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Collaborate for RoI

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The pharmaceutical companies have to look at cost effective approaches to ensure return on investment (RoI) and become profitable. Collaboration will help in the objective, reports IMS Health.

The global pharma market will grow at 5-6 percent in 2008, says a forecast by IMS Health. Compare this figure with 6-7 percent the pharma industry saw in 2007 and one concludes the pharma industry is going southwards. Besides, IMS also forecasts that in 2008 drug treatment costs will decline in several major therapy areas where leading products have lost or will lose patent protection, and generic drugs capture significant market share.

According to Murray Aitken, senior vice president, Healthcare Insight, 2008 is an important year for the global pharmaceutical market. In 2008, for the first time, the seven large markets will contribute just half of overall pharmaceutical market growth, while seven emerging markets will contribute nearly 25 percent of the growth. And, as the impact of established pharmaceuticals losing patent protection accelerates, there will be a decline for the first time in the size of the $370-380 billion audited market for primary care-driven drugs. In 2008, biopharmaceutical and generics companies will more aggressively adjust their business models to manage through these inflections, capturing new opportunities in this changing market environment.

Here is what market watchers forecast:

Dr MD Nair, consultant to healthcare industry, India: The pharma industry like any other business segment will become a profit-driven industry. The large multinational pharmaceutical companies will invest in research and development for new drugs only in areas that ensure adequate return on investment. He further noted that many new diseases and epidemics will continue to emerge as the developing countries' problems will not be the area of interest to the big pharma companies.

Dr Chau Shi Ming, technical services manager, Schering Plough, Singapore: There will be an increased reliance on outsourcing and contract services to overcome the burden of R&D costs. On the other hand, to overcome the growing counterfeiting of drugs, companies are looking at technologies such as Radio Frequency Identification (RFID). And to increase efficiency and effectiveness of the manufacturing process, companies are adapting new technologies such as Process Analytical Technology (PAT) and Quality by Design (QbD).

Dr Paul W S Heng, associate prof., department of pharmacy, National University of Singapore: Global regulatory framework, economies of scale, attention to quality at source, fully integrated and monitored manufacturing processes, integrated in line inspection and product traceability to unit dose will play an important role in manufacturing of pharmaceutical products in the coming few years.

Challenges

Despite the growth of the pharma industry, the sector faces many challenges. According to Dr Nair, the challenges include credibility gap on its motives and social obligations, inability to contain prices to affordable levels, perceived scant respect to medical needs of the poor and high R&D cost.

Dr Prasad Kanneganti, director, quality operations, Pfizer Asia Pacific, Singapore added that the pharmaceutical industry is facing other challenges such as complexities of diseases requiring a therapy, patent expiry and loss of exclusivity, pressure to reduce drug costs, challenges to IP, counterfeiting and piracy, regulatory pressures and unprecedented need for change.

However, when it comes to manufacturing, the industry is facing the problems of under utilization, high cost of maintaining quality of the products, changing regulatory standards putting pressure on the manufacturers to upgrade the systems. These are ultimately adding to the overheads and not providing enough space for the companies to look at spending on innovation.

Solutions

To overcome the poor R&D productivity that has characterized the pharmaceutical industry over the last few years, companies are being forced to re-evaluate R&D strategies. Companies are using licensing and acquisitions along with better prioritized spending and more structured decision-making in an effort to deliver improved returns. Pharma companies turned to a range of inorganic growth strategies to give bottomlines a fillip.

2008 will see new cost effective approaches for drug research

- System-based-alternate systems of medicine;
- Therapeutics-based-new indications for existing drugs through clinical research;
- Product-based-biotechnology, NDDS, chiral products;
- Process-related-non-infringing processes, bio-process catalysis and other eco-friendly and cost-effective processes.

Collaborative approach strategies

- Attract collaborators to at least complement, if not synergize core competencies of partners.
- Partnerships to be based on common values and objectives, strategic match, meeting of the minds and mutual benefits (win-win).
- Joint venture partnerships to be based on shared responsibilities, shared risks and shared benefits.

This has allowed big pharma companies to expand their geographical presence, while enhancing the strength of their pipelines, frequently with the acquisition of small pharma and biotechs providing additional products and technologies. Markets such as India and China represent significant targets for growth because of their rapid economic expansion, but with the globalization of the industry, manufacturers are increasingly outsourcing and offshoring numerous functions there.

Though the pharma industry has many issues, growth opportunities abound. The future opportunities lie in developing new drugs pipeline sustainability and possibility for diverse portfolio of product pipeline and offering services to meet increased medical and market needs, ability to penetrate into new markets, making available drugs accessible and affordable to diverse populations. The companies should also move from blockbuster model to disease and population models by concentrating on diseases of aging, immune disorders, metabolic diseases, cancer and other lifestyle diseases as well as emerging new infections is imperative. Considering the opportunities the big pharmaceutical companies have adapted collaborative approach like merger and acquisition strategy or partnership approach to afford the high cost of R&D.

To overcome the challenges what could be the mandate for the pharmaceutical industry? Dr Nair suggested companies that are involved in drug discovery research adopt a collaborative mode to reduce costs; carry out extensive literature and patent search for the therapeutic field with respect to the chemical structure scaffold of the active and patented products, mechanism of action of the class and its current relevance; identify a project which will stay clear of the patents; carry out analog synthesis for new molecules and screen for biological activity, while developing the product further, and search for partners.

"We are in for a major change in the way pharmaceutical business will be conducted in the future. To succeed we need a change in mindset and approach. Moreover, as Edward De Bono once said, "To get something, you need to combine method and motivation. Motivation without method is ineffective. Method without motivation usually sits on the library shelf," quoted Dr Nair.

Narayan Kulkarni in Singapore