

WSMI AP Regional Conference & APSMI General Assembly

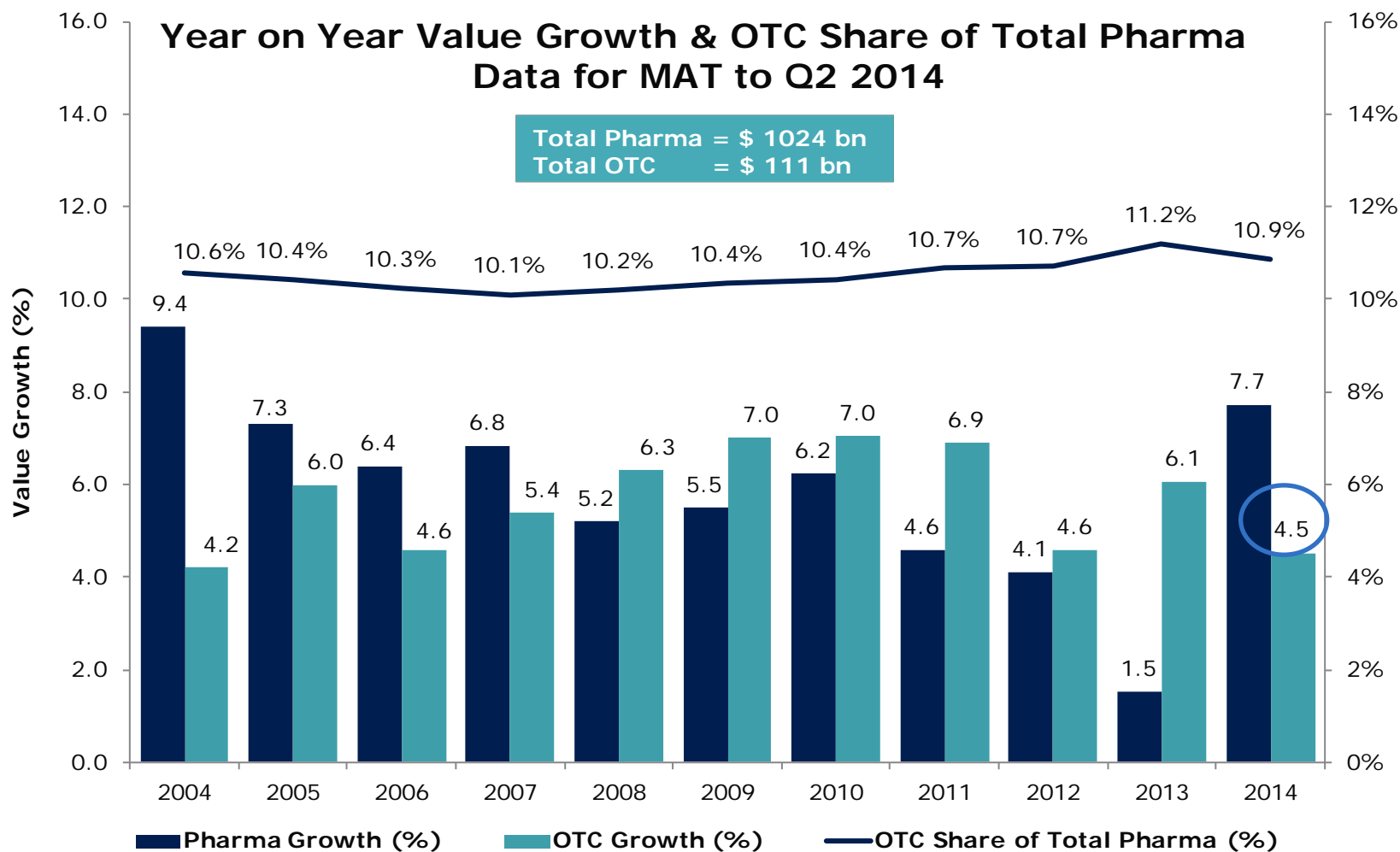
The Future of OTC in Asia: Growth through Innovation

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OTC continues to show healthy growth, while Pharma growth improves.

Global



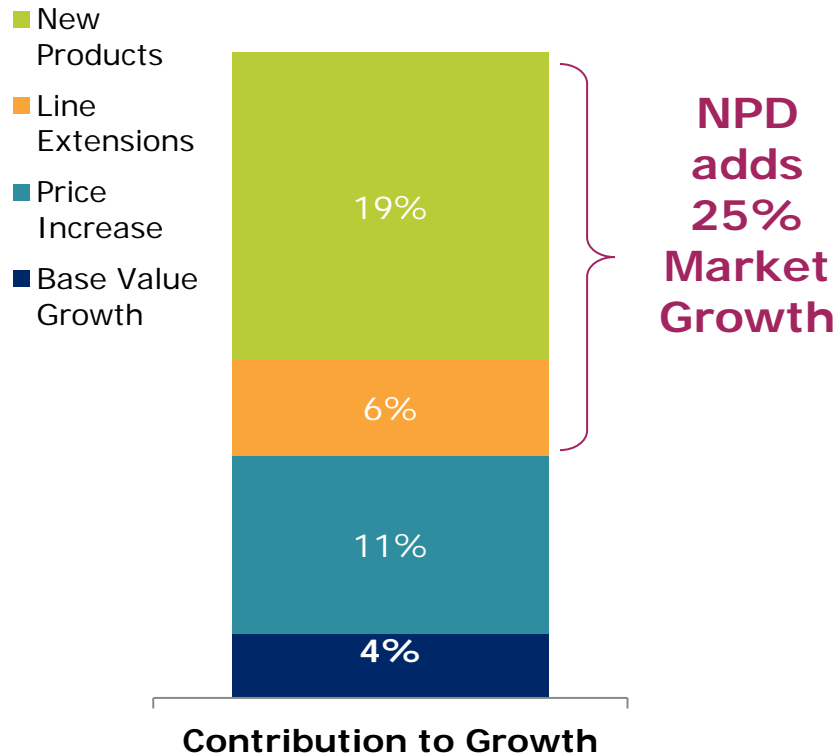
Source: IMS OTC audits plus estimates

NB. Change in estimation methodology from 2014

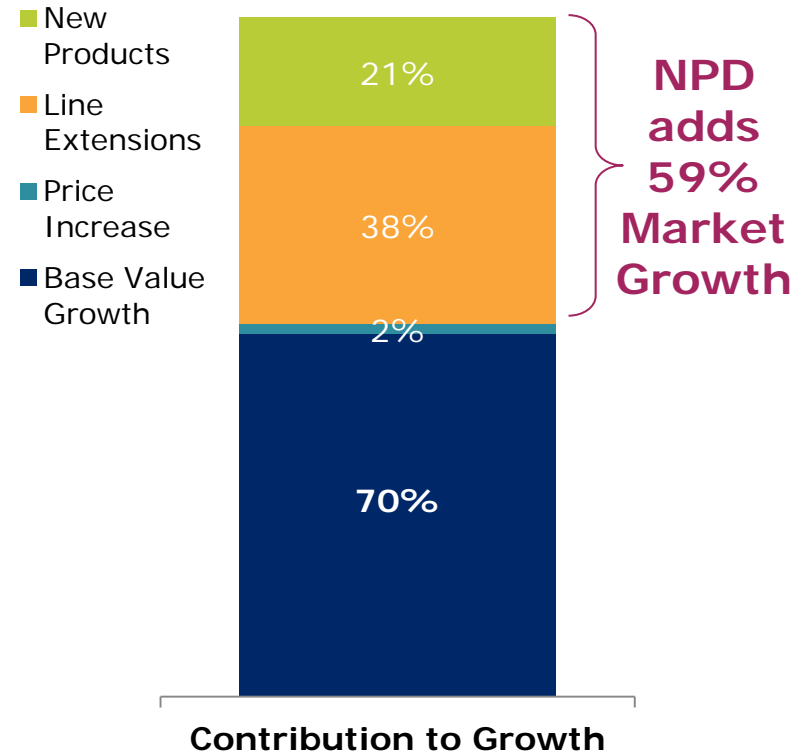
Growth in APAC comes from both innovation and base business as the markets develop

APAC excl JP

Global OTC 5 Yr Growth = 42%



APAC 5 Yr Growth = 130%

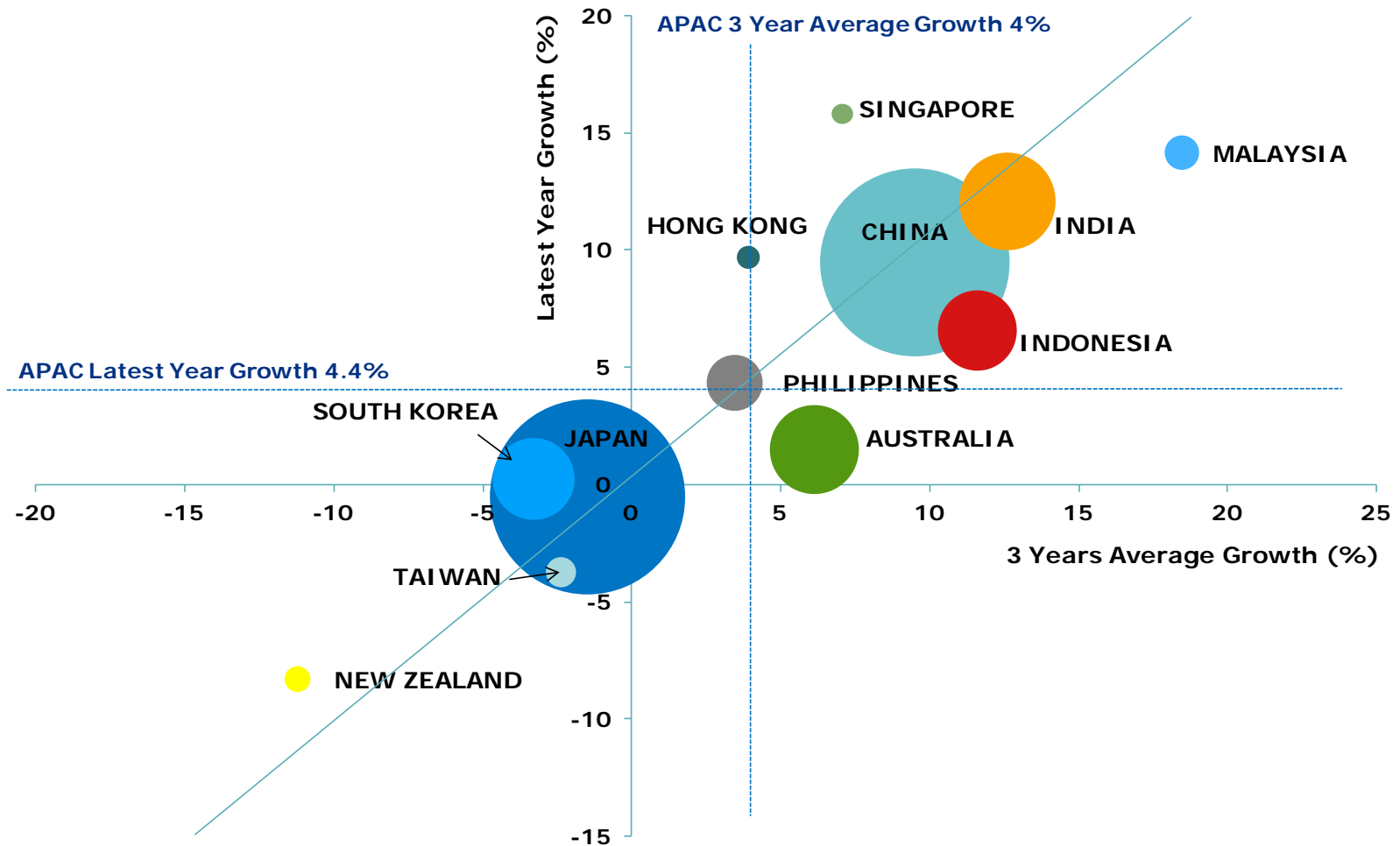


Source: IMS Elements of Growth – Based on 5 year sales from 2009 - 2014

Country performances differ: local understanding is critical to capitalizing on the opportunities.

APAC

APAC Growth by Country: Long vs Short term



Source: IMS OTC Global Analysis

This includes understanding market dynamics at the point of sale to respond appropriately

APAC



• Doctor/Staff recommendation and Word of Mouth are key



- 70% don't have specific brand plan

- >60% shoppers are willing to ask a pharmacist for advice

What did the consumers actually buy?



- 97% of consumers have a brand in mind before entering the store

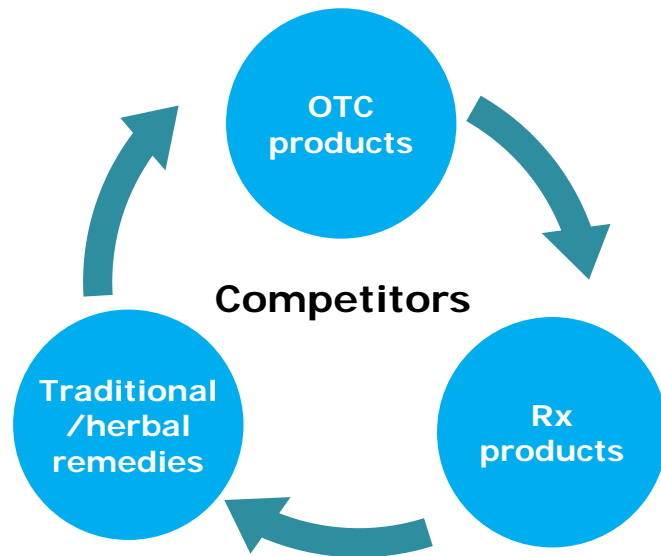
- 97% of clerks do not offer alternative

Who is the buyer?

Are there other unplanned purchases?

Source: Shopper Insights Study, IMS China, Philippines

There is often no clear line between Rx and OTC, and Consumer Health has a broader reach



Cold & flu example



Considerations for OTC players

- OTC products may reach a larger market given the blurred line between OTC and Rx drugs and traditional medicines
- Given this environment, OTC players must understand how to access the market, how to position and promote consumer health drugs, who are the market stakeholders and how to engage with them

Traditional remedies are taking the form of modern packaged goods, posing a new type of competition

APAC

Evolution of Traditional Chinese Medicines



Home remedies

Packaged products



ASCOP:
No 2 Cough
brand in
Philippines

And MNCs respond, moving into this space through innovation, partnership or acquisition

APAC

Evolution of Traditional Chinese Medicines



Home remedies

Packaged products

GSK invests in TCM research



Sept 2012: GSK announce a new R&D centre in China to look at TCM.

Nestle partners with local TCM firm



Nov 2012: Nestle partnered Chi-Med, a leading TCM firm to form Nutrition Science Partners (NSP).

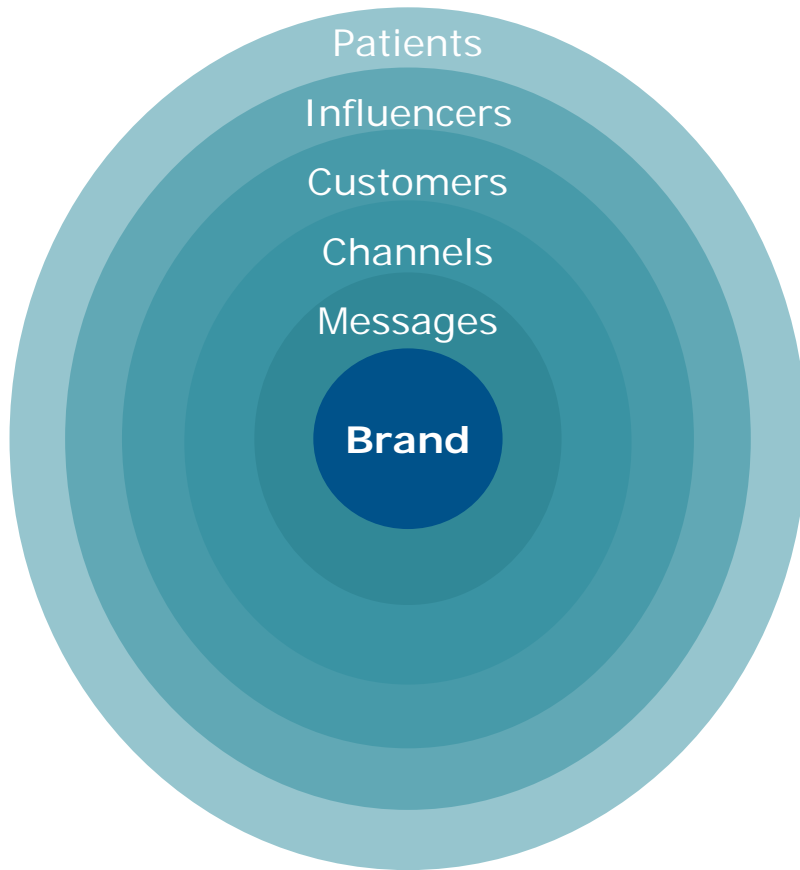
RB acquires local TCM firm



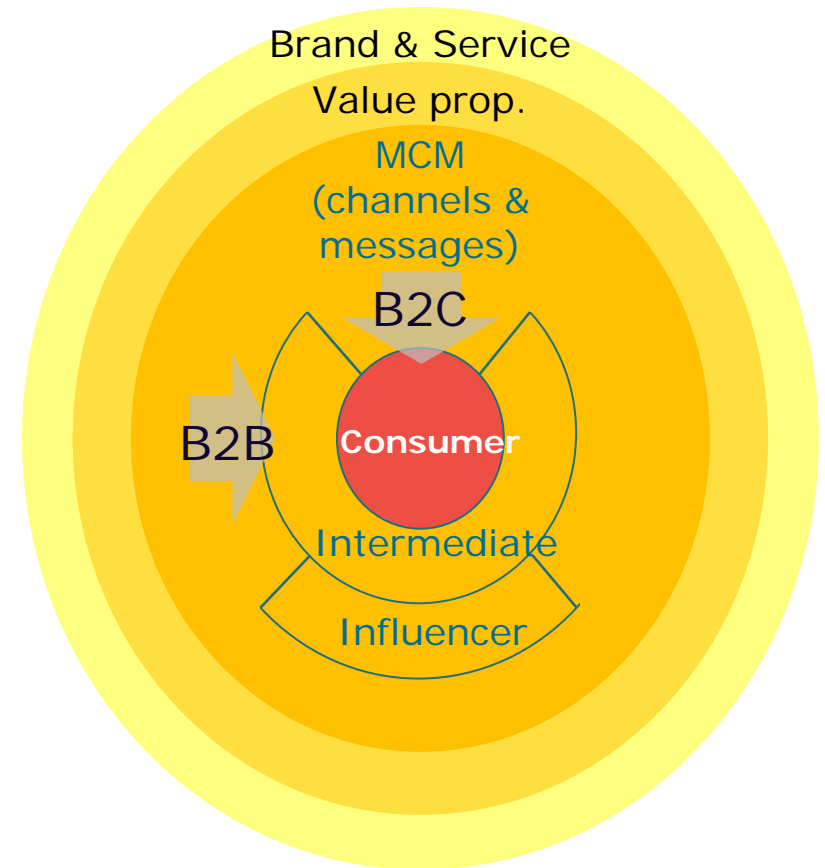
Feb 2013: RB acquired local Chinese firm Golong Medicines, a TCM manufacturer.

Empowering the consumer is expected to be a key driver for growth in the future...

Traditional Mindset



Future Mindset



Intermediate are relevant external stakeholder with access to patients (i.e. physicians, pharmacists etc ...)

...and this includes important innovation in how products and the industry interact with consumers

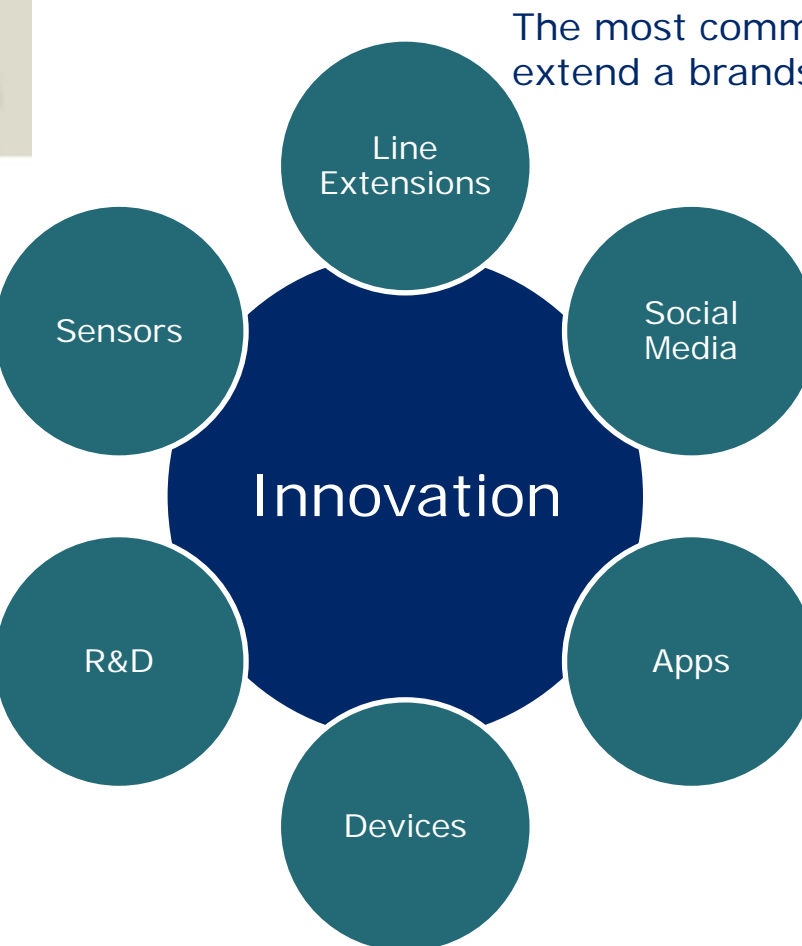
Innovation



Sensors provide the consumer with a direct feedback on their current state of health.



Synchro-Tech™ has helped two actives with opposing dissolution profiles to come together



The most common, but a proven way to extend a brands life.



An ever-present in consumers' daily life, but care must be taken in Pharma/Consumer Health.

Healthcare apps are growing rapidly with Cardio Diet and Women's health accounting for half the volume.

Devices can improve efficacy and control



Rx/OTC Switch has been an important provider of new products and key driver of growth in OTC

Innovation



6 of top 10 brands are recent switches, accounting for 9% of OTC sales

W Europe



8 of top 20 brands are switches, accounting for 6% of OTC sales



- The path to switch is well established
- Strong focus on traditional OTC areas: Pain relief, Heartburn, Anti-allergy and Acid Relief

- Geo-expansion opportunities for major switched brands now limited
- EU Central Switch route has yet to be fully leveraged

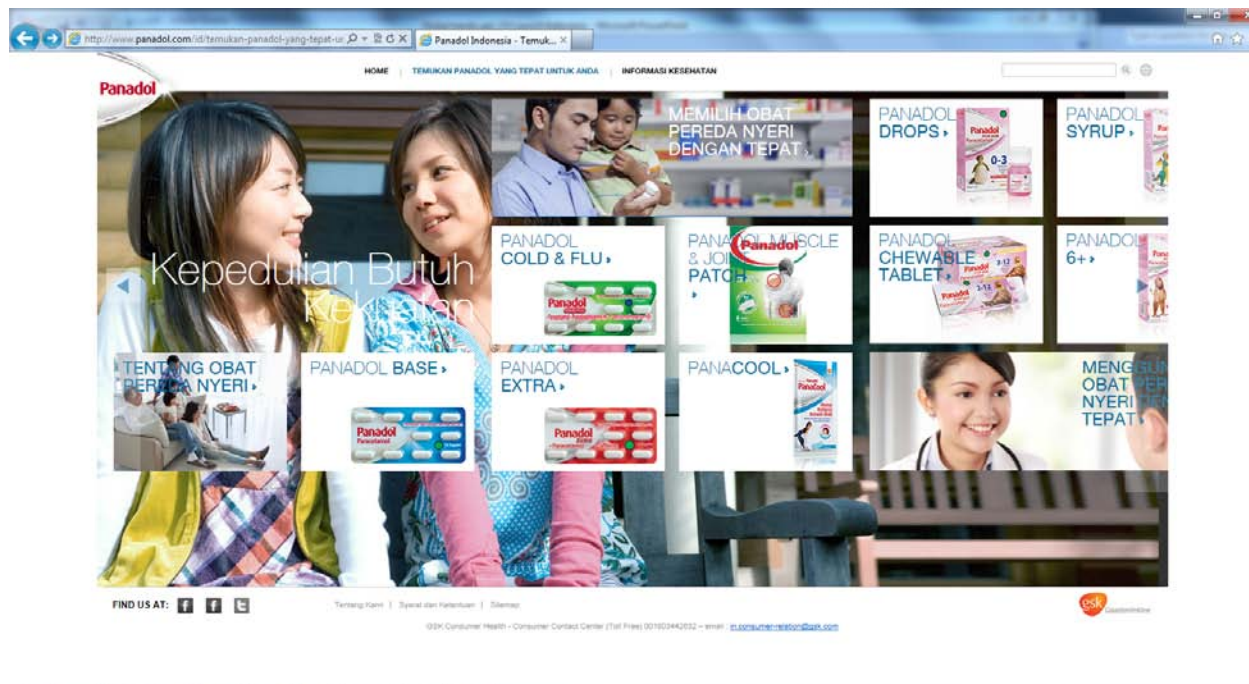
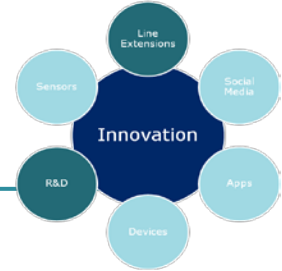
The challenge remains to create new consumer categories via “innovative” switch, especially in Europe

However, Asia is behind the global curve on switch and regulatory clarity/harmonization will be key



Systemic Pain	Cough & Cold	Allergy	GI
Aspirin	Dextro-methorphan	Loratadine	Al/Mg-based antacids
Paracetamol	Guaifenesin	Cetirizine	Ranitidine
Ibuprofen	Bromhexine	Fexofenadine	Famotidine
Mefenamic acid	Ambroxol	Chlorpheniramine	Omeprazole
Paracetamol + Ibuprofen combo	Phenylephrine	Dimenhydrinate	Loperamide
Naproxen	Pseudoephedrine		Simethicone
Diclofenac	Phenyl-propanolamine		Bisacodyl

In this context creative innovation through line extensions, brand positioning becomes key



Key considerations:

- Brand strength
- NPD which creates added value
- Consumer education to prevent cannibalism

And as technology advances, innovation in diagnostics/devices helps to engage consumers



Continuous monitoring of heart rate patterns, motion, perspiration and skin temperature



Blood pressure/
Temp.

Initially, simple instruments used by doctors/nurses became available to the consumer



Sensors

Pregnancy / Fertility



Technology

Prostate Function

Cholesterol

Many people now make informed lifestyle choices based on measurement devices

Blood Glucose



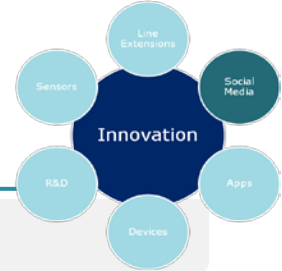
Devices enable patients to manage ailments on a daily or even hourly basis



Key considerations:

- Different business model?

Digital trends of social media and apps present new opportunities and challenges for marketers



Opportunities

- **Identifiable, pro-active customers**
- **New individual customer data** at real-time
- **New channels** in a marketing mix
- Potential to **create tailored interactions**
- Potential to **optimize ROI** of marketing activities in more channels



Industry Questions

- What is the best way to engage with empowered, digitally savvy customers?
- How can we take advantage of the new touch points with these consumers?
- How can we be present **and** distinctive **and** monetize digital channels?

Challenges

- **Regulatory compliance** requirements
- **Information overload** and **lack of integration** with other data sources
- **KPI framework** for digital tracking
- **Change management** for teams not familiar with digital approaches



- How do we prevent information overload?
- How do we make sure that all data are effectively used by all teams?
- How do we ensure regulatory compliance in the digital space?

Conclusions and Implications

OTC growth remains strong, and Consumer Health remains an **attractive business**

- Expect the Self-Medication market to be more competitive as investment flows

Innovation is a **MUST** for continued growth, meeting market demands

- Innovation in NPDs has to complement consumer-centric product management

Consumer Centricity is key to driving the right sort of innovation for future growth

- Empowering consumers to manage their health rather than just to treat their illnesses

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Good luck in this exciting, challenging and evolving OTC marketplace

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