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After COVID-19, Consumer Health Firms Need To Rethink Their Innovation Strategies

by David Ridley

Given the scale of changes wrought by the coronavirus, IQVIA Consumer Health advises OTC companies to re-think their innovation strategies and consider "new and maybe more risky approaches," such as Rx-to-OTC switch, digitalization and personalization.

E-commerce, sustainability, personalization, naturals and wellness – these are just some of the big consumer health trends shaping the OTC industry as it emerges from the coronavirus pandemic.

The problem, however, is that the innovation strategies of most OTC companies are just not flexible enough to adapt to this fast-changing context, according to IQVIA Consumer Health.

Compared with other industries, consumer healthcare relies on products that have been on the market for a long time, resulting in relatively low "freshness index" ratings of about 15% in most OTC categories, IQVIA explained in a recent webinar.

IQVIA Consumer Health's associate principal, global consulting services, Marc Levy, compared the situation to someone walking into an Apple store: "It would feel strange if only a small corner of the shop carried the latest Apple Watch, or iPhone, and in the rest of the store you only had iPhone 5s, iPad's from 2016, and so on."

"Well this is what is happening in the consumer health market," he continued, "where about 80-90% of the market is still driven by non-innovation, highlighting the industry dependence on 'old products' and the risk this carries for the future as consumer tastes and needs evolve at a faster pace."

When OTC firms do innovate, research by IQVIA – which examined leading consumer health brands in several categories – found that four out of every five launches were new pack sizes, with only 20% qualifying as genuine innovation, Levy explained.

Regulatory Barriers

Complex and time-consuming regulatory processes are one of the main barriers to genuine innovation, which IQVIA's senior director, global consumer health R&D services, Volker Spitzer, suggested would in the post-pandemic context be driven by Rx-to-OTC switches, digital therapeutics and new business models such as personalized product offerings.

"Typically, a line extension around new flavors or galenical formats can take between one and three years, depending on the technical complexities," Spitzer pointed out. "In case you want to develop something like a faster acting pain product you need to count in also time for clinical development."

"For Rx-to-OTC switches it is not easy to predict timelines and each case is different," he continued. "As a company you need to demonstrate that the current prescription product is suitable as an OTC version. So you need to come with a proper argumentation for which you may also need to develop further clinical evidence. This can take time."

Fast-moving consumer goods companies, on the other hand, can improve product formulations, generate new claims and communicate these innovations to consumers via advertising all in a matter of weeks or months, Levy added.

To get around this problem, consumer health companies have turned to less regulated routes to market, for example food supplements, cosmetics and medical devices, Levy continued.

But in many cases, he said that these products – which are restricted in the kinds of health claims they can make, for example, "don't offer the same benefits to the consumer as OTC products."

Time To Rethink

Given the scale of changes wrought by the coronavirus, Spitzer argued that the time had come for OTC companies to re-think their innovation strategies and consider "new and maybe more risky innovation approaches."

"In the past, most companies went the lower risk and less innovative route because the business developed sufficiently well as such," he said. "But if you want to develop something like a big breakthrough innovation you need to count in more resources and time, which also means increasing your risk."

However, for those companies that cannot afford to take such large risks, the good news is that new technologies and research methodologies mean that firms can develop new and consumercentric claims for existing products without breaking the bank.

"Indeed, you can develop new meaningful claims and also indications without changing the products at all," he insisted.

"For marketing claims you can apply relatively simple real-world data studies in a retrospective way which allows you to bring in the voice of the consumers directly into your claim messages," Spitzer explained. "Especially for food supplements, medical devices and cosmetics this can work well."

With regards to OTC medicines, companies need to apply a "more scientific research approach" such as virtual real-world evidence studies, he said, or new digital biomarkers enabling the development of new claims and even new indications without changing the hardware."

Balancing Act

In general, companies should be looking at a mix of different approaches within a clear innovation strategy, Spitzer recommended.

In the past, Spitzer said that most OTC companies tended to focus mainly on what he called "core innovation" with a bit of "adjacent innovation" as well.

Core innovation is when companies keep products updated for an existing consumer group by applying minor tweaks around pack sizes, and new flavors or simple format adaptations, he explained.

With adjacent innovation, firms may still innovate around existing products but introduce something additional to attract new consumers, he said, for example some technological support.

"Typical examples are gummy based food supplements instead of tablets or more lately also new sustainability concepts for established brands," he said. "Another example are faster acting products in pain care. This already requires higher investments as you need to provide new scientific evidence through clinical studies triggered by regulation."

Breakthrough innovation, however, is the kind of innovation that companies do the least and is the riskiest but is where Spitzer said they can expect the most return on investment (ROI).

"Breakthrough innovation in consumer healthcare is really rare and by definition it will allow you to create or serve a new need providing almost unexpected products or services."

Spitzer suggested that firms should be looking at a 70/20/10 split between the three types – core, adjacent, breakthrough innovation respectively – in their strategies.