

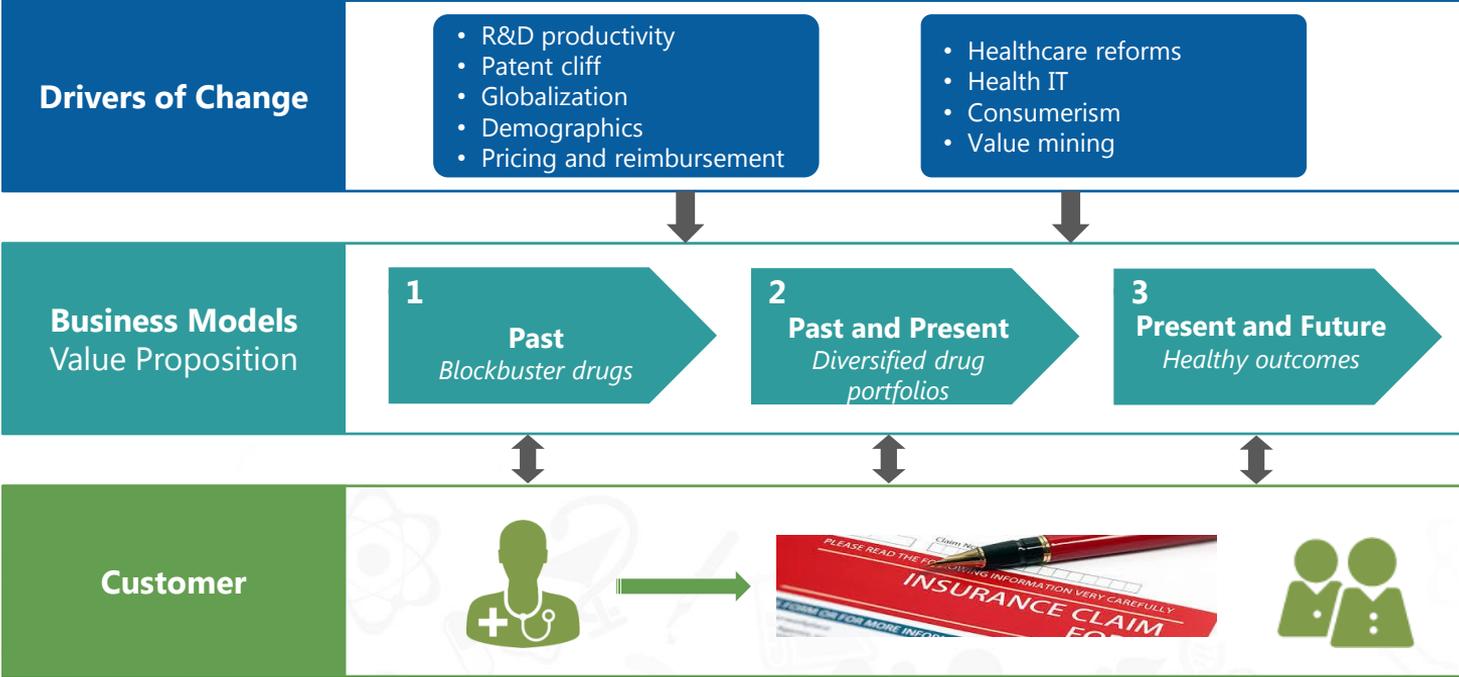
**PHARMA FUTURE**  
KNOWLEDGE CONCLAVE

# PHARMA FUTURE 2014

# Evolving Pharmaceutical Commercial Models

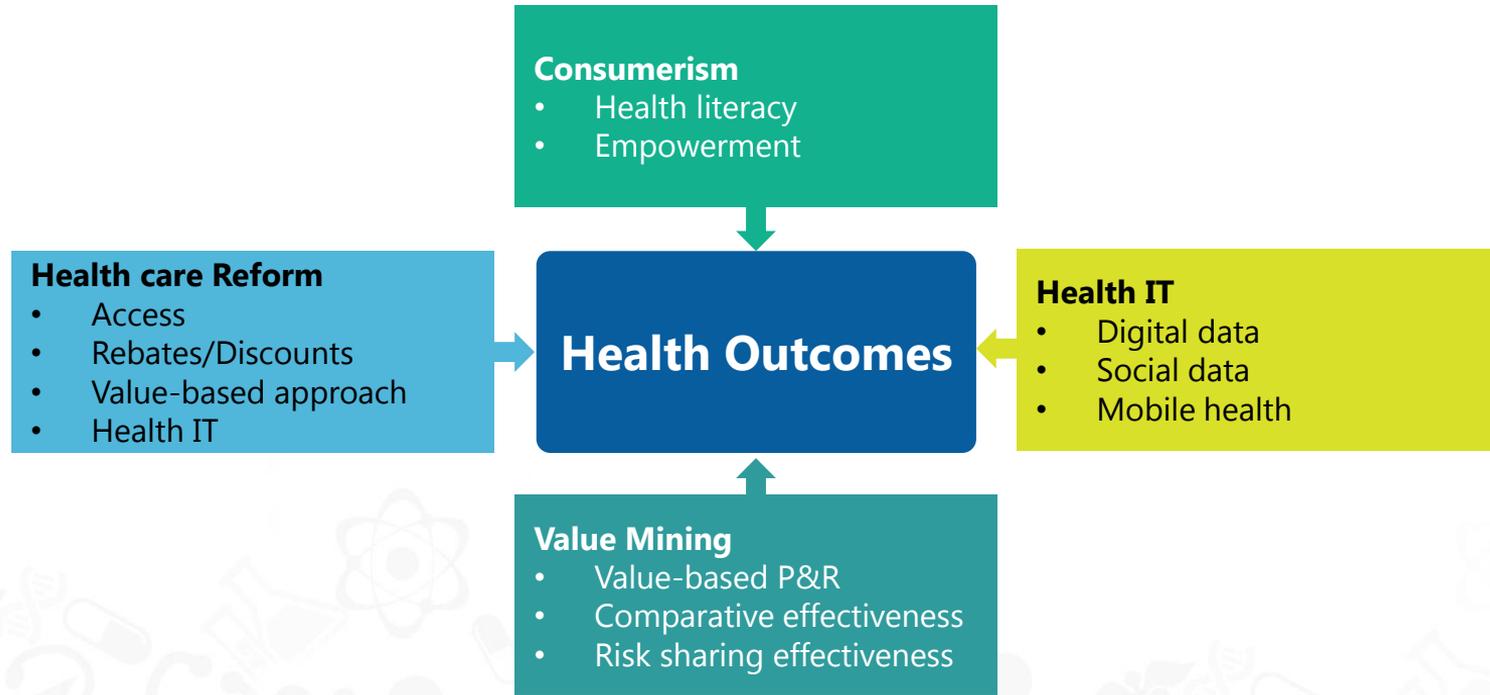


# Pharmaceutical Commercial Models Have Evolved From Drugs to Healthy Outcomes



Source: Ernst and Young

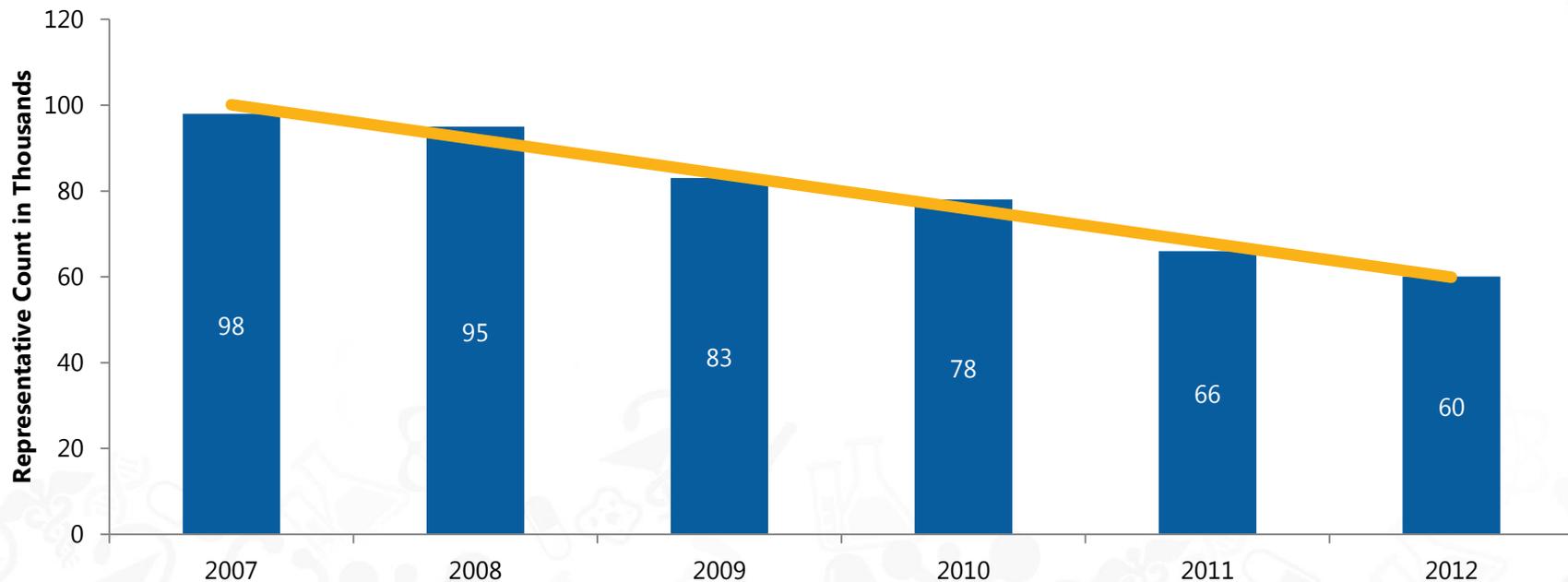
# Healthcare Systems and Policies are Being Adopted to Provide Better Health Outcomes



Source: Pharma 3.0, Ernst and Young

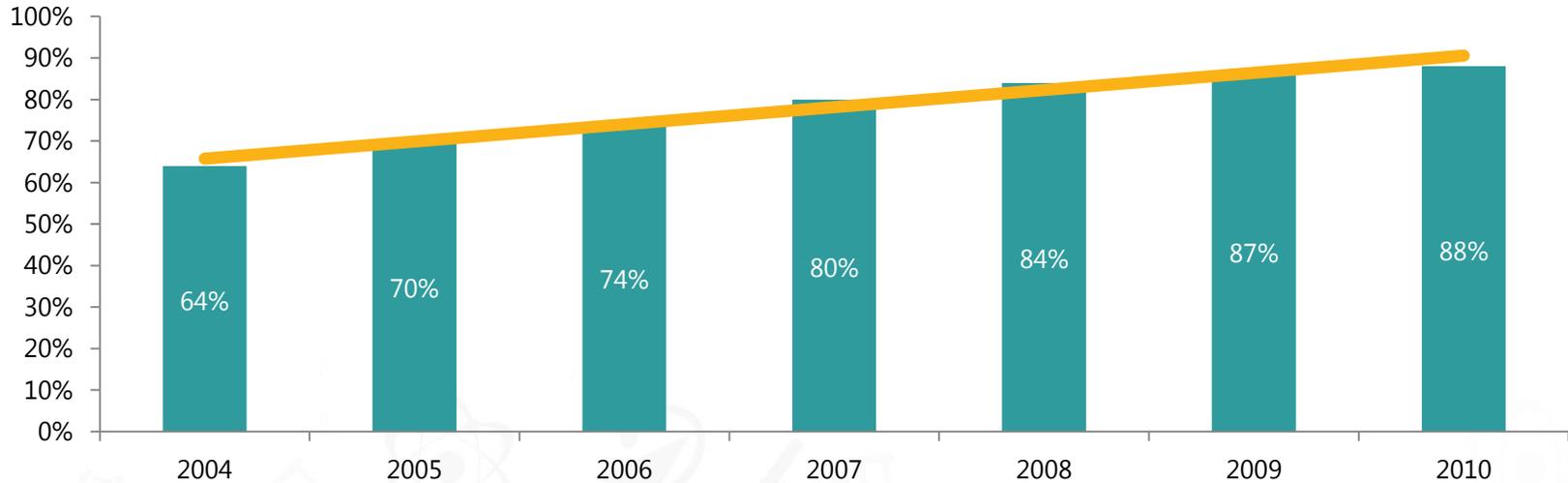
# Dramatic Change in Communication Channels

## *Pharmaceutical Representative Count in the US*



# More Than 20% Increase in ePharma Physicians Over the Past 5 Years in the US

*% of Physicians in the US*



**Approximately 9 of 10 physicians in the US are ePharma physicians**

# 2014 Pharmaceutical Industry Perspective



Shift to value-based outcomes in drug development



Increased penetration of specialty drugs



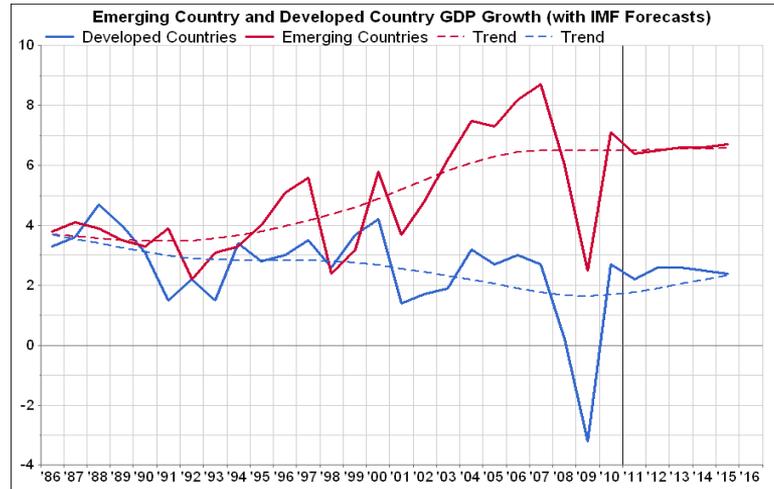
Continued rise of emerging markets

**Emerging markets are anticipated to play a vital role in the sustainable growth of the industry**

# Growing Importance of Emerging Markets



# Importance of Emerging Markets



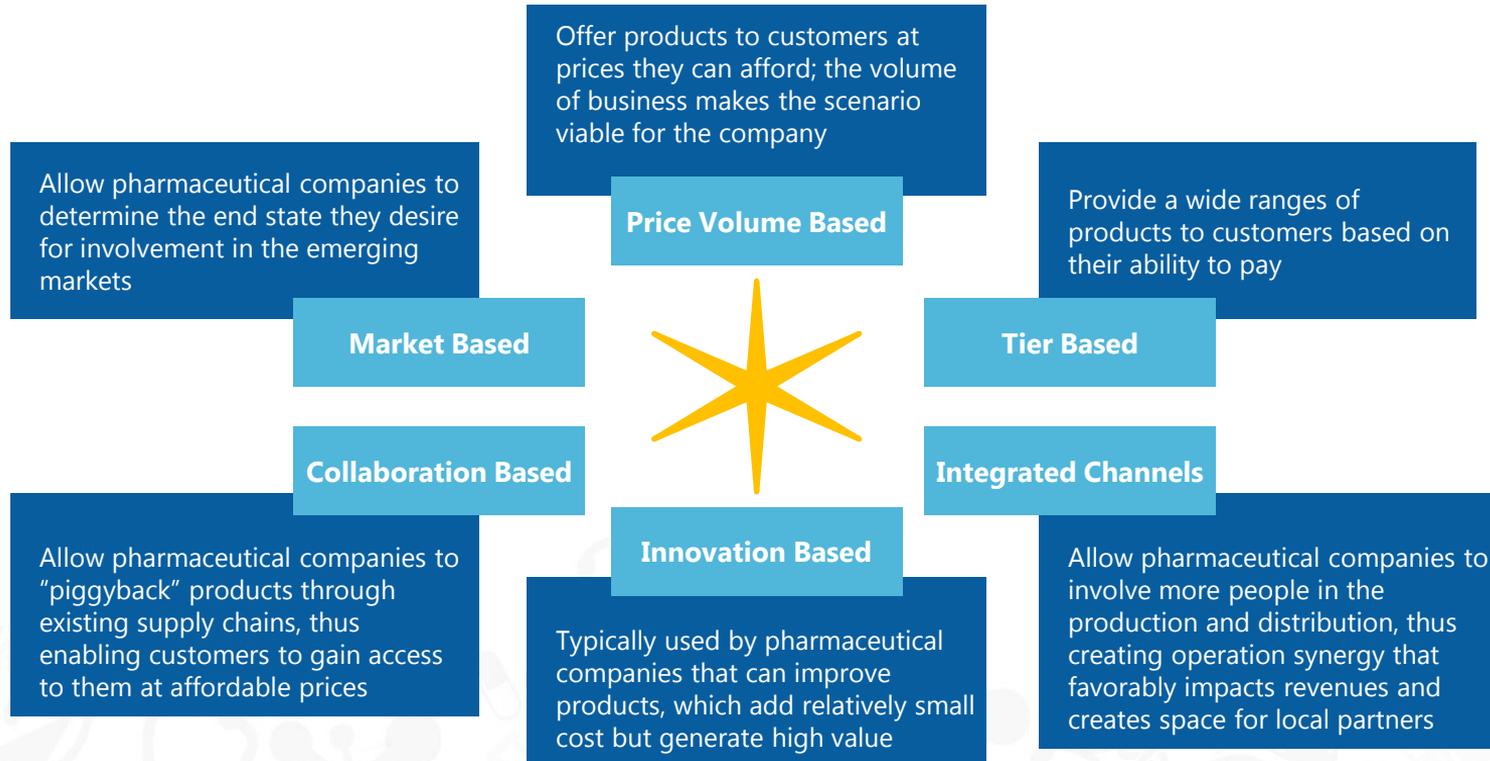
- Emerging markets have grown profoundly since the late 1990s
- Growth rates of developed markets have fallen relative to those of emerging markets since the late 1990s even in absolute terms
- A large part of the decline in the growth rates of developed markets is due to the collapse of the financial sector in 2008

# Pharmerging Markets Have the Potential to Drive the Growth of the Global Pharmaceutical Industry

- Pharmerging markets include 70% of the world's population and generate 31% gross domestic product (GDP). They will account for 30% of the global pharmaceutical expenditure by 2016. <sup>1</sup>
- BRIC (Brazil, Russia, India, and China) nations are expected to be among the top 10 global pharmaceutical markets by 2016, accounting for an expenditure of USD 244 to USD 284 billion. <sup>2</sup>
- Many pharmaceutical companies have no more than 10%-30% of their revenues coming from emerging markets. <sup>2</sup>



# Emerging Markets: Business Models Adopted by Multinational Companies



# Emerging Markets: Strategies to Drive Growth

Affordability is the key for improving patient access and for driving growth eventually

## Marketing Mix: Emerging Markets<sup>1,2</sup>

### Affordability

Price reduction, patient affordability, tackling government policies, price capping, reimbursements, and availability of finance options

### Acceptability

Catering to patients and their medical needs

### Awareness

Adopting methods for improving physician and patient awareness, detection, diagnosis, and treatment

### Adherence

Allowing patient compliance and improving health outcomes

### Availability

Managing adequate pharmacy supplies

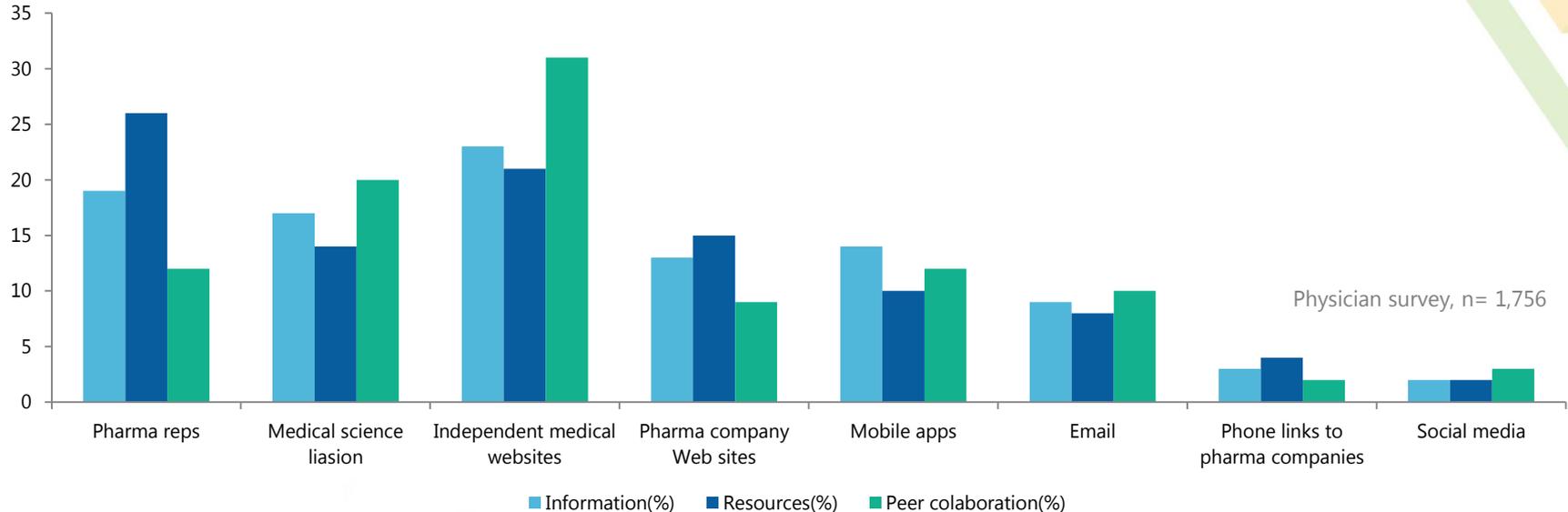
Tailoring strategies specific to market needs



# Some Points to Ponder

- **Critical success factors:** Understanding unmet needs and challenges and tailoring corresponding long-term strategies
- **Strategies as per different segments:**
  - BRICMT countries: Localization of functions, including R&D, manufacturing, market access, and marketing and sales
  - Second-tier markets: Cooperation with local distributors and governments and price reductions
  - Africa and sub-Saharan countries: Focus on local partnerships and limited investment in building local infrastructure

# Communication Channels for Changing Needs



- **Information:** Product, clinical, and disease state
- **Resources:** Patient education and reimbursement
- **Peer collaboration:** Peer reviews and insights from thought leaders

# Appendix

## A View from the West



# What did the US Customer Landscape Look Like 10 Years Ago?

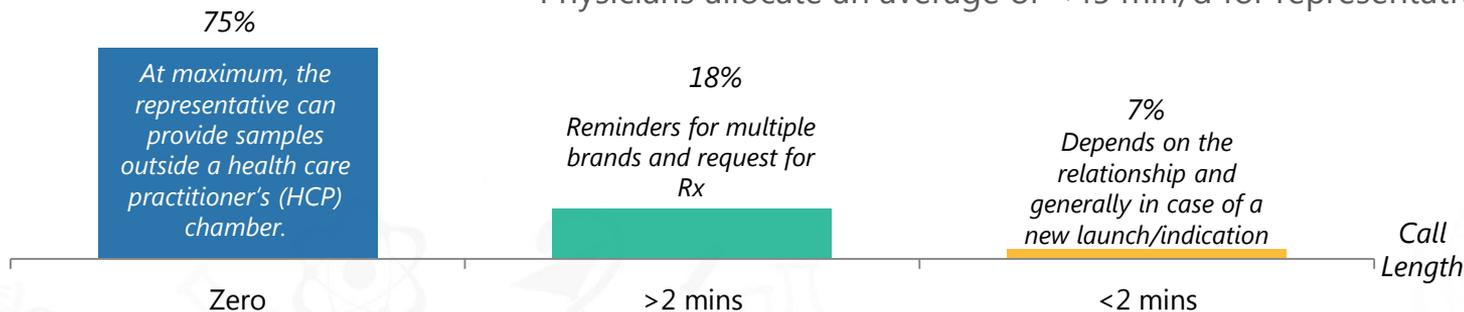
- Physicians significantly influenced brand selection (especially new products)
  - Time with prescribers was decreasing
- Managed care influence was increasing
  - Formularies became established but with few restrictions
  - Tier pricing began to come into play
- Patients became more “interested” in therapies
  - Direct-to-consumer (DTC) advertising
  - WebMD
- Robust product pipelines
- “Patent cliff” was not significant for most major companies

# Communication Channels are Changing

**The traditional representative-based model is losing its effectiveness with physicians**



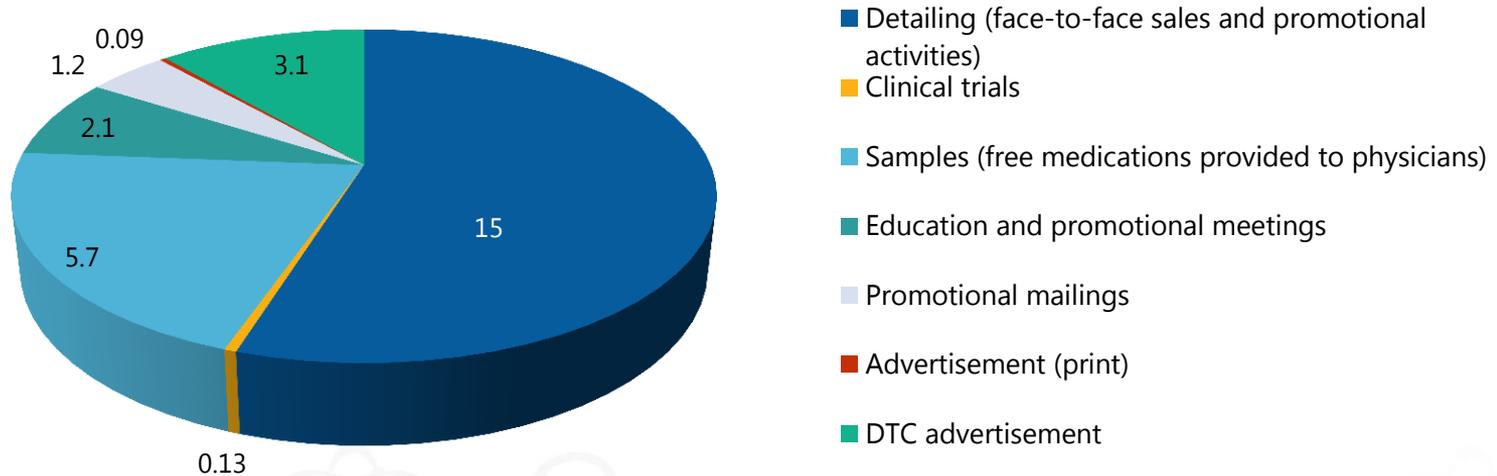
- Most calls today end at the sample closet<sup>1</sup>
- 1 in 4 physicians do not see representatives<sup>2</sup>
- Only 55% physicians find information received in sales calls to be valuable<sup>3</sup>
- Physicians allocate an average of <45 min/d for representative visits<sup>4</sup>



Source:  
1. Datamonitor, 2008  
2. SK&A Information Services, 2008  
3. Datamonitor, 2007  
4. Kantar Research, (Manhattan Research)

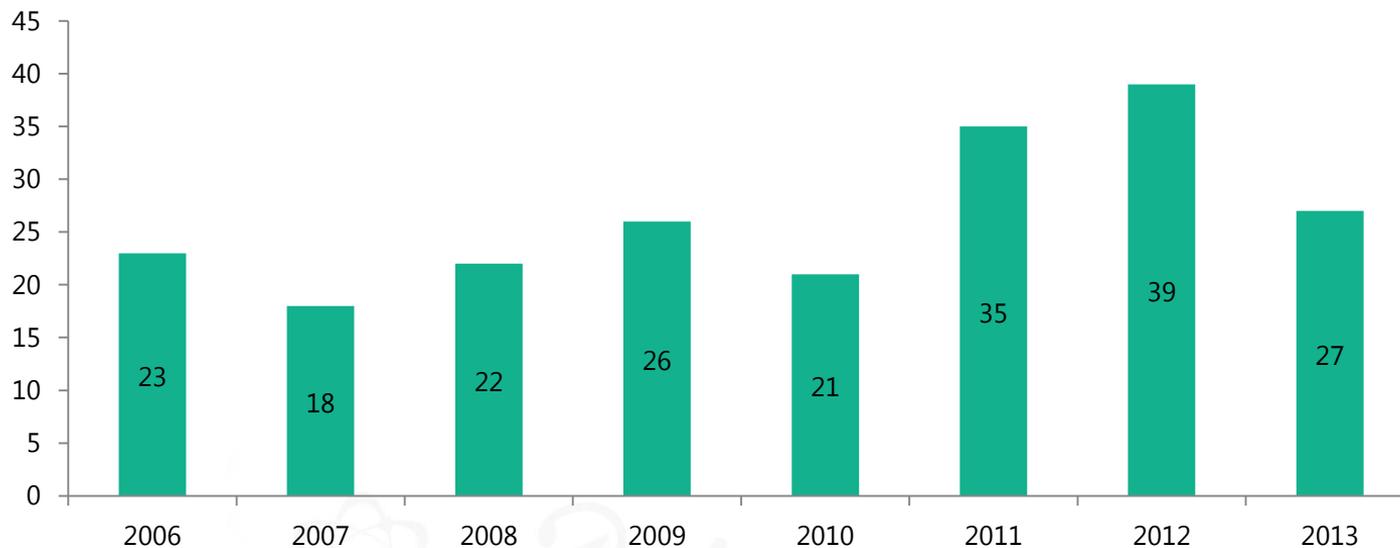
# Industry Marketing Budget Allocation: 2012

*USD Billion*



**More than 50% of the marketing budget is allocated to the detailing activities of sales representatives.**

# Number of New FDA-Approved Drugs



**Number of FDA-approved drugs increased in 2011 and 2012, with a 16-year high in 2012; however, this number decreased again in 2013.**

# Increased Regulatory Environment and Patent Expirations

- Vioxx Withdrawal (March 2007)
  - USD 561 million in sales in 2006
- Major Product Patent Expirations

Product	Company	Year
Celebrex	Pfizer	2014
Crestor	AstraZeneca	2016
Evista	Lilly	2014
Gleevec	Novartis	2015
Lovaza	GSK	2015
Namenda	Forest	2015
Nexium	AstraZeneca	2014
Reyataz	BMS	2017
Sensipar	Amgen	2016
Zetia	Merck	2016

# Key Decision Makers (Customers) are Changing

- Pharmaceutical companies planned to shift the attention of sales force away from community physicians to
  - Key accounts
  - Key opinion leaders
  - Payers
  - Hospitals and group purchasing organizations

# Good Old Days of the Pharmaceutical Industry are Behind Us

- Traditional drivers of growth
  - Over the years, real price increases, rewarding past innovations, and changes in pathways for treating patients have been the most significant drivers of growth of the pharmaceutical industry.
  - Now, more attention needs to be paid to the cost base.
- Health care expenditure
  - Because health care expenditure relative to GDP continues to increase in many countries, pharmaceutical costs will be increasingly scrutinized by governments who are under pressure to balance their budgets.