

Nonprescription Drugs USA

Key Issues/Trends in 2005

- Market increases are driven by a strong cold season and gains for topical and feminine products and home diagnostic test kits
- New products are focused on line extensions of existing brands
- Consolidation and mergers persist
- Private-label products continue to grow at slow, steady rates
- Advertising and promotional support increases
- Distribution shifts towards mass merchandisers and other outlets
- There are no Rx-to-OTC switches in 2005, but future switches are expected and will create surges in growth

The Market

- Overall the market grows 3.0% to \$16.6 billion
- Cough and cold preparations gain 9.0%, driven by a strong cold and flu season, a high level of new product introductions, and increased A+P support
- Internal analgesics and digestive products are flat
- Feminine products post gains as a result of line extensions and advertising support
- Home diagnostic test kits also grow, driven by gains in the blood glucose segment
- Allergy relief products suffer declines as branded drugs struggle with competition from lower-priced private-label loratadine products

Companies

- The industry continues to consolidate
- The top 10 manufacturers account for more than 55% of total sales in 2005
- In 2005, Johnson & Johnson, Wyeth, Pfizer, and Bayer remain the leading companies
- With the announced acquisition of Pfizer's OTC unit by Johnson & Johnson, the top ten companies will be even larger and more powerful in the years to come

Retail Channels

- Drug stores continue to be the primary outlet where OTC drugs are sold
- Mass merchandisers increase share in 2005
- Alternate outlets, including warehouse clubs, dollar stores, and online retailers, continue to gain in prominence

Future Outlook

- The most likely forecast for sales of the nonprescription drugs industry will average 2.4% growth per year to reach \$18.6 billion in 2010
- Future Rx-to-OTC switches, new product introductions, the aging of the population, high levels of advertising support, and a focus on core brands by large companies will drive growth
- Private-label competition, value pricing at mass merchandisers, and competition from related Rx drugs will hamper growth somewhat

