



The advent of new technologies to monitor health, combined with a need to cut healthcare budgets worldwide, is creating a fertile environment for the consumer healthcare industry. Euromonitor's Monica Feldman tells Matt Stewart why the future is bright for the OTC industry.

Tech opens a window for OTC

As consumers continue to look for help to better manage their health and wellness, technology is making it easier and safer for people to use more innovative medicines for their self-care. This convergence, according to Monica Feldman, head of industry research at Euromonitor, is opening up a unique window of opportunity for the consumer healthcare industry to broaden its horizons.

Pointing out that Euromonitor expects the global consumer health market to grow by 3.1% in 2016 (see Figure 1), Feldman maintains that the industry remains a “strong hub for invest-

ment and development”.

“More than ever, healthcare systems around the world are under significant stress to lessen the financial burden of delivering services,” she explains. “As a consequence, we are seeing a push to switch drugs from prescription to OTC status, especially in the respiratory and gastrointestinal categories.”

As this trend becomes more pronounced, Feldman continues, other more complex therapeutic drugs with proven safety and efficacy data will benefit from the advent of digital monitoring technologies and enter the sphere of self-care. “This will widen the horizon for the con-

sumer healthcare industry,” she insists.

Alongside these trends, consumers are moving towards a more holistic approach to their own health – involving nutrition, fitness, medical data, healthcare professional advice, biomarker diagnostics, pharmacogenetics and life coaching. This approach, she believes, is ushering in a period of personalised healthcare.

“Consumers are smitten with the attractions of wearable devices and web-based applications that help them track and monitor their health from many different angles,” she points out. “By using their smartphone, tablet or computer, individuals can not only track their diets, fitness, weight loss, and sleep patterns, but also monitor their blood pressure, blood glucose, testosterone level, body temperature, allergies, mental health, ear and eye health, and see their lab results with a simple click.”

Read-outs from these tracking and monitoring devices will eventually be recorded and uploaded to people’s personal-health records (PHRs) and to digital spaces that will merge with their electronic-health records (EHRs), Feldman claims, creating an “amazing and comprehensive view of their individualised health”.

From a consumer healthcare industry perspective, eHealth and mHealth are becoming key allies. They are bolstering clinical studies and supporting patient adherence protocols, while monitoring health and epidemiology patterns across populations, she adds.

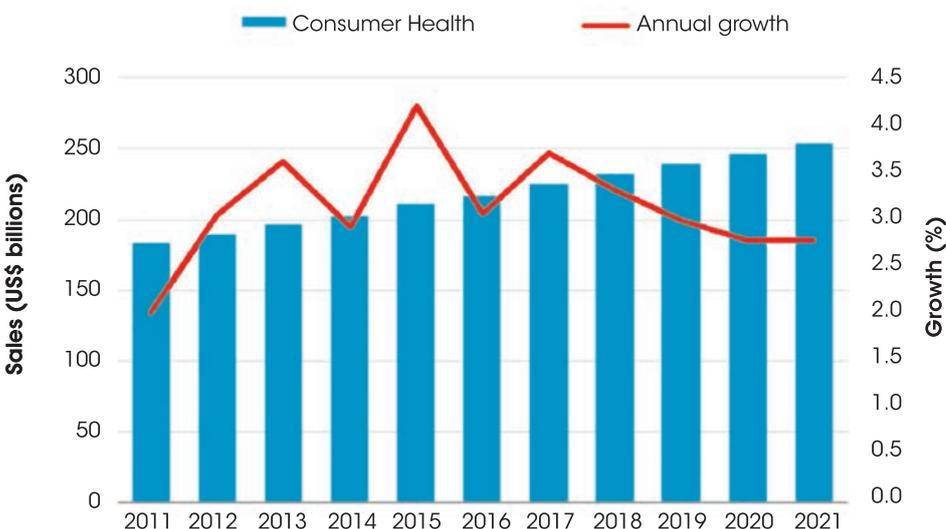


Figure 1: Actual and forecasted sales and growth for global consumer healthcare (Source – Euromonitor)

“Their effective use to promote OTC switches to balance benefit/risk is yet to be seen,” Feldman concedes. “Although these technologies may be used as part of actual use, self-selection and labelling studies, the missing link is connecting EHRs and PHRs at the point of sale for safer dispensing of novel OTC therapeutic categories that comply with what regulators require in the self-care setting.”

She foresees these technologies converging into a scenario where relatively healthy consumers can gain access to new OTC therapies, while a pharmacist can quickly see if the health status of an individual is satisfactory.

“If this scenario becomes a reality, then it will lead the way to an individualised approach to the dispensing of certain novel OTC drugs for erectile dysfunction, hypertension, incontinence, asthma, diabetes and more,” Feldman claims, “as long as the individual’s risks are minimised based on his/her current health status.”

“This virtual safety net could potentially allow the industry to conquer new possibilities for the expansion of self-care and responsible self-medication,” she forecasts.

A number of consumer healthcare players are already heavily involved in technology, Feldman points out, citing the work Pfizer is doing with the Galvanize incubator.

In February, Pfizer launched its ‘Health and Wellness Innovation Program’ in partnership with the US education company Galvanize (*OTC bulletin*, 19 February 2016, page 8). This programme, the company’s global head Suneet Varma told *OTC bulletin*, had already successfully worked with and supported 12 start-ups.

More recently, the company announced it would help a second cohort of firms access Galvanize’s network of technical talent and investors to develop innovations targeting ageing, energy, improved sleep, nutrition and stress management (*OTC bulletin*, 30 June 2016, page 7).

Pfizer is not alone, Feldman observes, noting Johnson & Johnson’s (J&J’s) Janssen division has partnered with the CircleUp incubator to gauge business opportunities around product discovery in the health and wellness categories. Boehringer Ingelheim, meanwhile, has been an “avid supporter of disruptive ideas” for the past five years by sponsoring research highlighting medical developments and technologies.

These types of projects, Feldman says, make solid strategic sense.

“On the one side, there are many younger entrepreneurs eager to start an innovative business with the goal to disrupt the industry,” she points out. “On the other are the big corporations wanting to save in-house costs related to product development, by scooping up fast-growing businesses that can help them expand in the marketplace with novel products and solutions.”

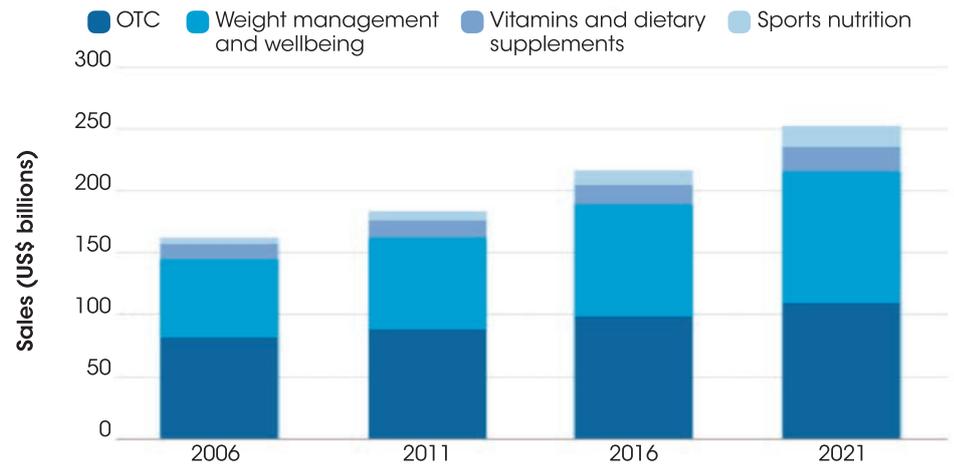


Figure 2: Actual and forecasted sales of selected consumer healthcare categories (Source - Euromonitor)

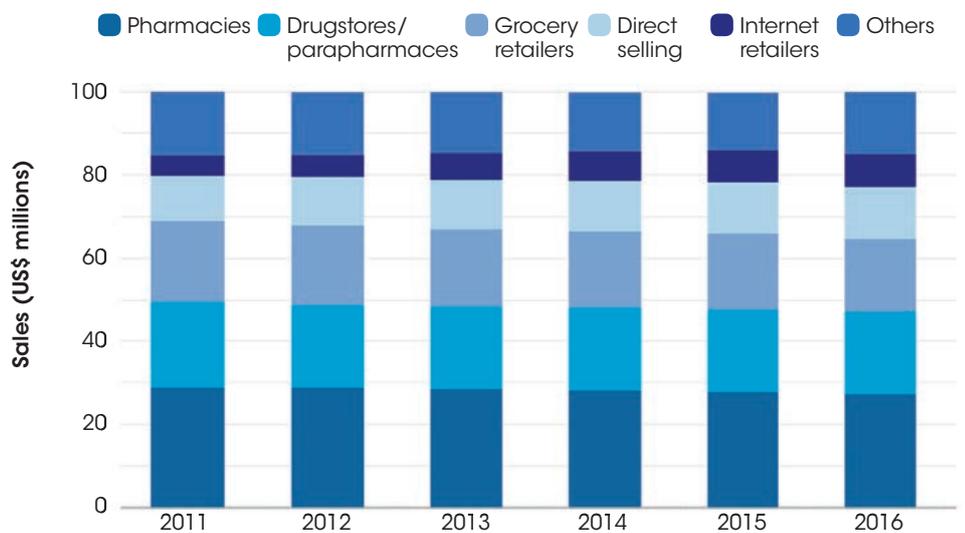


Figure 3: Breakdown of the global consumer healthcare market by retail channel (Source - Euromonitor)

“Similarly, smaller established companies offering unique products or health solutions have taken advantage of the power of the internet and social media,” Feldman claims, “to build brand loyalty and revenue that is eroding share from the big players.”

Prospects look good

Turning to what the remainder of 2016 will hold for the consumer healthcare industry, Feldman says that market prospects still look good. She expects future growth, despite some recent turbulence in the economies and political systems of some countries.

“After all, people still get sick and need medicines to help them recover,” she adds. “People are also now taking daily supplements to prevent illness. This will carry on no matter the state of the economy.”

However, there will be some downsides to the political instability, Feldman admits, with the UK’s decision to exit the European Union (EU) having the potential to disrupt supply chains based on international trade agreements.

Furthermore, this could also hinder efforts to harmonise prescription-to-OTC switches in the region, she adds.

Euromonitor’s “earliest and roughest estimates” for 2016 forecast that the global industry is growing by 3.1% at constant exchange rates, Feldman says. While this growth is one percentage point below the prior year, she notes, this is mainly due to a slowdown in some markets.

Retail sales are expected to reach US\$217 billion (€193 billion) this year, Feldman adds, with a cumulative average growth rate of 3.1% forecast for the 2016-2021 period.

What must be kept in mind, Feldman insists, is that 2015 was an exceptional year driven by a number of product launches and switches in the US allergy-care and gastrointestinal categories. By contrast, Euromonitor was seeing a slight deceleration in growth as the markets of Brazil and Russia contract, along with economic uncertainty in other countries.

Feldman states that the categories of analgesics, allergy, cough and cold products and vitamins and dietary supplements represent 62% of the market value.

However, the growing consumer interest in prevention and overall health maintenance, Feldman says, points to herbal/traditional products, weight-management and wellbeing lines, and sports-nutrition brands being the fastest growing

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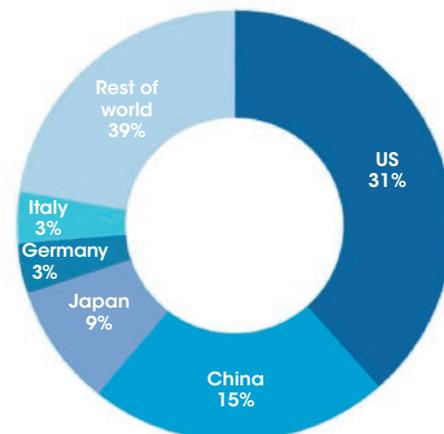


Figure 4: Breakdown of the global consumer healthcare market by country (Source - Euromonitor)

categories in the 2016-2021 period (see Figure 2 on page 21).

The US still dominates the consumer healthcare market globally, Feldman notes, with a 31% share of retail sales forecast for 2016 (see Figure 4). Moreover, only five countries – US, China, Japan, Germany and Italy – account for 61% of the total market, she claims, confirming that only a few geographies drive the industry.

Yet the fact that so few countries make up the majority of the market, means there are a lot of growth opportunities in markets with a 1% or 2% share, she points out.

These growth countries include developed countries such as France, Poland and South Korea, Feldman explains, along with emerging markets, including India, Indonesia, Mexico and Thailand.

Pharmacy the key channel

In terms of where consumer healthcare products are sold, pharmacy remains the top channel, Feldman says, with a 28% share of the market. Drugstores/parapharmacies represent the next biggest channel with a 19% share, followed by grocery retailers holding 18%, direct selling 12% and internet retailers 9% (see Figure 3 on page 21).

Despite being the smallest channel, internet retailers are by far the fastest-growing, Feldman points out, with sales rising by 15% in 2016.

Unsurprisingly, Feldman says, 88% of internet sales relate to dietary supplements, sports nutrition, vitamins, weight management and wellness products.

Looking forward, Feldman is enthusiastic about the industry's prospects. "Consumer healthcare remains a shining star in the fast-moving consumer-goods (FMCG) space," she claims. "It has strong prospects for growth due to a focus on health maintenance by consumers and also the fertile innovation environment as the big players embrace technological advances," she adds.