

# Feature: Redefining the India OTC story

Sorento Healthcare’s Susan Josi, Nicholas Hall’s Network Partner in India, looks at what 2016 holds in store for the Indian OTC market and gets insights from a couple of industry experts in the country.



## From Over-the-Counter to Over-to-(the)-Consumer

I recently heard one of the senior members from Google presenting at a conference say that, “consumers no longer go online but really *live* online”. This observation is true; if we look around today, people are glued to their smartphones more than anything else in this world.

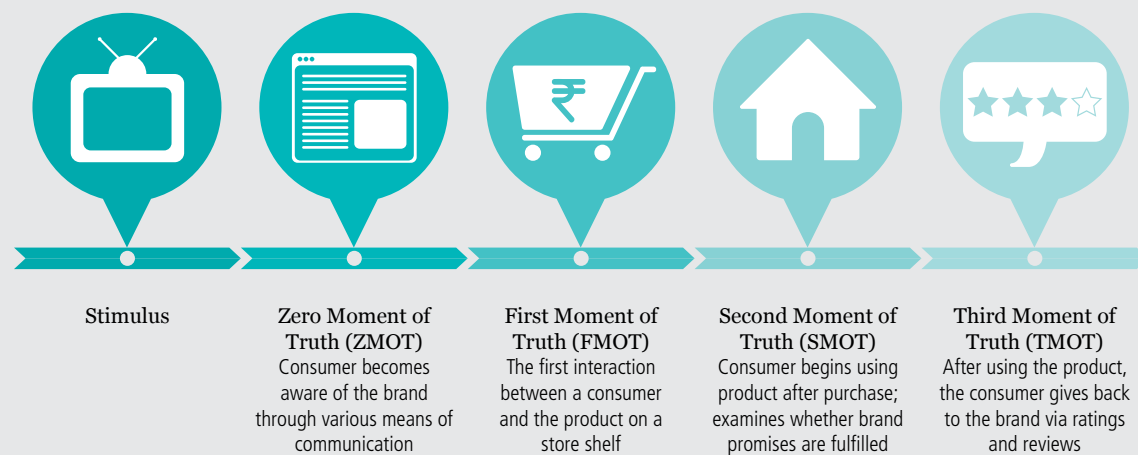
The situation is no different in India, where the population lives as a “glocal” village, adopting global trends with local products and services. A recent development has been the boom in e-commerce, which has changed shopping patterns. It is estimated that the number of online shoppers in India has almost doubled to 40-50mn in only a couple of years, and the number is only rising. Even though medicines are still largely purchased from pharmacies, Dr Google has become a force to be reckoned with even if the information may not be from

validated sources. The digital medium has emerged as the new moment of truth – or, as coined by Google, the “Zero Moment of Truth” – for the consumer when self-medicating, relegating the pharmacist to a more secondary role in the purchase of medicines over-the-counter. This phenomenon was confirmed by a consumer participating in CubeX’s OTC Pe Charcha (Discussion on OTC) conference in Mumbai in November 2015. The insights shared by industry experts and the developments over the past year indicate that the Indian OTC market going forward will live up to its real definition of over-to-(the)-consumer. Some of the anticipated trends in 2016 are outlined below.

## More Rx companies actively considering OTC marketing

The consumer has always been king in the retail industry, but in the traditional pharmaceuticals business model the reverse is true, with healthcare professionals largely

### Communication strategy: The Moments of Truth



directing the consumption of medicines. However, the power is shifting as consumers have begun taking centre-stage with regards to their health, self-medicating for minor ailments and actively seeking wellness products and services. Meanwhile, the price cuts resulting from the Drugs Prices Control Order 2013 has translated into savings worth around US\$440mn for consumers since its introduction.

The Indian pharmaceutical industry is literally being forced into this new realm and many of the top companies are now actively contemplating setting foot in the consumer healthcare space. To this end, Cipla has established wholly-owned subsidiary Cipla Health to handle its consumer healthcare business and has attracted financial investment from Fidelity Growth Partners. This is Cipla's second attempt at consumer healthcare after it launched i-pill emergency hormonal contraceptive in 2007. The marketer sold the brand to Piramal in 2010 as it felt the product had a better fit with an OTC-focused company, but its re-entry into the segment gives an indication of the growing OTC opportunity.

Elsewhere, Sun Pharma is leveraging Ranbaxy's consumer healthcare portfolio to build its growth story, while RPG Life Sciences – despite being a niche player focused on APIs – is considering entering the skincare segment as it sees its profits erode.

## Consumers opting for natural wellness products

Consumers are seeking holistic methods for achieving good health – wellness, fitness, beauty, healthy body & mind, diet, supplements, fitness tools and relaxation techniques – as part of one ecosystem. However, the wellness needs of consumers are still largely unmet through OTCs. These needs will become more relevant as consumers struggle to sustain their new regimen, encouraging them to seek products that aid in enhancing health and combat the ill-effects of erratic lifestyles. Considering the competition from natural foods and home remedies, natural ingredients in novel and convenient formats with condition-based positioning could gain

traction. As usage occasions are showcased and compliance factors promoted, these products will have the potential to transition into “fast-moving health goods”.

## Sell where consumers are buying

For most OTC companies, in a highly diverse and fragmented market like India, reach and distribution has always been a challenge. As Mr Raghunandan, Director and CEO, Jyothy Laboratories, elaborated on during the November 2015 Mumbai conference, building brands in India requires distribution strength including a presence in lower town classes. This could be a limitation for companies, but may now be much better addressed by having multiple touch points beyond just pharmacy stores.

Online purchasing is no longer restricted to apparel and groceries; India's first online pharmacy, HealthKart, focuses primarily on selling OTCs and wellness products. Meanwhile, upcoming online pharmacies such as Netmeds, MedPlus Mart and Ziggy offer scheduled drugs as well by enabling consumers to upload a prescription that is then verified by a back-end team of doctors. During the Chennai floods in November-December 2015, online pharmacies in surrounding cities catered to the needs of stranded consumers, especially those suffering from chronic ailments and requiring emergency services. The current regulatory concerns in the sector may act as a dampener, but eventually consumer demand for convenience will win over the regulators, provided appropriate measures are in place.

## Building brands through omni-channel strategies

Although TV and print will continue to consume A+P spends, owing to the high degree of fragmentation in TV itself, multi-level communication strategies that engage consumers across alternative media such as radio and digital will grow in importance for reaching the target audience. As consumer segments evolve, media strategies will need to adapt to address the changes. Tools such as Google Analytics will need to be deployed to profile consumers and understand their online search patterns.

### **Patanjali:** Leveraging the popularity of natural products

Banking on consumers' preference for "natural" food and medicines and concerns about the side-effects of allopathic drugs, Patanjali Ayurveda Kendra has emerged as one of India's leading FMCG / Ayurveda players:

- Founded by revered yoga guru Swami Ramdev and Acharya Balkrishna in 2007
- Poses serious competition to established companies such as Dabur, Emami and Himalaya, with turnover of US\$319mn (+65%) in the 12 months to March 2015
- Huge following of yoga guru translates into large consumer base
- Portfolio includes Ayurvedic healthcare products, foods and cosmetics
- Company therapy centres facilitate consultations with Ayurvedic doctors
- As well as 15,000 franchise stores, has coverage in a further 200,000-300,000 stores owing to tie-ups with modern retail (Reliance Fresh) and traditional retail outlets ...
- ... Plans a further tie-up with Future Group to expand its mass market reach in 243 cities to sell food products
- Prices are 15-30% lower than competitors with the aim of eroding market share of the multinationals
- Has a contract with the Defence Research & Development Organisation for manufacturing and marketing of herbal supplements and food products
- US\$57mn projected A+P spend between November 2015 and March 2016 has signed celebrities and sports stars to promote its brands
- Plans to spend around US\$160mn on expansion, e-commerce and exports in 2016

Source: *Economic Times, Business Today*

Hindustan Unilever is also attempting to capitalise on the trend by relaunching its Ayush portfolio, which was originally rolled out in 2001 as a multi-level marketing model alongside Ayush therapy centres. The original venture did not perform well, but the new incarnation will:

- Only advertise and sell products through e-commerce to leverage the convenience of online shopping, with the aim of owning online search words to facilitate SEO optimisation
- Be premium priced with appropriate positioning and packaging

Innovative communication through traditional channels will also be crucial to gaining a higher share of voice going forward.

Companies that intervene when consumers are actively seeking information and empower them to make decisions confidently will build trust and loyalty. Though many OTC brands in India have their own websites, the emphasis will be on enhancing consumer education as much as actual brand promotion. Marketers will work towards winning consumers' hearts first, so that brands with an emotional as well as a rational connection will be the winners.

It is also evident that, as consumers are evolving at such a rapid pace and seeking holistic health solutions, both products and services will be required. As such, there is plenty of scope for another maverick in the making like Paras Pharmaceuticals, which had no Rx background and launched brands as pure OTCs. The ones ready to go the distance and follow Paras' lead by using consumer research to identify gaps in the market will emerge as the conqueror.

The CubeX team spoke to a couple of industry experts to find out the prognosis for the Indian OTC market.

## Prospects for the Indian OTC market in 2016



**Mr. Gerard Fernandes,**  
**Consumer Healthcare Head,**  
**Boehringer Ingelheim India**

The future is very bright for the Indian OTC market given that the country has one of the largest and growing middle-income population groups who have higher disposable incomes but very little spare time owing to their hectic lifestyles. This target group is looking for more information on treatment options to self-medicate. OTC companies must ensure that they focus on educating and empowering these consumers with product related information to help them make an informed decision.

Consumers are also increasingly worried when an ailment breaks their normal routine because of their hectic lifestyle and paucity of time. Brands that enable consumers to self-medicate and bounce back in a short period of time will therefore be considered when they decide to switch from their traditional therapies. A good example of this is BI's Dulcoflex laxative, which has 64% of consumers who have switched from either Ayurvedic or home remedies.

For OTC categories to make further progress in terms of growth, a greater focus will need to be invested at point-of-sale so that pharmacists and their staff understand the difference between OTCs and Rx medicines.

Another opportunity arising from the expanding middle class is for marketers to focus on more lifestyle and wellness solutions, rather than typically problem solving medications.

### Enablers for market growth

One of the key enablers that will fuel OTC growth is investment in categories that focus on lifestyle conditions. This includes smoking control – where Cipla recently launched an OTC nicotine replacement therapy – and emergency hormonal contraceptives.

Modern consumers are increasingly facing a number of challenges, such as nutrient deficient food, low energy levels resulting in poor stamina and increased stress levels. OTC food supplements are a relatively untapped opportunity and one that could help further expand the market.

Another potential growth area lies in driving innovation via trademarked ingredients, which are backed by research and clinical trials. However, this is currently not seen in the Indian OTC landscape.

### Challenges to market growth

One of the major factors limiting growth is the uncertainty surrounding the Drugs Prices Control Order 2013. More drugs are being included in the National List of Essential Medicines, which have their prices capped under the legislation, but the final list has yet to be released. This uncertainty prevents OTC companies from being more aggressive in ATL spending to educate consumers.

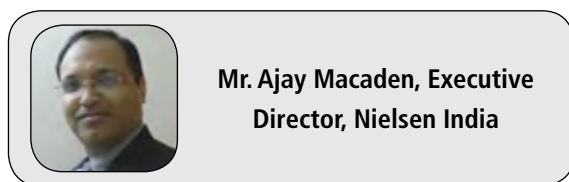
Regulations are another hurdle for marketers. There is currently no clarity between the FDA and the Food Safety & Standards Authority of India on the approval of food supplements or the timeline involved. Additionally, India has a well-defined pharma market, but there is no clear definition of OTCs, unlike most mature markets of the world.

### Consumer sentiments

Consumers today are seeking information for all their common ailments and it is recognised that the needs of men are different from those of women. It is becoming more challenging to have a balanced diet, as women do not have the time to cook traditional wholesome food on a daily basis, meaning consumers are increasingly dependent on packaged or ready-to-eat foods. To overcome the poor nutritional value of these foods, taking supplements is advisable. As the work environment has become fiercely competitive, men cannot afford to have an unhealthy body or mind and dietary supplements help them to be physically and mentally fit.

Consumers are also becoming more knowledgeable about the need to prevent the occurrence of conditions that can create discomfort or be detrimental to health and appearance. This includes the need to prevent infection by washing hands appropriately, or the need for adequate nutrients to prevent deficiency-related ailments.

## What's in store for India's OTC market?



**Mr. Ajay Macaden, Executive Director, Nielsen India**

India's OTC market was worth US\$2.6bn in the 12 months to September 2015 and is forecasted to grow to US\$3.8bn in 2019, according to Nicholas Hall's **DB6** Global OTC Database. While this portends a huge opportunity, there needs to be a concentrated focus by marketers to ensure they invest in product innovation, communication, distribution and talent.

Growth is expected to be driven by both sectors of consumer healthcare, namely Rx-to-OTC switches (drugs that have gone from requiring a prescription to being self-medicated) and pure-play OTCs (brands that were launched as OTCs without ever having been Rx). Although the latter is at a relatively nascent stage, it is set to develop at a faster rate owing to increased consumer

awareness and purchases of products in the wellness and nutrition segments.

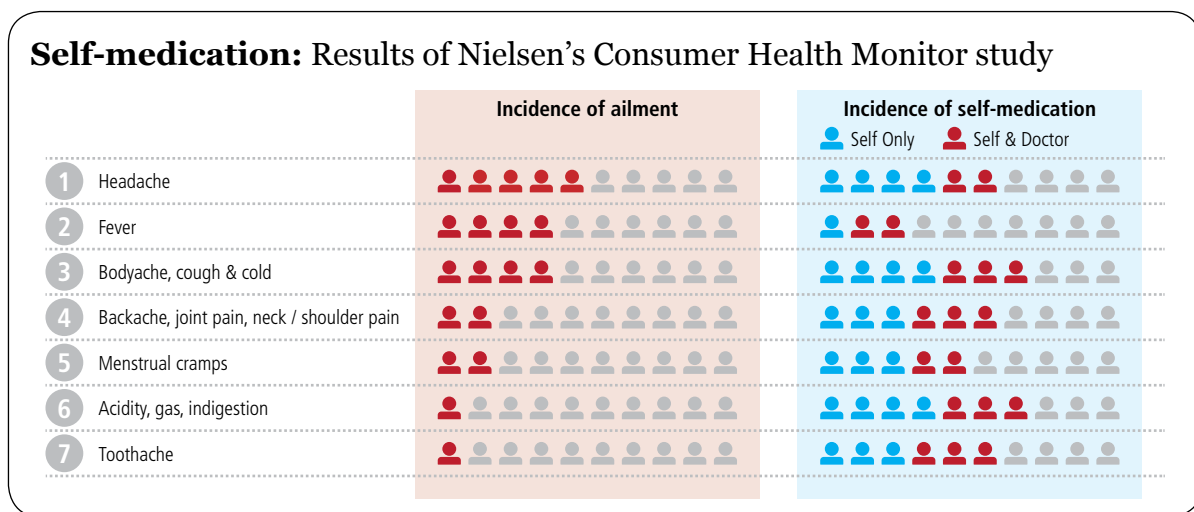
That said, the OTC space is poised for only moderate growth in 2016; a higher rate of growth does not seem to be on the cards as pharma companies continue to be largely averse to risk. This has cost some brands to lose ground because of the reluctance to shift focus from Rx to OTC, mostly because the latter requires long-term focus and better planning, as well as higher investments.

## Self-medication to the fore

The increasing frequency of lifestyle diseases and the resulting tendency for consumers to self-medicate is another reason why the OTC market is experiencing greater growth. In fact, Nielsen's Consumer Health Monitor study shows that the frequency of certain ailments such as headache, fever and the common cold is as high as 50% among patients that had suffered from an ailment in the prior six months. The study also indicates that self-medication is high among such patients.

## Growing the OTC market

The increasing awareness of health & wellness among consumers is another opportunity that needs to be leveraged. Pharma companies must look at pushing products towards prevention of ailments rather than problem-solving medications, which have a bigger share of the pie in India.



To encourage consumers to take the OTC route, marketers must focus brand A+P to leverage the tangible expectations from the product and its action on the body. Using existing intuitive logic – mental shortcuts that aid decision making, such as choice of formats and brand preferences – in the product and communication (A+P, packaging, point-of-sale) enables brands to have a stronger consumer connection, which will boost consumer confidence during decision making in favour of OTCs. Research will continue to be critical in understanding and formulating products that will succeed in the marketplace.

## Think OTC, act FMCG

Distribution being paramount, pharma majors need to focus on tapping different tiers across the country and increase their foothold in smaller towns. E-commerce

is another area that holds a lot of promise for OTCs. Companies require a different set of strategies to succeed in this space and must invest in being able to reach and engage with consumers on a continuous and sustainable manner.

## Talent investment

The “think OTC, act FMCG” notion is also applicable when it comes to talent acquisition and capability development. In fact, some pharma companies have started recruiting talent from the FMCG industry to use their expertise to help with aggressive growth and tweak their strategies to attract and retain consumers. Additionally, the development of a sales force that can keep pace with the changing requirements of relationship building and consumer interaction will be important going forward. ☒

Sorento Healthcare Communications includes CubeX, its Strategic Consulting & Business Intelligence division. If you would like to find out more about CubeX – which has expertise in consumer healthcare and wellness – please write to [reports@cubex.co.in](mailto:reports@cubex.co.in).



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