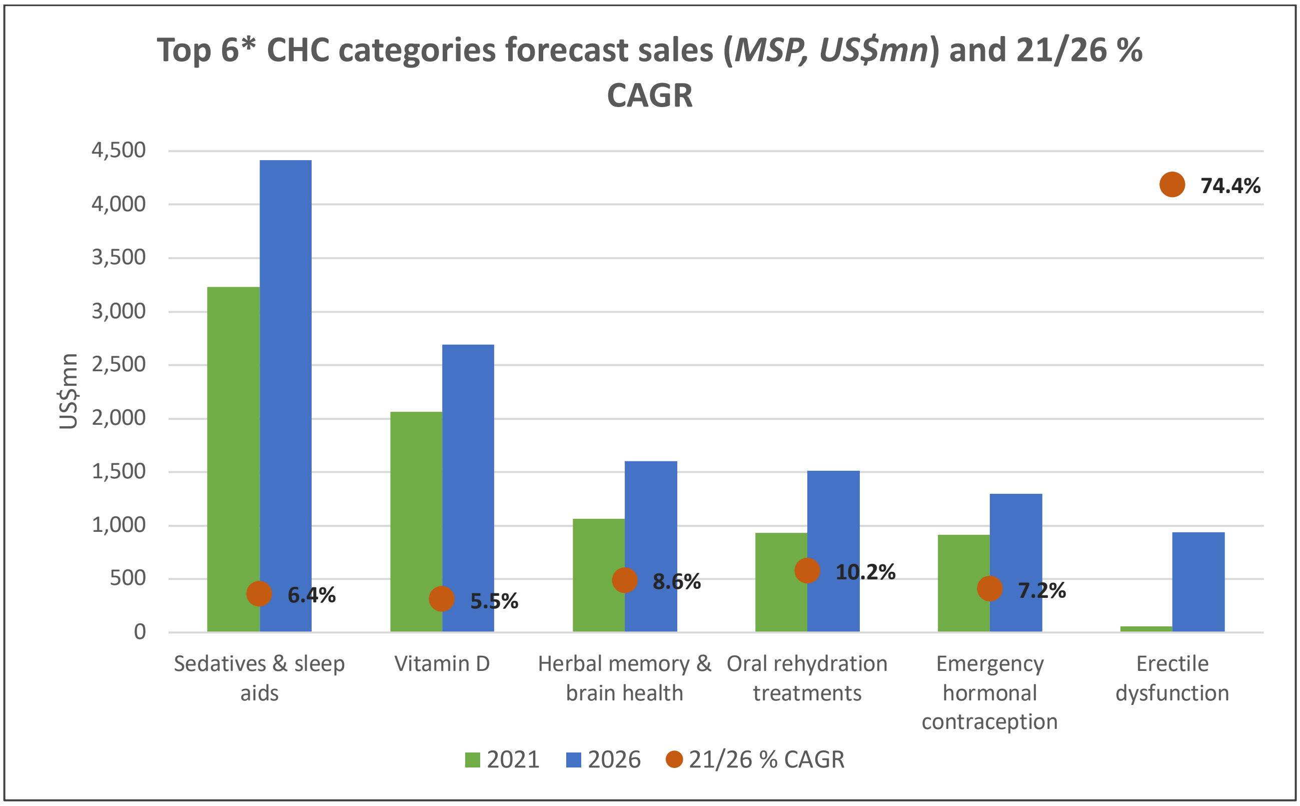
Category Watch: Top CHC Growth Drivers

According to NHC's *DB6,* the top 6 categories with the strongest projections will add a combined US$4.2bn in CHC sales over 2021-2026, or 14% of total absolute growth.

These forecasts are to some extent reflected in the number of recent NPDs, switch potential of sexual health products, and heightened focus on physical and mental wellbeing.



* >US$500mn 2026 sales
Source: NHC's DB6 CHC database

These 6 segments contributed 8% of a total >27,000 NPDs since 2017 in the key 20 CHC markets globally. NPDs for sexual health categories remain limited owing to their Rx status in most markets, but their forecasts reflect OTC switch potential in unlocking revenue.

Greater awareness on sleep loss implications accelerating consumer demand

Sedatives and sleep aids are anticipated to reach US$4.4bn by 2026 (+6.4% CAGR) led by European markets, US, China, and Brazil.

- Rising levels of stress, anxiety, and smartphone use ensure rising demand - mental & physical wellness, stress management and sleep have been cemented as consumers’ top self-care priorities since the pandemic
- Sleep loss is becoming more widespread; emphasis expanding from sleep disorders to quality of sleep with layered-release formulations overnight; morning-after mental acuity

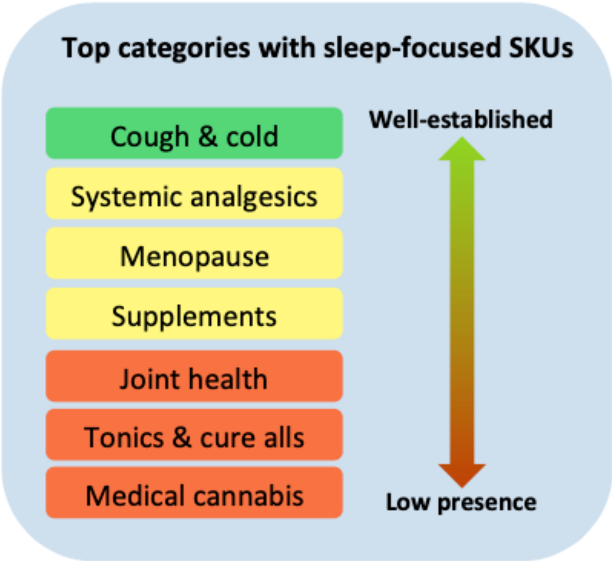
Around the globe incidences of sleep disorder on the rise

Approximately one-third of adults suffer some difficulty falling asleep or staying asleep through the night

Most cases are intermittent or mild sleep disorders – well suited to self-medication

Rise in sleeplessness may be attributed to lifestyle factors such as work-related anxiety, use of phones / tablets, and effects of long-distance air travel

- Self-medication drive supporting uptake of sleep aids spanning registered OTCs (typically diphenhydramine and doxylamine APIs) and wide variety of supplements (including valerian, melatonin, passiflora and melissa)
- Growing consumer preference for herbals and naturals, non-medicated products and non-habit forming, enabling more “combined” formulations to gain traction e.g., herbal “blends” with melatonin
    - Traditionally non-H&N brands e.g., ZzzQuil (P&G) have successfully ventured into H&N sedatives & sleep aids via launches of melatonin presentations
- Connected Health: gadgets, devices, and apps targeting sleep have entered the market in recent years, taking in sleep tracking mats, wearable sleep enhancers, connected pillows, cognitive behavioural courses, and myriad sleep-centric apps
    - Some technology monitors sleep patterns and provides feedback, while others actively promote and improve sleep
- NPD into adjacencies, notably in established sleep aids markets, with sleep focus e.g., nighttime analgesics, cough & cold remedies, menopause, other supplements



Education on vitamin D deficiency supporting uptake

Vitamin D intake has come to the fore in recent years, reinforced during the Covid-19 pandemic, with some evidence that Vitamin D supports the immune system and helps boost defences against respiratory viruses.

Traditionally, used by consumers in colder climates to compensate for lack of natural sunlight, Vitamin D is projected to reach US$2.7bn in 2026 (+5.5% CAGR).

Vitamin D benefits from further driving forces notably:

- Greater awareness on bone health (and long-term diseases including osteoarthritis), with HCPs encouraging patients to be more proactive in averting health risks linked to vitamin D deficiency
    - Also linked to other health conditions, including various cancers, rickets, immune response, diabetes, CVD, rheumatoid arthritis, and mental health
- Combination vitamins intended to reinforce the action of the formulations e.g., the combination of D and K vitamins such as Queisser's Doppelherz System Vitamin D3 + K2 tablets, positioned for bone and muscle health and, immune system support

Memory & brain health boosted by surging demand for H&N claimed to benefit sleep, stress, brain health and mood

Sales have grown consistently since 2017 (+13.9% CAGR) reaching US$1.1bn, and expected to continue growing strongly (+8.6% 21/26 CAGR), led by unabated demand from US consumers, and mega-brands such as Prevagen (Quincy Bioscience)

- The US accounted for 55% of 2021 topline sales (US$0.6bn), led by Prevagen
- Sales supported via high NPD levels, coupled with increasingly stressed multi-tasking consumers during pandemic
- Large elderly population is primary target for most brands, although some specifically focus on younger consumers with busy lifestyles

- An ageing population is accelerating dementia incidence amongst people aged 40+ (potentially trebling worldwide by 2050 according to a global study in *The Lancet Public Health*, Jan 2022)
- Several brands in the US launched supporting brain training apps in a bid to increase brand loyalty
- Emerging focus on "gut-brain axis" concept linking gastrointestinal health with stress and emotional response
  - New psychobiotic segment for gut-brain axis emerging: In Brazil, ANVISA approved health claims for stress, mood, and anxiety-related GI disorders. Probians carries the claim "the first psychobiotic for the gut-brain axis with approved health claims" and can also help reduce feelings of anxiety and GI complaints linked to stress

ORTs represent an emerging opportunity branching out of traditional antidiaorrheals

ORTs' 21/26 CAGR +10.2%, is helped by significant NPD activity. The US is the largest market (45% of 2021 sales) growing at +27% CAGR since 2017; expected to retain momentum with 21/26 CAGR +12.4%, with continued expansion via NPD within ORT brands.

- Some ORTs extended with immune support SKUs in 2020
- Pedialyte's reinvention as a rehydration wellness brand (beyond antidiarrhoeals) for adults (not just for kids) saw sales rise dramatically as it widened appeal
- ORTs' popularity has expanded beyond emerging markets, with Pedialyte leveraging this trend; reinvented as rehydration wellness brand
- Focus shifting to adults (sports recovery, hangover remedy) while maintaining traditional paediatric positioning

Sexual health categories benefitting from greater sex education, coupled with impending switches in several markets, unlocking major growth potential

EHC and **ED** present the key opportunity, however, the latter is expected to take off in the next 5 years with several switches, taking ED from US$58.2mn in 2021 to nearly $1bn in 2026. **USA and China anticipated to generate largest revenues by 2026:** a combined US$641.3mn (68% of global 2026 sales), assuming a switch of at least one PDE5i brand

- Estimates suggest 1/10 adult males suffer from ED on a long-term basis

- The most common medical intervention is the use of PDE5inhibitors (PDE5is), such as sildenafil, which dilate blood vessels, allowing more blood to flow through the spongy tissue of the penis
  - PDEis remain Rx in most markets but have switched to OTC status in a handful of markets

- Topical gels for ED may shake up the available options if Futura's MED3000, the first clinically proven ED topical device, is successfully launched; Futura has secured licensing agreements in various markets with a view to commercialising the gel
    - Marketer claims to have identified a huge unmet need for ED treatment that is efficacious and well-tolerated, works in minutes, and facilitates intimacy
- **UK market created by switch of Viagra** – Viagra Connect's 2018 launch in UK pharmacies, has performed strongly, propelled by huge A+P support at launch
- Successful switch campaigns have focused on potential benefits rather than risks, including encouraging men to proactively access healthcare in a more informal environment versus doctor surgery, and identification of more severe health issues via pharmacist screening process
- Where switches have been approved, a sale still requires a pharmacist consultation
- OTC availability can also steer patients away from illegal / counterfeit online products; significant size of "grey" ED market indicates the Rx market does not meet consumer needs (unwillingness to speak to doctor, high pricing)

EHC is available Rx in almost all countries and prescription-free in several markets, but suffers from lack of development and is notably absent from key CHC markets in Latin America, Japan, and South Korea

- In some cases, this is because non-prescription access is via family planning clinics and HCPs, where EHC and other forms of birth control are often dispensed free of charge, rather than via retail pharmacy
- Nevertheless, there are key advantages to pharmacy availability where permitted, as it gives women more control over how and when they can access EHC
- 2010s saw significant liberalisation both in terms of regulations and social attitudes to EHC access, including EU-wide centralised switch in 2015, and category is now growing well in almost all markets where available
- Global No.1 EHC market, the USA has seen year-on-year double-digit growth, with all top 5 brands performing well
- E-commerce has become vital in enabling a discreet and convenient purchase of EHC
- Educational marketing material is key in promoting safe use, dispel misconceptions, and emphasise women's right to choose how they use contraception