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IQVIA Consumer Health: Price Strategy Key To Beating Inflation In Europe's OTC Markets

by [David Ridley](#)

Europe's OTC companies should think carefully about their pricing strategies, given the complexity of the inflationary picture across the region. Examining case studies from Spain and Poland, IQVIA Consumer Health experts recommend looking at price elasticity for particular categories and brands, as well as acting quickly in case the window of opportunity for price rises disappears as inflation calms down.

With inflation continuing to cause havoc across Europe and impacting countries in different ways, companies need to think carefully about their pricing strategies, suggests IQVIA Consumer Health.

During a recent webinar on [global consumer health trends](#), IQVIA experts based in Spain and Poland recommended looking at price elasticity of particular categories and brands to see if there may be scope for further increases over the next few months.

However, firms must act fast, they insist, as inflation may be slowing down, and the window of opportunity for price rises may be closing.

National Differences

Inflation continues to shape European consumer markets, with the European Union annual inflation rate (AIR) still at 8.3% in March, according to Eurostat. This is down from 11.5% in October last year, but still extremely high.

At a national level, however, the picture can look very different. At one end of the scale we have

Spain, with an AIR of 3.1% in March, and at the other, Poland, which had an AIR of 15.2% in the same month.

For consumer health manufacturers, this presents a complex situation in which costs must be covered without losing customers. In other words, pricing strategies become key drivers of business growth.

Spanish Complexity

Analyzing the situation in Spain, IQVIA Consumer Health's Spanish business director Ignacio Chueca Closa examined the pricing strategies of companies operating in the market, finding significant differentiation between different kinds of players.

Just over two-thirds of consumer healthcare stock keeping units (SKUs) had seen price increases between December 2022 and December 2021, reported Closa. Roughly half were between 0 and 5%, with the rest over 5%. However, the number of SKUs with price rises over 5% is also now accelerating.

Nutrition manufacturers, particularly those selling infant nutrition, and personal care manufacturers, especially in dermocosmetics, are most likely to increase SKU prices over 5%, IQVIA CH data shows.

Larger players are also more likely to be more aggressive in terms of price increases, Closa said. "More than 90% of the big companies have increased their prices higher than 5%, while in the medium segment, it's only 60%, and in the small segment, slightly above 30%."

Price Elasticity

Understanding the concept of price elasticity is key to interpreting this complex Spanish picture, Closa said, and also to crafting a successful company growth strategy going forward.

Many nutrition and infant nutrition products are available outside pharmacy, which means there are many options for consumers to turn to, Closa explained. Prices are historically low in these categories, giving manufacturers a lot of headroom to increase them.

In the OTC market, regulatory limitations restrict choice, meaning that consumers are less sensitive to price. "So, manufacturers operating in this segment can maintain volume sales even when they are increasing prices," he pointed out.

Brands introduce yet another factor into this analysis. Brands can be elastic or inelastic depending on factors such as brand awareness, or the tendency for healthcare professionals to recommend particular products.

Consumers are more willing to pay higher prices for brands they trust, also giving manufacturers more scope for price increases – this may explain why larger manufacturers in Spain have tended to price up, Closa said.

Window Closing

When deciding what to do about inflation, then, manufacturers must first “assess what is the elasticity of their strategic brands,” Closa suggested. But they must do so soon, as the “opportunity window” may be closing, he warned, at least in Spain.

In Spain, the inflation rate has fallen from 9.8% in March 2022, and according to Closa, is set to drop to 2.1% in 2024. “If inflation is normalized in Spain, it will be more difficult for the consumer and for the pharmacy to assume these price increases,” he noted.

However, new economic troubles are rumbling their way across the Atlantic, Closa pointed out. “We had the collapse of the Silicon Valley Bank in the US, and then Credit Suisse in Switzerland. So now the EU central bank must decide if it wants to focus on controlling inflation or preventing a financial crisis.”

Currently, the central bank wants to control the inflation, he explained. “So we have to take action quickly and implement the price increases in the first half of the year. If the central bank changes the strategy, the opportunity window will be longer.”

Polish Exceptionalism

Meanwhile in Poland, where inflation remains extremely high at 15%, the consumer healthcare market is defying expectations, explained Dawid Czajkowski, senior consultant for IQVIA in Poland.

The war in Ukraine, which might be expected to be a significant drag on growth for neighboring Poland, has actually turned out to be a growth driver, Czajkowski revealed.

“The war has impacted the Polish market in two ways,” Czajkowski said. “Firstly, there has been a mass movement of people buying consumer health products in order to send them as an act of support to Ukraine.”

“Secondly, there has been a mass migration of people. Since the war started, around 1.5m, maybe even 2m refugees, have settled down in Poland. And we believe this was one of the reasons why we can see here that the sales volumes in 2022 were generally above the historical levels from the previous three years.”

On top of this, Poland, like many other EU countries, saw the return of the cough and cold season at the end of last year, which “only further accelerated the already high last year growth,” he

added.

Room For Growth

As in Spain, most manufacturers, especially larger, top-20 players have increased prices to cover rising costs, Czajkowski said.

IQVIA expected this to result in fewer purchases, but actually, the average value of pharmacy shopping baskets is actually still growing, Czajkowski continued. In fact, he said, the Polish consumer health market posted an impressive 17% sales value growth in 2022.

With inflation still higher than consumer healthcare product price rises, and average salaries in Poland keeping pace, Czajkowski suggested that “there are still many categories with further potential for pricing increases.”

Like his Spanish colleague, Czajkowski advised manufacturers to “really take a look at their product portfolio” and conduct a price elasticity analysis in order to identify the categories or particular SKUs with the most room for price increases.

If appropriate, Czajkowski also urged manufacturers to “start adjusting the prices straight away,” as “any month that we miss the opportunity for further growth at the beginning of the year may be really difficult to catch up later in the year.”

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