



The Global CEO Advisory Firm

Adapting assisted fertility propositions to the evolving consumer landscape

The argument for a consumer service-led approach to an extended assisted fertility pathway

July 2020

Introduction




The demand drivers for assisted fertility services are strong in the UK and across western Europe, and are expected to continue to create sustained growth in demand. At the same time, pressure on publicly provided services is increasing, created by funding pressures across health commissioners and resource shortages in public providers.

As a result, the private fertility market in England is enjoying volume and revenue growth, but private providers do not appear to be successfully translating this growth to the bottom line, and anecdotal evidence suggests the customer pathway remains poorly managed. Competition appears to be causing some commoditisation, and providers struggle to articulate a truly differentiated customer proposition.

In this paper, we consider what may be driving this and how providers can differentiate themselves to capture the available value in the assisted fertility market in England.

The COVID-19 pandemic has had a very strong impact on the sector, with providers required to close in March 2020. However, as of July 2020, the majority of clinics have now reopened and we expect the time urgent nature of treatment to support a rebound in demand in the short term. In fact, the pressures of COVID-19 have accelerated some of the moves towards the customer proposition discussed here.

Market definition and structure

 Scope	 Core services	 Key providers
<p>This paper considers the assisted fertility market in England, based on the best and latest available public data</p>	<p>The assisted fertility market is made up of three major service lines:</p> <ul style="list-style-type: none">• IVF: In vitro fertilisation is the external fertilisation of an egg and subsequent implantation into a woman's uterus• ICSI: Intracytoplasmic sperm injection is the injection of a single sperm into a mature egg prior to implantation• IUI/DI: Intrauterine/ donor insemination is the separation of fast-moving sperm prior to insertion into the ovulating woman's womb via a catheter <p>IVF and ICSI account for over 90% of the total fertility procedures performed in the UK, In line with market convention, unless specified otherwise, the terms "treatment", "IVF services" and "cycles" include all three major service lines</p>	<p>The market in England is split between NHS and privately funded providers, with private providers delivering 65% of cycles in 2018 (varying from 40% to 74% by region). Private providers include specialist independent clinics, specialist clinic groups and private hospitals.</p> <p>Customers can either be funded by their local CCG or self-pay. Self-pay accounted for 75% of spend in the market in 2017</p>



Strong historic demand growth

The assisted fertility market has seen robust and ongoing medium-term growth in the volume of services provided, and is expected to continue to do so

“The statistics are slowly improving - which reflects the overall improvement in technology. [But] without a major breakthrough it is likely we will not go past a much bigger success rate.”

Medical Director, Fertility Services Provider

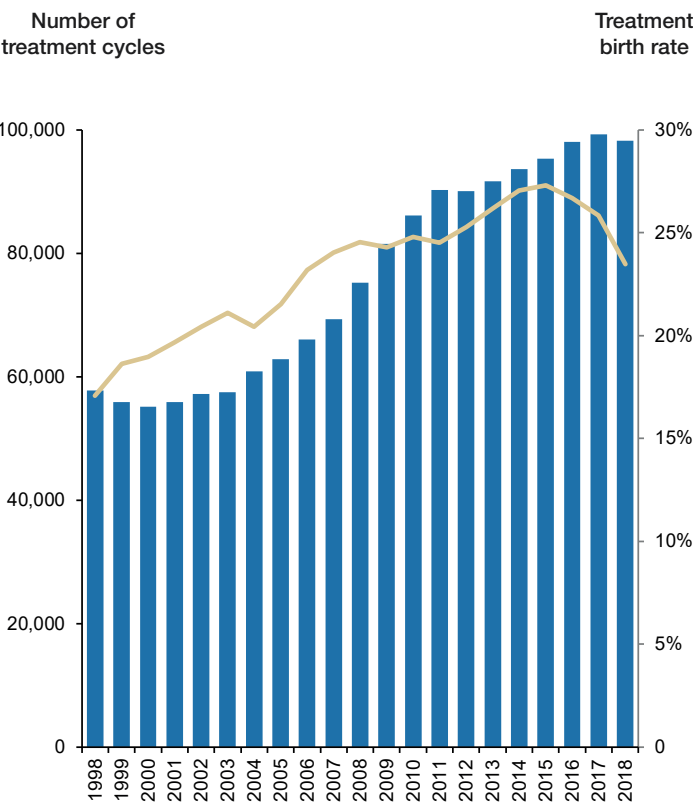
Historic underlying growth in the market has been driven by both **improved** services and **growing need**.

Improved services

Assisted Fertility Services have continuously improved, enabled by developing technology and techniques leading to increasing success rates over a 20-year period. This improvement in success rates has increasingly encouraged people to consider IVF services.

However, success rates are now stabilising at around 25% (Fig 1). Any future significant increase in success rates is considered to be contingent on future research breakthroughs. Although these may of course come, it is expected that this driver will not be as important going forwards.

Figure 1: Fertility treatment cycles and birth rate (1998-2018)¹



5-yr annual growth	20-yr annual growth
(2.1%)	1.6%
1.4%	2.7%

Key

- Overall birth rate
- IVF, ICSI & IUI cycles

Notes: 1. ICSI figures for 2018 not available in HFEA report - 2017 carried forward

Strong historic demand growth

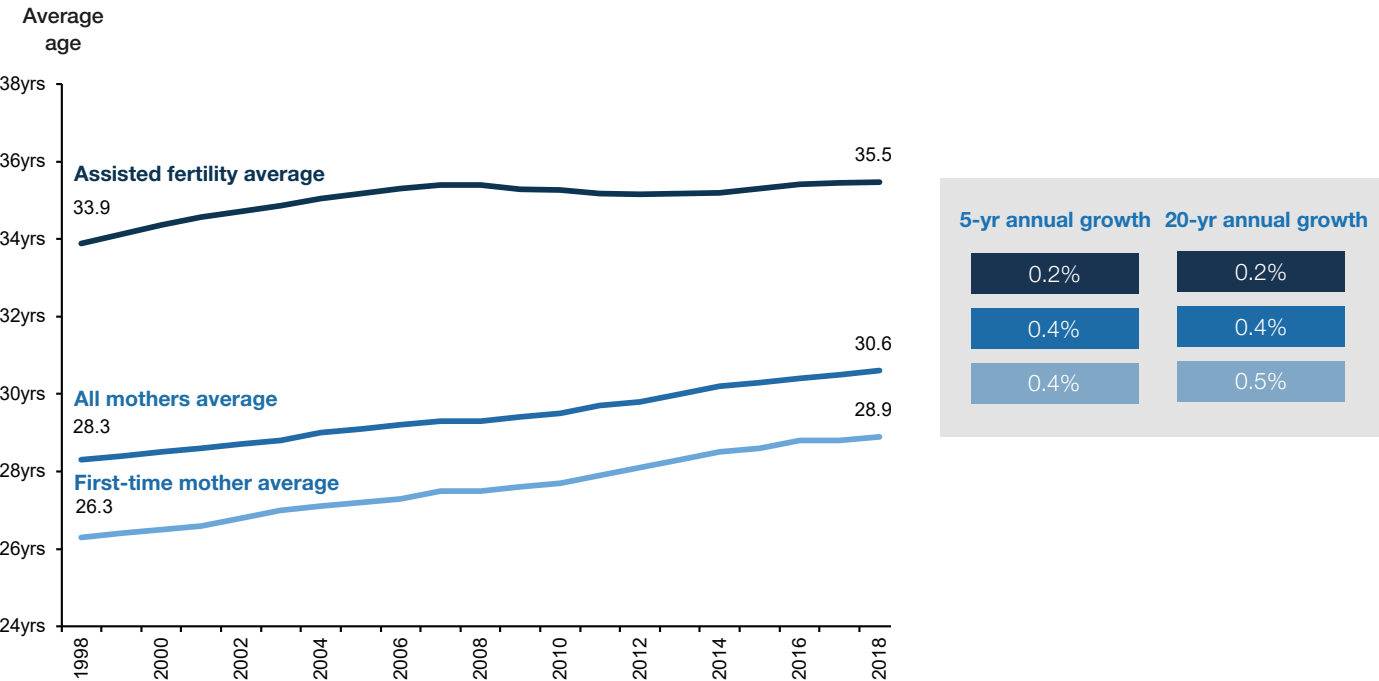
Growing need

Growth in underlying demand is driven by a range of cultural and health drivers, including women putting off childbirth until later in life and adverse health trends. The average age of new mothers has continuously risen every year over the past 20 years (Fig 2).

Adverse health trends such as obesity and other unhealthy choices - e.g. smoking, drug use and high-stress jobs - are increasing and have been shown to decrease fertility for men and women.

Combined with the improvement in services outlined previously, women and their partners have been increasingly turning to IVF to support their fertility needs.

Figure 2: Average age of new mothers (1998-2018)



Constrained access to public provision

Growth of privately delivered services is expected to be particularly strong going forward as the NHS continues to constrain access to services and scale back the number of cycles it offers. COVID-19 disruption across the healthcare system may also accelerate this.

NICE's guidelines state that women should be offered three rounds of IVF if diagnosed with infertility or if they have failed to conceive after 2 years of regular, unprotected sex or 12 cycles of IUI.¹ However, these guidelines are voluntary and many CCGs opt to fund fewer cycles (and some funding none at all) or put in place additional criteria.²

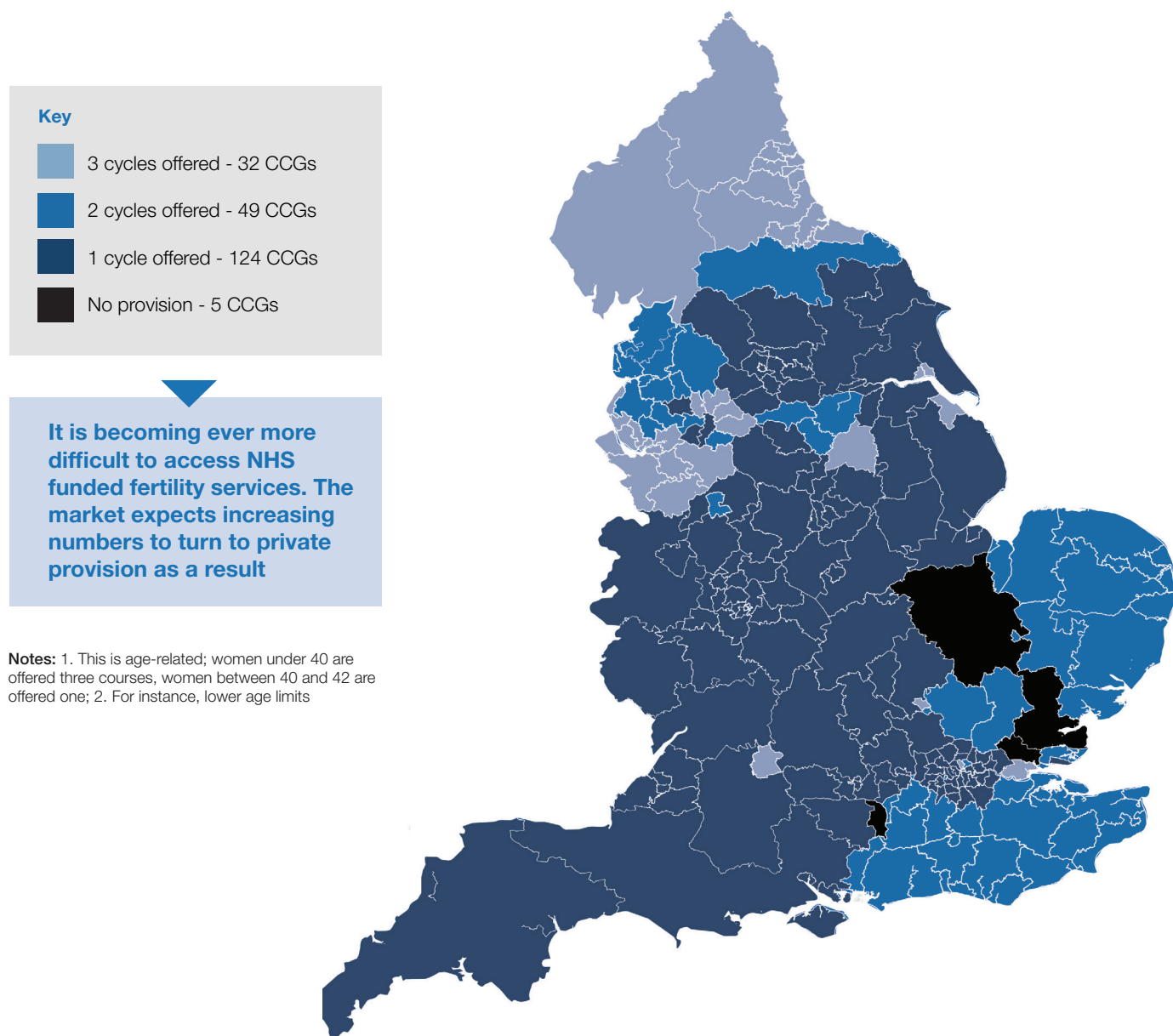
Further, qualification criteria are stringent and, upon meeting them, waiting lists are very long – patients can wait up to a year before seeing a consultant and another year before beginning IVF. Such material delays can cause concern given that fertility declines with age, especially for those that have been struggling to conceive for a long period of time.

“I would expect the share of private provision to increase over the next 5 years as the NHS continues to reduce the number of cycles it offers and tightens up the eligibility criteria.

Patients come to us because they are fed up of waiting on NHS lists.”

Marketing Director, Fertility Services provider

Figure 3: NHS fertility funding in England by CCG (April 2017) updated July 2020 based on available information

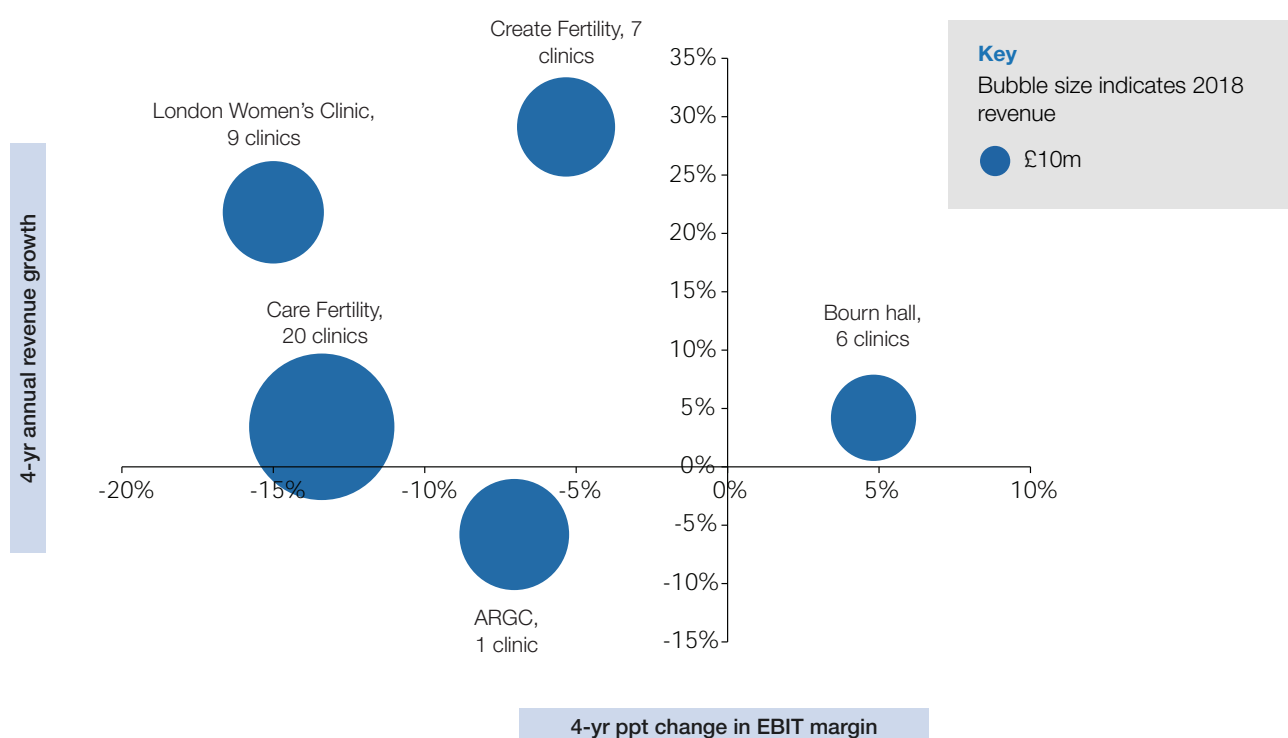


Subdued private provider margin performance

These demand drivers of overall service growth, and supply drivers of particular growth for the private sector make assisted fertility a *prima facie* attractive market, which has led to a significant amount of investment from both trade operators and Private Equity funds.

Although most appear to be delivering revenue growth, as would be expected in a growing market, margin performance has declined amongst leading providers. Publicly available financials for fertility services providers in England show that providers of all sizes are seeing static or declining EBIT margins.

Figure 4: Financial performance of leading UK Fertility Providers



Notes: Latest publicly available financials, FY2015-2018
Source: CapIQ; Companies House



Material impact of COVID-19 on the sector

“The journey to starting IVF is long and incredibly costly on a financial and emotional level. To have treatment delayed further will be devastating.”

Director of Embryology, BPAS

“We know some patients have decided to wait a few months until things have calmed down a little bit.”

HFEA (BBC interview)

“We realise patients may [want] to delay becoming pregnant. We will support patients to explore options, including creating and freezing embryos for when patients feel ready. We can prepare everything in advance, so we can continue treatment as soon as they feel ready to do so.”

General Medical Dir., CARE Fertility

Fertility treatment suspension

On 23 March 2020, HFEA required temporary suspension of all fertility treatments at private and NHS clinics. This came as a blow to those already engaged in treatment or expecting to begin shortly given the emotionally taxing nature of fertility treatment and the potential impact of delays upon success rates.

Clinics have been able to apply to reopen since 11 May and, as of June, 87% of all treatment centres had been granted permission to re-open (94% of private clinics, 76% of NHS services).

However, COVID-safe working practices are expected to reduce clinic capacity and exacerbate unmet demand in the near term. Providers are developing their own approaches to prioritising access to services as a result.

Near-term outlook and opportunities

The IVF market is currently characterised by appetite and anxiety:

- Strong appetite and desire to urgently resume treatments from patients aware that delays may impact success (given the relationship between age and egg quality, etc.)
- The nascent nature of our understanding of potential risk to pregnant women and unborn babies (alongside COVID-19 guidance listing pregnant women as ‘clinically vulnerable’ or ‘at moderate risk’) is leading some couples to delay fertility plans

We expect the urgency underlying treatment to, ultimately, support a limited dampening of demand. However, COVID-19 may reshape demand: for instance some customers may look to complete initial treatment, but delay pregnancies.

This may point to specific opportunities to meet shifting demand – for instance a staggered 2-phase solution, wherein clinics conduct the IVF process to embryo freezing/ storage, but customers are able to postpone embryo transfer and pregnancy.

COVID has accelerated underlying sector trends and evolved customer expectations around service (e.g. digital consultations, digitisation of processes, use of self-test AMH kits, development of more interesting pricing bundles, etc), which providers must attend to going forwards

The changing customer

As assisted fertility services become more widely used and social acceptance of them grows, customers are moving from perceiving themselves as “patients” to being “consumers” with different requirements

A key factor in the increase in IVF cycles is growing acceptance and de-stigmatisation of assisted fertility services. Historically, assisted fertility was considered taboo and associated with feelings of failure, shame and embarrassment.

However, increased use and a level of ‘consumerisation’ of services alongside more visible and sympathetic media coverage, is leading to more open discussion and acceptance as normal practice.

As a result, the next generation of potential assisted fertility users attach significantly less stigma to services and approach them more as ‘health consumers’. This means that providers have to adapt their approach to meet this new consumer.

This is being driven further by companies with cutting-edge employee benefits offering fertility services such as egg freezing and IVF (e.g. Google, Salesforce, Goldman Sachs).

“IVF is just a lot more socially acceptable than it once was. There’s still a stigma, but it’s decreasing with the media coverage and growing normality of it. This is then even truer for women who know a friend who has had IVF, as that further breaks down the mental barrier surrounding it.”

Clinical Nurse Manager, Fertility services provider

We see 4 key trends for how consumer behaviours are changing

More Open

Users of assisted fertility services are now more open about their situation, and more likely to discuss positive and negative experiences with their friends and family

User experience and impressions will become ever more important

More
Open

More
data

More Data

Customers have access to more data and will demand even more going forwards, becoming more savvy in comparing competing offers

More Digital

Customers expect a slick digitally enabled pathway

More
Digital

More
Trust

More Trust

Customers will demand clarity and honesty from providers

The sector has historically struggled with delivering clear information on pathways and pricing

The customer is
changing

The changing customer

“I reckon the biggest single thing that gets people to choose a clinic is a positive referral. Most people seem to have a friend who has had IVF and positive word of mouth, especially from someone with a baby, really drives traffic.”

Lead Embryologist, Fertility services provider

“Most clinics, regardless of groups or independents, offer very similar services. Patients don’t seem to have a strong preference for either.”

Lead Embryologist, Fertility services provider

This emerging consumer market is missing a trusted “household” brand that visibly caters to this new type of demand.

The current market is served by providers that deliver ‘clinical’ services at the point of need (i.e. provide IVF treatment once it is requested, but hold minimal or no customer relationship before that decision point).

These services are similar across providers and provide no differentiation in themselves. Potential customers have typically not heard of any fertility services providers before they encounter their own need and there is little brand recognition outside direct users of the service.

There is currently little to differentiate providers operating at market average success rates other than price

We may be starting to see the impact of this on providers’ performance as pricing becomes increasingly competed. To be successful in this marketplace, providers require a sophisticated, analysis-based pricing offer that answers customer needs.

If designed consistently with their consumer-facing branding and a service-led approach, this will enable providers to differentiate and capture market opportunities as well as improving returns.

The current lack of differentiation may be leading the market towards commoditisation of services and increasing pricing competition. Sophisticated pricing design, effective consumer-facing branding and a service-led approach building provider loyalty are required to mitigate this



European expansion is not enough

European network expansion could be attractive but does not mitigate the emerging changes in the customer landscape and the commoditisation and differentiation challenges these pose

Some providers have looked to Europe to drive better performance, as they seek to capture benefits of scale, develop networked offers and consider the use of hub and spoke models.

European network expansion holds compelling opportunities however, absent a consumer-led approach and a philosophical shift from treating patients to serving consumers, it is subject to the same challenges of the changing consumer demand.

In short, European expansion doesn't itself provide a silver bullet – providers need to think hard about how to evolve their offer.

2019 Acquisitions

Acquirer	Target	Date	Description & rationale	
PE-backed buyout	Access Fertility	Oct 2019	<ul style="list-style-type: none"> An undisclosed Spanish private equity (PE) fund backed the management buyout of Access Fertility (UK-based provider of IVF Refunds, Multi-Cycle Programmes) for a consideration of c.£25m 	
Care Fertility	IVI Midland	Jul 2019	<ul style="list-style-type: none"> This acquisition appears to be a retreat for Spanish fertility services provider IVI who acquired Midland Fertility in Nov-16 to establish a foothold in the UK 	European growth exit
The Fertility Partnership	VivaNeo	Jul 2019	<ul style="list-style-type: none"> The Fertility Partnership (TFP), under its new PE ownership, acquired VivaNeo. VivaNeo operates fertility clinics and reproductive medical centers in Germany, Austria, The Netherlands and Denmark This acquisition adds to existing TFP clinics in Poland and continues its European growth strategy 	
Management	Create Fertility	Jun 2019	<ul style="list-style-type: none"> Management acquired the minority stake held by PE investor Livingbridge The company has returned to being fully family-owned and plans to pursue a European growth strategy 	European growth rationale
Silverfleet Capital	Create Fertility	Apr 2019	<ul style="list-style-type: none"> Silverfleet Capital, a pan-European PE firm, acquired Care Fertility which becomes its only current asset in the fertility space <i>"Care is a clear market leader operating in a sector with high growth potential fueled by increasing fertility needs. It has a strong brand with leading patient outcomes and top quartile success rates."</i> <p>Partner, Silverfleet</p>	
Impilo	The Fertility Partnership	Mar 2019	<ul style="list-style-type: none"> Nordic-based PE firm Impilo acquired The Fertility Partnership (TFP) <i>"The IVF market is growing, and we see great potential in strengthening TFP's position in both the UK and Poland and establishing a strong foothold in other European countries."</i> <p>Partner, Impilo</p>	
Care Fertility	Bath Fertility Centre	Feb 2019	<ul style="list-style-type: none"> Care fertility acquired the Bristol- and Bath-based fertility clinic <i>"We are delighted to continue to support Care Fertility on this key strategic acquisition which will help them to extend their UK footprint into the South West region in what is a dynamic, innovative and growing market."</i> <p>Corporate Finance Associate, Care Fertility</p>	

Source: Company press releases; Mergermarket

A new consumer-led approach

We therefore see an opportunity for providers to support fertility services consumers in a more service-led way, offering a more holistic and extended pathway

This may involve capturing customers earlier, when they first begin to consider conceiving, offering basic tests and advice on natural conception (e.g. nutrition and exercise advice).

This need not be a digital-only offering - customers may meet clinicians for initial conversations and advice at this point and begin to build relationships with them, developing brand affinity and trust. This can then allow the clinician and customer to consider the path to conception over the following c.18 months, which may or may not result in IVF treatment.

To achieve this, the providers and clinicians must move from viewing the customer as a patient with a health problem to be resolved immediately to a consumer whom they are supporting holistically over a period of time, more like a family doctor.

This relationship will then continue through the path to pregnancy and ensure that the customer stays with the provider for each step of the journey.

Partnerships with providers across the reproductive health ecosystem, (for instance health & wellbeing apps, private antenatal/maternity providers, sperm/ egg banks, etc.) demonstrate a broader view of the customer journey and may give customers confidence and comfort.

Providers should also tailor more specifically their offers for particular customer segments. For instance, the small, but rapidly growing (12% growth 2016-17), same-sex female couple segment has a long-anticipated need for fertility services beginning planning and research earlier than many heterosexual couples. Some providers have already capitalised on this, with an explicit tailored offer and targeted outreach (e.g. via fertility fairs) in advance of treatment.

Such steps could see providers differentiate themselves in a crowded market, especially at a time when COVID-19 is accelerating underlying trends and shifting customer needs.

Such a provider could occupy the space (currently vacant) of a household name, a consumer-facing fertility brand that couples considering pregnancy consult as their first step to conception, regardless of whether they go on to use assisted fertility services

Potential elements of a holistic and service-led proposition



Support everybody (if applicable) **in aiming for natural conception**



Engage early, provide help and **tailored programmes** to support natural conception



Accessible, **clear and kind communication** throughout



Build **trusted relationships**



Provide **the right treatment** most effectively

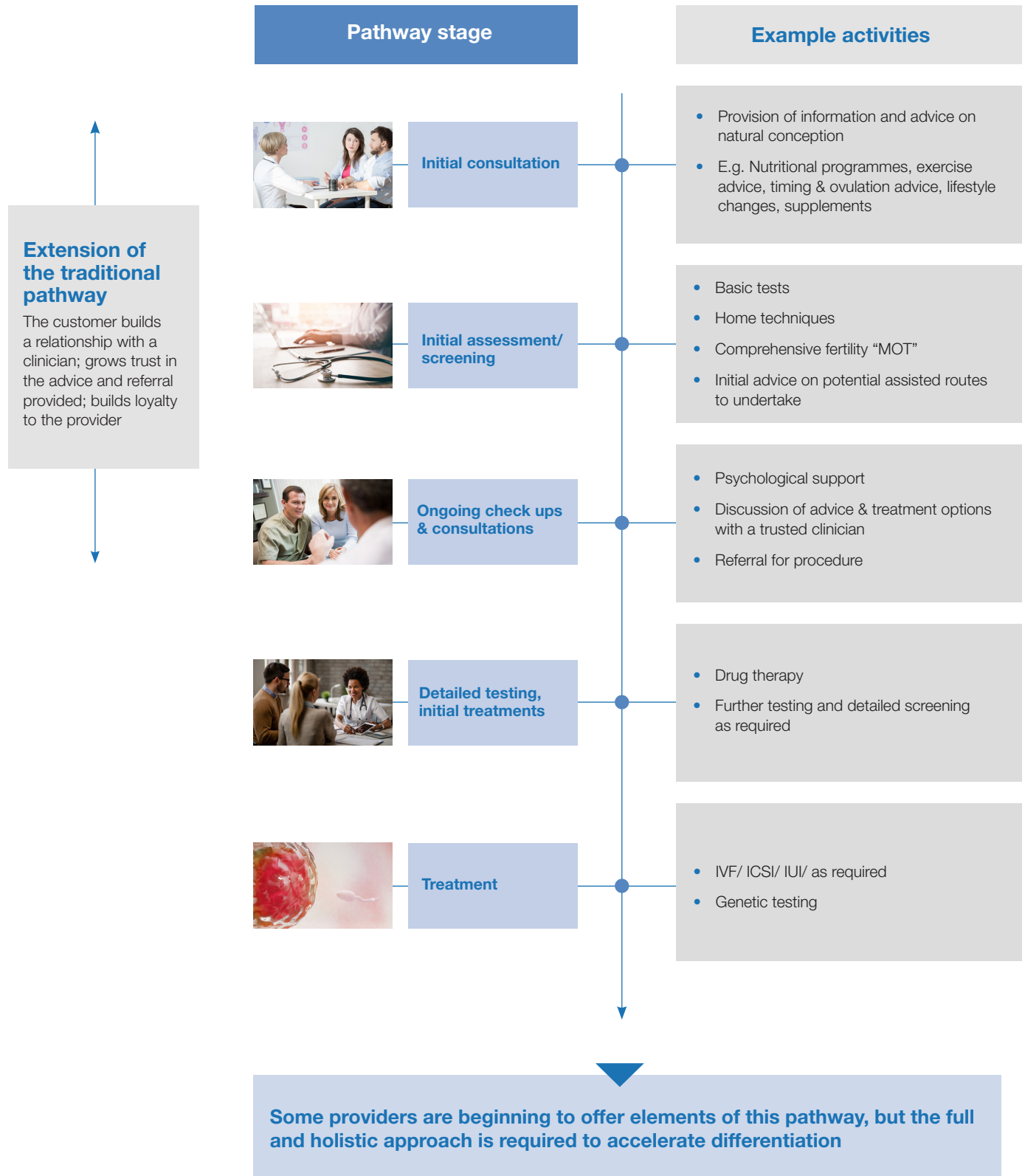


Concierge-style service through the journey



Partnerships with providers across the broader ecosystem

Example extended pathway



How can providers respond to these challenges?

We believe that there are four key areas that a fertility provider in the English market should address:



Service suite

Develop the service suite to:

- Offer more patient-focused services, with better levels of support and transparency throughout
- Redefine market positioning as consumer, not patient, focussed
- Start engaging with customers higher up the maternity pathway
- Ensure well-communicated, tailored offers to engage different market segments



Brand

Build a brand that captures the “household name” gap in the current market and speaks to potential consumers higher upstream the maternity pathway



Pricing

Design sophisticated and consumer-focussed pricing that answers customers’ needs, supporting the adjusted market positioning and highlighted differentiation

Pricing redesign will include consideration of opportunities around:

- Outcome based payments
- Packages
- 2-step IVF process
- Deferred payments



Channel

Historically this market has been overwhelmingly B2C focussed

However, as more employers begin including fertility services in their benefits packages, providers should consider their offerings to insurance and B2B channels

About Teneo

Teneo is a market leading CEO advisory firm that works exclusively with the CEOs and leaders of the world's largest and most complex companies. Teneo has extensive experience supporting health and social care providers to navigate complex market challenges, drive growth and unlock sustainable performance improvements. Operating across a range of geographies and having served a broad range of clients, our Global Health & Social Care practice brings an in-depth understanding of market dynamics and best-practice solutions.

Within health and social care, key client groups have included: Residential and Domiciliary Care, Primary Care, Secondary Acute Care, Diagnostics, Mental Health, Community Care, Health Consumer, Fitness and Wellbeing, and Special Education and Fostering.

Our global offer

Founded in 2011, with a vision of redefining the advisory industry, Teneo now has more than 800 employees based in 19 offices around the world. Across these offices, our teams provide clients with a unique set of services, not offered anywhere in the world under one roof, and a non-replicable group of diverse, highly talented senior professionals.

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Advisory focused on strategic decision-making and business plan implementation, to help companies fully realise their business goals

Management Consulting

Strategy & Communications Advisory

Strategy & Communications Advisory

Advisory focused on managing reputation and protecting and enhancing shareholder value

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Advisory focused on helping corporations anticipate and mitigate risks associated with geopolitics, physical security and cybersecurity

Risk Advisory

Capital Advisory

Capital Advisory

Leading independent global investment bank providing innovative, unconflicted strategic advice

Teneo's four key business areas, focusing on the CEO's most pressing issues

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