Access to Medicines: The Next Growth Frontier

A patient access and supply chain strategy for reaching the majority in emerging markets
Five billion middle-income people constitute the majority of the global economic pyramid. New measures of their consumer behavior and aggregate purchasing power suggest significant opportunities for life sciences companies to reach these patients through shared value partnering and supply chain excellence.
The Next 5 Billion—Is MINT the Next Big Thing?

One of the key developments of the past two decades is the rise of the Emerging Middle Class—nations of lower-middle income and upper-middle-class consumers with an average per capita income between $1,000 and $12,000 at local purchasing power parity.1 Globally, this group accounts for an estimated $300 billion spending on medicines2 and their nationalities span well beyond BRIC country lines.

Former Goldman Sachs economist Jim O’Neill first popularized the term “BRIC” (Brazil, Russia, India, and China) in 2001 to describe four up-and-coming economies. In 2013 a new acronym emerged—MINT (Mexico, Indonesia, Nigeria, and Turkey) to predict the next set of emerging market giants. The MINT countries collectively assemble a pharmaceutical market worth $28 billion3 and all four are expected to enter the top 10 global economies by 2050.4 Mexico’s population of 116 million is relatively young, which means in 10 to 15 years there will be a greater need for healthcare services.5 Of the four MINT markets, Indonesia has the largest current population, the fastest and most consistently growing GDP, and increasing pharmaceutical spending per capita. Nigeria may have one of the best prospects in all the emerging markets with an estimated $488 billion GDP, pushing it into place as the largest economy in Africa, surpassing South Africa for the first time.6 Nigeria’s population boom also places it on track to become the fourth-most populous country in the world by 2050. In Turkey, the government has committed to propel the country into the top 10 health services economies by 20237 and the medical needs profile of this country is most similar to those of mature markets.

Life sciences companies are also paying more attention to developing markets. By 2016, pharmaceutical spending in Africa is expected to reach $30 billion, driven by a 10.6 percent compound annual growth rate (following just behind Asia Pacific at 12.5 percent CAGR).8 Life sciences companies like GlaxoSmithKline plc, Novartis AG, and Bayer AG are bullish on African expansion. “Africa is coming. It may not be coming the same way as India, or China, or Latin [America], but it is coming”7 says CEO of GSK, Andrew Witty. Novartis CEO Joseph Jimenez describes the continent as the “next set of emerging markets”8 and thinks it could deliver double-digit growth for the Basel-based drug company. Bayer CEO Marijn Dekkers says that “high on the agenda in 2014 is an African strategy”9 with Kenya, Tanzania, Ivory Coast, Cameroon, Nigeria, and South Africa on the table. This beyond-BRIC outlook and investment today will strongly position successful companies to capture the quickly growing African patient population tomorrow.

Demand in both emerging and developing markets is shifting away from infectious diseases to noncommunicable diseases (NCD) and chronic conditions such as cardiovascular disease, cancers, diabetes, and respiratory disease. Eighty percent of NCD deaths now occur in the emerging markets12, and lower-middle income people in these markets are especially vulnerable. This is a rising “call to action” for life sciences companies to bring their innovative NCD portfolios and differentiated capabilities to meaningfully address this rising, yet preventable epidemic.
What are life sciences leaders doing? There is evidence that a proactive "access to medicines" strategy correlates with business performance.

Looking at the leaderboard, the top multinational pharmaceutical companies have ranged widely in their success in emerging markets. The sustained success of Sanofi, GSK, and Johnson & Johnson is well anticipated given their first-mover advantage and long-standing investments in these markets. It’s the disruptive growth trajectories of Abbott Laboratories and Bayer that have taken the industry by surprise. Abbott has balanced an aggressive generic acquisition strategy, an in-region manufacturing footprint, and tailored portfolio to drive strong organic sales growth. Abbott’s sights are more ambitious than the rest of the pack, promising to drive 50 percent of its business from emerging markets by 2015.13

These emerging market leaders also share a strong "access to medicines" strategy. Based off the Access to Medicines Index, an independent ranking of pharmaceutical companies, Accenture research found that the top 10-ranked pharmaceutical companies14 for improving access to medicines in developing countries have outperformed their peers by 20 percentage points of stock price growth each year, while the bottom 10 have lagged in industry averages.15

The correlation between access strategy and strong overall financial performance is striking. Access strategy investments should be a long-term growth strategy for life sciences companies.

Accenture research found that the top 10-ranked pharmaceutical companies14 for improving access to medicines in developing countries have outperformed their peers by 20 percentage points of stock price growth each year.
Notes: Emerging Market sales above show all operating groups for each company, excluding Bayer (Bayer Health segment only). Emerging Market values were self-defined and self-reported as “Emerging Markets” or “Emerging Growth Markets” for Pfizer, Sanofi, GSK, Bayer, AZ, and Abbott. Emerging Markets value was derived for J&J, Canada, Western Europe, Japan; Merck MSD, and Eli Lilly. Proxy rationale: J&J (Western Hemisphere excluding US, Asia-Pacific); Novartis (All markets excluding US, Canada, Western Europe, Japan); Roche (Rest of Europe, Latin America, Rest of Asia excluding Japan); Merck MSD (All markets excluding US, Western Europe, Japan, Australia, New Zealand). Abbott not included in the 3-year comparison due to AbbVie separation in 2013. Emerging Market growth rates come with a dilution in earnings so the base for growth is lower. *2013 Abbott figures do not include AbbVie entity as separation became effective on January 1, 2013.

Figure 1. Competitive Landscape and Three-Year Sales Growth
Emerging Market Sales by Top 10 Global Pharmaceutical MNCs
(Total FY2013 Emerging Market Sales represented by bubble size)

Mature Markets vs. Emerging Markets

Figure 2. Average stock price change since January 2004 (indexed)
All About Access: The Case for Supply Chain Transformation from Global to Grassroots

The top supply chains in the world are found in retail, consumer products, high tech, and the food and beverage industry. What does “great” look like for their supply chains? How do leading companies position their supply chains as competitive differentiators and what are the lessons learned for life sciences companies to reach the right patient, at the right place, at the right time?

Accenture recommends a structured, five step approach to position your company’s supply chain for improved market access in emerging markets:

1. “Start with the Patient”
   Build visibility with patient centricity.

2. “Turn Insight into Action”
   Embed agile planning to rapidly create actionable business intelligence and insight.

3. “Take it over the Last Mile”
   Anchor around demand-driven execution to adjust quickly to changing market and demand conditions.

4. “Tap into Mobile as a Connector”
   Tap into social and mobile networks to augment traditional supply chain capabilities.

5. “Create Shared Value”
   Converge public and private partnerships to open grassroots channels.

As a guiding principle, patient visibility should demonstrate a holistic understanding of patient needs and market impacts across the referral and care cycle, not just what is traditionally within the scope of pharmaceutical industry interactions. New intervention points such as community health workers, local dispensaries, and health centers must be considered. Addressing leakages in the potential and unmet patient pool can lead to significant opportunities to grow the market, win new patients and retain existing patients.

Supply chain leaders such as P&G have fully embedded customer-centric supply chains into the core business. P&G Innovation teams and Supply Chain teams alike participate in an emerging market immersion process they call “Living It, Working It” whereby P&G employees live with shoppers and spend time in stores in order to truly tailor their products and supply processes to the target customer. P&G also ensures the systemic integration of account team customer insights with actual supply chain execution by structuring so-called “Transformation Teams.” These types of consumer-driven sufficiency networks give P&G a powerful and competitive advantage. “We have figured out how to keep the consumer at the center of all our decisions,” says A.G. Lafley, P&G CEO. “As a result we don’t go far wrong.”

START WITH THE PATIENT

Leading Supply Chain Trends

- Access Strategy and Development Sector Partnering—Invest in local insights and strategic partnerships to understand how patients really access medicines and embed the resultant patient access strategy across business operations

- Information Capture & IT Enablement—Build visibility across internal and external supply chain activity and use this data to drive business decisions
2. "Turn Insight into Action"

High market volatility is compounded in emerging markets, which are changing more rapidly than mature markets. The disruptive transformation of emerging markets is taking place on all fronts (political, regulatory, social, economic, etc.) so life sciences companies must find ways to succeed in ever-changing market conditions.

Having built visibility in patient demand and market volatility, life sciences supply chains must be agile and adaptable in order to translate visibility into actionable planning. Centralized, integrated, and agile planning capabilities are essential for managing supply chain operations in emerging markets.

A key supply chain trend for industry-leading companies is the Supply Chain Control Tower. This centralized control tower is an integrated set of capabilities and processes to coordinate enterprise-wise, rapid response between many players, internal and external, based on real-time visibility inputs. The layers of visibility, analytics and planning across the end-to-end supply chain network allow companies to monitor and respond to changes on a real-time basis. These high-performing firms have seen the control tower reduce inventory costs by 25-40 percent, reduce delivery costs by 10-20 percent and reduce SG&A costs by 20-30 percent.

A company must understand the nature of the demand for products and devise the supply chain that can best satisfy that demand. Leading companies are using supply chain segmentation to create differentiated capabilities for various types of demand and to optimize the trade-off between speed, cost and product availability. Optimized segmentation and clustering in various supply chain configurations can reduce overall supply chain costs by up to 30 percent and reduce inventory by up to 50 percent.

Figure 3. The 6A’s Model of Patient Access to Health outlines key themes to understand.

Patient Access to Health—The “6A’s” Model

- **Access to Medicines**
- **Affordability of healthcare**
- **Awareness**
- **Availability of medicine**
- **Appropriate use**
- **Ancillary support**

What segmentation strategies and patient archetypes make sense?

**How does the patient access information on disease education and treatment?**
Patient identification, individual demographic, income, geography, family dynamics, status, membership, micro-market, community, therapeutic area, campaign outreach

**How does the patient access support?**
Patient support groups, caregiver, corporate outreach, loyalty programs, therapeutic-specific/NCD-specific support

**How does the patient access treatment counseling and medical guidance?**
Patient support groups, healthcare provider, compliance, adherence, consistent use, social conditioning

**How does the patient access healthcare providers and therapies?**
Healthcare facility traffic, quality of care, ability to diagnose, appropriate referral network, provider skills/capabilities, management of health workforce & system (public and private)

**How does the patient access medicines?**
Pharmaceutical channel volume, supply chain reach, product criticality, patient barriers

**What does the patient pay for medicines?**
Basic insurance, additional insurance, alternative medicine, nursing insurance, out-of-pocket expenditure, pricing, poverty levels, stability of economic opportunity/employment, tradeoffs for purchasing medicine vs. other essential products
Supply chain talent management is becoming the most critical asset for leading global supply chain leaders. Leaders have established localized, supply chain talent strategies to ensure they have the right skills to support their customers. This includes building of professionalism associated with supply chain skills, specificity of discrete capabilities of functions, the managing of “economies of skill” (Centers of Excellence), and the human capital mechanism to train and sustain local teams.

Since 2010, Novo Nordisk has made a concerted effort to expand access to diabetes care in Bangladesh through their “Blueprint for Change” program. Bangladesh had a high unmet need for diabetes care: 40 percent of all people with diabetes in least developed countries lived in Bangladesh; over 12 percent of the Bangladesh population is affected with diabetes and of that, nearly half remain undiagnosed. This high latent prevalence translated into a significant market opportunity for the company, but obtaining care for noncommunicable diseases in an emerging market is particularly challenging.

Partnering with the Diabetic Association of Bangladesh and other local partners, Novo Nordisk leveraged Accenture to develop a philosophy on creating shared value. By investing in physician education, lower-priced insulin, and distribution, Novo Nordisk addressed and improved upon three of the key patient-focused themes: Accessibility, Affordability, and Availability.

The company’s efforts directly impacted the health and social welfare of millions of people, evidenced by 12 percent more people being diagnosed today and 850 new jobs created as a result of these programs. At the same time, the diabetes program tripled the population in Bangladesh that was able to afford insulin, increasing Novo Nordisk’s market share by 12 percent in just two years, and increased the availability of Novo Nordisk’s product from 1 to 25 depots and in 500 new rural centers, leading to a 9.5 percent sales growth.

“Blueprint for Change” revealed key learnings, including that shared value requires significant private and social entrepreneur investments, in addition to government interventions. Early market entry is essential, as well as developing local relationships and understanding.

Pharmaceutical companies typically take a structured approach to choosing the right distribution strategy. One of the key determinants of a company’s distribution strategy is market viability (political and economic instability). Large viability concerns and risk tend to drive companies away from owning local assets, even when the market opportunity is very attractive (e.g., Russia and Turkey). In these scenarios, leading companies tend to favor regional partnerships with distributors instead. Once viability concerns are addressed within a country, the primary focus can shift to structural challenges such as physical infrastructure and regulatory certainty (e.g., India and China). At this point, global life sciences companies typically take market-specific approaches, based on market, product, and commercial requirements. Once viability and structural infrastructure are well established, companies look to optimize cost/service trade-offs and are thus more likely to invest locally at this point.

3. “Take it Over the Last Mile”

Within emerging markets, the importance of the “Last Mile” cannot be overstated. Last Mile focuses on reaching the end-patient, not just the dispenser, and a comprehensive Last Mile strategy includes demand-driven supply networks, cold chain strategy, integrated work systems, multichannel fulfillment and distributor integration platforms.
CLIENT SPOTLIGHT

Coca-Cola and Project Last Mile

Often, the challenge in getting medicines to people is not a lack of funds, but rather a gap in the supply chain’s “Last Mile,” a term that refers to the final leg of delivery to end-patients. Project Last Mile asks the question “If you can get Coca-Cola anywhere in the world, why not life-saving medicines?”

Project Last Mile is a groundbreaking public-private partnership among The Coca-Cola Company, USAID, The Global Fund, and the Bill & Melinda Gates Foundation executed in collaboration with Yale’s Global Health Leadership Institute, Accenture Development Partnerships, and the Global Environment & Technology Foundation to transform African governments’ medical supply chains. Through Project Last Mile, the government agencies managing procurement and distribution of medicines can draw on Coca-Cola’s 85+ years of distribution experience in Africa: distribution expertise, marketing know-how, and business skills to get critical medicines and supplies to those who need it most in remote communities in Africa. Currently focused on Tanzania and Ghana, the partnership will invest more than $21 million to expand the initiative to 10 other African countries over the next five years.

Since 2010, Project Last Mile has increased the availability of medicines in Tanzania medical clinics by 20-30 percent in places that have implemented the direct distribution model. It expanded Tanzania’s distribution system from nine zonal and about 400 district drop-off points to direct delivery to more than 5,500 Last Mile health facilities.

Increasingly important in emerging market supply chains is securing the safety of drugs. Serialization and security technologies are experiencing the greatest uptrend as life sciences companies continue to combat counterfeiting and theft in emerging markets. An estimated 1-2 percent of drugs in North America are counterfeit, and these percentages can rise to nearly 50 percent in Asia and Africa, creating serious health risks for patients and reputational risks for life sciences companies. It is estimated that the global counterfeiting market is a $75 billion market.

Serialization technology not only expands traditional track-and-trace compliance solutions, but it also provides consumers with access to serialized package data that ensures product integrity and patient safety. Serialization technology continues to be the most effective strategy to detect and eliminate counterfeiting when coupled with a mobile authentication app—a trend quickly growing due to new market requirements and standards.

TAP INTO MOBILE AS A CONNECTOR

Leading Supply Chain Trends

• Demand Sensing & Signals—Integrate mobile devices into supply chain sensing such as inventory stock out, mobile texting or epidemiology/incidence tracking

• Provider Capacity Building—Leverage mobile learning to ensure health networks, dispensaries and workers have the tools, skills and support to provide quality patient care

• Mobile Authentication of Serialized and Secured Supply Chain—Protect and track products using serialized, lot-level product information to secure distribution and reduce counterfeiting

4. “Tap into Mobile as a Connector”

Six billion people now have access to a mobile device. In this increasingly connected world, some emerging and developing markets leapfrogged directly into mobile technology without pausing for landlines. The prevalence of this macro-trend and the connectivity it offers open up a wealth of opportunities to engage patients and leverage the vast universe of social/mobile business intelligence to drive business decisions. Leaders are tapping into mobility to augment traditional supply chain capabilities in demand sensing and signals, mobile clinics, provider capacity building and serialized and secured supply chain.
In India and Sri Lanka, mobility has also been introduced into demand-sensing for the value chain. Local provinces are using BioSurveillance Mobile monitoring devices to report and communicate Dengue outbreaks to central authorities. These mobile devices have significantly reduced the reporting process time from the original 15-30 days, allowing rapid response for provision of medical treatment and containment. This improved demand-driven responsiveness allows suppliers to quickly access inventory and fulfill patient demand in reaction to real-time epidemiological outbreaks.

5. "Create Shared Value—Do Well By Doing Good"

Cross-sector partnering can be very powerful for life sciences companies looking to build broader access to the mass market of low-income and middle class. These wealth segments make up the majority of the market (for instance, the low income segment accounts for a staggering 85 percent of all health spending in Asia) but can be difficult to access. To address this gap, life sciences companies are reporting an increased importance of development sector partnering to strengthen local patient reach and relevance.

In many ways, this type of partnership makes good sense. Private-sector companies and development organizations share a fundamental goal to increase access to medicines—which drives both business growth and global health impact.

In emerging markets, the experts on patient access are often found in the development sector. They hold complementary capabilities to their private-sector counterparts and can often help fill the gaps of how to best access the middle-class and low-income populations in otherwise unfamiliar markets. These organizations deeply understand how patients access, pay for, and use medicines in provider and community networks. They have historically provided guidance on locally relevant products to address market need and offered local insights on navigating government and regulatory practices. Today’s life sciences companies need a combination of industry experts and development experts in order to win in emerging markets—This is the growing convergence between life sciences and international development global health.

Life sciences companies that collaborate with development partners in emerging markets may also benefit from investment-sharing or cost-sharing. Development assistance for health reached $28.1 billion in 2012, more than 20 percent of total development financing. Life sciences companies that are committed to the goal of human healthcare in emerging markets may benefit from shared investments with development partners, thus reducing risk and investment barriers for new ventures.
The Future

“For millions of people worldwide, medications are expensive, nonexistent, inaccessible or of low quality.” Although much progress has been made in the past few years, there are still many opportunities to address the large unmet need.

Patient access is a key enabler for life sciences companies to accomplish the twin objectives of delivering global impact and realizing shareholder value. Access to medicines is an innovative and convergent approach to make healthcare products more available, affordable, and accessible to developing and emerging world populations. More research is emerging that these investments also drive business performance and growth. To learn from what access to medicines leaders are doing to win emerging markets:

Access to medicines leaders are meaningfully focused on reaching Middle-class and low-income populations. Leaders are committed to making their products available to broader mass markets in emerging and developing countries. With 75 percent of pharmaceutical growth coming from the emerging markets, and global middle-class consumption in hyper-growth, these consumers will command the global health markets of tomorrow.

Access to medicines leaders are using the supply chain as a competitive and differentiating platform to launch patient access. Companies have an opportunity to strengthen their supply chain as a strategy approach to increase patient reach in the emerging and developing markets. High supply chain maturity begins with building patient visibility, translating insights into action, taking execution over the last mile, connecting health innovation through mobility and creating shared-value partnerships.

Access to medicines leaders are partnering with the development sectors. To reach new patients, companies cannot go it alone. Convergence and co-creation with Development sector partners are instrumental in translating global reach to local relevance. The new paradigm of access to medicines is a new collaborative and convergent ecosystem in which public sector, private sector and civil society stakeholders are jointly partnered to improve patient access.
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