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Why Spin Out? IQVIA Consumer Health On The Standalone Trend In OTC

by [David Ridley](#)

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.

Pharma manufacturers spinning out their OTC businesses has become a major trend in the consumer health market.

GlaxoSmithKline exited the consumer health market in July with the successful separation of Haleon, while Johnson & Johnson intends to spin out its Kenvue business in 2023 (Also see "[GSK Exits Consumer Health With Haleon Launch](#)" - HBW Insight, 19 Jul, 2022.) (Also see "[Branding For J&J's Kenvue Cements Consumer Division Separation](#)" - HBW Insight, 7 Oct, 2022.)

Sanofi too may follow down the same path in the future after working to operate its OTC unit as a standalone business, and Bayer's CEO Werner Baumann is under pressure from investors to explore a similar move (Also see "[Sanofi Forms Standalone Consumer Healthcare Unit: Prelude To Spin-Off?](#)" - HBW Insight, 10 Dec, 2019.) (Also see "[Euro Q3 Consumer Health Earnings Preview: Helm Changes, Investor Questions, Results Debut](#)" - HBW Insight, 16 Oct, 2022.)

While these spin outs generate significant funds for pharma firms to invest in drug development, what are the benefits for the consumer health businesses themselves?

Firstly, separating from their pharma parents offers OTC firms greater capacity to adapt to changing consumer and customer needs, argued to IQVIA Consumer Health's Amit Shukla in a recent blog post.

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

“Pharma firms usually have slightly different targeting priorities from consumer health businesses when it comes to demand generation,” noted Shukla, who is vice president of IQVIA CH’s Global Consulting Services.

While consumer health firms sell brands and use messaging targeted at consumers, retailers and pharmacists, pharma business units “focus predominantly on doctors, payers and insurers with minimal consumer/patient targeting,” Shukla explained.

This gives OTC players more flexibility in terms of “where to focus and how to win,” he argued, and the ability to invest “more aggressively in digital, e-commerce and analytics over the coming years.”

Missing The Boat

This flexibility is also important when it comes to capitalizing on new wellness trends that traditional pharmaceutical companies may find too risky.

Shukla pointed to cannabidiol as an example. “Several large consumer health firms have been unable to engage and exploit the CBD opportunity as it would be at conflict with their parent company’s values and principles,” he noted.

Large players like Haleon, Perrigo and Stada Arzneimittel have started to make moves in the CBD space, which has a complex regulatory picture in both Europe and the US. (Also see "[GSK Signals CBD Interest With Agreement For Potential Australian Launch](#)" - HBW Insight, 7 Apr, 2022.)

When deciding whether to take advantage of such opportunities, the decision in pharma-dominated companies usually “goes above the consumer health business unit management,” Shukla said.

“This results in several potential partnerships being compared with other ongoing discussions at the parent level, thus impacting chances of final approval,” Shukla explained. “Now the final decision will likely rest with the new consumer health-focused board.”

End Of Switch?

Out Success

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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.

[Read the full article here](#)

Another tension between pharma and consumer health divisions that operate within a single company is the differing timescales of investment.

“Pharma companies usually sell every innovative drug under a specific brand name but there is little to no longevity focus,” Shukla noted. “Once the molecule is generic post patent expiration, most patients don’t even remember the brand name.”

OTC brands, by contrast, command loyalty from consumers. Shukla pointed to Haleon’s Panadol as an example, which is “globally one of the largest OTC pain brands was launched in 1960 and is available today in over 60 countries.”

In the past, having Rx and OTC under the same roof made sense, as companies could seek to switch molecules from the former to the latter when patents run out, bringing a second life to treatments that have proven their safety and efficacy.

However, with Rx-to-OTC switches becoming more challenging, innovation may in future come more from products on the borderlines between medicines, food supplements and cosmetics, or from digital solutions “beyond the pill.” (Also see "[J&J's Manoj Raghunandan On Becoming A 'Digital First' Consumer Health Company](#)" - HBW Insight, 10 Oct, 2022.)

New Talent

Finally, standalone consumer health companies can better seek out and retain the best talent from a rapidly changing labor market.

“People are the most important element that differentiates a successful firm from other competitors,” Shukla argued.

New consumer health firms like Kenvue and Haleon will be able to break out of the “pharma mind-set” and by exploring the kinds of new opportunities described above, “attract talent from new and varied industries,” Shukla explained.

With OTC companies now looking to become more like fast-moving consumer goods firms, they will need to bring in individuals with new skill sets, such as “agile decision making, test and learn approaches, fail fast mind-sets.”

At the same time, these new firms need to strengthen their data analytics, artificial intelligence and e-commerce capabilities, he added.