



E-commerce giant Amazon and Reliance Industries provide the fledgling industry with a shot in the arm but traditional chemists worry about the impact on their businesses

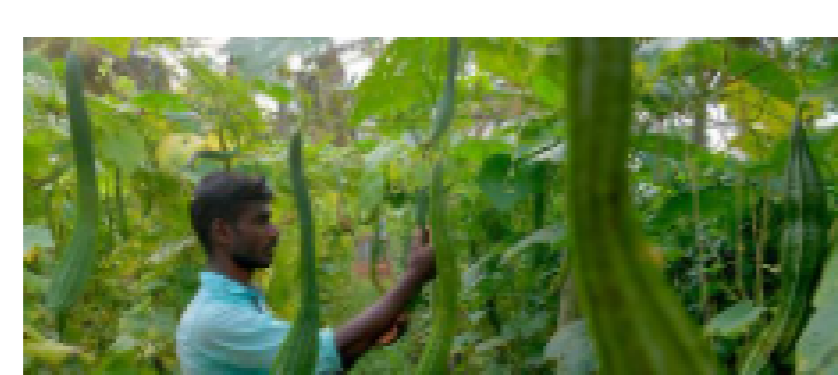


E-commerce giant Amazon has entered the e-pharmacy market in India, where strict lockdown measures has seen a rise in consumers buying medicine online. Getty Images

India's online pharmacy sector is seeing healthy growth during the Covid-19 pandemic, boosted by lockdown restrictions that are driving purchases of over-the-counter and prescription drugs through the internet, industry insiders say.

However, the rapid rise in online sales means there is an urgent need to put long-awaited regulations in place to bolster confidence in the e-pharmacy sector.

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"We are at an all-time high in terms of the top line," says Prashant Tandon, the co-founder of online pharmacy 1mg, one of India's largest companies in the sector that delivers to more than 1,000 cities.

"With Covid, everything that is digital healthcare-related has received a massive boost," explains Mr Tandon, who is also the chairperson of the Federation of Indian Chambers of Commerce and Industry's (Ficci) ePharmacy Working Group. "Perhaps what would have taken three to five years happened over three to five weeks, and we expect to grow pretty rapidly from here."

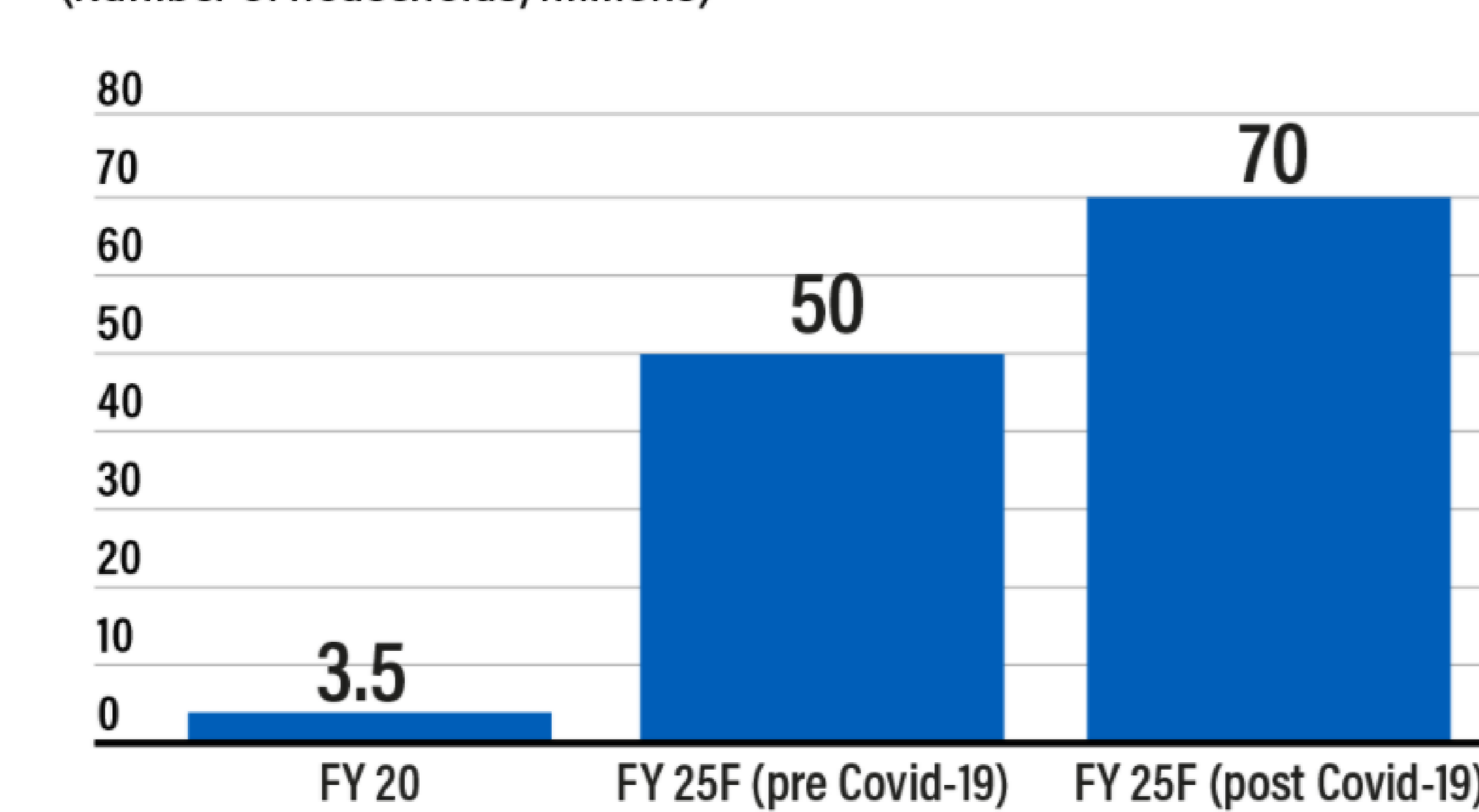
The number of households in India using e-pharmacy services during the nationwide pandemic-induced lockdown surged by about 2.5 times to 8.8 million, according to an industry report by Ficci. This was despite supply chain disruptions that were a challenge for the industry during the early weeks of the lockdown.

With people largely confined to their homes when the lockdown came into effect in March – one of the strictest in the world – buying medicine online became a much easier option for consumers.

As the number of Covid-19 infections continue to surge in India, which now has more than 4 million confirmed cases, some restrictions still remain in place, and many consumers favour online purchases.

EPHARMACY REVISED HOUSEHOLD ESTIMATES

(Number of households, millions)



Sources: Redseer, IP

"There's no doubt that with increased smartphone and internet penetration, online pharmacies will be an inevitable part of the healthcare culture in the country," says Gurpreet Sandhu, the president of the Council for Healthcare and Pharma, a global think tank. "The Covid-dictated restrictions have only accelerated this transition."

With the sector's rise, major companies are moving in to grab their share of the market. A report by global professional services firm EY reveals that India's potential market for e-pharmacies will increase to \$18.1 billion (Dh66.4bn) by 2023 compared with \$9.3bn in 2019.

US e-commerce giant Amazon last month launched an online pharmacy service in India's tech hub Bangalore in south India, offering over-the-counter and prescription medicines.

"This is particularly relevant in present times as it will help customers meet their essential needs while staying safe at home," the company said in a statement to announce the launch of Amazon Pharmacy.

Just days later, Reliance Industries, run by Asia's richest man, Mukesh Ambani, invested \$83 million to buy a 60 per cent stake in Chennai-based online pharmacy Netmeds.

Experts say that the industry is ripe for investment during the pandemic.

"It is a combination of tech and health," says Aayush Narang, international business manager at New Delhi-based pharmaceuticals company Rowan Biocentials. "Nothing better than it"



With the launch of online platforms, we will see a lot of consolidation in the market and also see the cost of drugs coming down eventually, which will in turn help the consumer.

Chandan Bagwe, C Com Digital

Madhur Singhal, the managing director and practice leader, pharma and life sciences, at Praxis Global Alliance, says: "Owing to the shifts in consumer behaviour towards e-commerce and online pharmacies, augmented by the Covid-19 pandemic, the online pharmacy sector has added to the appeal of deep-pocketed companies like Amazon and Reliance Retail, who are trying to harness this fast-growing segment on the back of their strong e-commerce capabilities."

Mr Singhal adds that the big name companies' entry in the market is a shot in the arm for the sector and will help to attract more consumers.

Even before the pandemic, the fledgling e-pharmacy sector was growing rapidly, with more than 50 online pharmacy companies in India.

Sales growth has been helped by factors including discounts on medicines and the expansion of internet use in the country, along with rising incomes and the proliferation of chronic diseases, which are driving demand in the Indian pharmaceutical market more broadly.

The entry of Amazon and Reliance could change the landscape for the sector, analysts say.

"With the launch of online platforms, we will see a lot of consolidation in the market and also see the cost of drugs coming down eventually, which will in turn help the consumer," says Chandan Bagwe, the founder and managing director of C Com Digital, an Indian digital marketing firm. "It's understood that the large players have clearly seen huge potential in this segment."

The Indian e-pharmacy industry received \$700m investment in the last financial year to the end of March, according to Ficci, with strong interest from venture capital and private equity investors. It forecasts that, propelled by the impact of the pandemic, the sector could reach 70 million households in India by 2025.

But with the growth of online pharmacies, traditional brick-and-mortar chemists are worried about the impact this will have on their businesses, and it could ultimately lead to some stores closing down.

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"We cannot ignore the fact that these online pharmacies do make the availability of medicines easy to people of different regions," says Mr Narang at Rowan Biocentials. "But we just cannot neglect the negative impact on the industry. Firstly, the major impact will be on brick-and-mortar pharmacies. These physical pharmacies give employment to many others."

Opponents also claim that online pharmacies could facilitate the misuse of medicines.

As a result, there is a consensus for the need of clear, formal regulation of the sector in India.

Akash Karmakar, a partner at the Law Offices of Panag & Babu, describes the online pharmacy market as an "industry plagued with regulatory uncertainty".

The sector is not entirely unregulated. He says that online pharmacies are currently subject to the Drugs and Cosmetics Act 1940, as well as the Consumer Protection (e-commerce) Rules 2020.

The Indian government is planning to introduce further regulation for the sector, but this has yet to be finalised.

"The digitisation process brings operational challenges including customer identification checks, prescription collection, and abuse of dominance via predatory pricing," says Mr Karmakar

"While the promulgation of a law is often a long drawn process, guidelines issued in this regard providing relaxations to online pharmacies would go a long way in providing impetus [to the industry]," he adds.

Nakul Pasricha, the president of ASPA and chief executive of PharmaSecure, says that "since the beginning of e-pharmacies in the country, there has been an ongoing debate if medicines sold online being fake, expired or substandard".

He adds: "While there have been instances when consumers have complained about receiving fake medicines from pharmacies, we see that pharmacies are making all the effort to keep the system clean of any fake products."

Moreover, such fraudulent products are not limited to the e-pharmacy sector alone, but are a problem across the industry.

"An updated, and specialised regulatory framework would define an unambiguous future direction for the [e-pharmacy] industry," says Mr Pasricha.

The major threat for traditional chemists, however, is the discounted prices of drugs offered by e-pharmacies.

"The aim to capture the pharmaceutical market has led to online pharmacies offering heavy discounts on products," says Sonam Chandwani, the managing partner at Mumbai-based KS Legal & Associates.

"Thus regulations striking the right balance between addressing the subsisting challenges of the industry with the traditional brick-and-mortar pharmacies are the need of the hour."

It is not just brick and mortar pharmacies that are concerned about deep discounts.

With the entry of Reliance and Amazon, there are fears in the e-pharmacy sector that with their deep pockets and fiercer competition, prices of medicines may drop further.

EY's report reveals that online pharmacies are already burning cash, with discounts of up to 35 per cent on some medicines, exceeding margins of 30 to 32 per cent.

But Mr Tandon at 1mg says the entry of Amazon and Reliance will be positive for the online pharmacy industry and will help it to grow "as long as their view on the sector is not predatory".

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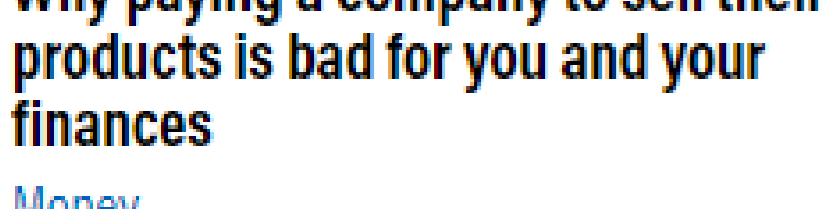
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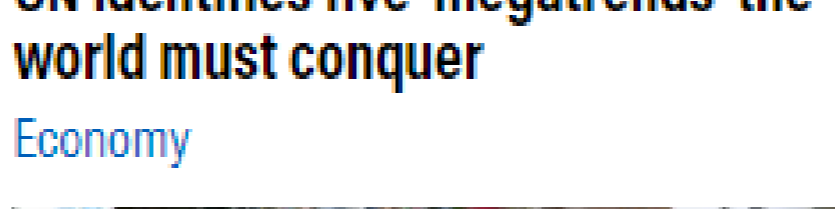
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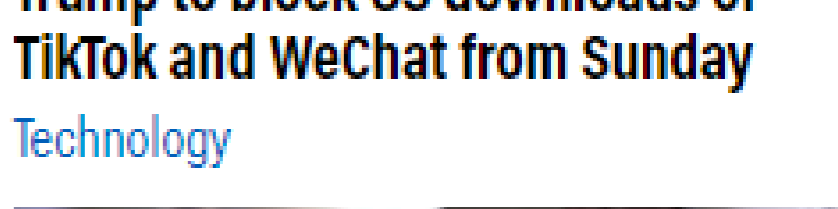
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