Indian e-pharma market poised to touch US$2.7 billion by 2023: EY

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The total addressable market or potential for e-pharmacies is expected to be US$18.1 billion by 2023 from US$9.3 billion in 2019 at a CAGR of 18.1%, presenting a huge market opportunity

According to a new EY report ‘e-pharma: delivering healthier outcomes’, e-pharma players are expected to attain a combined market size of US$2.7 billion by 2023 from about US$360 million currently in the next four years. The key growth drivers for e-pharma market are increase in internet penetration and smartphone ownership along with the ease of ordering medications through an e-commerce platform, increase in chronic diseases, rising per capita income and resultant healthcare spend.

Ankur Pahwa, Partner and National Leader – E-Commerce and Consumer Internet, EY India, says, “*Today, India is adapting to e-commerce rapidly with mobile-first consumer behavior and improving digital payments infrastructure, and online pharmacies, one of the verticals of e-commerce, are starting to gain momentum and have tremendous growth potential. The e-pharmacy market is expected to grow at a substantial pace in the next four years on the back of the renewed focus of the government and households on healthcare spending and the faster adoption of internet amongst users. It will not only create value for the customers but also generate a host of B2B opportunities going forward.*”

e-pharma presents a total addressable market size of US$9.3 billion as of 2019 and is estimated to grow at a CAGR of 18.1% to reach US$18.1billion by 2023. Interestingly, 35% of the domestic pharmaceutical market relates to chronic medications and the remaining 65% to acute medicines. Out of this, e-pharmacies are expected to target 85% of the chronic market and 40% of the acute medicine market (up from 25% in 2019) by 2023. This expected rise in the acute target market by e-pharmacies, can be attributed to an improvement in last mile logistics through collaboration with local pharmacies and integrating into existing hyperlocal models. Based on EY analysis, some of the other key findings from the report are:

- Cash burn in the e-pharma industry is common, because the discounts (up to 35% for some) exceed the margins in the chain (about 30-32%). While the race to scale, requires greater adoption and discounts are integral to that, but profitability cannot be achieved only by operational efficiency and lowering of delivery costs; discounts have to come down to reasonable levels to achieve breakeven and any meaningful profitability.
- e-pharmacies have other potential revenue generating opportunities that can further increase their overall market beyond the estimated US$2.7 billion by 2023. Providing *diagnostics* (collection of samples), *ePrescription* (where both

doctors and patients will get the option to view past prescriptions, irrespective of their physical location) and *health insurance* services can enhance stickiness and engagement with customers, lower acquisition costs, help improve unit economics and widen the services portfolio.

- Despite increasing downloads of the mobile applications, certain challenges like trust deficit (arising from the fear of receiving counterfeit medicines), customer support issues (linked to timely delivery and quick redressal), language barrier (lack of mobile apps in regional languages), access (unable to reach remote parts of cities) and data privacy (especially with health records and prescriptions) remains in the online space. e-pharma companies are likely to rely on innovative digital marketing strategies to increase their customer base, user engagement and transactions/user.
- A major issue with the online pharmaceutical sector is compliance, i.e., the online players only dispense medicines after they verify the prescription. e-pharma companies are likely to be more compliant than their traditional counterparts, who refrain from keeping records of any sort.
- Use of technology in e-pharmacies to improve pharma supply chain: While a blockchain based system might enable e-pharma companies to efficiently manage their inventory levels to prepare for spikes in demand; similarly, an AI assistant can be employed for patient routing, symptom and medical record collection connected to doctor's dashboard thereby providing accuracy of online consultations.
- Some of the key concerns faced by consumers while dealing with online pharmacies include **order placement and delivery** (cancellation after the order is placed or delay in the delivery), **replacement with substitutes** (i.e., same formulation, different brand as compared to what the doctor prescribed), **order manipulation** (delivering more quantities than needed), **incorrect pricing** (higher than MRP) and **lack of customer support** (i.e., delays and refusal to process refunds; absence of order tracking, among others).

"*In the near future, global e-commerce players will use their international experience and local omni-channel presence to make in-roads into the e-pharma segment. Fintech and healthtech players can look to expand offerings by getting into the segment. Hyperlocal players (food tech, grocery, delivery only companies) can also add on this segment to their existing portfolio to build efficiency on the delivery side. Even Indian players with deep omni-channel presence especially in emerging tier 2/3 towns with growing healthcare spends can add this vertical stream and can make a deep impact in the e-pharma sector*," adds Ankur Pahwa.

e-pharma is emerging as an interesting space with large opportunities that are gaining interest from some of the key players in the e-commerce, consumer tech, fintech and hyperlocal space and from investors, both in India and globally. The below table lists the some of the key PE/VC deals in the e-pharma sector in the last two years.

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