

# The pharmacy market in 2017

A REPORT ON THE MOST IMPORTANT TRENDS

Warsaw, 31<sup>st</sup> of January 2018

*pex* PharmaSequence

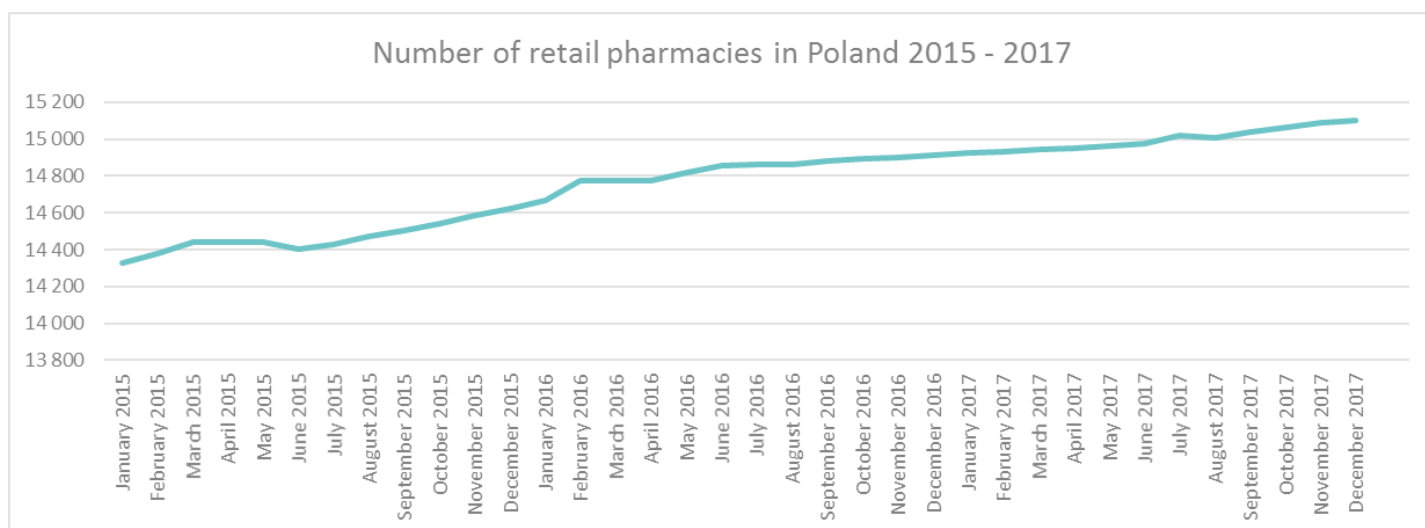
## AdA – the most important change in regulations

The key change in regulations of the pharmacy market in 2017 was the introduction of the so-called „AdA” act, meaning „pharmacy for pharmacists” („Apteka dla Aptekarza”, hence the abbreviation “AdA”). It is a new regulation that sets geographic and demographic criteria determining the possibility of opening of new pharmacies; the act also limits these possibilities, with a limit of maximum of 4 pharmacies, to persons with pharmaceutical education (a pharmacist or a partnership of pharmacists with valid licenses).

The number of pharmacies grew in 2017 before and after the act became law. Applications for new pharmacies from before the new law came into force are under consideration to this day. As of the 17<sup>th</sup> of January 2018, according to the Chief Pharmaceutical Inspectorate there are 64 pharmacies with an “on hold” status. There were consolidation processes underway within pharmacy chains as well. An analysis based on the PEX PharmaSequence pharmacy database shows that from March to December of 2017 a net of 334 chain pharmacies (5 and more pharmacies in a chain) had appeared and 245 private and micro-chain pharmacies (2 to 4 pharmacies in a chain) had closed.

It is not yet possible to unambiguously determine the influence of the new law on the market. Some market segments started growing faster, that what would be expected from the average unit price change trend, but during the same period inflation had appeared and drops in sales volume have been observed. Such drops usually result in price increases in the distribution channel, which influences retail prices. An additional factor determining falls in volume and value of sale was the smaller number of workdays in December of 2017 compared to December of 2016.

In a year-to-year comparison, the price of an average product sold in a pharmacy has increased by 4,4% (18,4 PLN in 2017), previously (2016 compared to 2015) the increase amounted to 3,1%.



## MARKET AND SEGMENTS

---

The pharmacy market has reached 33bn PLN in 2017, 4% more than in 2016 (in patient/consumer sale prices). This growth was smaller than 6,2% observed between 2015 and 2016, but it still can be considered high. Pharmacies had sold 425m units of drugs to patients, 0,6% more than in 2016.

The situation in key segments of the pharmacy market was varied:

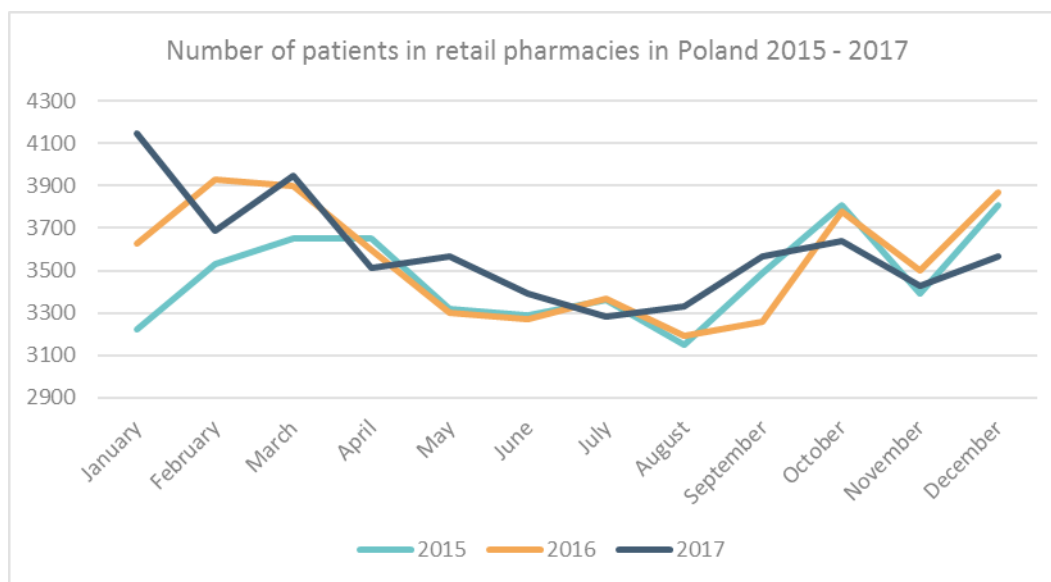
- The value of sales in the segment of **reimbursed Rx drugs** in 2017 was 11,7bn PLN (an increase of 1,5% compared to 2016)
- In the case of **non-reimbursed Rx drugs**: segment's value is 7,3bn PLN (3,2% growth); by volume – 295m units purchased by patients, compared to the previous year a fall by 2,4%
- The **OTC** segment has generated 6,9bn PLN in 2017 (year to year dynamic: 3,8%, a fall compared to previous years), pharmacies had sold 517m units of OTC drugs in the surveyed period (0,6% less than in the previous year, this figure was growing in preceding years)
- Value of the **food supplement** segment in 2017 reached 3,8bn PLN (3,6% more than 2016), this amount was spent on 205m units of this type of products (0,6% more than last year)
- The **cosmetics** segment has noted a drop according to PEX PharmaSequence estimates: 1,2bn PLN turnover in 2017 is 2% less than in the previous year. The number of units sold has also fallen by 2%, in 2017 it was 58,5m

## AVERAGE PHARMACY AND PHARMACY CHAINS

---

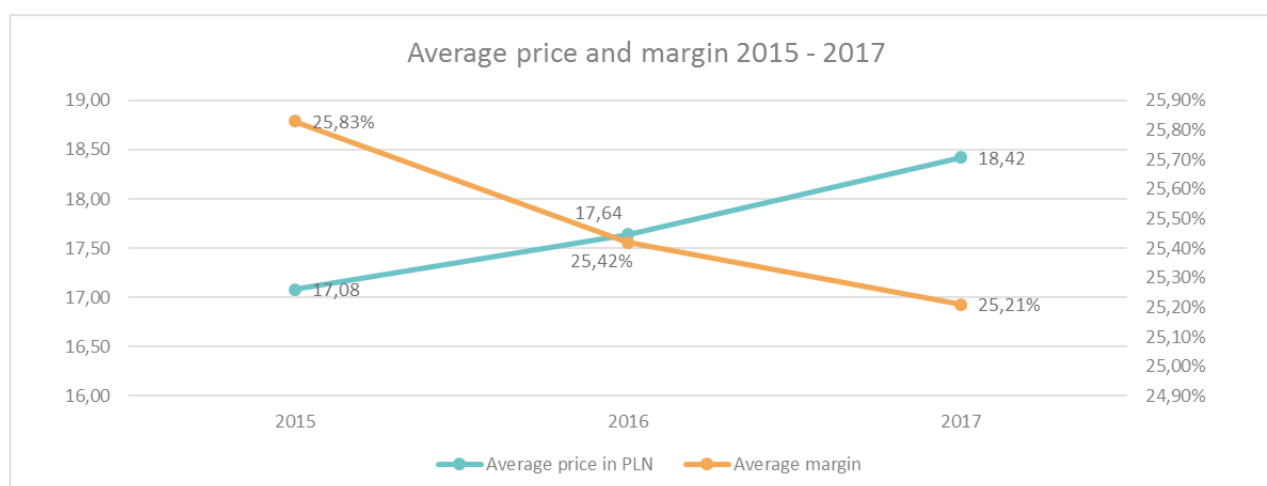
Turnover of an average pharmacy in 2017 was in the amount of PLN 2,2m, 2,8% more than in 2016. The average turnover of a chain pharmacy (5 or more pharmacies) was almost twice the turnover of a private pharmacy (data from December of 2017: average chain pharmacy – 270 thousand PLN turnover, private – 139 thousand PLN).

The number of patients making purchases in a chain pharmacy is almost twice the figure for a private pharmacy (December of 2017: 5 thousand chain 2,7 thousand private). In December of 2017 there was close to 400 pharmacy chains on the market; these chains include almost 45% of the 15 000 pharmacies in operation).



During the 12 months of 2017 an average pharmacy served over 43 000 patients/consumers. The average value of patient's payment was 38 PLN (the average Payer amount of over 13 PLN needs to be added to this).

**Despite the turnover being larger than last year there was no growth in profitability.** Inflation appeared and pharmacy margins continue to erode.



The pharmacy margin (in purchasing price) in 2017 was 25,2%, 0,9 percentage points less than in 2016. The largest fall in margin occurred in non-reimbursed Rx drugs. The average margin in this segment was 24,8%, 1,9% less than in the year before. The margin for over the counter products (all non-Rx products) has fallen as well, but to a lesser degree – it was 29,5% in 2017, 1,3% less than in the previous year. The margin for reimbursed Rx drugs fell by a similar amount (1,2%) as for OTC products. In 2017 it was 18,5%.

## PRODUCTS SOLD IN 2017 BY CATEGORY

---

An estimated **65% of prescriptions were written by Primary Care physicians/general practitioners and internal medicine physicians**. Approximately 9% of all sold Rx drugs were preparations from the so-called “S” list, issued free of charge to persons 75 years of age or older.

In the segment of Rx drugs, the best volume sales results were reached by products containing bisoprolol, ramipril and medphormin. Analysis of value sales results provides us with a different picture – from this perspective dominant where drugs with the following active ingredients: rivaroxabanum, enoxaparinum and atorvastatinum.

The five categories with the best results in OTC sales by volume (according to PEX PharmaSequence methodology) were: colds, digestive track and metabolism, vitamins/minerals/tonics, painkillers and dermatological products. In terms of sales value, the dominant categories were: colds, vitamins/minerals/tonics, digestive track and metabolism, cosmetics and painkillers.

## FORECAST FOR 2018

---

For 2018 PEX PharmaSequence forecasts a **3 to 5% growth in the value of the pharmacy market** (in retail patient prices).

**AdA is forcing changes in business models of market development.** But, despite strong regulation of the pharmaceutical market, the laws of economics still stand: the condition for market success is the profitability of business.

**Because of the continuing erosion of margins both private pharmacies and chains need to strengthen their negotiating power, meaning to purchase for less.** In order to purchase for less, they need to purchase more. And the “economy of scale” effect is easier to obtain for larger organizations. In the context of AdA an increase in auctioning power can be reached through franchise development and pharmacies creating buying groups, that might be more formalized and stable than previously. Prices can vary regionally – where competitive pressure is more significant, the price for the patient can still be the main draw increasing the number of patients in a pharmacy. In other regions, where competitive pressure is less significant, other factors drawing patients to a pharmacy, such as client service quality or stock will gain in importance.

## Information on methodology

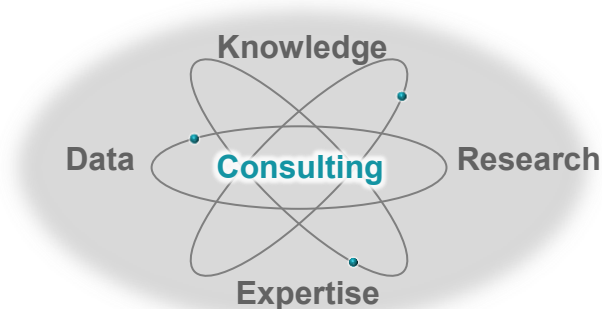
---

All provided information and statistical data, unless otherwise noted, is presented based on the representative pharmacy panel ABD. Values are given in gross retail prices and along with the number of sold units showcase retail pharmacy sales to patients.



PEX PharmaSequence is a Polish consulting and research company with its own wide-ranging resources of market data. We specialize in services for entities operating in the broadly defined healthcare market.

As a result of numerous projects, carried out over **almost 20 years** of the company's operations on the Polish market, for innovative, generic, and OTC producers, PEX PharmaSequence has gained unique expertise that allows us to provide our Clients with valuable support.



Our team, comprising **60+ people**, has the benefit of experience gained in service companies specializing in the pharma sector, as well as industry experience acquired in local and global pharmaceutical companies.

**Our expertise and competencies** as well as our **knowledge of the Polish pharma market** enable us to develop proposals and efficiently carry out projects, which offer added value to our Clients' business decisions.

## We would like to hear from you!



[www.pexps.pl](http://www.pexps.pl) more info



Ask us a question:  
[rozwiązania@pexps.pl](mailto:rozwiązania@pexps.pl)  
22 886 47 15

