

White Paper

Impact of Pricing

Global Consumer Health Trends 2023

EDITED BY: **MATT STEWART**, Global Marketing Manager, IQVIA Consumer Health



Along with inflation and cost of living, pricing has been the subject top of mind across all consumer goods sectors over the past 12 months. In consumer health, across the world there has been variation in how these increases have been implemented – if at all – but what has become clear, is that some consumer health categories are more increase friendly than others.

As consumers start making hard choices on where to spend their money, an increase in the wrong category could lead to a negative impact on revenue. Knowing, when and in what categories to apply increases is crucial as consumers navigate uncertain financial times.

Spain: Nutrition products take biggest rise

Average price increases for the main consumer health SKUs in Spain have typically been in line with underlying variations in the Consumer Price Index.¹ Price increases accelerated across the Spanish consumer health market in 2022.

Some 28% of consumer health SKUs saw price rises of 5% or more in 2022 compared with the previous year, with around 80% of packs having price increases compared with 2021.

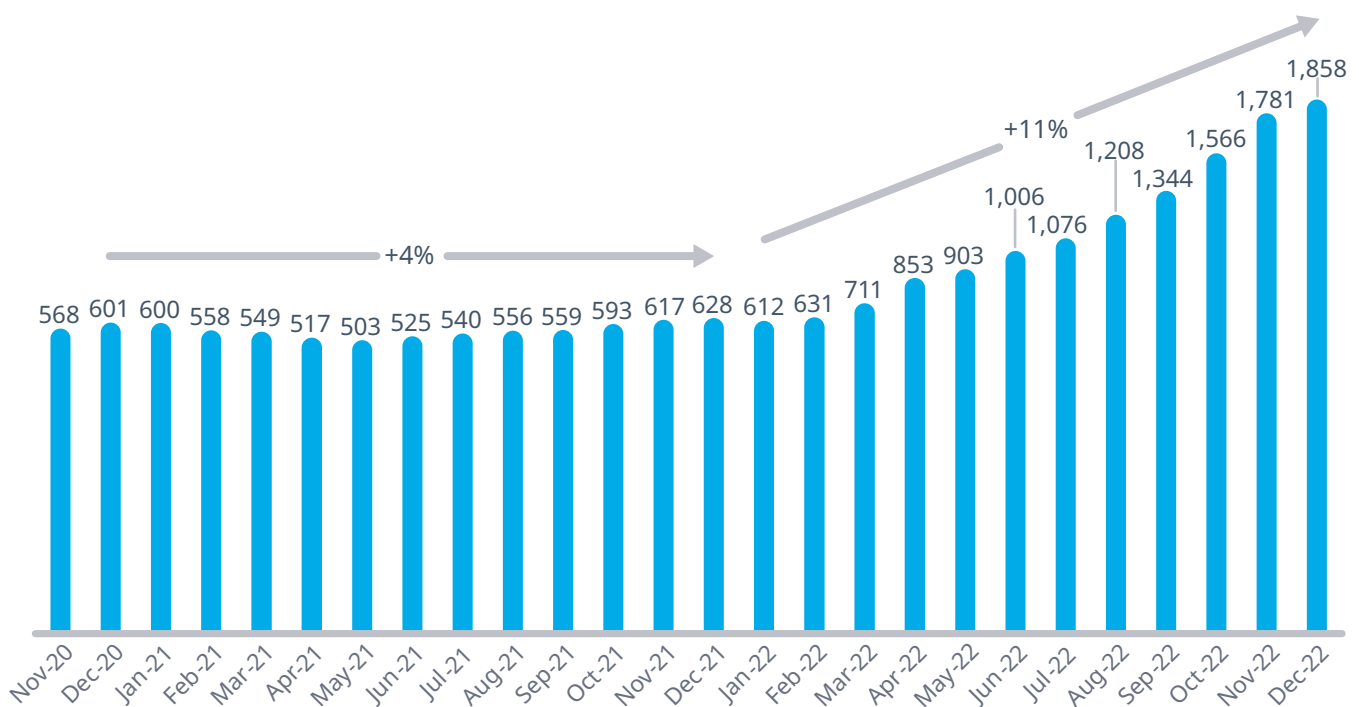
The number of SKUs with price increases higher than 5% tripled between January and December 2022 (Exhibit 1).

Yet these price increases have not been uniform across the consumer health sector. Nutrition-focused companies have raised prices by more than 5% on more packs than any other firms. In addition, smaller companies have been more reluctant to increase prices, whereas bigger companies have been bolder about such increases (Exhibit 2).

Product categories related to patient care are very price inelastic, while those related to nutrition and personal care have much more elasticity (Exhibit 3). Infant nutrition margins were squeezed both in the pharmacy and mass market channels in the past year, which enabled consumer health companies to increase prices as mass market competitors took price rises, despite the high elasticity of the category.

The window of price increase opportunity in Spain is closing. Assessment of the price elasticity of key brands is now crucial, taking account of the fact that all brands in a particular market do not have the same price elasticity. Aspects such as product efficacy and brand awareness among consumers can impact pricing strategies.

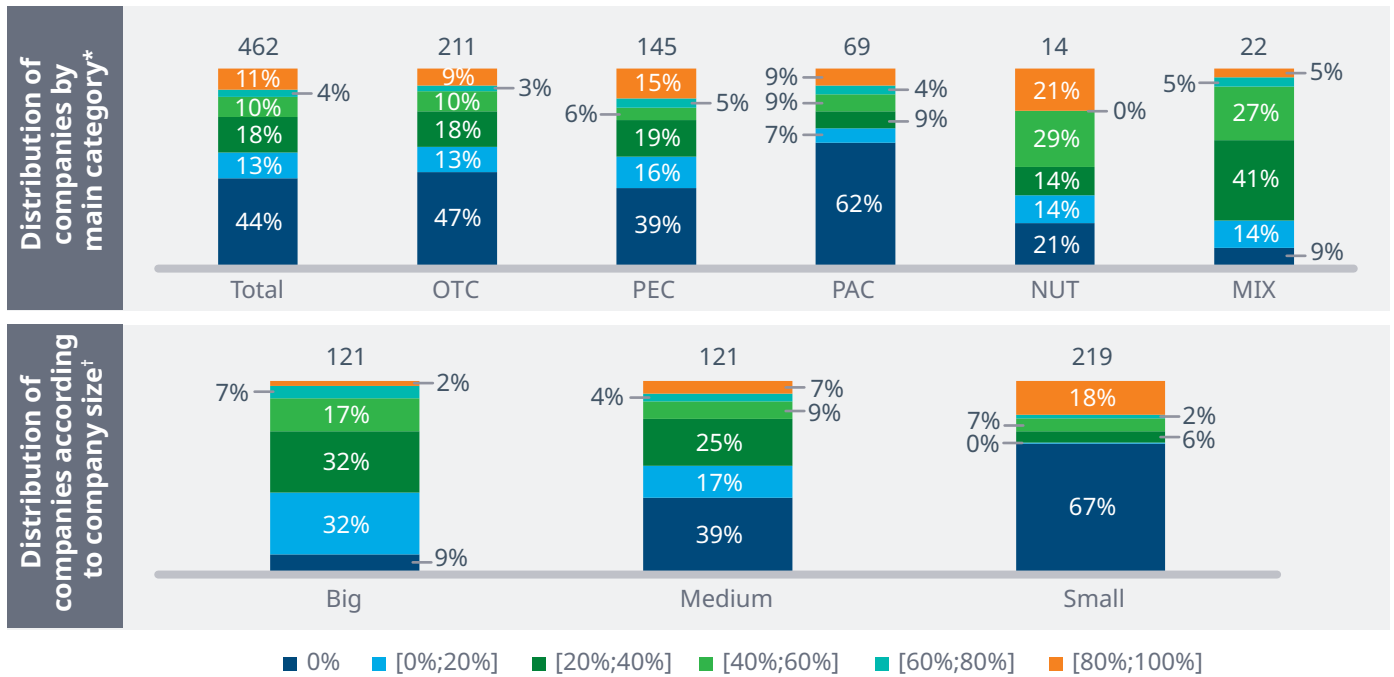
Exhibit 1: Spanish Consumer Health SKUs with price increases of greater than 5%



Source: IQVIA Sell-out data, IQVIA Thought Leadership, Instituto Nacional de Estadística

Exhibit 2: Price increases by nutrition-focused companies in Spain

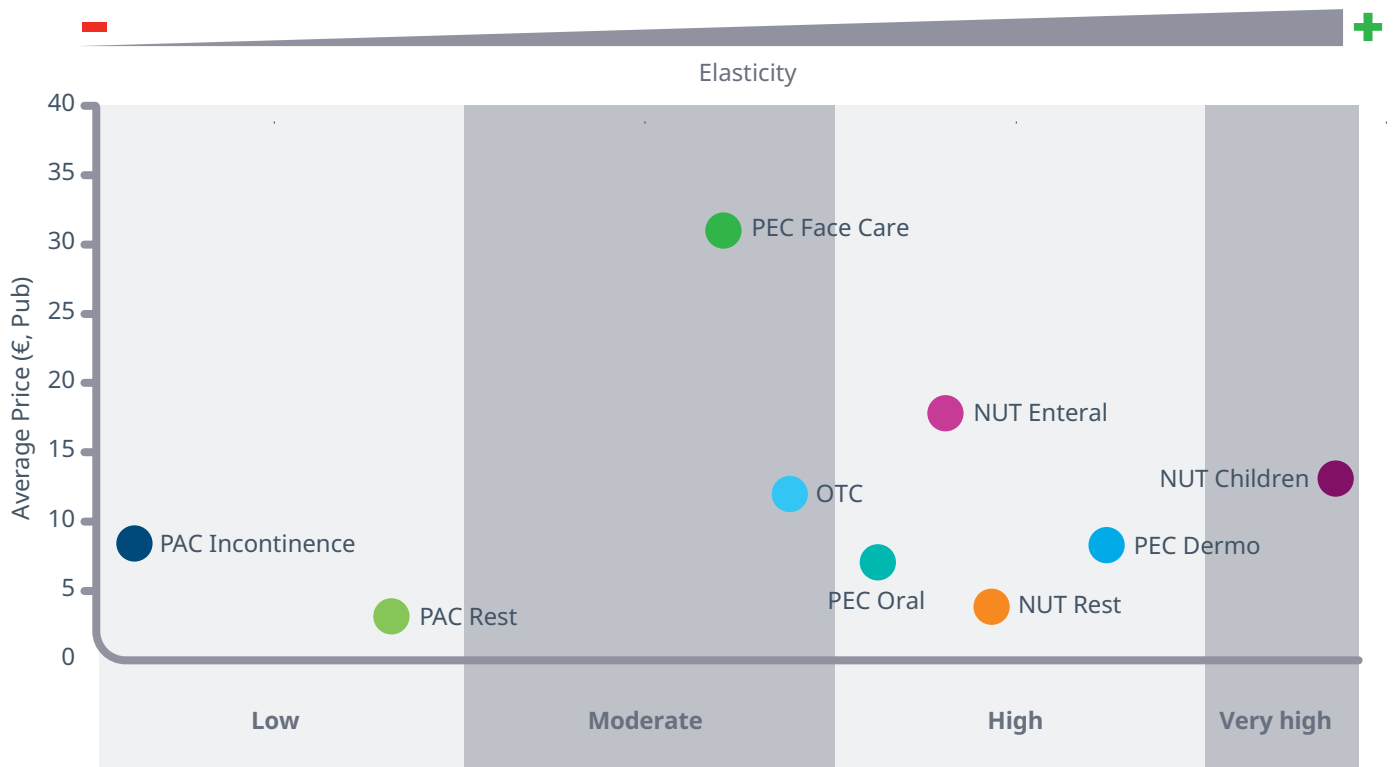
Company Distribution Depending on the % of SKUs with a Price Increase Higher than 5%



*Companies have been classified in that segment where they concentrate more than 60% of sales.

†Large companies are classified as those that invoice more than € 50M Retail Price in 2022, medium between € 10 and € 50M and small less than € 10M
Source: IQVIA Sell-out data, IQVIA Thought Leadership

Exhibit 3: Lack of pricing elasticity in patient care categories in Spain



Source: IQVIA Sell-out data, National Institute of Statistics



France: Impact of pricing yet to fully emerge

The French OTC market increased by 6.9% in 2022 compared with 2021, with the majority of growth driven by demand for new SKUs. The impact of pricing remained low in 2022 – although they did make up for a decline in volume – however, changes in purchasing habits due to price increases vary significantly depending on consumer profile, which should be taken into account when developing brand and marketing strategies.

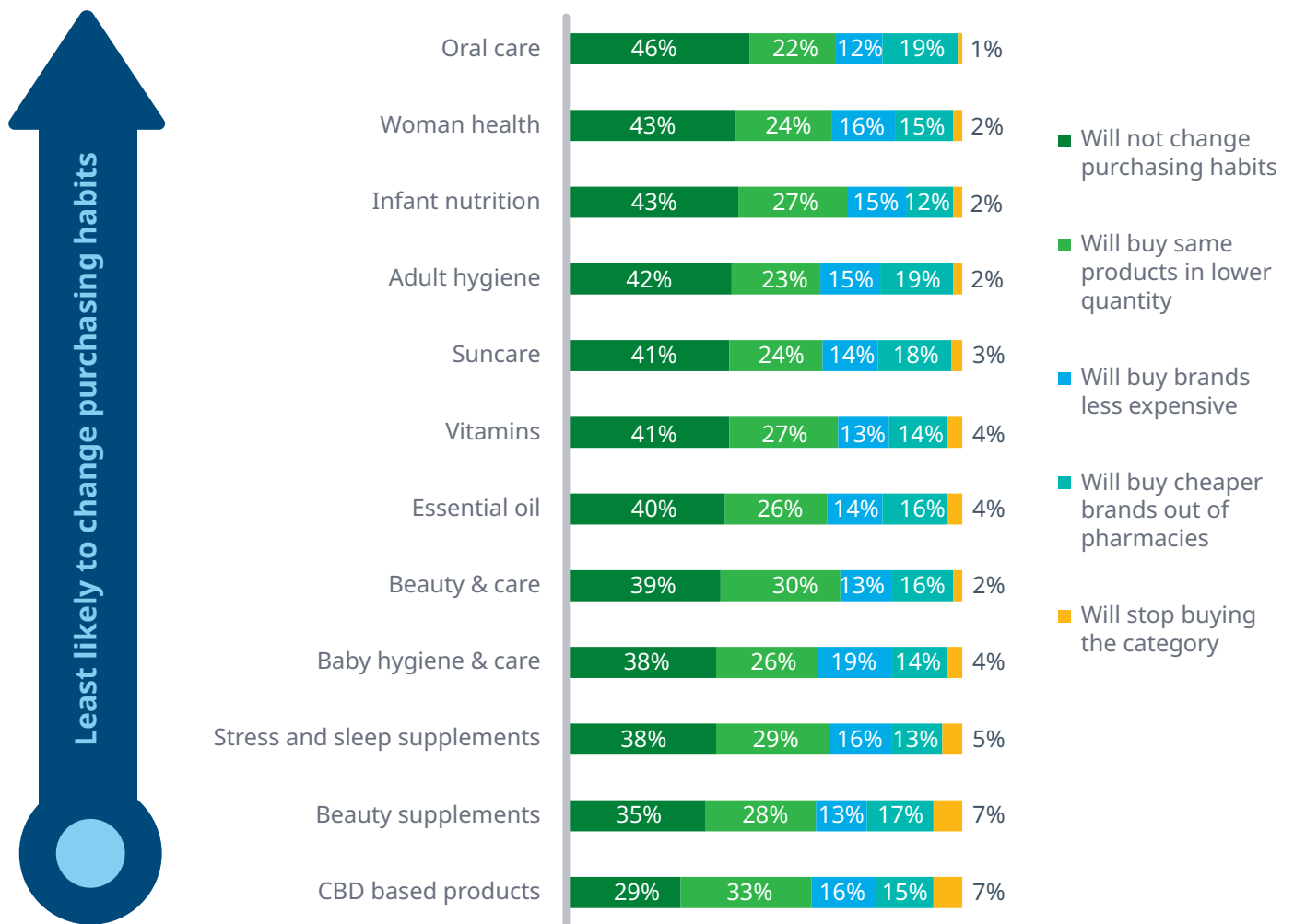
IQVIA Consumer Health in France identified four key consumer categories and how they view pricing:

- **Insensitive to pricing:** These consumers continue to buy the same products regardless of price; if prices rise, they purchase smaller quantities

- **Promotion oriented:** These consumers respond to promotional programs, rather than being loyal to specific pharmacies
- **Brand oriented:** These individuals are keen to stay with particular pharmacies and maintain their purchasing habits
- **Natural product oriented:** These consumers seek out natural/'bio' products, and are often prepared to pay higher prices

Among French consumers, purchasers of oral care products are least likely to change their purchasing habits in response to a price increase, according to an IQVIA survey of 2,000 adults (Exhibit 4).²

Exhibit 4: Likelihood of French consumers of various product changing their purchasing patterns

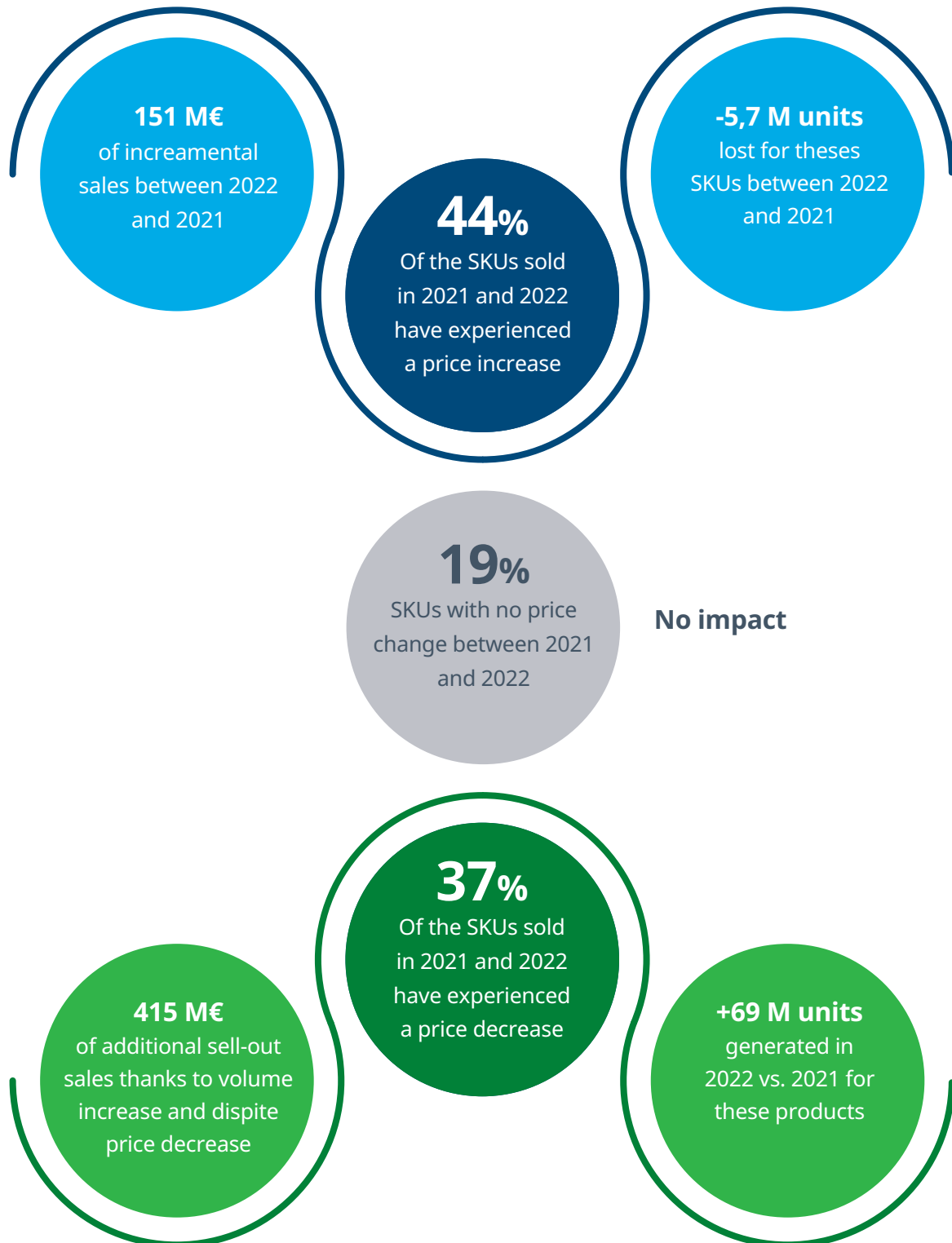


Source : IQVIA – Survey on 2,000 French adult led in January 2023 – What will be the impact on your purchasing habits of a price increase?

Buyers of women's health products are the second least likely to change their purchasing patterns if prices rise, followed by infant nutrition, adult hygiene and skincare purchasers.

Volume decreases in the French consumer health market in 2022 were compensated for by price increases, leading to sales growth in that year (Exhibit 5). Some 19% of SKUs had no price changes between 2021 and 2022, with 44% seeing price rises and 37%, price decreases.

Exhibit 5: Analysis of price changes in France between 2022 and 2021 and the impact on sales



Source: IQVIA – French pharmacy, parapharmacy & e-Commerce panels – Full year 2022 vs. 2021

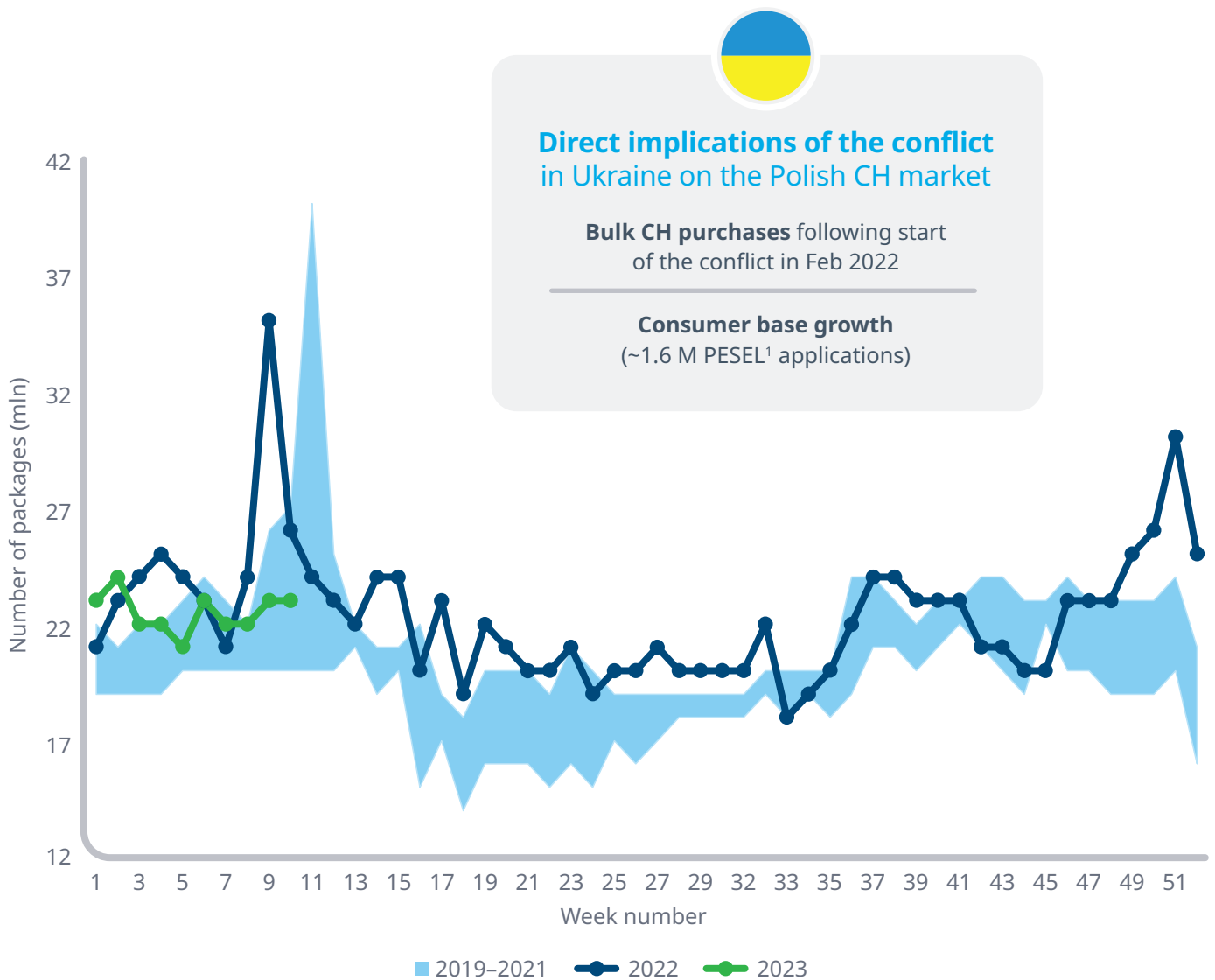


Poland: Conflict in Ukraine distorts market

In Poland, the economy is slowing down and inflation is rising, with major macroeconomic indicators forecast to deteriorate. As of February 2023, inflation in Poland was over twice as high as in the eurozone. Most leading consumer health companies have increased their prices in line with growing inflation.

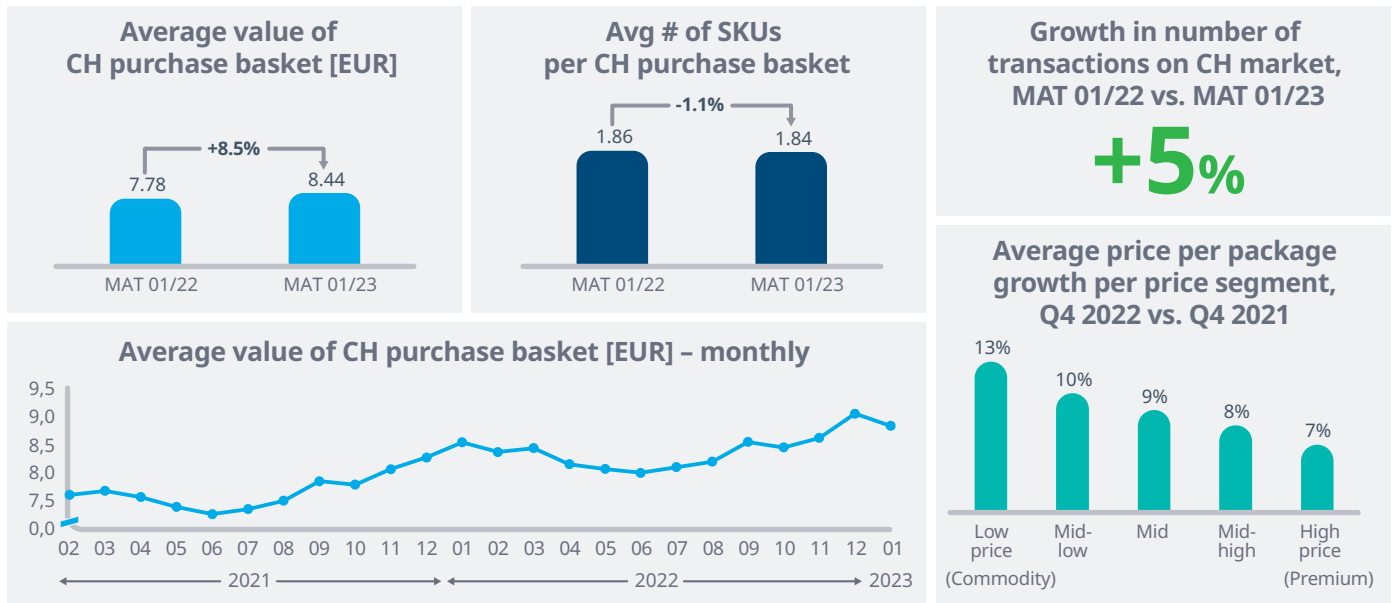
The Polish consumer products market saw a sharp sales increase related to the conflict in Ukraine, with people buying more consumer health products than usual to donate to Ukraine as the conflict escalated. This led to unprecedented market growth of 17.1% in 2022 as volume growth as well as price pushed the growth rate up; to date there has been a normalization in 2023, driven mainly by price (Exhibit 24).

Exhibit 6: Impact of the conflict in Ukraine on the Polish consumer health market



Source: Sell-out daily data cumulated to weekly from the IQVIA panel of outpatient pharmacies. Last week included: 06/03-12/03 2023 | Pharmaceutical market OTC drugs according to the IQVIA OTC1 1-97 classification

Exhibit 7: Despite price rises, average numbers of SKUs per transaction at Polish pharmacies remain stable



Source: IQVIA Pharmascope 02/2023 sell-out data | IQVIA LRx pharmacy panel unprojected sell-out data | Applied conversion rate EUR/PLN = 4.72, as In January-February 2023 (National Bank of Poland)

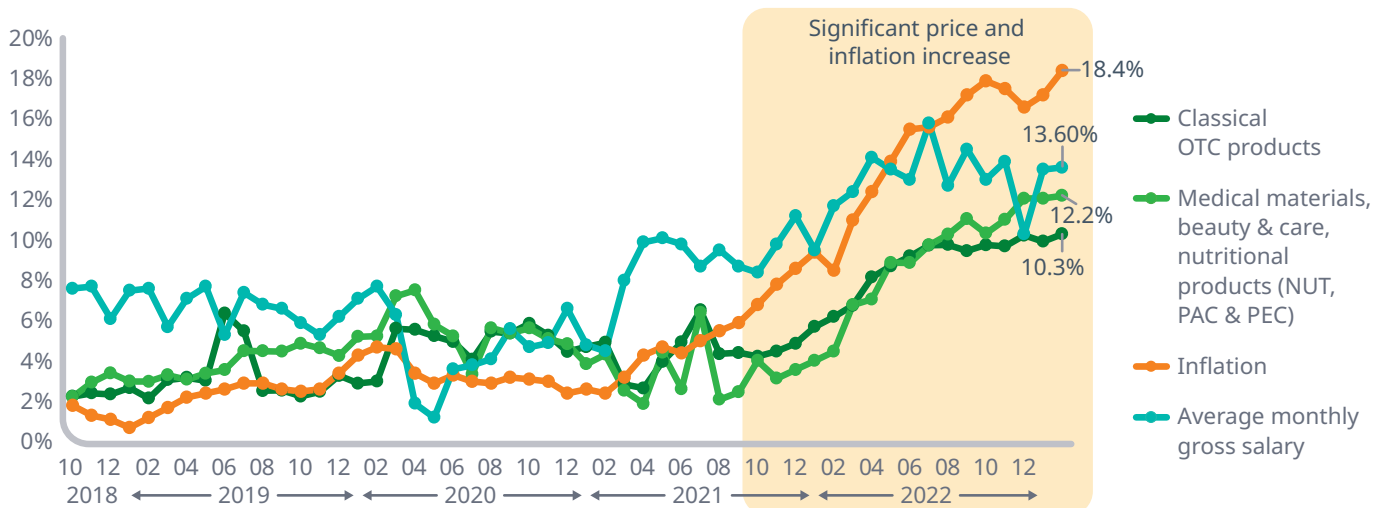
In spite of price rises, the number of transactions at pharmacies increased by 5% from January 1, 2022, to January 1, 2023. The average number of SKUs per transaction at pharmacies remained relatively stable (Exhibit 7).

While price increases in Poland have become steeper since Q4 2021, they have not yet caught up with

the official inflation rate (Exhibit 8), so it is crucial consumer health companies constantly monitor and refine their pricing in Poland to maximize growth in 2023. There remains opportunity to increase prices, but as in Spain and France it is vital to investigate price elasticity across products and markets and only then adjust pricing where possible; and monitor the economic situation and market dynamics.

Exhibit 8: Price increases in Poland fail to match inflation

2018/10 – 2023/02 – avg price growth, inflation and avg salary growth (12-month basis)



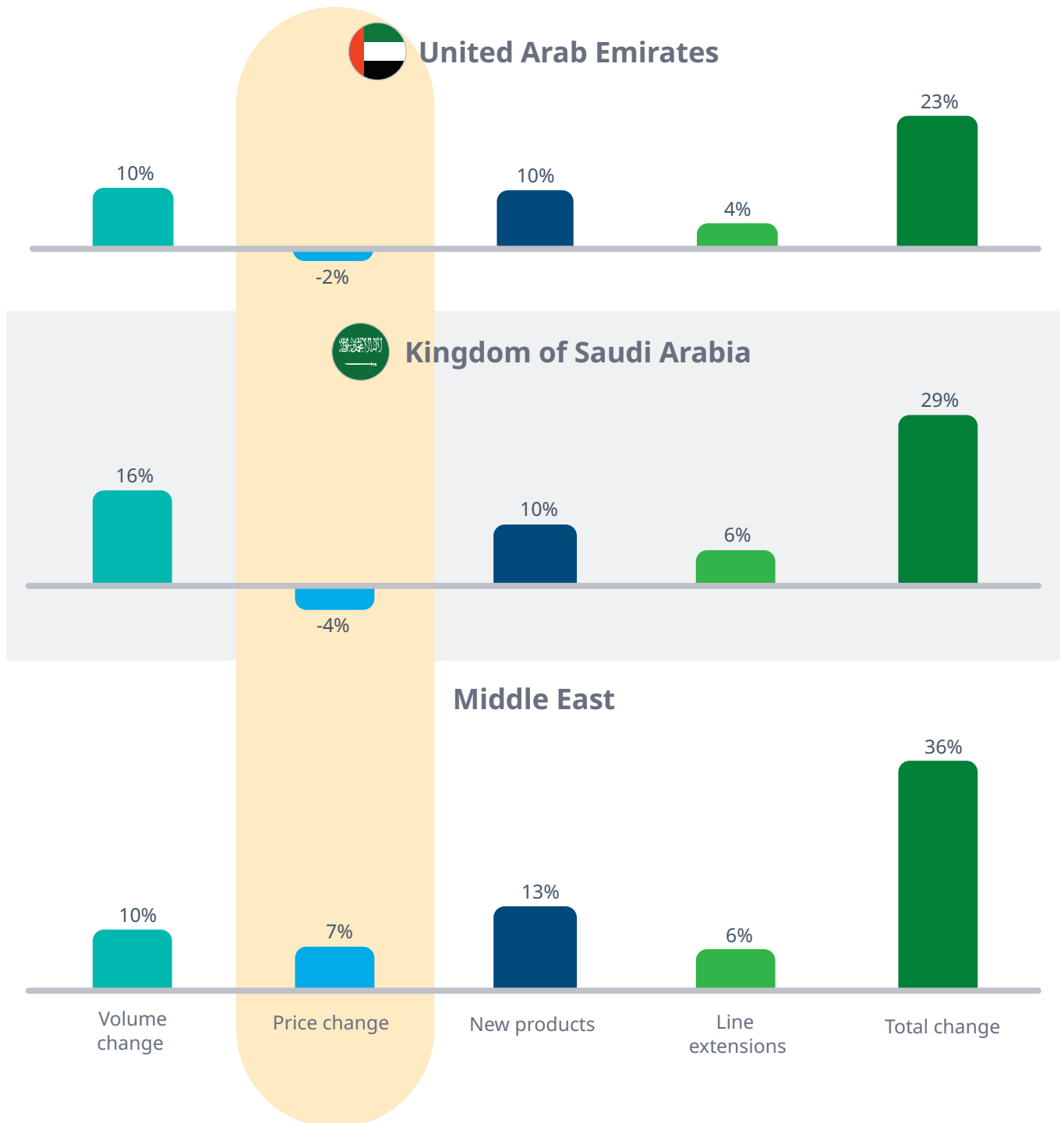
Source: Sell-out projected monthly data from the IQVIA panel of outpatient pharmacies. The analysis included products whose monthly volume is > 1000 packages – in order to eliminate small products with large price fluctuations. Inflation (CPI) in 2018/10-2023/02 from GUS (Statistics Poland).

Middle East: Pricing remains flexible across markets

In the Middle East, there was a 7% rise in three-year cumulative growth in prices in the period to September 2022 (Exhibit 9).³ In Saudi Arabia there was a price decrease of 4% over this period, with a 2% fall in the

UAE. There is a potential for flexible pricing models in both of these markets. Currency devaluation in Egypt is leading to rapid market growth in constant dollar terms, with particular expansion in the skin treatment and cough, cold and respiratory (CCR) products, which drove a 16% market increase in 2022.⁴

Exhibit 9: Drivers of growth in Middle Eastern OTC markets; 3-year cumulative growth figures



Source: IQVIA Elements of Growth- MAT September 2022



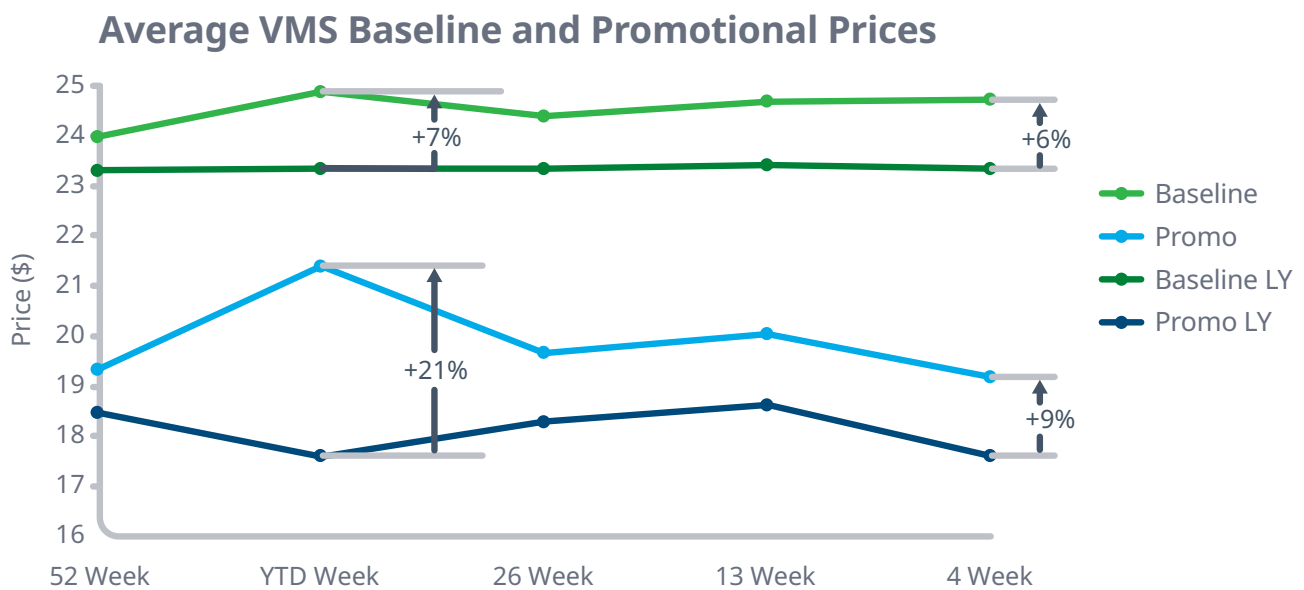
Australia: Promotional price reductions give way to rises

In Australia, new price rises are being adopted in 2023, within the depth of promotional price reductions continuing to decrease (Exhibit 10).⁵ Average promotional prices continue to rise, trending highest in early 2023, with the extensive promotions that were launched in January 2022 not being repeated in 2023. Similarly, the consumption volume in January 2023

did not echo the high levels seen in January 2022. The outlook for this market is for additional price rises as suppliers increasingly pass along increasing costs to consumers. Large retailers are expected to continue to push back against these over the short term.

If financial concerns continue, a challenging retail environment will prevail in Australia, where categories with high price elasticity will become very competitive.

Exhibit 10: OTC product pricing in Australia



INSIGHTS

- New price rises adopted in 2023 and continuing reduced promo depth
- Average promotional prices continue to rise, trending highest in the YTD period
 - Extensive promo in Jan '22 not repeated in 2023
 - High volume of consumption in Jan '22 unlike Jan '23

OUTLOOK

- Further price rises are expected as suppliers increasingly likely to hand off rising costs to consumers
- Expect large retailers to continue to push back in the short term

Source: IQVIA Scan, 21st Jan '23

References

1. IQVIA Sell-out data, IQVIA Thought Leadership, Instituto Nacional de Estadística
2. Source : IQVIA – Survey on 2.000 French adult led in January 2023 – What will be the impact on your purchasing habits of a price increase? Europe Consumer Health Trends 2023 – Mar 2023 – IQVIA Consumer Health
3. IQVIA Elements of Growth – MAT September 2022
4. IQVIA Global OTC Insights
5. IQVIA pharmacy scan data, December 2022

Americas Contributors



MARIO MUNIZ
General Manager,
North Latin America, IQVIA



RENAN OLIVEIRA
Associate Manager for Consumer
Market Insights, Brazil,
IQVIA Consumer Health



BRIAN TOKAR
Global Consumer Health Key
Account Management Director, US,
IQVIA Consumer Health



JOHN ADAMS
Account Director, Canada,
IQVIA Consumer Health



ESTHELA VILLAVICENCIO
Director, Offering Management,
Mexico, IQVIA Consumer Health

APAC Contributors



AIRENE VALENCIA
Senior Principal, Asia Pacific,
IQVIA Consumer Health



LUCY WANG LU
Engagement Manager, China,
IQVIA Consumer Health



GERARD MULRONEY
Senior Director, Australia,
IQVIA Consumer Health



JOWEL TACATA
GM, Indonesia, IQVIA



MYLENE RODRIGUEZ
GM, Philippines,
IQVIA Consumer Health

Europe Contributors



JYOTI SHAH
Director, Global Offering
Development, IQVIA
Consumer Health



IGNACIO CHUECA CLOSA
BU Director, Spain,
IQVIA Consumer Health



THOMAS HEIL
Vice President, Germany,
IQVIA Consumer Health



AURÉLIEN BELLUYE
Principal 2, France,
IQVIA Consumer Health



DAWID CZAJKOWSKI
Senior Consultant, Poland, IQVIA

Middle East & India Contributors



MARIAN ELFIZY
Senior Regional Key Account
Manager, Middle East & Africa,
IQVIA Consumer Health



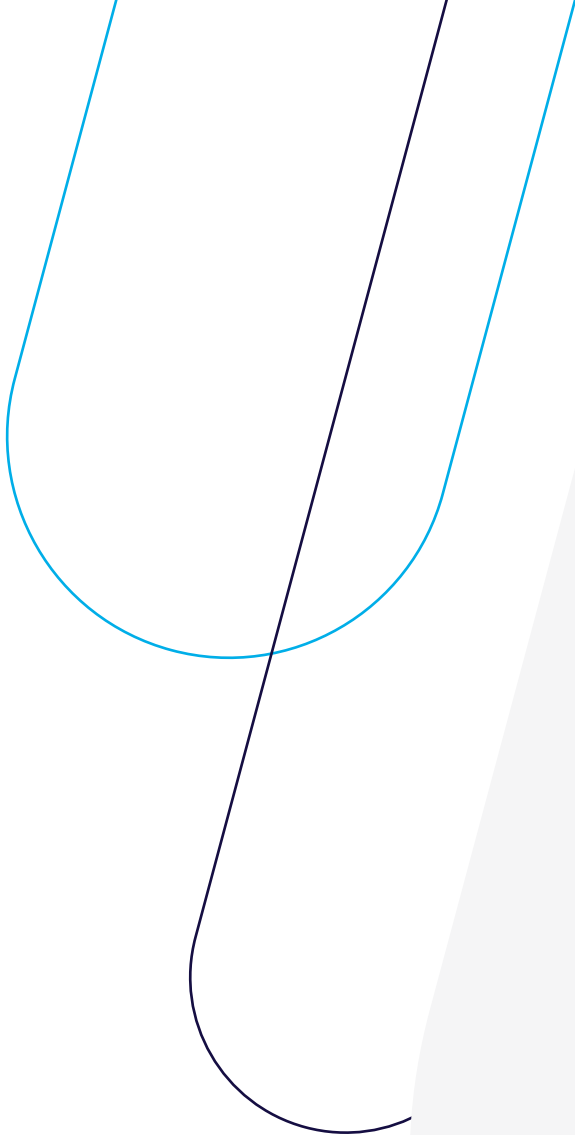
ADHITI KUMAR
Regional Key Account Manager,
Middle East & Africa,
IQVIA Consumer Health



TINA KHADLOYA
Sr Principal, India,
IQVIA Consumer Health



CHARU MULLICK
Head of Consumer Insights,
India, Haleon



CONTACT US

37 The Point,
North Wharf Road, Paddington,
London, W2 1AF
consumer.health@iqvia.com
[iqviaconsumerhealth.com](https://www.iqviaconsumerhealth.com)