White Paper

Trends in e-Commerce

Global Consumer Health Trends 2023

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e-Commerce and e-Pharmacy have been on the minds of consumer health industry leaders for over two decades and are leading to changes in how industry engages not only with consumers, but also HCPs. However, consumers haven't abandoned retail pharmacy entirely even during the pandemic, with advice and consultation still valued highly.

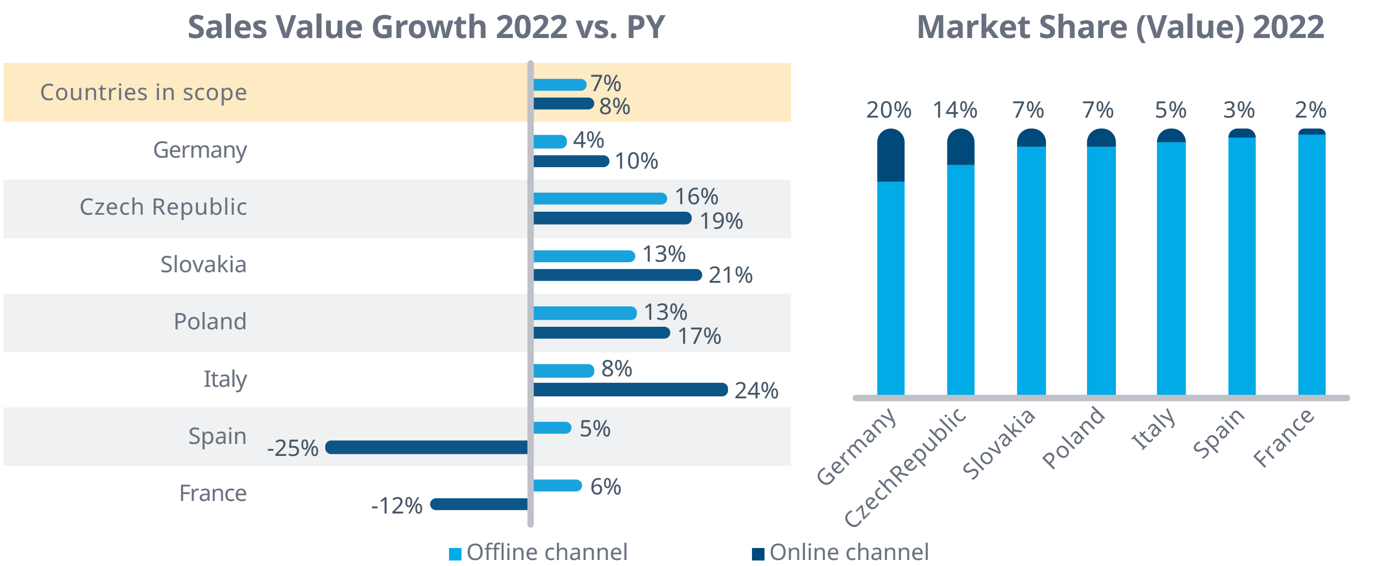
We are seeing a difference globally in how e-Commerce/e-Pharmacy is being adopted, as we can see in the following sections, the cultural difference between mature consumer health markets such as Germany and more dynamic younger markets such as the China, present different challenges and opportunities.

Germany: A mature online market

Within the European Union, the share of consumer health sales accounted for by online purchases varies from country to country, but Germany remains the leader with the most mature online market and relatively stable growth (Exhibit 1).[1]

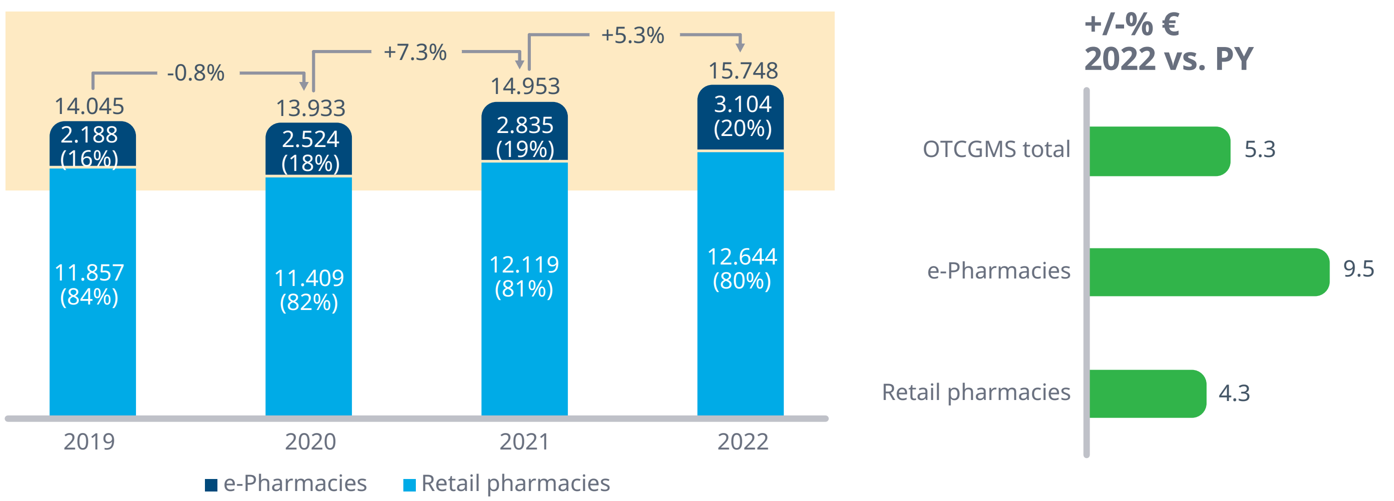
Elsewhere in the EU, in 2022, Italy maintained the trend for rising online sales due to increasing incidence of influenza once COVID restrictions were lifted, and recognition of the importance of wellbeing and personal care. Spain and France have seen decreases in online sales, with online markets returning to close to their pre-pandemic sizes. Factors include a return to pre-COVID behaviors,

Exhibit 1: Germany has the highest e-Pharmacy market share in the EU



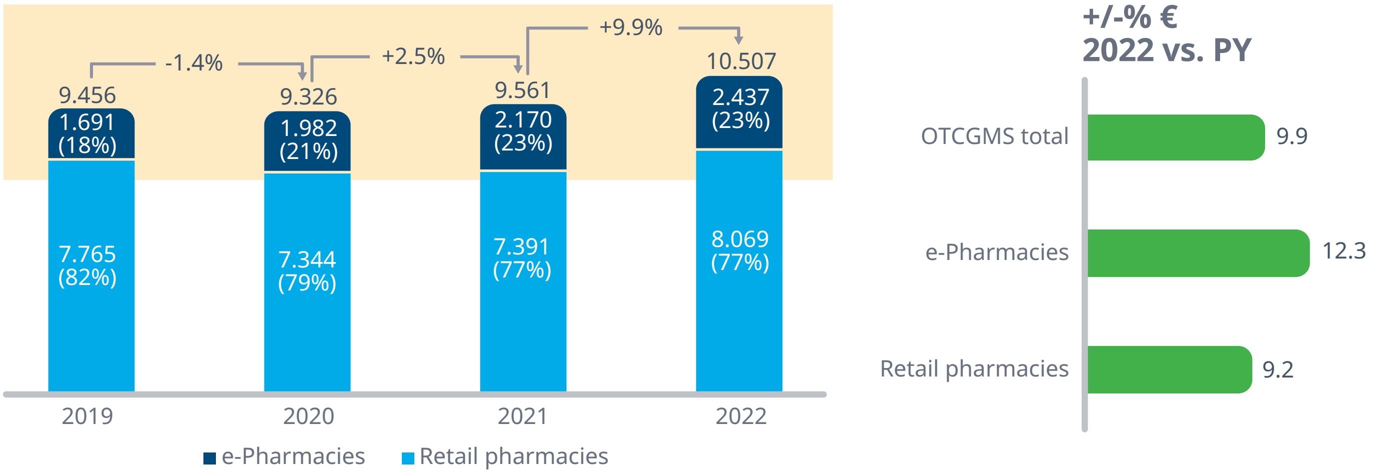
Source: IQVIA Pharmacy Audit, € PUB

Exhibit 2: Online market share in Germany since 2004



Source: IQVIA® Consumer Report Apotheke

Exhibit 3: Retail pharmacy share of German OTC market



Source: IQVIA® Consumer Report Apotheke

the impact of leading e-retailers' strategies, and limitations in OTC category penetration given the acute nature of some product categories – such as cough/cold – where immediate symptom relief drives offline purchase.

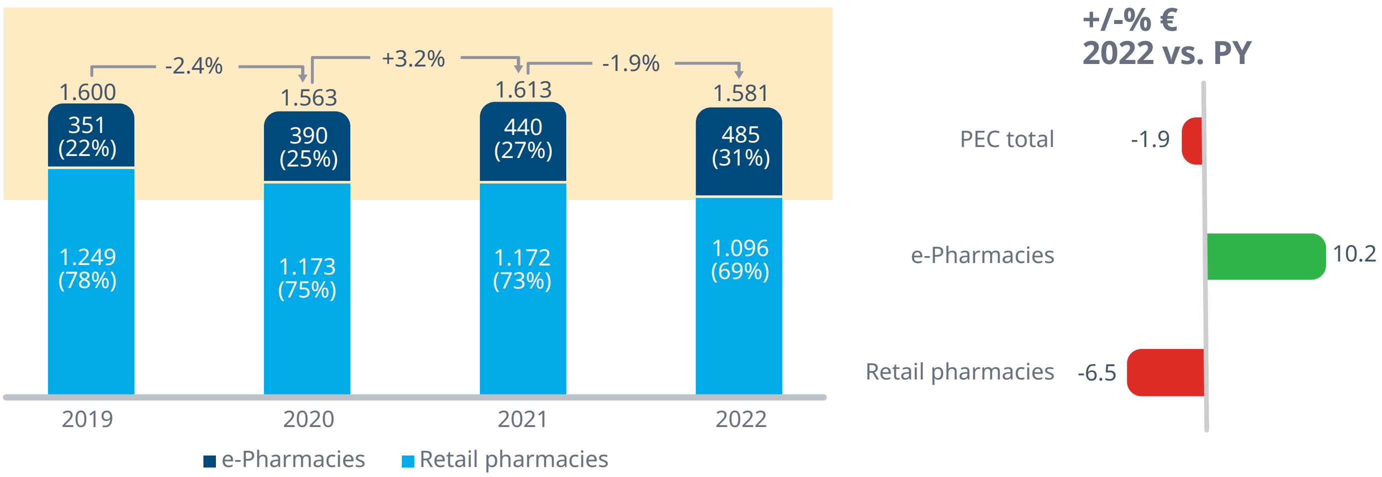
In Germany, where online prescription drug sales have been allowed since 2004, the online market share grew significantly during the pandemic, reaching 20% of the market by 2022 (Exhibit 2).

The retail pharmacy share of the German OTC market declined during the pandemic, but rebounded in 2022, driven by cough and cold medications (Exhibit 3). Overall, the OTC products with the highest online market share were those for chronic diseases and those with high prices or in categories requiring sensitive or confidential handling.

German e-Pharmacies recorded dermocosmetic sales growth of 10.2% in 2022, gaining market share, while retail pharmacy sales decreased, reflecting changing customer behaviors (Exhibit 4).

The entry of new companies into the online space in Germany is changing purchasing processes and increasing the complexity of the customer journey (Exhibit 5). As a result, consumer health companies are facing new challenges in the strengthening e-Pharmacy sector (Exhibit 6). New web crawling data sources can help with monitoring and understanding this market and give a clearer picture of the more complex purchasing journeys consumers are now taking.

Exhibit 4: e-Pharmacy market share in the German dermocosmetic market



Source: IQVIA® Consumer Report Apotheke

Exhibit 5: Entry of new players into German online market increases complexity of customer journey

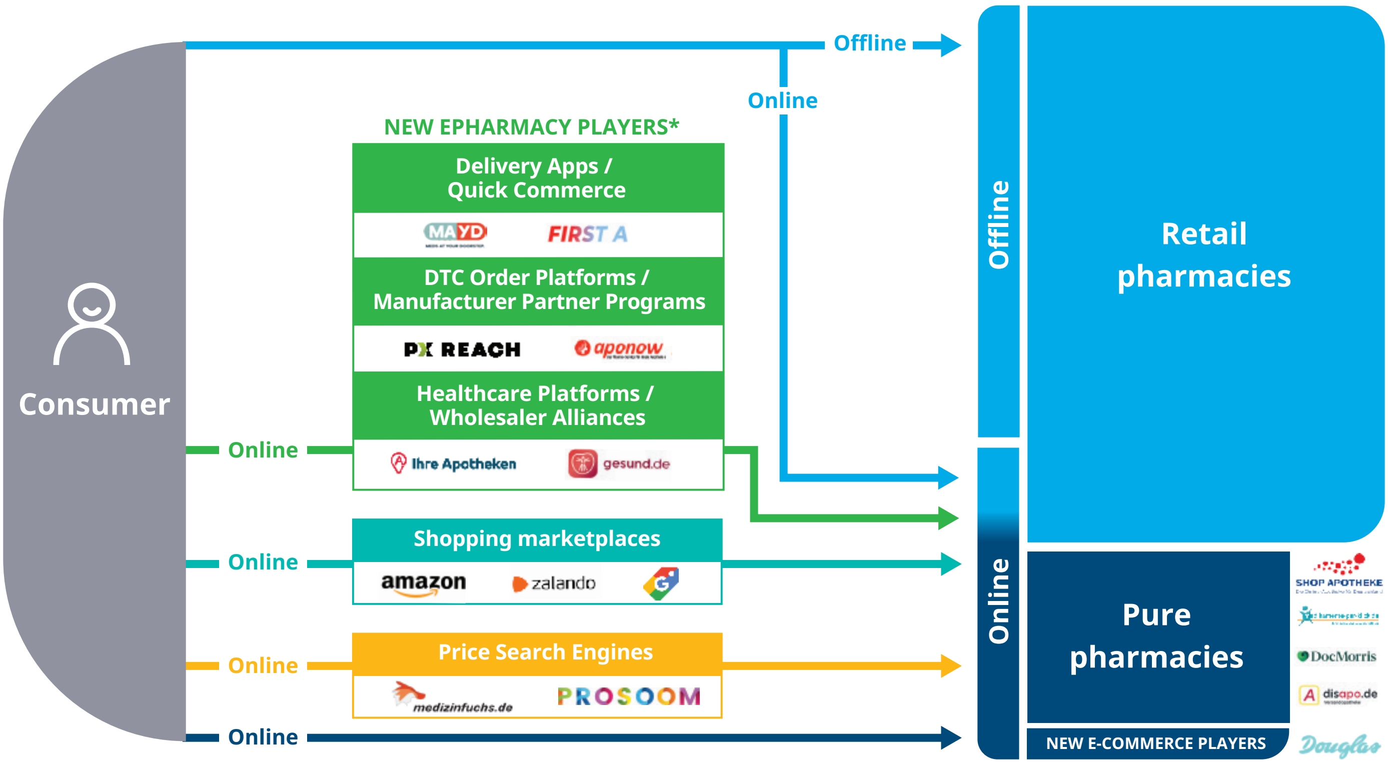
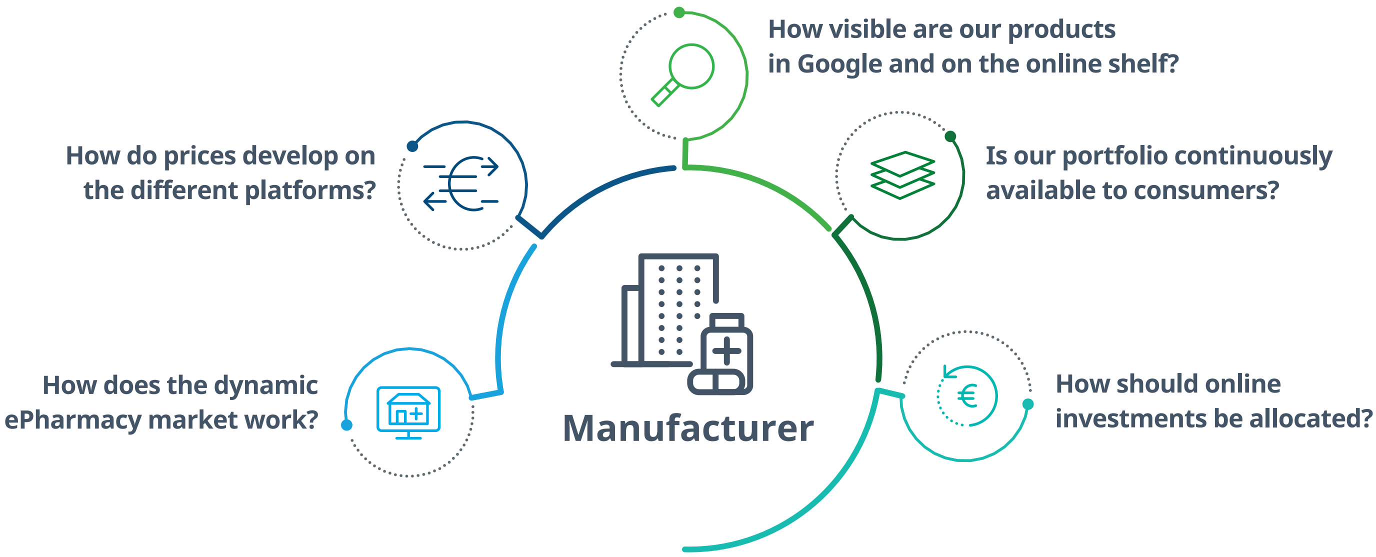


Exhibit 6: Germany's increasingly dynamic e-Pharmacy business



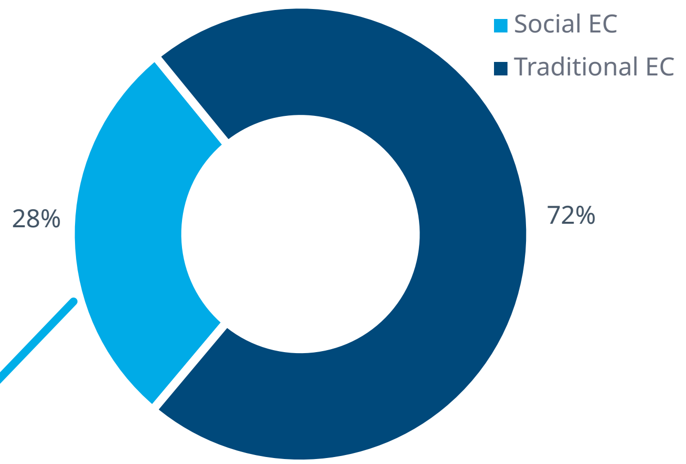
New data sources such as Prosoom web crawling data help monitoring and understanding the dynamic ePharmacy market

China: Social e-Commerce expands rapidly

Unlike Germany – or most of Europe – China's online consumer health market is widely integrated across the country's powerful e-Commerce and social e-Commerce channels. All e-Commerce through social media channels – termed social e-Commerce – through sites such as PDD, WeChat and TikTok, accounted for 28% of Chinese e-Commerce in 2021 (Exhibit 17), growing 53%. Traditional e-Commerce channels held the remaining 72% of this market, with Alibaba.com accounting for 48% of this market sector and JD.com for 21%.

Exhibit 7: e-Commerce (EC) reached over 15 trillion RMB (China's renminbi)

2021 China E-Commerce Market
Value share by platform category



Two leading players' market share in traditional EC

~47.6% Alibaba.com

~20.6% JD.com

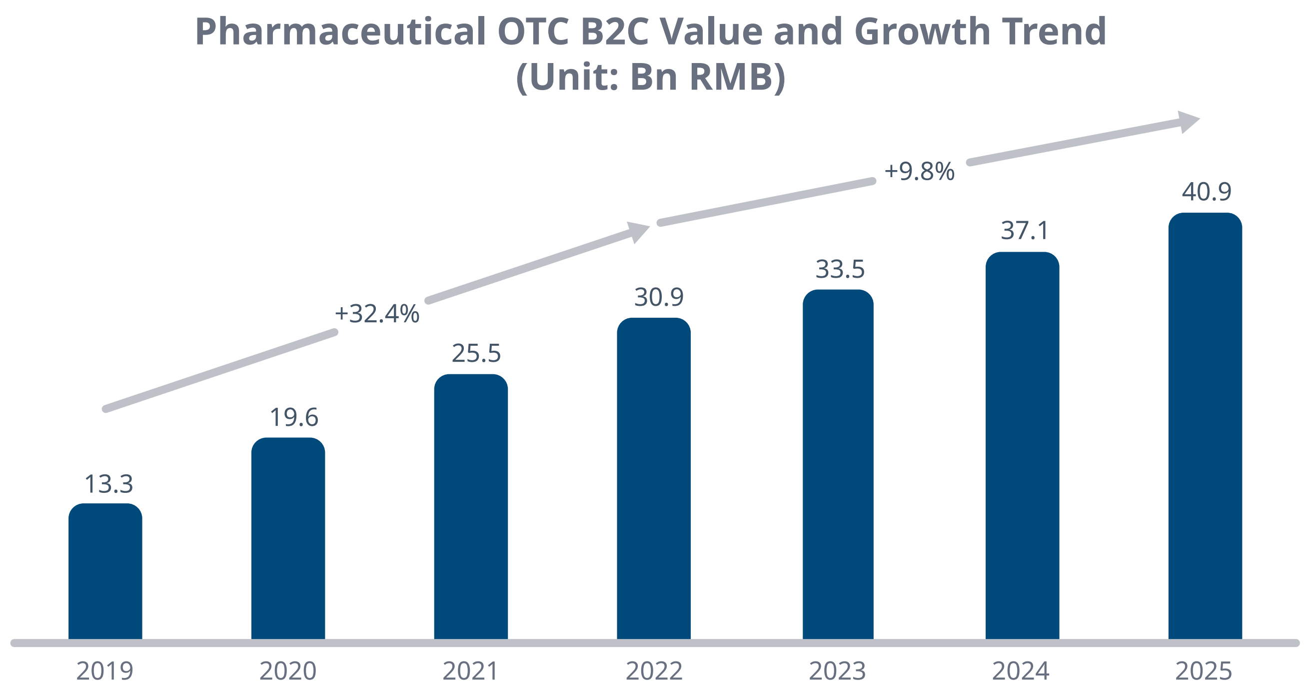
	MARKET SHARE	WHETHER SELL OTC	KEY TREND
PPD	16.0%	Y	• Already many pharmacies on PDD, e.g., People's Pharmacy, Antai Pharmacy, Tianyuan Pharmacy, etc. • Consistent with traditional B2C POP business model. Bestsellers include OTC in cold and flu, digestive, etc.
WeChat	4.5%	Y	• Retailers with "Internet Pharmaceutical Information Service Qualification Certificate" is allowed to sell OTC drugs
TikTok	3.9%	Y	• Live streaming opened healthcare category to sell food supplements and medical devices since April 2022 and recently open for OTC drugs in December 2022. • Only verified retailers are allowed to operate
Kuaishou	3.2%	Y	• OTC under medical device category, the platform recently launched strict guidelines to avoid store level misconduct • Only verified retailers are allowed to operate

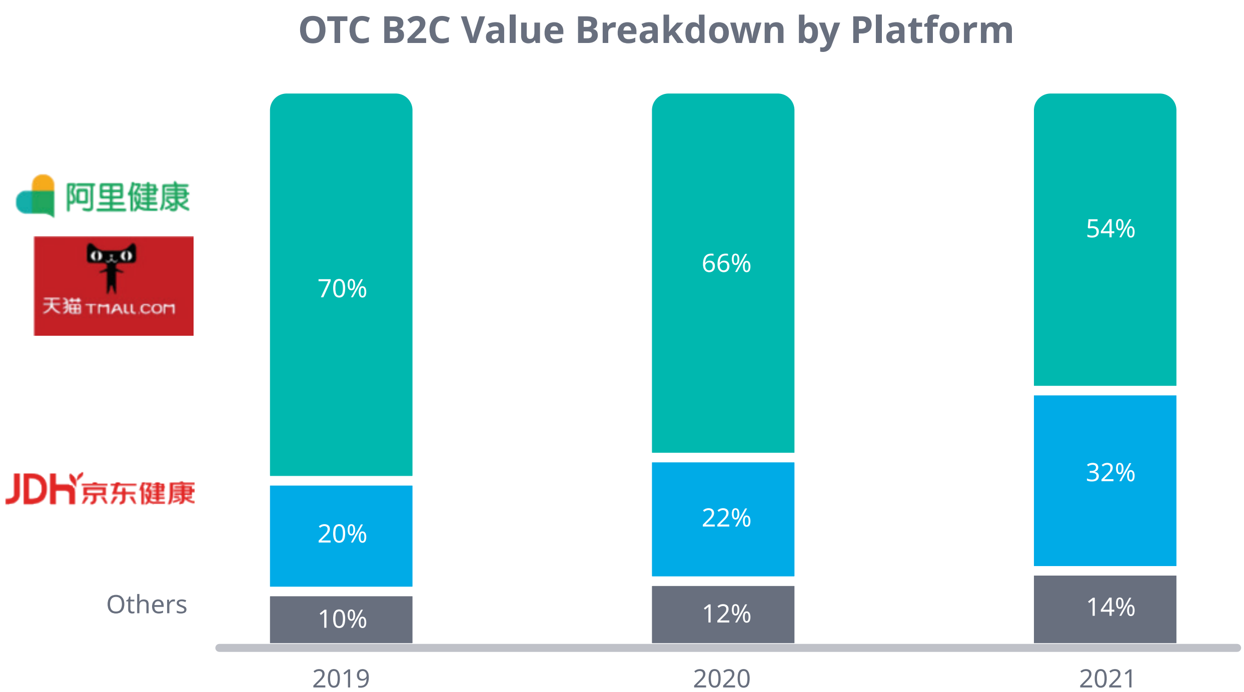
Source: IQVIA analysis

Despite a difference in platforms, much like elsewhere around the world there has been some pull back in online OTC sales post-pandemic, with traditional e-Commerce OTC product growth in decline since 2021, with a trend towards offline purchases accelerating (Exhibit 8).

Despite a highly digital market, China's arduous registration processes for consumer health products[2] has impacted strategies when it comes to getting products into the Chinese market. This has led to cross-border e-Commerce being used by non-Chinese companies for timely introduction of new products to the Chinese market, however recent launches have been dominated by line extensions, highlighting the need for innovation in this sector.

Exhibit 8: e-Commerce OTC growth declining in China





Source: IQVIA E-commerce database and analysis

References

1. IQVIA Pharmacy Audit, € PUB
2. IQVIA Desk research; expert interview and analysis

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