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Accenture Life Sciences

Five Branded Generics Strategies to Master for Global Pharmaceuticals in Emerging Markets

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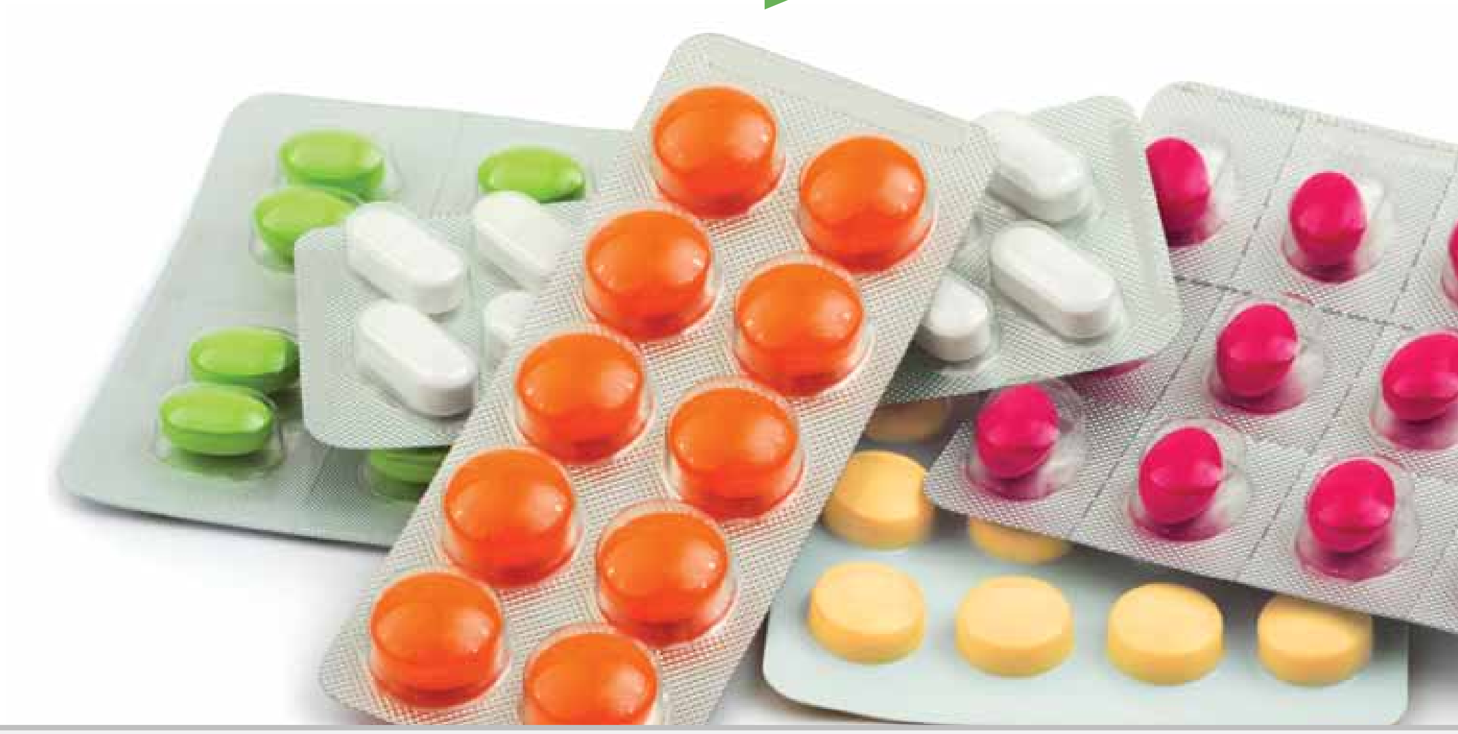

Introduction

Emerging markets can be tricky for pharmaceutical players that are more comfortable operating in a developed market environment, but coming to terms with the unique challenges these markets hold may separate winners from losers—especially as the competitive battlefield shifts to a more global footing. Emerging markets are home to more than 70 percent of the world's population, covering 46 percent of its landmass and are generating 31 percent of its GDP[1]. Thus, they represent the next big growth engine for the industry. What's more, a recent study[2] forecasts that by 2016, emerging markets—including Brazil, China, India, Indonesia, Mexico, Russia, and Turkey—will account for 30 percent of international pharmaceutical spending. As a result, cracking developing markets has become an agenda-topper for many industry CEOs. Emerging markets are further complicated by the fact that no two countries are the same. Brazil has different market and consumer dynamics than China or India due to socio-demographic, economic, governmental and regulatory factors.

Pharmaceutical market dynamics are fundamentally different in emerging markets compared to developed ones. The underlying reasons for these differences include different or virtually nonexistent reimbursement systems, limited access to healthcare and unique pricing and distribution aspects. In addition, multinational companies (MNCs) face compliance risks that require management in accordance with strict policies, including the U.S. Foreign Corrupt Practices Act (FCPA) and its UK equivalent. In some cases, failure to comply has led to high turnover among emerging market general managers, especially in countries that have entrenched, corrupt business practices.

But perhaps the most important difference in these markets is that big pharma companies often feel a need to compete more aggressively with a class of products known as branded generics. These are generic versions of products sold either by the original manufacturer of the patented drug or by generic manufacturers that build up brand equity for their generic versions of the medication, which they introduce right after the patent expires on the original product. The original manufacturers attempt to build on the name recognition of the branded drug to maintain market share in face of the generic manufacturer(s). On the other hand, generic manufacturers strive to build their brand equity with support from their sales, marketing and medical organizations.

Given these realities, global pharmaceutical companies, with a core competency in commercialization and R&D, need to either compete with or against the branded generics to be successful in the emerging markets.

Why branded generics matter in emerging markets

The genesis of branded generics in emerging markets is a pragmatic response to some hard local market realities. Historically, pharmaceutical companies—much as they do in developed economies—have attempted to enforce intellectual property (IP) rights in these regions as their economies became more globally integrated. From the start, however, big pharma players often had to compete against generic versions of their own medications, which in many developed countries are protected by law. The Indian market, for example, is inundated with copycat generic drugs and low-cost chemically similar versions due to historically weak patent laws and government-induced pricing controls.[3]

These market conditions, coupled with lower consumer disposable income levels and the inability of emerging market governments to afford novel medications[4] at developed country prices, helped to foster a new, branded generics product segment.

Just how well do branded generics measure up against branded and pure generic products from a profitability perspective? The popularity of branded generics over pure generic products also varies by country with branded ones enjoying a higher price leading to more favorable margins when compared to pure generics. In India, branded generics and originator (off patent) brands dwarf pure generic products, whereas in many developed markets such as the United Kingdom and United States, unbranded generics make up about half the overall category total. Branded generics typically offer higher margins than either over-the-counter (OTC) or pure generic offerings.

The favorable margins of branded generics can provide room for a meaningful amount of promotional spending. Our research shows that emerging market healthcare providers trust branded generic products the same way they rely on other novel medications because they have been in use for a long time—in some cases for decades. And given the often-global reputations of the MNCs, there is also an element of intrinsic trust in both the quality of branded generics and the companies that sell them.

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