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# AESGP Annual Meeting: OTC Firms Must 'Innovate Harder' To Realize Growth Opportunity

by [David Ridley](#)

Industry can look forward to a global OTC market compound annual growth rate of around 7% over the next few years, according to IQVIA Consumer Health. Innovation will be key to ensure individual companies realize this level of growth. IQVIA CH's Amit Shukla and Simon-Kucher & Partners' Clemens Oberhammer point to some key consumer trends to keep an eye on at the recent AESGP Annual Meeting in Brussels.

The “future is bright” for OTC manufacturers, according to IQVIA Consumer Health.

The global OTC market is set to grow at a compound annual growth rate (CAGR) of 6.8% over the next five years, reaching a high point of 7.4% in 2028, IQVIA CH's Amit Shukla told attendees at the Association of the European Self-Care Industry's 60th Annual Meeting in Brussels, Belgium.

“There's so much opportunity,” enthused Shukla, who is IQVIA CH's vice president, global consulting services. “People are searching. They are hungry for innovation. They are hungry for access.”

But to realize this opportunity, OTC firms need to “stay ahead of the game,” he warned. Private label store brands are “innovating faster and faster” and are “right on our heels.” So branded players have to “really accelerate and grow ahead,” he said.

## E- Commerce

Health and wellness spend is still a key priority for consumers, Shukla explained. But they are “pushing hard” for value. “They will change stores. They will probably look for cheaper options.

They will go to e-commerce and then eventually trade down as well. We're seeing a lot of trading down in America, also in some emerging markets as well," he noted.

To stay ahead of the competition, brands have to differentiate, Shukla said. "There are brands that have been around for 100 years because they've differentiated, they've understood the consumer, and they've adapted their operations."

This is particularly important online, where consumers are increasingly shopping for bargains, he pointed out. "Consumers are evolving, they're absolutely connected. They're omnichannel. And they're staying that way, they're not changing."

According to IQVIA CH data, the online pharmacy channel is growing faster than its bricks-and-mortar equivalent in many European OTC markets, with double-digit growth in the Czech Republic (30%), Slovakia (28%), Sweden (30%), Italy (22%), Poland (14%) and Spain (12%).

The firm predicts that e-commerce will settle at around 18-20% of the European OTC market by channel, with this share changing depending on category.

For companies – which are currently doing about 10% of their sales through e-commerce, according to IQVIA CH – e-commerce is "something to not fear, but to accept, because it will never completely be a majority share," Shukla commented.

## **Artificial Intelligence**

Pharmacists, on the other hand, especially those in community pharmacy, may have more to worry about with regards to digitalization. As well as e-commerce, consumers are also increasingly turning to other, online sources of health information, Simon-Kucher & Partners pointed out.

"In the past, the pharmacy, the healthcare professional, was the main source of information," explained Simon-Kucher senior partner and consumer health chief, Clemens Oberhammer, speaking on the same panel. "People now look much more for information on the internet."

With the rise of artificial intelligence powered chatbots, Oberhammer predicted that consumers will increasingly look not just for information online, but also advice.

This will be a "tremendous change," he said. "We don't believe that this will replace the HCPs, necessarily, but it will definitely replace this way of looking for information, and, potentially, help people to make more informed decisions."

In case anyone is thinking this is science fiction, Oberhammer pointed out that it took ChatGPT



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only two months to acquire 100m users, compared to four and a half years for Facebook.

“Today, around 60% of consumers have used AI in some way, and health is the number three reason why they do so. So I think you can hopefully agree that this is a trend that will develop quite fast, and you're going to see a change quite quickly here.”

With regards to pharmacists, companies can use AI to help them also take advantage of the self-care opportunity. “Pharmacists are great. They have a lot of knowledge, but let's also face it, they can't be experts in everything,” Oberhammer said.

“AI can help them to also give advice on topics that they may be not so familiar with. It can help them to make more tailored recommendations on what kind of products to use, for example.”

## Sustainability

Another important consumer trend is for sustainable products. However, the key question for manufacturers is whether they will pay more for them. Oberhammer suggested they might not, even though a third of respondents to Simon-Kucher's survey of AESGP members said they believe that consumers are willing to spend more on sustainable OTC products.

Either way, “there's one mistake you must not make,” Oberhammer warned. “Just because people are not willing to spend more on a sustainable product does not mean that there's no demand for them.”

“There's actually a huge demand for sustainable products, and if people have a choice between a non-sustainable product and a sustainable one, they're going to buy the sustainable one,” he said.

Shukla agreed that sustainability is an important trend, but disagreed with Oberhammer on price increases. “We've done research as well that shows consumers will pay about 5% more. Best case, they'll pay 10%,” he said.

“But if you ask them, they don't want to pay anything more. They want sustainable products at zero price increases. And that's the challenge for all of us, companies, associations, organizations, countries, to make that happen.”

## Prevention

Preventative health products, on the other hand, are something that Oberhammer thinks consumers will definitely spend more on in future.

According to a 2022 Simon-Kucher survey, 84% of global consumers are already actively engaging in disease prevention. Two thirds of respondents reported spending more than €21 (\$22.50) per month on preventative health products, and 43% expected to spend more in future.

“The good news is that many people already engage in prevention,” Oberhammer commented. “The second piece of good news is that people are actually also planning to invest even more.”

For Shukla, gut health was an particularly promising area of prevention that companies should keep their eye on.

Sales of digestive remedies, for example, grew by 8.4% in 2023, according to IQVIA CH, with the category now commanding about 15% of the global OTC market. “Anybody in probiotics?” Shukla asked. “They are just flying off the shelf.”

## Get Focused

Ultimately, despite the wealth of opportunity that these trends provide, companies should not try and do everything, Shukla advised. “You don't have to be about every category. Focus on the categories that you are in and ride them hard.”

In the end, innovation is about developing compelling products that can be sold at affordable prices, he summarized. “What we're talking about is changing the way we think about developing, communicating and launching products. This is where the leaders have to lead.”