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# Skin Care And VMS Propel Growth At Stada's UK Business

by [David Ridley](#)

Strong dermatology sales at Stada's UK Thornton & Ross subsidiary offset an almost non-existent cough and cold season, helping the business deliver almost double-digit growth in 2020, according to executive vice-president Roger Scarlett-Smith.

Stada Arzneimittel AG's UK business, which includes the Thornton & Ross and Natures Aid subsidiaries, delivered double digit growth in 2020, despite what executive vice president Roger Scarlett-Smith called a "lumpy year."

Turnover in the company's UK Branded Products unit – which houses OTC and Rx products – advanced by 14% at constant currencies to €246m (\$297m) notwithstanding COVID-19 disruption.

In the second part of an exclusive interview with HBW Insight, Scarlett-Smith explains how an almost non-existent cough and cold season – with mask wearing preventing not just coronavirus infection but also the spread of common viruses – was offset by strong dermatology sales as consumers reached for trusted skin care brands to heal wash-worn hands. (Also see "[‘Acquisitive and Entrepreneurial’ Stada Spies Further M&A Opportunities In US And Elsewhere](#)" - HBW Insight, 14 Apr, 2021.)

Demand was also strong for children's vitamins and vitamin D supplements marketed under its Natures Aid brand, he continues, which supplies Stada with its new Bio360 probiotics range as it enters the US for the first time. (Also see "[Stada Makes US Consumer Health Play After Strong Gains In Europe](#)" - HBW Insight, 11 Mar, 2021.)

To ensure that these trends will continue to drive growth for Stada, supplements, specifically CBD, and skin care will see investment in 2021, Scarlett-Smith reveals, as part of the company's

new global innovation strategy.

**Q What were the highs and lows for Thornton & Ross' UK consumer health business in 2020?**

**A** It was a lumpy year in many respects. We had this huge peak in demand around March and April last year as many people went out and started stocking up, or even panic buying. Then after that initial wave, sales started to flatten out and then we saw a healthy run towards the end of the year. As we entered the third lockdown just before the New Year, we didn't see any of that kind of consumer behavior again. On the contrary, in our cough and cold category we saw quite difficult trading conditions. Our dermatology business, on the other hand, had a strong year on the whole. Unlike the cough and cold category, it doesn't seem to have been negatively affected by COVID-19 to any great extent. In fact, if anything, you could argue it might have benefitted. People are perhaps experiencing more skin conditions as a result of more frequent hand washing and use of personal protective equipment (PPE). Dermatology also crosses over into the prescription side of our business in the UK, which includes a wide range of generics as well as the Parkinson's disease brands marketed through our Britannia affiliate that is currently leading the roll-out of an innovative drug-device combination across Europe.

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We actually donated a lot of products to the UK National Health Service professionals who were suffering from skin related conditions to do with PPE use. They were really happy to receive our donations – it was all by request. We are proud to support the NHS in their time of need. Also, it really helped demonstrate the

efficacy of our brands. We also added Nizoral to our skin care portfolio from Johnson & Johnson, which has done tremendously well. Moving on to our Natures Aid vitamins and supplements business, again it's a big tick. We saw some fantastically strong growth in children's vitamins and vitamin D supplements. Generally, across the range we have a quite a complete range of vitamin and minerals and natural products. Sales of cough, cold and infection-related products, as I said, have been not so good. It was essentially like the kind of background level you see in the summer. Similarly, sales of head lice treatments like our market leading Hedrin were weak because of schools being closed.

**Q What consumer trends do you think will endure after we come out of this lockdown?**

**A** What we tend to see is that people, when they start to see the benefits of treating their skin with dermatology products, stay loyal to the brands they use. We know this for a fact from the strong sales after trial for many of our products. So, I think that the dermatology category will tend to stay strong. Will the kind of habits that we've acquired around social distancing and possibly masks continue through the next year or so? If so, there is likely to be a reduction in the number of viral infections and the drag on the cough and cold category will continue. But if behavior normalizes along historical patterns, then those markets should come back. Looking at nutritional support and food supplements, this seems to be a market that just continues to go from strength to strength. People would now rather prevent illnesses and maintain their health, and in some cases prefer something natural over a pharmaceutical product.

**Q What about the shift to e-commerce?**

**A** Overall, the prospects for consumer healthcare are very strong. I think we'll see some settling out after COVID-19, a reversion to the norm. But the shift to e-commerce is likely to be a bit more permanent. People are going online particularly in the non-pharmacy restricted categories, like vitamins and minerals as well as skin care. People have become used to that. This presents a significant challenge for

independent and bricks-and-mortar pharmacy, which need to show a strong role for professional expertise and consultation. In the long run, the pandemic may benefit pharmacy, given that many people will now have broken the habit of going to the doctor with the slightest wheeze or cough. That possibly explains some of the buoyancy of OTC categories not associated with infection, with consumers resorting instead to self-care, albeit not in every category. There is a strong chance that the whole nature of doctor practice will change more towards telephone and video consultation with the visits being very much at a premium or rarely used, only when there's a need to inspect symptoms directly. This will again shift the focus perhaps over to pharmacists as the human face of healthcare on the high street. This is all good for the UK National Health Service of course.

**Q** Turning to cannabidiol (CBD), this is a wellness trend that continues to grow. Last year we spoke to Chris Morrey, CEO of Stada's UK Natures Aid subsidiary, about the firm's novel food application for its CBD range. Can you share any updates on how this is progressing?

**A** We had CBD under the old regulatory regime and we're on track now under the UK Food Standards Agency's new novel foods regulation to continue that business. Hopefully we'll be one of few major players in CBD that can offer products that people are looking for. People want CBD products they can trust and we can offer consumers this with our Natures Aid brand. It's definitely an area where there is a lot of consumer interest and potential for growth. The new regulations will level the playing field and we might see some of the companies that might not be quite as keen to be compliant pushed out. At the same time, some of the bigger manufacturers have also been a little shy of getting into the CBD market. As what you might call a medium-sized player, we can be more agile and take a chance on new trends like this. We've got enough resources to meet the regulatory and evidence requirements and give our brands the right level of support.

**Q** Stada is also tapping into probiotics and cognitive health trends with its US brands Bio360 and Nuvia. Will you be bringing these brands to the UK?

**A** When we were looking at what products to enter with in the US, we did a thorough sweep of the Stada portfolio and narrowed it down to the ones that have interest value for US consumers and offered them something a little bit different. We weren't necessarily looking for massive brands, in fact on the contrary, we were looking for attractive niche products. So Bio360 is based on an existing Natures Aid probiotic range, which we've rebranded for the US. Nuvia is from one of our Austrian associates. But we are also going to rebrand the Natures Aid probiotics brand to be aligned with the US, and apply some concepts from there. Launching Nuvia in the UK is also an option for us.

**Q** We also spoke last year to Stada's recently appointed vice president of consumer healthcare product development, Steve Makin, about the company's new innovation strategy. How is that going?

**A** Our strategy is going well. We're building the team, we're also linking it more closely with the Stada global organization. There's further investment going on in Huddersfield, both in people and equipment. We've done two major waves of investment in the factory. One is to support additional capacity for the Zoflora business, as we're in the process of introducing the brand to a number of new international markets, such as Serbia and the United Arab Emirates. Our area of innovation is in skin care, where we've invested in new equipment and machinery, partly to support the integration of the GlaxoSmithKline brands we recently acquired. Skin care has been one of those categories that has been boosted by the pandemic, and we're now the leading player in emollients and creams in the UK from a volume point of view. We think with additional investment in science-based innovation we can make the most of this and be a highly efficient but also a highly innovative supplier of skin care. COVID-19 has been a trial vehicle in a way. I think we're going to find many of us stay with those products we tried on a regular basis and I think that's a good result, not just for us but for the market in total.