

1. Looking over the Horizon

The phrase “inflection point” is over-used, but there is no other way to describe where we have arrived in the Consumer Healthcare market in mid-2019. Global growth is a decent 5.3% CAGR (constant currencies), ahead of a theoretical 4.1% benchmark made up of population increase (1.1%) and inflation (3.0%).

The fastest growing part of the market is e-Commerce (+20% CAGR). Generics, private labels and small brands are doing well here, but the major manufacturers appear dilatory. Where MNCs dominate – the retail sector – sales are growing at only 3.7% (MAT Q1 2019).

When I look back over the past five years and beyond, it is very clear that the market is functioning in a totally new way. Partly this is because of the massive disruption caused by Big Tech, Big Pharma and, indeed, Little Pharma, which is ever-present in our industry through generics and private labels. But there are many other factors, including a new way that many consumers and patients look at medicines.

Digital and social media are the new “high”, and unprecedented sums are being spent here vs TV and other traditional means of communication. But the journey has not been an easy one, and many marketers are asking if digital marketing really pays back.

Chart 1: Global all channels OTC sales 2014-18
(MSP, \$mn)

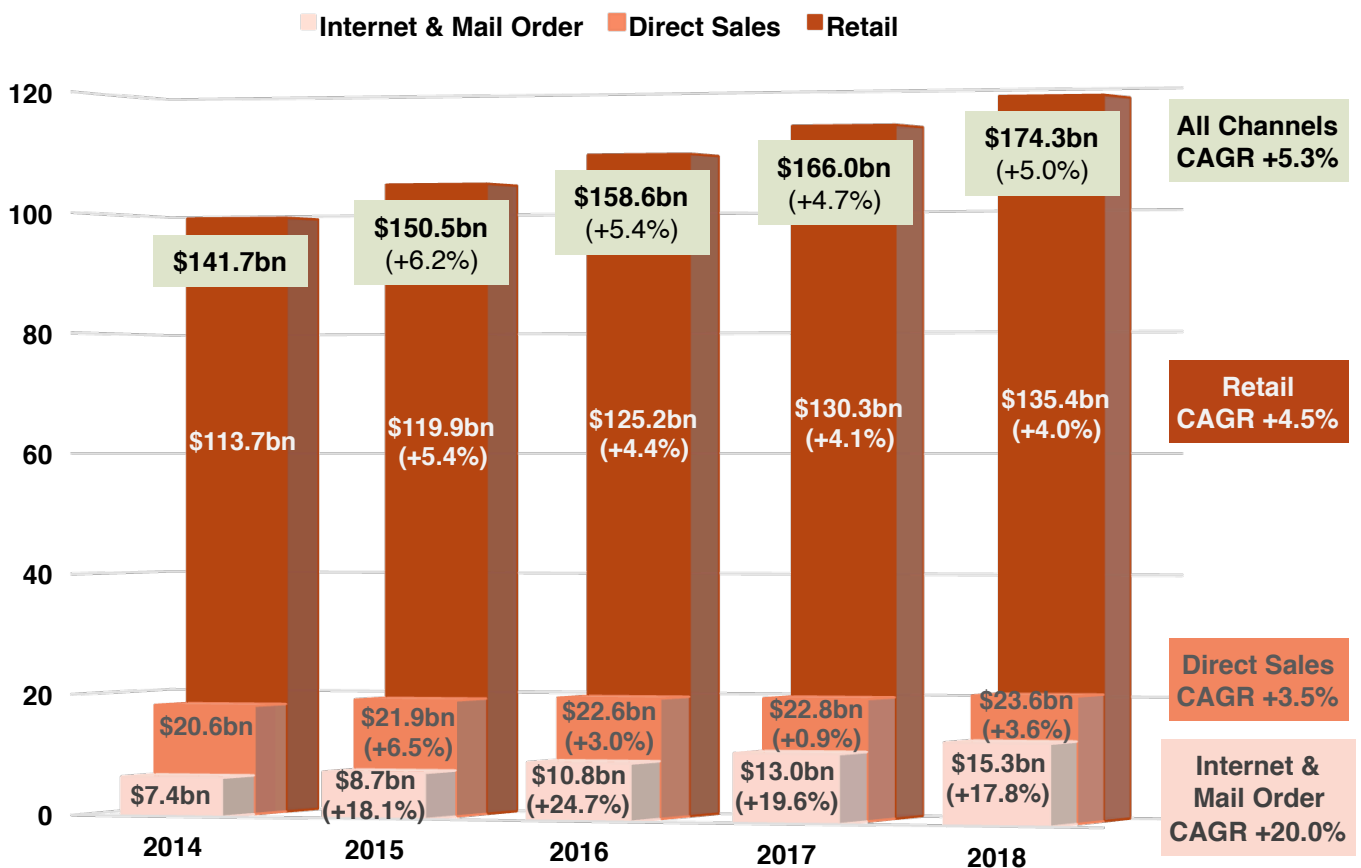


Chart 4: Best Case Forecast (MSP, \$mn)					
Category	2014	2018	18/14 CAGR	2028	28/18 CAGR
Analgesics	14,990	18,114	+4.8%	29,930	+5.1%
US Systemics (triptans, ibuprofen combos, meloxicam, Cox-2s)				225	
US Topicals: Voltaren Emulgel (diclofenac), Advil Gel (ibuprofen)				378	
Cough, Cold & Allergy	22,986	27,881	+4.9%	43,925	+4.6%
US Allergy: Clarinex, Nasonex, Singulair, Astelin				550	
Roll out of INS (including Veramyst) into more international markets				142	
Gastrointestinals	13,671	16,521	+4.8%	27,428	+5.2%
Food intolerance	586	718		1,863	+10.0%
Vitamins, Minerals & Supplements	34,917	41,280	+4.3%	65,693	+4.8%
Probiotics	2,684	4,176		10,750	+9.9%
Dermatologicals	16,292	18,389	+3.1%	27,351	+4.0%
Lifestyle OTCs	10,875	13,250	+5.1%	39,289	+11.5%
CBD supplements / topical / vaping products				5,286	
OTC Medical Cannabis				5,415	
Erectile Dysfunction (exc. UK, Poland, New Zealand)				3,412	
Daily Oral Contraceptives				1,542	
Statins				453	
Osteoporosis				212	
	113,731	135,436	+4.5%	233,617	+5.6%

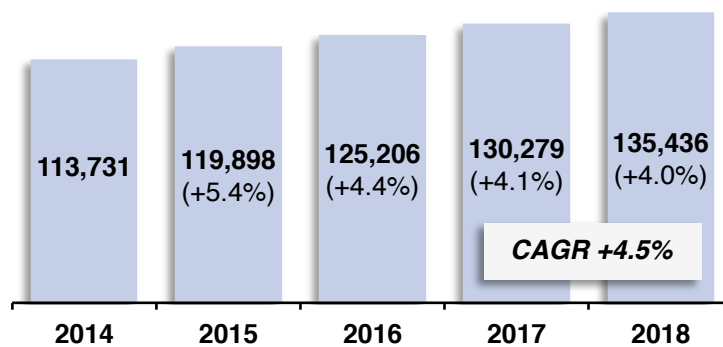
2. CHC Market – Situation Report

Please note that all the market data in this chapter is for the mainstream retail sector as we do not yet have sufficient granularity to make a detailed analysis of the entire CHC market. Please see Chapters 16 & 17 for an indication of the total market including e-Commerce and MLM.

2014-18 (and a little further back)

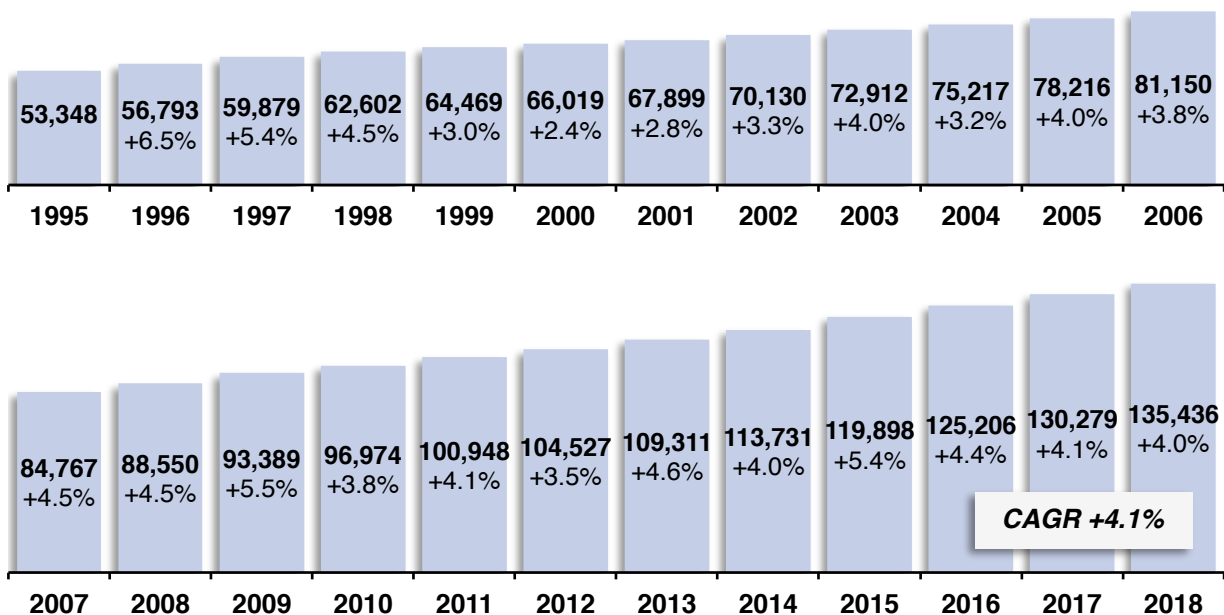
The global OTC market posted its lowest growth in 2018 for several years at +4.0%, well below the CAGR since 2014.

Chart 7: Global OTC sales 2014-18
(MSP, \$mn)



It is interesting to look much further back in time and set this in the context of the past 20+ years, as in the chart below.

Chart 8: Global OTC sales 1995-2018
(MSP, \$mn)

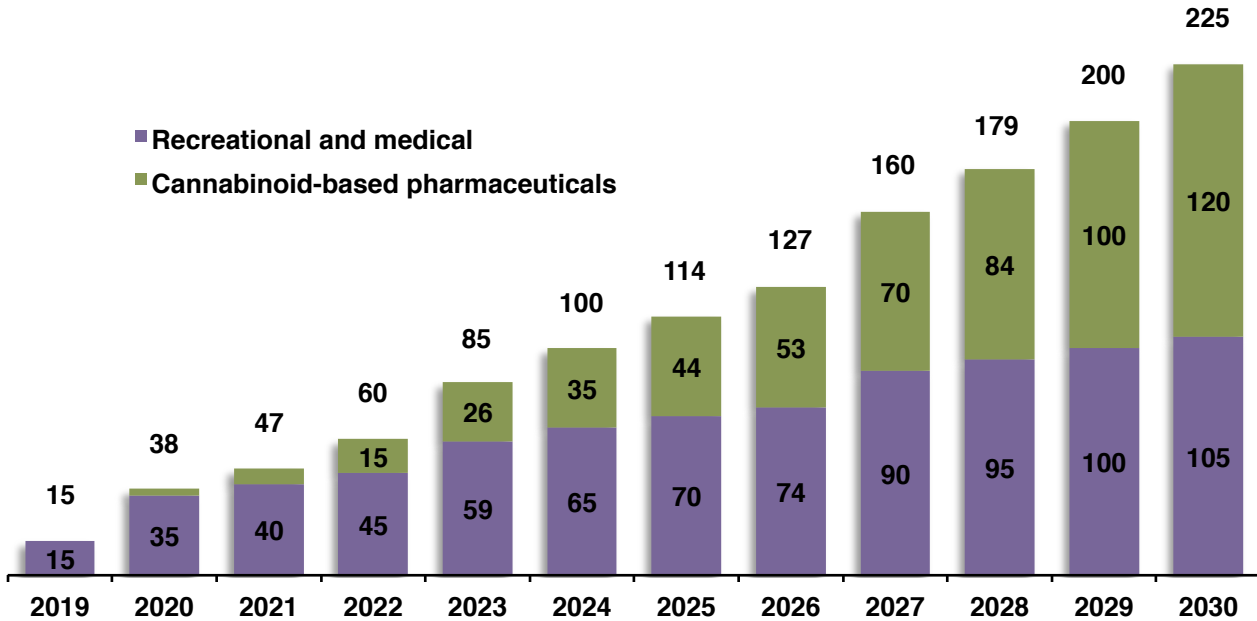


Accounting for almost half of Iran's OTC market, VMS is well developed thanks to an increasingly health-conscious population, with international brands from the USA and Europe establishing a significant presence via partnerships with local marketers. Analgesics are a key growth driver, dominated by systemics. A lack of switch activity holds back several categories, including Glcs, derma and lifestyle OTCs.

How to succeed in the Emerging Markets

- Be just as consumerised as in USA / Western Europe
- See the market through local eyes
- Adapt products for local tastes
- Brands are important throughout the Emerging Markets – don't genericise
- Accept that market is low-tech & probably can't be built by innovation
- Price carefully – you can't sell at Western prices, but premium pricing possible
- Make small packs that are affordable
- Get distribution / POS right – even more important than advertising
- The regulatory path is difficult, so be creative – many Rx products are sold under-the-counter, yet it is hard to OTC-register new formulations
- Often an OTx strategy is the best, both commercially and as a regulatory pathway
- Accept that business is done in a totally different way
- Employ local managers – they will have better *guanxi* (connections) than ex-pats
- Steer a careful course between hospitality & bribery – there are huge penalties for failure!
- Good personal relationships are vital – take time, it will repay rewards
- Use the strength of others, including local marketing partners
- Distribution – there are many sales brokers
- Joint-venture is important, especially in China, India, Korea; but it won't get you into the top rank
- Acquisition is the only strategy to achieve rapid scale; there have been relatively few, and only a handful succeeded
- Be patient, and invest accordingly!

Chart 65: Global cannabis consumer market (RSP, \$bn)



Source: CannaboTech

In that context, it's worth noting an analysis of published studies by Queensland University of Technology in May 2019, gauging attitudes to medical cannabis, which found that while health professionals are broadly supportive they feel they lack clinical and legislative knowledge, and their greatest concerns are the psychiatric harm that may be caused to patients and misuse by recreational drug users. Obviously there are many hurdles to climb over but, personally, I'm on the side of the optimists.

5 Cannabis categories

- ✗ Rx Medical Cannabis
 - ✗ Now!
 - ✗ Huge!
 - ✗ Not in scope!
- ✓ OTC Medical Cannabis
 - ✗ Not now! Switched after 2023
 - ✓ Huge! \$5.4bn by 2028
- ✓ VMS & Topicals
 - ✓ Now! \$930m globally at MSP (45% USA)
 - ✓ 2019 pivotal year (CVS starts to sell in selected states)
 - ✓ 2028 \$5.3bn
- ✗ CBD for beauty and food
- ✗ Lifestyle Marijuana

2028 CHC Market
\$11bn