

Early signals already demonstrate how important emerging markets are likely to be as opportunities for future growth; the source of continued and increased demands around access to medicines and accompanying political risk; and the scene of intense competition. Emerging markets pose a dual challenge to the industry to reconcile – within a single market – the commercial opportunities offered by a growing consumer base while simultaneously working with government and civil society to respond appropriately to the ongoing access needs of the poor majority. They are an important bridge between least developed countries, which offer few commercial opportunities, and the industry's main markets.

Challenges

Pharma Futures discussions concluded that the industry faces seven core challenges relating to these trends, which the investment community will need to understand.

Challenge 1 To Make a Transition to More Targeted Portfolios

The industry faces the challenge of ensuring that R&D decisions support a smooth transition to more targeted, segmented portfolios. Given that smaller markets are likely to equate to higher prices this transition will require the industry to work with payers, governments and others to ensure that the right therapies are getting to the right people. It is likely, therefore, to affect approaches to advertising, provision of information to oddslot patients, and relationships with doctors, patients, payers and regulators.

Challenge 2 To Restructure the R&D Functions Strategically

Much of the industry has already undertaken a restructuring of the R&D function to improve productivity and creativity. The challenge is to drive out redundancies within the system and to stimulate innovation. During this transition the industry will need to find the appropriate balance between incremental and step-change innovation, against a backdrop in which the decision to continue to invest strongly in incremental innovation is already being questioned.

Challenge 3 To Select the Right Balance in Research Priorities

A third challenge lies in the choice of what will be researched. The role the industry negotiates for itself in R&D in areas of commercially limited, unmet medical need will be critical to its future licence to operate more broadly.

Challenge 4 To Price Innovation Sustainably

The industry faces a critical challenge in understanding and successfully managing the limits of society's willingness and ability to pay for breakthrough innovation – particularly high-priced biologicals.

Challenge 5 To Become a Trusted Partner in Defining Value for Money

As budgetary pressure leads payers to develop institutionalised models for evidence-based reimbursement, the industry is first faced with the challenge of establishing itself as a trusted partner in the definition of what constitutes value for money within the healthcare system.

Achieving an appropriate definition of value based on a broad assessment of evidence and cost will require industry to rebuild trust.

Challenge 6 To Work Within System Constraints

Once established as a trusted partner, industry and governments, payers, patients and the healthcare community face the challenge of defining how to implement policies and practices that flow from the agreed definition of what constitutes value for money, looking at the issue from the perspective of therapeutic outcome, healthcare systems efficiency and societal need. The challenge is likely to have implications for data collection during the clinical trial process and in post-marketing surveillance, pricing policies, marketing and public affairs functions.

Challenge 7 To Respond Appropriately to Demands for More Equitable and Extensive Access to Medicines

As emerging markets become more commercially interesting they pose a two-pronged challenge to the industry: the first requires industry to develop a pricing policy that captures premium markets and permits an extension of volume sales to a wider customer base, while simultaneously preventing negative repercussions in mainstream markets. The second is to respond to demand for access to medicines in these markets in such a way as to defend the industry's commercial interests while at the same time persuading key decision-makers that the response is sufficient to overcome mistrust, minimise criticism and extend licence to operate.

‘The pharmaceutical industry and the practice of medicine are muddled in many people’s minds who believe that the industry exists to make available medicines to those who need them. The broader public not only does not understand market pressures – it doesn’t want to.’

Investor