

Developing regions drive OTC growth

The developed world still generates the bulk of the global non-prescription market, but the developing regions are driving sales growth. Deborah Wilkes reports on the latest global market data from IMS Consumer Health.

The developing regions of Central and Eastern Europe, Latin America and South-East Asia/China are driving the growth of the global non-prescription market, according to Andy Tisman, senior principal for Consumer Health at IMS Health. Furthermore, they will continue to do so over the next five years.

Speaking recently at the 47th Annual Meeting of the Association of the European Self-Medication Industry, the AESGP, Tisman said Europe and the US were struggling to keep up with the global picture. He also pointed out that Japan was having “a bad time after a couple of years of performing moderately well”.

Within Europe, pointed out Tisman, the picture was mixed. Central and Eastern Europe led the way for sales growth, he said, with the result that companies faced different strategic challenges in different parts of the region.

Tisman noted that key Western European markets were slower growing or static. “The challenge is to sustain revenue and profit by optimising the efficiency and effectiveness of

the operation, while searching for growth opportunities,” he remarked.

By contrast, he added, Central and Eastern European markets continued to provide stronger growth potential. “The challenge is to place the investment bets, and then drive effective market entry and growth strategies,” he said.

Strong sales growth in the developing regions meant the global non-prescription market performed well during the 12 months to the end of the first quarter of 2011. Tisman pointed out that the recent trend for non-prescription sales to outperform pharmaceutical sales had continued. Indeed, the differential in growth between non-prescription and pharmaceutical sales had increased, he said.

As can be seen from Figure 1, growth of the global non-prescription market speeded up from 1.8% in the 12 months to the end of the first quarter of 2001 to 7.0% in the equivalent period for 2011. Over the same period, growth of the global pharmaceutical market slowed down from 11.3% to 4.6%.

Noting that the global non-prescription mar-

ket was worth €74 billion at manufacturers’ selling prices in the 12 months to the end of the first quarter of 2011, Tisman said that it represented 11.5% of the global pharmaceutical market worth €641 billion (see Figure 2).

IMS Consumer Health’s non-prescription market figures cover both prescription-generated and self-medication or OTC sales of non-prescription products. Growth rates use the latest exchange rate for all countries across all time periods.

The trend was unlikely to change in the foreseeable future, according to Tisman. A number of “significant structural factors” were behind falling sales growth for the pharmaceutical market and rising sales growth for the non-prescription market, he said, adding that IMS Consumer Health did “not expect to see the situation change anytime soon”.

Tisman said growth of the global pharmaceutical market had been constrained by a number of factors, including the low quality output from research and development operations, the dominance of generic drugs in major therapy areas, and the demands placed on pharmaceutical companies by healthcare payers. “In the developed world, pharmaceutical players are suffering from cost constraints imposed by payers,” he stated. “In the developing world, payers are learning from the experience of the developed world.”

By contrast, the global non-prescription market was benefitting from a number of important growth drivers, observed Tisman. Healthcare payers were keen to promote self-medication, consumers had greater access to products via new distribution channels, and emerging markets had the critical mass to influence growth. Furthermore, key players were exploiting opportunities to switch medicines from prescription-only to non-prescription status.

A more consumer-focused approach

Tisman also highlighted a tendency for firms to take a more consumer-focused approach in the marketplace. “The key players are building strong brand identities,” he said, “and consumer-driven brands are performing strongly.”

Discussing geographic regions, Tisman said Europe – encompassing Central, Eastern and Western Europe – had remained the most important in terms of global non-prescription sales in the 12 months to the end of the first quarter of 2011, accounting for 33.8% of the total. North America was second with a 20.8% share, followed by Japan with 13.2% (see Figure 3).

Looking at the contribution to global sales

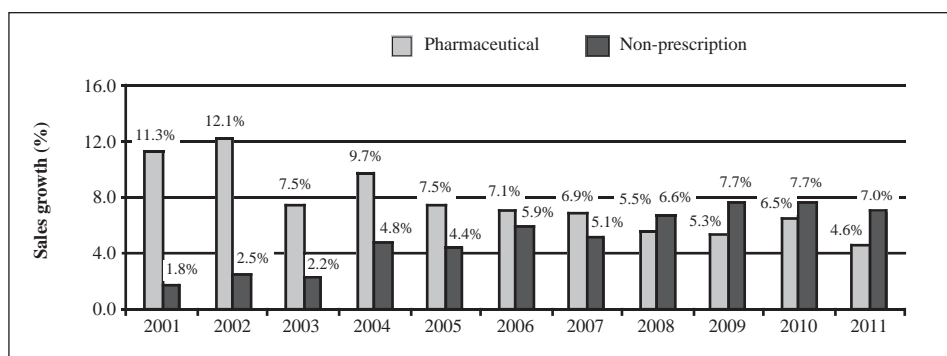


Figure 1: Development of global pharmaceutical and non-prescription markets in terms of growth of audited and estimated unaudited sales in euros at manufacturers’ selling prices. Figures are for the 12 months to the end of the first quarter of each year (Source – IMS Audits plus estimates)

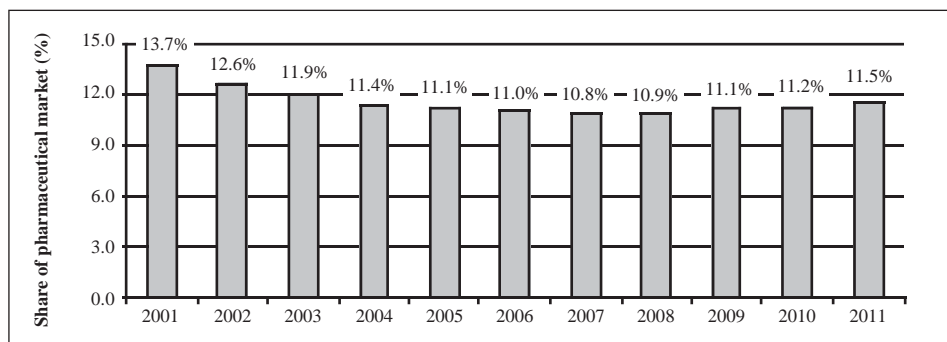


Figure 2: Change in share of global pharmaceutical market held by non-prescription products in terms of audited and estimated unaudited sales in euros at manufacturers’ selling prices. Figures are for the 12 months to the end of the first quarter of each year (Source – IMS Audits plus estimates)

growth, however, the picture was very different. South-East Asia/China was the most important region, contributing more than a third of global sales growth. Central and Eastern Europe generated a further 18.1% and Latin America added another 16.1%.

Tisman observed that the developed world still accounted for the bulk of the global non-prescription market, but the developing world – Central and Eastern Europe, Latin America, and South-East Asia/China – was driving sales growth. “Although developing regions only account for about a third of sales,” he added, “they generate around two-thirds of sales growth.”

Analysing the sales increases in the main geographic regions, Tisman said the global non-prescription market had recorded cumulative growth of 39% over the past five years. Central and Eastern Europe and Latin America led the way with cumulative growth of 106% and 80%, while Western Europe lagged behind with 6% (see Figures 4, 5, 6, 7, 8 and 9).

The global base business had declined by 6% during the past five years. Western Europe fared particularly badly with a 21% drop in base business, and North America experienced a fall of 12%. However, Central and Eastern Europe, South-East Asia/China and Latin America bucked the trend, with increases in the base business

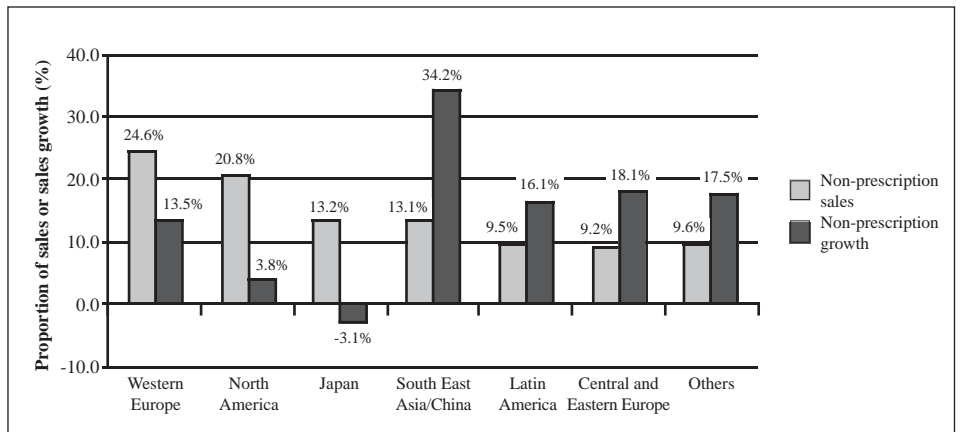


Figure 3: Contribution to global non-prescription sales and sales growth by region of the world in the year to the end of the first quarter of 2011. Figures are based on sales in euros at manufacturers’ selling prices. Growth figures are based on local-currency comparisons (Source – IMS Audits plus estimates)

of 13%, 9% and 6% respectively.

Tisman pointed out that innovation – in the form of both new products and line extensions – had fuelled the growth of the global non-prescription market over the past five years. “Innovation accounted for 33 of the 39 percentage points of global growth,” he noted.

He added that innovation had driven sales growth in all regions of the world. In Central and Eastern Europe, for example, new products had contributed 33 percentage points to the 106% growth, while line extensions had been

responsible for 20 percentage points. Furthermore, in the South-East Asia/China area, new products had contributed 11 percentage points to the 59% growth, while line extensions had been responsible for 33 percentage points.

Tisman drew attention to the fact that innovation had even been the main driver of growth in Central and Eastern Europe and Latin America, where changes in prices had played a significant role.

“Innovation is still the biggest single growth driver in our industry,” he remarked. “Without

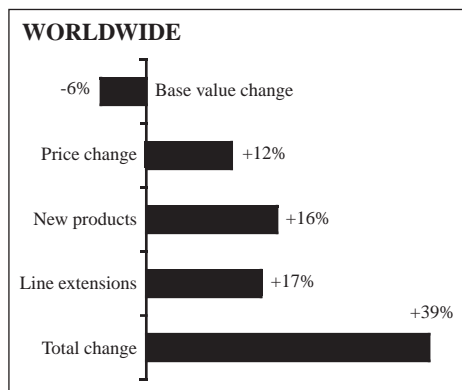


Figure 4: Breakdown of growth in non-prescription sales worldwide over the past five years to the end of the first quarter of 2011 (Source – IMS Consumer Health’s Elements of Growth)

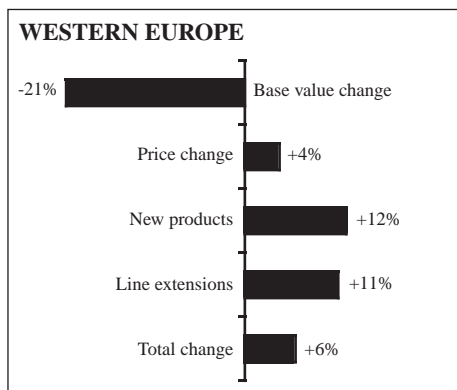


Figure 5: Breakdown of growth in non-prescription sales in Western Europe over the past five years to the end of the first quarter of 2011 (Source – IMS Consumer Health’s Elements of Growth)

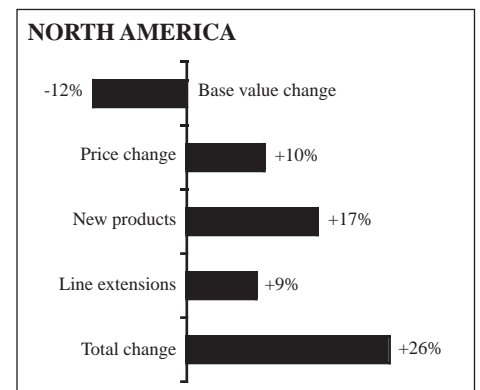


Figure 6: Breakdown of growth in non-prescription sales in North America over the past five years to the end of the first quarter of 2011 (Source – IMS Consumer Health’s Elements of Growth)

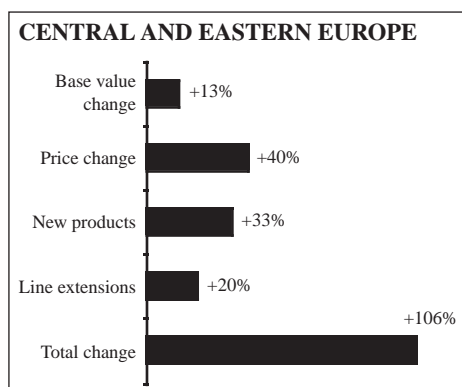


Figure 7: Breakdown of growth in non-prescription sales in Central and Eastern Europe over the past five years to the end of the first quarter of 2011 (Source – IMS Consumer Health’s Elements of Growth)

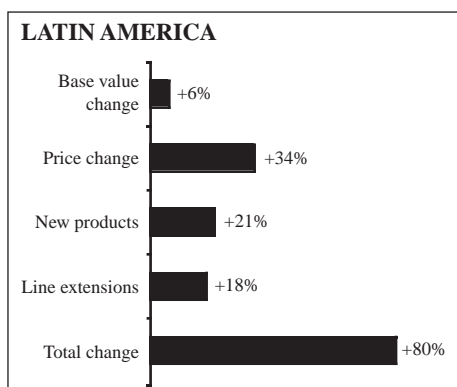


Figure 8: Breakdown of growth in non-prescription sales in Latin America over the past five years to the end of the first quarter of 2011 (Source – IMS Consumer Health’s Elements of Growth)

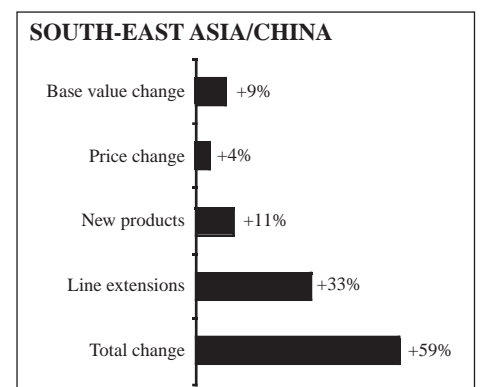


Figure 9: Breakdown of growth in non-prescription sales in South-East Asia/China over the past five years to the end of the first quarter of 2011 (Source – IMS Consumer Health’s Elements of Growth)

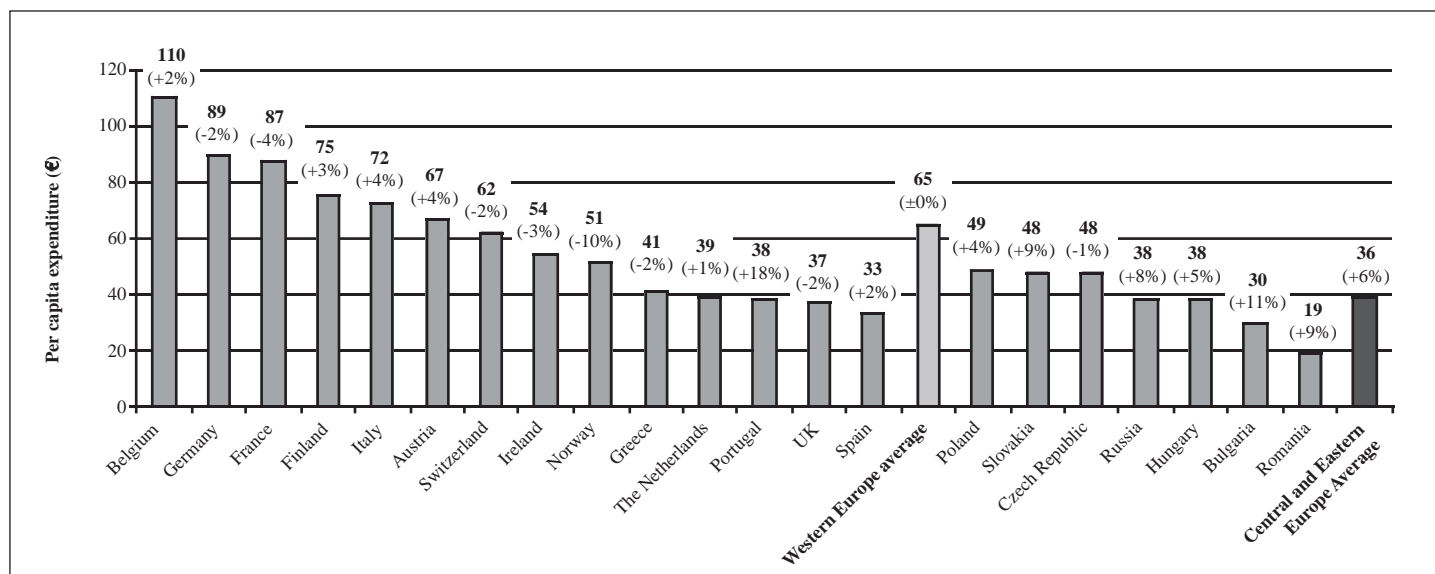


Figure 10: Per capita expenditure in euros on non-prescription products at public prices in selected European countries in the 12 months to the end of the first quarter of 2011 (Source – IMS Consumer Health’s OTCims)

innovation, the non-prescription markets in Western Europe and North America would be going backwards.”

Within the European non-prescription market, all the sub-regions had experienced “slowing growth”, Tisman pointed out. Non-prescription sales in Europe had moved ahead by 3.4% in the 12 months to the end of the first quarter of 2011, compared with three-year average growth of 4.8%.

Trends within the region continued to suggest “a tale of three Europes”, according to Tisman. Central and Eastern Europe was “driving growth in the region”, while Western Europe’s dereimbursed markets – France and Germany – had declined. Other Western European markets sat between the two extremes with sales growth of around 2.0%.

Many Western European countries had recorded stable growth around the average for the European Union in the 12 months to the end of

the first quarter of 2011, continued Tisman, adding that Italy had “continued to perform quite strongly”. However, France, Germany and the pharmacy sector in the UK had all seen non-prescription sales slip back, and were holding back growth for Europe as a whole, he said.

Discussing the UK, Tisman explained that IMS Consumer Health’s figures only included the pharmacy sector, but the rest of the market was also “pretty depressed”. “The heavy presence of generics and retailers’ own-label ranges in the UK is not doing any favours to the branded OTC industry,” he remarked.

Commenting on Central and Eastern Europe, Tisman said most countries in the sub-region had shown a “positive recent trend”. Two big markets – Poland and Russia – had recorded strong sales growth, as had the smaller market of Bulgaria, he added.

Noting that short-term growth in Central and Eastern Europe had been curbed by the eco-

nomical recession, Tisman said the situation was now improving.

In Russia – the largest market in Central and Eastern Europe – non-prescription sales increased by more than a tenth during the 12 months to the end of the first quarter of 2011, compared with three-year average growth of more than a fifth.

Trends in Russian market

Tisman said Russia’s very strong growth of recent years could not be sustained indefinitely. He also noted that the figures for the previous year had been boosted by the strong performance of cold and flu immunostimulants in the 2009/2010 winter season.

According to Tisman, the economic crisis appeared to be holding back the annual per capita expenditure on non-prescription products in Europe, particularly in some countries in Western Europe. As can be seen from Figure 10,

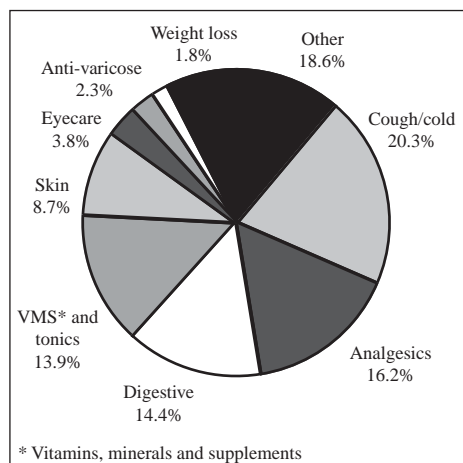


Figure 11: Sales of non-prescription products in Europe in the 12 months to the end of the first quarter of 2011, broken down by product category. Figures are based on sales in euros at manufacturers’ selling prices (Source – IMS Consumer Health’s OTC Review Plus)

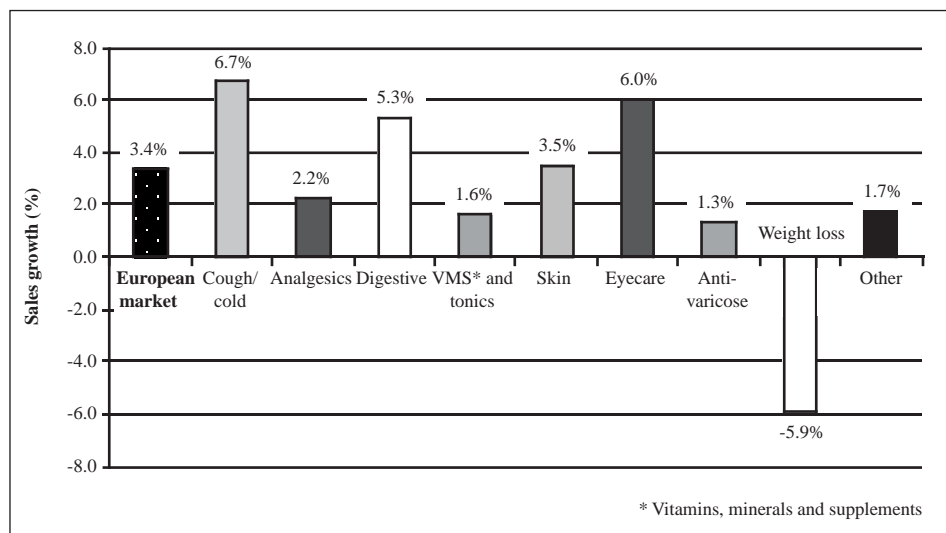


Figure 12: Growth in sales of main non-prescription product categories in Europe in the 12 months to the end of the first quarter of 2011. Figures are based on sales in euros at manufacturers’ selling prices (Source – IMS Consumer Health’s OTC Review Plus)

per capita expenditure dropped back in Germany, France, Switzerland, Ireland, Norway, Greece and the UK.

Tisman put the falls down to price pressure and an increase in generics and own-labels in some key markets. "Consumers responded to the economic situation by cutting back on expenditure," he said, adding that volume decreases had been less important.

IMS Consumer Health's annual per capita expenditure figure for the UK only covers the pharmacy sector. Tisman noted that the figure for the UK's total non-prescription market was similar to that for Ireland or Norway.

Looking at categories, cough/cold products led the way in Europe in terms of both value sales and sales growth. As can be seen from Figures 11 and 12, the category accounted for 20.3% of total non-prescription sales in the 12 months to the end of the first quarter of 2011, and recorded growth of 6.7%. Tisman noted that cough/cold products had "rebounded" from the poor growth for the 2009/2010 winter season.

Driven by probiotic products

The digestive category also did well, achieving sales growth of 5.3%. Digestive growth had been driven primarily by probiotic products, said Tisman, adding that switches to non-prescription status for the proton-pump inhibitors pantoprazole and omeprazole had also been a contributing factor.

Proton-pump inhibitors had achieved "some early success" in driving growth in the European Union antacid category, said Tisman. They contributed 5.6 percentage points to the total sales growth of the antacid category in the 12 months to the end of the first quarter of 2011, while sales of all other product types slipped

back slightly or showed little growth.

Tisman noted that proton-pump inhibitors held "decent" shares of the antacid category in some European Union countries, although there was "a mixed picture" overall. The shares in Finland, Poland, Czech Republic and Germany were 41%, 32%, 24% and 22% respectively, although the share for the European Union as a whole was only 11%.

Novartis, Nycomed and Bayer had emerged as the key players in the European Union's non-prescription market for proton-pump inhibitors, he added, with shares of 32%, 26% and 16% respectively.

Only one of the main product categories in Europe's non-prescription market went backwards. Sales of weight-loss products fell by 5.9%, as GlaxoSmithKline Consumer Healthcare's Alli weight-loss medicine (orlistat) struggled during the 12 months to the end of the first quarter of 2011.

Alli is one of a basket of more than 100 non-core OTC brands that GlaxoSmithKline is seeking to divest (OTC bulletin, 29 April 2011, page 1). Its potential sale comes around two years after it was launched in Europe, after becoming the first non-prescription medicine to be authorised through Europe's centralised procedure. Alli achieved sales of £105 million (€120 million) in the nine months after its launch across the European Union, making it the third best-selling OTC brand in Europe.

The poor performance of Alli during the 12 months to the end of the first quarter of 2011 took its toll on GlaxoSmithKline Consumer Healthcare, and the company's total non-prescription sales in Europe dropped back by 7.8%. Tisman noted the firm had been the "biggest loser" of the top 10 players in the region.

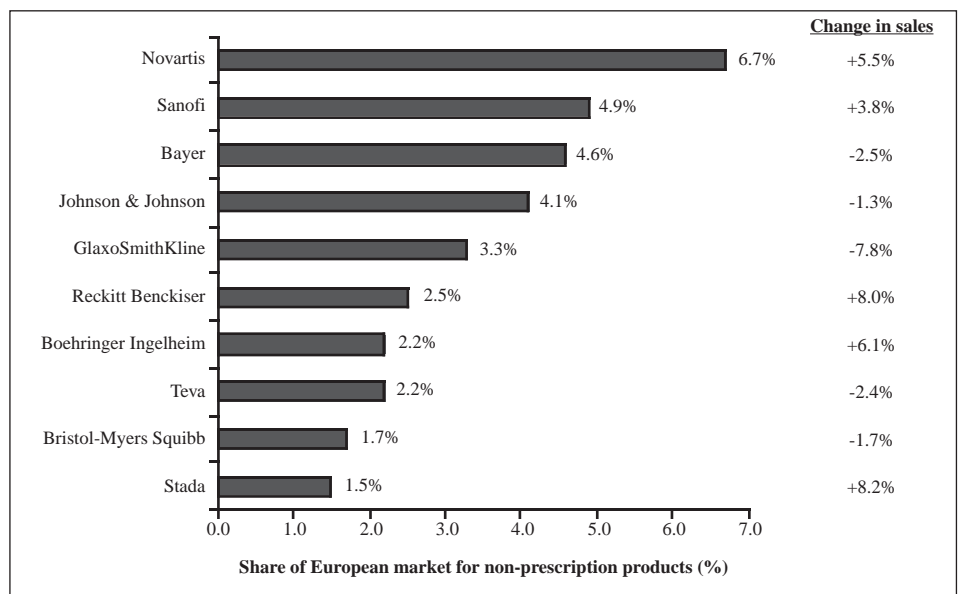


Figure 13: Top 10 companies in Europe ranked by sales of non-prescription products in the 12 months to the end of the first quarter of 2011, together with sales growth for the year. Figures are based on sales in euros at manufacturers' selling prices (Source – IMS Consumer Health's OTC Review Plus)

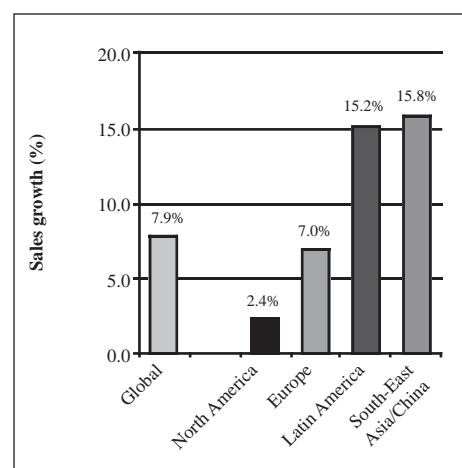


Figure 14: Forecasted sales growth for the global non-prescription market and the key regions of the world over the five years from 2010 to 2014 (Source – IMS Consumer Health's OTC Review 2010)

Novartis was the leading company with a 6.7% value share of the total non-prescription market in Europe, and sales growth of 5.5%. Stada and Reckitt Benckiser were the fastest-growing firms, with sales growth of 8.2% and 8.0% respectively (see Figure 13).

Tisman drew attention to the fact that half of the top 10 players had matched or beaten the average market growth across Europe of 3.4%. This was a more positive picture than in previous years, he said, when most of the big players had failed to keep up with the average market growth.

With a couple of exceptions, added Tisman, all of the big players had managed to achieve short-term growth that matched their long-term picture.

Looking ahead, Tisman said the developing regions would continue to provide the majority of growth in the global non-prescription market. IMS Consumer Health is forecasting a compound annual growth rate (CAGR) of 7.9% for the global non-prescription market over the next five years. South-East Asia/China and Latin America are expected to lead the way with CAGRs of 15.8% and 15.2% respectively (see Figure 14).

Within Europe, which is forecasted to have a CAGR of 7.0%, Central and Eastern Europe would continue to drive growth, said Tisman. Western Europe's CAGR is expected to be 4%, while the forecast for Central and Eastern Europe is 14%.

Commenting on key markets in Western Europe, Tisman said France was expected to return to modest growth with a CAGR of 2.5%, and Germany should remain stable with no growth over the medium term. "Italy has the most optimistic outlook with a CAGR of 6%," he added.

In Central and Eastern Europe, forecasted Tisman, Russia would be the main driver with a CAGR in excess of 15%.