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Data Story

Can Digital Health Startups Bolster a Creaking Healthcare System?

Buoyed by the Second Wave, Practo Grew 3X in April 2021

COVID-19 has exposed the fault lines in India's healthcare infrastructure. It has made clear the need for a strong healthcare system, the continuing lack of which puts entire economies and populations at risk. As India continues to fight this pandemic and comes to terms with the loss of millions of lives—it is important to look at these challenges as opportunities to grow and adapt. With increasing internet penetration, advances in technology and improvement in digital literacy of both patients and healthcare practitioners, India needs to redouble investments in digital health to meet the gap between sparse physical infrastructure and booming demand.

If 2020 was the year of COVID-19, 2021 must be the brutal encore. A year later, we are still battling the second wave of the deadly virus which has only become stronger, exposing our broken and battered creaking healthcare system for what it is—inadequate, underfunded and unprioritised. There is only so much that even the most heroic efforts of our doctors can achieve in the absence of oxygen, ambulances, medicines and ventilators. These gaps are widest in rural areas where coronavirus continues to rise.

To some extent, technology has been the panacea for those with internet connectivity and English-language skills as consumers in urban areas switch to buying medicines, life-saving medical equipment and even medical advice online. Till a few years ago, the pharma apps were struggling to find a foothold in the traditional Indian pharmaceutical market, mired in government regulations and looking at ways to expand their user base. While a set of rules for e-pharmacies had been in the pipeline since 2016, they are yet to be finalised. The proposed rules stipulate the provision for uploading e-prescriptions on the online platforms. However, these draft rules are still pending for clearance since June 2019 with two different expert committees under the Central Drugs Standard Control Organisation, the apex drug regulatory body.

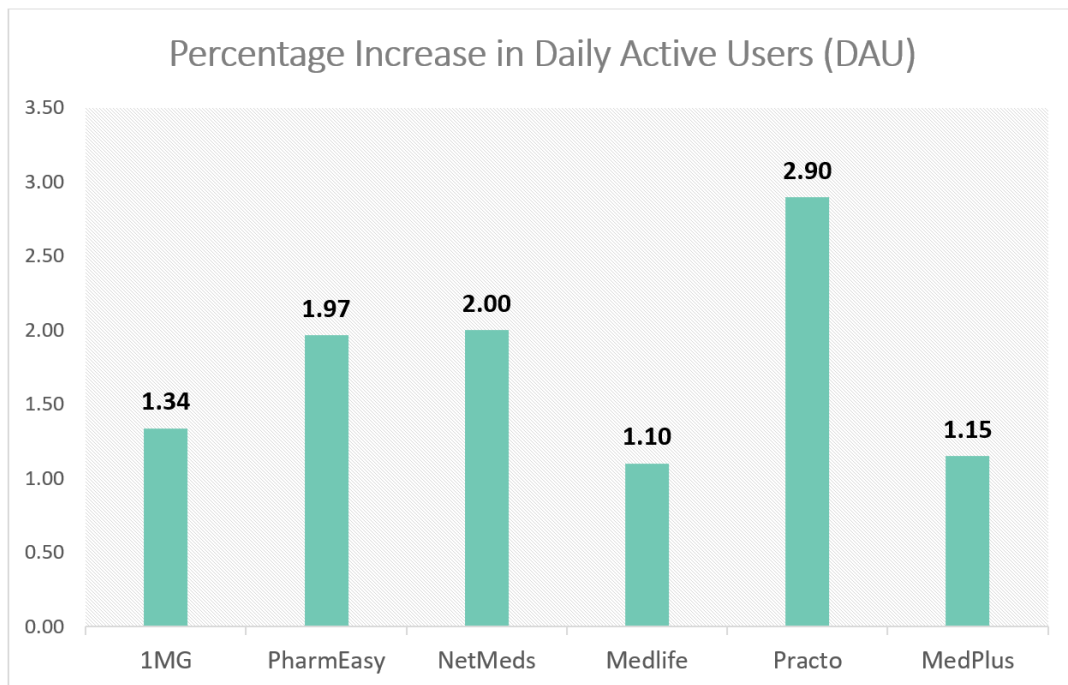
Given the gap between demand and supply of healthcare—it is critical to help technology companies that can plug these holes. Setting up even a clinic is difficult in rural areas where villages are often far away from the closest motorable roads. But even here, telehealth consultations and drone delivery of medicines can make a large impact. This may seem difficult or impossible to achieve from where we are today—a country of 1.3 billion people performing ‘triage’ at scale. But remember, technology leapfrogs.

Presently, e-pharmacy companies mainly operate within three business models—marketplace, where the company acts as an intermediary or meeting ground for buyers and sellers; inventory-led, where the company sources medicines, wellness products and other medical supplies directly from sellers and brands and stocks them; and the franchise-led hybrid model, which is a cross between marketplace and inventory-led models. All three models operate both online and offline—depending on how their supply chains are structured.

Two years ago, it would have been difficult to imagine how important ‘medical’ and ‘pharma’ apps have become in our lives. Fast forward to 2021, companies like 1mg, PharmEasy and Practo are seeing adoption like never before. A look at the data collated and analysed after studying 5.5 million smartphone users confirms this theory:

Surge in the Usage of E-Pharma Apps

In April this year, the usage of pharmacy apps in India, on an average nearly doubled and, in some cases, tripled.



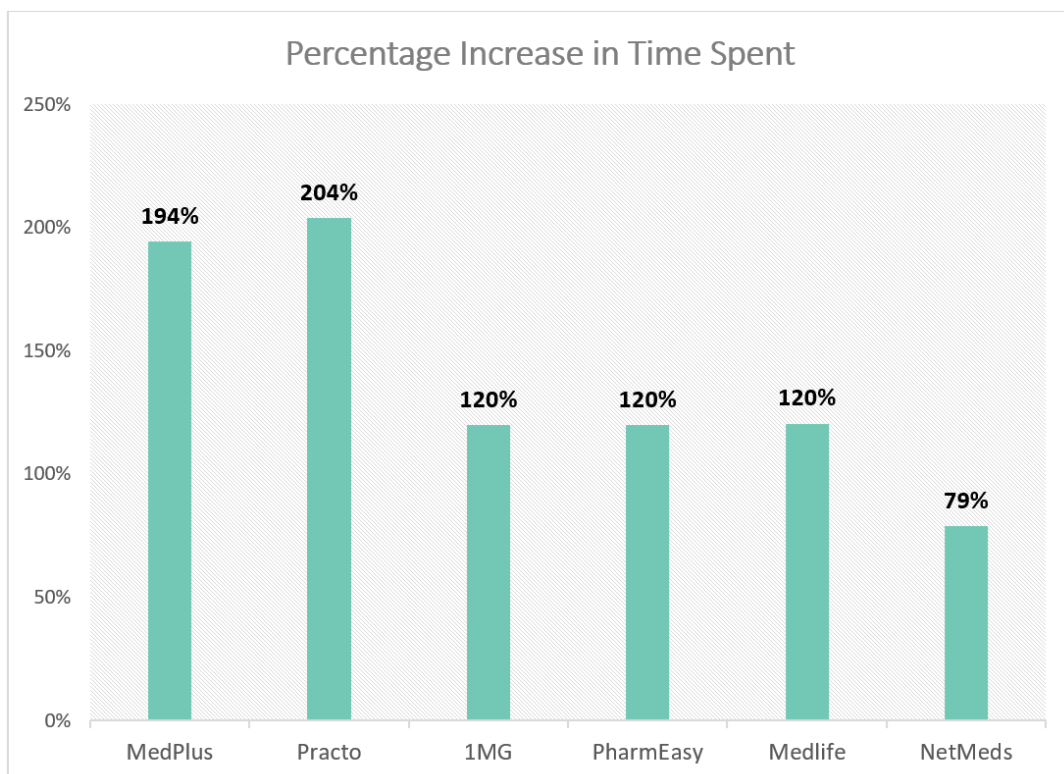
Source: KalaGato

Practo, an online platform that allows users to consult doctors, witnessed a near 3X increase in usage since the beginning of April 2021, followed by NetMeds PharmEasy and 1mg.

With coronavirus cases and fear of infections increasing in tandem, people need medical advice and the one place they can find it without leaving the safety of their homes is—online. In the current paradigm—this is probably more resource

efficient for doctors, too, who can see a larger number of patients in a day. For patients—it saves them time and exposure that waiting rooms and hospitals inevitably bring. Yes, it is difficult for doctors to measure vitals and so on, but in the land of the blind—the one-eyed man is the king. A doctor on your phone is better than none at all.

Naturally, the amount of time users spent on e-pharmacies/consultation platforms has also gone up. Practo continues to rule in this segment too with time spent on the platform getting doubled, followed by MedPlus which is closely followed by 1mg, PharmEasy and Medlife.



Source: KalaGato

Earlier, Practo¹ had reported that 50 million Indians accessed healthcare services online during the first phase of lockdown between March-May 2020.

¹<https://blog.practo.com/5-crore-indians-accessed-healthcare-online-in-the-last-three-months/>

To maximise its reach and provide access to a larger base that may not be well versed with English, Practo launched support in 15 Indian regional languages in April this year, allowing users to choose a doctor who can speak in their preferred language.

About 90% of new internet users in India are regional language speakers. English-first digital platforms, however innovative, are not necessarily helpful for these users. Health tech companies such as MyUpchar, are filling in the language gaps in the e-pharma space by offering teleconsultations, medicine delivery and other digital healthcare services in Indian vernacular languages.

The 'localisation' of the internet—especially in critical areas like healthcare and education—is a crucial and very large unaddressed opportunity. An English only internet leaves millions of Indian families out of the digital revolution.

Big Fish in the Mix

The Indian e-pharmacy market² was estimated at US\$0.5 billion in 2019 with companies such as NetMeds, PharmEasy, Medlife and Img dominating the market. It is projected to reach US\$ 4.5 billion in 2025 at a CAGR of 44% for the period 2019-2025. Projections that need to be revised given the inflection point COVID-19 has become in our lives.

Not surprising then, some of India's largest business houses and multinational e-commerce companies are looking at xbig gains in this nascent but burgeoning space.

In 2020, Reliance Retail acquired a majority stake in Chennai-based Netmeds for ₹620 crore³ (₹6.2 billion), while Tata Group⁴ signed a deal valued at ₹1,200 crore (₹12 billion) with Img to purchase its 65% stake just days ago. PharmEasy, backed by Singapore Temasek Holdings, acquired smaller rival Medlife in August 2020.

²https://assets.ey.com/content/dam/ey-sites/ey-com/en_in/topics/health/2020/09/healthcare-goes-mobile-evolution-of-teleconsultation-and-e-pharmacy-in-new-normal.pdf

³<https://economictimes.indiatimes.com/tech/startups/2020-year-in-review-how-covid-19-is-reshaping-online-pharmacy-in-india/article-show/80010076.cms?from=mdr>

⁴<http://bwdisrupt.businessworld.in/article/Tatas-Set-To-Buy-65-Stake-In-E-pharmacy-Img/14-05-2021-389639/>

