

Challenges & Opportunities in Emerging Markets



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Sources include...

- Global forces shaping the future of business and society, McKinsey Quarterly, Nov 2010
- Is your emerging-market strategy local enough? McKinsey Quarterly, April 2011
- Challenges facing healthcare in Asia; A report from the Economist Intelligence Unit, 2010
- EFPIA, The Pharmaceutical Industry in Figures, Update 2011
- Ernst & Young: Progressions 2011, Building Pharma 3.0
- Evidence on access to Essential Medicines for the treatment of HIV/AIDS; Charles River Associates, Oct 2011
- Improving Access to Medicines for Non-Communicable Diseases in the Developing World, RAND Health for the IFPMA, 2011
- Eyeforpharma SFE conference, March 2011: Dirk Otto, Head of International Marketing Bayer, presentation on emerging markets
- ISMPP Emerging Markets session, April 2011



What I'll seek to cover

- Definitions

- What are emerging markets?
- In what ways should we treat emerging markets differently to any other markets?

- Heterogeneity, so therefore different strategies? Taking into account...

- Urbanisation – consistency of health access
- Emerging middle class. Wealth = health (with a health warning!)
- Cultural nuances – what is appropriate & ethical?
- Innovation & connectivity in emerging markets

- Practical implications – current reality, future perspectives

- Med comms directed towards emerging markets
- Global med comms delivered by teams in emerging markets
- Compliance & delivery challenges – including writing resource in Asia Pac
- Opportunities for UK based med comms agencies



First of all, what are emerging markets?

- Emerging, Pharmerging, BRIC, BRICET (Eastern Europe & Turkey), BRIC+MEX), newly industrialised (China, India, Brazil), next 11 to be industrialised (eg Indonesia, Pakistan) etc etc etc
- Pharmerging comprises 17 countries ranked by IMS Health as high-growth pharmaceutical markets:

Argentina, Brazil, China, Egypt, India, Indonesia, Mexico, Pakistan, Poland, Romania, Russia, South Africa, Thailand, Turkey, Venezuela, Vietnam and The Ukraine

Source: IMS Health MIDAS MAT December 2010

- Driven by socioeconomic status & growth potential
- Perhaps consistency of health access might be one way of defining, from our perspective?



The focus on emerging markets for growth

- Creating a powerful emerging-market strategy has moved to the top of the growth agendas of many multinational companies, and for good reason:
 - In 15 years' time, 57 percent of the nearly one billion households with earnings greater than \$20,000 a year will live in the developing world.
 - Seven emerging economies—China, India, Brazil, Mexico, Russia, Turkey, and Indonesia—are expected to contribute about 45 percent of global GDP growth in the coming decade.



The focus on emerging markets for growth

- There is rapid growth in the market and research environment in emerging economies such as Brazil, China and India...

...leading to a migration of economic and research activities to these fast-growing markets.
- In 2010 the Brazilian and Chinese markets grew by more than 20% compared with an average market growth of 1.8% for the five major European markets and 3.3% for the US market (source: IMS).



Shifts in Industry Sponsored Phase II/III trial sites

- Clinical Trial Magnifier Vol 4: 1 Feb 2011
- www.clinicaltrialmagnifier.com
- Validated the shift in clinical trial sites from North America and Eu to CEE, APAC and LATAM
- Emergence of new countries, new capabilities, and greater leadership for the conduct of clinical trials (Citrome, ISMPP presentation April 2011)



Growth of biomedical publishing in emerging markets

- Total number of biomedical research articles published annually between 2000 and 2009 grew by 67%
- China, Korea, Brazil, India, gained most in that period (8% of all articles published)
- US, Japan and UK lost most (7% of all articles)
- ROW now contributes slightly more articles than Europe or North America (with APAC over 50% of ROW)

Karlberg J Clinical Trial Magnifier 2009; 2 (12)
From: Citrome, ISMPP presentation April 2011

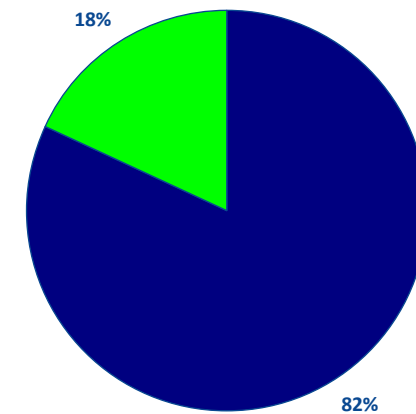
However, not clear what proportion of these publications are associated with industry sponsored clinical trials

And what about the (possibly heretical) nearly 80:20 reality...

- Global pharma sales in 2010 still 82% in North America, Europe and Japan

- IMS MIDAS, 2011
- Europe includes non-Eu members and CIS markets

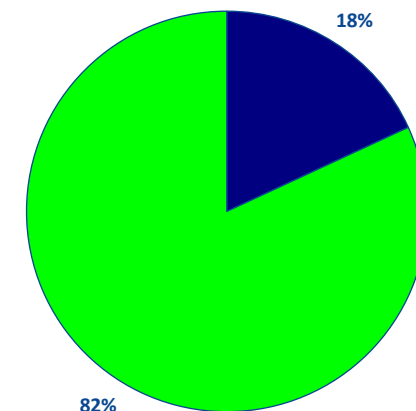
■ NA, Eu, Japan ■ Other



- Of the growth in BRIC country sales to 2015, only 18% will be from branded products

- IMS Market Prognosis, Apr 2011

■ Branded ■ Generic





Should we treat emerging markets differently to developed markets?

- At fundamental level, the disease is the disease and the patient is the patient, and every market has its own needs and idiosyncrasies
- A lot of the same considerations for any developed market - nature of data, disease, patient, audience, level of innovation, impact on clinical practice etc
- However, there seem very strong diversities between & within emerging economies

Key tension: Meeting the needs of new markets, while still meeting the needs of developed markets. Cannot assume that one approach will work across any markets - at same time need to establish baseline of ethical and appropriate practice



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Between country and within country variation, including in health access

- To drive growth in China, India, Brazil, and other large emerging markets, it isn't enough, as many multinationals do, to develop a country-level strategy.
- Opportunities in these markets are also rapidly moving beyond the largest cities, often the focus of many of these companies.
- China has roughly 150 cities with at least one million inhabitants. Their population and income characteristics are so different and changing so rapidly that forecasts for their consumption over the next five to ten years range from a drop in sales to growth five times the national average.

We need strategic approaches to understand variance within countries and to concentrate resources on the most promising sub-markets



Urbanisation & Clusters – don't be fooled by generalities

- Talking about Chinese consumers and how they shop is like talking about European consumers.
- While some generalizations may be fair, certain very strong differences, even within regions, go well beyond the already significant economic variance.

eg Guangzhou and Shenzhen, are both tier-one cities, located in the same province and just two hours apart.

Guangzhou's people mainly speak Cantonese, are mostly locally born, and tend to spend time at home with family and friends.

In contrast, more than 80 percent of Shenzhen's residents are young migrants, from all across the country, who mainly speak Mandarin and spend a lot of their time away from home.

Emerging Middle Class; Wealth = Health (with a health warning)





Emerging middle class

- “More people will exit poverty in the next decade than have in the entirety of human history”
- “The global middle class will double”



Emerging middle class – spending power

- In developing countries, the emerging middleclass—nearly two billion strong—spends a total of \$6.9 trillion annually

Note: Developing countries here are Argentina, Brazil, Chile, China, Colombia, Egypt, India, Indonesia, Iran, Malaysia, Mexico, Nigeria, Pakistan, Peru, the Philippines, Poland, Romania, Russia, South Africa, Thailand, Turkey, Ukraine, Venezuela, Vietnam.

- Research suggests this figure will rise to \$20 trillion during the next decade—about twice the current consumption in the United States.



The inevitable downside

Diseases of the developed world accelerate

- Non-communicable diseases (NCDs) now account for the lion's share of global morbidity and mortality.
- Much of the burden is falling on developing countries - adoption of Western-style health & lifestyle choices = increased risk factors for NCDs.
- At same time, developing countries also hold the greatest burden of infectious disease, and the rapid increase of NCDs has left countries with under-resourced health care systems to deal with a double burden.
- Obstacles to accessing NCD medicines need to be addressed at multiple levels, and understanding the continuum of obstacles is important to developing a coherent policy research agenda.

Formulation to support adherence, supply chain integrity, access to quality primary care, regulatory harmonisation to reduce barriers, need for informed choice & education



The inevitable downside Diseases of the developed world accelerate

- In India—the country with the highest number of diabetics—up to a quarter of a family’s income may be devoted to treatment of a diabetic family member

Atkins, Robert C., “The Epidemiology of Chronic Kidney Disease,” *Kidney International Supplement*, No. 67, April 2005, pp. S14–S18.



Fighting NCDs in developing markets

Global pharmaceutical industry contributes action plan and research to fighting Non-Communicable Diseases (NCDs) in the developing world

IFPMA Press release, 19 September 2011, New York – The research-based pharmaceutical industry outlines the steps it is taking to address the rise of NCDs in the developing world.

Research shows that effective first-line NCD medicines exist and are now available in generic form, but in many instances, these medicines are still failing to reach many people living in the developing world.

The study identified four priority areas for the research-based pharmaceutical industry to consider:

- innovative ways to improve NCD medicine adherence*
- overcoming barriers to availability in poor and remote areas where large mark-ups, tax and duties, along the supply chain, as well as counterfeit products, are an issue*
- improving access to primary care*
- removing regulatory restrictions that hamper medicine availability in developing countries.*



Cultural norms at play: global or local; illness or wellness; facts or faith; evidence or practice?

- Culture of business practice: Interactions between industry and HCPs – what represents normal & ethical practice
- Culture of patient-Dr interaction
- Attitudes to globally derived data
- Attitudes towards evidence based decision making, relative to broader or more holistic considerations
- Access to literature, diagnostics and new therapies
- Role of nuclear and extended family as payers
- Language (eg India has >1,600 individual languages/dialects)



Ethical standards

APEC Endorsement of Principles for Industry Codes of Ethics Builds on IFPMA Global Code

IFPMA Press release, Geneva, 14 November 2011

The International Federation of Pharmaceutical Manufacturers and Associations (IFPMA) welcomes the decision taken at the Asia-Pacific Economic Cooperation CEO Summit to endorse “The Mexico City Principles for Voluntary Codes of Business Ethics in the Biopharmaceutical Sector”, often referred to as the “Mexico City Principles”.

These principles are fully aligned with the IFPMA’s global Code of Pharmaceutical Marketing Practices which sets standards for ethical promotion of medicines.

The IFPMA looks forward to the Mexico City Principles being adopted by all industry sectors on a voluntary basis within all 21 APEC countries.



Global standards such as GPP ...a reality in emerging markets?

- Inappropriate action or behaviour in any country or language can impact us all
- Need to bring researchers up to date with global practices, whilst saving face
- Working with professional medical writers – difference from working with a translator
- Transparency and acknowledgement need addressing
- Separation of promotion and education not clearly defined in many instances

Innovation & connectivity in emerging markets





Leapfrogging – emerging markets driving innovation

- Telephony in Africa – several countries going straight to mobile networks
 - Borderless roaming
 - Lifetime prepaid schemes
 - Tower sharing
 - Mobile banking
- Mobile phone access has grown at a very fast pace in developing countries, as companies have developed innovative business models for these markets (e.g. cheap handsets and per-second billing).



Practical implications

- Med comms directed towards emerging markets / global med comms delivered by teams in emerging markets
 - Local resource and insight can add enormous value
 - Increasing number of rosters now demand global reach and local insight in reality, not in concept
- Compliance & delivery challenges – including writing resource in Asia Pac
 - Medical writing in India – approach being further tested, refined and developed
 - Working assumption should be that any ongoing issues with interpretation and quality will be addressed
 - However, is it really going to be about cost-saving? Massive salary escalation of writers who can truly operate at a global level
 - Is it more about accessing new talent pools and in-country insights?



Practical implications

- Opportunities for UK based med comms agencies
 - Buying habits, and places, are changing
 - Opportunity if open to insight and resource in emerging markets
 - Engagement of opinion leaders globally-locally
 - Use of globally derived publications in national scientific exchange
- Make sure exchanges work at a cultural level
- Don't compromise on talent



Making globally derived data more relevant locally, and locally derived data more transparent and impactful globally

Ernst & Young: Progressions 2011, Building Pharma 3.0

- Connecting information for competitive advantage
- Extracting value out of large volumes of data from diverse, unfamiliar sources
- “While value in the future will be determined by data, data alone is not the answer”



The prediction of connected conversations

- From The Cluetrain Manifesto

“A powerful global conversation has begun.”

“People are discovering and inventing new ways to share relevant knowledge with blinding speed. As a direct result, markets are getting smarter—and getting smarter faster than most companies.”



Namaste and Thank You