

# Russian pharmaceutical retail market: weekly trends in times of the COVID-19 outbreak

based on IQVIA PharmaTrend

*Update for calendar week 12-2020*

Moscow, 09<sup>th</sup> April 2020

Gerhard Mueller, Head of Consumer Health, Russia & CIS



# COVID-19 Perspective & Update Russia

- + **COVID-19 progress time lines for Russia**
- + Implications for Russia and the pharmaceutical & OTC market players
- + OTC & Pharmaceutical market updates – monthly view including regions
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# Though the first case has been confirmed on 31<sup>st</sup> Jan, the 100<sup>th</sup> case has only been confirmed on 17<sup>th</sup> March

*The first 100 cases were mainly imported and we consider 17<sup>th</sup> March as outbreak starting point*



Source: [https://en.wikipedia.org/wiki/2020\\_coronavirus\\_pandemic\\_in\\_Russia#Lockdowns](https://en.wikipedia.org/wiki/2020_coronavirus_pandemic_in_Russia#Lockdowns) and IQVIA

# The government has responded with a number of measures, e.g. closing the border to China early and travel restrictions to the EU

*The first 100 cases were mainly imported and we consider 17<sup>th</sup> March as outbreak starting point*

## Travel limitations to Europe

- Flights to and from Italy, Germany, France and Spain
- 15<sup>th</sup> March closure land borders to Finland & Poland
- Suspend train connections to Berlin & Paris
- 16<sup>th</sup> All flights from EU, NO, CH limited to capitals & self-isolation rules

## Worldwide travel restriction

- Restrictions to travel all over the world
- Very limited number of flights to major capitals remaining (to move foreign citizens to their respective countries and Russian nationals back to Russia)

23<sup>rd</sup> Jan

18<sup>th</sup>/19<sup>th</sup> March

28<sup>th</sup> March

13<sup>th</sup>-16<sup>th</sup> March

23<sup>rd</sup> March

## Chinese travel restrictions

- Starting with land border
- 31<sup>st</sup> Jan limiting travel from China to Sheremetyevo only
- 20<sup>th</sup> Feb completely ban entry of Chinese citizens

## Entry ban on all foreigners & self-isolation

- Ban until 1<sup>st</sup> May, no visas issued
- All people arriving from abroad to undergo a two-week self-isolation

## Close all land borders

- Automobile, railway, pedestrian, river and other border checkpoints closed, including to Belarus
- Exceptions similar to air travel

Source: [https://en.wikipedia.org/wiki/2020\\_coronavirus\\_pandemic\\_in\\_Russia#Lockdowns](https://en.wikipedia.org/wiki/2020_coronavirus_pandemic_in_Russia#Lockdowns) and IQVIA

# The external measures were complemented with a range of nationwide measures to slow down the spread of COVID-19

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Source: [https://en.wikipedia.org/wiki/2020\\_coronavirus\\_pandemic\\_in\\_Russia#Lockdowns](https://en.wikipedia.org/wiki/2020_coronavirus_pandemic_in_Russia#Lockdowns) and IQVIA

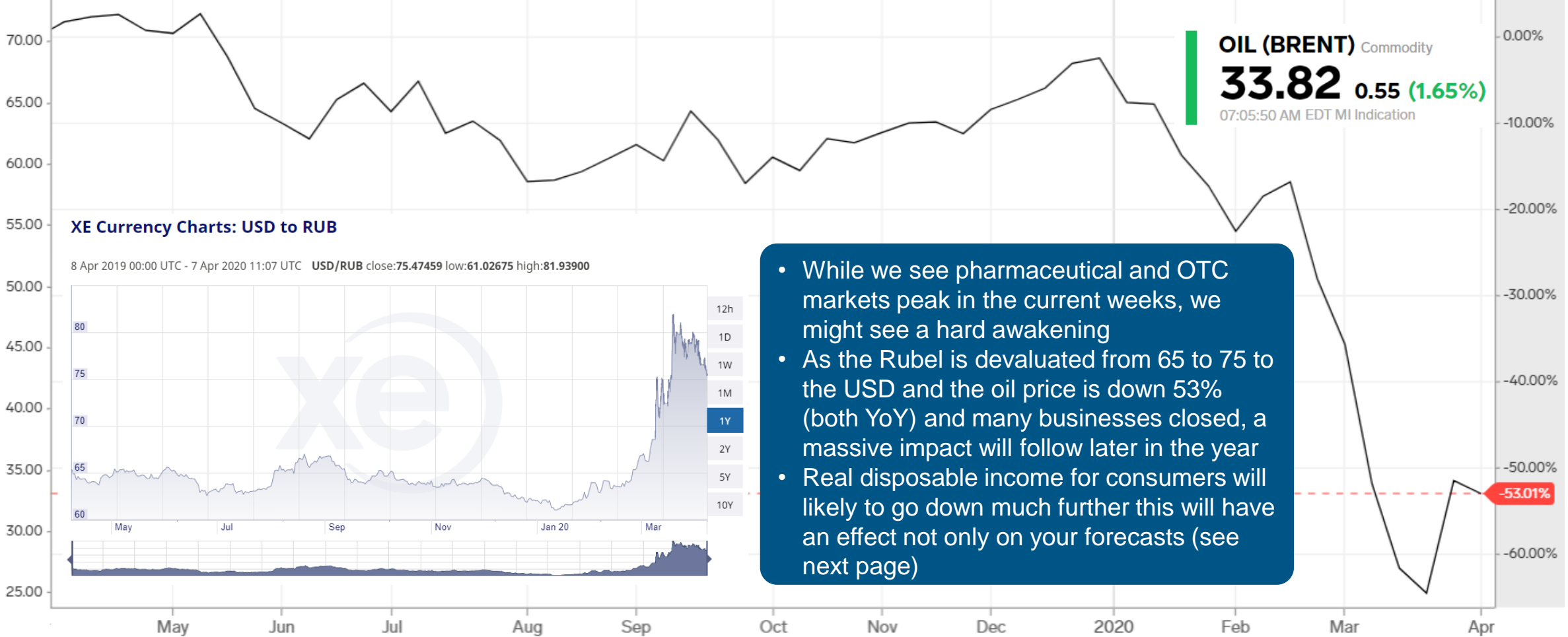


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# The social and economical impact will be massive to the Russian public and all companies doing business there

Key economic indicators for Russia: oil price and ruble value highly impacted



Source: <https://markets.businessinsider.com/commodities/oil-price?type=brent> (as of 7/4/20 14.00) and IQVIA

# The OTC industry in particular might want to review their complete strategy for the years 2020-2024 as fundamental changes happen

*The COVID-19 crisis even speeds up previous developments*

## Current situation

In the context of the COVID-19 crisis, Russian OTC businesses are highly disrupted with short term strong demand, limited ability for rep calls potential delivery issues, plus a mid-term economic crisis and impact on consumers

- Current extreme demand for C&C shifts perspective
- At the same time reps cannot visit pharmacies & HCPs and this might have a long-term impact on the business
- Online communication to pharmacists will become more important and should be enriched with value
- Ecommerce has just been liberalized fast in Russia (direct to home delivery) which will shift the whole market place
- The current COVID-19 crisis will be followed by a massive economic crisis, leading to reduced spending
- As a consequence and outright price war can be expected in the crisis which needs to be compensated by additional value creation for the categories & brands



## IQIVA recommendations

- 1. Review of current marketing & sales strategy in all key areas**
  - Positioning of key brands – value proposition of total category and your brands – differentiation
  - Promotion strategy – investment in ATL and chains, plus separate topic online – DTC online
  - Distribution strategy – current and future role of doctors (potential lifetime recommender), distributors and the role of the pharmacy chains in online context as recommender plus POS promotion, category management, T&C, and future role of the rep in online context etc.
  - Price strategy in the light of the flow from extreme demand to extreme decline and blurred value proposition – enrich categories and brands with additional value – cross category contribution, plus potential new categories
- 2. Renew strategy** and update forecasts for at least three different optional scenarios for decision making
- 3. Develop implementation plan** with complete resource mapping for your Russian business for 2020-2023





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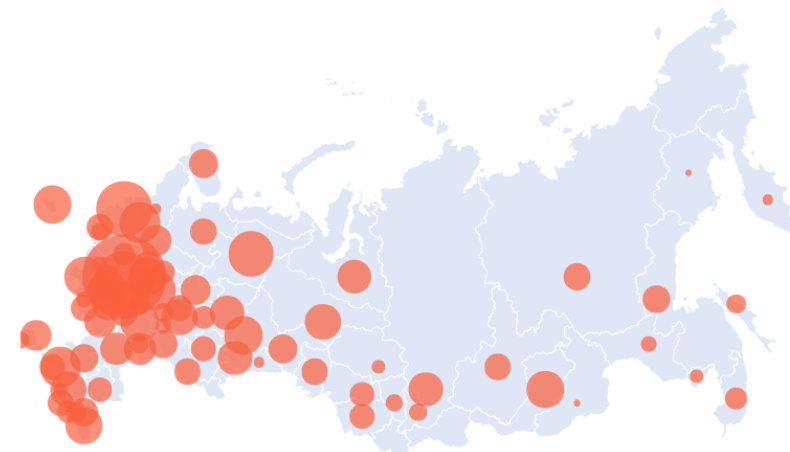
# As of 7<sup>th</sup> April, Russia has tested over 795k people and 7.5k were COVID-19 infected; by far the most (69%) came from Moscow

*In number of COVID-19 infections Russia ranks #21 in the world (#9 in population size)*

- In Russia the number of disease cases is now 7,497 (up 1,154 or 15% from the previous day)
- 58 people have died from COVID-19 (up 11)
- 5,181 (69%) of all Russian cases are in Moscow, plus a further 454 (6%) in Moscow Region and 295 (4%) in St. Petersburg and a remaining 1,567 (21%) in the rest of the country
- These numbers show where all the reaction to the COVID-19 outbreak might be focused on
- Let's start first with a view on total Russia, where we see with highest growth in immunostimulation in February already a preparation of the population to the outbreak
- Click on source links below for latest updates

## Operational data

as of april 07 10:30

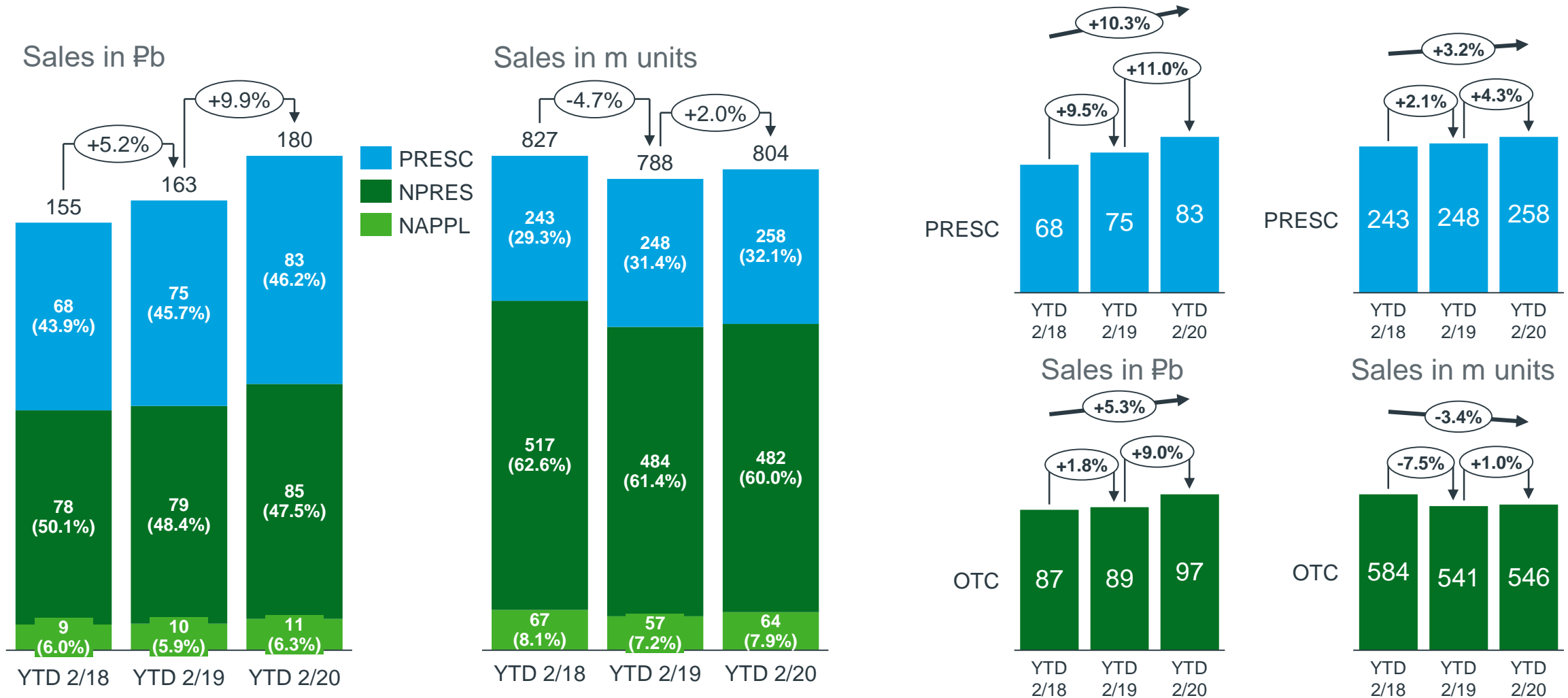


Moscow	5181	222	31
Moscow region	454	47	eight
St. Petersburg	295	32	2
Komi Republic	101	1	3
Leningrad region	62	1	0
Krasnodar region	61	nine	1

Source: <https://www.worldometers.info/coronavirus/> and <https://xn--80aesfpebagmfb1c0a.xn--p1ai/#>

# Already with YTD 2/2020 the Russian retail market returned to growth in units, in value the growth accelerated to 10%

*Sales in value and units based on monthly sell-out data YTD 2/20*

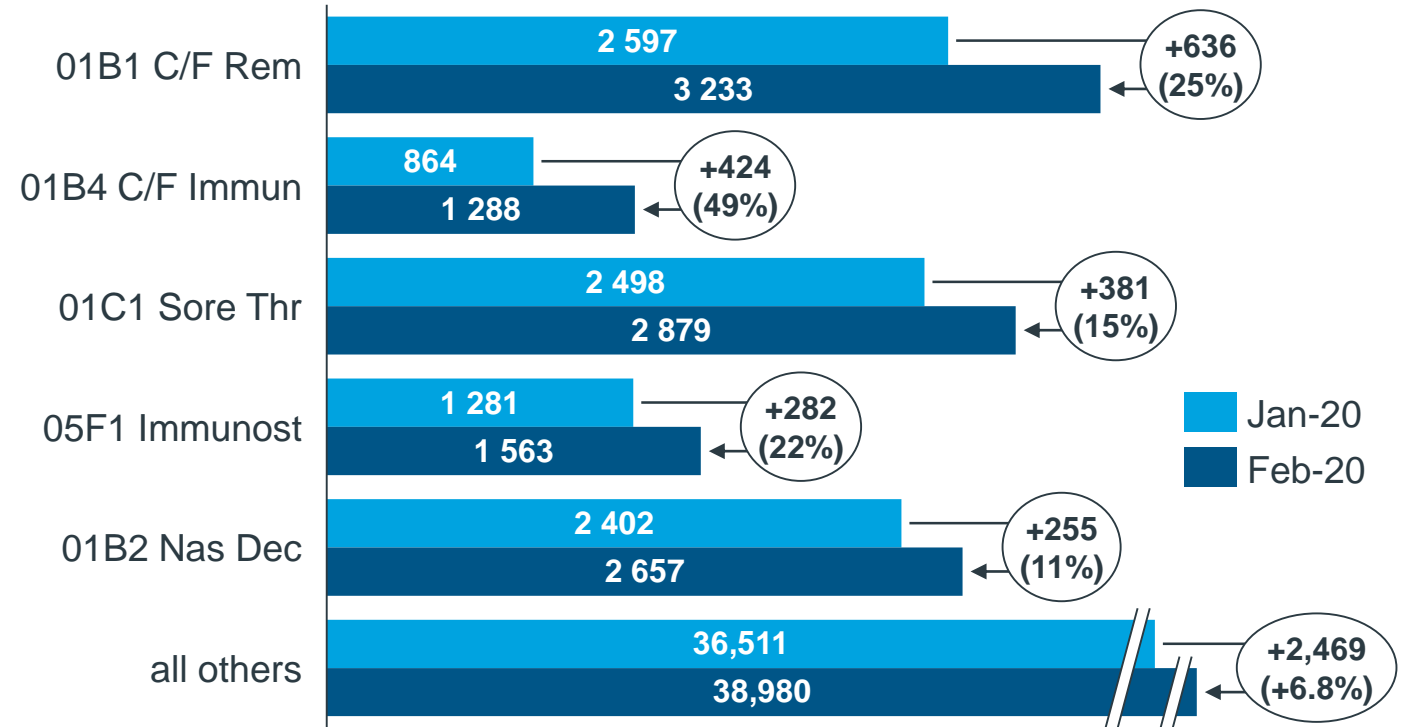
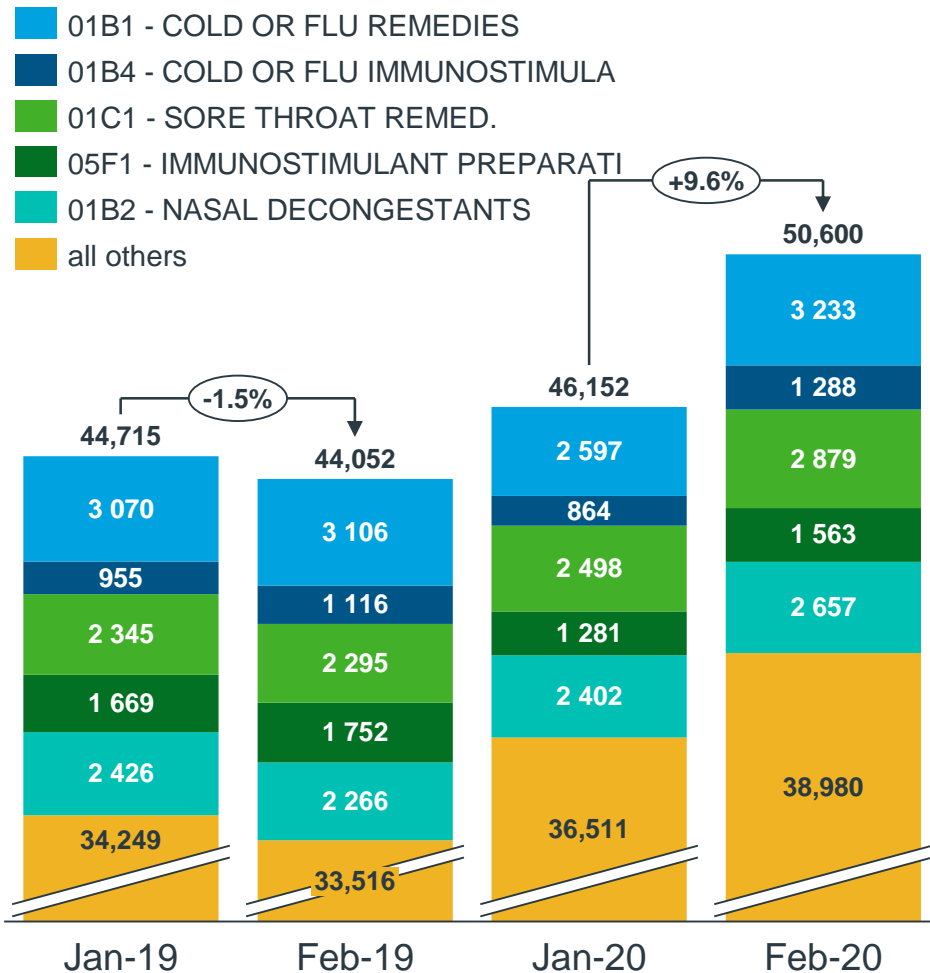


Source: IQVIA PharmaTrend monthly based on OTC 1-18 & 97, excl. additional assortment

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# February 2020 added ₺4.4b+ revenue to the Russian OTC market vs. January, and five categories contributed almost half of it

*Categories with highest absolute month on month growth in February 2020*



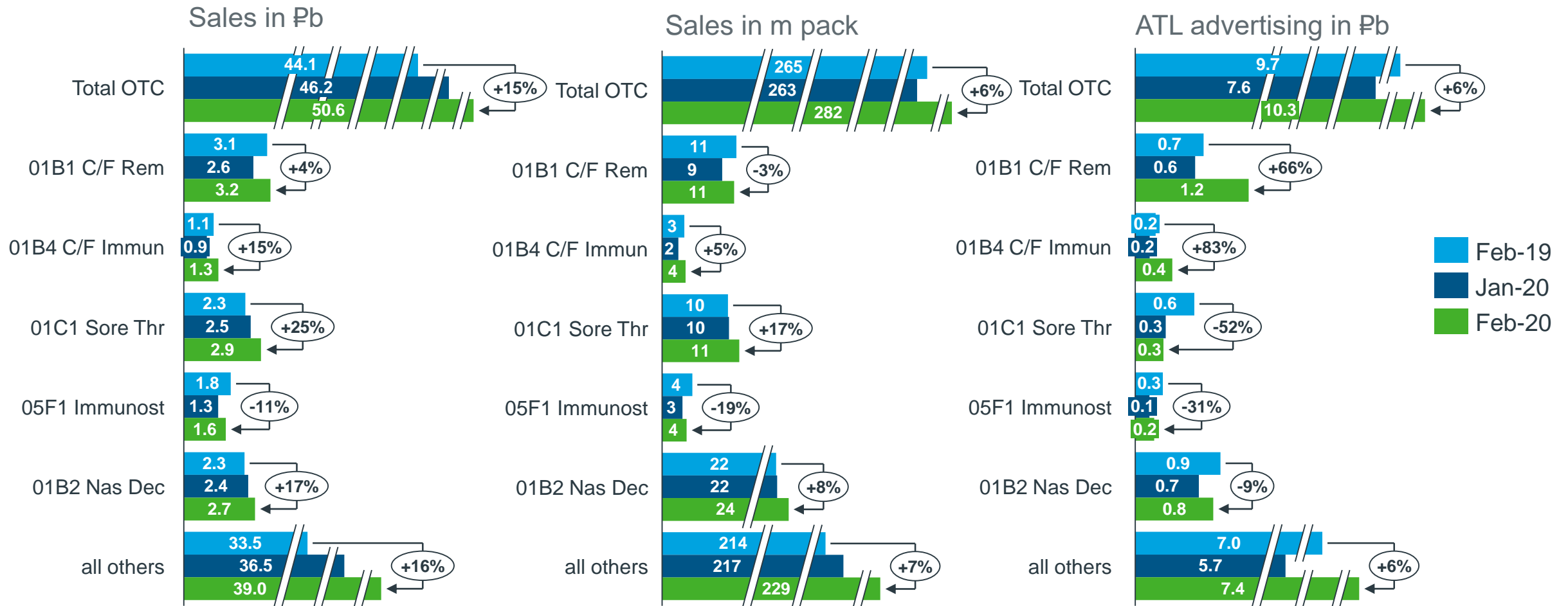
Out of these five top value driving categories, three had the highest relative growth, and all three are connected with C&F/immunostimulation: 1B1 C/F Rem, 1B4 C/F Immuno and 5F1 Immuno – see regional growth drivers on page 13

Source: IQVIA PharmaTrend monthly based on OTC 1-18 & 97, excl. additional assortment

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# Units were also significantly growing against the previous OTC trend, only some players reacted fast with high invests in ATL ads

*YoY growth rates February 2020 for sales, units and ATL advertising*

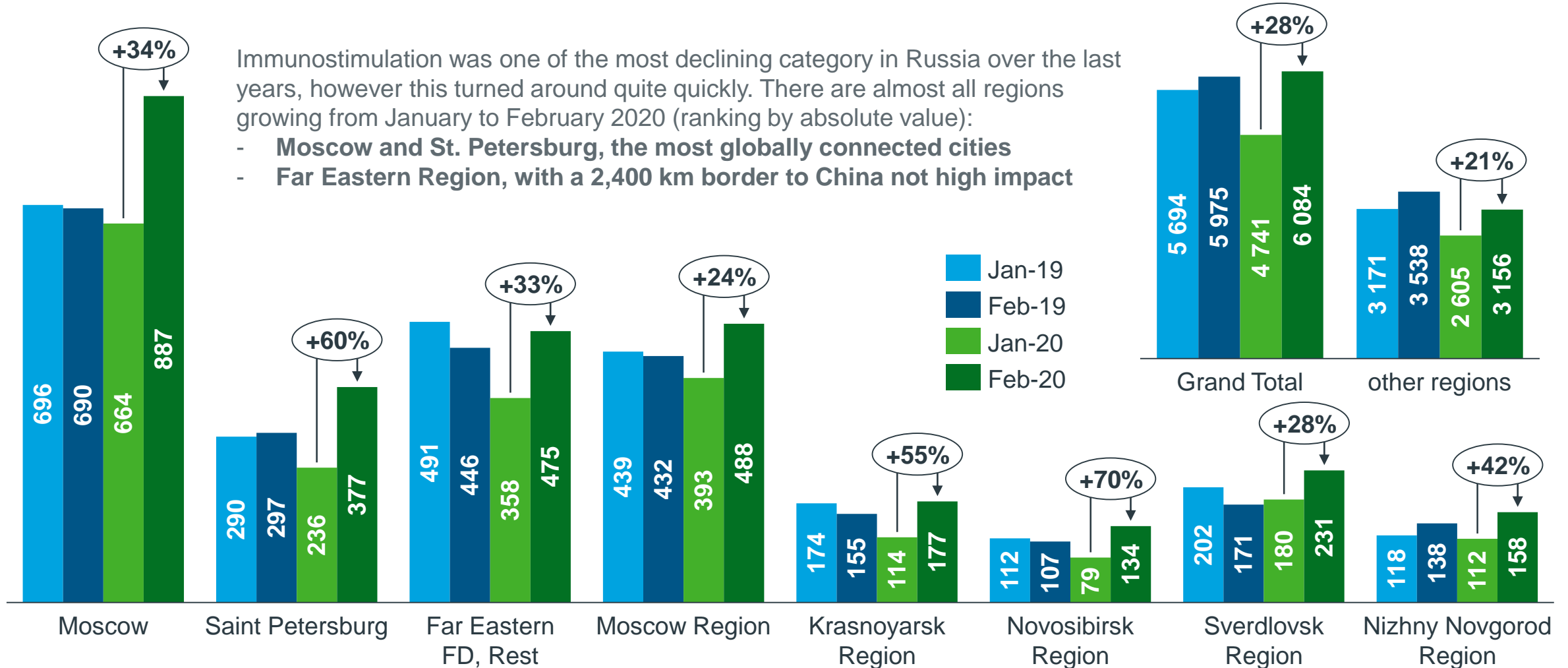


Source: IQIVA PharmaTrend monthly based on OTC 1-18 & 97, excl. additional assortment – Mediascope gross ATL advertising data, excl. online

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# The growth in immunostimulation can be connected to COVID-19: Moscow, St Petersburg and some smaller regions reacted fast

*Regional month on month growth of the sum of 1B1 C/F Rem, 1B4 C/F Immuno & 5F1 Immuno*



Source: IQIVA PharmaTrend monthly, excl. additional assortment

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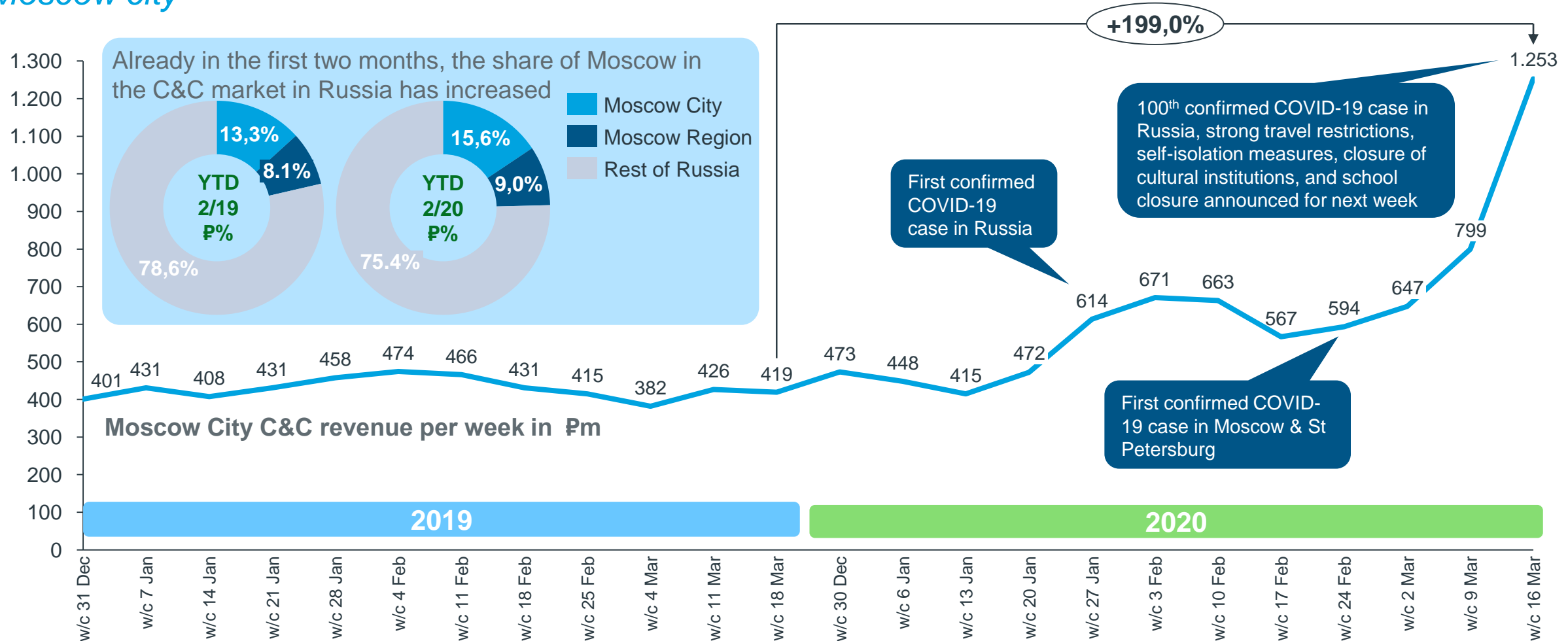


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# The cough & cold markets peaked in Moscow in the week of the 100<sup>th</sup> case for COVID-19 officially confirmed tripling C&C sales YoY

Cough & cold revenue (OTC2 categories 1A/B/C/F/V and 5F) at final price for off-take in ₺m in Moscow city



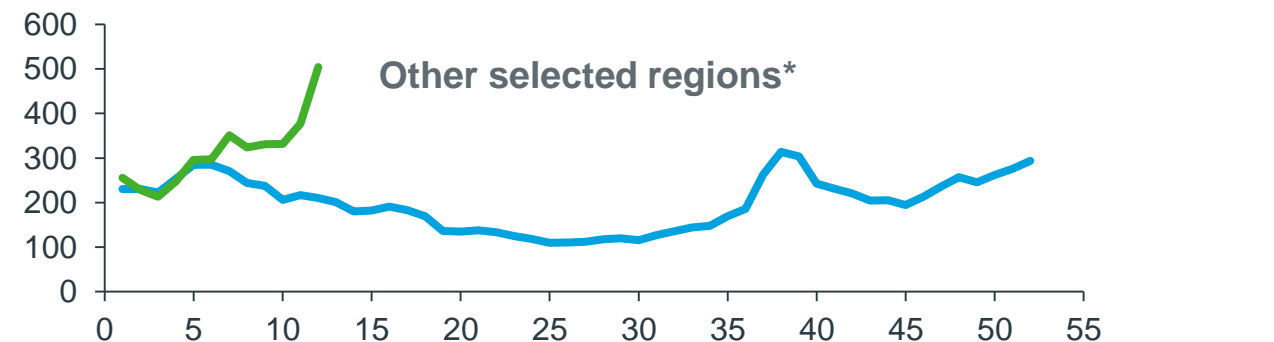
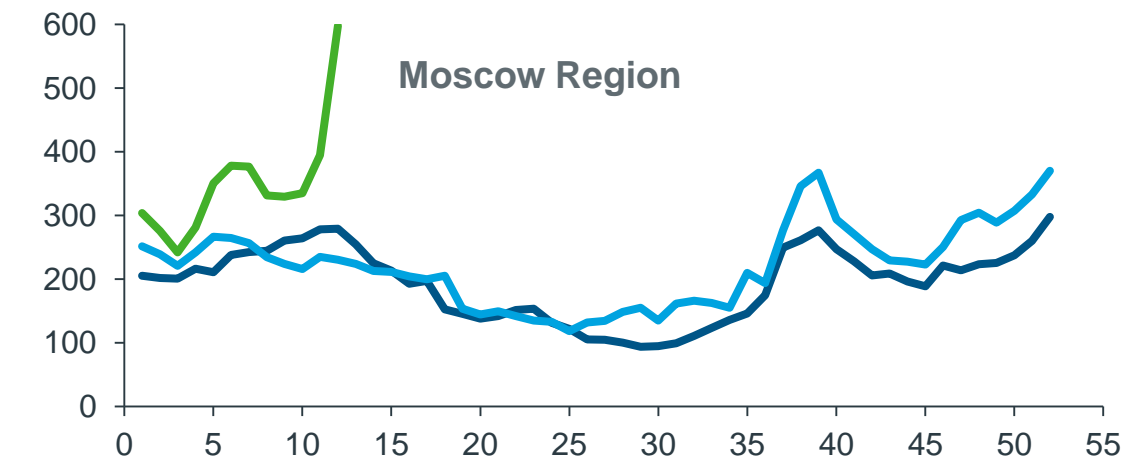
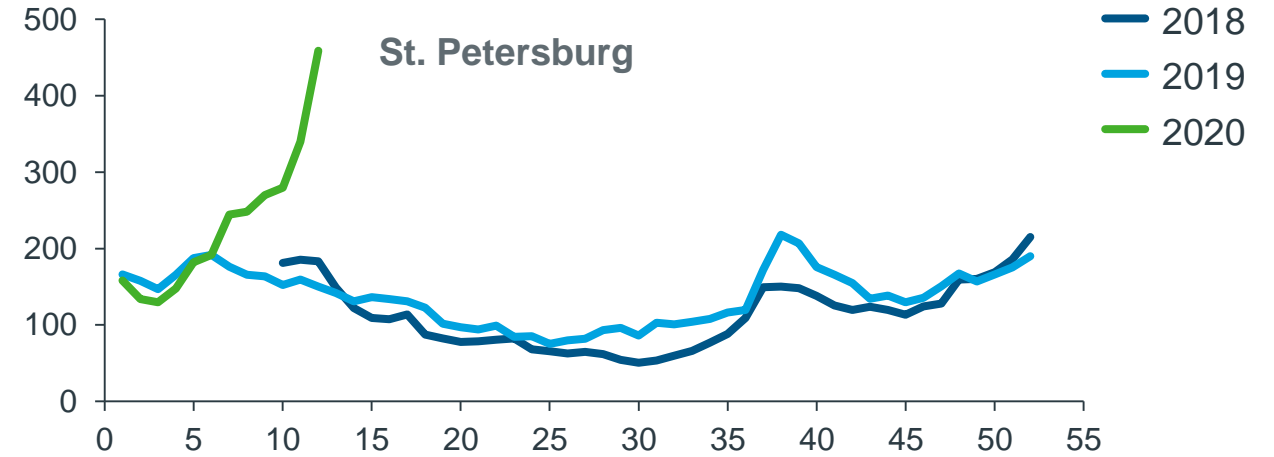
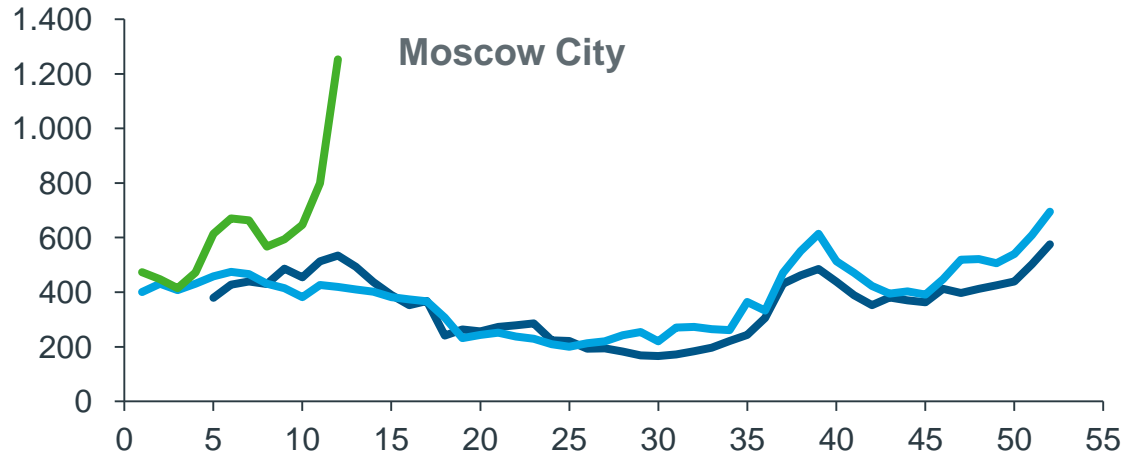
Source: IQVIA PharmaTrend monthly, excl. additional assortment, and PharmaTrend weekly,

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# This week all y-axis had to be significantly prolonged – week 12/20 brought the highest cough & cold sales (value) in Russian history

Cough & cold revenue (OTC2 categories 1A/B/C/F/V and 5F) at final price for off-take in ₺m (source: IQVIA PharmaTrend weekly) in selected regions across Russia – **REGION VIEW**

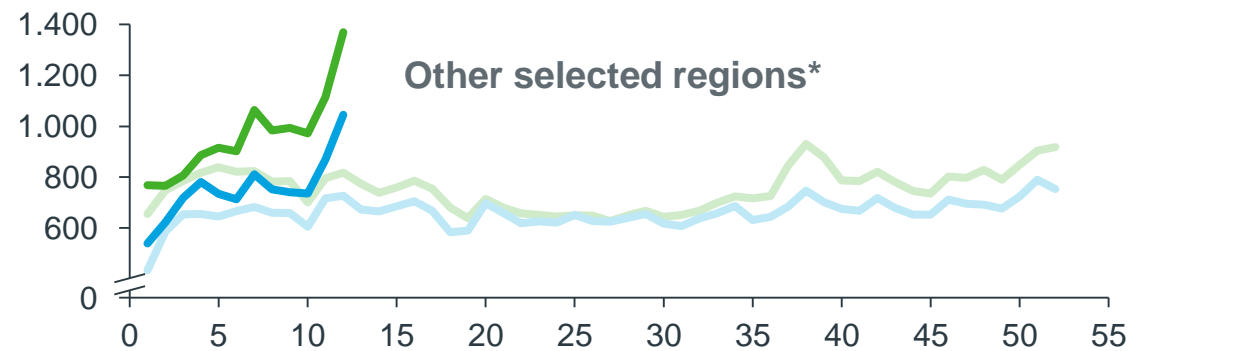
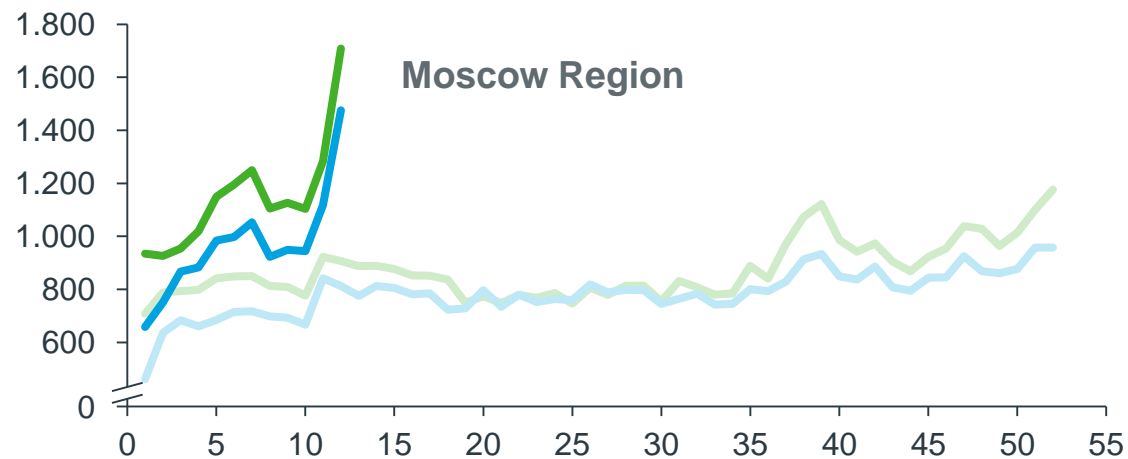
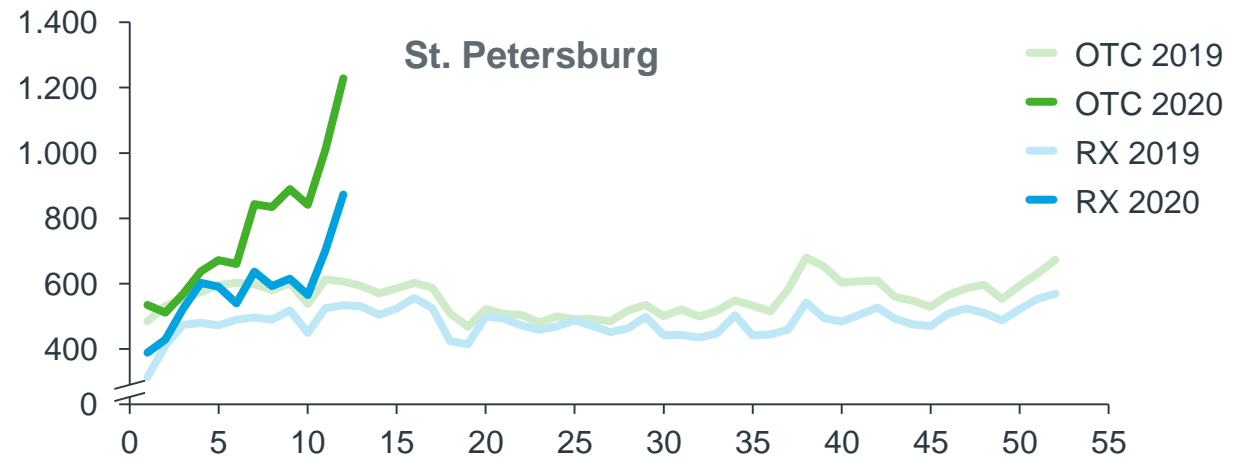
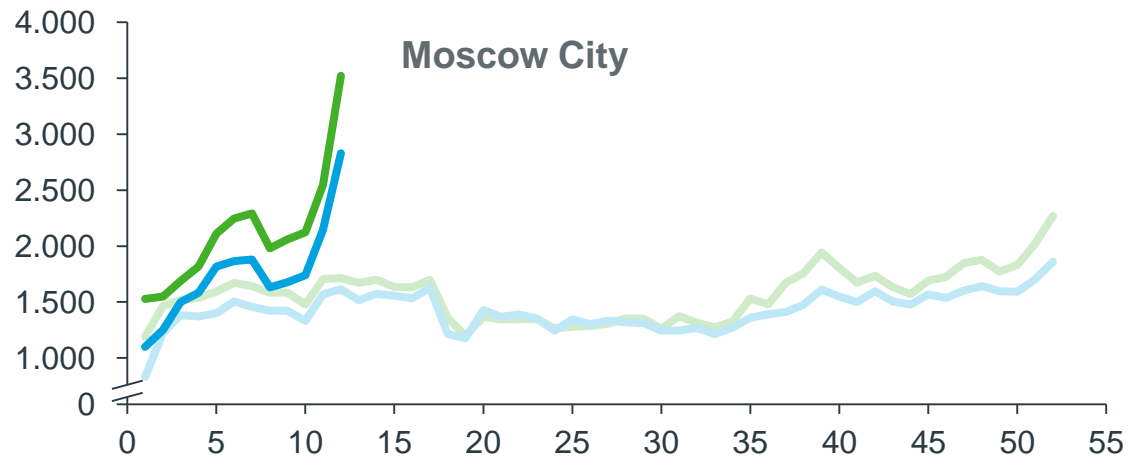


\* IQVIA PharmaTrend weekly covers following additional regions: Novosibirsk & Region, Nizhny Novgorod & Region, Rostov-on-Don & Region, Kaliningrad & Region, Saratov & Region, Ryazan & Region, Belgorod & Region, Yaroslavl & Region, Cheboksary & Chuvash Republic, Tver & Region, Kaluga & Region, Chita & Zabaykalsky Region, Vladimir & Region, Vologda & Region

Source: IQVIA PharmaTrend weekly

# Comparing the full Rx and OTC retail markets, though OTC races fast ahead, Rx follows quite quickly especially in last two weeks

Total OTC Market (OTC1-18) and total Rx market at final price for **off-take in Pm** (source: IQVIA PharmaTrend weekly) in selected regions across Russia – **REGION VIEW**

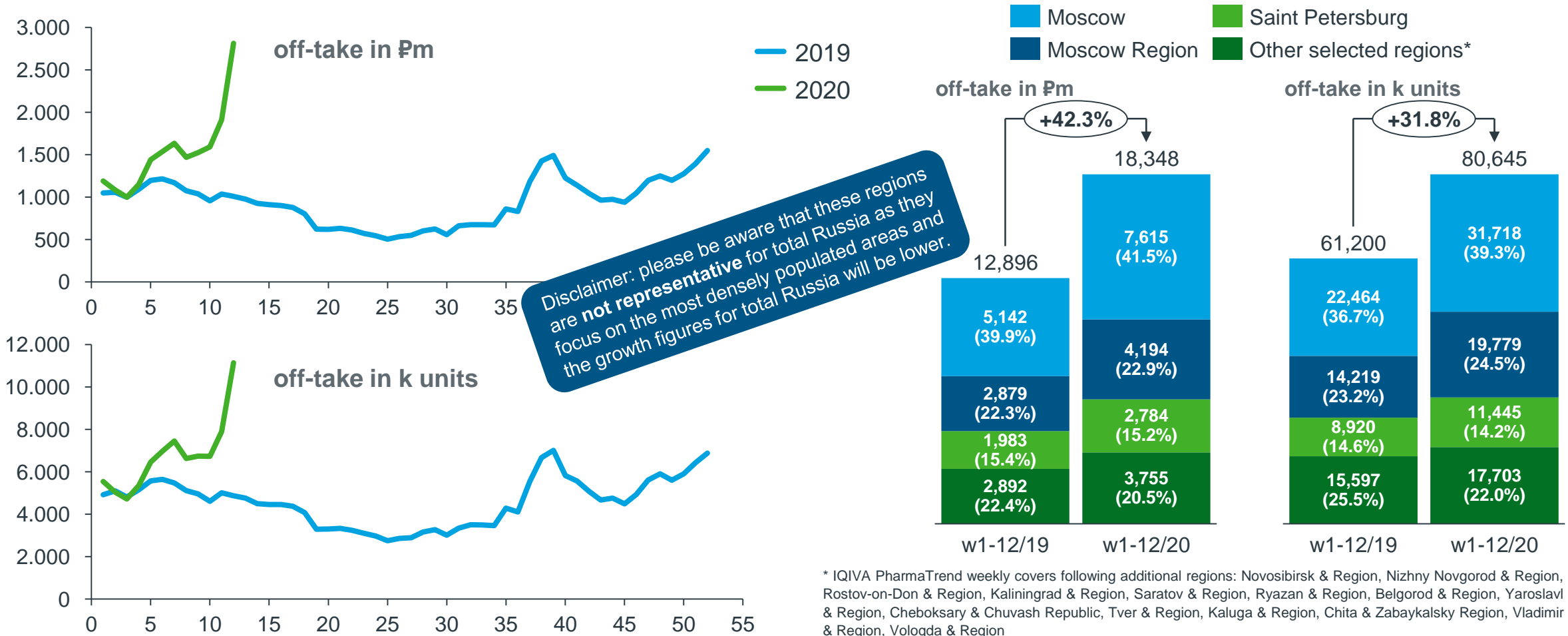


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Source: IQVIA PharmaTrend weekly

# For C&C, this brings high double digit growth for the YTD 2020, above all expectations, though this is for selected regions only

Cough & cold revenue (OTC2 categories 1A/B/C/F/V and 5F) at final price for **off-take** (source: IQVIA PharmaTrend weekly) in selected regions across Russia – **AGGREGATE VIEW**

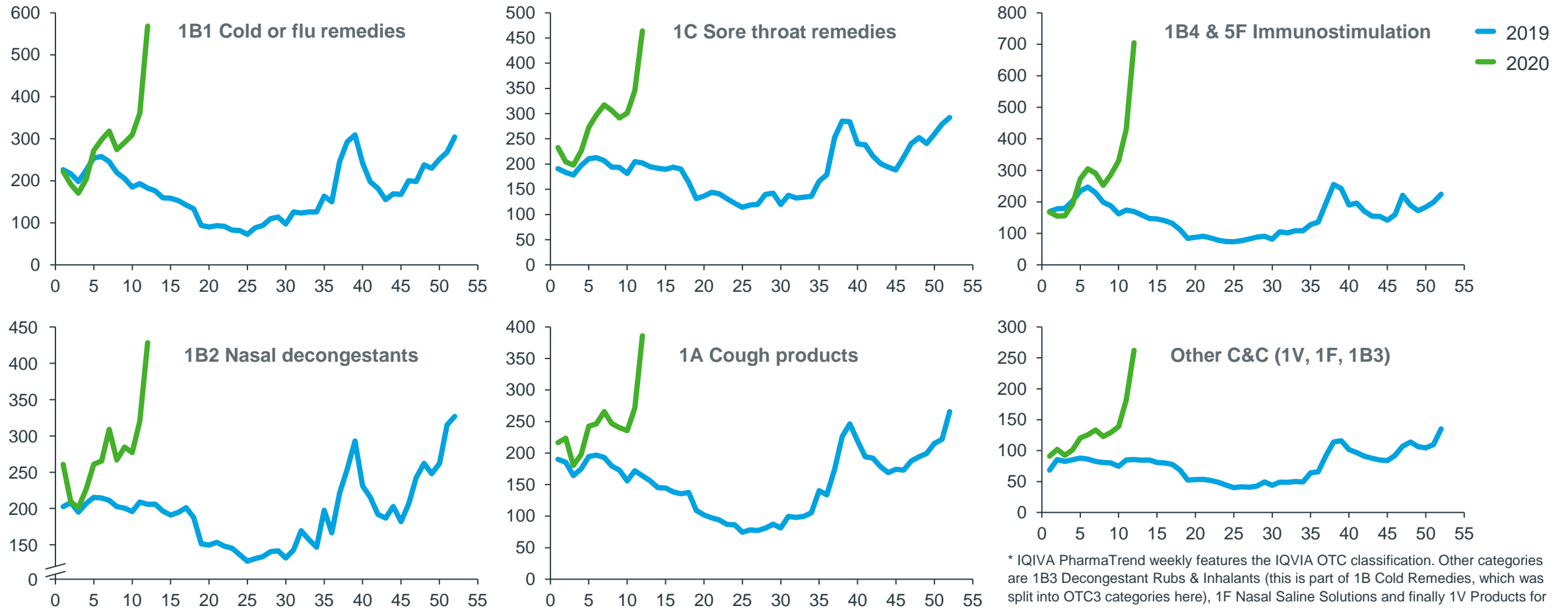


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Source: IQVIA PharmaTrend weekly

# The highest growth can be seen in immunostimulation and cold or flu remedies, which could triple(!) sales year on year (attn. stocks!)

Cough & cold revenue (OTC2 categories 1A/B/C/F/V and 5F) at final price for off-take in ₪m (source: IQVIA PharmaTrend weekly) in selected regions across Russia – **CATEGORY VIEW**

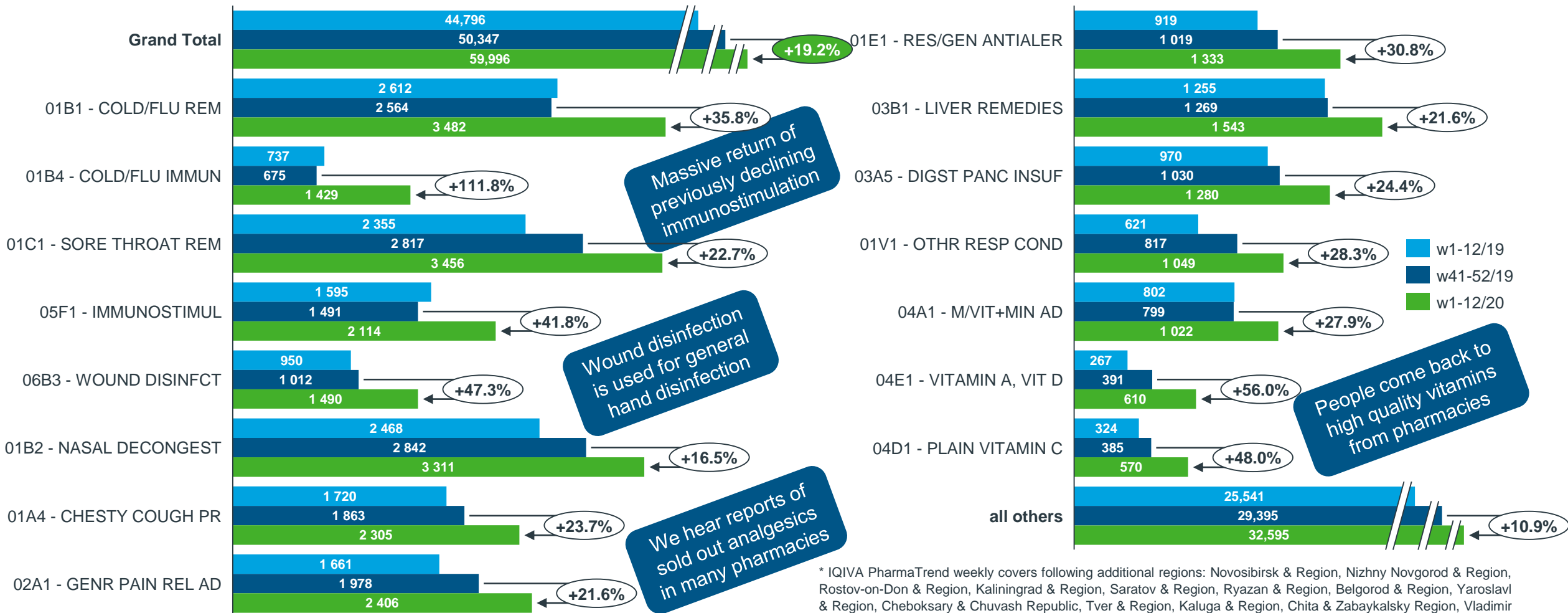


\* IQVIA PharmaTrend weekly features the IQVIA OTC classification. Other categories are 1B3 Decongestant Rubs & Inhalants (this is part of 1B Cold Remedies, which was split into OTC3 categories here), 1F Nasal Saline Solutions and finally 1V Products for other respiratory conditions (excluding allergy)

Source: IQVIA PharmaTrend weekly

# The top-15 OTC value drivers based on in-season growth include also wound disinfection, general pain relief and vitamins

Ranking based on absolute growth in the second vs first part of the C&C season in selected regions



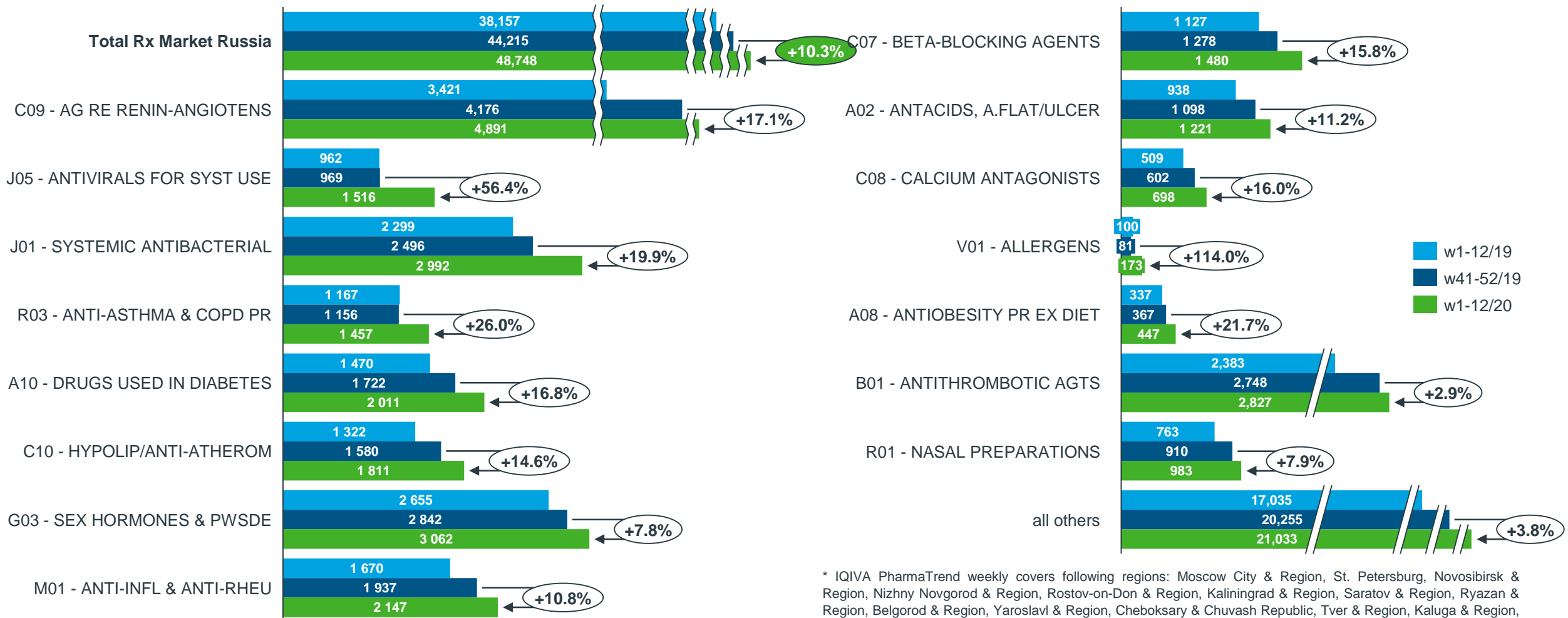
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Source: IQIVA PharmaTrend weekly

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# Retail Rx delivers solid growth across categories (+10% in season), though less than OTC; Rx-antivirals peak with +56%

Ranking based on absolute growth in the second vs first part of the C&C season in selected regions



Source: IQIVA PharmaTrend weekly

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\* IQIVA PharmaTrend weekly covers following regions: Moscow City & Region, St. Petersburg, Novosibirsk & Region, Nizhny Novgorod & Region, Rostov-on-Don & Region, Kaliningrad & Region, Saratov & Region, Ryazan & Region, Belgorod & Region, Yaroslavl & Region, Cheboksary & Chuvash Republic, Tver & Region, Kaluga & Region, Chita & Zabaykalsky Region, Vladimir & Region, Vologda & Region

# In case you have any questions, suggestions or require support to navigate your business in these challenging times, contact us

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