

New challenges for Self Medication Medicines

*A 360-Degree analysis under the new Italian
legal framework*



Enrica Tiozzo
Healthcare Industry Key Client Manager

XII Jornadas Profesionales y V Internacionales
Madrid - February, 21st 2008

What happened in Italy?



In July 2006 a Decree Law was enacted by Pierluigi Bersani (Minister for Economic Development), stating that :

' Sales of Over The Counter Pharmaceuticals through channels other than pharmacies are allowed, only with the assistance of a pharmacist '

The law was proposed to the Chambers by 170 000 citizens (*'people initiative law'*) and supported by Coop, the main Italian distributive chain

Today we will answer these questions...

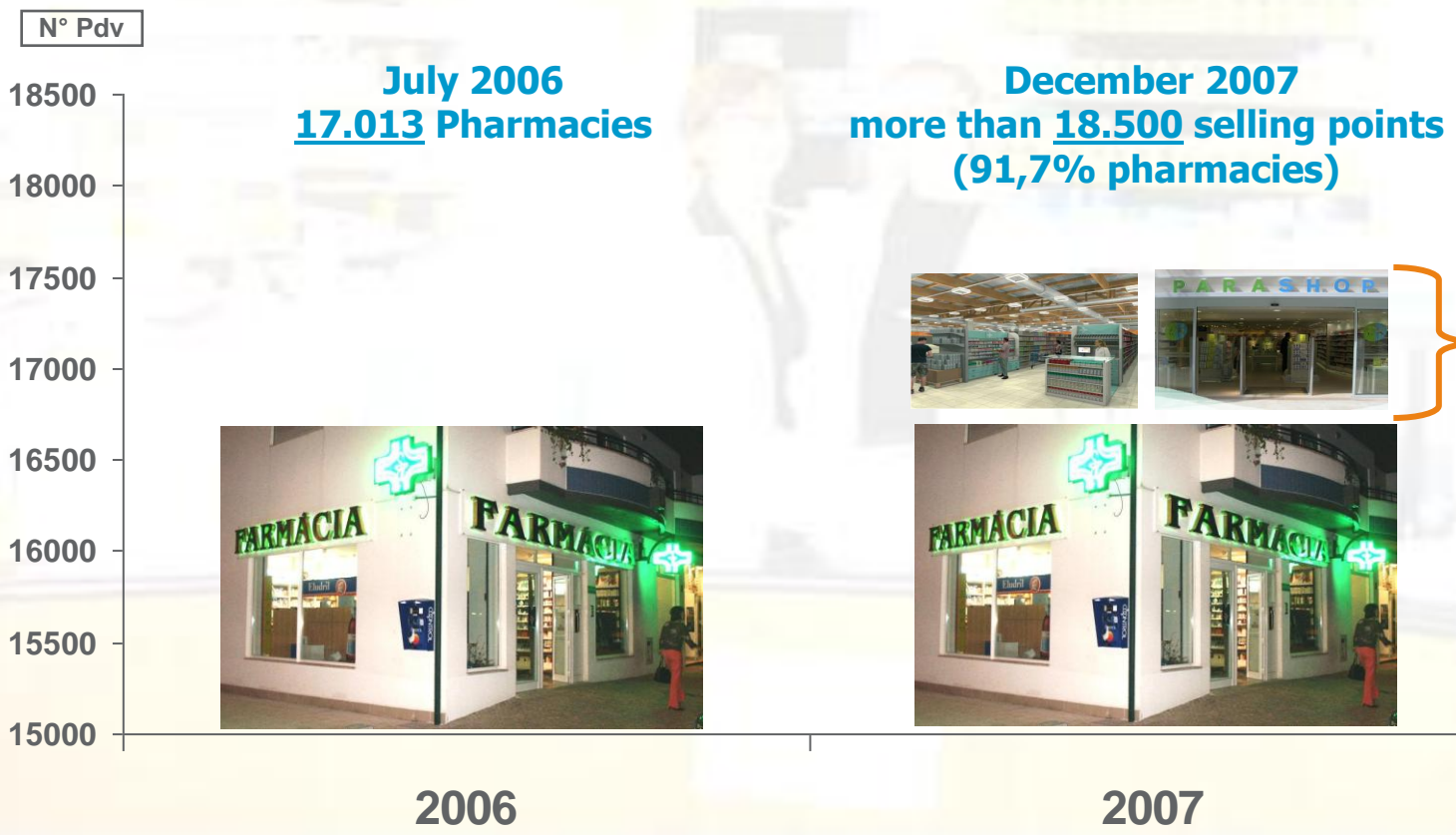


1. How OTC medicines liberalization came into force into the Italian market?
2. Can we try to take stock of the situation after more than one year since the Bersani Law took effect?
3. What is expected for the future?

How has the distributive offering changed?

After 1,5 year since the decree was enacted, about **1540 non-pharmacy shops sell OTC medicines.**

(Other **383** shops have already asked for the authorization and are currently waiting for the licence)



Which is the Sales Location of Self Medication drugs (OTC+SOP)? (Last Quarter 2007)



180 Corner OTC
located inside the main
Italian Distribution
Chains
Volume Share 3%



Expectations on OTC corners in GDO
not completely fulfilled: a quite
limited and localized phenomenon



17.013 Pharmacies
Volume Share 94,7%

This is a real new Channel, its birth
and rate of growth were unexpected



1360 Parapharmacies
equally located all over
Italy
Volume Share 2,3%

Source: Market*Track Healthcare

Which are the key indicators of the different kind of shops? (December 2007)

	<u>Pharmacies</u>	<u>Mass Market</u>	<u>Parapharmacies</u>
Universe	17.013	180	1.360
Volumes (Mio of packs – Last Quarter 2007)	108	3,3	2,6
Average Sales per Shop (weekly)	436	1340	158
Assortment in the shop	914	278	164
Price per Pack €	6,14	4,90	5,91
Price Index vs Price List	96	76	92

... but only **354 are really moved**, as the remaining items usually **lay on the shelf or storehouse** of pharmacies

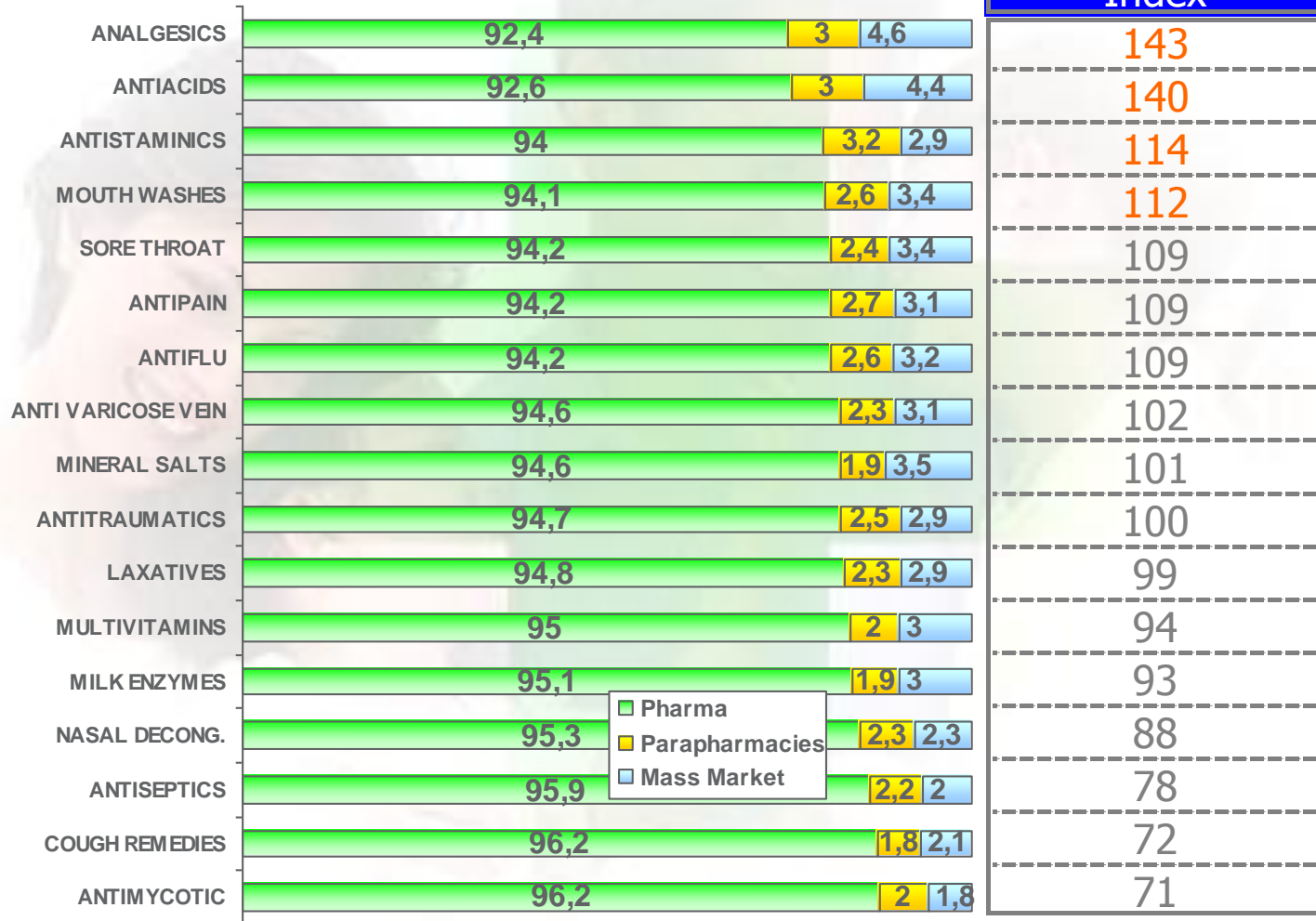
Price Decrease due to **Storage Law (2005)**, which invites pharmacists to **allow discounts of up to 20%** on over-the-counter and non-prescription drugs.

Channel weights for main OTC categories

(Last Quarter 2007)

above average: Analgesics (7,6%) and Antiacids (7,4%)

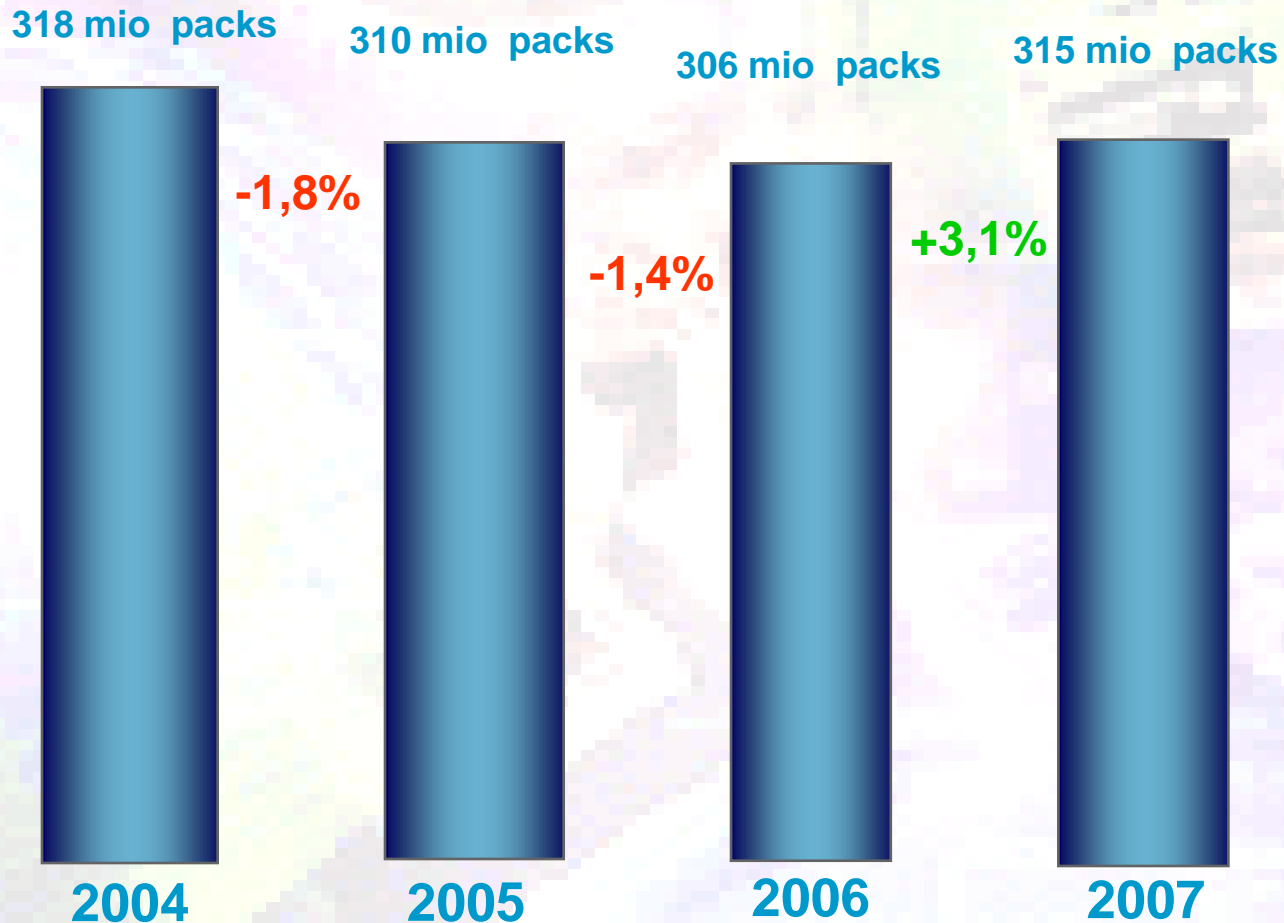
OTC Out of Channel Share => 5,3%



Did liberalization spur the demand for OTC?

this year's growth is actually explained by low levels in 2006,
in fact, volumes are quite the same as in 2004

In the long run OTC sales are expected to be steady



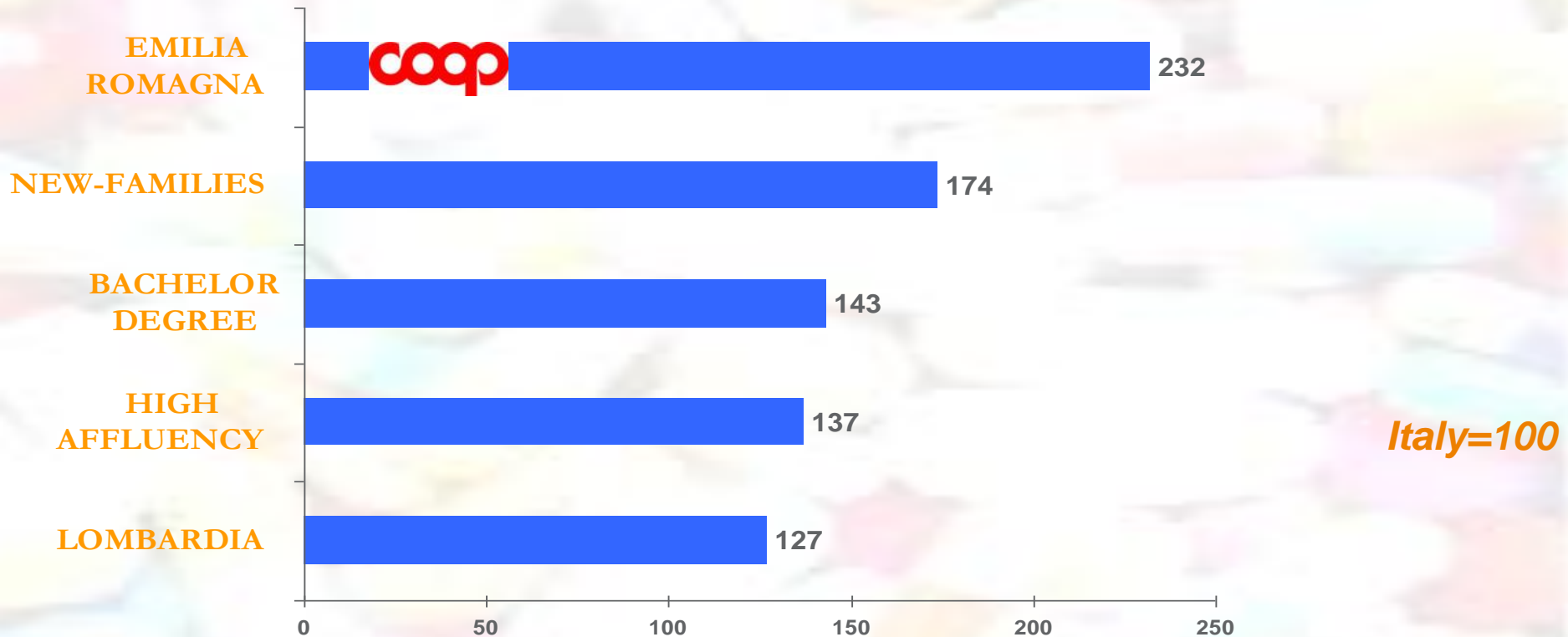


OTC Medicines liberalization: Consumer's lifestyles

Source: Self Medication Consumer Focus
Enquiry on Panel Nielsen: 25.000people >14years old

Consumer Profile

'Last year did you buy OTC products outside the pharmacy channel?'



Source: Self Medication Consumer Focus

Italians still trust pharmacist's advise and prefer buying in the pharmacy

70%

'I prefer to keep on going to my trusted pharmacy , even for Self Medication medicines '

Source: Self Medication Consumer Focus

Regardless the channel, pharmacist's advise still remains crucial for Italian people

78%

'Wherever I buy, I consider pharmacist's advise essential'

Source: Self Medication Consumer Focus

Brand Loyalty

However, in the alternative channels, Italians still buy only brands they know and trust

61%

' In the supermarkets, I prefer buying medicines I know'

Source: Self Medication Consumer Focus

Opportunities for Private Label

3 Italians on 10 would like to find them on the shelf

ITALY

30%

'At my regular supermarket, I would like to find its Private Label OTC medicines '



already sells its OTC [Private Label](#)

Source: Self Medication Consumer Focus

New challenges for Self Medication Medicines



What is expected for the future?

Which scenario is most likely for the future?

1) We still expect a significant numeric growth of the non Pharmacy selling points in 2008, followed by a settlement phase during 2009



Corner OTC



Parapharmacies

50

180

1360

290

1950

380

2100

2006

2007

2008

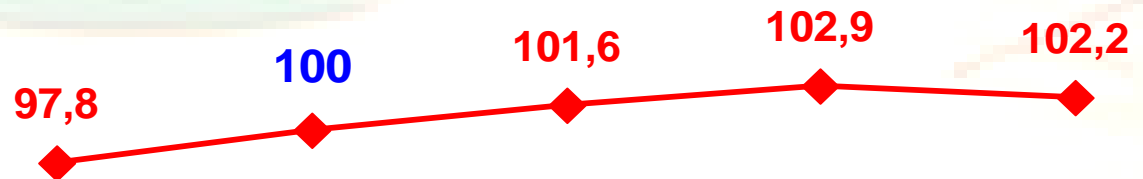
2009

Which scenario is most likely for the future?

2) More than 13% of the volumes will be sold outside the pharmacy channel within 2010

	2006	2007	2008	2009	2010
Mass Market Share	0,6	2.4	4.7	6.2	7.1
Pharma Share	99,3	95.8	90.1	88.2	86.7
Parapharmacies Share	0,1	1.9	4.2	6.1	6.2

OTC Growth rate
(2007=100)



Which scenario is most likely for the future?

3) Fixed prices of OTC medicines (decided by Authority) will disappear and the pharmacy channel will need to be compliant to the 'Mark Up' System of Mass Market



How is the pharmacy channel going to react?

This is the main issue that pharmacists are about to face...

Thank you

nielsen



enrica.tiozzo@nielsen.com