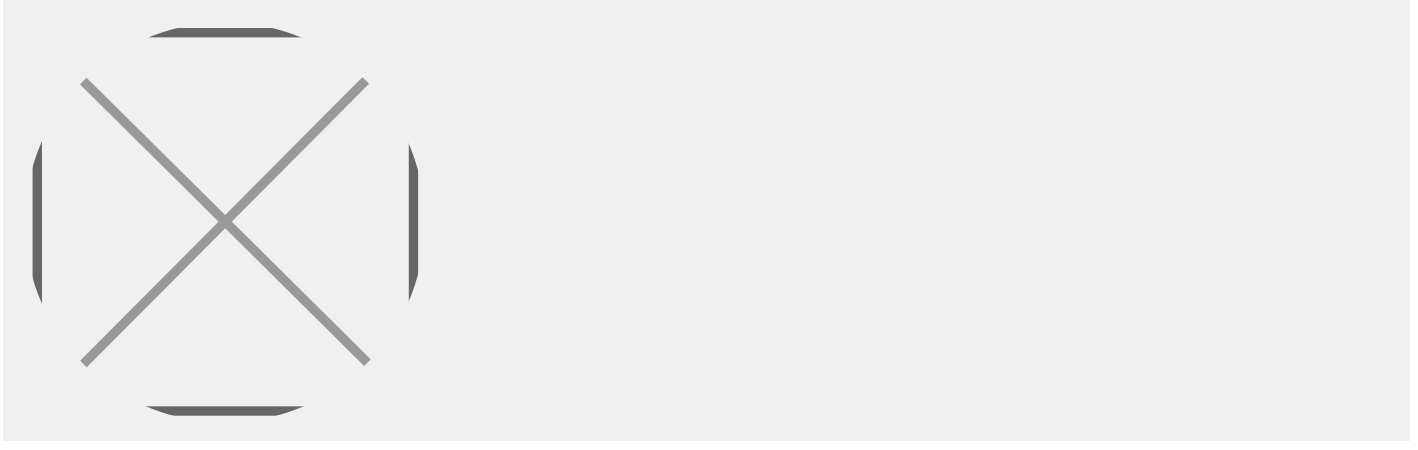


Interview with Hilde De Jonge, Managing Director, Belgium Association of Consumer Healthcare Industry - BACHI



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Let us begin by introducing BACHI, its area of focus and scope of activities?

BACHI is a fairly young independent association of the consumer healthcare industry, counting 28 of the sectors' most important players. Currently we are in our fourth operational year, and the association is still growing with new members joining in. Today BACHI represents nearly 80% of the Belgian OTC market.

Obviously, BACHI represents the Consumer Health Industry's common goals and aims to highlight the socio-economic benefits of selfcare and over-the-counter drugs (OTC's) in Belgium. Our overriding objective is to facilitate sustainable growth of the Belgian selfcare market, where the patient-consumer holds a central position. In doing so we have identified three strategic pillars of focus : Pricing, Advertising and Regulatory. Within each of these areas, there are a number of challenges we are addressing to shape a better consumer healthcare environment by taking into account public health interest and all stakeholders involved.

Could you provide us with an overview of the performance of the Belgian OTC drug market and its potential growth drivers?

OTC sales in Belgium have been growing fairly modestly over recent years. According to IMS data, OTC value sales represent one fifth of pharmaceutical pharmacy sales. Nonetheless, although OTC growth has not been that spectacular, we have observed a slow but steady rise in these figures, growing from 18 % in 2005 to 20% in 2011. Moreover, if we examine the figures further, it

becomes apparent that the OTC growth rate exceeds that of the total retail market. Zooming in on the individual segments of OTC products, we see a pattern that is quite similar to other European markets. The three largest categories which make up roughly half of the OTC market are pain relievers, cough and cold and digestives. However, the segment with the highest growth rates today is the vitamins, minerals and tonics branch with 6.8%.

Another important aspect of the selfcare market to consider is volume. The OTC part of the total retail market represents half of the number of packages sold in pharmacies with around 120 million OTC packs dispensed to patients-consumers every year. This can be loosely estimated to one selfcare product per capita per month. This is important to note because the average public price of OTC products is 8.5 euro, which is modest relative to prescription bound medicines. With this in mind, it is fair to say that the Belgian OTC market is a sizable and important part of the pharmaceutical market.

In terms of expected market growth, innovation in self-medication products will be the most significant driver of expansion : creating new selfmedication segments for unmet consumer needs and launching new products with improved formulas for higher efficacy, or better product delivery forms to enhance comfort and compliance.

Apart from that, the scientific support and substantiation of claims is important to the OTC segment. For instance, a recent big driver in the vitamins category is the emergence of clinical evidence suggesting that the consumption of vitamin D supplements help to mitigate the development of osteoporosis. This is indicative of the increased importance of OTC products in disease prevention through good communication and robust scientific substantiation, in addition to the treatment of minor ailments. I believe that this trend towards enhancing overall wellbeing and disease prevention will be a strong growth driver for the selfcare market.

What is the importance of the OTC pharmaceutical market for Belgian Healthcare?

This relates to the socio-economic value of OTC products. When speaking about the OTC products for the treatment of minor ailments, it is crucial for them to be readily available from the pharmacist, enabling patients not only to find quick relief from their discomfort, but also to save a considerable amount of time and go about their daily tasks while reducing the burden on healthcare system and its resources. So accessibility of safe and effective non-prescription medicines definitely has a strong and positive effect on the socio-economic system. This becomes even clearer once you consider the benefits that could be realized if these resources are instead expended on patients with more pressing medical needs. Therefore, I would say that encouraging people to first approach their pharmacist and better inform them about self-care would have an observable positive effect on the healthcare system as a whole, reducing its costs and allowing for a more efficient use of its resources. As we speak, we are conducting consumer research to learn more

about the benefits and potential savings derived from OTC's in order to quantify its added value for the Belgian healthcare system.

How would you describe the general population's attitude towards self-medication?

Interestingly, this is one of the topics we are exploring in the study that I just mentioned. The consumers certainly have an open attitude towards self-care and value assuming responsibility for their health. Needless to say, their personal health is of great importance to them and therefore they tend to avoid negligent behaviour when it comes to OTC drug use. Instead, owing to today's digital communication and information systems, we observe an ever increasing health consciousness with people actively seeking information on health issues, medication and selfcare.

What do you believe explains the fairly slow growth of the Belgian pharmaceutical market?

In terms of 'basic' product offerings for treatment of minor ailments, the market is so to speak 'well-served'. A major source of growth that should be dialled up is to 'switch' permissible prescription drugs into OTC products, creating new selfmedication segments, amongst them some highly valuable lifestyle related drugs. To make this happen, a couple of measures first need to be put into place and we are working closely together with all key stakeholders towards this goal. Obviously, decisions pertaining to product 'switches' ought to be based on thorough risk benefit analyses in order to ensure the best possible outcomes with regards to safety and efficacy.

A good example of this is Alli, a weight loss OTC product that was successfully switched from Xenical – its prescription counterpart, in 2009 creating a new consumer segment. The effects of this new category in consumer healthcare products were immediately observable as it contributed considerably to the OTC segments growth rate from 2.3% in 2008 to 6.5% in 2009. Another past example of sound product switches included Nicotine Replacement Therapies to stop smoking.

Could you provide us with an overview of the regulatory and reimbursement structure of OTC drugs in the Belgian market today?

As a basic principle, regulatory processes are the same for all medicines, independent of their status prescription or prescription free. This is certainly another area in which there is room for improvement to enhance availability and speed to market for OTC's. Depending on the product, the registration processes for instance can be disproportionately lengthy and burdensome. BACHI believes substantial progress can be made by working closely together with the Medicines Agency and jointly deploying the recently developed risk benefit analysis framework. Where possible, we will be looking to simplify some of the required procedures to allow for a more 'proportionate' OTC regulatory environment.

Similarly, with respect to reimbursement, OTC's basically follow the same path as prescription drugs. However, reimbursement of OTC's in Belgium is rare and the few that are reimbursed are so

only when prescribed or consumed by specific target groups.

In terms of pricing, Belgium is the only European country, alongside with Greece, that still applies strict price controls to the OTC medicines. This is despite the fact that there have already been guidelines issued at a European level for non-prescription drugs recommending the free exercise of economic dynamics. We dialogue with the Minister of Economic Affairs on this issue since we believe the current administrative procedures that companies need to adhere to are highly burdensome and time consuming for all involved parties, without adding real socio-economic value. In this respect, we intend to catch up with the rest of Europe.

Until recently, self-care medicines in Belgium were sold only through pharmacies, but now we have seen the emergence of internet based sales channels. What is your view on the liberalization of the market?

There is an abundance of pharmacies in Belgium. In fact, we have one of the highest densities in terms of pharmacies per capita. With this in mind, access to pharmacies is not an issue at all since there is always a pharmacy nearby. As an industry, we tend to ask what is the added value of moving away of the traditional pharmacist model, to another. Moreover, the OTC sector views the pharmacist as the most important interface in between medicines and the patient-consumer. Not only dispensing the OTC medicines as such, but more importantly the communication and guidance on proper use of the medication is an essential part of the role of the pharmacist in responsible selfcare

So far, we have covered two of your three strategic priorities – Pricing and Regulatory. What challenges are you addressing with regards to the third priority – Advertising?

In terms of advertising, Belgium operates in a tight pre-controlled environment by the state. In today's digital era however, communication vehicles have changed dramatically compared to nearly 20 years ago. The relevant regulations should be adapted to today's realities. To this end, BACHI has developed a concept paper which has been presented to the Head of the Medicines Agency. The concept paper analysed the existing situation and proposed an approach to move from the current pre-advertising state controlled model to a self-regulatory model, based on a robust deontological industry code and using existing advertising structures and organisms. Certainly, there is a large gap in between the quite archaic legal procedures and obligations and today's digital reality.

In conclusion, where would you like to take BACHI over the medium term?

BACHI will be elated if we are successful in addressing the pricing, advertising and regulatory challenges, since these hold the key to market growth Focus on the consumer's needs in an ever changing environment and iterative communication with all stakeholders will pave the pathway to

success. During this journey, we stress the socio-economic value of the selfcare industry, which contributes in a holistic and all-encompassing manner to the benefit of consumers and all stakeholders in a responsible and ethical manner.

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