



Growing Pharmaceutical Market Complexity Warrants New Metrics



Ian Therriault,
Senior Vice-
President,
IMS Health
Canada

An IMS
Viewpoint

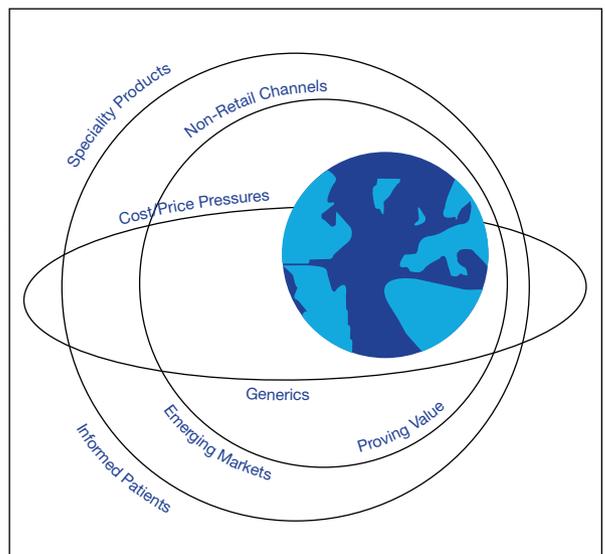
Never has healthcare been nearer to the top of the world's agenda as it is today. Established markets struggle to find the path to value-driven healthcare, while emerging countries re-engineer their healthcare systems in an attempt to spread the benefits of economic prosperity.

The sheer complexity which characterizes these dynamic and interconnected trends is an obstacle for companies operating in this environment. Even the near-term future is difficult to predict.

The following Canadian market dynamics are the most significant in driving industry change and are reflected around the world.

Emerging markets emerge

A commercial shift is taking place as emerging markets take an increasing share of total global pharmaceutical growth. The attractiveness of market entry or expansion is evident, but success will depend upon a company's ability to simultaneously apply practices from core markets while adapting to the local healthcare characteristics and to balance the investment between mature and emerging markets. There is a risk, of course, but no global pharmaceutical company can ignore such a rich source of potential future growth or it will find itself competing in an ever-shrinking part of the market.



A commercial shift is taking place as emerging markets take an increasing share of total global pharmaceutical growth.

An ever more generic world

In the major geographies, generics already represent the largest volume (standard units) segment of the pharmaceutical market and their dominance is set to increase. Within most therapy

classes, the challenges of differentiation and convincing pharmacists, physicians and patients to choose the brand loom large. All companies—whether playing offense or defense—are considering new approaches to ensure success in a predominantly generic marketplace.

The rise of the specialty product

A countervailing shift is taking place as the drug pipeline pumps out more and more products where treatment is initiated by specialists in clinics and hospitals, rather than by primary care physicians. The impact is seen most starkly in their increasing contribution to market growth and the concomitant changes forced onto distribution systems. Specialty products mean new and fewer customers for sales and marketing to reach, demanding a complete rethinking of existing models—as well as an entirely new approach to portfolio and risk management.

Specialty products mean new and fewer customers for sales and marketing to reach, demanding a complete rethinking of existing models.

The growth of non-retail distribution

The channels that take products from manufacturer to patient are currently moving toward more direct distribution and dispensing, replacing the traditional middlemen. Non-retail distribution channels—those outside of the traditional wholesaler and community pharmacy model—are booming, with more patients receiving their medicines at their home, via home healthcare, mail order or Internet pharmacy, or at a hospital/clinic. Special handling, patient convenience and distribution efficiencies drive this change—a trend that opens unprecedented opportunities for pharmaceutical companies to reach patients and even to build direct relationships with them.

The informed patient

Patient power is coming of age. Harnessing the power of this change can benefit companies. Aggressive advocacy has already helped patients to access previously-restricted innovative drugs in many countries. However, patient power cuts both ways. These ultimate healthcare payers, with their desire for good quality, reliable and low-cost healthcare, pose a threat to any company not seen to be delivering innovative products with real additional benefits.

Growing pressure on costs/proving product value

Health Technology Assessment (HTA) has become a fact of life across most markets, yet there is little hope of an international consensus emerging on how to carry out such assessments. Companies need to keep up with these evolving HTA bodies and their varying requirements and place health economics and outcomes research at the heart of their decision-making for clinical development and product positioning. Complicating the quest for proof is the increased demand for real-world outcomes data by specific patient type and for years after launch. A genuine understanding of how both prescribers and patients view and use a product will become as important as getting it approved.

A clearer picture is needed

Pharmaceutical companies not only face the traditional challenges of driving growth, but a new set of priorities in making sense of the turmoil. As they strive to respond with innovative new models for these challenges, many are experiencing difficulty in measuring the market, much less mastering it. As managers take decisions that will influence their company's profitability for years to come, they must be confident that their judgment is not just intuitive but informed.

Old performance measures are no longer enough—for strategic decisions on where and how to compete or for tactical decisions on marketing messages and sales models. A clearer picture is needed with a deeper understanding of the evolving dynamics and a new generation of relevant and consistent metrics. **CPM**