

Is 2021 the year of D2C healthcare?

Direct-to-consumer – commonly known as D2C – has gained significant momentum in health and as a fast-growing industry, presents huge business opportunities in 2021.

What is D2C healthcare?

Direct-to-consumer, commonly known as D2C, has been established as a digital growth model for many producers in the last years when they started selling directly to end-consumers digitally and thereby cutting out the middleman (ie retailer).

And it finally arrived in highly regulated industries like healthcare: Public interest in D2C health has quadrupled in the last 5 years.

Especially in the US, D2C has already heated up the healthcare landscape and posing great disruption potential for many incumbents in 2020. The most prominent example: *Amazon's move* into online pharmacy business end of last year.

Visualisation 1: Public Interest in D2C health – Source: [cbinsights](#)

But what exactly does D2C mean for healthcare?

In this industry's context, the patient can directly receive health-related offerings and products digitally.

Thereby, D2C is simplifying the often still very complicated and inefficient treatment path to a seamless digitalised patient experience: From online access to doctors, remote diagnosis and treatment options up to online prescription order and final delivery of medical products at home (see visualisation 2 as an example of a D2C journey in diagnostics).

Visualisation 2: From classic to new D2C digital diagnostics experience — Source: Own analysis

The range of D2C opportunities in healthcare is huge: Examples span from aforementioned online pharmacy services and diagnostics to fertility services, genomics (DNA testing kits), dental (teeth alignment services), vision (contact lenses and glasses) up to men's health (e.g. hair loss or erectile dysfunction products).

Why is D2C so important in healthcare?

Overall, D2C has proven enormous societal value for healthcare since it fills many gaps in the existing healthcare system — e.g. think about underserved patients in some countryside areas who can be now connected digitally. Beyond that it has many more advantages both for producers and consumers:

Producer perspective:

Tremendous market potential: Just looking at the US, the \$700B D2C health market already equals 18% of US healthcare expenditures. As a thought experiment: If Germany is at all comparable to the US in regard to D2C in health, and we apply the same ratio, we would have generated an \$89B D2C market! (see visualisation 3). We know of course the limitations of this comparison but we only want to highlight the market potential also in Germany.

New customer segments: Healthcare is an attractive market for incumbents like Pharma and MedTech players but also new market players like startups because of the potential to reach new customers who aren't currently being

served through the traditional healthcare model.

Consumer perspective:

Improved customer experience: Main advantages are more simplified access to the health system and related medical services, reducing pain points like travel time or waiting time.

Decreased cost: Furthermore, D2C allows for lower-priced products and treatments since tech can cut the middleman and thus leading to less cost.

Visualisation 3: Thought experiment: Healthcare expenditures in relation to D2C Health market in US and Germany 2019 — Source: Own calculation — based on [CMS.gov](#), [Digital Lancet](#), [Ärzteblatt](#)

What are the trends pushing D2C healthcare in Germany in 2021?

We identified 7 drivers pushing D2C healthcare in Germany in 2021, acknowledging the existence of many more:

1. Rise of technologies: More available D2C infrastructures (provided by players like Shopify and alike), platform rollouts as well as more accepted and matured telemedicine services for doctor-patient interaction are strong driving forces for D2C in healthcare in 2021.
2. Increasing healthcare expenditures: Since healthcare expenditures have increased by 64% from 2006 till 2019 (see visualisation 4) and will continue to do so in 2021, the pressure for more cost-efficient alternatives is favouring D2C approaches. The costs have mainly exploded because of demographic change (ageing societies consuming more healthcare services) and more expensive diagnostics and treatments. The COVID-19 pandemic did not help, either.
3. COVID-19: Without a doubt, COVID-19 accelerates the adoption of digital solutions — both for providers and patients. However, the pandemic also worsened the undersupply and inequity of 'traditional' healthcare for patients. This further increases the demand for complementary D2C approaches in health.
4. Regulatory changes: Many legislative changes have laid the foundation for D2C models, especially in Germany, which relaxed its "ban on telemedicine" (Fernbehandlungsverbot) in 2018 and introduced a national "electronic patient record" (ePA) in 2021. Still in their infancy, these

changes already make data more readily available and enable efficient communication between patients and providers. Furthermore, another important milestone will be laid out with the “e-prescription” law (eRezept), which will from 2022 on, promote digital access to prescriptions.

5. Expiring patents: In addition to regulatory changes, expiring drug patents allow new D2C opportunities. More concretely, D2C companies can now rebrand and provide generics and build services around it.
6. Decentralisation in healthcare: Poor customer experiences with current physical healthcare providers (e.g. waiting times at doctor’s offices or hospitals) lead to stronger demand for healthcare services delivered to the comforts of their homes.
7. Incumbent’s need for direct patient access: Pharma and MedTech players are increasingly asked to provide continuous patient data and real-world evidence in support of their solutions and to implement a robust post-market surveillance system.

Visualisation 4: Health expenditures in Germany 2006–2019 and beyond — Source: [destatis.de](https://www.destatis.de), [Ärzteblatt](https://www.aerzteblatt.de)

Practical considerations and conclusion

Although D2C has proved to be valuable in health, it’s not a panacea. There are many scenarios in which D2C does not make sense yet — we highlight four considerations to think about:

Health risks: If there is a high risk of patient harm, D2C is not suitable and will likely require the physical proximity of a certified care provider.

Workflow feasibility and patient education: The digital treatment path needs to be feasible for D2C health services. The more you expect from your patients, the less realisable D2C becomes. Even with the best patient education tools: you cannot expect to convert a patient into a medical expert. If your tool is too complicated, it won’t work.

Virtual vs physical touchpoints: D2C is perfectly suited to simplify touchpoints along the journey which can be handled virtually. Wherever a physical examination or specialist diagnostics (e.g. ultrasound) are needed, we’re not currently able to provide D2C solutions.

Entry barriers: D2C provides the greatest value when it covers fields that are subject to high entry barriers. Wherever you can facilitate access for patients, you’ll create societal value and a good profit!

However, there's a lot left to build!

If you already have an existing (digital) solution which is not conflicting with the aforementioned considerations, you could also think about adding D2C components to it. For example, *Alley*, one of our co-created health ventures: Alley is a digital companion app for patients along their arthrosis treatment path and also connected to health providers. As a potential D2C scenario, we could extend the services by providing orthoses or other arthrosis relevant aids via the platform.

Given D2C's growing importance in health, the 7 drivers we listed will lead to an even more blossoming market in 2021. For those D2C players in health mindful of common pitfalls and cautious about patient safety and clinical effectiveness, 2021 will be a rewarding year.

Many entry barriers have been lowered (especially through higher technology maturity and increased user acceptance) and the aforementioned trends will further accelerate the circumstances. As it matures, D2C healthcare is gaining increasing interest from startups, academia, and, of course, big incumbents. Expect to see a growing number of established and new players entering this space.

This article was originally published on [Medium](#).

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