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# The State of Online Medicine Delivery In Bangladesh

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## Introduction

A small number of online medicine delivery startups are looking to disrupt Bangladesh's healthcare landscape, beginning with on-demand medicine delivery to now becoming 'full-stack' healthcare service providers. First, start with delivering medicine online, and then offer other related healthcare services such as virtual doctor consultation, online doctor appointments, at-home diagnostics service, etc. by taking advantage of the integrated nature of the healthcare services.

Investments in Bangladesh's health-tech startups saw steady growth over the last several years. Between 2015 and 2023, healthcare startups in Bangladesh raised \$32 million in disclosed investment. This includes investment raised by top healthcare companies such as Praava Health as well as online medicine delivery startup Arogga. This number is insignificant if you compare it with similar verticals in other markets such as India. But given the nascent stage of the startup ecosystem in Bangladesh, this is a meaningful number. The sector, however, offers large opportunities that deserve serious attention.

There are several drivers behind a strong online pharmacy market thesis in Bangladesh. A generational shift in consumer behavior towards digital shopping is further aided by a growing internet and mobile penetration and the government's focus on digitization with the 'Digital Bangladesh' initiative. A highly underdeveloped healthcare sector that needs more and better service providers. As the population demographic of Bangladesh changes over the next few decades, this challenge will become even more prominent. Take, for instance, only 5.4% of the total Bangladesh population was above the age of 60 years in 1990 and that number is expected to reach 21% by 2050. An aging population means the rise of various chronic diseases and non-communicable diseases that will lead to increased demand for daily medicines. Healthcare expenditure in the country has been on the rise reaching \$7.77 billion in 2020 from \$6.76 billion in 2018. Over 64% of this expenditure goes to drugs, followed by 11.7% and 10.8% in lab costs and doctor fees respectively. Spending on medicine is expected to rise further at the confluence of rising chronic diseases, rising health awareness, and rising income. Finally, Bangladesh has a strong economic story. Between 2012 and 2021, Bangladesh's GDP almost tripled. The country is predicted to become a trillion-dollar economy by 2040.

These market trends are further aided by cultural shifts such as growing urban dual-income families who are increasingly time-poor and embrace any chance of convenience. All these factors are contributing to the rise of services like online pharmacies.

Online pharmacies are digital platforms, both app and web, where consumers can purchase medicines online and get them delivered to their home/office without having to visit brick-and-mortar pharmacies. They offer convenience, transparency, and aggregation.

The vertical has seen meaningful adoption over the last few years, with an estimated revenue reaching \$59.00 million in 2022. The market is projected to reach \$172.90 million by 2027.

Prominent online pharmacy players at the moment include Arogga, Shombhob Health, MedEasy, Praava Health (as part of its broader healthcare play), and BanglaMeds (owned by Chaldal). Some of the players such as Arogga and MedEasy have raised meaningful capital.

In a nutshell, there is a significant tailwind in favor of online pharmacies.

The nascent vertical also faces a series of critical challenges. The high density of offline retail pharmacies, the strong culture of going to retail pharmacies for medicine and other healthcare needs, the limited adoption of digital services, and the lack of trust in online services are some of the major challenges that online pharmacy startups will have to overcome.

By all means, online pharmacy is at its nascent stage in Bangladesh, but like other emerging verticals, has the potential to become a large industry segment in the near future. Healthcare is a complex and fascinating sector that offers big opportunities. There is a growing demand for quality healthcare services in Bangladesh. The growing market opportunities in healthcare will continue to drive growth in this segment over the next decade.

In this whitepaper, we aim to provide an overview of the state and the future of online medicine delivery in Bangladesh within this context. The paper will offer you an understating of the market reality and opportunity for online pharmacy and by extension online healthcare services in Bangladesh, the drivers behind the online pharmacy thesis, the current state of the online medicine delivery landscape in Bangladesh, and challenges and opportunities for the sector going forward.

We have organized this paper into six sections: 1) Understanding The Healthcare Landscape In Bangladesh 2) Retail Pharmacy Market Landscape 3) The Emerging Online Pharmacy Landscape in Bangladesh 4) Challenges for online pharmacies in Bangladesh 5) Opportunities and 6) Recommendations to make the online pharmacy model long-term sustainable.

## **1.0 Understanding The Healthcare Landscape In Bangladesh**

A growing challenge of providing quality healthcare services to 170 million people

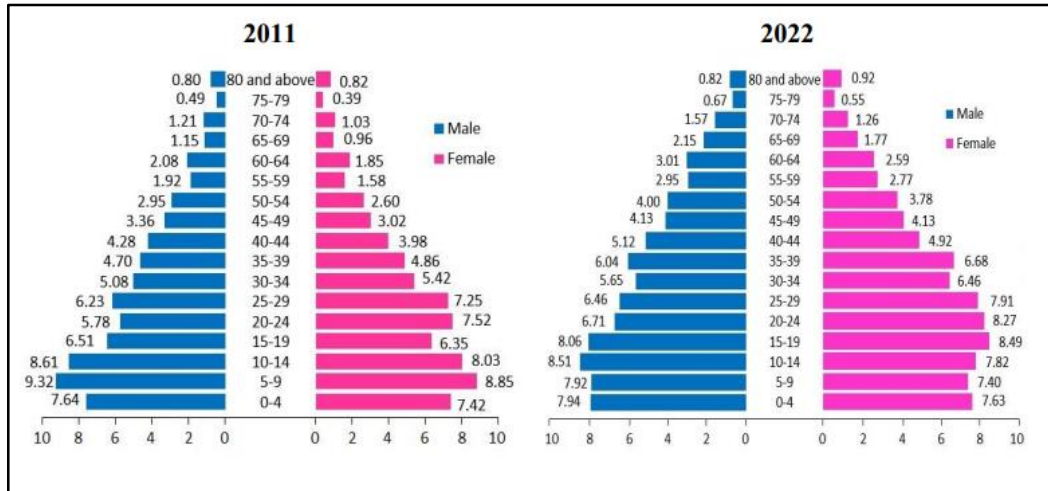
### **1.1 A Young Population That Will Grow Old**

*Increasing life expectancy coupled with an aging population will create new healthcare dynamics for Bangladesh*

In 2020, the median age of the Bangladesh population was 25.9 years. It is a young population by all means but 20-30 years from now, the median age will change. For instance, only 5.4% of the total Bangladesh population was above the age of 60 years in 1990, a number that is expected to reach 21% by 2050. Over the years, life expectancy has gone up across the world. Bangladesh is no different. It means population growth will accelerate with a large aging population.

These dual changes will pose new challenges for the country’s already ailing healthcare system. Healthcare remains a highly underdeveloped sector in Bangladesh. The sector faces multifaceted challenges with a growing demand for quality healthcare services.

The graph and table below show the percentage of the total population by age group.<sup>1</sup>



(Source)

Age	1950	1990	2020	2023	2030	2050
0-14	41.2	42.9	27.0	25.5	23.4	17.9
15-64	55.0	53.6	67.4	68.2	68.7	66.7
60+	5.8	5.4	8.8	9.5	11.8	21.3
65+	3.9	3.5	5.6	6.3	7.9	15.4
80+	0.3	0.4	0.8	0.9	1.2	3.3

(Source)

1

[https://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b343a8b4\\_956b\\_45ca\\_872f\\_4cf9b2f1a6e0/2023-09-27-09-50-a3672cdf61961a45347ab8660a3109b6.pdf](https://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/b343a8b4_956b_45ca_872f_4cf9b2f1a6e0/2023-09-27-09-50-a3672cdf61961a45347ab8660a3109b6.pdf)

## 1.2 A Upward Trend of Healthcare Expenditure

Bangladesh has a large domestic healthcare market. The current landscape of healthcare is primarily dominated by the private sector with high growth in tertiary hospitals and diagnostics centers.<sup>2</sup>

The Bangladesh National Health Accounts (BNHA) estimated that the total health expenditure in 2020 was \$7.77 billion,<sup>3</sup> compared to [\\$6.76 billion in 2018](#). Per capita healthcare spending in the country was estimated to be \$42 during the same period. Of this expenditure, over 64% goes to drugs, followed by 11.7% and 10.8% for lab costs and doctors, respectively. However, primary healthcare is still not accessible to all.<sup>4</sup>

Out-of-pocket (OOP) healthcare expenditure in Bangladesh has been steadily growing. The World Health Organization (WHO) reported that the OOP figure accounted for 74% of the total healthcare expenditure in 2020.<sup>5</sup>

With economic growth, the government is expected to expand its investment in the sector. Similarly, the current relatively low per capita spending on healthcare is anticipated to rise as income and affordability increase. In every respect, the sector is undergoing a gradual transformation. Meanwhile, digital healthcare services, including online pharmacies, at-home diagnostic services, online doctor appointments, and virtual consultations, have been experiencing a gradual yet hopeful adoption.

## 1.3 A Growing Economy

Bangladesh has demonstrated a strong track record of economic growth over the last few decades, with GDP growth surpassing the 7% and 8% milestones in FY 2015-16 and FY 2018-19, respectively. The country achieved the status of a lower-middle-income country in 2015 and is expected to graduate from the UN's Least Developed Countries (LDC) list in 2026.

The size of the GDP has expanded from about [\\$253 billion in 2014 to \\$460.2 billion in 2022](#), and this growth is projected to continue at least until 2028. With a GDP per capita of approximately \$2,800, Bangladesh has already surpassed India in this regard.<sup>6</sup>

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<sup>2</sup> <https://bida.gov.bd/healthcare#section1>

<sup>3</sup>

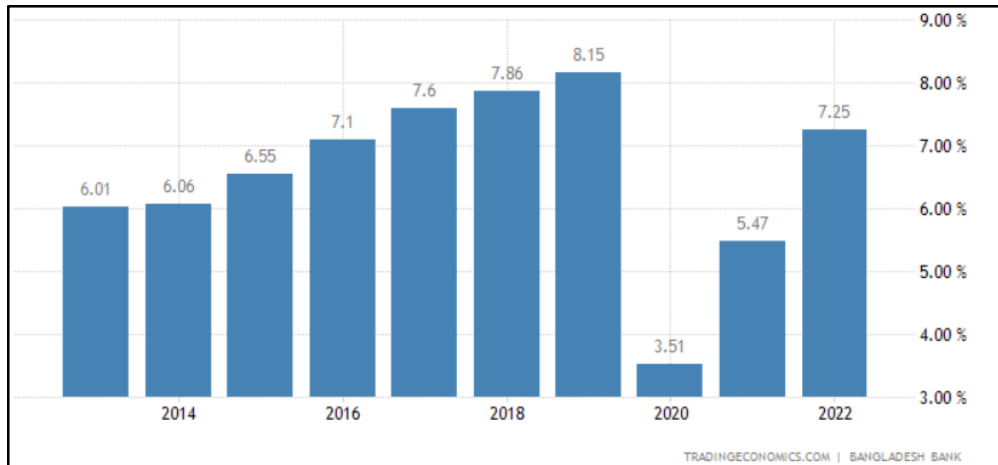
[https://heu.portal.gov.bd/sites/default/files/files/heu.portal.gov.bd/page/0c736066\\_95ed\\_45fa\\_85bd\\_599a5c498e3d/2022-04-30-17-01-5d2144f4fa7b2efafc2cf5f0374ab605.pdf](https://heu.portal.gov.bd/sites/default/files/files/heu.portal.gov.bd/page/0c736066_95ed_45fa_85bd_599a5c498e3d/2022-04-30-17-01-5d2144f4fa7b2efafc2cf5f0374ab605.pdf)

<sup>4</sup> <https://www.thedailystar.net/opinion/views/news/when-healthcare-comes-high-price-3230716>

<sup>5</sup> <https://www.thedailystar.net/opinion/views/news/when-healthcare-comes-high-price-3230716>

<sup>6</sup> <https://www.bcg.com/publications/2023/bangladesh-grows-economy-with-emerging-champions>



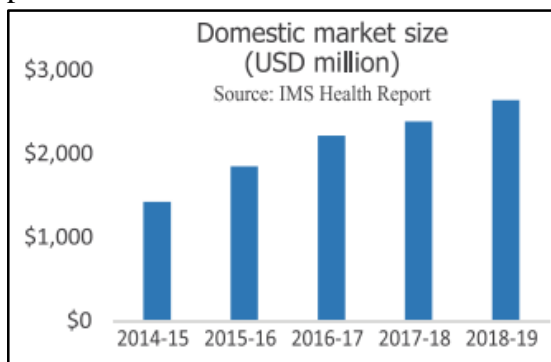


(Source)

Bangladesh has a large population, roughly twice that of Germany. Consumption is expected to change on the back of rising per capita income and a growing middle class.

#### 1.4 Bangladesh Pharmaceutical Market

The pharmaceutical industry is one of the most advanced and fast-growing sectors in Bangladesh. It took off in the 1980s after the adoption of the National Drug Policy, and today, the industry meets 98% of the domestic demand.<sup>7</sup> The pharmaceutical market is expected to surpass [\\$6 billion by 2025](#). According to a 2019 IMS Health Care Report, the local pharmaceutical market was estimated to be around \$3 billion.



(Source)

## 2.0 Retail Pharmacy Market Landscape

### *Gauging the Pharmacy Opportunity*

Retail pharmacies play an important role in Bangladesh’s healthcare landscape. A large percentage of the Bangladeshi population uses local pharmacies as their first source of healthcare services.

<sup>7</sup> <https://bida.gov.bd/storage/app/uploads/public/616/6c2/000/6166c2000004a202755426.pdf>

The private retail pharmacy market in Bangladesh is largely semi-regulated which is partly responsible for the irrational use of drugs, high out-of-pocket expenditure on health, and counterfeit medicines<sup>8</sup>. Per the Directorate General of Drug Administration (DGDA), the number of authorized pharmacies, including general shops and model pharmacies was 155,589 in 2019-20.<sup>9</sup> There is an estimated equal number of unlicensed retail pharmacies.<sup>10</sup>

We mentioned earlier that 74% of total healthcare expenditure comes from out-of-pocket (OOP), of which 65% is spent at retail pharmacy shops.<sup>11</sup>

The market is primarily dominated by generic drugs, which is 71.4% of the total sales, followed by over-the-counter drug sales (21.3%) and patented drugs (7.3%). Per capita pharmaceutical spending was estimated to be \$18.9 in 2019. While communicable diseases were almost 70% of the epidemiology in Bangladesh until 2014, non-communicable diseases have seen a steady rise over the last decade.<sup>12</sup>

## 2.1 Challenges for Retail Pharmacy

**Hyper competitive:** Retail Pharmacy is a highly fragmented and competitive industry with ~155,589 registered pharmacies across the country (DGHS 2019), and an equal number of unregistered pharmacies. There has also been a rise of pharmacy chains by large healthcare players such as Lazz Pharma, Well Pharmacy, etc. that put extra pressure on the smaller individual shops.

**Irregularities and Counterfeit Risks:** Pharmacies in Bangladesh are often run by shopkeepers with minimum training.<sup>13</sup> A 2017 study on the state of Bangladesh retail drug shops found: “Forty-nine percent of the salespersons had no formal training in dispensing and learned the trade through an apprenticeship with fellow drug retailers (42%), relatives (18%), village doctors (16%), etc.<sup>14</sup> Overall, 65% of customers visited drug shops without a prescription. This leads to potential drug abuse, mistakes, and other challenges.” There are complaints about selling substandard and fake medicines, largely because many pharmacies operate without licenses.

**Inventory Management, friction, and inefficiencies:** The majority of pharmacies don’t maintain inventory and stock register. Overall, the retail pharmacy ecosystem has high friction, leading to inefficiencies and high costs to the consumers. A technological upgrade of the model can help streamline the processes.

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<sup>8</sup> <https://joppp.biomedcentral.com/articles/10.1186/s40545-017-0108-8#ref-CR5>

<sup>9</sup> <https://en.prothomalo.com/business/local/pharmacy-business-booms-during-pandemic>

<sup>10</sup> <https://joppp.biomedcentral.com/articles/10.1186/s40545-017-0108-8#ref-CR5>

<sup>11</sup> <https://joppp.biomedcentral.com/articles/10.1186/s40545-017-0108-8>

<sup>12</sup> [https://pharmexcil.com/uploads/countryreports/Bangladesh\\_Market\\_Regulatory\\_report2020.pdf](https://pharmexcil.com/uploads/countryreports/Bangladesh_Market_Regulatory_report2020.pdf)

<sup>13</sup> <https://joppp.biomedcentral.com/articles/10.1186/s40545-017-0108-8>

<sup>14</sup> <https://joppp.biomedcentral.com/articles/10.1186/s40545-017-0108-8>

### 3.0 The Emerging Online Pharmacy Landscape in Bangladesh

Bangladesh now has a small yet growing online pharmacy sector. These startups are seeking to leverage the above-mentioned challenges as well as emerging opportunities in the healthcare sector to build enduring organizations. Online pharmacies are digital platforms, both apps and websites, that allow consumers to purchase medicines online without having to visit brick-and-mortar pharmacies, delivering them to customers' locations. These platforms offer convenience, transparency, and aggregation.

The revenue in the online pharmacy segment in Bangladesh is estimated to reach [\\$59.00 million in 2022](#), and the market is projected to reach \$172.90 million by 2027 at an annual revenue growth rate (CAGR) of 23.99%. While online pharmacies in Bangladesh have been experiencing consistent growth as the market becomes more aware of their existence, the online market is still relatively small compared to the huge retail pharmacy market.

Prominent online pharmacy players at the moment include Arogga, Shombhob Health, MedEasy, Praava Health (as part of its broader healthcare play), and BanglaMeds (owned by Chaldal).

#### 3.1 Drivers behind a strong online pharmacy market thesis in Bangladesh

- **A generational shift in consumer behavior.** A generational shift in consumer behavior is underway aided by the increasing prevalence of the digital economy, presenting both new opportunities and challenges for businesses of all types. There has been a trend towards digitization on a global scale. Many investors have made it a priority to expand the digital economy. The increasing use of the internet and digital devices has also contributed to the shift toward online. Online delivery services in Bangladesh experienced meaningful growth over the last few years. The trend has also impacted the healthcare landscape in the country, giving rise to a new generation of digital healthcare services. Online pharmacy is an extension of this growing trend.
- **Growing digital adaptation.** Bangladesh has a growing tech ecosystem with digital services seeing an increasing penetration. Internet and mobile have seen a growing penetration—[50% smartphone penetration and 95% 4G coverage](#). While there are caveats and nuances to these numbers, despite various limitations, the market for digital commerce has grown. The last five years have seen a number of digital commerce and on-demand delivery services thrive. Online medicine delivery has become one of the prominent verticals in the overall on-demand delivery trends. The government's focus on digitization with initiatives like Smart Bangladesh has also accelerated the whole thing.
- **Changing disease patterns.** Bangladesh has been seeing a rise in non-communicable and chronic diseases over the last decade. This shift in disease patterns towards chronic diseases has led to increased demand for daily medicines. Online pharmacies provide cost benefits to chronic disease patients by supplying medicines at lower cost along with

providing regular reminders for replenishing medicines in turn leading to increased drug compliance as well as convenience of home delivery.

- **A growing time-poor urban population with dual-income families and in need of convenience services.** We are seeing a rapid change in family dynamics across the board. The number of nuclear families where both husband and wife work is on the rise. All these changes are contributing to a growing demand for online convenience services.
- **Increased spending on medicines.** Medicine spending in Bangladesh is expected to increase. With the increase in awareness, the rising aging population, growth in per capita income, and changes in lifestyles, the demand for advanced medical treatment is expected to increase.
- **Investment:** Online medicine delivery has attracted a fair bit of attention from investors over the last five years. Many investors see online medicine as an easy segway to get into broader healthcare play.
- **Economic growth and the Bangladesh market narrative.** Bangladesh has an economic story that has been attracting a lot of attention lately. Between 2012 and 2021, Bangladesh's GDP almost tripled. The country is predicted to become a trillion-dollar economy by 2040.

### 3.2 Major Online Pharmacy Players in Bangladesh

Pharmacy is a highly fragmented market in Bangladesh. Brick-and-mortar pharmacies continue to dominate the market. However, we are seeing a small number of online pharmacy players slowly gaining market share. A few of these players such as Arogga and MedEasy have raised meaningful capital as well. Some of the traditional offline pharmacies have also built their online delivery business. Prominent online pharmacy players include:

- **Arogga.com:** Arogga is among the most prominent players in the market. The company has raised significant investment in recent times and has made a good name for excellent execution within a relatively short period. Arogga is one of the key players in the vertical and apparently has the firepower to grab early market share.
- **MedEasy:** MedEasy is one of the prominent online pharmacies and digital health platforms in Bangladesh. The company provides medicine home delivery across Bangladesh primarily targeting the chronic diseases segment. The company raised investment from Accelerating Asia and says it has seen excellent growth.
- **Osudpotro:** Osudpotro offers home delivery of both over-the-counter and prescription medicine to customers in Bangladesh. The company says it has the largest medicine *“inventory in Bangladesh with over 7 lakh medicines available at the best prices.”*

Osudpotro also sells other healthcare products, “*such as over-the-counter pharmaceuticals, healthcare devices, and sexual wellbeing products.*” The company claims to deliver products to customers between 45 minutes to 4.5 hours depending on the delivery type the customer chooses. Customers can order through the Osudpotro app or website or over the phone. The company also has a number of physical pharmacies.

- **BanglaMeds.com:** One of the early players in the online pharmacy space. Chaldal acquired BanglaMeds last year. The company apparently has greater firepower and opportunities to leverage Chaldal’s reach and resources to grow more aggressively. BanglaMeds also plans to get into other digital healthcare services.
- **Shombhob Health:** Shombhob is an online pharmacy that sells both medicines and healthcare products. Shombhob also has one offline pharmacy that works as both a warehouse and an offline pharmacy. The company has built a unique growth strategy focusing on building a women-focused brand.
- **HealthOS:** HealthOS serves as the digital platform for the distribution and logistics of healthcare and pharmaceutical products in Bangladesh. The company says it provides same-day delivery to thousands of pharmacies. HealthOS can be called a B2B commerce company for pharmaceutical and healthcare products where pharmacies and other healthcare retailers can order products using the HealthOS app and HealthOS delivers the product directly to the pharmacies. The companies serve as a bridge between suppliers, pharmacies, and healthcare facilities.
- **Lazz Pharma:** One of the largest and oldest pharmacy chains in the country, also runs a successful online operation. It has strong brand awareness and a wide offline presence and can potentially compete with any online players. However, Lazz comes from a traditional offline background which can potentially be a challenge for the company to effectively prioritize its online operation. But if it can overcome the innovator’s dilemma, it is a strong contender.
- **Players that offer online medicine delivery as part of other healthcare services:** There are other players such as Praava Health, DocTime, Zaynax, and AmarLab, which run online pharmacies along with other digital and offline healthcare services.

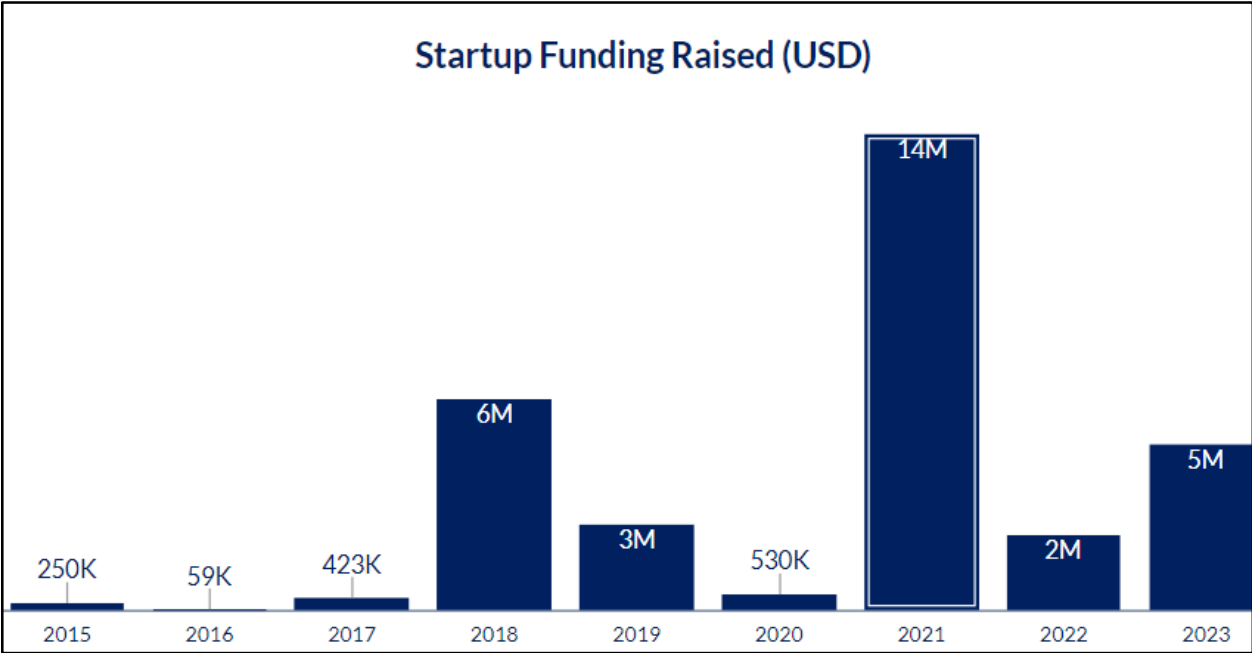
### **Major Online Pharmacy Players Eye Additional Healthcare Services**

Being digital players, online pharmacies have the advantage of offering additional services to their existing customers. The idea is that the customers who buy medicine from you will also purchase other healthcare services and vice-versa. Moreover, in many instances, online pharmacy players do need to expand into adjacent services such as virtual consultation, online appointment booking, at-home diagnostics, etc due to strategic reasons. We look into major online pharmacy players who look to expand beyond medicine delivery.

Major Players	Online Consultation	Home Diagnostics	Doctor Appointment	Information and education
Agrogga				
MedEasy				
BanglaMeds				
Shombhob Health				

### 3.3 Investment Landscape

Healthcare startups in Bangladesh raised \$32 million in disclosed investment between 2015 and 2023. This includes investment raised by top healthcare companies such as Praava Health which are not pure online pharmacy players. Pure play online pharmacy startups have raised nearly \$7 million in disclosed funding in 2023 alone. Some of the top-funded online pharmacy startups include Arogga, MedEasy, Shombhob Health, etc.



Sources: [LCP Startup Funding Dashboard](#), Future Startup Research

#### Top-funded online pharmacy startups

<b>Startup</b>	<b>Total disclosed funding</b>
Arogga	5.6
MedEasy	\$850K
Praava Health (runs an online pharmacy operation along with its family healthcare services)	\$10.6M
AmarLab	\$295.7K
Shombhob Health	\$300k
HealthOS	N/A
Maya	\$2.2M

**3.4 Dominant Online Pharmacy Models in Bangladesh**

In many ways, online pharmacies operate on business models that are similar to ecommerce and on-demand delivery services. However, being healthcare operations, there are meaningful differences in how these companies run. Take for instance, marketplace ecommerce platforms usually act as facilitators between buyers and sellers and charge a commission for enabling the transaction. The underlying idea is aggregation—the ecommerce platform aggregates demand from customers and in exchange for that demand charges commission from the suppliers. The demand aggregation eventually turns into market power on both ends of the supply and demand. More demand/customers bring more suppliers, and more suppliers bring more demand, creating a virtuous cycle.

However, most online pharmacies are more like inventory-led eCommerce platforms where the platform maintains inventory and manages the logistics in-house. It buys medicines from manufacturers, manages the inventory in its warehouse, and sells to customers through its online and offline channels. While it is not a commission model, demand aggregation remains central to the success of these platforms. The more demands a company aggregates, the more market power it accrues. The market power in turn helps it to get better deals from the suppliers. Similarly, it can help it expand into adjacent verticals more readily.

The second distinction of many online pharmacies is their inclination to expand into adjacent healthcare services such as online doctor appointments and virtual consultancy, at-home diagnostics services, and so on.

Let's take a look at the dominant online pharmacy models:

- **Inventory-led Model:** A common ecommerce model where an ecommerce company owns the inventory and makes money on the margin. Many online pharmacies follow a similar model where they own the inventory of medicines and healthcare products and manage warehouses and fulfillment centers across geographic locations. Once orders are received via its website/app, they are checked and delivered accordingly. Almost all major online pharmacy players in Bangladesh are inventory-led. Some of the players are now looking to turn their warehouses and fulfillment centers into offline pharmacies.
- **Marketplace Model:** Marketplace models are where an ecommerce company connects buyers and sellers via a website or app and earns revenue from the commission. Bangladesh doesn't have any prominent marketplace online pharmacies.
- **Generic eCommerce Marketplace:** General purpose ecommerce platforms such as Daraz that sell a wide variety of products like electronics, fashion, cosmetics, and also medicines and healthcare products. These companies see being a general purpose ecommerce can offer them meaningful benefits in acquiring customers. Customers who buy fashion may also buy medicine.
- **B2B online pharmacies:** These companies are similar to B2B ecommerce companies where instead of selling to customers, these online pharmacies supply medicines and healthcare products to retail offline pharmacies. Offline pharmacies order products using the app/website of these B2B platforms and they deliver the products to the pharmacies. HealthOs is a prominent B2B player in the space in Bangladesh.

### 3.5 Regulations for e-Pharmacy

The Directorate General of Drug Administration under the Ministry of Health & Family Welfare, Government of the People's Republic of Bangladesh released an SOP for online pharmacy on the sale of drugs by online pharmacies in 2017. [A reviewed version was published on 19. 07. 2122.](#) The guideline apparently suggests that licensed pharmacies can sell online with the permission of the drug administration. It also hits at the requirement for online pharmacies such as having a minimum physical presence and also running the pharmacies with A-grade registered pharmacists.



### 3.6 Retail Pharmacy vs. Online Pharmacy

Let's take a look at the difference between retail pharmacy and online pharmacy in Bangladesh. The online pharmacy model offers a number of benefits over the traditional retail pharmacy model. However, at the same time, the model suffers from a series of disadvantages.

<b>Model</b>	<b>Retail Pharmacy</b>	<b>Online pharmacy</b>
Cost advantage	Retail pharmacies face greater operational costs.	Online pharmacies enjoy certain cost benefits due to their operational structure. However, logistics and warehousing eventually even out the relative advantage.
Counterfeit	There are complaints against unregistered retail pharmacies for selling counterfeit or low-quality products.	Online pharmacies claim that they don't and can't sell low-quality or counterfeit products. However, since anyone can buy medicines online, it creates a higher chance of abuse.
Inventory Management	Faces challenges with inventory management because of the limited technology adoption.	Streamlined inventory management allows operational efficiency and superiority.
Aggregation	Doesn't allow the benefit of aggregation. You can only serve a certain number of customers in one location with one outlet.	Allows demand aggregation, where one online pharmacy can serve a large number of customers at scale and across geographies.
Additional healthcare services	Can offer value-added services but within certain limits. For instance, many pharmacies offer doctor consultation services. But will need significant investment to add more services.	Can offer additional healthcare services such as virtual consultations, doctor appointments, home diagnostic services, etc.

Personalized service	Limited opportunity to provide personalized services.	Can provide reminders, information, and education to customers based on their behavior and needs.
Challenges	Cost structure, counterfeit, growing digitization, etc.	Customer behavior, market structure, the ubiquity of retail pharmacies, logistics, and perception.

### 3.7 Status of Online Pharmacies in the South Asia Region

Online pharmacies have seen meaningful proliferation across the South Asian market. For instance, India has a significant number of online pharmacies that have raised meaningful capital over the years. Some of the prominent Indian medicine delivery startups include Netmeds, Tata 1MG, Medlife, TABLT, Myra Medicines, etc.

Pakistan also has a number of online pharmacy players who have raised meaningful capital including emeds.pk, MedznMore, etc.

### 4.0 Challenges for online pharmacies in Bangladesh

- **Customer behavior, cultural imperative, and high penetration of retail pharmacies** remain major challenges for online pharmacies, for now. Retail pharmacies are ubiquitous in Bangladesh and have largely shaped customer behavior. You can find multiple pharmacies in almost all localities across Bangladesh. This creates a negative incentive for customers. Moreover, many customers, particularly in rural areas, rely on pharmacists for minor healthcare suggestions, making these pharmacies almost indispensable.
- **Logistics:** Many online pharmacies provide same-day to next-day delivery. However, it is not enough when people may need instant or a few hours delivery. Many people only get prescription drugs when they are sick and need medication immediately. For these customers, even next-day delivery is too slow. This also leads to another related challenge of whether to absorb or pass on the cost of delivery to customers with every sale.
- **Lack of trust in ecommerce.** Customers remain skeptical of ecommerce platforms owing to various bad experiences in the recent past. In order for the online pharmacy market to be successful in Bangladesh, consumers need to trust that they will receive high-quality, safe products. If consumers do not trust online pharmacies, they will be reluctant to purchase medicines online.

- **A growing competitive landscape.** Online pharmacies in Bangladesh also face competition from traditional pharmacies, which are moving to omnichannel, complicating the competitive landscape in the industry. Brick-and-mortar pharmacy chains like Well Pharma, and Lazz Pharma can and are establishing their own online portals. This puts additional pressure on online pharmacies because many of these existing chains have hyper-local presence. Similarly, we are also seeing a consolidation of services in the health-tech space where many healthtech startups that started with consultation or diagnostics are also expanding into verticals like online pharmacy.

## 5.0 Opportunities

Online pharmacy is a relatively new vertical in Dhaka's eCommerce scene. Fast movers will enjoy certain benefits as the market matures. Going omnichannel can create a competitive advantage for online pharmacies as a company expands. It can also help these companies build trust faster. The synergy can meaningfully contribute to growth such as reducing inventory management costs, improving return on marketing expenses, and reducing both cost and time of delivery.

Some online pharmacies have already started expanding into adjacent healthcare products. Since healthcare is an integrated service, it offers further service aggregation opportunities, which means these companies can expand into new services using their existing users such as doctor consultation, diagnostics, etc. However, while expansion may appear a lucrative option and sometimes an opportunity to find new growth opportunities, the companies first have to make sure that at least one of their products has a strong market position before expanding into a new service. In fact, in many instances, going niche and staying doggedly focused can be a strong competitive advantage.

Bangladesh is experiencing a rapid transition with the rising burden of chronic non-communicable diseases (NCDs). The treatment of chronic diseases commonly includes long-term use of pharmacotherapy. Online pharmacies can help patients access medicine on-demand and help patients with personalized services such as medicine reminders, etc via their app.

Accessibility, affordability, and lack of awareness are some of the major challenges when it comes to healthcare and access to medicines in Bangladesh. Adopting technology such as online medicine delivery can help overcome some of these challenges. It can help accessibility in remote areas across the country. At the same time, an online model can help create important records of healthcare.

## 6.0 Recommendations

- **Build trust.** Trust is the most important currency in ecommerce. More so when it comes to healthcare. Online pharmacies that aim to grow and build enduring businesses must

focus on building trust in the market. The most surefire approach to doing that is consistently delivering high-quality products and services. As we mentioned earlier, omnichannel can be a strategy to gain trust because trust can be a big obstacle in a social and cultural setting like ours and pure-play exclusive online pharmacies may not be ideal to achieve broad customer trust. Online pharmacies should also pay extra attention to address questions around drug abuse, authenticity, etc.

- **Beware of premature expansion.** Healthcare is an integrated service and offers an excellent opportunity to expand into adjacent services. People who need medicine may also need diagnostics services and it can sometimes be tempting to expand into these other services using the existing base of your customers. But if a company doesn't have a successful business in one vertical it shouldn't expand into new verticals with the hope for new growth and to merely score points. It often creates distraction, increases costs, and becomes a threat to the long-term sustainability of the business.
- **Build for the long term.** Sustainability is increasingly becoming a critical factor in venture building as the world of venture capital and startup funding goes through a slow reorientation. Raising money is already a difficult affair for Bangladeshi startups. It will be wise for companies to focus on building lasting companies.
- **Consistent competitive pricing can offer a competitive advantage to online pharmacies.** Price is always a consideration for customers in markets like Bangladesh. Discounts are good but an even more effective strategy will be if companies can figure out strategies that will allow them to offer competitive prices consistently without calling it a discount.
- **Business model innovation.** Online pharmacies should innovate in the business model either moving towards omnichannel or working in synergy with the offline retail pharmacies. For instance, pure-play online pharmacy can be a hard game. Without having an offline retail presence can create meaningful challenges for pure-play online pharmacies. Online pharmacies can turn their warehouses into offline retail outlets and can focus on building hyper-local omnichannel models. Exploring opportunities at the intersection of healthcare information and products can also be opportunities. The key point we want to highlight here is that business model innovation can help online pharmacies achieve breakthroughs. Now, how and what you do demands many different considerations.
- **Going niche.** Almost all the online pharmacies that operate today are broad general-purpose pharmacies. However, we believe that there are opportunities for building niche businesses in the space along with relevant services. For instance, expensive and exclusive drugs like those used in cancer treatments can be a meaningful sector for online

pharmacies. There are other similar opportunities where niche players can offer better services and support to customers.