Accenture Life Sciences

Winning in Emerging Markets to Drive Growth in the Life Sciences Industry

High performance. Delivered.
As mature markets in many areas of the developed world become saturated, global life sciences companies are aware that growth and sustained competitive advantage may be increasingly dependent on the effective planning and execution of an emerging-markets strategy.

These markets, particularly the BRIC nations (Brazil, Russia, India and China), have experienced significant and rapid change. In 2005, China and Brazil constituted just 5 percent of the total pharmaceutical market of the top 10 nations; by 2016, however, at least one projection is that the four BRIC nations will all be in the top 10 of global pharmaceutical markets and will constitute 30 percent of the top-10 market (See Figure 1.).

In spite of this opportunity, many pharmaceutical firms have not been able to get a major foothold in emerging markets. Looking at the publicly available financials of the top-nine pharmaceutical companies, many of them have no more than 10 percent to 30 percent of their revenues coming from emerging markets.

What are the barriers to effective execution of an emerging-markets strategy? Selling and operating in these markets presents numerous challenges. A variety of market access elements such as supply chain planning, manufacturing and distribution can become more complex when selling to markets in emerging economies. The regulatory environment, including taxation and import regimes, can be a significant barrier to growth, both in terms of working across borders and in terms of tracking the continuously evolving patchwork of laws and rules. The need for more effective monitoring of pricing and reimbursement may increase. Talent shortages can also be obstacles to growth.

Thus, although "expansion into emerging markets" is now a popular topic for boards at many life sciences companies, it is time to turn the talk into effective action in order to stay competitive and win.

FIGURE 1. Top 10 total pharmaceutical markets in the world, 2005-2016
$Billion—all figures in US Billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Rank</th>
<th>Size $B</th>
<th>Rank</th>
<th>Size $B</th>
<th>Rank</th>
<th>Size $B</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1. USA</td>
<td>249.2</td>
<td>2. Japan</td>
<td>84.9</td>
<td>3. France</td>
<td>33.3</td>
</tr>
<tr>
<td></td>
<td>4. Germany</td>
<td>33.1</td>
<td>5. Italy</td>
<td>21.3</td>
<td>6. UK</td>
<td>16.4</td>
</tr>
<tr>
<td></td>
<td>10. Brazil</td>
<td>11.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>1. USA</td>
<td>322.0</td>
<td>2. Japan</td>
<td>111.2</td>
<td>3. China</td>
<td>66.7</td>
</tr>
<tr>
<td></td>
<td>4. Germany</td>
<td>45.0</td>
<td>5. France</td>
<td>41.3</td>
<td>6. Brazil</td>
<td>29.9</td>
</tr>
<tr>
<td></td>
<td>7. Italy</td>
<td>28.6</td>
<td>8. Spain</td>
<td>22.7</td>
<td>9. Canada</td>
<td>22.4</td>
</tr>
<tr>
<td></td>
<td>10. UK</td>
<td>21.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7. Italy</td>
<td>23-33</td>
<td>8. India</td>
<td>24-34</td>
<td>9. Russia</td>
<td>23-33</td>
</tr>
<tr>
<td></td>
<td>10. Canada</td>
<td>19-29</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

To help life sciences companies plot more effective growth strategies in the emerging markets, Accenture has performed an analysis of some of the most important market access issues and trends in the BRIC countries. Our study evaluated the current supply chain maturity levels of the life sciences industry, the regulatory environment, the overall dynamics around pricing, and other challenges that life sciences companies need to overcome to run successful market access strategies.

Many of the large, international life sciences firms have already established some level of presence in these BRIC markets. However, these companies are at different levels of maturity in terms of capabilities they have acquired to this point. Accenture believes that life sciences companies may be able to gain a competitive edge in emerging markets with a thorough knowledge of the six primary issues faced with emerging market growth and adoption of a four-point integrated strategy.

**Think customer clusters: The importance of submarkets.**

Each emerging market is a combination of diverse segments requiring differentiated treatment. Companies should consider plotting their access strategies by thinking of customers and clusters of customers (also known as “submarkets”) rather than focusing only on countries and continents. This approach can enable companies to have more targeted and effective customer-centric strategies.

**Find cross-border similarities.**

Elements of the value chain appear to be at similar maturity levels across multiple emerging and/or developed markets. Firms may benefit from creating solutions that are better positioned to cross geographic borders by exploiting these similarities.

**Establish global reach with local relevance.**

It is important to standardize globally whenever possible to gain economies of scale, but also to customize where appropriate to achieve local relevance. Solution themes can benefit from cross-market applicability, but the implemented design may need customization to address market-specific nuances at the local or regional levels.

**Create effective and rapid execution capabilities.**

The ability to understand the customer, and to execute solutions across markets that are aligned with customer needs in a timely and cost-efficient manner, can be a key to success and competitive differentiation. This is a difficult goal for many companies because many still operate within functional silos of supply chain, R&D and commercial, rather than working toward one common goal according to one strategy.
Developing Market Access Capabilities

It is generally understood that BRIC markets pose a number of similar challenges in areas such as economic development, infrastructure growth, availability of skills and resources, technology developments, regulatory maturity and the pricing environment. However, life sciences companies may also benefit from an understanding of the differences and nuances that can shape how they develop market access capabilities focused on supply chain and pricing, including how they deal with regulatory and tax environments.

The fragmentation of the distribution environment has been an ongoing challenge for some companies, though this situation may be changing because of market consolidation. Some manufacturing processes are becoming more aligned with global standards, and many industry players are starting to appreciate the benefits that increased collaboration with vendors and channel partners can bring to their businesses.

Supply chain skills are typically not as widely available in emerging markets which can be a clear obstacle toward achieving market growth in these regions. Infrastructure and technology adoption in emerging markets have yet to reach a stage where there can be regular, seamless flow of products and an effective reverse flow of information within the supply chain.

Furthermore, based on a recent Gartner survey, many pharmaceutical manufacturers see a critical gap in the supply chain capabilities they need to execute their market access strategies around the world. Sixty-four percent of manufacturers surveyed affirm the importance of developing effective supply chain capabilities in emerging markets. However, only 21 percent say their performance is currently adequate—a 43-point gap between aspiration and reality (See Figure 2.).

FIGURE 2. Importance versus performance: A gap analysis of key supply chain components

Percentage of respondents

According to Accenture analysis, most of the BRIC markets are still at low levels of maturity in terms of distribution capabilities, infrastructure, manufacturing, supply chain skill availability and technology adoption (See Figure 3.). Establishing and running supply chain operations in emerging markets is a challenging proposition. It may be difficult to gain penetration down to the last mile in the market, navigating through the complex networks of cities and towns and the vast geographic span. There are also significant differences in the level of economic and infrastructure development as focus shifts from cities to smaller towns, and then to rural areas which are typically not well-connected from an infrastructure perspective to the more urban economic centers.

Overcoming these challenges to the overall value chain may require innovative approaches such as focusing on customer clusters, leveraging solutions across markets with local flavor and executing with speed in an effort to maximize the business opportunities that these markets offer to life sciences players.

**FIGURE 3. Comparison of the maturity of life sciences value chain elements across the BRIC markets**

<table>
<thead>
<tr>
<th>Maturity Parameters</th>
<th>Brazil</th>
<th>Russia</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution</td>
<td>Highly fragmented, regionally focused, low visibility</td>
<td>Highly concentrated, further consolidation expected</td>
<td>Highly fragmented, multiple layers, unionized channel, low visibility</td>
<td>Highly fragmented, multiple layers, low visibility</td>
</tr>
<tr>
<td>Manufacturing (Compliance)</td>
<td>Local regulation compliant</td>
<td>Low GMP compliance universal compliance only by 2014</td>
<td>Majors follow GMP, monitoring of adherence to norms is critical</td>
<td>GMP compliance is an issue, universal compliance only by 2015</td>
</tr>
<tr>
<td>Manufacturing (Reliance on Imports)</td>
<td>Heavy reliance on imports (80% APIs imported)</td>
<td>Heavy reliance on imports (&gt; 75% of the market)</td>
<td>Predominant local manufacturing (local players)</td>
<td>Predominant local manufacturing (including MNCs)</td>
</tr>
<tr>
<td>Availability of niche skills</td>
<td>Limited availability of niche supply chain skills</td>
<td>Skills availability is not an issue at present</td>
<td>Skills available, but LS not a preferred choice</td>
<td>Limited availability of niche supply chain skills</td>
</tr>
<tr>
<td>Technology Usage (LS Firms)</td>
<td>Localized systems</td>
<td>High Usage, ERP systems</td>
<td>High Usage, ERP Systems</td>
<td>Legacy Systems</td>
</tr>
<tr>
<td>Technology Usage (Channel Partners)</td>
<td>Basic technology used by channel partners</td>
<td>ERP used by large channel partners</td>
<td>Basic technology used by channel partners</td>
<td>Basic technology used by channel partners</td>
</tr>
</tbody>
</table>

Source: Client Interviews, Espicom World Pharmaceutical Market Report 2012, Accenture analysis
According to Accenture analysis, most of the BRIC markets are still at low levels of maturity in terms of distribution capabilities, infrastructure, manufacturing, supply chain skill availability and technology adoption.
As market access for emerging economies becomes increasingly important, Accenture believes that life sciences companies can benefit from an awareness of six primary challenge areas across the broader value chain. (see Figure 4). This section explores each of these areas in detail.

1. Immature logistics and distribution

Life sciences companies generally have available to them a spectrum of distribution options as they seek access to markets in BRIC countries. One challenge that companies typically face in this area is that the distribution value chain in emerging markets is often immature—inefficient, mostly inflexible and highly fragmented.

Take the example of the typical Chinese distribution system which, by Western standards, is complex and much more restrictive, with a large number of distribution companies operating at all levels. Many distributors are province-based or city-based and few cover more than just a small area of the country. Five primary distribution centers supply more than 200 provincial-level wholesalers, which in turn supply around 3,000 local distributors. Such a distribution system may have the advantage of simplicity, but it can also be highly inefficient.

China now has a large number of distribution companies operating at all levels. In theory, all products could be distributed through the state-controlled system, but many local companies establish their own preferred methods of purchasing and distribution. Direct selling by manufacturers and wholesalers at all levels is increasingly becoming the norm. Many suppliers desire to gain broad geographic coverage but find themselves restricted by strong regional governments and poor transportation and communication systems which, in effect, make China a collection of independent and fragmented markets.

The situation is similar in India, with many companies encountering complexity and fragmentation in the distribution chain at every level. A typical distribution value chain in India goes through a distribution network that may involve 30 Clearing and Forwarding Agents (CFAs), 60,000 stockists and 550,000 pharmacies in addition to sub-stockists, hospitals and non-government organizations (NGOs). Thus, as in China, the distribution networks in India are exceedingly complex.
In Russia, a large number of small regional drug wholesalers exist, but these are sometimes losing out to a smaller number of national wholesalers. The national wholesalers are typically more efficient and better capitalized. Because they are generally based in Moscow or St. Petersburg, they may be better placed to deal with overseas companies.

The distribution system situation in Brazil is more in line with that of a developed market. Brazil has about 300 drug wholesalers and five major pharmacy chains in addition to other players. The five pharmacy chains comprise 49 percent of the market but have only 10 percent of the outlets in the country. Those numbers may continue to fall due to mergers and acquisitions. For example, in September 2011, Drogaria São Paulo, the leader in the state of São Paulo, and Drogarias Pacheco, the leader in Rio de Janeiro, announced a merger, creating the largest pharmacy chain in Brazil, DPSP, with a combined 691 outlets located in five states.

Furthermore, lack of adequate cold-chain capabilities across the country has contributed to serious gaps in distributing drugs that require specialized handling. The market does not have distributors or logistics players who have cold-chain capabilities across the entire country. These kinds of constraints may need to be addressed to improve market access in emerging economies.

In the coming years, Accenture anticipates some consolidation amongst the distribution players. We also expect to see some development of segmented capabilities to reach the farthest areas of the country (tier 2 and tier 3 cities as well as rural areas) and the use of technology as an enabler in an effort to create a more agile and secure distribution value chain.

One potential challenge posed by these trends is in creating targeted solutions focused on sets of customers segmented by region, attitudes, behaviors and per capita income, but with solutions closely aligned to the needs of particular customer segments. This situation could also give rise to more collaboration across borders to leverage solutions and increase the value of learning during the course of speedy execution.

2. Inadequate manufacturing infrastructure

Different emerging economies have very different levels of maturity in terms of fully developed manufacturing ecosystems. Although most of the manufacturing bases in the BRIC countries are focused on providing Active Pharmaceutical Ingredients (APIs) and preparations (China and India), and manufacturing generic products (all BRICS), a great deal of fragmentation exists among pharmaceutical manufacturers. For example, in India, no single company has more than 7 percent of market share; in China by contrast, 70 percent of the players have revenues of less than $45 million. India is ahead of other emerging economies in formulations due to their domestic generic manufacturing capabilities.

In Russia, manufacturing has often not been able to cope with the growing needs of the Russian market. Currently, local pharmaceutical companies are able to meet only a small percent of the country’s requirements; therefore, reliance on imported pharmaceuticals is growing. Around 80 percent of the public procurement (DLO) budget for additional medicines is spent on foreign pharmaceuticals.

Further analysis suggests that the local industry’s falling market share may be rooted in part in the inability of Russian manufacturers to produce innovative drugs. Some producers blame the high costs associated with drug development, clinical evaluation, marketing and promotion and the uncertainty of the return on their investment. In Russia, the cost of developing and launching a new drug is estimated at between US$100,000 and US$5 million. Some manufacturers therefore claim that they need to acquire licenses for the reproduction of fully established generic products.

Another problem often lies with a lack of financing for R&D. Many Russian scientific research institutes that were previously solely responsible for the end-to-end process of developing and launching new products now tend to be involved only in the initial drug-discovery stage. After that point in the process the project is often shelved due to extensive laboratory and clinical evaluation costs, as well as marketing and sales expenses. If a new drug is successfully developed, insufficient laboratory and clinical testing as well as non-compliance with international Good Manufacturing Practices (GMP) standards could prevent it from entering the international market place.
In Brazil, some companies have focused on encouraging more effective collaboration between contract manufacturers and pharmaceutical companies. Due to the strong Brazilian currency, companies can find it infeasible to produce drugs in Brazil for export. This situation, in turn, can result in underutilization of manufacturing capacity. For example, Accenture recently visited one plant performing manufacturing for a major pharmaceutical company; the plant is running at only 50 percent capacity utilization.

The availability of manufacturing facilities that are GMP compliant can vary significantly across these markets. Russia faces challenges in becoming GMP compliant because only 12 percent of local facilities are GMP certified. India, on the other hand, has many GMP-certified facilities, but faces challenges because many players of all sizes have been exposed as being, in practice, non-adherent to norms. Many large multinationals prefer to invest in captive facilities in these markets to increase the availability of high-quality and compliant local manufacturing partners.

In the future, more manufacturing facilities may become GMP compliant across the emerging economies. Accenture sees a significant trend among multinationals to use Contract Manufacturing Organizations (CMOs) and other local suppliers as a part of the manufacturing ecosystem. These suppliers can be developed specifically for these markets but can also be fully integrated into the overall manufacturing strategy. In addition, there may be an increased emphasis on production of biosimilars, creations of essential drug lists, strategic sourcing, and development of talent with the required skills to be successful in this extremely dynamic market environment.

Accenture believes that manufacturing solutions could be leveraged across borders in the areas of training to develop required skills, process mapping and technology enablers. Joint ventures and M&As could also lead to solutions that are more effective, and that can be pushed to market faster, potentially creating a more agile company.

New initiatives to create pilot solutions could be leveraged across the BRIC countries. Indeed, many of these solutions are already in the pipeline. For example, in Brazil, a multinational pharmaceutical firm acquired a local producer and reacquired a number of products previously licensed to another company. Another multinational pharmaceutical firm has confirmed its plans to build a plant for the production of vaccines against meningococcal B within three years.

3. Diverse regulatory environments
Successful expansion in emerging markets can depend on a comprehensive understanding of the different regulatory environments of these nations. For example, gaining approvals for new products typically takes longer in the BRIC countries than in developed markets. Approval times can range from about 18 months in Russia to more than three years in China—over and above the timelines for registration in the United States and the European Union.³

The costs and processes associated with seeking approvals in these markets typically also vary significantly. China accepts pharmacokinetic bridging clinical studies along with global clinical data, while Russia requires enrollment of local patients in clinical trials.

Despite a generally low cost of patient recruitment and a typical ability to run concurrent trials in India along with global trials, many large companies prefer not to engage in Phase I clinical trials because some companies believe that regulations regarding data exclusivity are not strong enough to guarantee protection of pre-clinical data.

Intellectual property rights for pharmaceutical products are also regularly evolving, with many local governments seeking to strike a balance between World Trade Organization (WTO)-related norms and local patient needs for access to affordable and innovative drugs.

Although compulsory licensing may not yet be a significant threat in most emerging markets, other factors such as the scope of patentability for new products in India and patent review processes in Brazil have had an effect on the creation of patent-protected products in these markets.
Regulators in the BRIC markets are often aware of the delay in making innovative medicines available to patient populations. Some regulators are working toward rationalizing approval timelines to reduce this lag. Brazil is looking at initiating a fast-track approval process for lifesaving drugs, while China and Russia are looking for multinational cooperation in the area of clinical trial regulation to reduce the time and cost associated with repeating clinical trials with the local population.

Although these changes may help life sciences firms gain faster market access, companies can still benefit from recognizing that patent laws in these markets may not readily evolve to a stage where patent recognition will be at par with that of developed markets such as the United States and the European Union. Thus, for life sciences companies to be successful in these markets, they may need to become more selective about their portfolio choices. In general, firms may benefit from gaining detailed knowledge of local regulatory policies and putting in place a dedicated workforce to liaise with the local regulatory bodies—an approach that can improve speed to market.

For more information about the current situation in BRIC countries with regard to the regulatory environment, and on future trends, see the summary chart in Figure 5.

### FIGURE 5. Comparing the regulatory environments in the BRIC countries

<table>
<thead>
<tr>
<th>Regulatory</th>
<th>Brazil</th>
<th>Russia</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New product registration</strong></td>
<td>New Drug take more than 2 years, while generics are approved within 1 year</td>
<td>Actual approval usually takes &gt; 18 months although official timelines are far lower</td>
<td>New products take more than 2 years, while generics are approved within 6–12 months</td>
<td>NCEs face 3 to 4 years than the US or EU to be approved</td>
</tr>
<tr>
<td><strong>Intellectual property protection</strong></td>
<td>Patent review timelines ~ 8 years. Review by patent office and medicines agency. No explicit Data exclusivity regulations</td>
<td>Russia became a WTO member in 2011 and patent law is still evolving</td>
<td>Issues concerning Data Exclusivity regulations, and scope of patentability which often lead to rejection of applications</td>
<td>Issues concerning Data Exclusivity regulations which can allow generics access to clinical data</td>
</tr>
<tr>
<td><strong>Clinical trials</strong></td>
<td>Trial Protocols are approved by multiple agencies with timelines stretching to &gt; 10 months</td>
<td>Minimum of 2000 local patients need to enrolled on trials for marketing approval</td>
<td>Phase I trials allowed only if compound originates in India or pre-clinical data is submitted for review</td>
<td>Bridging pharmacokinetic studies allowed with 100 patients</td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
<td>GMP norms implemented in the ’90s. Stricter norms for APIs (in line with US and EU) implemented since 2010</td>
<td>&lt; 12% local units are GMP certified. Some MNCs prefer to setup captive facilities in Russia</td>
<td>Although many facilities are GMP and even FDA compliant, adherence to norms remains questionable</td>
<td>All manufacturers will need to comply with GMP norms by 2015</td>
</tr>
<tr>
<td><strong>Future trends</strong></td>
<td>Potential introduction of a fast track approval process for life saving drugs</td>
<td>Mutual new product registration between Russia, Belarus and Kazakhstan designed to reduce approval timelines and grant faster market access</td>
<td>Establishment of a National Medicines Agency as the sole approval authority may happen in the distant future Clinical trial requirements, including patient consent and ADR reporting may get more stringent</td>
<td>Regulatory cooperation is being explored with Asian countries for harmonization of clinical trial regulations and reduction of trial timelines Manufacturing regulations governing API manufacture may become more stringent Government may resort to compulsory licensing in the area of ARVs</td>
</tr>
</tbody>
</table>

Source: Espicom World Pharmaceutical Market Report 2012, Accenture analysis
4. Uncertainty in pricing and reimbursement

Achieving success in emerging markets requires a deeper understanding of how pricing and reimbursement systems work in the different regions. Although each market employs some combination of free-market pricing and price controls, pricing and reimbursement in general can vary significantly across markets and is in part a reflection of local economic conditions and the government's role in healthcare provisioning.

For example, although both Brazil and India have similar market sizes in terms of value, drug prices in India are only a fraction of the prices in Brazil. Although a large portion of the market by value is unregulated in Russia and India, resulting in positive price evolution, the reverse is true for Brazil and China, with the latter experiencing negative price growth. In China, government-mandated cuts of about 20 percent every three years are becoming commonplace.4

In terms of government reimbursement, both Russia and India are largely self-pay markets with limited coverage for pharmaceutical products. By contrast, both Brazil and China have established reimbursement systems through a combination of social insurance and government funding. Outpatient drug reimbursement is also fairly common in Brazil and China, while many patients in Russia and India must pay themselves for drugs used outside of a hospital stay.

Reimbursement listing can improve market access in many markets. In China, in addition to reimbursement listing, companies generally focus on getting their products listed on the formularies of hospitals. Even then, two to three years may be required before bids for such products are invited.

Similarly, in India, winning a tender does not necessarily guarantee that the product will succeed. Sales teams are often called upon to work with hospital formularies to generate regular orders. Given the trend of increased public healthcare spending in emerging markets, some regions are experiencing increasing demand for skilled resources in areas such as tendering and auctioning. Shortages of experienced professionals in these areas often result in more cross-industry recruitment and training.

The countries with better-established reimbursement markets—including China and Brazil—may see stagnation or erosion in prices because the healthcare systems in these countries are generally facing increasing cost pressures and budget constraints. Although the non-regulated retail markets in Russia and India may see positive price evolution, increased pressures from patient and activist groups are likely to result in more monitoring of prices, especially for innovative lifesaving drugs and medications for chronic illnesses, which can impose a significant burden on the self-paying patient population. Calls for greater reimbursement coverage in Russia may not occur for some time, while India may remain a self-pay market for the foreseeable future.

When setting their pricing strategies, life sciences firms should be cognizant of consumers' disposable incomes in these emerging markets. Company also may benefit from focusing on improving the cost effectiveness of their supply chains to maintain suitable gross margins.

For more on the current situation in BRIC countries with regard to pricing and reimbursement, and on future trends, see the summary chart in Figure 6.
### FIGURE 6. Comparing pricing and reimbursement environments in the BRIC countries

<table>
<thead>
<tr>
<th>Pricing</th>
<th>Brazil</th>
<th>Russia</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent of price control</td>
<td>All drugs</td>
<td>EDL (567 drugs) &amp; DLO (covers 7 life threatening diseases)</td>
<td>74 drugs covered under DPCO</td>
<td>NRDL (2400 molecules) ~ 60% of the market by value</td>
</tr>
<tr>
<td>Price control mechanism</td>
<td>International reference pricing (10 countries) and reference to local existing products</td>
<td>International reference pricing (20 European countries) and reference to local existing products</td>
<td>100% markup over cost for locally manufactured products. 50% for imported products</td>
<td>Patented products prices negotiated individually by NDRC and manufacturers</td>
</tr>
<tr>
<td>Pricing norms for generics</td>
<td>At least 35% discount to innovator brands</td>
<td>Average of last 12 months price</td>
<td>~ 95% market is ‘branded’ generics</td>
<td>First to market enjoys premium over laggards</td>
</tr>
<tr>
<td>Price Increases/trends for price controlled products</td>
<td>Regulated based on inflation and generic penetration</td>
<td>Allowed only for locally manufactured products</td>
<td>Reviewed periodically for cost escalation and price increases granted</td>
<td>Prices cut every 3 years (10% to 20%)</td>
</tr>
<tr>
<td>Pricing trends for non-controlled products</td>
<td>~</td>
<td>Free pricing, controlled by competitive forces</td>
<td>&gt;10% increase per year not permitted</td>
<td>~</td>
</tr>
<tr>
<td>Pricing for government purchases</td>
<td>Compulsory discounts (24%), bulk purchases and reverse auctions</td>
<td>Local made products enjoy a 15% price premium over similar imported products</td>
<td>Purchased through sealed tenders primarily driven by price</td>
<td>Average tender price drops by 2% to 3% each year</td>
</tr>
<tr>
<td>Channel margins</td>
<td>Average wholesale margin 10%, retail margin 26%</td>
<td>Margins vary by federal district and product price</td>
<td>DPCO: Wholesale 8% and Retail 16%, non-DPCO: 10% and 20% respectively</td>
<td>NDRC applies maximum margins based on manufacturer’s price</td>
</tr>
<tr>
<td>Price comparison</td>
<td>(500 mg Ciprofloxacin) - Cost of a 7 day course (2 tabs a day)</td>
<td>(500 mg Ciprofloxacin) - Cost of a 7 day course (2 tabs a day)</td>
<td>(500 mg Ciprofloxacin) - Cost of a 7 day course (2 tabs a day)</td>
<td>(500 mg Ciprofloxacin) - Cost of a 7 day course (2 tabs a day)</td>
</tr>
<tr>
<td>Generics</td>
<td>$15.6</td>
<td>$4.6</td>
<td>$1.7</td>
<td>$3.1</td>
</tr>
<tr>
<td>Innovator</td>
<td>$106.5</td>
<td>$47.6</td>
<td>$2.0</td>
<td>$129.2</td>
</tr>
</tbody>
</table>

### Reimbursement

<table>
<thead>
<tr>
<th>Reimbursement</th>
<th>Brazil</th>
<th>Russia</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope of government reimbursement</td>
<td>Vast coverage with full reimbursement for a range of life saving and chronic therapy drugs</td>
<td>Limited drug coverage (DLO affects only 5% of the population)</td>
<td>Only inpatient coverage for government employees</td>
<td>Widespread coverage with a mix of full reimbursement and patient copayments</td>
</tr>
<tr>
<td>Private health insurance coverage (outpatient costs)</td>
<td>Few plans provide coverage for outpatient drug usage</td>
<td>No coverage for outpatient drug usage</td>
<td>No coverage for outpatient drug usage</td>
<td>No coverage for outpatient drug usage</td>
</tr>
</tbody>
</table>

Source: Espicom World Pharmaceutical Market Report 2012, Accenture analysis
5. Complex taxation structure

Taxation and import regulations also have important roles to play in attracting large, multinational life sciences companies to emerging markets. R&D and innovation have contributed to the implementation of specific tax incentives in many of the emerging and developed markets. Many local government bodies are trying to attract investments in their regions by setting up tax-free zones and by providing access to better infrastructure and resource pools.

In Brazil, many of the manufacturing and allied industries are currently focused in the São Paulo region because that area provides better access and varying tax plans compared with the rest of Brazil. This situation may be changing, however, because the state of Rio de Janeiro is now attracting pharmaceutical companies as well. Brazil’s tax structure on pharmaceutical products, 34 percent, is considered high. Strict import regulations typically prevail, as do mandates to manufacture locally to promote exclusivity of the drugs.

Similarly, in Russia, the Kaluga Oblast region is preferred by many industries as a source of innovation and the region’s industrial parks are attracting pharmaceutical companies that include Berlin-Chemie. In Russia, about 80 percent of drugs are imported, so many pharmaceutical companies are being provided special status to promote manufacturing in Russia. For example, in the Skolkovo region (near Moscow) residents are offered exemptions on VAT and property taxes. The region also has a highly discounted social tax structure.

In India, some individual states are providing tax incentives in special economic zones for pharmaceutical companies to set up operations in their regions. India offers incentives including a deduction of 100 percent of eligible expenditures for the same year. In addition, the long-awaited move from state tax to Goods and Services Tax (GST) may bring dramatic changes in the way supply chains function within India. Because GST provides a more transparent version of taxation, it may be a force for change for pharmaceutical companies and for the entire life sciences industry.

In China, the government is being aggressive in providing deductions. It provides a deduction of 150 percent on qualifying R&D expenditures. Although some multinational companies have already begun planning to use China as a global sourcing base, many companies have also started setting up R&D labs in different cities in China. Easing the norms on market access for imported drugs is also seen as a welcome move by some multinationals who wish to keep manufacturing outside China.

Because the need to provide incentives at country, province and city levels may increase, life sciences companies should consider working to learn from similarities across borders and also to learn from industries that have been successful in emerging economies. This can help them design a more tax-efficient operating model. Such a model can help provide better cost efficiency which can be important to competing more effectively in a highly competitive and fragmented market.

6. Shortage of skilled talent

Availability of skilled talent may be a challenge for life sciences firms seeking to expand into emerging markets. As the emerging markets grow, the competition for skilled talent will be intense. Based on a recent Economist Intelligence Unit survey about talent challenges in emerging markets (see Figure 7), most of the surveyed executives feel that retention of employees and domestic recruitment will be significant issues for them over the next three years.

As the emerging markets grow, the need for new skills increases in areas such as cold chain management, biologics manufacturing, demand planning and pricing analytics. The
At a recent workshop conducted by Accenture in Brazil, one of the major pharmaceutical companies reported that it is sourcing much of its operations talent from CPG companies that have been successful in emerging markets. It is becoming more common to see life sciences companies taking talent from CPG companies—not only because of talent gaps but also because of the fact that CPG knowledge and experience can be readily leveraged and applied to the life sciences industry.

The talent challenge is real and will help to determine whether companies and emerging markets can realize their full potential. The Economist Intelligence Unit survey on talent compared BRIC nations and found that most of the key talent issues across the countries are similar. The most important issues that China, India and Russia are facing are, first, higher salary expectations because of shortage of talent and, second, increased demand for critical skills. This situation is causing higher employee attrition, something that creates skill gaps and high overhead for companies. Skills gaps and inability to meet salary expectations are a kind of "chicken and egg" situation; one cannot be resolved without resolving the other.

Accenture believes that life sciences companies should focus more intensely on the talent strategies they need to be successful in emerging markets. Skill and capability requirements need to be tightly integrated into an overall customer centricity strategy, one that looks at customer clusters. Companies also need to think about sourcing and managing talent across borders, and about the culture and skills training required to be successful in developing markets.

In the supply chain talent area, companies are either casting their net widely into related industries such as consumer packaged goods (CPG) or going beyond their own borders to recruit talent. In another strategy, the India School of Business at its Mohali Campus (near Chandigarh) has joined with an Indian Conglomerate Hero group to start Munjal Global Manufacturing Institute, which has a mission of focusing on developing manufacturing skillsets across industries based on industry needs.

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Competing More Effectively in the Emerging Markets
A four-point plan for life sciences companies

Establishing and executing a growth strategy for the life sciences industry in emerging markets includes taking a detailed view of the particularities of these markets, while also finding commonalities that enable cost-effective approaches and being sensitive to unique market, governmental and consumer attributes within any specific region.

Accenture recommends a four-pronged approach:

1. **Think customer clusters: The importance of submarkets.** Focus on submarkets—common customers and clusters of customers.

2. **Find cross-border similarities.** Operationalize based on understanding elements of the value chain that are at similar maturity levels across multiple markets.

3. **Establish global reach with local relevance.** Drive efficiencies from a global approach while maintaining local relevance.

4. **Create effective and rapid execution capabilities.** Develop the ability to execute swiftly and with more agility.

This section looks at each of these four integrated strategies, discussing some potential approaches and implications and providing relevant examples.

1. **Think customer clusters:**
   **The importance of submarkets**

   Each of the emerging BRIC markets (and, indeed, others like them around the world) is a combination of diverse segments. Each market has nuances and distinctive features that life sciences companies can benefit from understanding at a more detailed level. Companies should approach these markets and consumers with the individual attention and respect they deserve. For example, urban or metro areas typically differ from rural areas in several ways. Population density, infrastructure development and availability of logistics all can have an impact on ready access to these markets. In addition, customer profiles can differ in sometimes dramatic ways in terms of people’s disposable income, willingness or ability to pay, and inclination to seek modern healthcare treatments.

   However, Accenture’s analysis of markets in the BRIC countries suggests that customer clusters or submarkets can be identified within a market based on an understanding of consumers who have common health needs, such as those suffering from a particular disease such as Type 2 diabetes. Submarkets can also be identified based on common characteristics related to factors such as demographics, accessibility and technology penetration.

   For example, urbanization and per capita income can help identify common customer clusters, which then plays an important role in determining a life science company’s market access strategy. “Consider, for example, the clusters of urbanization and per capita income across states in India, as shown in Figure 8.

   Analysis of the data and clustering suggests that India can be divided into states having urbanization levels of more than 35 percent (five states), below 20 percent (three states) and between 20 percent and 35 percent (remaining states). The infrastructure, policy support and access to healthcare could be different in states with more urbanization. Why? Consider that our analysis finds a direct correlation between higher rates of urbanization and higher per capita income. As the Indian economy grows, per capita income is also growing, resulting in higher buying power for the typical urban consumer. This example indicates that by focusing on customer clusters and submarkets life sciences companies can achieve a more detailed understanding of the specific needs of potentially profitable groupings of customers—leading to more effective, customer-centric R&D, and/or more effective marketing and sales strategies. Submarkets can be targeted with more focused products and services (some targeted at urban consumers and others targeted at those in rural areas) supported by an effective supply chain infrastructure.
Note: PCGSDP stands for per capita gross state domestic product.
A similar situation with regard to submarkets can be seen in China. Disease patterns in urban and rural settings in China can be very different. For example, respiratory issues, poisoning and injuries result in far more deaths in rural areas than in urban areas but for malignant neoplasms the rates are approximately similar across urban and rural areas (See Figure 9.). Therefore, market access and innovation strategies for certain diseases may need to be targeted to the differences between urban and rural consumers. Impacts on portfolios and supply chains can also differ.

**Customers and clusters: Innovative approaches**

As an example of an effective strategy based on insights into similar customers and clusters within markets, consider Novartis, which launched Arogya Parivar (which means “Healthy Family” in Hindi), a for-profit social initiative to reach the 740 million people living at the bottom of the pyramid in rural India—a huge submarket opportunity. Novartis created an alternative distribution model to expand its reach across the fragmented markets in rural India. To meet this submarket, the company revamped its traditional supply chain, including portfolio selection, pricing, packaging and partners.

In 2010 Arogya Parivar reached out to 50 million patients in 10 Indian states, partnering with 30,000 doctors and 20,000 pharmacies. The program covered 11 therapeutic areas and offered nearly 80 pharmaceutical, generic and over-the-counter products and vaccines, including products targeted at conditions ranging from tuberculosis and diabetes to pain and colds.

One key to the success of the company’s strategy was focusing on the needs of rural consumers at lower income levels. The program adapted the educational materials, training and product packaging to local conditions and buying patterns. For example, the company employed local women as educators and advocates. It also packaged products in smaller containers that are more affordable to target consumers. Arogya Parivar achieved a break-even point within 30 months. Since 2007, sales have increased 25-fold.

**Things to consider**

To achieve success in the BRIC markets, companies should think in more granular fashion about submarkets in urban/regional clusters, finding commonalities in disease patterns and/or in demographic groupings. This approach would enable firms to prioritize submarket attractiveness to help determine where to focus—targeting opportunities and build/buy capabilities around people, processes and technology with less risk and greater chances of success. This focus on submarkets could help companies capture the differences across demographics, income, religion, geography and access.

2. Find cross-border similarities

The concept of “customer clusters” also can help life sciences companies employ strategies that have no borders—that is, products and campaigns that appeal to customer groupings across countries and continents.

For example, consider a recent survey by the Economist Intelligence Unit which found that the top 24 cities out of 30 in the world were from the United States and Europe. Such a finding might lead a company toward a particular strategic path. However, because emerging economies tend to grow at a rate faster than developed economies, the report also showed that 15 of the top 20 cities based on “economic strength” (highest weighted category) were in Asia. And seven of the top 10 cities were in China. Singapore and Bangalore were rated higher based on economic strength compared to Los Angeles, a trend that can also be seen in the growing economies of India and China.
Looking at this data, one possible conclusion is that companies should not be constricted by the concept of "emerging markets" in terms of national borders, but rather around "customer clusters" in similar cities or urban areas across countries, both in emerging and developed regions.

Based on Accenture analysis, we believe that some of the similarities across markets are not being sufficiently leveraged to create solutions that can move across borders. In addition, the solutions are not segmented enough to have a differentiated distribution infrastructure focused on customer service in urban areas and on cost efficiency in rural areas.

To understand this concept more deeply, consider another study, a recent Credit Suisse Global Wealth Report. Looking more broadly at spending on healthcare and income levels across the BRIC countries, the report revealed that an average Brazilian household spends 10 percent of income on healthcare—almost double the level spent in China (5.7 percent) and in India (5.5 percent). However, the number of households earning more than US$2,000 per month is three times more in India and six times more in China than in Brazil. Clearly, these different income levels will drive different consumer preferences (See Figure 10.).

On the other hand, the number of households earning less than $1,000 per month is roughly similar in India (196 million) and China (176 million) (See Figure 11.). This means that companies have an opportunity to apply a common market access strategy in India and China based on similar customer clusters in those countries and on commonalities such as maturity of pharmaceutical market, type of infrastructure and consumer buying patterns.

![FIGURE 10. Spending on healthcare versus income levels: Brazil, Russia, India and China](image)

![FIGURE 11. Household income distribution by market in selected emerging economies](image)

<table>
<thead>
<tr>
<th>Country</th>
<th>Number (in millions) of households earning:</th>
<th>% of households in each market earning:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than USD 1,000 per month</td>
<td>Greater than USD 2,000 per month</td>
</tr>
<tr>
<td>Brazil</td>
<td>32.9</td>
<td>10.8</td>
</tr>
<tr>
<td>China</td>
<td>176.8</td>
<td>66.6</td>
</tr>
<tr>
<td>India</td>
<td>198.1</td>
<td>37.0</td>
</tr>
<tr>
<td>Indonesia</td>
<td>51.1</td>
<td>0.6</td>
</tr>
<tr>
<td>Russia</td>
<td>18.0</td>
<td>11.7</td>
</tr>
<tr>
<td>Egypt</td>
<td>16.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>0.2</td>
<td>4.8</td>
</tr>
</tbody>
</table>

Source: Credit Suisse Emerging Consumer Survey 2011, Credit Suisse Global Wealth Database, 2010
Cross-border solutions: Innovative approaches

Although the following story comes from a related industry and not specifically from life sciences, Unilever provides a compelling example of a cross-border solution. Unilever’s “Shakti” program was initially piloted with 17 women from remote Indian villages acting as micro-distributors, who sold Unilever’s products to rural households. The program is now a 45,000-women micro-distribution network serving three million rural households. Unilever received strong support from more than 300 partners, including NGOs and banks, as well as state and local governments.

On the foundation of Project Shakti, Unilever also created “I-Shakti,” which is focused on creating kiosks with Internet-enabled computers run by the women entrepreneurs. The I-shakti kiosks provide villagers with valuable and free information in the areas of agriculture, healthcare, education, finance and entertainment. The content was developed with local partners such as Aziz Premji Children Foundation on Education and ICRISAT (International Crops Research Institute for the Semi-Arid Tropics). Farmers can find up-to-date information on agriculture best practices for their crops, and villagers can get timely medical advice from doctors.12

Things to consider

Given the dynamic nature of the emerging markets in the life sciences, companies need to think more about common customer attributes, and common customer clusters, across borders. Groupings and segmentation of customers can be made based on an understanding of common needs and behaviors. Companies can thus more readily prioritize regions that align with strategic and financial goals, and can focus their capabilities in those areas. This can increase the efficiency of operations and improve return on investment in R&D, sales and marketing.

Many companies may also want to think beyond income, age and profitability as key drivers for segmentation and, instead, consider a more granular approach about issues such as purchasing behaviors, disease patterns, pricing elasticity, regulatory constraints and access. This approach can help them create more accurate and effective cross-country segments, potentially unlocking new areas of demand and growth.

3. Establish global reach with local relevance

Whether in an urban or rural market, it can be beneficial for companies to “think globally and act locally” in meeting the needs of consumers in the BRIC markets.

Looking again at the Economist Intelligence Unit research study, it is interesting to note that cities that may be similar in economic strength are nevertheless often quite different in terms of human capital components such as population growth, working age population, quality of education, and an entrepreneurship and risk-taking mindset.

In terms of economic indicators alone, one can find some similarities around economic strength, physical capital and human capital between cities such as Shenzhen and New York. Similarly, an analysis of the overall attractiveness of cities (see Figure 12) shows that Shanghai could be similar to Miami (except in a couple of factors), while Buenos Aires, São Paulo, Delhi and Mumbai might be grouped together as one type of cluster.

To take another example, cities across Brazil, Argentina and India have very different taxation structures, and their health care infrastructures are at different stages of maturity—again, as shown in Figure 12. Brazil, for example, has the highest taxation on drugs at almost 34 percent. Therefore, the strategies employed by companies could be global in nature but also very different at the local levels based on the maturity of the healthcare value chain network and the company itself.

FIGURE 12. Global city competitiveness comparisons

- Miami
- Shanghai
- New York
- Shenzhen
- Buenos Aires
- Delhi
- Mumbai
- São Paulo

Source: “Hotspots—Benchmarking Global City Competitiveness,” Economic Intelligence Unit, January 2012
Understanding these different levels of maturity can give a company an overall assessment of a particular function and also help a company understand the drivers that will can help in improving the existing maturity of that function. Accenture believes it is important to consider going through a granular assessment designed to develop more customer-centric, localized solutions.

Creating local relevance: Innovative approaches

Consider the story of how life sciences company Pfizer was able to adapt a loyalty program to different local markets. The original program, developed for the Philippines market, was “SULIT” or a “value” card program. It was targeted at patients in Manila and other urban centers who were using Pfizer’s leading cardiovascular drug Norvasc. The drug’s patent expiration date was approaching, with the consequent entry into the market of low-priced generic equivalents. In anticipation of this market event, Pfizer instituted the SULIT card program in an effort to retain patient loyalty following the expiration of the patent. The card enabled loyalty-based discounting, an effort to mitigate the impact that generic equivalents might have in the future. The result of the loyalty program was a doubling of Norvasc sales despite the expiration of the patent in 2007.13

When Pfizer later developed a loyalty program in India, it was careful to adapt it for that consumer environment. In this case, consumers in India had existing access to many inexpensive, generic versions of cardiovascular medicines before Pfizer launched its products. Pfizer realized that, although price was an important factor in deciding what product to buy, consumers in fact had insufficient awareness of how a medicine was to be used as part of an overall disease management program.

Pfizer’s pilot of its loyalty program in India therefore sought to fill that knowledge void, helping consumers better manage their cardiovascular disease from a more holistic perspective. Pfizer sees this approach as giving it differentiation in a crowded market. It is an excellent example of understanding the unique local situation and the needs of consumers, helping the company adapt an existing loyalty program for a different environment.

**Things to consider**

Although it can be important to think globally and to have a holistic picture of consumer segments, it can also be beneficial for companies to employ local solutions to be successful. This approach may require tweaking an already existing solution, or it may require building an entirely new solution.

Keys to success include mapping customer needs to the capabilities required; understanding the maturity of the country, industry, other industries and competition (across function); identifying the gaps between needs and capabilities; and prioritizing decisions in an effort to develop or buy the capabilities to successfully develop solutions for different customer segments.

It can be beneficial to perform a granular assessment of maturity by function (see Fig 13) using a maturity model diagnostic tool, something that can help develop more customer-centric solutions. One potentially valuable tool in this regard is a detailed diagnostics tool developed by Accenture for management and non-management employees to assess a particular company’s

**FIGURE 13. Stages in the life sciences market access industry maturity model**

Source: Accenture’s Maturity Model for the Life Sciences Industry
maturity in market access functions—from product launch to planning, sourcing, manufacturing and delivery. The maturity diagnostic can provide an overall assessment of a particular function and can also help a company understand the drivers that can help improve the existing maturity of that function.

4. Create effective and rapid execution capabilities

The fourth strategy to consider for potential success in emerging markets in the life sciences really ties all the other ones together: it’s about executing the solution across the markets in a timely and cost efficient manner. Although this sounds like an obvious point, in fact the ability to execute initiatives in a timely manner across markets still can be a difficult task for life sciences firms, given that many of them continue to operate in functional silos. Hence, it is important that supply chain, commercial and other functions work together at different stages of the product lifecycle to have an effective speed-to-customer capability.

Accenture believes that two capabilities are especially critical to consider with regard to rapid execution of an emerging-market strategy. The first involves developing the ability to understand and to get very close to the customer—by leveraging networks and chains of influence so that a market strategy can reach consumers quickly. The second involves companies improving their risk management capabilities to the point that they can take well-considered risks as a means to rapidly seize market share.

Understanding and getting close to the customer

In developed markets, companies generally take an approach emphasizing high margins. In emerging markets, however, a more appropriate approach emphasizes high efficiency, with less emphasis on margins. Furthermore, companies should focus on customer centricity and break the silos between different functions of their organization (such as supply chain and commercial) that might constrain that customer-centric approach. It is important to have a holistic and integrated strategy, rather than trying to coordinate different strategies for supply chain, commercial and so forth.

Companies are looking to gain better understanding of their customers’ interests, intentions and behaviors. Voice of the Customer (VoC) studies are critical tools that can help firms identify relevant solutions and execute them faster and more efficiently. For example, looking at diabetes data across BRIC countries compared with the United States, the numbers suggest that China (42M) and India (50M) combined are more than three times the market size of the U.S. (26M) diabetic population. While the numbers look somewhat similar across urban China (41M) and India (48M) in 2010 and 2030, the “consumer clusters” could be very different when actually executing the strategy (See Figure 14.).

Rigorous market research can help define “who the customer is” and then can also help ascertain the right products and services to launch. For example, a large pharmaceutical firm took an approach with one of its chronic disease products in which
it created a localized solution by understanding customer needs, behaviors, elasticity to price, and attitudes. The result was exclusivity in its drug class for some time. The key to success was speed to execution by targeting the right set of customers with “responsible pricing” supported by training and educational support for the medical community.

The product itself was the same one marketed to the United States, but the company knew that the ways to achieve success were very much dependent on the customer dynamics in each region. The firm launched a concerted effort to activate a network of key opinion leaders to address the concerns of the market. The company engaged more than 11,000 physicians in peer group networks, in which physicians discussed their experiences treating patients with the product. Their positive experiences encouraged others to adopt the treatment.

The firm also established a patient identification program to track prescriptions. It conducted interviews with physicians to understand the typical patient profile for the drug, and shared this information with their medical peers. These efforts contributed to building credibility among the medical community. All this was possible because the company took the time to understand the voice of the customer, developed autonomous decision making process at country level and put in place an effective network of influence. The company made similar changes to its strategy across the BRIC markets for the product, potentially setting a benchmark for launching patented products in BRIC countries.

Improving risk management capabilities
Although entering emerging markets is often a risky endeavor, that risk can also be turned to competitive advantage by enabling a company to be a fast mover. For example, based on an Economist Intelligence Unit survey (see Figure 15), tax, legal, regulatory and labor market risks were some of the highest risk factors identified in emerging countries.

Although entering emerging markets is often a risky endeavor, that risk can also be turned to competitive advantage by enabling a company to be a fast mover.
To address these risks, companies should consider focusing on developing better risk management capabilities. They can also benefit from strengthening their ability to identify risks, evaluate impact across the company, develop mitigation strategies and finalize implementation plans. As a part of the evaluation, companies can evaluate risk exposure by assessing the likelihood and impact of each risk while entering the emerging markets (See Figure 16.). This kind of risk-adjusted execution can provide companies with faster speed to customer.

Technology can be an important enabler in emerging markets because it can help companies reach the "last mile" to the consumer and can also provide better transparency and visibility in the supply chain. Collaborating across functions such as supply chain and commercial can also help reduce a company’s risk profile as well as break functional silos—something essential to success in the emerging markets.

With strategies that have never been executed before, an element of risk is generally present. However, risk-adjusted innovation can be a key to success in the emerging markets. For example, consider a recent launch of a chronic disease product in BRIC countries. By assessing the segments, targeting the right regions and developing local solutions such as responsible pricing for India, the firm had a head start in its class of drugs and had a successful launching pad to making the drug a blockbuster in India.

This example helps us see that companies that can identify, assess, monitor and mitigate risk to execute with speed have an edge in achieving high performance in emerging markets.

**FIGURE 16.** Risk response framework methodology

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<tr>
<td>Scan horizon to identify risks across different categories</td>
<td>Assess each risk based on its likelihood and impact</td>
<td>Design risk dashboard to monitor changing nature of risks</td>
<td>Develop contingency plans to mitigate high-impact risks</td>
</tr>
</tbody>
</table>

**Risk Assessment Matrix**

| High | 12 | 7 | 1 |
| Low | 13 | 14 | 2 |
| Impact | 4 | 6 | 8 |
| Likelihood | 11 | 10 | 9 |

**Risk Categories**

- Security
- Political
- Economic
- Financial
- Legal & Regulatory
- Tax
- Labour
- Infrastructure

**Risk Exposure**

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<tr>
<th>Risk</th>
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Source: Accenture analysis
Conclusion

A winning strategy in the emerging markets

Growth strategies in the life sciences industry are increasingly dependent on expansion into emerging markets. These markets represent a significant opportunity, with the BRIC nations predicted to be in the top 10 of the world’s global pharmaceutical markets in the coming years.

Many companies face significant challenges in executing this emerging-market strategy, however, including market access elements such as manufacturing, distribution, supply chain planning, pricing, taxation regulation and talent. These challenges explain why even the top pharmaceutical companies in the world are having difficulty breaking through to greater success. Many have no more than 10 percent to 30 percent of revenues coming from these regions.

This paper has presented an analysis of several critical market access challenges—logistics and distribution; manufacturing infrastructure; regulation; pricing and reimbursement; taxation; and talent. This analysis can give life sciences companies the basis for their own detailed understanding of the individual value chain components of their strategy.

Accenture recommends a four-pronged strategy to overcome these challenges and grow revenues in the emerging markets:

1. Focusing the strategy around customers and clusters rather than just countries or regions. Thinking in terms of submarkets can help a company develop a more targeted and customer-centric strategy.

2. Plotting a course forward based on cross-border similarities. These similarities can help create products and services that are relevant across regional differences.

3. Becoming effective both from a global perspective and a local one. Cross-market standardization can help from an efficiency perspective, but implementations may also require customization at the local level.

4. Executing at speed. By understanding the voice of the customer and putting in place an influence network, companies have the potential to leap ahead of the competition in actually executing their emerging-market strategy.

An emerging middle class in developing nations represents an opportunity for life sciences companies to improve the quality of life there, while also improving their own market standing. Companies that are more advanced in areas such as manufacturing infrastructure, logistics, distribution, regulation, tax and talent management—and, of course, in understanding consumer needs and behaviors—can gain an edge in achieving high performance.
References


World Pharmaceutical Markets (WPM) Outlook is compiled using, where possible, primary data from local sources. This comprises national Ministries/Departments of Health, statistical bodies and professional associations. Market profiles draw on detailed statistical work by our Healthcare Markets Team. This is undertaken specifically for this report, and also in the course of research for other Espicom services, principally World Pharmaceutical Markets (WPM). World Pharmaceutical Markets (WPM). Published by Espicom Business Intelligence, Lincoln House, City Fields Way, Tangmere, West Sussex PO20 2PS. http://www.espicom.com Economic and demographic forecast data is sourced from the Economist Intelligence Unit (http://www.eiu.com), where indicated. Reference may also be made to a number of secondary sources, and these are listed below. OECD Health Data, http://www.sourceoecd.org PC-TAS trade data, published by International Trade Centre, UNCTAD/ WTO, United Nations. World Bank, http://www.worldbank.org World Health Statistics, World Health Organisation, Geneva, Switzerland. http://www.who.org


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11 Ibid


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