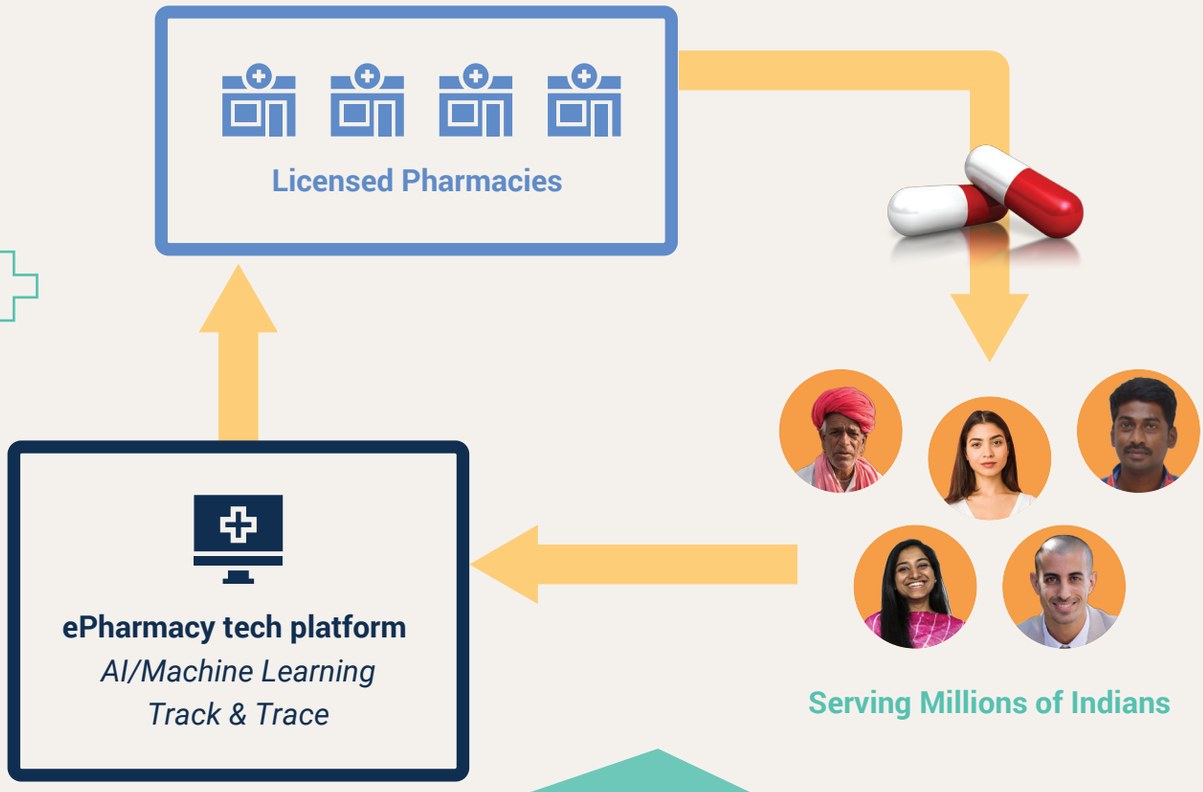
ePharmacies at COVID-19 Frontline

Fighting the Odds. Serving the Nation



August 2020



Mr. Dilip Chenoy
Secretary General
FICCI

Foreword

ePharmacies at COVID-19 Frontline — Fighting the Odds, Serving the Nation

Pre COVID-19, it was business as usual. During the current pandemic, countries across the globe are trying to find ways to defeat it and minimise its impact on business, health and livelihoods. India has so far fared well in controlling the spread of COVID-19 while maintaining the well-being of its citizens with the nationwide lockdown. Business community in this time of crisis has showcased an unprecedented solidarity and has stood with the Indian Government in its fight against the pandemic.

A critical part of the process is maintaining social distancing, wearing a mask and regularly washing or sanitising hands and spaces. Further, persons above the age of 65 years, and those with co-morbidities, are advised to stay at home. Of the little over 1 million doctors in India, a significant percentage of those who fall in the above category are practising online, enabled by the recent tele-medicine practice guidelines published by the Government. All of them are issuing prescriptions using digital means.

This calls for new ways of thinking — of access to medicines while minimising contact and movement of people. Therefore, digital and e- services have become extremely important. FICCI ePharmacy Working Group comprising of leaders in the sector, has been actively working to drive innovative models for medicine and healthcare access in the country. The objective is to increase timely availability of affordable medicines in even remotest parts of the country using technology.

The ePharmacy sector through active partnership with existing pharmacies, is firmly committed to support the government and help the nation in fighting COVID-19. The industry is working 24×7 to ensure that people get essential medicines at home all across the country, and the reach of existing pharmacies are expanded. Importantly, regular medicines required for ongoing treatment are also being delivered.

With rural internet penetration exceeding that of urban, and with the large number of mobile phones, it is possible to universalise the availability and access to low-cost medicines and expand the use of generics. The digital data thus produced could also be integrated into the National Digital Health Mission with attendant benefits.

This White paper on e-pharmacy analyses the growth, potential and challenges of this new & innovative channel of sale of medicines. It also captures the contribution of e-pharmacies during the COVID-19 pandemic.

There is an urgent need to nurture this promising sector with the right set of policy frameworks and guidelines in order to provide the benefits that the sector fosters for the consumers.

FICCI believes with the right regulatory clarity and ePharmacy Establishment and Practice Guidelines, this sector will attract many entrepreneurs for investment and unleash innovation across the healthcare value chain while dramatically improving access to medicines and healthcare across the nation. We would like to thank and appreciate RedSeer Consulting's team for all the sincere efforts put in to help us build a comprehensive perspective on the need for e-pharmacy draft rules during the COVID-19 times.

Digital health in India – The Need of the Hour

*"In today's time, a **strong health system** is inconceivable without a strong and resilient digital backbone.*

~ National Health Stack

July 2018, National Health Stack – Strategy and Approach

*"**Electronic trading of medicines via online platforms**, with appropriate regulatory safeguards, can bring in transparency and spur price competition among platforms and among retailers, as has been witnessed in other product segments."*

~ Competition Commission of India

October 2018, Making Markets Work for Affordable Healthcare

*"Commercial and private establishments shall be closed down, with exception of delivery of all essential goods including food, **pharmaceuticals and medical equipment through e-commerce**."*

~ Ministry of Home Affairs, Government of India

March 2020, COVID-19 Lockdown Order

*"**ePharmacy is critical** and important for universal health coverage in India. Formulate and implement the ePharmacy policy to facilitate online access to quality medicines in a cost effective and timely manner."*

~ Niti Aayog

Nov 2018, Strategy for New India @75

FICCI

Preface

COVID-19 pandemic has reached a critical stage and has rattled the healthcare systems of nations across the globe. The global economy has suffered a great setback owing to the steeply falling stock markets, travel restrictions, shortage of supplies, quarantined human resources etc. Policy makers at the highest levels are working together to put in place a coordinated plan of action to control this pandemic and cushion the blow on economy.

So far, India has fared well in controlling the spread of virus by implementing timely lockdown and unlock protocols. Government had allowed for some essential services to resume during the lockdown. Realizing the important role of ePharmacies during the lockdown crisis, the Union Home Ministry, vide order number 403/2020-D dated 24 March 2020, specifically mentioned delivery of medicines through e-commerce as an essential service (later provided the nod by almost all the state governments).

Despite various on-ground operational challenges, included the risk of frontline workers being directly exposed to the virus, the ePharmacies showed nothing short of herculean resolve and worked day-and-night to keep the services going and ensuring that most of the cities are well served for their healthcare needs and essential medicines.

With the start of unlock protocols things will slowly start to resume towards normalcy. The pandemic has elevated the demand, supply and workforce complexities to a much greater extent and in many ways has forced everyone to realize that this is the 'new normal'. As a substantive cohort in digital healthcare, ePharmacies will undoubtedly play a momentous role in bringing efficiency, affordability and quality in access to medicines for citizens of India.

ePharmacies align very well with the national development objectives and have clear and tangible benefits to consumers as well as the industry. It has been observed that growth of e-Commerce and retail are complementary and reinforce each other. By leveraging the technology in a smart way, the ePharmacy sector has a scope of adding immense value to the existing pharmacy retail industry in particular, and the overall healthcare sector at large.

To sum up the situation, COVID-19 pandemic has clearly shown the importance of technology and digital infrastructure for providing access to affordable and quality medicines and healthcare services to the consumers across the country.

Thus, it is important for the government to encourage and boost the sector by removing the regulatory uncertainties; the most important step in this direction is the urgent notification of ePharmacy Rules. Delay of any policy decisions, like notification of ePharmacy rules, will hamper the goal of universal health care.

The FICCI ePharmacy Working Group has been actively working to drive innovative models furthering healthcare access across the country. Over the last 5 years, FICCI has led multiple stakeholder consultations and roundtable discussions to come up with a positive roadmap for the ePharmacy sector. FICCI also encouraged and supported the industry to come up with a **'Voluntary Code of Conduct for ePharmacies'** to ensure strict compliance and high standards of operations. As part of this whitepaper, FICCI has collaborated with RedSeer Consulting to present a comprehensive point of view on the pressing need for notification of ePharmacy draft rules in the COVID-19 times.

Executive Summary

Pre-COVID-19	During COVID-19 Lockdown	Post-COVID-19 Forecasts
3.5 Mn ePharmacy Households in FY 20	**9 Mn** Households using ePharmacy in May'20	**70 Mn** Households to use ePharmacy by FY 25
50+ ePharmacy companies in India	**50%** new households onboarded from non-metro cities	**70%+** users willing to use ePharmacy post-COVID-19 due to positive COVID-19 experience – stronger adoption among low income households (Source(s): RedSeer surveys)
$700 Mn+ ePharmacy investments in FY 20	**19** out of 29 state government identified ePharmacy as essential service post MHA guideline	**Co-existence** of ePharmacy & offline pharma to drive consumer impact
30k+ people employed by ePharmacies	**70%+** consumers positively impacted by ePharmacy player initiatives during lockdown (Source(s): RedSeer surveys)	**Social health** initiatives to receive positive thrust as government adopts ePharmacy technology
60 Mn addressable households that shop online & are willing to use ePharmacy	**+ve** sentiment among investors towards the ePharmacy market	**Chronic care** streamlining opportunity with tech-led pharmacy system

Need for notification of ePharmacy Draft Rules

1

Change in Consumer Perspective towards buying Medicines

With the announcement of COVID-19 lockdown in India, consumers focused on staying indoors, which pushed people to digital route, be it to pay bills or to consult doctors. E-pharmacies are no exception. Home delivery of medicines by brick-and-mortar pharmacies also went up.

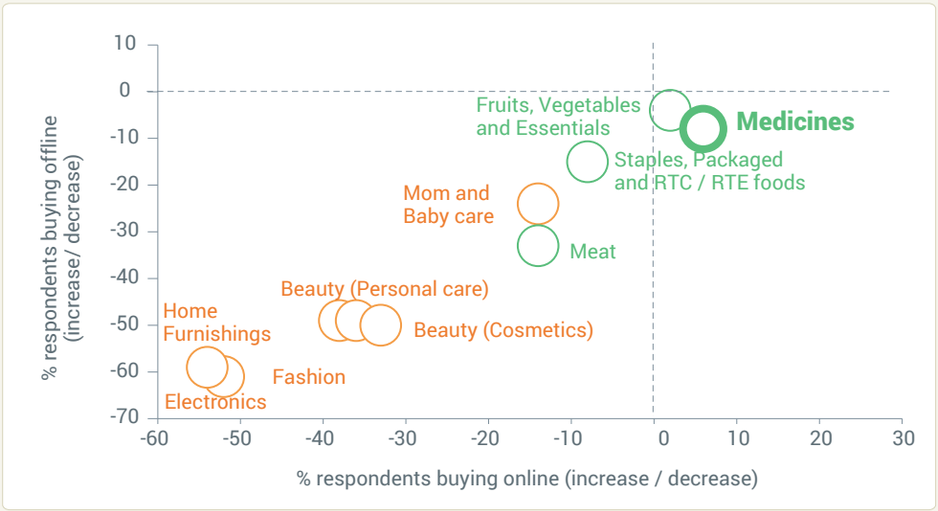
As the lock down progressed, there was a significant surge in ePharmacy orders and many consumers organically resorted to the purchasing medicines online (and getting them delivered at home), as it was now considered not just the more convenient option, but the safer option as well.

ePharmacy players faced significant challenges during the initial lockdown phase, due to practical on-ground difficulties. The closure of inter-state borders led to breakage in the first-mile supply chain, due to which the pharmacy distributor to pharmacy transport was affected, which led to shortage of inventory and lower fill rates. On the other hand, difficulty in movement of delivery manpower limited the ePharmacy platform's ability to deliver the orders placed by consumers. However, as supply chain and manpower challenges got resolved, the ePharmacy platforms were able to service the increased demand for home delivery of medicines.

The demand for overall medicines category went up during the lockdown period as users resorted to stocking up medicines for emergencies. This was confirmed in the consumer surveys, where consumers cited decline in the usage of both online & offline retail channels across all commodities in the lockdown phase, but medicine retail saw marked increase.

Q **How has your channel usage changed for the following product categories during lockdown (February vs April)?** During COVID-19

N = 2508



Source(s): RedSeer Consumer Surveys (Week of April 14, 2020)

This was further validated from consumer testimonials, where consumers have expressed utmost satisfaction & appreciation for ePharmacy platforms, for aptly serving the medicine demand during COVID-19.

During COVID-19

Consumer Testimonials – ePharmacy during COVID-19

> "This ePharmacy app is a game changer for me. I am unable to go out to buy medicines, but the app gives me the **liberty to shop essential medicines from home**. It is very user friendly and I **being an elderly person do not find any difficulty in using it.** They deliver well in time. Thanks."

> "Excellent experience. The **ePharmacy platform has not let it's customers down during lockdown.** Thanks team. Great job. The application is also very smooth. And does its job well with an attractive UI and easy to use features. Good job developer."

> "Fast delivery with good packaging. App is also great. All my requirements related to health care are available here. **Thanks to all team members for serving during this hard time of lockdown period.** Thank you. I like this application."

> "Heart touching experience. **A delivery before the promised date is really amazing.** Salute to ePharmacy app Team. **We will win the war against the PANDEMIC.**"

> "I **praise all the people in your organization who are working tirelessly in these difficult times** to serve us with our medical needs Humanity will always hold you high."

> "Thanks to the ePharmacy app team for your support and services **when we are staying back at home to protect ourselves from the corona pandemic, your team is providing services** to us. Thank you."`

> "I **didn't know that medicines could be ordered online, before the lockdown happened**. But now that I've tried this service, I would like to use it more often as it is convenient, safe & affordable."

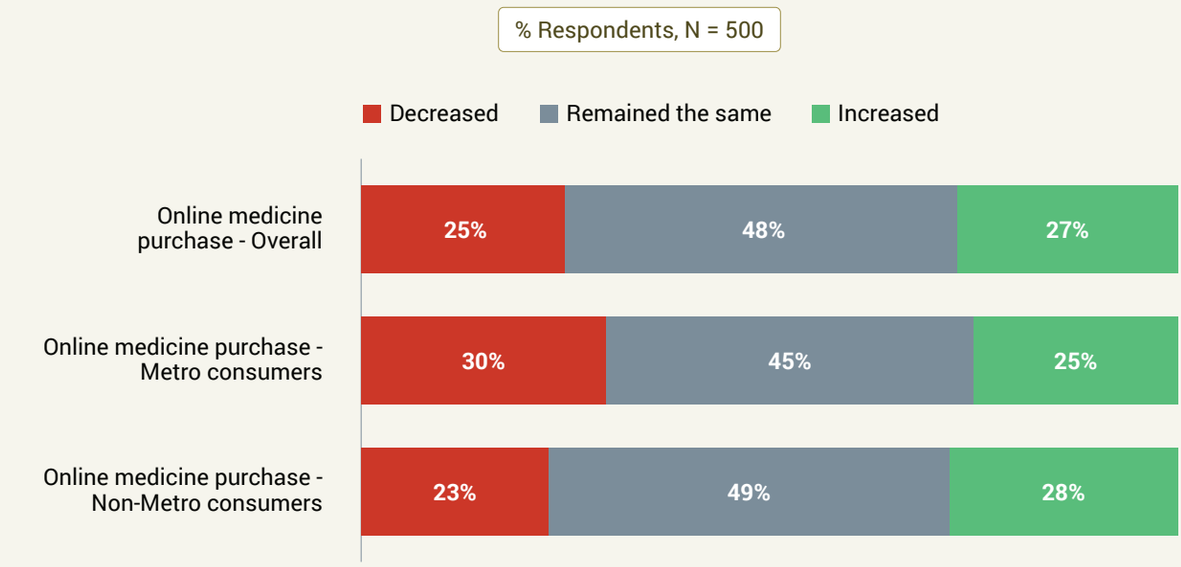
> "I highly appreciate you people for **delivering my ordered medicine within 24 hours of the specified date in such an unprecedented situation due to COVID-19.** Congratulations. Highly appreciable."

> "Being a chronic user, I **ordered medicines online through eHealth platform's subscription service** and it has been a really **convenient experience**. It saves the time & effort and is safe as well. I plan to continue doing that in future as well."

Moreover, as per the latest surveys focused on understanding consumer behaviour in the unlock phase (post June 8), 75%+ consumers cited that their online pharmacy purchase has either increased or remained the same in the unlock phase, compared to pre-COVID-19. Therefore, the shift towards online pharma, is getting carried forward in the unlock phase as well, indicating a long-term change in the medicine market.

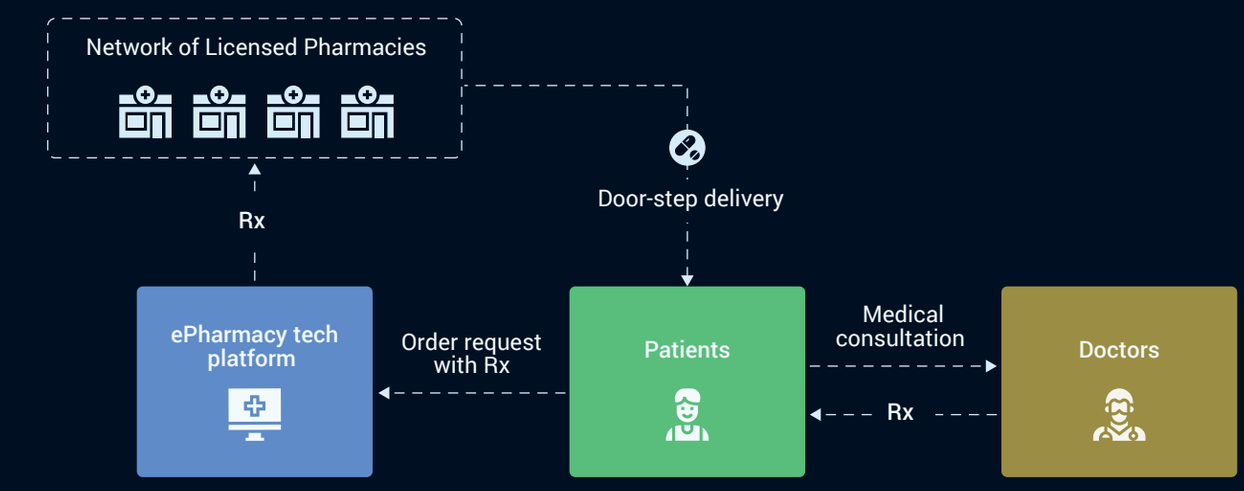
Interestingly, this positive sentiment towards ePharmacy is even stronger among non-metro consumers, which accounted for just ~25% of ePharmacy GMV in FY 20 (Source(s): RedSeer IP). Hence, as a result of COVID-19, ePharmacy platforms have been able to significantly expand their reach across deeper areas in the country.

Q **How has your spend on online medicines changed from Pre-lockdown to current / immediate phase post-lockdown (8th June onwards)?** During COVID-19



Source(s): RedSeer Consumer Surveys (July, 2020)

Exhibit 1: ePharmacy Operating Model



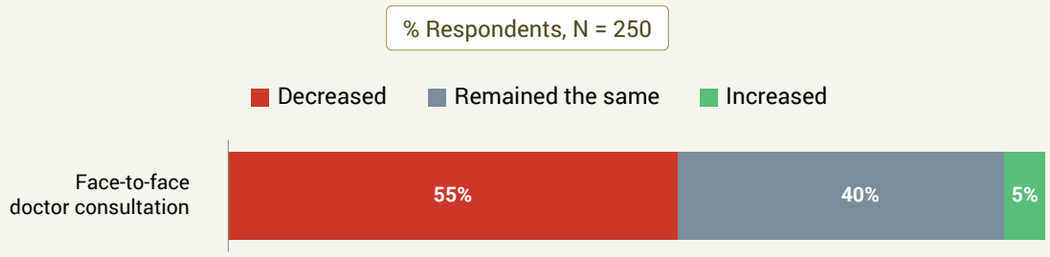
Note(s): Rx=Prescription
Source(s): RedSeer Analysis

2

Shift towards eConsultation and the subsequent aid to ePharma

COVID-19 lockdown also led to significant change in consumer behaviour towards consulting doctors, as hospital OPDs and clinics became unsafe & risky due to chances of contacting the disease. This was also confirmed in the recent consumer surveys, where 50%+ consumers reported a decline in face-to-face doctor consultation in the COVID-19 period.

Q **How has your spend on face-to-face consultation changed from Pre-lockdown to current / immediate phase post-lockdown?** During COVID-19



Source(s): RedSeer Consumer Surveys (July, 2020)

As a result, consumers organically resorted to using online doctor consultation (over text, audio, or video channel) services, in the COVID-19 lockdown scenario, as indicated in the below testimonials:

Consumer Testimonials – Shift to eConsultation during COVID

> "Given how risky COVID-19 is, I now get worried, even in case of mildest symptoms like flu. Consulting doctors online in such cases is convenience and very safe, compared to seeing them in-person."

> "I tried online consultation during lockdown and it worked perfectly. I was able to connect with one of the top specialists in metro city, who I can otherwise not consult. I will definitely use these services in future."

> "I always preferred meeting the doctor in person, but it was clearly unsafe during COVID. I tried the online video consultation and it worked perfectly. I'll use it in future in case of any quick checkups."

Source: RedSeer in-depth consumer discussions (April, 2020)

In addition, doctors also expressed strong intent to provide online consultation, given the demand for face-to-face consultation soared down. In the interactions with doctors, they were willing to continue providing consultation over online channel and agreed that eConsultation helps them to:

- Reach a wider and frequently transacting patient base
- Strengthen their connect with existing patients
- Derive additional income (on top of their regular income)
- Save their time & effort i.e. spent on face-to-face consultations

Driven by the willingness from both demand & supply sides and the significant benefits of eConsultation in controlling the pandemic, MoHFW released **Telemedicine Practice Guidelines** on March 25, 2020 (during the lockdown) to **encourage use of online doctor consultation for effective patient management**. As per these guidelines, MoHFW classified medicines into different groups and defined the permissible mode of eConsultation, corresponding to each of the medicine groups. This provided an impactful boost to the overall digital health including ePharmacy sector.

Exhibit 2: ePharmacy Benefits for Consumers



Source(s): RedSeer Analysis

Exhibit 3: Consumer NPS – Online vs Offline Pharma

Pre-COVID-19

Q How would you rate your satisfaction with online v/s offline healthcare usage on the following parameters, on a scale of 1-10?



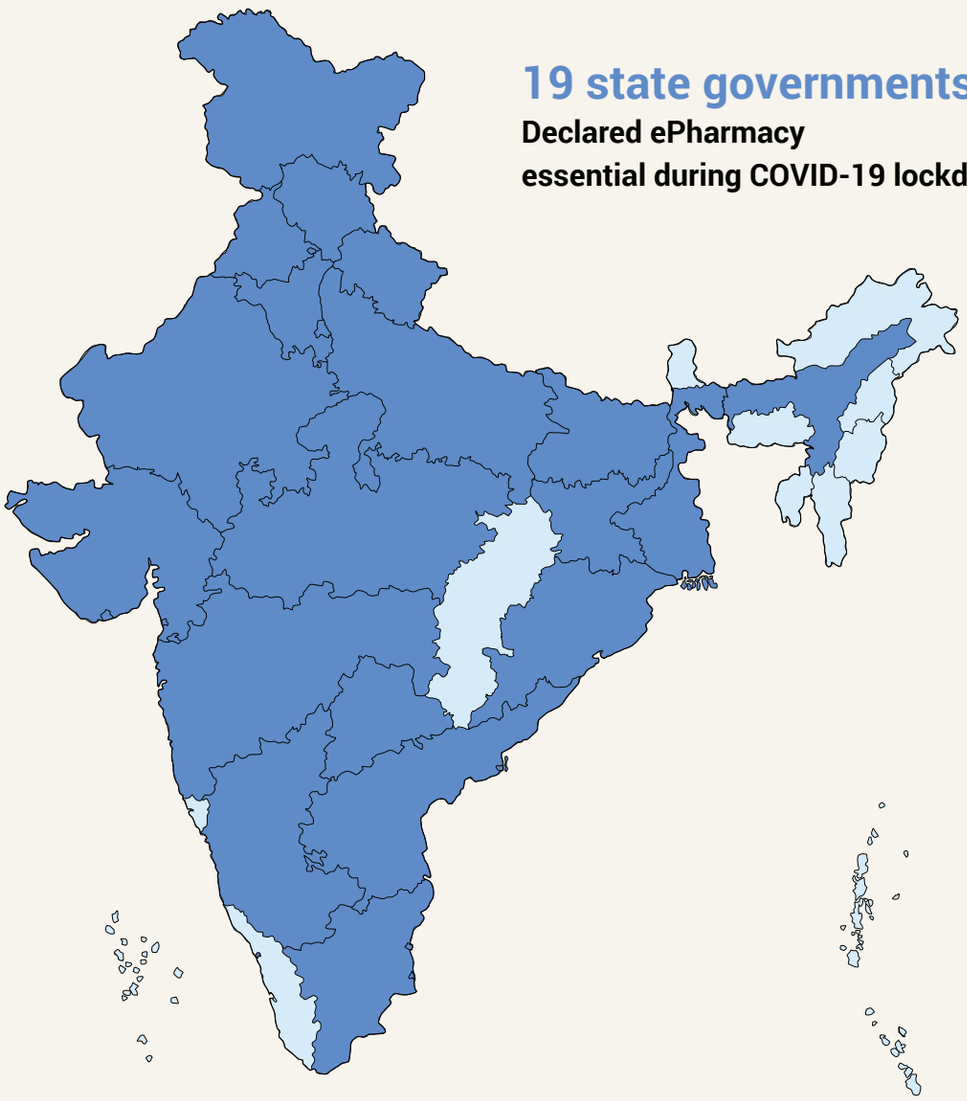
Source(s): RedSeer Consumer Surveys (Jan'20)

3

Positive Policy Impetus by Central and State Governments: Delivery of Medicines through e-Commerce as an essential service

Realizing the important role of ePharmacies during the lockdown crisis, **the Union Home Ministry, vide order number 403/2020-D dated 24th March 2020, specifically mentioned delivery of medicines through e-commerce as an essential service.** Following the release of order by the Union government, governments from almost all the states in India, released separate orders that recognized medicine

State governments that recognized ePharmacy as essential service during COVID-19 lockdown



Source(s): RedSeer Analysis – State Government Orders, Secondary research

delivery through e-commerce as an essential service.

These policy announcements that came at the right time were immensely beneficial for the consumers and provided a much-needed push to the ePharmacy companies. This was a clear testament of the society's dependency on a hybrid model (ePharmacy + brick and mortar pharmacy) of retail pharmacy to ensure uninterrupted supply of quality medicines to citizens across the country.

Exhibit 4: ePharmacy Benefits for Pharma companies (Suppliers)





A **Brand performance tracking informing investment decisions**

"Traditional pharmacies are unable to record product sales data, which is readily available with e-pharmacies. This helps us analyse what is working v/s what is not and accordingly tailor our efforts & investments."

~Sales Head, Pharmaceutical company

B **Detailed demand analysis enabling targeted sales / marketing efforts**

"Through e-pharmacies, we are able to track detailed demand of our products at a pin-code level, which directly informs our sales & marketing interventions targeted at both consumers & doctors."

~Business Head, Pharmaceutical company





C **Stronger adherence to prescribed medicines**

"In case of e-pharmacies, patients tend to stick to the prescribed therapies, through subscription plans and mobile app retention, ensuring fewer medicine dropoffs compared to traditional pharmacies."

~Sr. Regional Manager, Pharmaceutical company

D **Wider consumer reach providing a digital marketing platform**

"Most traditional pharmacies service demand in 3 km radius, while e-pharmacies have a much wider consumer reach. This provides a great marketing channel, with ability to generate demand for new products."

~Key Accounts Manager, Pharmaceutical company

Source(s): RedSeer Analysis In-depth Discussions with Pharma Leads

4

ePharmacy Sector's Response to COVID-19 lockdown

During the lockdown phase, the leading platforms adopted multiple measures to deal with the COVID-19 situation and provide safe & good quality services to the consumers. These measures included collaboration with local district administration, hospitals and neighbourhood brick and mortar pharmacies, to ensure uninterrupted supplies of quality medicines at the consumer's doorstep as well as well as leveraging technology to disseminate reliable information and government guidelines related to COVID-19 to millions of citizens.

Key initiatives by leading ePharmacy platforms during COVID-19

Selected Examples

During COVID-19



1. Increased tie ups with local pharmacies to combat any gaps in last mile medicine delivery

2. Vernacular support to drive effective engagement in Tier 2+ cities

3. Networking with hospitals to enable medicine delivery service for their patients

4. Digital payment partnerships to enable safe & convenient payment experience

5. Collaboration with local administration to resolve delivery roadblocks & drive social initiatives like free masks, free supply of essential meds and free COVID-19 testing

6. Training of staff & partner pharmacies to ensure safety & hygiene protocols are followed

7. Partnerships with e-mobility platforms to enable efficient last-mile delivery

8. Social awareness initiatives to communicate accurate information related to the pandemic

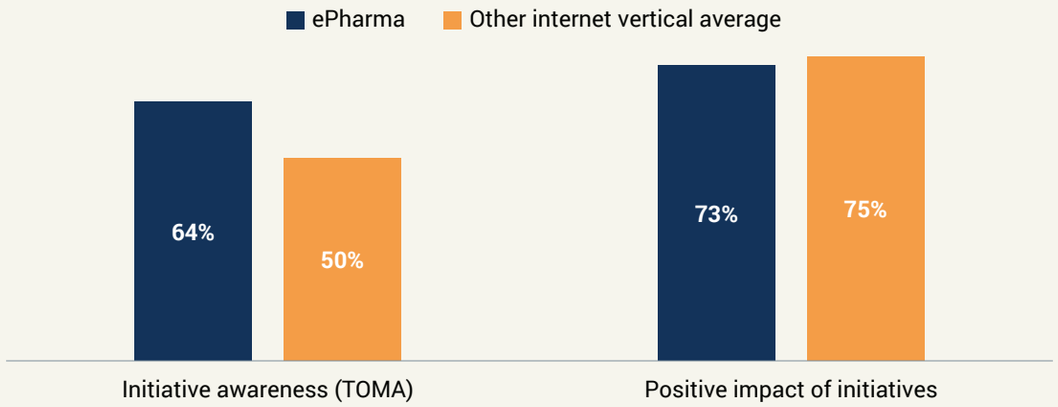
Source(s): RedSeer In-depth Expert Discussions

These initiatives enjoyed solid popularity among the ePharmacy consumers and enabled significant impact to provide convenient access to affordable medicines, in the difficult COVID-19 times. This was confirmed in the recent consumer surveys where ~65% consumers cited top of the mind awareness (TOMA) about ePharmacy initiatives, compared to an average of 50% for other internet verticals. Moreover, 73% of these consumers cited that they were positively impacted because of these initiatives.

COVID-19 Initiatives – Consumer Awareness & Impact

% Respondents

During COVID-19



Source(s): RedSeer Consumer Surveys (July, 2020)

Exhibit 5: ePharmacy Investment Landscape

Pre-COVID-19

~$700 Mn ePharmacy Investments in FY 20

Leading Investors (Selected examples)

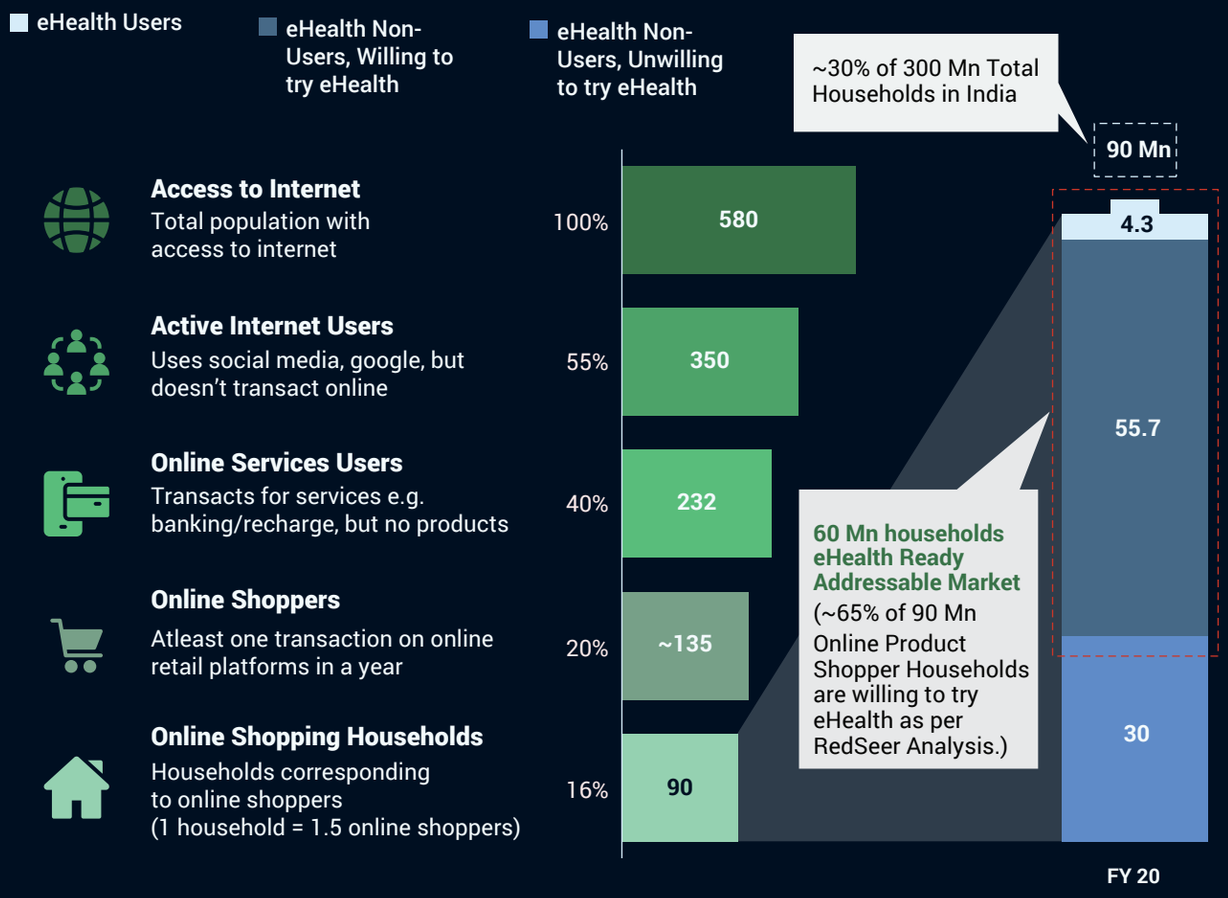
3L CAPITAL
BILL & MELINDA GATES foundation
SEQUOIA
REDWOOD Global
INFRASTRUCTURE - ENERGY - INVESTMENT
OrbiMed
CDPQ
aarin
DAUN PENH CAMBODIA GROUP
HBM Healthcare Investments
INNOVEN CAPITAL
kae capital
TEMASEK HOLDINGS
sistema AsiaFund
8 EIGHT ROADS
TRIFECTA CAPITAL
OMIDYAR NETWORK INDIA
ASTARC VENTURES
ORIOS Venture Partners
Corisol Holding AG
Maverick Ventures
JM FINANCIAL
alteria capital
IFC
Bessemer Venture Partners
KB Financial Group
intel Capital
TANNCAM INVESTMENT
FUNDAMENTUM INVESTMENT MANAGEMENT
matrix PARTNERS
Lightbox
STIC VENTURES

Source(s): RedSeer Analysis – Crunchbase

Exhibit 6: ePharmacy Addressable Households in India (FY 20)

Number of Users, Mn

Pre-COVID-19

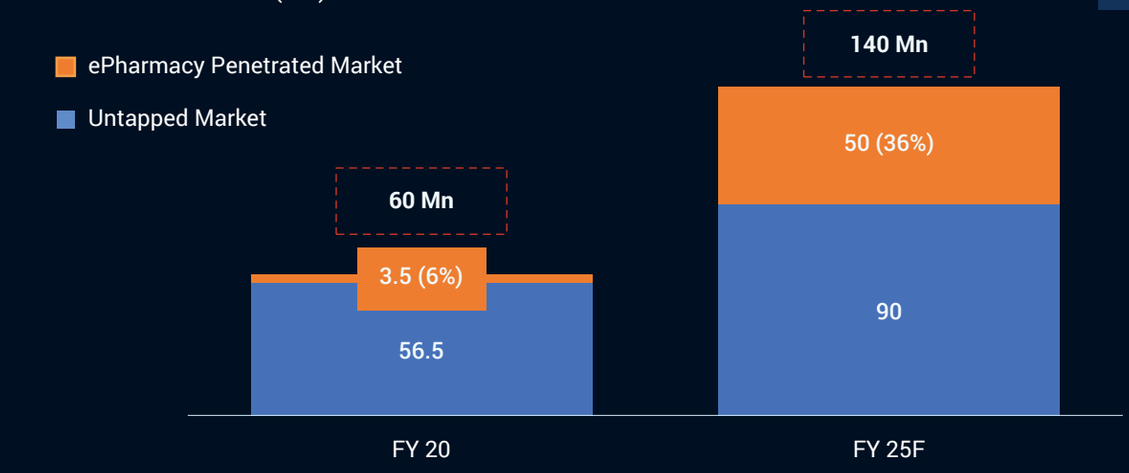


Source(s): RedSeer IP and Analysis

Exhibit 7: ePharmacy Addressable Household[1] Penetration Forecasts

Number of households (Mn)

Pre-COVID-19



Note(s): 1) Includes only the online shopper households willing to try eHealth

Source(s): RedSeer IP and Analysis

5

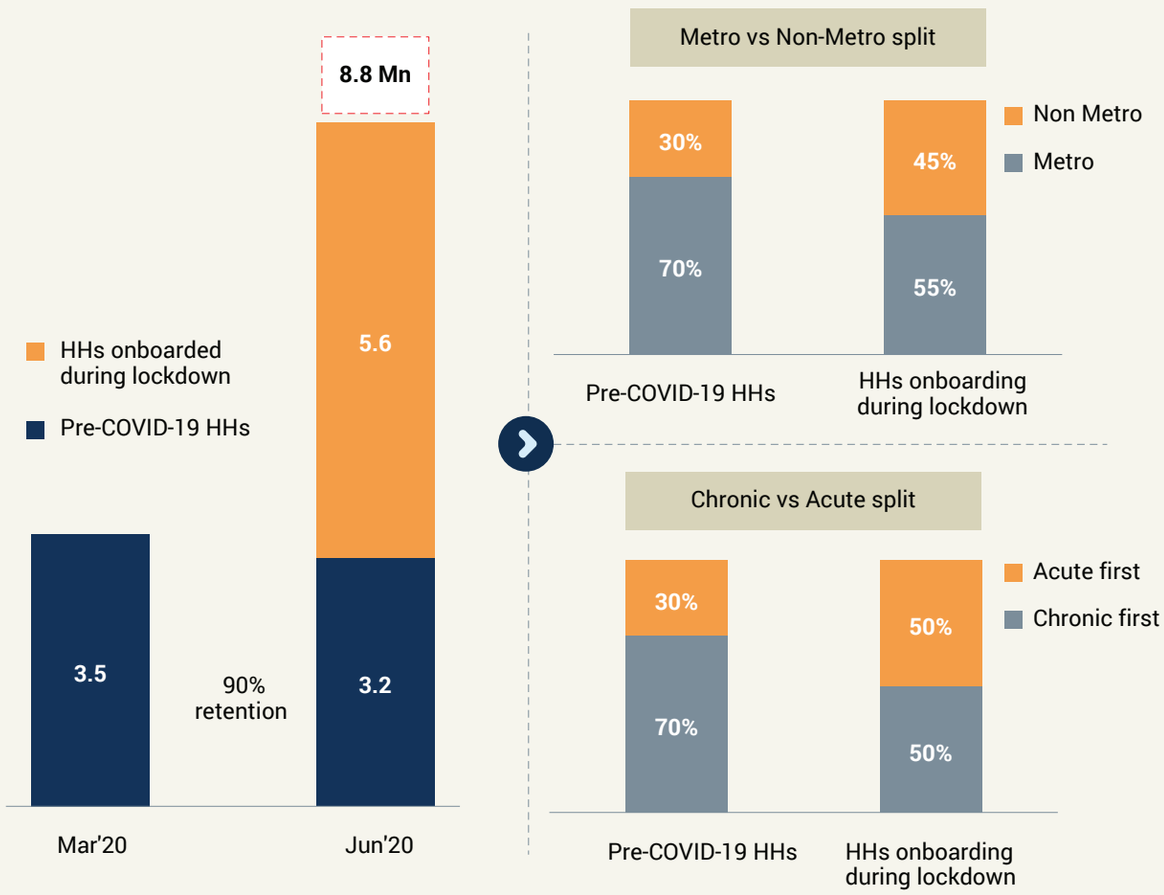
ePharmacy Market performance during COVID

Driven by the significant push towards ePharmacy from the demand, supply and regulatory ends, the ePharmacy sector was able to achieve ~2.5x growth in households in the COVID-19 lockdown period to reach ~8.8 Mn households by June (Source(s): RedSeer IP).

As a result of increased penetration of ePharmacy in deeper areas during the lockdown, the COVID-19 households had a higher representation from non-metro cities, compared to pre-COVID-19 households. Moreover, in the pre-COVID-19 era, ~70% ePharmacy households were chronic-first users as they found stronger value in the affordable & convenient service provided by ePharmacy platforms. However, during lockdown, an equal proportion of chronic-first and acute-first households were onboarded, as ePharmacy became the need of the hour during the COVID-19 lockdown.

ePharmacy Household Estimates during COVID-19

During COVID-19



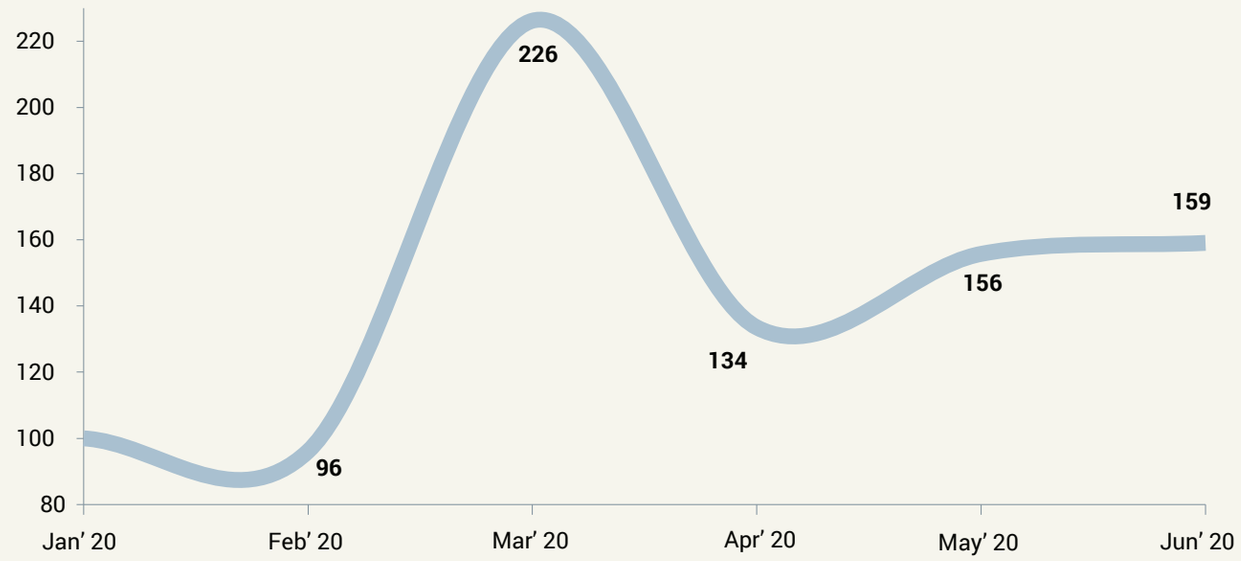
Source(s): RedSeer IP and Analysis

Led by this significant growth in households, the ePharmacy market fulfilled GMV grew ~2x+ during the COVID-19 lockdown period. After attaining the peak in March due to medicine stockups during lockdown, the market slightly corrected itself in April-May period as the offline channel became available. In June, the ePharmacy market seems to have reached a new stable baseline i.e. 1.6x higher than Jan. In addition to prescription medicines, the growth of ePharmacy market was also led by the increased demand for OTC products such as masks, sanitizers, thermometers, steamers etc.

ePharma GMV Estimates during COVID-19

Fulfilled GMV indexed on 100 points

During COVID-19



Source(s): RedSeer IP and Analysis



6

Investor perspective towards ePharmacy during COVID

As part of the in-depth interactions on COVID-19 performance with leading investors in the Indian markets, ePharmacy sector was cited as one of the best performing sectors during COVID-19 and is now seeing significant interest from both investors around the world, due to the push received during the COVID-19 lockdown.



During Covid

Investor quotes on ePharmacy sector

> "**ePharmacy companies in our portfolio are doing very well in the current circumstances** and we expect them to build on this surge in the new normal phase as well."
>
> ~ Existing ePharmacy investor

> "**Online healthcare (ePharma, eConsultation & eDiagnostics) and nutrition are the focus now** at least in the near term in the India market."
>
> ~ Leading global investor

> "We've a **positive outlook for essential sectors such as ePharma**, where marketing spend has gone down and brands have been able to establish trust."
>
> ~ Leading global investor

Source(s): RedSeer in-depth discussions with investors

7

ePharmacy in Media during COVID

Led by the huge adoption of ePharmacies during COVID-19 and the significant social impact enabled by the ePharmacy models by ensuring door-step delivery of essential medicines in pandemic times, ePharmacies were covered repeatedly in media reports in the COVID-19 timeframe. This is a solid testament of how buying medicines at home, became the new normal during COVID.

ePharmacy Media Coverage during COVID
Selected Examples

During Covid

Covid lockdown: Buying from home leads to surge in e-pharmacy sales

While most brick-and-mortar pharmacies continue to function amid the countrywide lockdown to contain the pandemic, many consumers have switched to buying medicines online for fear of getting infected by the novel coronavirus, industry insiders said.

~Economic Times (April 09, 2020)

Despite challenges, e-pharmacies sweeten the delivery pill by using tech

The platforms have seen an upsurge up to 3x their weekly average orders. with hand sanitisers and masks being the most sought-after products

~Business Standard (March 26, 2020)

Coronavirus Outbreak: Demand Spikes For Online Grocers And Pharmacies Amid Panic Buying

~Bloomberg quint (Mar 18, 2020)

Covid-19 could be a stimulant for online pharmacies in India

Most e-pharmacies have seen a surge in demand, thanks to customers beginning to recognise them as a safer, faster, and cheaper mode than physical stores

~The Hindu Business Line (June 16, 2020)

Web Exclusive **Online pharmacies on hiring mode as orders during Covid-19 lockdown**

Most e-pharmacies are operating with minimal staff and are not able to fulfill customer orders

~Business Standard (April 14, 2020)

E-pharmacies have become lifeline of last resort: Pradeep Dadha

3 min read . Updated: 20 May 2020, 10:54 PM IST
Meera Vankipuram

Many have discovered during the lockdown that shopping online is not only convenient and thrifty, it can also be enjoyable

~Livemint (May 20, 2020)

Source(s): RedSeer Secondary Research (Media articles)

8

ePharmacy Market post-COVID-19 Prophecy

As discussed in the above sections, the ePharmacy market has seen significant surge during the COVID-19 period. However, there is enough speculation around how the market will pan out in the post-COVID-19 era. Basis our interaction with ePharmacy consumers and industry experts, we've designed our prophecy around the following market trends that will drive the ePharmacy sector in the 'new normal' phase post-COVID.

A) Optimistic consumer sentiment towards ePharmacy post-COVID-19

B) ePharmacy to reach ~1.4x of its pre-COVID-19 household estimates

C) ePharmacy to play a critical role in streamlining chronic care

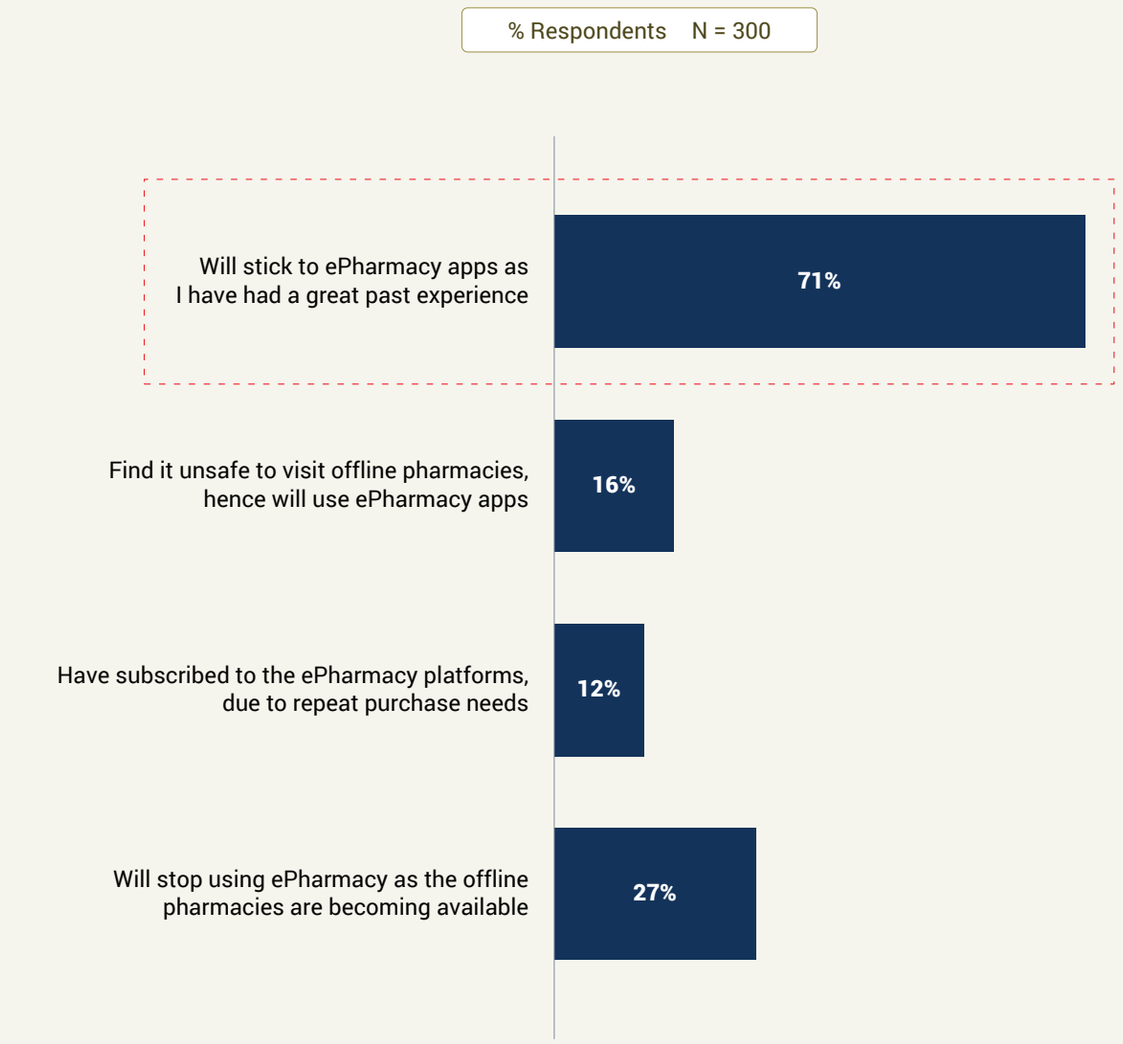
D) ePharmacy and offline retail pharmacies to co-drive the value for consumers

E) ePharmacy to act as government's true partner in enabling vital healthcare initiatives

A. Optimistic consumer sentiment towards ePharmacy post-COVID-19

While consumer sentiment towards ePharmacy has been super positive during the COVID-19 times, the post-COVID-19 sentiment is also looking optimistic. As per the latest consumer surveys, 70%+ ePharmacy consumers cite that they will stick to ePharmacy platforms in the post-COVID-19 world, because of the remarkable experience with the platforms. Moreover, there is a set of consumers, which still finds it unsafe to visit the offline retail stores and hence is likely to stick to ePharmacy platforms. In addition, certain chronic-first users who've subscribed to ePharmacy platforms are likely to continue their association. On the other hand, only 27% consumers cite that they will drop from ePharmacy platforms in near future.

Q **Which of the following statements do you agree with, regarding the usage of ePharmacy platforms in near future?** Post-COVID-19

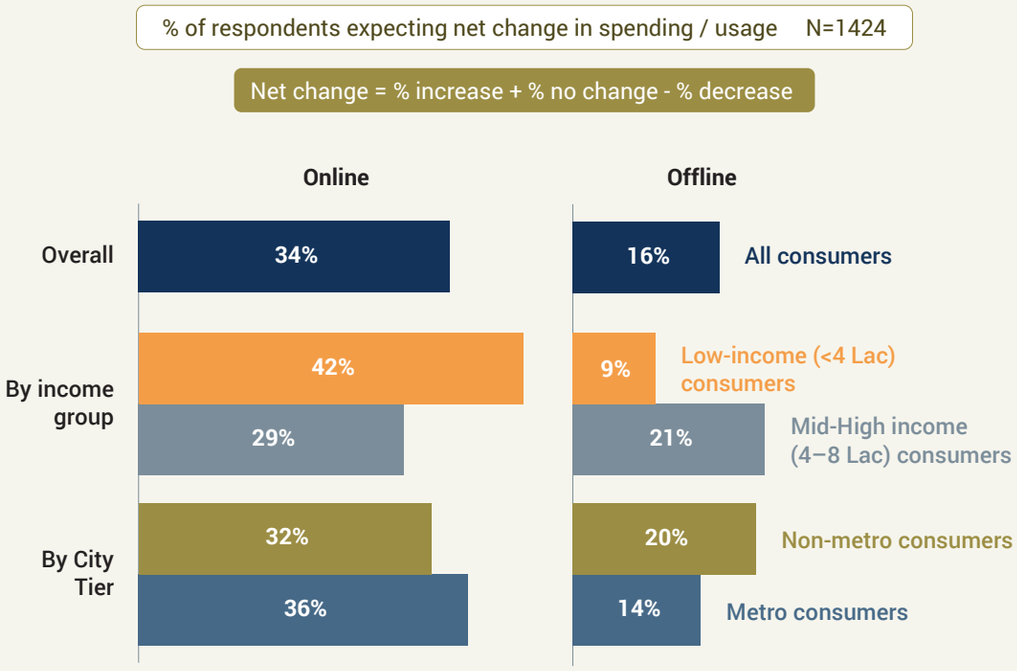


Source(s): RedSeer Consumer Surveys (July, 2020)

Moreover in the post-COVID-19 era, consumers expected a significant net change (% increase + no change - % decrease) in their usage of online pharmacy platforms vs pre-COVID-19 – this net change is very minimal for offline pharmacy usage. Interestingly, this change is more prominent among the low-income group consumers (annual income < 4 Lacs), compared to mid-high income group consumers. In addition, this positive sentiment is equally prominent across metro & non-metro users. Therefore, post-COVID-19, ePharmacy is expected to create a broader social impact across consumers belonging to variety of backgrounds.

Q How do you foresee your pharma consumption habits changing in the post-COVID-19 period (compared to pre-COVID-19)?

Post-COVID-19



Source(s): RedSeer Consumer Surveys (April, 2020)

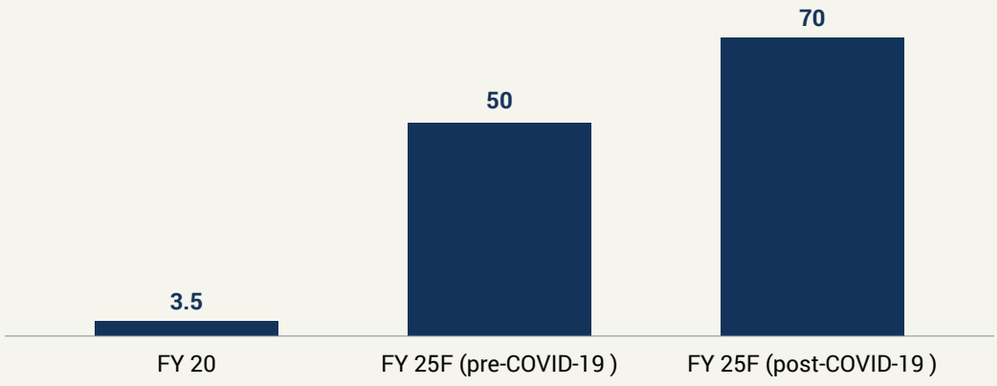
B. ePharmacy to reach ~1.4x of its pre-COVID-19 household estimates by FY 25

Driven by the strong consumer sentiment towards sticking to ePharmacy platforms in the post-COVID-19 era and the rising ePharmacy penetration in the non-metro cities (trends discussed in the above sections of the report – Source(s): RedSeer), ePharmacy is expected to exceed its household estimates for FY 25 by a significant margin. As per RedSeer consulting's revised estimates, ePharmacy in India will be able to tap ~70 Mn households by FY 25 i.e. 1.4x the pre-COVID-19 estimates of reaching 50 Mn households.

ePharmacy Revised Household Estimates

Number of households (Mn)

Post-COVID-19



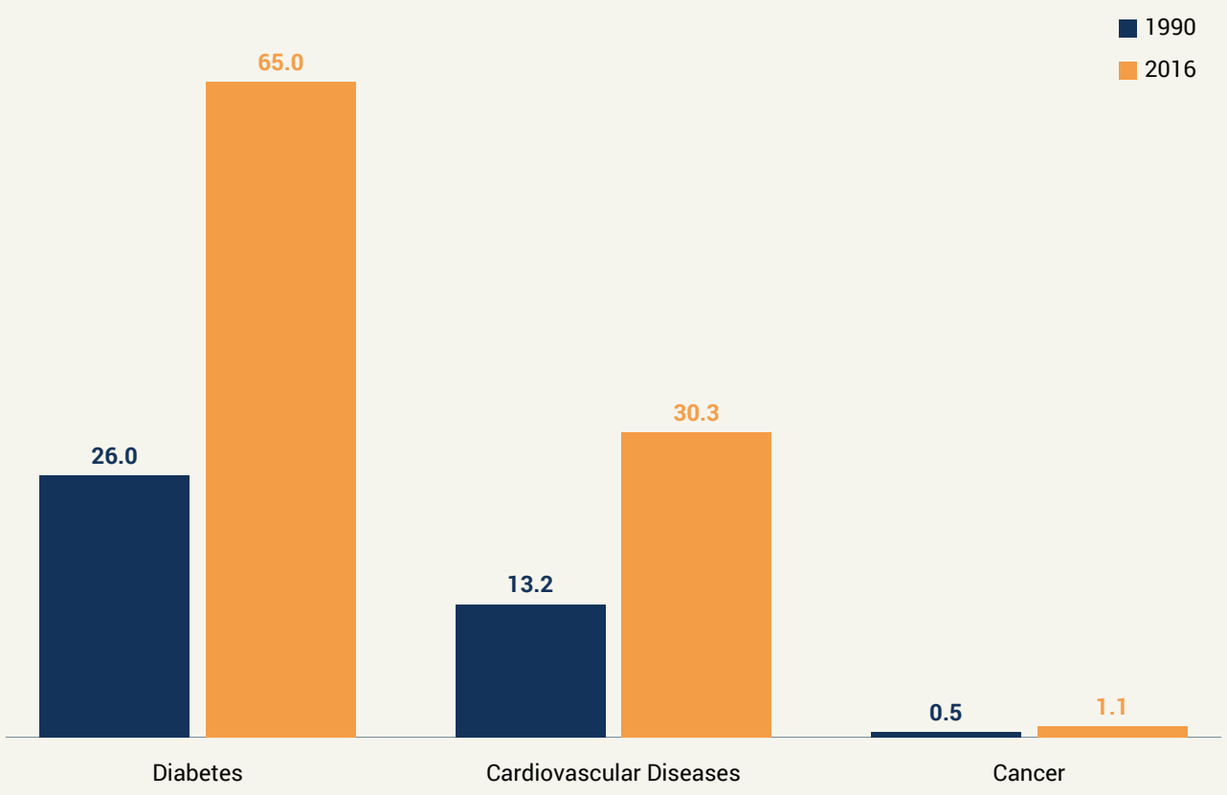
Source(s): RedSeer IP

C. ePharmacy to play a critical role in streamlining chronic care

As per the Lancet study on the burden of diseases in India from 1990 – 2016, chronic diseases have increased manifold over these 26 years. According to this, India had 65 Mn diabetic patients, 30 Mn patients suffering from cardiovascular diseases and 1.1 Mn cancer patients in 2016. These patients face multiple challenges in managing chronic diseases such as high healthcare costs, repeated tests / check-ups, monitoring & coordinating treatment and patient education. This raises a huge demand for superior quality healthcare services in India.

Patients diagnosed with Lifestyle Diseases (1990 vs. 2016)

Number of patients (Mn)



Source(s): Lancet Study – The Global Burden of Disease Study 1990 –2016, India

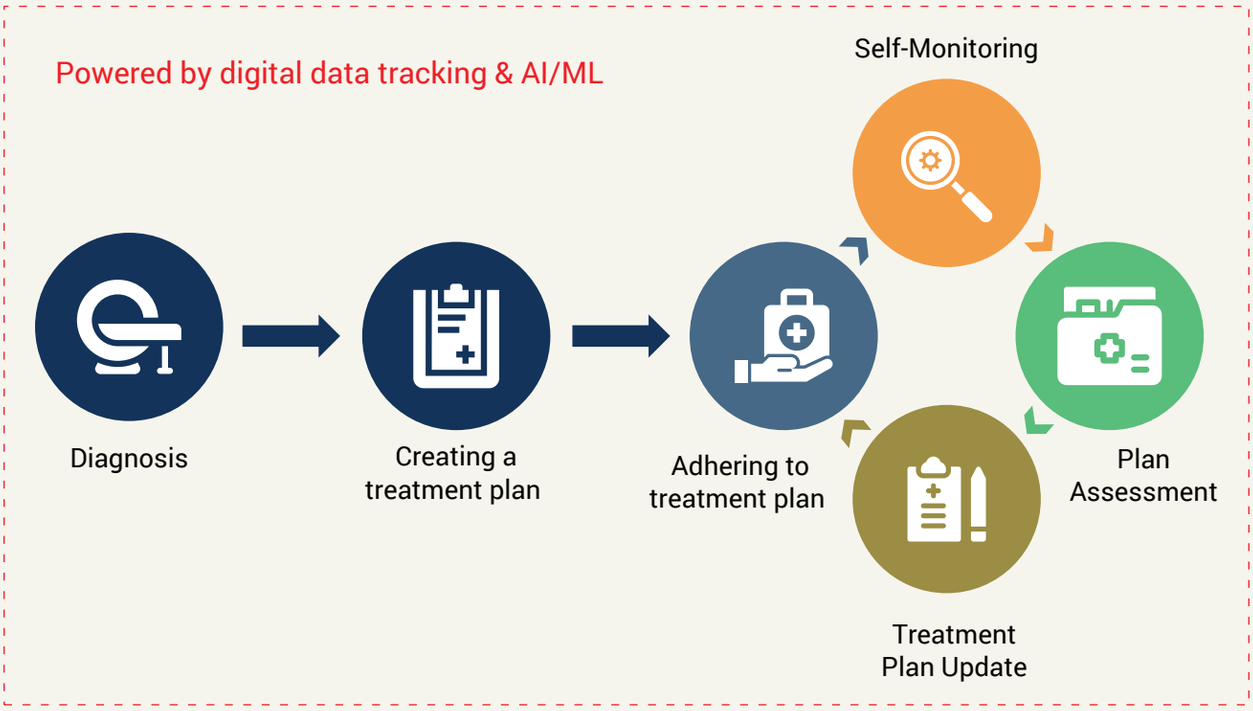
Moreover, the COVID-19 pandemic situation has brought double apprehension for chronic patients. First, physical healthcare is either non accessible or unsafe and second, they're the most vulnerable to be affected by COVID-19. As COVID-19 has forced billions of people to stay lockdown in their home, the only plausible solution for chronic patients is to get remote and digital care.

Global studies suggest that Chronic Disease Management (CDM) approach can be instrumental in resolving the challenges faced by chronic patients. CDM journey starts with diagnosis of disease that can be triggered by patient reported symptoms or routine checkups. A treatment plan is then created for the patient by the clinician. Patients adhere to the plan and keep monitoring for effectiveness. The plan can be updated by the clinician if, required on assessment. Studies have suggested that the power of systematic data tracking and AI/ML can used to streamline each step of the CDM process.

Such level of tech-enabled process is extremely needed in India, and when it comes through, ePharmacies will play a key role in effective implementation of the process by providing the following benefits:

- **Solid tech-led data tracking system** on prescriptions, purchased medicines, refills, purchase frequency to strengthen the AI/ML process.
- **Medicine purchase integration with tech-enabled treatment plans** – the technical infrastructure of ePharmacy apps allows them to provide integrated care services (plan creation, consultation, reminders, adherence management, monitoring etc.) or connect their infrastructure with other tech platforms that provide these services.
- **Subscription plan offered on ePharmacy apps** – an existing streamlined way for chronic patients to order medicines, which can further be enhanced.
- **Chronic user digital health readiness via ePharmacy apps** – ePharmacy apps have been able to onboard a significant share of chronic users, which will likely increase in the next few years, thus making chronic users digitally ready to use healthcare services.

Chronic Disease Management (CDM) Process



Source : RedSeer Analysis – HCL Tech Blogs

D. ePharmacy and offline retail pharmacies to co-drive the value for consumers

Both offline pharmacies and ePharmacies worked round the clock during COVID-19 lockdown to ensure that medicine needs of patients were effectively met, especially with sudden surge in demand for doorstep delivery. In the post COVID-19 world, the existing of both physical & digital infrastructure will benefit the consumers in the following ways:

- **Expanding consumer choice:** Access to both online and offline pharmacies provides consumers with options to choose between any of these

channels according to their location, requirements, availability, and price. This is validated from how consumers have shown inclination towards both channel, depending on their chronic vs acute use-case – while ePharmacies have been able to reach more chronic users, offline pharmacies are preferred more for acute usage.

- **Sustainability of Retail Pharmacy Model:** An ePharmacy model will enable existing pharmacies to start online operations and serve a broader set of customers, or a network of pharmacies integrating to one platform and accessing a broader customer base, while also ensuring that the inventory is consolidated. This would reduce working capital requirements, remove wastage from system and increase margins, making the pharmacy model sustainable and enabling higher value add.
- **Ensuring affordability in the Pharmacy market:** As suggested by Competition Commission of India (CCI), presence of ePharmacy in the market will likely stimulate more transparency and price competition in pharmacy market, thereby making medicines more affordable for end consumers.

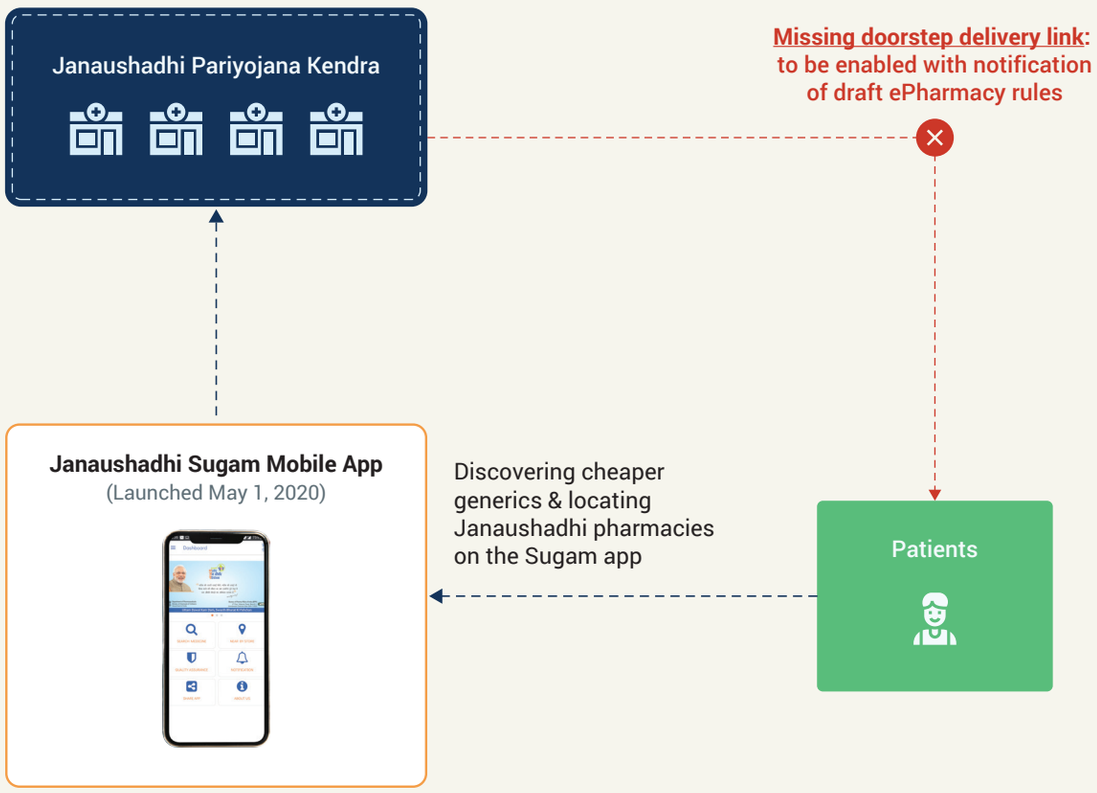


E. ePharmacy Technology to act as government's true partner in enabling vital social initiatives

I. Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP): As part of the National Health Policy, the Indian Government launched Ayushman Bharat to make healthcare accessible and affordable to all citizens. While Ayushman Bharat covered the hospital treatment costs, the cost of medicines was still borne out-of-pocked by citizens. As a result, the government launched the Janaushadhi Pariyojna to provide quality generic medicines at affordable prices. Presently, more than 6300 Janaushadhi centres are functioning across 726 districts in the country, which provide 900 quality generic medicines and 154 surgical equipment & consumables at affordable prices.

Realizing the significance of technology during COVID-19, the government launched the **Janaushadhi Sugam Mobile app** to avail the host of benefits provided by the Janaushadhi scheme. The app is currently focused on driving awareness about nearby Janaushadhi centres and the required medicines and has already been used by 3 Lac + consumers. Through the app, the consumer can locate nearby Janaushadhi Kendra, direction guided through Google Map for location of the Janaushadhi Kendra, search Janaushadhi generic medicines, analyse product comparison of Generic and Branded medicine in form of MRP and overall savings. Post this, the consumers have to physically visit the Janaushadhi centres and purchase the medicines. The travel costs and inconvenience associated with offline retail, diminish the intended benefits of the Janaushadhi Pariyoajana initiative.

Janaushadhi Pariyojana Sugam App



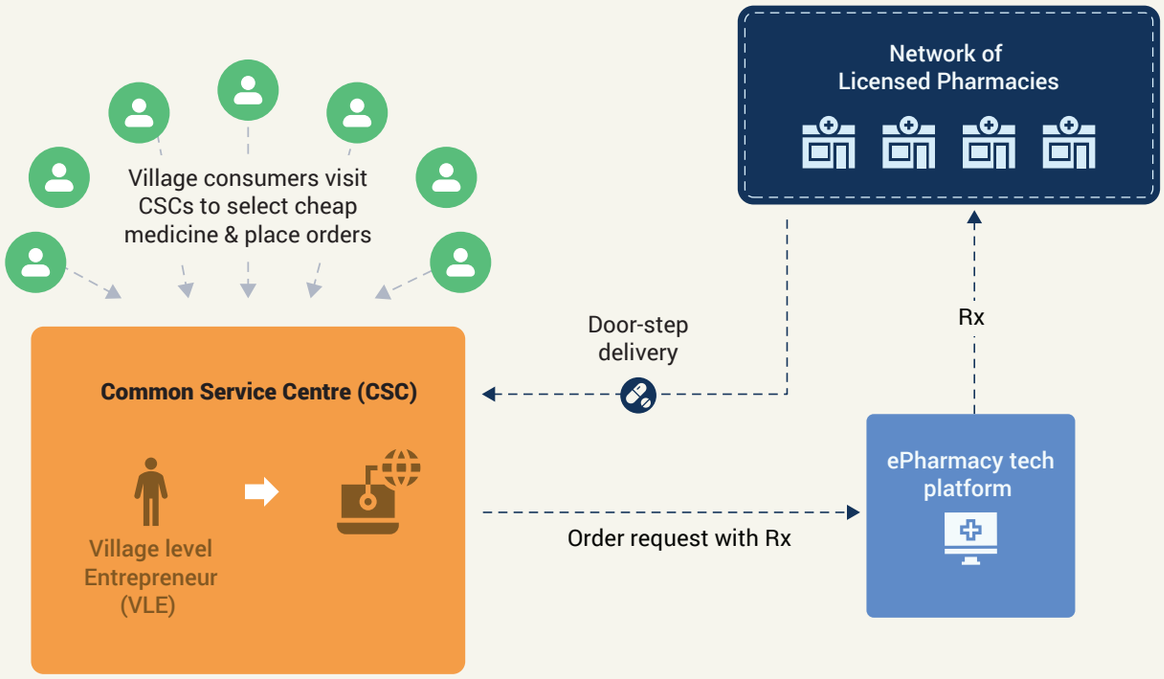
Source(s): RedSeer Analysis

The limitation in the current Janaushadhi model exists due to the offline-only medicine retail, wherein the consumer must physically visit the Janaushadhi Kendra to purchase the medicine in-person. Had there been ePharmacy draft rules in place, the consumer would have been able to not only discover the drugs & centres on the Sugam app, but also place the orders on the app online and receive them at his doorstep – further ensuring accessibility, safety and convenience for the consumer.

II. Common Service Centre (CSC) Scheme: As part of Government of India's (GoI) Digital India Program, a Common Service Centres (CSC) scheme was launched in May 2006, with the objective of delivering direct G2C services such as, public utilities (bill payments & online bookings), social welfare schemes, healthcare, education & training, rural banking & insurance, agriculture, and commercial services (such as internet browsing and village level BPOs) across rural and remote parts of India. Presently there are 2.5 Lac + CSCs operating in India across ~700 districts.

CSCs have the potential to create an important foundation for improving healthcare access in rural areas. They can partner with leading hospitals to enable online doctor consultation and can also collaborate with leading ePharmacy platforms to enable sale of medicines through the VLE (Village Level Entrepreneur) network of CSCs. In this model, a VLE can easily order prescription as well as OTC products through the CSC Digital Seva Portal, on the behalf of consumers.

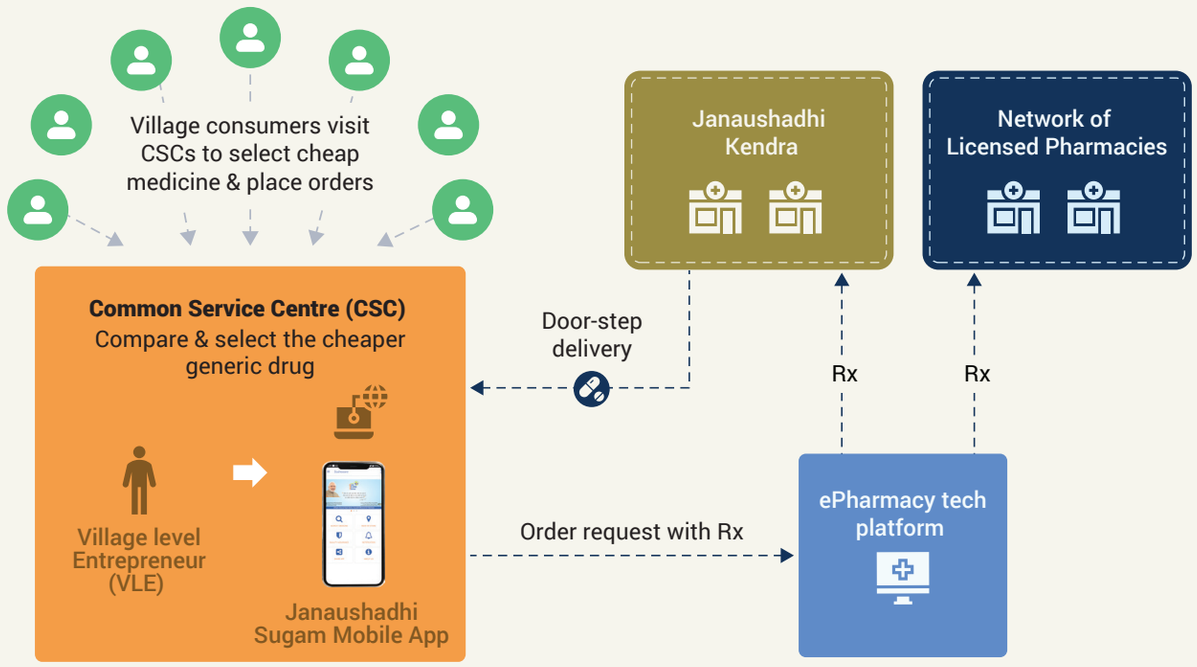
Common Service Centers (CSC) – ePharmacy Partnerships



Source(s): RedSeer Analysis – Expert Discussions

III. Potential collaboration of Janaushadhi Pariyojana with CSC Scheme: The notification of ePharmacy draft rules will help the government to significantly amplify the benefits of these initiatives focused on improving the accessibility & affordability of medicines for consumers, through tech-led innovations. This can potentially be enabled by online retail of medicines from Janaushadhi Pariyojana centres, via the VLE network at CSCs. The CSCs can be powered with the Janaushadhi Sugam app, on which the consumers can select the cheaper medicines they would like to order. The VLE can place the order via ePharmacy platform, which will host the Janaushadhi Pariyojana centres on its app (similar to other offline pharmacies) and then deliver the medicines to the VLE, which can be collected by the consumers.

Potential Collaborationof CSC with Janaushadhi Paiyojana Scheme



Source(s): RedSeer Analysis – Expert Discussions

9. Need for Regulatory Support to ePharmacy

The retail pharmacy sector needs a lot of supply chain, technology and access solutions to make healthcare delivery more efficient and affordable, and a pre-requisite for this is a simple and clear regulatory pathway for innovation to thrive in this important space. Further, the need for a future ready digital health system has become even more urgent with the COVID-19 Pandemic. A strong health system must have a strong and resilient digital backbone. ePharmacy provides a building block for such digital health ecosystem to ensure efficient and affordable universal health coverage.

In addition, ePharmacy models provide tracking and traceability of medicines, prevent drug abuse and self-medication by addressing consumption of drugs without prescription, tax loss and value-added services for consumer empowerment in healthcare, which are all key areas of national development. Moreover, ePharmacies also provide employment to 30k+ people across the country. Therefore, an ePharmacy aligns very well with the national development objectives and has clear and tangible benefits to the consumers as well as the industry. It should be noted that the ePharmacy model operates

in full compliance and harmony with existing laws. These draft rules came after multiple stakeholder consultations over a period of 5 years. Notifying the draft ePharmacy rules will unleash the potential of technology to improve the access and affordability of quality medicines for the country.

The following facts further strengthen the case for immediate notification of ePharmacy draft rules:

1) **Public and Stakeholder Consultation on ePharmacy Draft Rules:** The process was initiated by DCGI in 2015. An extended process of multi-stakeholder consultation was conducted over the last 5 years, with active engagement of all the stakeholders to address all issues in the draft rules.

2) **DTAB (Drugs Technical Advisory Board)** highest technical committee on Drugs on 11th June 2019 after detailed deliberations, **recommended for finalization of the draft rules** after considering the suggestions/ comments of all stakeholders.

3) **ePharmacy Draft Rules when notified will only provide for registration of ePharmacies.** It does not provide license for online sale of medicines. Sale of medicines will only be undertaken through the physical pharmacy with existing current drugs rules.

4) **ePharmacy Draft Rules Provide Sector Specific e-Commerce regulations** - aim to harmonize existing laws/guidelines like IT Act, D&C Act and Rules and PN-2, 2018. This is similar to other sectors like FSSAI Guidelines for E-commerce Food Operators (FBO Guidelines)

5) **ePharmacy Model is well covered under existing law.** No violation of any existing law. In ePharmacy model, all sales happen through licensed premises under supervision of registered pharmacists against a copy of prescription of registered medical doctor. An ePharmacy model has two operating legal components -

A. Technology Platform - covered under IT Act, 2000

B. Pharmacy Retail Store Covered under Drugs and Cosmetics Act and Rules.

6) **Multiple Courts Directing the Government to notify the ePharmacy Rules**

Madras High Court Dec 2018. *"For the reasons set hitherto, it becomes necessary for the Central Government to notify the rules at the earliest in the interest of public and the on-line drug trade. Accordingly, respondents 1 and 3 are directed to notify the proposed Drugs and Cosmetics Amendment Rules, 2018 in the Gazette at the earliest, however, not later than 31.01.2019."*

Delhi High Court Feb 2019 *"Respondent Union of India should indicate to us as to what steps have been taken by them for formulating the rules in question."*

Patna High Court August 2019 *"...but despite a lapse of almost a year since such publication yet the Ministry of Health and Family Welfare has shown no inclination of attaching finality to such rules."*

Bombay High Court August 2019 *"Learned counsel for the Union of India states that considering the suggestions and objections to the draft notification, final notification is likely to be issued within four months from today."*

Annexure

I. Checks and Balances for Patient Safety in ePharmacy Model

- **Code of Conduct:** ePharmacy players abide by FICCI Voluntary Code of Conduct for ePharmacy [Details in Annexure].
- **No request for sensitive medicines** (Sch X Drugs, Psychotropics, Narcotics etc.) is processed through the ePharmacy platforms. ePharmacy platforms participate in facilitating access to regular chronic medicines (diabetes, high BP) where the user has no incentive to abuse or misuse.
- **Valid Prescription:** Every request for medicines has to be accompanied with a valid prescription: All prescriptions and the invoices regarding the dispensation are recorded and available for audit at any point in time.
- **Multi-level Checks:** The ePharmacy portals employ multi-level checks to ensure that the processes are strong:
  - » Technology check to ensure Schedule X, Psychotropic and Narcotic Drugs are not allowed to be added to any cart.
  - » Pharmacists working with the ePharmacy platforms check the prescription and digitize them, and then forward it to the appropriate Pharmacy.
  - » The registered pharmacist at the Pharmacy then receives the prescription, and dispenses the medicines based on his/ her satisfaction that all is in order. The process has built in multi-level checks and ensures that no order is dispensed without a prescription.

II. FICCI's Voluntary Code of Conduct for ePharmacies in India

This Voluntary Code of Conduct is a self-regulatory attempt by the Industry to adhere to highest professional standards and have proper safeguards to ensure that consumer's health and safety is not compromised.

Mission Statement

''Improve access and affordability of medicines for consumers by unleashing the power of technology for better health, better medication, and availability of better facilities to the farthest corner of the country''.

Components of the Code of Conduct:

All members commit to hold ourselves to the highest standards and voluntarily commit that our operations shall operate with the following safeguards:

1) **Processing of medicines against Prescription and NO Substitution**

Scheduled medicines must be processed only against a valid copy of prescription (physical or scanned copy) of a registered medical practitioner. When processing medicines against prescription the pharmacist must:

- Ensure clinical appropriateness of the prescription for the patient.
- Ensure no medicine is substituted unless the RMP has allowed for substitution on the prescription

2) **Prohibition of Processing of Sensitive habit-forming medicines**

ePharmacy must ensure that no schedule X and other sensitive habit-forming medicines are processed from their platform. The list must be

updated periodically and shared with all the players.

ePharmacy must:

2.1. Ensure there are adequate checks and balances in place to prevent sale of any such drugs

3) **Dispensation only from duly licensed pharmacy domiciled in India**

ePharmacy must make reasonable effort to:

3.1. Ensure that the medicines are finally dispensed through licensed pharmacies only.

3.2. Ensure all the pharmacy partners (before facilitating the sale of any medicines through such pharmacy partners) are duly registered under the Drugs & Cosmetics Act/ Rules.

3.3. Ensure that the sale of medicines (or facilitation of sale of medicines) is only within India.

3.4. Ensure that pharmacy (or pharmacy partner) must provide the consumer a valid bill containing name and license number of pharmacy, medicines dispensed, prices, batch no and expiry date by item

3.5. Ensure dispensing by the pharmacy (or pharmacy partner) dispensing the medicine under the personal supervision of a registered pharmacist

3.6. Ensure pharmacy (or pharmacy partner) maintain proper record of all the transactions

4) **Delivery of medicines**

Medicines must be delivered safely and with appropriate instructions. When delivering medicines to the patient, the ePharmacy player must:

4.1. Make suitable arrangements to ensure that the medicines are packed, transported and delivered in such a way that their integrity, quality, and effectiveness are preserved.

4.2. Ensure the integrity of cold chain and safe transportation of temperature sensitive medicines

4.3. Ensure that there is verifiable audit trail for the medicine from initial request to delivery of medicines

4.4. Ensure confidentiality of patient information

5) **Public health Initiatives of Government of India**

5.1. ePharmacy players must partner with Government for any recall of medicines based on batch no communicated by the appropriate authorities.

5.2. ePharmacy players shall create a forum to collect and compile adverse events of medicines (consumer reports) and submit them to National Centre for Pharmacovigilance

5.3. ePharmacy players must support Government initiative of Jan Aushadhi medicines by creating awareness in the consumers

6) **Customer Grievances**

ePharmacy must ensure that there is a proper mechanism in place to address any queries or grievances that the end-customer may have.

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