Sreedevi Yallamrazu, Sr Strategic Analyst, CubeX, provides a snapshot of the dynamics of the Indian OTC market and various opportunities, which Rx brands can take advantage of.

Nicholas Hall’s 24th European OTC Conference & Action Workshop held earlier this year in London was yet again another spectacular performance in terms of the presentations made by the distinguished speakers from diverse backgrounds. The theme this year, 'Raise Your Game - Expand Your Horizons', focused on improved marketing, shopper insights and inspirational OTC advertising to stay ahead of competition. This theme is also apt in the context of the current situation in the pharma industry in India.

The new pharma pricing policy is being perceived as a dampener by the industry with concerns regarding erosion of profitability. Reports are already pouring in regarding wholesalers’ refusal to stock essential medicines due to lower margins, although the policy has been touted to be beneficial from consumers’ / patients’ point of view. The industry is already plagued with challenges of market saturation and lack of new molecules to offer to healthcare professionals. In this scenario, sustaining brand growth is difficult, prodding the need for alternate avenues for increasing a brand’s market share. Since the battle will eventually become a level playing field as far as pricing is concerned and consumers are evidently wielding more power, Indian pharma marketers may have to shape their business models in light of this power shift. Indian marketers would have to now put the consumer at the centre and explore OTx/OTC strategies, thus expanding the horizon beyond Rx.

Dynamics of the Indian OTC Market

The global OTC market has been valued at $121 billion at the end of 2012, having recorded modest growth of four per cent (Source: Nicholas Hall’s DB6 Global OTC Database). Emerging markets, chiefly BRIC nations, were the key contributors to the overall growth of the global OTC market.
The Indian OTC market recorded sales of $2.3 billion in 2012, having recorded growth of 13 per cent over 2011 (Source: Nicholas Hall's DB6 Global OTC Database). The Indian OTC market has maintained its momentum of double-digit growth over the last few years.

Vitamins, minerals and supplements (VMS) and Gastrointestinals (GI) together contributed nearly half (49 per cent) the total sales to the total Indian OTC market. In terms of growth drivers, apart from VMS, analgesics and dermatologicals too posted over $50 million incremental sales in 2012 (over 2011). However, the contribution from the major categories has been constant.

**Battle of illness and wellness**

The growth of the Indian OTC market has been driven by sub-categories which fall under the 'illness' domain. Majority of these sub-categories were from dermatologicals, followed closely by gastrointestinals and cough, cold and allergy.
Topical as well as systemic analgesics, both recorded higher growth, as compared to the total Indian OTC market. Since the prime focus of most companies is catering to illness needs, it is a highly competitive segment. However, brands positioned on the wellness platform are likely to witness long-term sustenance as consumers are looking out for products that enhance health and wellness. There is a clear trend towards health and prevention in developed markets as well.

**Treasure of hidden OTC gems**

Over 60 per cent of the sales of the Indian OTC market has been contributed by deemed OTC brands. Huge untapped opportunities exist for these brands to extend their life-cycle as well as to expand their respective markets. Heritage Rx brands like Revital and Crocin have cashed upon their doctor equity and consumer popularity to reap success in the OTC market. Latest addition to the list includes Otrivin (topical decongestant), growing at CAGR of 22 per cent over the past five years (2008-2012).

Rx to OTC switches (ingredients as well as promotional switches) are expected to drive the global OTC market, providing the much-needed boost to the market growth. In the Indian pharma market too, immense opportunities exist for promotional switches.

**Domination of natural remedies**

Ayurvedic formulations or brands registered as ayurvedic products (like Vicks and Eno) dominate the list of star OTC brands. Seven of the top ten OTC brands are ayurvedic in nature - a strong indication of consumer preferences for natural products. In case of Volini, (parent brand has Diclofanac as its active ingredient), a herbal variant, Volini Activ, too has been launched.

Globally as well, the benefits of natural products are being recognised. Higher demands are being voiced for 'made by nature' remedies and thus products like nasal saline could witness new niches such as preventive therapy for environmental or seasonal changes, non-medicated adjunct therapy or as lifestyle therapy to be used by frequent fliers, who could be prone to higher tendency for nasal congestion. This puts us in an advantageous position, considering our rich heritage in Ayurveda. Indian marketers can benefit from in-licensing innovative products while out-licensing natural remedies. However, concerns in terms of safety profile need to be alleviated through well-defined quality protocols.

**Line extensions adding to brand saliency**
In the Indian OTC market, a notable trend has been the launch of line extensions of existing brands, as compared to absolutely new brands. The line extensions have largely revolved around expansion of usage occasions (Moov spray, Hajmola) and indication adjacencies (Crocin n’ Flu, Crocin Pain Relief, D’cold). Although hardly any extensions have surpassed the performance of the parent brand, they add significant value to the overall brand’s saliency. This is evident from ENO’s success, which has recorded CAGR over 30 per cent, attributable to the excitement created by the new flavours. Post the buzz created by ENO’s cola flavour, Nimbu Shikanji is the latest flavour which is a combination of lemon and jeera flavours, both highly appealing in terms of preference for gastric ailments. The brand’s has also been extended into tablets and liquids, which are likely to be visible in the market very soon.

**Changing competitive landscape**

Key players like Emami (Boroplus and Zandu balm), Dabur (Dabur Chyawanprash and Hajmola), Ranbaxy (Revital and Volini) and Reckitt Benckiser (Dettol and Moov) have two brands each in the list of top ten leading OTC brands. However, with the increasing focus of FMCG companies on health and wellness, competitive landscape is widening. FMCG/FMHG companies are making a mark steadily, by introducing novel concepts and positioning the products based on deep understanding of consumer behaviour. Pharma companies have the upper hand due to their focus on scientific backing and formulations that provide the required therapeutic or prophylactic doses.

**Opportunities for Indian marketers**

India is expected to emerge as the world’s largest consumer market with aggregate spending of $13 trillion by 2030, surpassing the likes of China and the US, according to Deloitte. Different consumer segments are evolving, each at varying stages of health awareness and approaches, presenting unique health needs. The key strategy would be to ‘catch’em young’ and offer effective solutions in convenient formats, using multi-media approach to find captive audience.

Demographic segmentation has not been widely practiced in India. In fact, one of the 10 watch outs for the decade ahead as listed by Nicholas Hall was
demographic segmentation. It is evidently emerging that we need to change the myopic lens with which we have been viewing men’s (sexual health) and women’s needs (reproductive health). CubeX has identified almost 25 needs of women, half of which at least are white spaces, yet to be explored by marketers.

In today’s highly connected world, consumers and patients are connected with doctors in myriad ways, thanks to information technology advancements. In markets like India, consumers are adopting social networking as quickly as they become online (Source: BCG, March 2012). In emerging markets like India, while Internet penetration is low <40 per cent, social networking penetration is approx. 80-90 per cent among Internet users (Source: Economist Intelligence Unit), indicating the saliency and need for social media presence. Globally, marketers are using social media for building brand awareness and believe that it is integral to business strategy. Valuable marketing insights shared by members of online communities can be utilised for co-creation of content Gamification is emerging as an interesting way to engage consumers with their own health. The power of social media can be leveraged at a fraction of the cost, as compared to conventional media, with measurable outcomes through ‘social media listening tools’.

While the environment throws challenges in terms of stricter regulations, the need of the hour is innovative business strategies to maximise profits. Pharma companies need to change the focus of their lens from products to consumer needs to leverage the opportunities. It is important to understand the patients’/consumers’ journey as well their perceptions and behaviour in order to improve health outcomes through right product choices and better adherence. Rx to OTC promotional switches, innovative OTC products, home-use devices and even products, promoted through OTx strategies that meet consumers’ needs could be opportune areas that drive growth. If you always do what you always did, you will always get what you always got. [Albert Einstein]

CubeX is the Strategic Consulting and Business Intelligence division of Sorento Healthcare Communications with expertise in the Consumer Healthcare and Wellness domain. To know more about reports from CubeX, you can write to reports@cubex.co.in.

Nicholas Hall’s DB6 Global OTC Database, the only global OTC database, is a comprehensive business planning tool which provides strategic review of the OTC market, India being one of the key markets included in the database. CubeX is the exclusive network partner for Nicholas Hall & Company in India.