

OTC Drugs And Convenience Stores

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The convenience to purchase an OTC drug in case of immediate necessity, along with retailing expansion, are putting pressure on regulatory agencies to open up new channels of distribution.

Euromonitor International analyses trends of consumer health products sold at convenient stores.

A review of convenience stores related to consumer health

Sales of consumer health products at convenience stores are mostly motivated by an impulse to treat an urgent ailment such as a headache or minor stomach discomfort. The location and expanded hours of many convenience stores provide easy access to medicines at times when traditional pharmacy channels are not available. Otherwise, consumers purchase their medicines at chemists, drugstores, or parapharmacies.

Typical products found in convenience stores include basic analgesics, cold, cough and allergy remedies, wound treatments, and digestive remedies, which are sold in small packaging at premium prices of convenience.

However, the mix and availability of products vary per country. Developed economies such as the United States, Japan and the United Kingdom allow sales of OTC drugs at convenience stores, while regulatory agencies in Brazil and Argentina forbid them.

Japan is the country with the largest number of convenience stores. A high density population explains the large presence of convenience stores estimated at 45,769 outlets that reported US\$90 billion in total retail value excluding sales taxes in 2009 according to Euromonitor International.

The largest chain is 7-Eleven (Seven & I Holdings Co, Ltd) with a 27% outlet share, followed by Lawson (Lawson Inc) with 19% and Family Mart (Itochu Group) with 17%. The Japanese government modified the Pharmaceutical Affairs Law in 2009 to allow convenience stores to sell type 2 and type 3 non-prescription drugs.

One of the law's requirements is to have a licensed sales clerk dispense these medicines, but the financial investment and cost burden of doing this led important chains such as Lawson and Ministop Co (AEON Group) to create partnerships with pharmacy chains such as Qol Co, CFS Corp and Takiya Co.

In contrast, there were an estimated 28,547 convenience stores in the United States, worth US\$22 billion in retail value excluding sales tax in 2009. 7-Eleven (Seven & I Holdings Co, Ltd) holds the largest share in number of outlets at 13%, followed by Circle K (Alimentation Couche-Tard Inc) with 4%.

The portion of consumer health products available at convenience stores is very small according to the "State of the Industry Report 2009" published by the National Association of Convenience Stores (NACS).

Tobacco, foodservice items (mostly confectionery and snacks), soft drinks and beer represented 75% of in-store sales. In comparison OTC drugs only accounted for about 2% of sales, or less than US\$440million.

Lil' Drug Store is the largest wholesale company supplying OTC drugs to convenience stores in the United States. The company's success stems from its capacity to repackage popular OTC drugs in small packaging targeted to the convenience store channel.

While analgesics, cold, cough and allergy remedies, and digestive remedies are the most popular OTC drugs sold in the United States, medicated confectionery (cough drops and lozenges) is the most popular consumer health product found in many convenience stores around the world.

The main reason for this disparity is a stricter regulation on the retailing of OTC drugs sold through convenience stores in other countries. Medicated confectionery in many countries is classified as food rather than an OTC drug.

Threats and opportunities in convenience store sales

The proliferation of chained drugstores due to either an economic expansion or the deregulation of pharmacies has ignited more competition in the retailing arena.

Countries, with a highly developed convenience store channel, are experiencing increasing competition for the pocket of consumers seeking to purchase impulse OTC drugs. Due to the economic recession, drugstores and parapharmacies began carrying discounted small pack sizes to fit the shrinking budget of consumers.

Consequently, this competitive behaviour has affected sales at convenience stores, which often charge a 5% to 10% premium for convenience.

In spite of this finding, convenience stores still should see a positive light in the future. People will continue to suffer from minor ailments that will require an impulse purchase for a treatment.

Getting rid of the ailment will be in the mind of consumers regardless of the premium paid at the moment. However, OTC options will remain focused in basic analgesics, cough, cold and allergy remedies, and digestive remedies.

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