

N American CHC Conference: Innovate, Digitize, Integrate

Nicholas Hall held its 3rd N American Consumer Healthcare Conference in Morristown, New Jersey from 26-27 June 2019. The event included attendees from many companies and organisations, including Bayer, CHPA, Google, GSK, Perrigo, J&J and many more. The event covered new areas of potential growth in the OTC sector, technological innovations that will drive the CHC industry forward and innovative new products and business model ideas. Despite a discussed lack of Rx-to-OTC switch in N America in recent years, panellists, speakers and delegates spoke optimistically of the future of the industry, with exciting new areas of growth, such as the CBD market, explored in depth.

Day 1: Nicholas Hall highlights 15 “infinity zones” for the future

Nicholas Hall began the day with his keynote address, in which he discussed recent problematic trends and global sales in the CHC sector, such as the underperformance of the retail market, underlying negativity in the industry, fragmentation and the lack of switch in N America. However, he then moved on to examine 15 key areas that have the potential for significant future growth and may help to pull the industry out of this slump. These areas are:

1. The consumer trend towards prevention rather than focusing on treatment
2. The probiotics category, which is expected to be worth \$10bn within the next 10 years
3. Food intolerance-related products, owing to huge publicity in the press currently surrounding cases of allergic reaction
4. The trend for natural and organic products, especially for infants
5. Cannabis, especially CBD for anxiety, stress, sleep and mood
6. Sexual health, though this category has experienced a 50% cut in predicted sales as it is becoming difficult to get regulation approval for such products
7. Pharmacy Point-of-Care services and testing
8. E-commerce, which is threatening physical pharmacy
9. Big data & health, which offers huge opportunities but raises concerns over privacy
10. Emerging markets, which hold over 60% of the value of the industry (when including Japan)
11. Sleep aids & sedatives, owing to the sleep deprivation pandemic occurring in the west declared by the WHO
12. Obesity, thanks to modern sedentary lifestyles and increased access to junk food
13. Diabetes, especially the potential for pre-diabetes medications and treatments
14. Diagnostics, owing to the boom in home and pharmacy diagnostics and test kits
15. MedTech, as it will offer ways to integrate digital data with healthcare services



Nicholas Hall opened the event by discussing 15 “infinity zones”

Second to the stage were **Charles Miller** and **Pradnya Naidu** from the Persuadable Research Corporation, who

Conference speakers: Day 1

- **Nicholas Hall**, Executive Chairman & Creative Solutions Director, Nicholas Hall Group of Companies
- **Charles Miller**, President & CEO, Persuadable Research Corporation
- **Pradnya Naidu**, Insights Director, Persuadable Research Corporation
- **Viraj Patwardhan**, Vice President, Digital Design & Consumer Experience, Thomas Jefferson University & Jefferson Health
- **Isaiah Dahlman**, Senior Director, Business Development, Perrigo Company
- **David Blair**, Head of Industry Health, Google
- **Don Mckernan**, Global Client Manager, Impact International
- **Caitlin McClure**, Senior Consultant, Impact International
- **Aparna Divaraniya**, CEO and Founder, OOVA
- **David Spangler**, Senior Vice President, Policy, and General Council & Secretary, CHPA
- **Hon. Barbara Comstock**, Senior Advisor Government Relations and Public Policy Group, Baker Donelson
- **Stephen Mueller**, Co-Founder & Chief Technology Officer, Mile High Laboratories Inc
- **Keith Aqua**, M.D. Clinician and Medical Researcher
- **Chuck Jolly**, Senior of Counsel, Baker Donelson

explained the benefits of using AI to conduct more agile research. They discussed how AI can offer both qualitative and quantitative information in the same study in real-time, solving the issue of open-ended questions in marketing research. By comparing many given answers from many participants quickly, an AI system can offer context as well as allowing answers with maximum agreement to rise to the top of the list, quantifying the AI’s confidence in each response via probability, and

running advanced analytics on the population. Machine learning also enables a reduction in uncertainty each time more information is gained, rapid vetting of ideas and concepts and clarity regarding which segments responded to which ideas and why. AI can also help to plot open-ended questions by more characteristics, such as generation or gender. This can help to “demystify” self-care as it can quickly slice data into specific groups and habits; for example, research has shown that Gen X and boomers are less likely to buy OTC medications online than millennials, and millennials tend to discuss concepts such as meditation and emotional health while boomers look at health more generically.

Viraj Patwardhan gave an insight into the ways digital innovation can enhance consumer experience, based on the development of certain programmes and services by Jefferson University’s DICE group. He compared healthcare to banking and discussed the aim of making healthcare as simple as going to your ATM rather than having to deal with the bank directly. Programmes developed at Jefferson include myJeffHealth, a mobile app to make hospital visits easier and more seamless for customers by providing maps to hospital departments, parking locations, places to eat nearby and other important information.

Other initiatives mentioned were a pregnancy app to prevent physicians losing touch with expectant mothers and the CenterCity ED Dashboard, located on screens around the hospital to show patient waiting times and allow staff to send emails and messages to patients to update them.

Isaiah Dahlman then showed the evolution of Perrigo from store-brand healthcare to a self-care product focus, highlighting the need to grow and change as consumers do. Big shifts in OTC healthcare, such as the slowing pace of switches and consumers seeking to improve their lifestyle through self-care, have caused Perrigo to rethink its strategic approach. There is a confluence of factors driving the change in consumer mindset, including the rise of millennials and empowered consumers, new technologies, changing retail dynamics and rising healthcare costs.



Delegates network over lunch

Consumer insights and preferences have also become more important, and in response Perrigo will work with other companies to develop interactive technology platforms to allow more access to this information. New Perrigo will also focus on emotional support for consumers, using more comforting language, and a strategic shift in how the company’s pipeline is built will be crucial. Other initiatives include Perrigo-led switches, joint ventures, “Across the ocean” innovation (i.e. bringing successful trends from across the world back to the US) and entering adjacencies that fit the self-care mould (e.g. oral care).

David Blair delivered a dynamic presentation on “Connected Health @ the Speed of Life” in a world where we do not just go online, we live online. He highlighted how phones are driving a major shift in consumer behaviour, with 3bn people worldwide owning a smartphone and spending more time with this device than TV. This had led to the creation of the “always on” consumer, who is more informed, impatient and demanding. The data gained from so many users (1bn on each Google platform) can allow for the utilisation of behaviour-based data, rather than demographics which are not truly representative. Google can gain deeper insights into individual personalities from previous searches by a specific consumer, and can therefore target endless categories of consumer, rather than just focusing on usual age and gender targeting: for example, Google can target ads to dog lovers, savvy parents or other personality traits.

David Blair also discussed the need to make ads that work with the ever-shrinking human attention span, which went

from 12 seconds in 2000 to 8 seconds by 2013, and now it is estimated that an online consumer will leave after just 3 seconds interaction since it is now easier to swipe away from an ad. To work on this, Google has created Unskippable Labs, which found that ads must be much shorter on phones and follow a 6-second bumper ad format rather than running the same ad you would put on TV.

He also pointed out that 1 in 22 searches on Google are healthcare related, and that two-thirds of these searches come from mobile devices. In addition, 1 in 3 people have watched health videos on their smartphone. He demonstrated that a series of short videos each appealing to a very individual kind of customer and run on multiple online platforms is currently the most effective marketing strategy. He also emphasised the need to integrate brands with voice requests (which now account for 20% of all Google requests): Zyrtec (J&J), for example, released the Zyrtec Daily Allergy Forecast tool for the Alexa Dot.

Don Mckernan and **Caitlin McClure** gave a presentation on innovative techniques to help organisations lead change. Evolving approaches include focusing more on the role of business in society with philanthropy, corporate social responsibility (CSR) and creating shared value (CSV). They also highlighted the idea of “unbossing the organisation” and changing management styles in order to attract top the top talent from among millennials. Organisations are currently struggling to change at the same pace as digital technology, and Impact aims to help address this problem via the Air app, developed to provide experiential learning for organisations that is bespoke, at scale and fast. The app encourages users to share experiences across all levels, thereby removing barriers between departments and allowing ideas to flow freely across between all strata of the company structure.

Aparna Divaraniya then spoke about her ground-breaking fertility diagnostic company OOVA. Currently, there are only two options for women who are trying to get pregnant: inexpensive and inaccurate products or expensive and invasive treatments. OOVA was created to remedy this situation, and to provide women with a

practical, inexpensive way to track their hormone levels daily at home. It is also the first system to help women with irregular period cycles.

To use OOVA, the woman provides a daily urine sample on a strip, scans the test strip with her phone, and receives results in seconds on the app. The app also features personalised daily action plans, hormone test details and comparisons, daily symptom tracking, advice on supplements to regulate a woman’s cycle and access to fertility coaches. OOVA comes in a discrete box with a click-on urine cartridge holder for the urine sample which is clean and efficient and will be launched in September 2019 as a Class I exempt device. It is also reasonably priced, and the regular kit will retail for between \$74.99-\$99.99. Owing to the increasing age at which women are

trying for children, there is a huge rise in the demand for “FemTech” and OOVA will be part of this growing market.

Day 2: Evolution of self-care and new frontiers for sleep

Day 2 of the conference began with a presentation from **Bernie Simone** focussing on changes in consumer healthcare, new approaches and integrated technologies. Macro-factors influencing the growth of the CHC industry include an aging population experiencing more chronic illness and the dramatic changes in the consumer journey. Three important sources of industry growth are:

- 1. Organic growth
- 2. Rx-to-OTC switches (recent slowdown)

Spotlight on CBD: The next big thing in dietary supplements?

The first day of the conference ended with a highly informative series of speakers on the topic of CBD regulation and medical usage, followed by a Q&A with the panel (moderated by **Chuck Jolly**) to dig into the details surrounding this hot-button ingredient.

David Spangler of the CHPA kicked off the CBD round-up, commenting on what the 2018 Farm Bill did and did not do. The Farm Bill removed hemp from the definition of marijuana and clarified that hemp is not a controlled substance (if it is less than 0.3% THC) and allowed it to be grown through state-run programmes. However, it did not change the FDA’s position and preserved the organisation’s right to regulate. Though 26% of adults have tried CBD and 22% said they used it to replace an Rx or OTC drug, rapid action by the FDA is unlikely even though many are calling for enforcement. He also stated that the CHPA supports the status quo in CBD medicines.

Hon. Barbara Comstock then took to the stage to discuss the current “wild wild west” attitude towards CBD, and the need for more oversight and proactivity in how the industry will be regulated. There is a need for more focus on the level of understanding of the bill by both congress and the public, and a need for a huge public information campaign. She stressed the necessity of CBD companies doing this, since regulatory agencies generally do not react until disaster happens and may over-regulate in this case.

Stephen Mueller of Mile High Labs, the largest CBD isolate manufacturer in the world, explored issues of quality within the CBD industry. Mile High Labs ingredients are refined to contain less than 0.1% THC, a lower figure than that required in the Farm Bill. He stated that there are currently 1.2mn CBD users in the US (58% of these being women) and 41% of CBD consumers use it daily. However, there many issues in the CBD market, including mislabelled products, facilities not operating under GMP and a lack of adequate laboratory controls. Going forward, extractors should adhere to CGMPs outlined by the FDA, facilities and processes should be audited by a third party, there should be stringent and validated testing methods and validated methods in place should be documented in the FDA’s NDI process to prove their accuracy.

Finally, **Keith Aqua** presented the “Public Health Argument for CBD in a Structure / Function Environment”. He discussed the very nuanced endocannabinoid system, and its remarkable safety profile: huge doses can be taken with no negative effects. In addition, he explored numerous neurological benefits of CBD, including alleviating psychosis, anxiety, depression, PTSD and post-concussion syndrome. It can also be used to reduce oxidative stress, to treat insomnia and help restore circadian rhythm and to reduce inflammation and pain. Among other benefits, there is no evidence indicative of abuse or addiction with CBD.

Day 2 also ended with a final talk on CBD from **Shane Nance**, who passionately expressed the need to grow the CBD category as it is a “product that really works and works on everyone”. He explained the difference between CBD oil and hemp oil, stating that the latter contains no CBD and therefore does not have the same therapeutic benefits as CBD oil. He also mentioned some of the benefits of CBD as an adaptogen, including its pain relieving and anti-inflammatory properties. Despite its possible benefits, however, there is a need to convince consumers because of bad reviews and some companies releasing products with little to no CBD (which do not have an effect). For those still confused or with questions about CBD and the cannabis industry, the website hemphealthzone.com has been established.

- 3. New devices (becoming more readily available at affordable prices)

There has also been a transformation in healthcare with many new service-delivery models, such as CVS Health concept stores and Walgreens combining physical and digital healthcare to provide access points that help consumers navigate complex health systems (in partnership with Microsoft). There has also been a rise in telemedicine to aid those in remote areas, and a surge in diagnostic devices and tests that can be used or conducted at home. However, this transformation is not yet complete and has presented certain limitations, such as ease of access burdening the healthcare system as “aches and pains now have a bigger voice” since it is much easier to report illnesses and more people are encouraged to seek help. Many consumers are demanding more customised care, and so companies need to change. Companies should move to a single vertical system, rather than separating into Rx and OTC departments that do not communicate.

This was followed by an informative talk and Q&A from **Joseph McGovern** and **Mary Alice Lawless** concerning the need to innovate, digitise and integrate within the CHC industry. Joseph McGovern discussed factors that will change the economic state of worldwide healthcare, such as the increase in chronic conditions like diabetes, the rise of Amazon’s innovations in the industry

and a shortage in key primary care in the US which will result from the retirement of doctors (one third of whom in the US are over 65 years old). Other issues explored included healthcare apps, especially the over-saturated nature of the app market, and the addition of technology to next-generation self-care.

The FDA is now more open to new technologies, making this a break-through time to re-imagine the platform strategy and create technology platforms to bring together consumers and producers. In the future device, product and data should all be integrated, and the platform strategy can be used to make the next generation of new products possible. Data should come from consumers and by 2022 it would be possible to create a new switch with this paradigm, as well as make switch cheaper, faster and more reliable. It will also be possible to connect the DFL to data, thereby giving the ability to inform consumers if a product is right for them.

Alyson O’Mahoney engaged the audience with a fascinating discussion of innovations in marketing, as well as tips for using current and evolving digital platforms to identify and target niche segments when advertising OTC brands. People are now focused on “Me-Care” and want brands that feel specifically made for them. Millennials are the main focus of most marketing (although older generations are also seeking more

Conference speakers: Day 2

- **Bernie Simone**, Vice President, Client Strategy and Rx-to-OTC switch at Pinney Associates Inc
- **Joseph McGovern**, Vice President, Strategy, Everything Health
- **Mary Alice Lawless**, Managing Director, Everything Health
- **Alyson O'Mahoney**, Managing Director, RLA Collective, A Ruder Finn Company
- **Jennifer Cooper**, Chief Scientific Officer, Savant Science
- **Shane Nance**, Co-Founder, MarketHub

personalisation), and audience niches drive brand sales. This micro-segmentation is key in providing consumers with ads to interest them, but there are increasing restrictions on how data can be used in the health sector. This can be solved by overlaying data sets or purchasing data, but brands can instead generate their own data by tracking things like who is visiting a brands' website and social media channels.

She also emphasised the importance of staying in touch with the consumer and making changes based on customer feedback to create a more "consumer-centric" marketing model. Advertising must remain channel-agnostic, AI-driven to create more personalisation: AI-powered digital ad delivery can have a huge impact on sales and is faster, more accurate and cross-channel, and can also reduce bias and eliminate fraud. There is also a need for companies to host e-commerce on their own brand sites, as this offers instant free access to more purchase data. In addition, the segment should target more granular groups (for example different types of mother rather than trying to appeal to mothers as a whole) and use micro-influence (e.g. small Instagram influencers) rather than one celebrity voice for a brand as this eliminates risk of scandal as well as high costs. The use of social media influencers can also allow a brand to market real experiences and reviews of people actually using a product. Other techniques to be considered

include engagement content, augmented reality (for example the talking package character on Dr Sheffield's Toothpaste who gives a history of the brand when scanned with an app) and guided shopping experiences with bots.

Jennifer Cooper discussed the effect of lack of good sleep on the body, and a look at the ways in which nootropics may help the brain. Many people no longer get enough sleep, and 35% of adults get under the recommended 7 hours per night. Less than 50% of Americans regularly experience a full night of sleep, and there are over 30 different dysomnias that people may be affected by, including apnoea and restless RLS. However, sedatives & sleep aids remains flat despite a number of new launches and it has been decades since there has been meaningful innovation in the category. Sleep has many adjacent categories as a lack of deep restorative sleep and skewed circadian rhythm can affect everything from looks to weight, heart health to liver function, memory retention to mood and more. Since melatonin is not always helpful, there is now a need to create more personalised and targeted sleep treatments.

Fear of dementia and Alzheimer's has replaced cancer as the current number one health concern, so products focusing on brain health are rising in popularity. The nootropics category previously focused on age-related memory loss and cognitive impairment, but is now moving increasingly towards performance and image enhancement as well as behavioural adjustment. The young are becoming increasingly interested in mental endurance and "smart pills", and now that studies have shown that the brain can grow new connections there is a large potential for growth in the nootropics sector. This presents great opportunities for the manufacture of products combining nootropics with sedatives & sleep aids, and there currently exists a large body of data that will allow for the creation of products that will have a real impact on consumer's lives.

In his closing remarks **Nicholas Hall** summed up the key points covered during the conference, emphasising the trend towards personalisation as a key factor for the CHC industry moving forward, as well as the need for all companies now to change alongside the transforming consumer and innovate, digitize and integrate! 