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2020 In Review: HBW Insight's Five Key Takeaways For The European OTC Industry

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HBW Insight extracts five key lessons from 2020, the year the coronavirus pandemic swept its way across Europe.

In the year of the coronavirus pandemic the consumer healthcare industry faced unrepresented challenges, while also navigating new opportunities.

As lockdown measures were introduced across the region, consumers stocked up on OTCs benefitting certain categories – analgesics, cough and cold medicines – while pulling the rug from under others.

In Germany, for example, sales of flu remedies almost tripled during what Sempora Consulting called the “boom phase” of the pandemic, with analgesics also getting a 56% boost compared to the beginning of the year. (Also see "[The Bubble Bursts: Germany's OTC Market Slumps As COVID-19 Impact Deepens](#)" - HBW Insight, 4 May, 2020.)

This put enormous pressure on “just-in-time” supply chains, already cracking under the strain of borders closing not just in China and India, where many active pharmaceutical and supplement ingredients originate, but also within the European Union Single Market. Numerous

HBW Insight's 5 Lessons:

#1 Invest In Key Brands

Now's the time to invest in flagship brands and trending products to grab market share from the competition.

#2 Reconnect With Pharmacy

Explore digital means of engaging with pharmacy, which remains a key source of trusted information about OTC products.

countries across Europe restricted sales of OTC drugs to maintain supply and counteract stockpiling. (Also see "[COVID-19 Prompts OTC Sales Restrictions Across Europe](#)" - HBW Insight, 26 Mar, 2020.)

Much of this panic buying took place online, creating a opportunity for consumer health firms to develop their e-commerce offering.

While e-commerce has been threatening traditional retail channels for years now – especially in markets dominated by traditional, bricks-and-mortar pharmacy models, like Germany – the pandemic accelerated this trend, bringing digital disruption forward by a decade or so.

Seeing a 40% plus boost to its European online sales, Perrigo CEO Murray Kessler said that the shift presents an opportunity to broaden the company's e-commerce business and sell its regional OTC brands – which he described poetically as "a string of pearls" across multiple countries.

However, it was the food supplements sector that really benefitted from the huge shifts in consumer behavior seen during the height of the pandemic, particularly a concern to prevent COVID-19 infection by maintaining a strong general immunity.

In Spain, which suffered badly at the hands of the virus as it hit Europe, sales of vitamin C products tripled between February and April, according to IQVIA Consumer Health, with the food supplements for immunity category growing also by a staggering 146%. (Also see "[The New Normal? How COVID-19 Has Impacted Europe's Consumer Health Market](#)" - HBW Insight, 5 May, 2020.)

Against this backdrop of challenges and opportunities what the key lessons the consumer health industry can take from 2020? From the 50+ interviews HBW conducted industry leaders and experts, we have identified five key takeaways from a turbulent 12 months.

#1 Invest In Key Brands

Companies may be feeling risk-averse, given the disruption that the coronavirus has caused and

#3 Embrace Digital Innovation

Lean into the digital revolution, mining online data to create the blockbuster consumer health brands of the future.

#4 Leverage Local Partnerships

Identify local players to unlock new markets, using new methods of communication to build strong relationships.

#5 Accelerate Sustainability Strategies

Get ahead of the green revolution by putting environmental, social, and corporate governance (ESG) at the top of post-pandemic priorities.

the many unknowns that still cloud future-planning.

But now's the time to put money behind flagship OTC brands, particularly in terms of advertising spend, experts say.

"Rather than saving on marketing budgets it might be a good idea to invest when others don't, provided you can afford it," suggests Sempora Consulting managing partner, Tobias Brodtkorb. (Also see "[Post-COVID Strategy: Invest, Don't Save, Even If There's A Second Lockdown](#)" - HBW Insight, 17 Aug, 2020.)

Well-known brands have been weathering the storm of rapidly changing consumer habits relatively well, compared to brands and products marketed by "challenger" companies and start-ups, according to IQVIA Consumer Health.

"The desire to experiment and seek choice has been replaced by the need for reliable quality and branding," the market researcher explains. (Also see "[Survival Of The Fittest: IQVIA's Seven Rules For Post-COVID Success](#)" - HBW Insight, 15 Jul, 2020.)

Both Sempora and IQVIA point to the advantage that bigger consumer health companies have in being able to absorb the negative impact of changing consumer habits on some categories, and to throw significant resources behind those that are benefitting from these changes.

"Smaller challenger brands are going to find it tough to invest in this environment, so well-established, better resourced consumer health brands have an opportunity to regain share, leverage their scale and reclaim some of the market share lost over the last few years," IQVIA says.

#2 Reconnect With Pharmacy

Established brands have become even more important during the pandemic, as consumers turn to names and products they trust to navigate these uncertain times.

"Brands stand for a lot of things in the minds of consumers," notes Stada Arzneimittel's vice president of consumer healthcare product development, Steve Makin. "There's a lot of emotion and perception associated with certain brands." (Also see "[OTC Innovation In An Age Of Pandemics – Q&A With Stada's New R&D Head Stephen Makin](#)" - HBW Insight, 28 Oct, 2020.)

"However, the fundamental thing is trust, people need to trust those brands implicitly if they are going to part with their hard-earned money to buy it and assume that it is going to work for whatever indication or problem they're buying it for," he adds.

Pharmacists and pharmacy assistants have traditionally been an important source of trusted

information about consumer health products, and despite a shift towards e-commerce, consumers have also increasingly turned to this channel during the pandemic.

Although difficult given social distancing and lockdown measures, companies should consider reconnecting with pharmacies, exploring digital means of communication instead.

“Getting creative with communication doesn’t have to cost lots of money,” insists Verve managing director, Dominic Murdoch. (Also see "[Pharmacy Key To Driving Post-COVID OTC Growth In The UK](#)" - HBW Insight, 4 Sep, 2020.)

“We see this as an opportunity to communicate with pharmacists and rebuild their confidence in OTC, which will in turn build consumer confidence in brands,” he continues.

“When other firms might be pausing their multimillion-pound advertisement budgets, companies could do some targeted marketing with pharmacists, creating interactions which will lead to increased recommendations in pharmacy,” he says.

#3 Embrace Digital Innovation

New projects may be the last thing on the minds of consumer health execs. But the huge shifts towards online shopping and technology-supported prevention – for example, mobile health apps – create massive opportunities for innovation, if companies can get ahead of the digital revolution.

“E-commerce is not just a sales function,” argues Beacon Associates founder Paul Wardle. “It’s really an ability to understand consumer behavior.” (Also see "[Get Real: Orbital’s Chris Bunniss On Real World Evidence’s Potential For OTC Innovation](#)" - HBW Insight, 23 Sep, 2020.)

With the right technology, people and business strategy, companies can tap into this wealth of information and extract “beacons of insight” to create the consumer health brands of tomorrow, he advises. “It’s about finding innovative solutions to advance healthcare availability, access and adoption”.

These beacons of insight can also be turned into “real world evidence” to help companies put forward convincing cases for Rx-to-OTC switches.

For Orbital Research’s new director of RWE Strategy and Business, Chris Bunniss, the key is showing regulators that consumers can use non-prescription products responsibly, and digital tools can be an essential weapon in the applicant’s armoury.

“Consumers are much better educated now and do want to take responsibility and control of their own health and wellbeing,” Bunniss says. “Access to information as we know is much

easier, so the more information that we can give them the more confidence they will have to self-medicate.”

“This is one of the macro drivers of OTC market growth,” he maintained, “and RWE can play a key role in accelerating this trend.” (Also see "[Get Real: Orbital's Chris Bunniss On Real World Evidence's Potential For OTC Innovation](#)" - HBW Insight, 23 Sep, 2020.)

#4 Leverage Local Partnerships

With China coming out of the pandemic stronger than ever, the Asia Pacific region will be even more top of mind for consumer health execs thinking about post-COVID expansion.

But language barriers and heterogenous regulatory systems make this a very difficult, and potentially high-risk endeavor, especially for smaller companies.

With its partnership with local pharmaceutical player Fosun International, Irish iron specialist Solvotrin Therapeutics has found a way into China's \$40bn dietary supplements market, potentially even into the country's hard-to-access bricks-and-mortar retail channel. (Also see "[Local Partners Key To Unlocking China's \\$40bn Dietary Supplements Market](#)" - HBW Insight, 8 Dec, 2020.)

Initially, face-to-face meetings were key to maintaining a productive working relationship between the two companies, but with the coronavirus making international travel impossible, the company has turned to new and locally preferred means of communication.

“Now we use an application called WeChat,” Solvotrin COO Ronan McClafferty tells HBW Insight “It's like WhatsApp, but it's very acceptable to leave people messages that don't have to be responded to immediately.”

“This gives a response rate that is far better and faster than phones call or emails,” he pointed out. “You end up having this day-to-day engagement which is really important to keep things progressing.”

HRA Pharma is another up-and-coming consumer health player that has leveraged the power of local partnerships to drive international expansion. (Also see "[Building A Top-10 Global OTC Player – Q&A With HRA Pharma CEO David Wright](#)" - HBW Insight, 6 Apr, 2020.)

Partnerships allow the company to scale up its operations easily and flexibly in the face of new challenges and have been especially important during this time of crisis, HRA CEO David Wright reveals.

“Distribution models and shopping habits are changing; what's to say that the changes we've

seen due to the coronavirus aren't going to stay in the future?" he reflects. "We've got to be nimble and adapt to those kinds of changes."

#5 Accelerate Sustainability Strategies

A renewed appreciation of nature and an increased awareness of the often negative impact we have on the environment have been some of the more welcome outcomes from the pandemic.

While decarbonizing company operations has been on the radar for consumer health execs before the pandemic, this shift towards wanting to "build back better" has pushed environmental, social, and corporate governance (ESG) criteria to the top of post-pandemic strategic priorities.

GlaxoSmithKline are leading the way by setting concrete targets for its new Consumer Healthcare joint venture. (Also see "[GSK Says New Consumer Health JV Will Be Climate Action 'World Leader'](#)" - HBW Insight, 19 Nov, 2020.)

Alongside GSK, Dr. Reddy's Laboratories Ltd., Bayer AG, Sanofi and Novartis have all signed up to the Science Based Targets initiative, setting measurable decarbonization targets for 2030.

However, playing a part in the global struggle against climate change is also a priority for smaller businesses, like Germany's Merz Consumer Care GmbH.

"[Sustainability] is not really a trend, but more of a strategy," insists Merz Consumer Care CEO, Frank Baldauf. "Everyone talks about no microplastics and sustainable packaging, but this is for us something more important and a fast-growing issue."

"For us, this is not only something being driven by the market," he said. "We are a family owned company and the next generation are challenging us on what we are doing about sustainability." (Also see "[Merz Consumer Care Optimistic About Future As German Lockdown Continues](#)" - HBW Insight, 25 Nov, 2020.)

Coming up with innovative solutions to tricky sustainability problems, such as recyclable blister pack alternatives, preventing contamination via pharmaceutical waste and ensuring compliance within the supply chain, will make the all the difference in the race to be the future's greenest consumer health company.