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Drawing on two decades of experience within Bayer Consumer Health Middle East, and now as VP and head of the firm's Middle East/Pakistan Cluster, Mohamed Galal discusses the transformative impact of the COVID-19 pandemic on the pharmaceutical landscape, Bayer Consumer Health's strategic outlook in a region where healthcare awareness is on the rise, and gives his perspectives on some of the key emerging health trends across his managed markets.

Having spent more than 20 years at Bayer, with more than 13 years as Head and now Vice President of the Middle East region, can you tell us about your journey with the company?

It has been a long and enjoyable journey. There have been many changes in the region in the last ten years — every two to three years there is an important new regulation or acquisition, and Bayer itself has made three important acquisitions during this period which reshaped the market.

What has been your personal experience of establishing a business in Dubai?

Many other companies had already established their Middle East headquarters in Dubai by the time we moved here to establish the Bayer Consumer Health headquarters. Dubai was up and coming,

and we saw many mega projects developing in the city but did not know whether they would be achieved. Now we can see that these projects have come to fruition, which gives companies confidence that their business will thrive here.

Whatever we dream here can be achieved. Dubai inspires us to grow and develop without limit. This is now the vision for the UAE. If you can dream it, you can achieve it. We are also trying to apply this vision to companies.

How did the COVID-19 pandemic impact Bayer Consumer Health in the Middle East?

The pandemic led to one of the biggest-ever transformations of the pharmaceutical industry. I do not think anyone expected how significantly the industry would be affected, or how consumers, authorities and companies would alter and adapt to the changes brought by the pandemic. The initiative to digitize systems was accelerated. Ordinarily, it would take five to ten years to achieve this, but it happened in months. Companies that were able to accelerate and transform their infrastructure were the companies not defeated by COVID-19.

Execution was key; how we could reach our consumer with the high-traffic digital activity that we engage in for the consumer, healthcare professional, and pharmacist. We must have more precise marketing activities.

Personally, I had contacts with some healthcare professionals overwhelmed by initiatives from different companies. So, it was important to ensure the quality of these initiatives for your content and credibility. The healthcare professional expected more from the company and was waiting for a digital connection with them.

Big changes happened in the industry. Now the name of the game is how the industry looks post-COVID-19, because most companies invested millions in new platforms and digital activities. It is evident that some of these initiatives will continue, and some activities may be implemented alongside face-to-face meetings. I think ecommerce is key, especially for the consumer business, and it has been used extensively in the last three years. Before the pandemic, there were restrictions on consumer health products on ecommerce platforms. However, the authorities brought in new, flexible arrangements. For example, safety precautions were required to ensure that the product reached the consumer in good condition. It was important that we could reach our consumers quickly and easily, especially considering the challenges of COVID-19. I believe these changes will continue.

When you look at your revenue base for the region, is ecommerce starting to take on more weight? Do you have cross-border platforms that can reach customers across the Middle East, or is it segmented?

Global ecommerce revenues across all industries are at 12 percent. In the consumer health industry, including in the Middle East, I believe this will be a lower percentage.

This is because the platforms are segmented, and because of consumer behavior and regulations. For example, only 50 percent of products which fall into the consumer health category are allowed to be sold on ecommerce platforms. Also, the Middle Eastern consumer prefers to see the goods in person, rather than buy online.

Even in general trade, ecommerce in the Middle East is less represented than in Europe and the US. If we reach ten percent of consumer health revenue generated from ecommerce, this will be optimal. I do not see it going higher than ten percent in the next five years. However, this may change with the new generation, as they have a greater belief in ecommerce.

We can see how much big retailers, such as Al Nahdi in Saudi Arabia as well as BinSina and others in the UAE are investing in their ecommerce platforms. It is a profitable business accessible to the consumer. With the rise of the new generation, I believe it will increasingly contribute to businesses' success.

We have acquired a digital ecommerce platform in Germany, GloryFeel with a specific portfolio to be sold only online, that will not be available on shelves, and it is working well. With these platforms, we are beginning to expand into different countries.

Many companies are developing online portfolios, and this will be an expanding sales channel and become a strong competitor for in-store sales.

We previously discussed the relevance of this region for over-the-counter (OTC) products. How does the continued rise of OTC products play into your strategic view of the markets?

During the last three to five years, the consumer health industry has flattened in Europe and the US, but it is not declining. Nowadays, emerging markets are a big part of multinational growth. The markets of Latin America, the Middle East, and the APAC region are the main growth drivers for the

consumer goods industry now. Because we have a growing population, and a relatively young generation, we are still in the early phase compared with Europe and the US where the population is declining. Furthermore, healthcare awareness is growing in the Middle East.

The Middle East suffered from decreased healthcare awareness, and people were dying young because of this lack of awareness. However, it is now increasing and will continue to do so. The Middle East is still one of the fastest growing regions globally, and it will remain so for at least the next ten years. This is the focus of several multinational companies in the Middle East. They have specific campaigns for the region and new investments either through localization of their products or opening legal entities and distribution centers. There is a different focus on the region, and it will continue.

What are the most strategic markets in your country portfolio today?

Saudi Arabia, Egypt and the UAE remain the three biggest markets. Egypt is the largest, despite the challenges with currency, there is a large population. Therefore, Egypt is a strategic market for all multinational companies here in the region. In Saudi Arabia and the UAE, in markets in which we can invest, the people’s awareness of their health is increasing daily. Other markets are also important, but for various reasons, such as political and social unrest as well as smaller market size, there are limitations. But in general, these three markets represent almost 75 to 80 percent of our business.

Bayer Consumer Health has a large product portfolio. How does your product range benefit your brand?

Having different categories provides more diversity in our portfolio, and more space to serve our consumers and increase consumer trust in our brands. The consumer can see the Bayer Consumer Health logo in different categories, such as allergy, hair loss, cardiovascular, and dermatology. Bayer Consumer Health is now one of the strongest brands across multinational companies. Many new consumer companies are re-branding themselves, so Bayer Consumer Health benefits from being well trusted by the consumer. New products with the Bayer Cross on them give the consumer confidence, and this is reflected in our portfolio.

We are looking to invest in the pain and analgesic category, where we are not currently well represented in the MENA region. We are evaluating how we can strongly penetrate this category,

as it represents almost one quarter of the consumer health industry, and it is not part of our current portfolio. Allergy is one of our main categories, and for 2023 and 2024, our new launches will focus on this area.

This is a strong category, especially with the weather in this region. There are different predisposing factors for allergies. In Europe and the US, allergies are mainly due to pollen, and in the Middle East they are mainly due to dust, air conditions and other factors.

Our next strongest category is dermatology. Bepanthen is one of our big brands here in the region. We are moving more into consumer products and beauty. We signed an agreement with Nancy Ajram, a Lebanese celebrity, to be our brand ambassador for the region. This product was launched in Saudi last year and in the UAE in quarter one 2023.

It is a competitive category, but when Bayer Consumer Health penetrates a category, we ensure it will be successful, with a strong launch and heavy investment. Bayer Consumer Health are successful in this category. The Bayer Cross represents scientific support, so most of our beauty investment is in medicated skincare. We highlight that we are a medically proven brand, and this is our selling point.

This is a region where marketing is important. How do you make the case to senior management to invest in this area and do you need a customized strategy for different markets within MENA?

We are lucky because Dubai is a hub and senior management often come here, either to visit or through transit, and so they know Dubai. Dubai is not only the center to sell, but also the center to promote, which is evident in the level of investment in Dubai compared to sales.

So sometimes it is the objective to invest here in Dubai, to increase awareness of the brand, and to have a strong base for launch in other markets.

Our philosophy is that if we are not ready to have a strong launch, we will not launch. Because we do not want only new products in the market. Therefore, we have to ensure that we have successful brands, because the company is not measured by the number of brands on the market, but by the success those brands have. We ensure that we have proper hardware first, then a proper brand ambassador, especially for beauty, and finally, the science behind the brand. When we communicate with healthcare professionals and consumers, we typically focus on healthcare professional endorsement.

Our Bepanthen Derma launch event was the first where we had support from a healthcare professional and celebrity ambassador. It was well received by both consumers and the media who would like to see Bayer continue to launch brands with good scientific documentation across various categories. If you look at the old Bepanthen range, it was simple tubes of medicated creams, but now we have nice bottles, and the product is very consumer friendly. So, with this launch, we are penetrating a new category.

The MENA region has both low-, middle- and high-income countries, and you have factories in Turkey and Egypt. Is it important to have a certain level of localization for your products to attain pricing levels that are suitable for MENA consumers?

Especially in the last five years, even before the COVID-19 pandemic, most companies faced challenges from the supply network, either through production sites, shipping, or booking trucks or containers. COVID-19 exacerbated the situation, and so many brands were out of stock on the market. Luckily, Bayer was ahead of this in implementing an initiative to localize part of the portfolio by 2015.

Most countries are now asking for localization, but it is not easy for the company to make such a decision, because the multinational wants to ensure that we deliver the same quality of product everywhere. Bayer, as a German company, is focused on quality. So, a product should have the same quality regardless of where it is manufactured. We manage the decision of localization through submitting business cases to help headquarters understand the importance of the Middle East in gaining approval for localization in Egypt and Saudi Arabia.

The question is ‘Why Egypt and Saudi Arabia?’ Because I think most companies would like to initiate a localization initiative. But to do this, you need to achieve three objectives. First, to maintain the cost, and to have the scale of production, because some countries may not be big enough to accommodate the production size. Saudi Arabia and Egypt both have the critical mass to activate localization, and hopefully we can export from these two countries to the rest of the Middle East. In Egypt, our goal is to have more than 80 percent of our portfolio localized by 2027, and in Saudi Arabia to have around 50 percent.

Secondly, localization is part of Bayer Consumer Health’s strong and solid footprint in the region. It is not easy to get out of the region, so it is important to prove that Bayer has a solid base for continuous and sustainable business in the region. Finally, with localization for specific brands, we may provide our consumers with cheaper goods. As per the Bayer objective to support

underserved communities, we would like to provide them with affordable prices. So, one of our main products to be localized in the next couple of years is aspirin. This will be one of the few markets in which Bayer will manufacture aspirin outside Germany.

Do the authorities recognize the significance of this?

Yes, it is a complex decision, especially because it is not easy to manufacture aspirin, and aspirin is a landmark product for Bayer in the region. Usually, we release two or three generics annually, and none of them are as successful as aspirin. Aspirin has been around for more than 125 years, globally, and Bayer Consumer Health is still number one for aspirin. So, having aspirin in this country will demonstrate that countries can represent value for Bayer and the industry. Furthermore, Bayer only manufactures aspirin outside Germany in two or three places, so that one of those places in the Middle East is a significant achievement.

You have a strong commitment to the environment. Did you participate in COP27 in Egypt and what is being done ahead of COP28 in Dubai?

Yes. Sustainability is one of our main initiatives in the region, and globally, both in environmental and societal issues. We are currently revising our packaging material, and our plastic usage for the brands. For example, for aspirin, we are changing our blister packs to hold 14 tablets, rather than 10, thus making that plastic go 40 percent further. Our cartons and other packaging material are now all under revision. Bayer is working with third parties who specialize in packaging material to improve our impact on health and the environment.

Luckily COP27- Sharm El Sheikh & COP28- Dubai, both in our region, Furthermore, Bayer Consumer Health uses many Point of Sale (POS) materials. So, we are looking into more biodegradable materials. The cost is extremely high, but it is justified to be more environmentally friendly.

One of our important initiatives is to reach underserved communities. Our Aspirin Cardio product is a strong tool to support patients at risk of cardiovascular conditions. Through significant initiatives in Egypt, Saudi Arabia, and the UAE, and even in different markets, we are trying to help those consumers as much as possible, through different initiatives, supporting healthcare professionals to facilitate screening for more people across different markets. We have an initiative to screen more than 3 million high risk patients across the Middle East. We plan to donate hundreds of thousands of units of aspirin for startup kits for those patients.

Are these initiatives being rolled out in partnership with the government?

Yes. We would not be able to do these initiatives without the government, especially the non-commercial activities. Because we need accessibility and endorsement from the healthcare authorities. We had a big initiative in Egypt several months back then Saudi Arabia, and very soon in UAE and other GCC countries.

The main objective is always to reach more of the population with screening and referrals to healthcare professionals to identify them. We provide the authority with the required analysis to diagnose these issues, such as ECG, and blood glucose level.

This aligns with Bayer Consumer Health's global initiative to reach 100 million people and invest EUR 100 million by 2023. Our company vision: "HEALTH FOR ALL, HUNGER FOR NON". This is our social responsibility rule, and our sustainability rule, and we are investing a lot in our responsibility towards society.

There are many new consumer health companies with dedicated resources that have entered the market in the last two years. Do you feel the strain of this competition? Does it help to have an established history like Bayer Consumer Health?

It is a challenge, especially after COVID-19. Because of the high demand for some specific categories during the pandemic, such as vitamins, sanitizers and many new categories, some multinationals cannot fulfill all those demands. For example, the demand for vitamin C alone was more than 30 times usual levels. This gave way for other companies to access the market.

In a pharmacy now, you can find 30 different brands of vitamin C along with private label products, whereas before COVID-19 Bayer was the market leader with a 90 percent market share and there were perhaps around five brands. Sometimes these companies have crazy commercial offers, which are not part of the multinational strategy. The multinational strategy might invest more, but the investment goes into increasing awareness, providing more education for consumers, and healthcare professionals. We believe that in some categories, it is unfair competition. Some of these companies are unknown, so there is a question of quality. Of course, we trust the health authority will ensure this, but they do not have the responsibility to society that Bayer Consumer Health has.

While this competition impacts on our performance in some categories, we are fully confident that our business is more sustainable.

Some of these brands have already begun to disappear. So, I believe one of the main challenges we face now, especially with big retailers in the market, are the private labels. Such labels became common during COVID-19. I can understand it from a commercial perspective, as a means of increasing profit. But it might impact the partnership between retailers and suppliers, like Bayer Consumer Health. Because these companies only commercialize their products & they do not have other activities to increase consumer and shopper awareness and any additional social responsibility.

The market has been completely changed. We consider ourselves partners with retailers, and therefore have a joint responsibility to improve the quality of life for consumers and provide a proper solution for consumers wherever possible.

What message would you give to senior leadership at Bayer Consumer Health about the ongoing relevance of Dubai and the wider Middle East region?

Middle East continue to be shining star within emerging markets, main growth driver for big multinationals, I am sure the great performance we have here in the region will keep the cluster high on the company’s global agenda.

During the last 12 months three Board members visited us in Dubai. Dubai has become a stop for all senior staff at Bayer Consumer Health. I am sure with the level of performance, investment, and opportunity in the region, that Bayer will continue it’s strategy to invest and explore the opportunities here.

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