



Having significantly expanded its OTC presence globally through its joint venture with Novartis, GlaxoSmithKline (GSK) Consumer Healthcare is keen to conquer the digital space, according to its new worldwide head Brian McNamara. Matt Stewart reports.

GSK to lead digital revolution

“There are real opportunities to advance in consumer healthcare in the digital space,” according to Brian McNamara, chief executive officer of GSK Consumer Healthcare. “This is an area where I want GSK Consumer Healthcare to lead the industry.”

Speaking to *OTC bulletin* earlier this month, McNamara – who took over as head of GSK Consumer Healthcare in October last year (*OTC bulletin*, 7 October 2016, page 23) – insisted that the company was fully committed to exploiting the benefits of digital, and would accelerate its activities in the area.

“One of the first things I did was to hire a global chief digital officer in Marc Speichert, who is very well known in the consumer goods and technology industries, having worked at L’Oréal and Google,” McNamara pointed out.

Speichert was leading an “external digital advisory board”, McNamara said, designed to bring together top external digital and technology experts to “really challenge us and our strategic thinking and make sure we are thinking about this in the right way”.

Explaining how GSK thought about digital, McNamara said that the “base fundamental” of the area was search, which he claimed might not be as “sexy” as social media, but was crucial to online success.

“To be successful in search you have to have the right content,” he claimed, “and then we

need to be where our consumers are.”

“We know that return on investment (ROI) on our digital marketing is higher than our ROI on traditional marketing because we can be more targeted,” McNamara revealed.

“I don’t watch much television anymore, but my daughter is 20 years old and I don’t think she has turned on a television in over three years. Everything is watched on her laptop through streaming services like Netflix,” he explained. “My daughter’s generation do not engage like before, so as they grow up, we need to be with them.”

Use data to innovate

Digital innovation through the best use of data was also a key factor in succeeding in the digital world, McNamara said. It was key to learn how best to incorporate that into the firm’s innovation activities going forward.

“A second big fundamental in all of this will be data analytics,” he said. “You can have all the big data in the world, but we need to learn how to better leverage that data to get insights, drive innovation and grow our brands.”

Questions around data privacy would also have to be answered, especially in such a sensitive field as healthcare, McNamara admitted, but he was confident that GSK had all the systems and processes in place to handle consumer data appropriately.

“Lastly – but of no less importance – there is e-commerce,” he pointed out.

“E-commerce is where you can really see a blurring of these different factors,” McNamara

claimed. “Amazon is the largest product search engine in the world,” he said, “with consumers not just using Amazon to buy products, but to search for them and get information about them too.”

Turning to social media, McNamara pointed out that this had changed the way industry thought about the content it created.

Content had to be relevant to the online communities that companies wanted to engage with, McNamara stated, using the example of GSK’s ‘What does a Migraine Feel Like?’ online campaign for its Excedrin migraine product.

Using a consumer insight gleaned from migraine sufferers – that they felt that no one understood what they went through and dismissed migraines as just headaches – GSK had created a migraine simulator using augmented reality technology that friends and family members of migraine sufferers then used to experience what their loved ones went through.

The video had had a major impact, McNamara said, both in making migraine sufferers feel like they had been listened to, and in educating people about what a migraine really was and the impact it had on people.

“Success on social media really does have to start with the content,” he insisted. “If you get the right content out there, then people will access it in any number of ways. But it has to be meaningful and add value. If it does, then it will allow you to engage in a conversation.”

“Digital and technology will be behind the growth of a lot of categories, not just consumer

healthcare,” McNamara pointed out. “People have access to a mass of data, so if you are not proactively understanding how you meet those needs, then someone else will.”

Going it alone would also not be wise, McNamara cautioned, adding that partnerships would be crucial, noting GSK already worked closely with Google and other digital technology firms.

There was also a need for industry to partner with the regulators, he insisted, to ensure that the regulatory environment was right for the OTC industry to take advantage of the opportunities in the digital space.

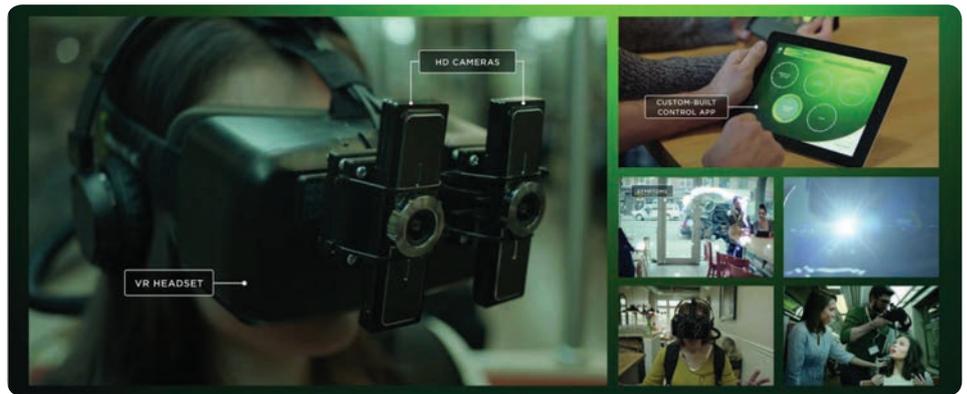
The OTC industry had been a little slow to really engage with the digital world, McNamara admitted, but the space was still evolving and industry needed to get on board.

Away from innovation in the digital world, McNamara said that GSK’s strategic priorities – announced shortly after the joint venture with Novartis was finalised (*OTC bulletin*, 22 May 2015, page 1) – remained in place.

“Overall, the vision we laid out remains intact with little things on the fringes changing on certain brands through market dynamics,” McNamara said. “This whole vision of focusing on seven ‘powerbrands’ has been extremely successful for us and it will continue to be,” he maintained, “as these are the brands with a right-to-win, strong consumer benefits and strong gross margins.”

McNamara – who led GSK Consumer Healthcare’s Europe and the Americas unit prior to taking over from Emma Walmsley, now GSK’s chief executive officer. He inherited a business which posted sales up by 9% to £7.19 billion (£8.19 billion) in 2016 (see Figure 1).

Turnover was split between four core categories. These were led by Wellness – which in-



Excedrin’s first augmented reality migraine simulator

cludes the bulk of the firm’s OTC products – which generated over half of Consumer Healthcare’s sales in the 12 months (see Figure 2).

In terms of geographies, countries outside the US and Europe accounted for over £3 billion in sales (see Figure 3), but the traditional European markets, together with the US, were still responsible for over half of total sales in 2016 (see Figure 4).

Strategically, the company was committed to its focus on its seven global powerbrands – Otrivin, Panadol, Parodontax, Polygrip, Sensodyne, Theraflu and Voltaren/Voltarol – and its 12 core regional brands, McNamara said, which account for approximately 90% of Consumer Healthcare’s growth.

Expanding on how the firm balanced its global ambitions with the need to cater for local tastes, McNamara said it operated two models.

“Voltaren and Sensodyne are unbelievable global brands,” he explained, “in the sense that the same packaging, products and advertising just works all over the world and they have been incredibly successful worldwide.”

“But if you get into something like Theraflu, a cough/cold brand,” he continued, “the regulatory environment for cough/cold products is very different country by country, plus we have some tremendous local cough/cold brands.”

“We would not introduce Theraflu into the UK when we have Beechams,” McNamara said. “What we do is use Theraflu as a platform. As one of our powerbrands we invest heavily in innovation to drive Theraflu’s growth in the markets where it is present, then leverage that innovation to grow Beechams in the UK.”

“It’s smart to not be global for the sake of it,” McNamara insisted. “There are some really important regional/local brands in our portfolio,” he added, “Horlicks in India is a massive healthcare brand, while in China we have Bactroban and Contac. Those are brands that have been there for a long time and we are not going to change those strong brand equities.”

However, McNamara warned, you could not focus on everything, which was why the company had made a clear decision on the brands on which to concentrate and in which to invest.

Business	Annual sales (£ millions)	Change (%) [*]	Proforma
Wellness	3,726	+15	+6
Oral health	2,223	+8	+8
Nutrition	674	-8	-9
Skin health	570	+4	-2
Total Consumer Healthcare	7,193	+9	+5

* Change is at constant exchange rates

Figure 1: GSK Consumer Healthcare’s sales in 2016 by business unit. Proforma sales comparisons include Novartis Consumer Health in January and February 2015 (Source – GSK)

Region	Annual sales (£ millions)	Change (%) [*]	Proforma
International	3,241	+8	+5
Europe	2,191	+12	+4
US	1,761	+9	+5
Total Consumer Healthcare	7,193	+9	+5

* Change is at constant exchange rates

Figure 3: GSK Consumer Healthcare’s sales in 2016 by region. Proforma sales comparisons include Novartis Consumer Health in January and February 2015 (Source – GSK)

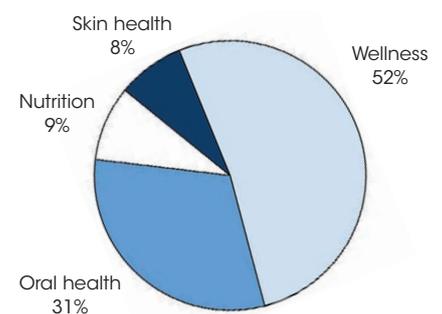


Figure 2: GSK Consumer Healthcare’s 2016 sales of £7.19 billion by category (Source – GSK)

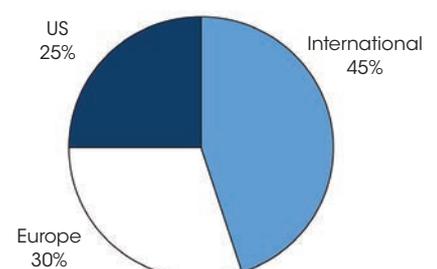


Figure 4: GSK Consumer Healthcare’s 2016 sales of £7.19 billion by region (Source – GSK)

Growing these brands, however, remained difficult, McNamara pointed out, as “innovation in the OTC space is hard”.

While much of the innovation in OTC medicines might look simple, McNamara argued, the science behind products like the firm’s Voltaren 12hr line was complex and difficult to achieve.

“With Voltaren 12hr, people may have thought ‘what is the big deal, it now has 2% diclofenac instead of 1%?’,” he explained. “But from an innovation perspective it was incredibly challenging. It was not just about adding more diclofenac, it was about getting more skin penetration and to do that we had to create a technology that allowed diclofenac molecules to penetrate the skin faster and get to the site of pain faster.”

Voltaren 12hr was not created merely as an exercise in getting more skin penetration, he pointed out, but as a way of addressing a real consumer need. Applying the product once every 12 hours instead of four times a day was a huge benefit, especially for a topical product.

The lesson, McNamara said, was that while innovation was hard, placing consumer insights and unmet needs at the centre of the innovation strategy made it easier to find the opportunities to expand a brand.

Furthermore, innovation no longer had to mean just innovating on the physical product, McNamara said.

“I think opportunities around packaging innovation are also important, and I look at that Excedrin viral video. While you could dismiss it as marketing, I see it as innovation,” he maintained. “We found an unmet need – that migraine sufferers found they had to explain to people what they go through – and used technology and video content to address it.”

A key area of innovation for GSK remained prescription-to-OTC switches. McNamara pointed out that switches were crucial, not just to drive growth in his own business, but that of the industry as a whole.

There was a need for simplification in the switch environment in Europe, McNamara said. He welcomed recent comments by Karl Broich, director general of Germany’s federal institute for drugs and medical devices, BfArM, that a “mind set change” was needed to ensure work aimed at simplifying and formalising approval processes for switching products in Europe was a success (*OTC bulletin*, 16 June 2017, page 13).

On GSK’s switch plans – the company announced in May 2015 that it wanted to achieve a prescription-to-OTC switch every five years (*OTC bulletin*, 22 May 2015, page 1) – McNamara said that while he could not reveal details of what the firm was looking at, it did have a “dedicated switch team” reviewing opportunities “both inside and outside” its current categories and

“really driven by consumer needs and trends”.

McNamara also agreed that there was a need for more categories to transfer over into the non-prescription space, citing the success of the allergy category in the US.

“It wasn’t until Claritin was switched over a decade ago in the US that allergy became a consumer healthcare category,” he pointed out. “Now it is a key driver of the consumer healthcare market, helping both consumers and healthcare systems.”

“I do think that for self-care to continue to evolve, more and more categories need to come into the self-care space,” McNamara argued.

Non-organic growth of the business was also on the agenda, McNamara revealed, although he was keen to point out that any buy out of Novartis’ 36.5% stake in the OTC joint venture was a decision for the Swiss firm first and foremost.

Novartis could choose to exit the joint venture as early as March 2018 when its put option kicks in, with Walmsley admitting in May this year that its partner’s potential exit was the “first item on the agenda” when it came to mergers and acquisitions in the consumer healthcare space (*OTC bulletin*, 12 May 2017, page 5).

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Away from any potential deal with Novartis, McNamara said the company was, as expected, keeping a keen eye on the market and was ready to move on interesting opportunities.

“We have our targets of brand/country combinations,” McNamara said. “Even though we are a big player, we still only have a 5% share of the global OTC market. If anything came on the market that we felt would add value to our business, we would be highly interested in evaluating and pursuing it.”

Turning to the global environment, McNamara – who now has his home in London where GSK is based – noted that the company was not clear on how the UK’s exit from the European Union (EU) would impact the Consumer Healthcare business. However, GSK, at a corporate level, was “very involved in trying to influence how Brexit goes”.

“I think the key thing is maintaining a stable and predictable regulatory environment between the UK and EU,” he stated, “and a harmonised regulatory and legal structure for OTC medicines.”

“Ease of movement of people is also critical,” McNamara added. “The best and brightest talent around the world is what a global company like GSK needs,” he pointed out, “not just on a technical level, but also to foster the cultural

diversity we need as a global company.”

Meanwhile in the US, McNamara welcomed the moves towards reforming the OTC monograph system.

GSK supported establishing a user-fee system, McNamara revealed, as it would help foster innovation.

Elsewhere, McNamara said that recent issues that had cost the company sales in India and Latin America were simply the cost of doing business in developing economies.

The demonetisation of 500 and 1,000 rupee bank notes in India had a big impact on Consumer Healthcare’s sales in the country, McNamara admitted, but the thinking behind the move – to crack down on the black market economy – would in the long-term help the economy.

“I think this short interruption is a good thing as it’s working to clean up the market in the long term,” he maintained, noting that the Indian government was now set to tackle the country’s “extremely fragmented tax structure”.

“This tax restructure will also impact us as what was once taxed at cost of goods level will now be taken off the top line of the business,” McNamara pointed out. “But in the long-term it will help further simplify doing business in India.”

Meanwhile, the instability in some Latin American markets would be overcome, McNamara said. GSK would keep people on the ground and keep focusing on winning in the company’s product categories.

“You need local people on the ground that understand the market,” he explained. “In the end, what is important is that you win in the marketplace. You can win in a declining market or win in a growing market.”

A region where the GSK was certainly looking for strong growth was Asia, with McNamara highly enthusiastic about the company’s new regional headquarters in Singapore as a platform to drive growth in Asia.

“Singapore is our base for emerging markets in Asia and it is spectacular,” he said. “It gives the company an even greater capability to gather local insights and address the specific needs of the region.”

The days of taking an expensive Western product and “just rolling it out in these markets” were over, McNamara claimed, highlighting pollution as a big issue in many developing markets and the need for GSK’s future portfolio to address this issue.

GSK’s refusal to address consumers as one homogeneous group, McNamara explained, added to the company’s growing capability in digital technologies to access local insights, would ensure the business was successful in the coming years.