

# MARKET TRENDS & DYNAMICS IN GERMANY

# OTC OUTLOOK 2022

1

## Self-medication remains a highly attractive growth segment and investment area

- Continued underlying consumer trend towards self-care further supported by COVID pandemic
- OTC caters for growth across multiple health concerns and therapeutic platforms (e.g. prevention, probiotics, herbal medicines)
- New business models will gain momentum: physical + digital, direct-to-consumer, ...
- PE and strategic investors will continue to pay high and further increasing multiples

2

## In the spotlight: OTC portfolio strategy

- Shifting consumer preferences and patient journeys create new growth opportunities
- At the same time, Corona-effects require a fresh perspective on role of categories and brands within the OTC portfolio
- Consumer-centric innovation is key when defining future winning concepts regarding trending health-concerns and promising target groups

3

## Need for speed-to-market

- Competition, especially from new, agile market entrants with new approaches is becoming increasingly intense: speed-to-market is the key to success
- At the same time, the organisation of established OTC players do not match the need for slack-free, agile processes
- Lack of cross-functional integration between business development, medical and commercial tends to slow processes down
- Top management must allow for new processes, cultural change, a revised talent portfolio and a reassessment of the organisational set-up to keep up with the "need for speed"

4

## Pricing for profit: OTC companies and pharmacies must act on smart pricing

- Inflating cost base and increasing transparency on online, hybrid and offline prices are setting the stage for smart pricing
- Companies will require in-depth data and advanced methodologies to develop winning price strategies
- Brick-and-mortar pharmacies will need to establish next-stage pricing and discount policies as hybrid models and platforms begin to emerge

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5

## Game changer Amazon

- Market entry of Amazon in 2022 as a full-fledged online pharmacy in Germany becomes an increasingly likely scenario
- This will bring Amazon in a position to sell OTC drugs directly to consumers (beyond marketplace) and to benefit from the e-prescription roll-out
- Consumer choice will gradually shift from established internet pharmacies to Amazon (consumer trust in Amazon for both, OTC and Rx)
- Amazon's price leadership dogma will put OTC consumer prices under pressure
- "Amazon Basic Care", as an internationally established private label umbrella brand, will be marketed in Germany and will put pressure on OTC (generics)

6

## Beyond pharmacy: direct-to-consumer business models on the rise

- Growth of food supplements and medical devices will be instrumental for direct go-to-market models
- Strategic rationale for OTC companies: control of customer interaction and messaging, access to customer data, and potentially higher margins
- Different strategic options will be explored from own Amazon presence (marketplace) to the establishment of own platform(s)

7

## Next-generation sales excellence

- Online channels continue to drive quantitative and qualitative OTC growth – this requires next-level internet pharmacy strategies
- Shifting pharmacy landscape and pharmacy expectations demand an advanced key account management – nationally and regionally as well as revisiting the needed sales force capacities for stationary pharmacies
- Volatile times necessitate agile management of touchpoints at pharmacies
- At the same time, trade terms models and gross-to-net management have to be adapted to intensified competition and to the new channel and account structure

8

## Platforms and e-prescription as catalysts for change

- Several heavily invested pharmacy platforms are in the process of implementing value-added services to consumers, patients and pharmacies – 2022 will be the first year to show some market impact
- E-prescription will be rolled out (even if delayed), leading to new customer base for online pharmacies in both sectors, Rx and OTC
- OTC companies need to develop platform strategies and category-specific scenarios concerning the impact of e-prescription