White Paper

Deep Dive into Pharmacy e-Commerce

Czech Republic & Slovakia

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Introduction

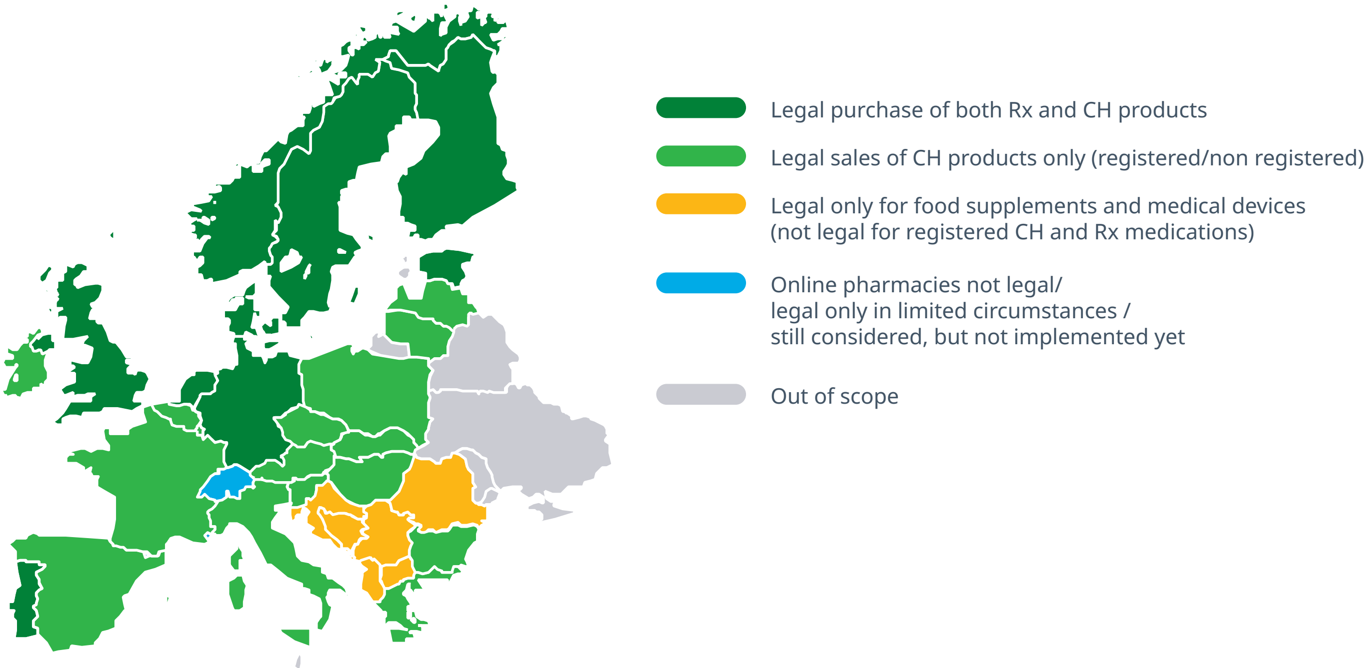
The Internet has undoubtedly influenced every aspect of our lives, including the way we work, learn, and shop. The recent COVID-19 global pandemic has only reinforced the position of digital commerce, which has seen spectacular and sustained growth. While Czech and Slovak citizens are no strangers to online shopping (70% of Czechs have made at least one online purchase in their lives and nearly 59% made an online purchase during the past 12 months[1]; in Slovakia, 63% of citizens aged between 16 and 74 made an online purchase in the past year[2]), purchasing health-related products has been relatively limited in the Czech Republic and Slovakia until now.

This white paper discusses the aspects of e-commerce in the pharmacy channel including its recent boom and expected development in both the Czech Republic and Slovakia.

Pharma e-Commerce Landscape in the EU

Most countries in the European Union allow online sales of at least some non-Rx products, and the situation is likely to evolve further in the near future.

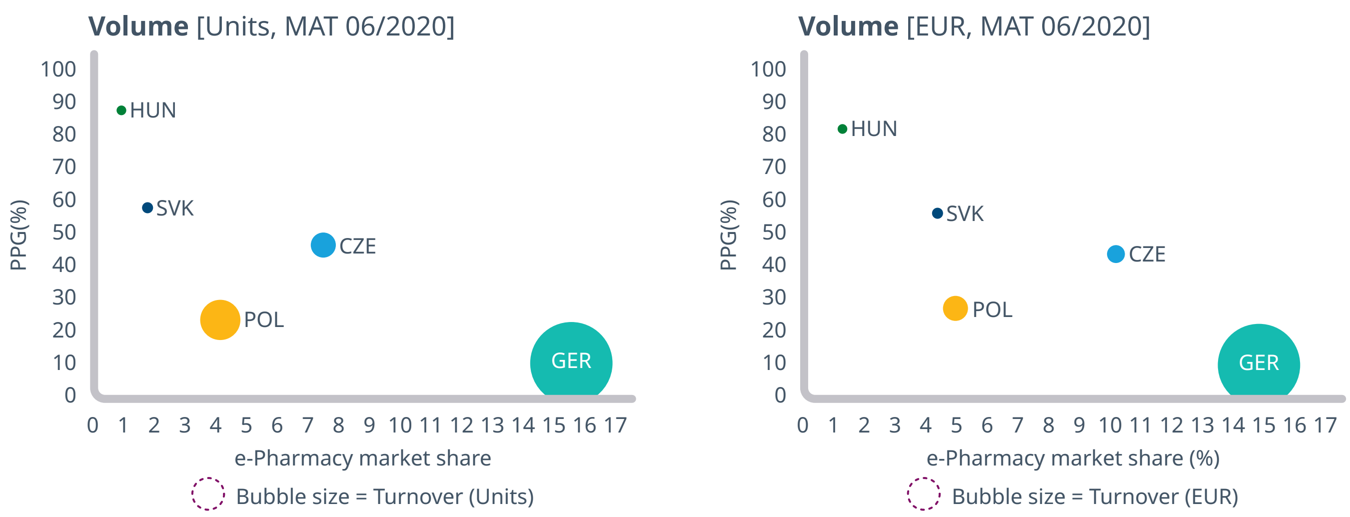
Figure 1: e-Commerce Market Landscape in Europe as of April 2020[i][ii]



i Source: IQVIA
ii Consumer Health market definition: OTC, PAC, PEC, NUT (registered / non-registered products)

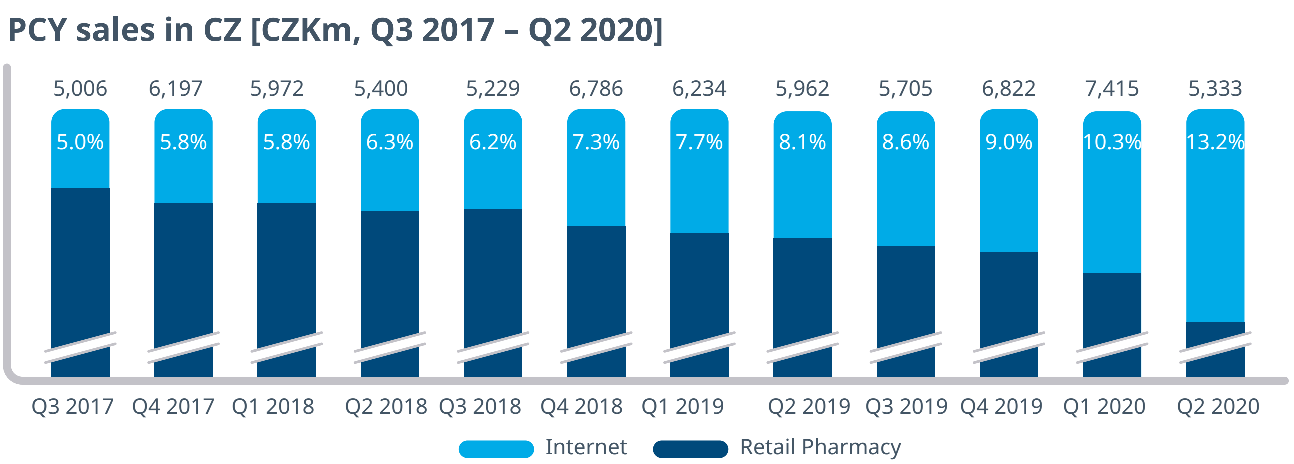
To provide a better perspective on the Czech and Slovak markets, we may first look at the situation in neighboring Germany. In 2020, Germany's e-Pharmacies served 15% (in EUR, based on MAT 06/2020 data) of the country's Consumer Health market (registered and non-registered CH products) with approximately a 10% YoY growth.

Figure 2: e-Pharmacy Market Comparison for Selected EU Countries[iii iv]



In the past 12 months (MAT 06/2020), Czech e-Pharmacies served over 10% (in EUR) of the total Consumer Health market but with a 44% YoY growth. Slovakia's e-Pharmacies only served 4% of the CH market but with a 57% growth YoY. The Czech and Slovak e-Pharmacies cover a smaller portion of the market; however, they have shown strong growth. Nonetheless, the market still has significant room that is yet to be filled, as Czech and Slovak customers learn to subsequently transition to digital channels. Czech and Slovak shoppers are generally considered to be e-commerce savvy, especially in some categories such as electronics and recently groceries (mainly in the Czech Republic).

Figure 3: Consumer Health Product Sales in Czech Pharmacies[v]

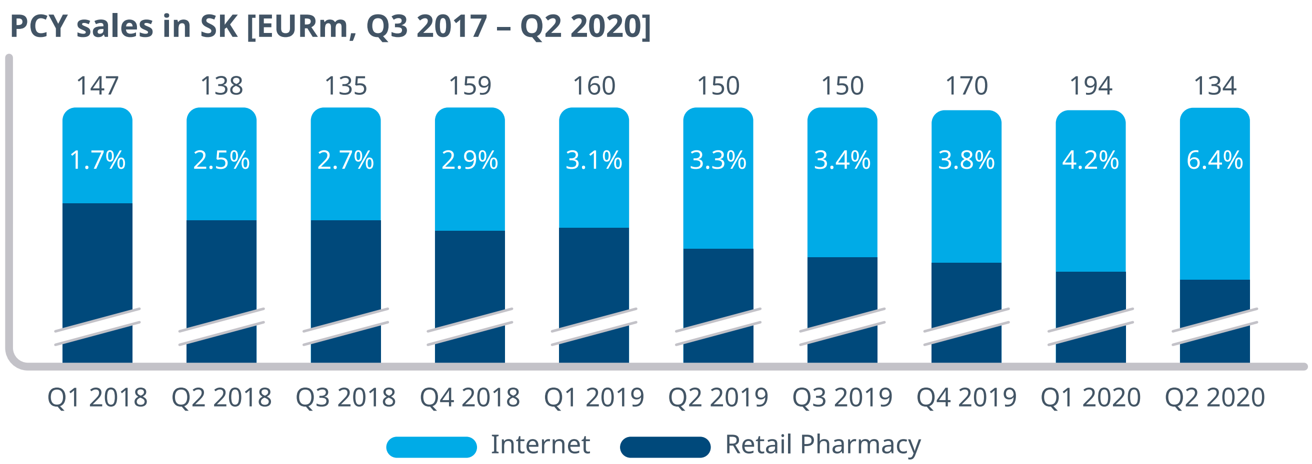


iii Source: IQVIA Pharmatrend CZ, SK, GER, POL, HUN

iv Germany allows both Rx drugs and Consumer Health products to be sold online. For comparison purposes, only Consumer Health products sales are included in this chart.

v Source: IQVIA Pharmatrend CZ

Figure 4: Consumer Health Product Sales in Slovak Pharmacies[vi]



The recent COVID-19 pandemic only stressed the general importance of e-commerce, as it drove Czech and Slovak shoppers towards digital channels across the entire retail spectrum (which was boosted by 40% in the Czech Republic[3] during April 2020), including consumer health products. Due to generally lower adoption in the pharmacy segment compared to other retail areas, the boost was much more dynamic.

During the peak weeks of the pandemic in the Czech Republic (mid-March), sales in e-Pharmacies increased by more than 100% to over CZK 80 million per week in comparison to last year's sales in the same period, showing the capabilities of e-commerce in the pharma market and readiness of e-Pharmacy players.

In Slovakia, the COVID-19 peak weeks were slightly delayed (weeks 10-14, 2020); however, the sales quickly picked up, nearly tripling from EUR 0.35 million in week 9, 2019 to over EUR 1 million in week 14, 2020.

In both countries, the e-Pharmacy channel experienced a steep decline when the COVID-19 situation started to ease. However, e-Pharmacy sales continue to stay well above last year's levels – 50% higher in the Czech Republic and 68% higher in Slovakia in H1 2020. We have reason to believe that e-Pharmacy sales may remain at these levels in the near future.

vi Source: IQVIA Pharmatrend SK

Figure 5: Consumer Health Product Sales in Czech e-Pharmacies – YoY Evolution[vii]

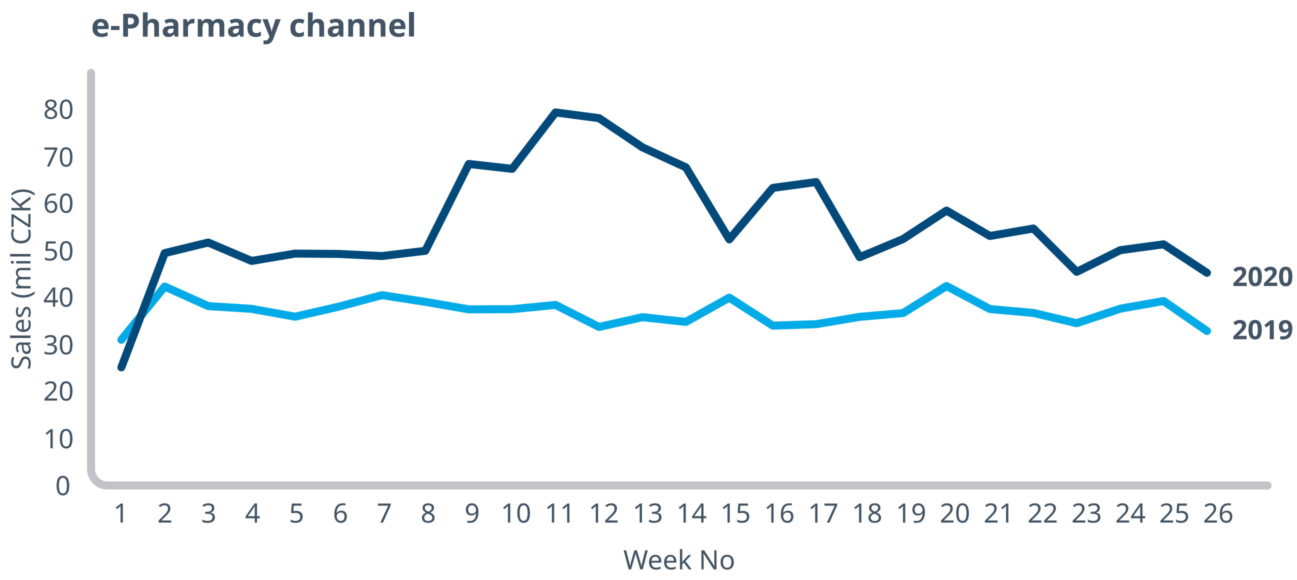
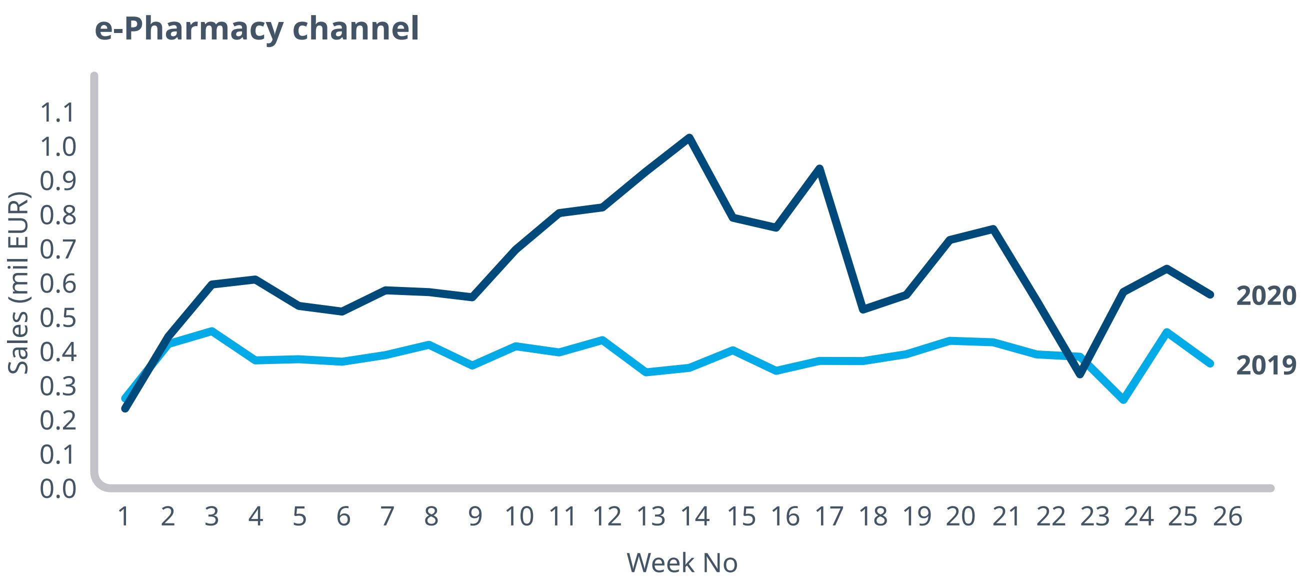


Figure 6: Consumer Health Product Sales in Slovak e-Pharmacies – YoY Evolution[viii]



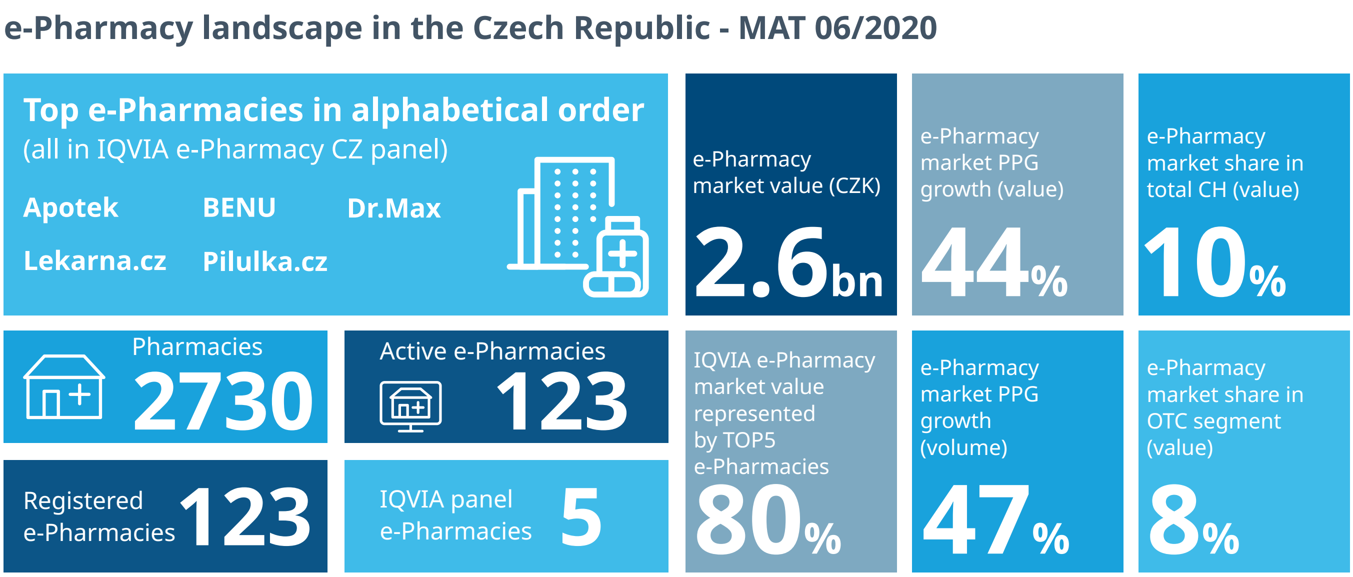
vii Source: IQVIA Pharmatrend CZ
viii Source: IQVIA Pharmatrend SK

Key Players in Czech and Slovak Pharmacy e-Commerce

Valued at CZK 2.6 billion (actual public price including VAT, based on MAT 06/2020 value), the Czech e-Pharmacy market is currently served by 123 registered e-Pharmacies[ix]. The Czech e-Pharmacy market covers 10% of the total Consumer Health market (categories 1-97) in value and 8% of the OTC segment (categories 1-18 and 97) in value. At a 44% PPG growth in value and 47% PPG growth in volume, the e-Pharmacy segment is not to be overlooked.

While the online Consumer Health market is currently mainly served by major e-Pharmacy players, it is expected that full-line e-commerce players or online grocery stores may start exploring the Consumer Health segment to boost their revenues as well – e.g. Rohlik.cz announced a partnership with BENU in October 2018.

Figure 7: Czech e-Pharmacy Market: Key Figures[x]

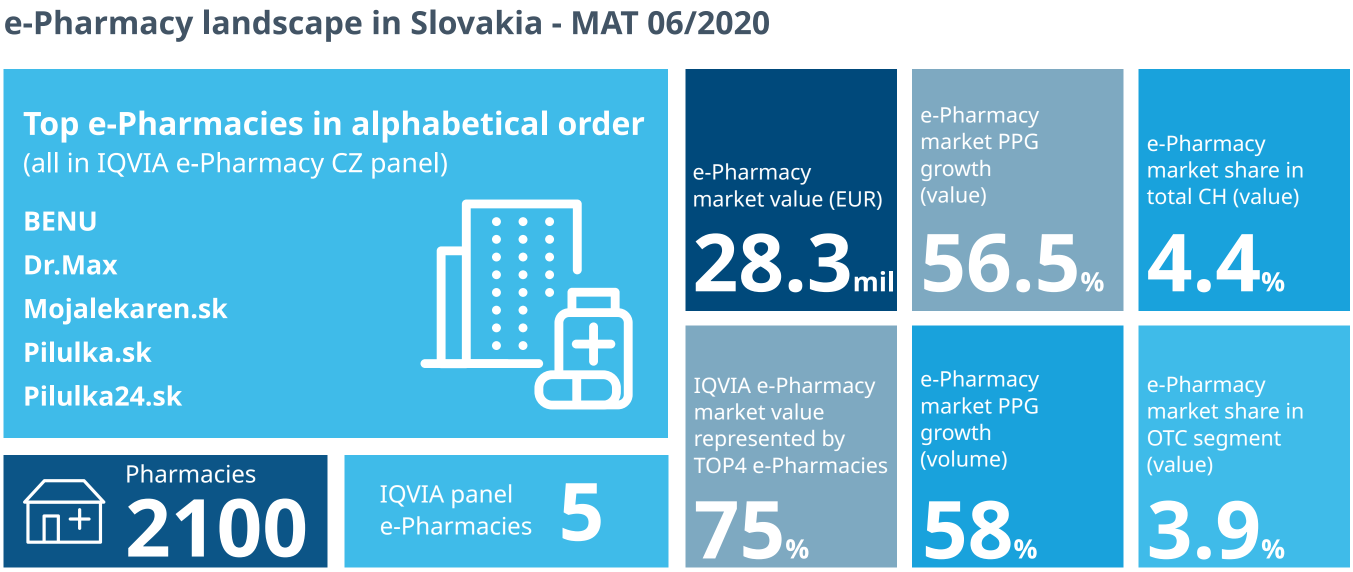


ix According to SUKL database
x Source: IQVIA Pharmatrend CZ

Slovakia's e-Pharmacy market is valued at EUR 28.3 million (actual public price including VAT) with 57% PPG growth in value and 58% PPG growth in volume. Slovak e-Pharmacies account for 4% of the total Consumer Health market and 4% of the OTC segment in value.

Similarly, it is expected that major Slovak online retailers may enter the Consumer Health segment. Many online retailers are present in both the Czech Republic and Slovakia; therefore, it is likely that similar strategies could be deployed.

Figure 8: Slovak e-Pharmacy Market: Key Figures[xi]



xi Source: IQVIA Pharmatrend SK

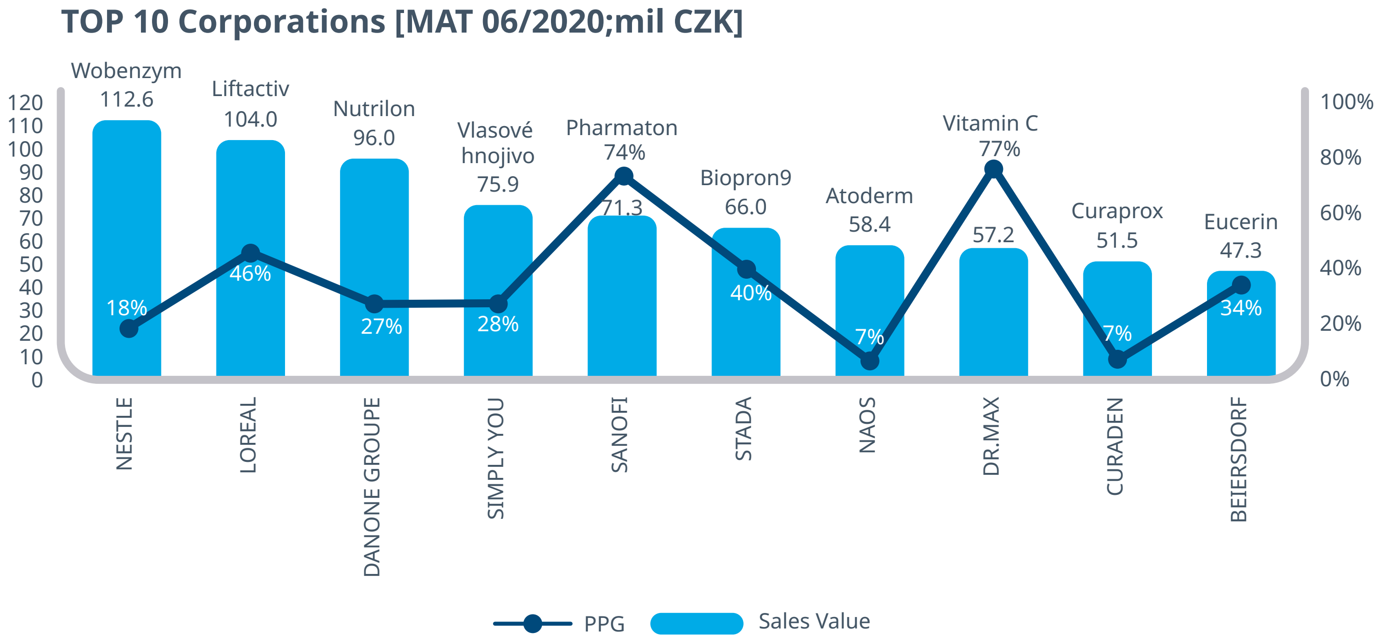
Product Fit and Customer Profile

When it comes to popular categories in e-Pharmacies, Czech consumers most often purchase online products of preventive character – vitamins, minerals and nutritional supplements, pain relief, baby foods, beauty products for women, but also cough & cold and other respiratory products. These categories represent almost half of all sales in Czech e-Pharmacies.

In Slovak e-Pharmacies, the trend is somewhat similar – vitamins, minerals and nutritional supplements sell the most, followed by pain relief products, beauty products for women, digestive and other intestinal products, tonics and other stimulants. These categories account for nearly 50% of all sales in e-Pharmacies in Slovakia.

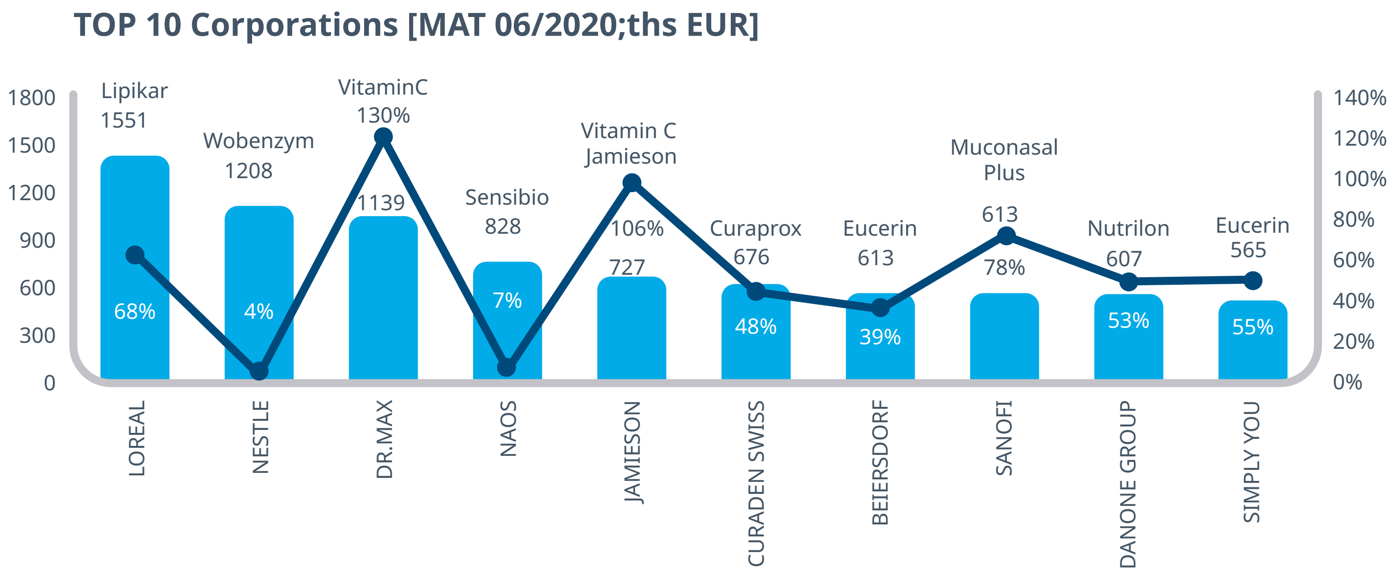
Dr. Max disclosed that their typical e-Pharmacy customer is a 29-year-old woman[4], and Pilulka.cz published that 70% of its customer base are women[5]. The store also mentions that 40% of its customers prefer to pay online by card, while the second most preferred method is cash on delivery – however, this payment method has seen a decline since last year.[5]

Figure 9: Czech Republic: Top 10 Best Performing Brands in e-Commerce[xii]



xii Source: IQVIA Pharmatrend CZ

Figure 10: Slovakia: Top 10 Best Performing Brands in e-Commerce[xiii]



The sales data suggests that consumers mostly purchase products that are used on a regular basis. In other words, they can stock up in advance because they know they will consume these products. Diapers, vitamins, generic pain relief products, beauty products, or any other products that are used on a regular basis and are generally bought in bulk sell well online. During the COVID-19 pandemic, no new popular segments emerged in the online space. The pandemic simply amplified e-Pharmacy sales in general.

In the case of products that are used for immediate relief such as medication for oral ulcers, urethra inflammations, or any similar “time-sensitive” supplements, most consumers will head directly to a traditional pharmacy. These products still find their place in traditional brick and mortar pharmacies.

This shopping behavior is further confirmed by the reluctance of Czech and Slovak consumers towards delivery payments. It is very common for consumers to pre-order or reserve products online, only to visit the physical store of an e-Pharmacy to pick up their order for free. According to Dr. Max, 85% of their online customers pick up their orders in a physical pharmacy.[4]

Czech and Slovak consumers are open to ordering Consumer Health products online but generally refuse to spend additional money on shipping or delivery unless there are savings on the product price.

xiii Source: IQVIA Pharmatrend SK

e-Commerce Opportunities and Challenges

With such a high annual growth rate in each e-Pharmacy market for MAT 06/2020 in value – 57% in Slovakia and 44% in the Czech Republic, it may be presumed that brands that do not actively engage in growing their e-commerce presence miss out on a very promising opportunity.

On the other hand, the e-commerce space also comes with new challenges – patients do not communicate with their local pharmacists face to face and are likely to resort to “self-medication” practices without any guidance, which makes communicating each product or brand’s benefits over competitive products more challenging. Usually, e-Pharmacies offer a Q&A box, which allows customers to receive a professional answer to their email and/or post their question publicly on the store’s website. Established full-line e-commerce players usually provide more responsive online forms of communication. The Internet also removes any kind of exclusivity; consumers can easily shop for the best price or find a completely new alternative – all with just a few clicks.

Looking forward, major e-Pharmacy players expect further accelerated growth of the e-Pharmacy market in 2021. Some e-Pharmacy players expect further growth to be mainly on top of other sales channels and not at their expense. When new players enter the e-Pharmacy market, such as major online retailers or grocery stores, some e-Pharmacy players expect it may actually help boost the entire e-Pharmacy market, as the new retailers may bring different types of customers that do not currently purchase any pharmaceutical products online, consequently leading to increased e-Pharmacy consumer demand. Solving the issue of “urgency” outside of Prague may be another potential growth driver for players that would be willing to introduce a service catering to consumers seeking immediate relief without leaving their homes and heading to a physical pharmacy nearby.

In general, the introduction of online Rx dispensing is perceived as another very significant growth driver for the e-Pharmacy market, which would likely push sales higher across all segments. Most of the major e-commerce players are ready for the possible launch of online Rx dispensing; however, the legal framework timeline remains uncertain.

The interim possible step between brick and mortar dispensing and full Rx drug delivery may lie in “third-party delivery.” In the meantime, e-Pharmacies can work with quasi-delivery services and/or reservation of Rx drugs in physical pharmacies.

Conclusion

The growth of e-commerce in the Czech and Slovak pharmacy space started well ahead of the COVID-19 pandemic, which simply amplified its importance. On top of that, Czech and Slovak e-Pharmacy players are very well developed from the distribution as well as customer standpoint and remain innovative from the EU perspective.

While the pandemic certainly boosted e-commerce significantly, the extreme spike in sales was only temporary. In both countries, e-Pharmacies experienced a steep decline when the COVID-19 situation started to ease. However, sales continue to stay well above last year's levels – 50% higher in the Czech Republic and 68% higher in Slovakia in H1 2020.

The e-Pharmacy channel has the potential to grow further, but its growth pace may depend on the future development of the COVID-19 pandemic to a large extent.

Besides COVID-19, the other main accelerators of growth are emerging online Rx e-Pharmacy services, which are driven by e-prescriptions and currently work with quasi-online delivery models. When online Rx drug dispensing is allowed, it may change the playing field for Rx brands and distributors. On the other hand, the role of a professional pharmacist cannot be substituted, and e-Pharmacies will have to invest in developing a proper digital pharmacy experience for Rx consultations and dispensing. Both the Czech Republic and Slovakia have a very well-developed network of physical pharmacies, which is an important factor to consider for both physical pick up capabilities and distribution channel competition.

Appendix

1. Czech Statistical Office. Využívání informačních a komunikačních technologií v domácnostech a mezi jednotlivci – 2019. 2019 November. Available from: https://www.czso.cz/csu/czso/16-nakupovani-pres-internet-g6pxx9rqfw.

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3. Asociace pro elektronickou komerci. E-shopy zaznamenaly v dubnu meziroční růst přes 40 %, koronavirus přinesl rekordní tržby a nové příležitosti. 2020 June. Available from: https://www.apek.cz/clanky/e-shopy-zaznamenaly-v-dubnu-mezirocni-rust-pres-40.

4. Dr.max.cz. E-Shop Dr.Max je nejrychleji rostoucím internetovým obchodem svého druhu. December 2017. Available from: https://clanky.drmax.cz/tiskove-centrum/tiskove-zpravy/e-shop-dr-max-je-nejrychleji-rostoucim-internetovym-obchodem-sveho-druhu.

5. Pilulka.cz. Pilulka.cz zažila rekordní rok. Meziročně zvýšila tržby o 24 % na 2,45 miliardy korun. January 2020. Available from: https://download.pilulka.cz/new/Pilulka.cz_zazila_rekordni_rok.Mezirocne_zvysila_trzby_o_24_procent_na_2,45_miliardy_korun.pdf.

Note: IQVIA Pharmatrend is a pharmacy sell-out data service that provides a complete insight into actual patient and consumer behavior.

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Martin Šlégl has over a decade of experience in the area of management consulting with expert knowledge of the pharma market. Before becoming the General Manager of the Czech Republic and Slovakia, Martin managed consulting, market research, advanced analytics, and the Real World Data team in Southeast Europe, covering 10 countries. Prior to joining IQVIA, he worked at Roland Berger.

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