

DPE position paper on OTC delivery

The emergence of delivery platforms has revolutionised local commerce by equipping merchants with e-commerce solutions and on-demand delivery services. Nevertheless, pharmacies/merchants and patients in many European countries cannot benefit from such innovation as a result of restrictive regulatory frameworks on the distribution of over-the-counter (OTC) medicines. In order to bring the full benefits of local OTC delivery to merchants and patients, we believe it is necessary to remove existing restrictions.

To this end, this paper will analyse the need for the EU to allow for OTC delivery by discussing the following points:

1. **How the lack of an enabling regulatory framework disadvantages local pharmacies and patients**
2. **The benefits of OTC delivery for local pharmacies and patients**
3. **What local policy makers can do to allow for OTC delivery**

1. How the lack of a regulatory framework disadvantages pharmacies and patients

Certain EU countries have taken the **initiative to create specific frameworks for OTC delivery, for instance in the case of Portugal and Finland.**

In Portugal, upon the outbreak of the Covid-19 pandemic, [INFARMED](#) chose to temporarily allow “the use of other operators of home delivery of medicines”, provided that they operated in compliance with a decree governing medicinal products. This opened the door for delivery platforms such as Glovo to facilitate the delivery of OTC products to patients and consumers. Since then, the popularity of OTC delivery has grown exponentially, with a consistently increasing demand for OTC products via delivery platforms. This has generated significant economic benefits for pharmacies. We could see a strong correlation between high order frequency of OTC products and peaks in Covid-19 infection and flu transmissions.

Finland has also approached the regulation of OTC delivery in a way that can serve as a best practice across Europe. In Finland, the safe delivery of OTC products is guaranteed thanks to numerous safeguard measures taken on behalf of both local pharmacies and Wolt as the delivery company.

The EU has used its supporting competence to complement national health legislation with guidelines and indications around the transport of medicinal products and on the distance sale of such products.

The European Medicines Agency, which is the EU agency responsible for supervising the use and distribution of medicinal products within the EU, [issued Guidelines on the Good Distribution Practice of medicinal products for human use](#). The guidelines describe standards that distributors of medicinal products should meet to ensure the safety and integrity of the medicinal product at various stages in the supply chain. However, these guidelines do not establish rules for small-scale delivery processes and only concern wholesale deliveries.

Some rules for the online sale of pharmaceutical products are [enshrined](#) within the **Falsified Medicines Directive**, which introduces several measures to prevent the entry of falsified medical products into the internal market. Such measures include provisions for Member States to “ensure that medicinal products are offered for sale at a distance... by means of information society services”, but also that Member States can impose specific conditions and restrictions on the retail of medicinal products online.

The lack of a regulatory framework and inconsistent restrictions on delivery options for OTC products in Europe have a negative impact on both pharmacies and patients with consequences for individual and public health as well as on public finances in form of lost taxes. We will explore such impacts over the next few sections.

Pharmacies

Local pharmacies often struggle to establish themselves in the increasingly ubiquitous online delivery economy for several reasons. Firstly, establishing an independent website for delivery purposes requires investment both in a financial sense and personnel-wise. This precious time and money are not always expendable for small businesses. Additionally, these small businesses would be required to hire and manage their own couriers, buy a transportation vehicle, and pay for insurance. Virtually no pharmacies are making these investments.

If pharmacies are not allowed to partner with delivery companies to ship products to their local community, they risk becoming “locked out” of the digital economy, allowing large mail order pharmacies and e-commerce giants - who can afford to heavily invest in an online presence and their own logistic fleets - to easily encroach the market. In this context, large e-commerce companies could also abuse their dominant position in one sector to break into another market - this would lead to unfair competition, with smaller companies not having the same opportunities.¹

This means that **small, local pharmacies are losing out today on significant potential revenue**, which is instead channeled into large e-commerce companies and mail order pharmacies. This is already happening, as e-commerce platforms capture a large part of the market share of OTC sales. According to NielsenIQ, the global sale of OTC products on e-commerce platforms already [accounts](#) for 9% of OTC sales, and this is growing at rapid pace, with the sector experiencing a 20.6% growth between 2020 and 2021. This translates into millions of Euros of lost taxes for Member States.

The fragmented market and lack of a level-playing field across EU member states creates a **landscape in which cross-border anti-competitive conditions can proliferate**. While pharmacies in Germany and Denmark can deliver a wide range of products to their patients with relative ease, in many other countries pharmacies cannot avail of these options. Particularly in cross-border situations, this means that some companies have a greater competitive stance than others, purely because of the markets in which they operate. For example, the **Austrian competition authority acknowledges that online pharmacies based abroad can deliver OTC products to consumers based in Austria**. The complex and rigid regulations surrounding OTC delivery in Austria leaves Austrian pharmacies at a “considerable competitive disadvantage”, [according](#) to the authority.

Patients

Many patients may struggle to go physically to a pharmacy for a multitude of reasons. As [indicated](#) by the automated dispensary [Instymeds](#), this may occur due to reduced mobility (resulting from age, disability, or chronic pain), the lack of access to transport, acute pain or illness, or simply having a working schedule that is incompatible with traditional pharmacy opening hours. These patients need essential OTC products but, lacking delivery options, they are often constrained to go without.

Local, rapid delivery of OTC products is required due to the very nature of the product. OTC products largely target acute medical issues, such as acute pain, coughs, and flu. Thus, the customer should neither be obliged to go outdoors while sick nor to wait several days for a delivery from an e-pharmacy or e-commerce site. As highlighted by the Austrian competition authority, who [investigated](#) the OTC market to determine its capacity to reach consumers’ needs, medicinal products are bought when needed and those suffering from acute issues, such as a cold, flu, migraine, or other issues that could rapidly onset, will usually require immediate pain relief. The delivery of OTC products via delivery platforms is the best method of rapidly transporting necessary medicines from the pharmacist to the patient.

A challenge that is essential to mention in this context is also the protection of vulnerable populations. The immunocompromised, and those living with chronic illnesses are at a higher risk of severe symptoms or even death if they are infected with Covid-19 or other viruses. These individuals furthermore have an increased need for OTC products. Going physically to a pharmacy is not always

¹ Amazon for example offers under its own brand called “Amazon Basic Care” OTC products in Europe like first aid items, products for foot care, eyes, better sleep, against incontinence and feminine hygiene products amongst other things. See: <https://www.amazon.de/stores/AmazonBasicCare/Homepage/page/48ABDA69-E0AB-4935-ADDF-DFC1807CDA26>

an option for those who need to safeguard their health by avoiding contact with other possibly infected individuals. However, in the current OTC delivery ecosystem, many patients are constrained to either potentially infecting others in order to obtain necessary medications, or to suffer without access to these.

Finally, patient demand for pharmaceutical delivery options is on the rise. A study produced by Federfarma, the Federation of Italian Pharmacies, highlights that before the pandemic, approximately 150 citizens used the federation's helpline every month to request delivery of medical products. Between March and May 2020, this number rose dramatically to approximately 240,000 callers per month. To meet this demand, Federfarma had to ally with the Red Cross for delivery purposes. Local pharmacies carry out the important job of delivering medicinal products to those in need, but even with support from delivery platforms such as Pharmap, this system evidently could not meet the increasing demand for delivery from pharmacies.

Pharmap's rapid growth is also evidence of a quickly rising demand for OTC delivery options – between 2019 and 2020, Pharmap increased its volume of deliveries to 3,000 per day, representing a growth of 500% as compared to the previous year. Since its inception in 2018, Pharmap has increased its size by 250%, and increased its level of transactions by 420%.

2. The benefits of OTC delivery for pharmacies and patients

Allowing local pharmacies to partner with delivery companies would resolve many of the issues elaborated upon above.

Pharmacies

Research from Bocconi University [indicates](#) that 1 in 2 customers are willing to stop shopping at their local pharmacy if they do not have a delivery option. This shows that establishing an online delivery method is of the utmost importance for pharmacies. As e-commerce continues to grow - e-shoppers [grew](#) from 55% of internet users in 2012 to 75% in 2022 - and consumers increasingly expect options to shop online, the best option for many small local pharmacies to remain in operation would be to **be able to offer their customers same-day delivery**. If this can occur, they will be able to retain their customer base instead of losing them to the offerings of large e-pharmacies and e-commerce giants.

A report on the pharmaceutical delivery sector carried out by pharmaceutical product delivery company Pharmap also indicates a [positive correlation between pharmacy delivery options and customer loyalty](#). Over 60% of pharmacy delivery users responded that they always order from the same pharmacy, and over 50% responded that they had become regular clients of said pharmacy.

Data from Glovo indicates that pharmacies **spend less time and less money when they partner with a delivery app** than if they decide to develop an independent online presence. Additionally, Glovo's popularity as a delivery app in its respective markets provides pharmacies on their interface with consistent levels of traffic and orders. On the contrary, local pharmacies operating their own independent shops online have no guarantee of traffic and may be required to invest heavily in online marketing.

Presence on online delivery apps is essential for small businesses since delivery platforms allow them to reach a large audience without disproportionate investment required. For instance, the average spend on Pharmap is €45, which is 45% higher than the average spend in-pharmacy. Thus, partnering with delivery apps represents significant potential revenue gains for pharmacies.

Patients

Allowing for more easily facilitated OTC delivery via delivery platforms would **close the gap in OTC access** and allow sick individuals to avail of necessary medications when needed.

Additionally, **local delivery platforms represent low-risk marketplaces** with patient and consumer protection benefits. For example, local delivery platforms do not facilitate cross-border sales and do

not store the merchandise but simply provide established pharmacies with a local physical presence with the ability to sell to patients in their local area via their network.

Additionally, the pharmacies working with local delivery platforms are already bound to **comply with local legislation** relating to products they sell in their stores, and they are within the reach of local market surveillance authorities (MSAs). This would contribute to a high-level of safety and trust in the purchase and delivery of OTC products.

In this context, the liberalisation of OTC delivery in Finland has shown that local pharmacies can still fulfill their **role of counsellor** by phone in case patients have any questions related for instance to dosage, allergies, mode of use etc.

3. What local policy makers can do to allow for OTC delivery

Based on the considerations highlighted above, we would recommend the following actions for the national health authority to close the regulatory gap and create effective solutions for OTC delivery:

- **Determine the delivery conditions of OTC products:** define a process for how the safe same-day delivery of OTC products can be executed by local pharmacies via self-delivery and third-party delivery platforms from pharmacy to patient.
- **Define what constitutes an OTC product:** define what constitutes an OTC product and under what conditions the delivery of such products could be allowed.
- **Set up an easy process for local pharmacies to sell OTC products online:** Pharmacies should be allowed to have an online store and sell OTC products online without facing undue restrictions and complicated procedures. The specific conditions for the retail supply of OTC products to the public should have the interests of patients and local pharmacies in mind.
