a wellness consumer, I found it difficult to obtain many of the products and services I wanted when I traveled outside of my upscale community—from restaurants serving healthy food to exercise facilities at hotels.

Today things are beginning to change. Every day more restaurants serve healthy food, new exercise facilities open, and more vitamins and supplements are being touted in mainstream advertising. But have things changed enough for the wellness industry to be ready to jump from the classes to the masses? To answer that question, let's take a closer look at the five characteristics of ubiquitous products and how the wellness industry relates to each of them.

First, are wellness products and services affordable? It used to be that the only way to get fresh, healthy food was to make it yourself. Restaurants served either expensive, heavy cuisine or prepackaged processed food. Today, healthy food is available not only in health-food restaurants, but in most eating establishments, as they add affordable, healthy alternatives to their menus. As we examine later in more detail, a similar lowering of prices is occurring in other wellness areas: Personal trainers now work by the hour for dozens rather than for only one celebrity, and quality vitamins and supplements are now readily available without having to grow or mix them up yourself. Moreover, as we discuss in Chapter 7, when it comes to making wellness affordable, new health insurance plans are emerging that will pay for wellness expenses, if for no other reason than to save money on sickness expenses.

Second, do wellness industry products have legs to “walk off the shelf on their own” without continued promotion? Every time successful wellness consumers mention their age, adeptly perform some physical activity, or lose weight, their friends and associates ask what they are doing to look so young, become so strong, or get into such good shape. Invariably, their response leads to the purchase of a similar item by the person asking the question.

Wellness industry products and services have perhaps the strongest legs of any product or service, as people

immediately notice when someone has a wellness experience and are anxious to duplicate their results.

Third, are wellness industry products and services continually consumed? By their very nature, vitamins, exercise, food, and other wellness products and services are perhaps the most continually consumed products and services in our economy. When wellness consumers find something that works for them, they typically become fanatic consumers of that product or service and become open to trying other wellness items. For example, once people start exercising to lose weight, they often start taking dietary supplements and seeking out healthier cuisine.

Fourth, do wellness products and services have universal appeal? Every human being, no matter how healthy or fit, wants to be even healthier and more fit. This is partly because there is no limit to how well and strong we can feel, but mostly because only the wellness industry offers solutions to the universal problem of human aging rather than just telling aging consumers to blindly accept their deteriorating physical condition.

Last, and perhaps most important in assessing both the short- and long-term prospects for the wellness industry, do consumers have available the time it takes to consume most wellness products and services? The answer to this question bodes well for our entire economy as well as for the wellness industry.

As explained in Chapter 2, the growth of our modern economy depends on consumers spending their increasing disposable income on luxury goods that soon become necessities—often on new products and services that didn't exist when they were born. However, a close examination of some of these new products and services yields a paradox that could limit this growth in the future.

Most new luxury products, from Harley-Davidson motorcycles to garden tractors, have one major drawback: They take time to enjoy. This is one of the great paradoxes of modern life. Each year, consumers seem to have more and more disposable income but less and less time to enjoy it. In contrast to the “idle rich” and “working poor” stereotypes of the past, disposable income today is inversely proportional to leisure time for almost every class level. When you asked people years ago why they hadn't bought a particular new item, a typical response might have been that they couldn't afford it. Today, a more likely response might be that they haven't had time to play with the new item they bought a week or month ago.

Moreover, an increasing amount of the growth in consumer demand today is for entertainment and services rather than for physical products. These time-consuming purchases, ranging from massages to luxury cruises to opera tickets, have their own limitation on demand—the 24-hour day and the 365-day year. Some consumers report that their main time constraint today comes from other leisure activities rather than from their work.

Our modern economy could grind to a halt because of such a nonmonetary limit to consumer demand—unless, of course, technology could come up with products and services desired by consumers that do not take time to enjoy.

Wellness products and services represent perhaps the only sector of consumer spending that does not take time to enjoy. Money spent to make a person feel stronger, smile better, look younger, or feel healthier yield rewards that are enjoyed every moment of every day—on the job, at home, and at every moment in between.

It is clear that wellness is about to change our lives as much as did the automobile or the personal computer. Before I explain how you, the entrepreneur, can benefit from this pervasive and eternal industry with tremendous growth potential, let's examine how the wellness industry got started and how pervasive it is about to become.

