



Complementary Medicines Australia

Complementary Medicines Australia is the leading expert association exclusively committed to a vital and sustainable complementary medicines industry. We believe in a holistic healthcare model based on promoting long-term wellness of the community.

We are unique in representing all stakeholder groups in the complementary medicines industry. Our members include importers, exporters, manufacturers, raw material suppliers, wholesalers, distributors, retailers, practitioners, consultants, direct marketers, multi-level marketers and consumers.

CMA is the principal reference point for members, the government, the media and consumers to communicate about issues relating to the complementary medicines industry.

What are complementary medicines?

Complementary medicines and natural healthcare products cover a diverse range of products including vitamins, mineral and nutritional supplements, special purpose foods, herbal and homoeopathic medicines, aromatherapy products and natural cosmetics.

Join us

Together we are Stronger

For membership enquiries call +61 (2) 6260 4022

Complementary Medicines Australia
Level 1, 105 Mawson Drive, Mawson ACT 2607
PO Box 450, Mawson ACT 2607

www.cmaustralia.org.au

Phone 02 6260 4022

Fax 02 6260 4122

In Good Health

**2014
Complementary
Medicines
Industry Survey**

Published: 31 July 2014

© Complementary Medicines Australia (2014)





FOREWORD BY THE CEO

Carl Gibson

The Complementary Medicines Industry Survey 2014 provides a health check on the growth of the complementary medicines industry compared to the inaugural industry audit report published in 2011. In addition, this survey sets out the challenges of operating a business in Australia and examines the issues that constrain further growth.



In total, 156 companies participated in the survey during November 2013 to January 2014, with representation of a number of industry sectors, including importers, exporters, manufacturers, raw material suppliers, wholesalers, sponsors, distributors, health-food retailers and consultants. The sizes of the respondent companies varied from very large firms to SMEs, with full-time equivalent employee numbers ranging from 1 to 680 and with revenues from \$20,000 to over \$325 million. In order to maintain the confidentiality of the survey's participants all data has been aggregated.

The survey results indicate that the complementary medicines (CM) industry in Australia is healthy and growing in spite of the strong currency, excessive regulatory burden and lingering effects of the Global Financial Crisis. In fact, additional research shows that industry revenue, which now stands at \$3.5 billion, is expected to grow to \$4.6 billion in 2017-2018, and the industry expects an increase to 45,000 employees over the same period.¹ The complementary medicines industry clearly provides a significant and growing contribution to the Australian economy.

Given the growth of health consciousness and the use of complementary medicines as a core element of consumer healthcare, not only in Australia but throughout the world, these results are not surprising.

I would also like to thank Lipa Pharmaceuticals, without whose generous support this survey would not have been possible. In addition, may I thank all 156 companies that participated in the Industry Survey and wish them all the best in health and business.

INDUSTRY SURVEY HIGHLIGHTS

\$3.5 billion complementary medicines industry revenue, expected to grow to \$4.6 billion in 2017-2018

83 per cent of complementary medicine companies are expecting to grow their business over the next three years

Increase to 45,000 jobs as 58 per cent of companies are expected to have a growth in employee numbers during the next three years

62 per cent of complementary medicines companies engaged in the export business

8 out of 10 countries Australia exports to, are in the Asia-Pacific region

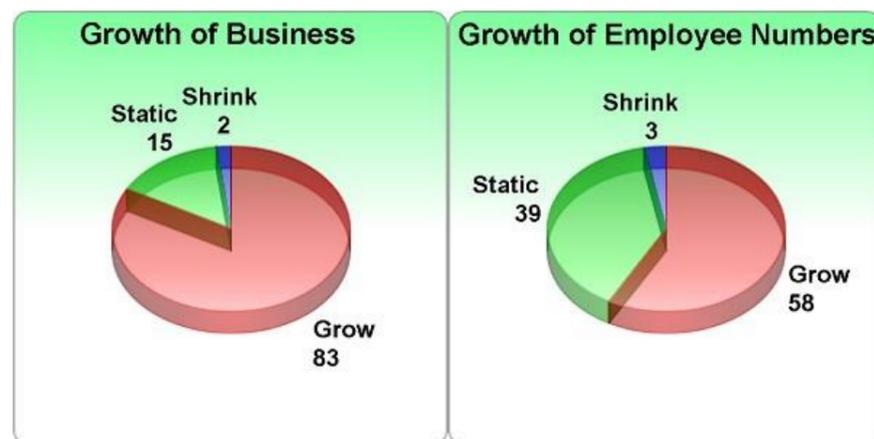
“Excessive regulatory burden” is the top business burden restricting growth while “high operation costs / primary services” are hampering the export potential of manufacturers

A POSITIVE OUTLOOK: A GROWING INDUSTRY



Two significant factors appear to support the growth of the complementary medicines industry in Australia: an ageing population and increase in chronic disease; and the growing awareness of the importance of preventative health and wellbeing. These factors ensure the demand for complementary medicines remains strong. Up to 24 per cent of Australian adults with a chronic health condition regularly use complementary medicines to help them treat their condition, in particular for arthritis and osteoporosis.²

The Complementary Medicines Industry Survey 2014 revealed that 83 per cent of complementary medicine companies are expecting to grow their business over the next three years, while only two per cent thought their business will contract.



The Industry Survey found that 23 per cent of the companies had job vacancies at the time of their participation in the survey. The job descriptions varied from regulatory affairs and new product development to sales assistant and graphic design. 58 per cent of companies are expecting to see a growth in employee numbers during the next three years whereas only three per cent expected this to decrease.

INDUSTRY REVENUES

The survey revealed that 17 per cent of companies in the complementary medicines industry generate \$15 million or more in annual revenue, the majority of these involved in manufacturing.



Interestingly, The *Australia's health 2014* report identified an increase in total recurrent health expenditure, the majority of which was related to increased expenditure for unsubsidised medicines such as over-the-counter and complementary medicines. This highlights a growing consumer preference to take individual responsibility for their health and the importance of an increased commitment to wellness and prevention in health policy.

SALES OF CONSUMER HEALTH BY CATEGORY

Sales of vitamins and dietary supplements grew by 19 per cent in 2013, krill oil being the fastest selling supplement with sales increasing by 180 per cent. Similarly, herbal / traditional products and sports nutrition also grew by 8 per cent and 14 per cent respectively.

Calming and sleeping products such as passion flower and valerian remain popular (15.8 per cent value growth over 5 years) which is also related to the demands of an ageing population.

¹ NICM, http://www.nicm.edu.au/health_information/information_for_consumers/understanding_cm

² Australian adults use complementary and alternative medicine in the treatment of chronic illness: a national study, <http://www.healthissuescentre.org.au/documents/items/2011/11/392698-upload-00001.pdf>

It is expected that the sales of vitamin and dietary supplements will overtake the sales of over-the-counter medicines by 2015.³

Sector	2011 \$m	2012 \$m	2013 \$m	2014 \$m	2015 \$m
OTC	1,926.9	2,029.0	2,117.5	2,158.4	2,197.4
Sports Nutrition	382.9	436.3	498.5	533.7	561.9
Vitamin & Dietary Supplements	1,428.1	1,633.0	1,936.5	2,157.1	2,333.9
Herbal / Traditional Products	423.0	461.6	497.7	531.0	551.2

The Australian Bureau of Statistics (ABS) estimates that only 6 per cent of Australian adults regularly meet the required daily intake of vegetables. Consumers are turning to complementary medicines to fill their nutrition deficit with vitamins and dietary supplements, a trend that reflects the continued growth of this vital industry.

The sale of sports medicine products grew by 14 per cent in 2013 and is expected to continue to grow due to the increasing demand for pre-workout products. The most popular sports medicine products are protein powders, generating \$272 million and holding a 67 per cent value share.

GROWING EXPORTS

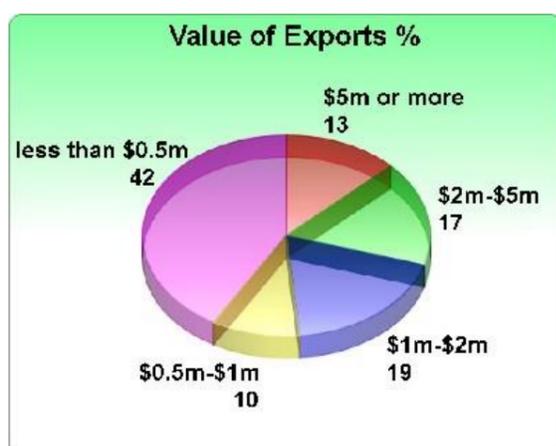
Australia is an important player on the international stage. The Australian complementary medicines industry exports to more than 26 countries, including Germany, Norway, South Africa, Switzerland, Vietnam, Indonesia and Japan.

Top 5 Markets		
1	New Zealand	61%
2	Singapore	38%
3	Hong Kong	36%
4	Malaysia	29%
5	China	26%

The survey highlighted that over 60 per cent of complementary medicines companies (excluding retailers) are engaged in exporting. In this, the Asian Century, Australia's trade focus is naturally directed towards the Asian region. All top five trading partners belong to the Asia-Pacific region and all but two places (No. 7: United States and No.9: United Kingdom) in the top ten are occupied by Asia-Pacific nations.

The complementary medicines industry appreciates that economic integration with Asia and openness to the region will be fundamental to the future success of the industry. With the recent signing of free trade agreements (FTAs) with Japan and Korea, and the current engagement in bilateral FTA negotiations with China and Indonesia and with Vietnam through the Trans-Pacific Partnership Agreement, it is likely that the expansion of complementary medicines business activities in the Asian region will remain a strong priority.

Although the overall value of exports is not large at this stage, a number of Australian companies have been successful at exporting to the Asian region. However, there are a number of factors such as regulations, standards and competing policies in trade partner countries that have impacted heavily on Australian companies' abilities to export to those markets.



For instance, according to survey results, complementary medicines manufacturers have indicated "excessive regulatory burden" as the top issue facing their business overall, while "high operation costs / primary services" are hampering the export potential of manufacturers.

MANUFACTURING SECTOR

Despite the challenges facing Australian manufacturing and the increasing need to produce innovative and value-added products in order to compete globally, Australian complementary medicine manufacturers have expressed a positive outlook for the future.

It is encouraging that the survey revealed 85 per cent of complementary medicines manufacturers expected to grow their business over the next three years while only three per cent expected their business to contract.

	Do you expect your business to Grow, Shrink or be Static?
Grow	85%
Shrink	3%
Static	12%

Similarly, 72 per cent of complementary medicines manufacturers expect to see growth in employee numbers during the next three years and no single company foresees a decrease. Across the other industry sectors, 58 per cent of companies expecting employee numbers to grow.

	Do you expect the number of employees to grow, shrink or be remain static?
Grow	72%
Shrink	0%
Static	28%

The rate of manufacturing-related job vacancies was also highest compared to other industry sectors. Areas of manufacturing-related vacancies vary widely and included jobs in marketing, regulatory affairs and new product development.

Job Vacancies

	Do you have any job vacancies?
Yes	44%
No	56%

Areas of Vacancies

Marketing
Sales (Reps, merchandisers)
Sourcing
Production
Education
Regulatory affairs
New product development
Warehousing
Distribution
Administration
Naturopathic

Many of the complementary medicines industry largest revenue producers are manufacturers. 52 per cent of manufacturers boast turnovers of \$15million or more.

Turnover

	Turnover Bands for Complementary Medicines Manufacturers
Less than \$0.5M	4%
\$0.5M - \$1M	7%
\$1M - \$2M	4%
\$2M - \$5M	11%
\$5M - \$10M	15%
\$10M - \$15M	7%
\$15M or more	52%

Export rate

About 80 per cent of complementary medicines industry manufacturers are engaged in exporting.

	Do you Export?
Yes	79%
No	21%

Export Earnings for Manufacturers

	Export Earning for Complementary Medicine Manufacturers
Less than \$0.5M	31.5%
\$0.5M - \$1M	16%
\$1M - \$2M	10.5%
\$2M - \$5M	10.5%
\$5M or more	31.5%

³ Consumer Health in Australia, Euromonitor International

THE MAJOR ISSUES AFFECTING THE COMPLEMENTARY MEDICINES MANUFACTURING SECTOR

1. Excessive Regulatory Burden

According to the *Global Competitiveness Report 2013-2014*, one of Australia's disadvantages for remaining competitive within global markets is the "burden of government regulation". Survey results indicate that the complementary medicines manufacturing sector is certainly not exempt from feeling the pressures of excessive red tape. In fact, 83 per cent of complementary medicines manufacturers raised excessive regulatory burden from the Therapeutic Goods Administration (TGA) as the biggest challenge affecting their business.

What are the Major Issues Affecting your Business?		
1	Excessive Regulatory Burden – TGA	83%
2	High operating costs / primary services	43%
3	Discounting of product through supermarket and pharmacy chains	40%
4	Transportation / freight costs	31%
5	Regulatory uncertainty	29%

It is therefore encouraging to acknowledge the Government's commitment to a reduction in regulatory burden and the key deliverables for the TGA of reducing red tape and participating in international harmonization to streamline regulatory requirements.

Importantly, of the red tape issues raised as the most burdensome, survey respondents answered that the "registration pathway for complementary medicines being too long and cumbersome" as well as the "length of time it takes for new substances to gain approval" as being the biggest impediments to business (57%).

A number of respondents noted that Australia has one of the strictest regulatory environments in the world for complementary medicines and questioned the necessity of this level of regulation for low risk products. Regulatory burden was found to be particularly difficult and an increasing challenge for small and medium-sized enterprises.

2. High Operating Costs

Another frequently raised concern was high operating costs / cost of primary services, with 43 per cent of manufacturers reporting these as major constraints affecting their business. Of these, the cost of labour was highlighted as the biggest issue (80%), followed by employment costs such as workplace health and safety etc. (40%) and electricity costs (33%). High domestic operating costs raise a significant challenge for Australian manufacturers in competing with overseas companies.

3. Growth of Discount Pharmacies and Supermarket Chains

The third largest obstacle for manufacturers raised by survey respondents was the discounting of their products through supermarket and pharmacy chains (40%).

With the proliferation of the internet and the easy access to information this engenders, the style of pharmacy in Australia has seen dramatic change. Customers now have easy access to quality online information regarding their ailments and often seek the cheapest prices from the large supermarket chains and 'one stop' health and beauty shops, or so-called para-pharmacies.

As one example, Chemist Warehouse Group was rated the 16th largest retailer in Australia in 2013, has slightly under 300 stores throughout Australia, and boasted over \$2 billion in sales last year (up from \$1.8 billion in 2012).

Due to the growth of para-pharmacies and online shopping, the manufacturing sector is under pressure to discount branded products or to shift towards producing a greater proportion of generic products in order to remain competitive. This will continue to be an issue with the increasing ability of supermarkets to stock over-the-counter and complementary medicine products and with the growing market presence of para-pharmacies.

Other Issues:

Appealing for Increased Recognition of the Complementary Medicines Industry in Preventative Health

With around three quarters of consumers already proactively using complementary medicines for health maintenance and in disease prevention and treatment, complementary medicines are a growing and often underestimated part of Australia's health care system.

A number of economic analyses have emphasised the cost effectiveness of complementary medicines in the prevention and management of chronic diseases, and the WHO Traditional Medicine Strategy 2014-2023 highlights the potential contribution that complementary medicines can make to health, wellness and people-centred healthcare through the appropriate integration of complementary medicines into the healthcare system.

Survey respondents raised concerns that health practices are still focused on the treatment of disease as opposed to its prevention and the optimisation of health. These respondents feel there is a need to increase recognition of the role of complementary medicines in public health policy and preventative health.

A Healthy Future

With the potential of the Government's de-regulation agenda to allow Australian businesses to become more competitive and more innovative, and with the growing consumer demand for complementary medicines as a core element of caring for their health and wellness, our industry has much to offer to both the preventative health agenda and the Australian economy.

Our industry is in good health.

