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Digital Disruption, E-Commerce And Developing Markets Key For OTC Spin-Out Success

by [David Ridley](#)

Building digital capabilities to ward off tech disruption from outside industry, making the most of the e-pharmacy boom, and living up to ESG commitments by investing in developing markets are all ways OTC spin-out companies can make the most of their new found independence, according to IQVIA Consumer Health.

Market entry by entrepreneurial tech firms, a growing online retail segment and white space in low- and middle-income countries are top priorities for OTC spin-out companies, argues IQVIA Consumer Health in a new blog.

Companies like Haleon are now in a unique position to “chart their own destiny” as standalone self-care firms and seize the opportunities presented by a growing global consumer health market, explained Amit Shukla, vice president of IQVIA CH’s Global Consulting Services.

Remaining profitable, despite the challenges posed by the coronavirus pandemic, with net margins in the 15-25% range, consumer health businesses have a “healthy base to separate from their pharma parent firms and thrive with their own focus and priorities,” Shukla said.

However, OTC companies are not the only ones seeking to profit from a booming self-care market, Shukla warned.

“Tech firms are seeking opportunities to break into healthcare and see an opening with data and tech-enabled devices and solutions,” he continued.

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“Consumers and patients are also becoming more open to sharing personal data for mining insights,” he added, “and real-world evidence (RWE), hybrid trials, artificial intelligence (AI) and machine learning driven commercial models are all developing fast.”

Tech Entry

The last few years have already seen moves by big tech into the consumer healthcare space, albeit with “mixed results,” Shukla pointed out.

Retail giant Amazon, for example, is creating an online healthcare platform through acquisitions of companies like Pillpack, One Medical and Signify Health, having moved away from its strategy of building its own Amazon Care telehealth and prescription delivery service. (Also see "[Minute Insight: Amazon Gives Up On Amazon Care, Shifts Focus To Acquisitions](#)" - Medtech Insight, 26 Aug, 2022.)

Google parent Alphabet Inc has also been experimenting with “digital therapeutics” via partnerships with pharmaceutical companies like Sanofi and Johnson & Johnson and “digital healthcare” firms such as iRhythm. (Also see "[Sanofi/Google Alliance To Apply Big Data To R&D, Commercial And Marketing Operations](#)" - Scrip, 18 Jun, 2019.) (Also see "[FDA Clears iRhythm's Afib-Detecting Wearable Running Software Co-Developed By Verily](#)" - Medtech Insight, 22 Jul, 2022.)

In cosmetics, Alphabet's Verily precision health business has partnered with L'Oreal to improve the latter's understanding of skin and hair and consumer needs at different life stages, which in turn will drive product development. (Also see "[L'Oréal, Verily Look To Unlock Skin And Hair Aging Mechanisms](#)" - HBW Insight, 24 Jan, 2022.)

“We believe that it is only a matter of time before a large tech firm acquires a mid-sized healthcare or med-tech firm to further go beyond data into actual products and formulations,” Shukla predicted.

E-Commerce

Another aspect of digitalization that OTC companies need to think strategically about is e-commerce, Shukla argued, which has enabled the explosion of online pharmacy channels in consumer healthcare markets that allow the online sale of OTCs.

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Greater flexibility, a higher tolerance to risk, longer investment time-lines and access to a wider pool of next generation talent are some of the benefits to consumer health businesses when separating from their pharma parents, according to IQVIA Consumer Health.

[Read the full article here](#)

“The pandemic has disrupted the status-quo and e-commerce/e-pharmacies are here to stay,” Shukla insisted.

Globally, the market share of online pharmacies stands at about 12%. However, this share will grow to 16-18% by 2025, according to IQVIA CH’s data.

The growth of this channel brings wider opportunities for small players to offer new, niche products at lower prices, Shukla noted. “With the expanding share of e-commerce as a channel, consumers will be more open to new innovative offerings from smaller and newer firms across the same categories.”

Large and mature consumer health firms will need to invest heavily in technology, people and capabilities to prevent erosion of their market share, he advised.

Outsourcing the R&D value chain, increased use of contract research organizations, use of RWE for claims generation, and investing in virtual trials are “some key levers for maintaining agility and edge,” Shukla suggested.

However, adequate investment in R&D will also have to be “balanced with the profit commitments to the street and so operational efficiency across the entire value chain,” he added.

Share The Wealth

Lastly, the consumer health industry must put its money where its mouth is when it comes to corporate social responsibility, Shukla said, in particular in fulfilling the vision of “health for all.”

“Profit is important,” he noted, “but any profit without societal impact is unsustainable and short-term.”

While the majority of the big OTC players are currently based in developed markets, mainly in the US, Western Europe and Japan, the bulk of their future consumers are in emerging markets, Shukla predicted.

To be true to their newly published environmental, social, and corporate governance strategies, consumer health companies need to focus “developing products, solutions and channels to get their products in the hand of the remaining four billion people who are currently not being served adequately.”

However, this is easier said than done, Shukla conceded, as many of the countries where these potential consumers are to be found are becoming harder to operate in from abroad.

“Consumer health firms have tried but then pulled back due to the challenges of succeeding in some of the key emerging markets,” Shukla explained.

“China is not getting any easier to do business in and several other markets are becoming more protectionist, for example India, members of the Commonwealth of Independent States like Russia and countries on the African continent.”