Understanding the paradox of Asia’s pharma market to ensure success

Awareness, Access & Affordability Framework

By Anthony Morton-Small, Senior Principal IMSCG and Derek Dieu, Senior Consultant IMSCG
At first glance, Asia appears to be an assured avenue of growth for pharmaceutical manufacturers. According to IMS Market Prognosis 2012, the pharmaceutical market in Asia is expected to reach $350 billion USD in 2016, comprising 30% of the global pharmaceutical market ($1.2 trillion USD) and driving close to 50% of global, incremental growth through 2016. Meanwhile, the McKinsey Global Institute CityScope 2.0 report suggests that, by 2025, 310 of the world’s top 600 cities (as measured by income) will be located in Asia, with 250 alone in China.

“When you consider the impact of increased urbanization on potential access to increasingly sophisticated healthcare infrastructures and resources, the opportunities for pharmaceutical firms are obvious,” confirms Dr. Srikanth Rajagopal, Principal at IMS Consulting Group. “Demographic and epidemiologic factors such as urbanization, aging population and the growing prevalence of chronic diseases combined with strong GDP growth and increasing budgetary spend on healthcare means that Asia is now firmly ‘in focus’ for pharmaceutical firms.”

Indeed, with strong economic growth coupled with greater access and demand for healthcare, the prospects for pharma manufacturers in Asia look overwhelmingly positive. Below the surface however, many manufacturers bear witness to the grey areas and paradoxes that make Asia a difficult market to understand and operate in.

**GREY AREAS AND PARADOXES**

At first glance the statistic is confounding: according to a 2011 census report from the Indian government, just 47% of all Indian households had working toilets that year—an alarming condition for a country on the rise, with a large and rapidly growing middle class. But that number is even more startling when compared to the fact that 59% of all households reported, in the same census, having mobile phones. Mobile phones eclipsing toilets? The interesting question then is, why?

The success of Nokia, a leader in the mobile phone market in India, points to a possible answer. Having conducted in-depth on-the-ground research into India’s market, the manufacturer understood the following about its consumers and their needs: a large proportion of India’s population remains illiterate; there is irregular power supply; disposable income, while rising, remains low; conditions are dusty and harsh; and priorities for key functionalities are different across users. Thus, families in rural towns and villages would likely be receptive to a low-cost mobile phone with features such as dust proof casing, long battery life, torch-lighting effects, AM/FM radio, and multiple address books (for sharing among family members). Nokia’s example is an important reminder of knowing—truly knowing—the market one hopes to enter. General assumptions about Asia are, in the end, simply not useful. Markets are unique, and market-penetration strategies must be as well.

“The pharma market in Asia is exceptionally heterogeneous and seldom black and white,” says Anthony Morton-Small, Senior Principal of IMS Consulting Group in Asia-Pacific. “In fact, this market is a series of submarkets, grey areas and paradoxes. Asia’s governing priorities, affordability levels and healthcare systems vary tremendously. Success hinges on a deep understanding of particulars. What does reimbursement look like, market by market? What is the standing of innovators versus generics? What are
the patterns and reach of distribution? What is the propensity to self-medicate? What levels of affordability exist? The differences, whether they be subtle or obvious, all matter.”

As a result, market conditions in Asia are difficult to categorize and understand, often encompassing a number of traditional and developed-market definitions (see Graph 2). In terms of patent protection, for example, a large portion of Asia’s market is comprised of branded generics—products with reputable brand names that are priced higher than generics, but less than original products. Products facing patent disputes are also common, leading some MNCs to forego the launch of a potential blockbuster (e.g., Pfizer’s Lipitor® in India) to avoid the hassle and cost of legal proceedings.

Within this environment of intellectual property protection, niche markets of incremental innovation such as biosimilars have thrived and are already firmly established in China, Korea and India.

In response, many MNCs have adopted innovative and adaptive strategies unique to Asia. For example, instead of a reduced focus on mature brands within their portfolio, some MNCs have “reinvented” their mature brands by launching them at market-specific prices within targeted Asian markets. To further expand access, MNCs have also relied on structured partnerships with local manufacturers, refusing to be limited by strictly organic or in-organic growth options. This breadth of opportunities also applies to channel selection, where some MNCs have focused on the OTC channel (OTC products promoted to doctors). Doing so allows for “two shots on goal,” capitalizing on potential sales through doctors, as well as via the retail channel.

Finally, the healthcare system and patient characteristics in Asia also present a number of paradoxes. In terms of healthcare coverage, countries such as Thailand and Singapore are not strictly reimbursed or out-of-pocket. Rather, both countries combine aspects of private, out-of-pocket systems with subsidized, reimbursed systems, each catering to different socio-economic and market segments. Certainly as a whole, countries in Asia have increased their investment in expanding healthcare coverage for their populations. Nonetheless, many in rural areas continue to have little to no access to healthcare—leading to a uniquely high proportion of patients who are “under-diagnosed,” and as yet untreated. In many of these cases, the symptoms of a particular disease are treated while the root cause remains undiagnosed.

Such grey areas and paradoxes in Asia demonstrate the need to temper discussions of the region’s growth potential with a recognition of the many challenges presented by its diverse market conditions. It also demonstrates the need and importance of a well-built, strategic framework that properly identifies opportunities and growth levers, and lays the foundation for an effective market-entry strategy. “At IMS Health,” says Morton-Small, “we believe that any strategic framework in Asia must seek to understand the market through the lens of Awareness, Accessibility and Affordability.”

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**GRAPH 2** Source: IMSG analysis

**THE 3As - AWARENESS, ACCESSIBILITY AND AFFORDABILITY FRAMEWORK**

1. **Awareness**
   - Detection
   - Diagnosis
   - Treatment

2. **Accessibility**
   - Channel/distribution
   - Patents
   - Infrastructure

3. **Affordability**
   - Reimbursement
   - Socio-economics
   - Insurance coverage

**GRAPH 3** Source: IMSG analysis
“Smart, strategic frameworks that consider the marketing foundations of awareness, access, and affordability lead not just to a more accurate understanding, but also to more actionable insights,” he continues. “They assist players in identifying and assessing the actual levers of growth in Asia’s markets. And they can prove effective across a wide spectrum of markets when informed by case studies across therapy areas as well as countries, and when applied in an intelligent way.”

**Awareness**

Consider awareness. In 2010, Sanofi launched in India what soon became a classic patient education campaign targeted at diabetes. They called it “Take Control.” They focused on helping patients “understand the complications associated with avoiding or delaying treatment as well as the need to control the disease by maintaining their HbA1c levels under 7.” The campaign worked so well that, just one year later, Sanofi unveiled “I am a Champ,” a campaign celebrating the improved health awareness of diabetes patients.

Sanofi is not, of course, the only pharmaceutical company advocating for greater patient awareness about disease states in Asia. GlaxoSmithKline (GSK), too, is a leader in this field, consistently reinvesting 20% of its profits in the under-developed countries of Nepal, Bangladesh, and Myanmar with projects designed to strengthen local healthcare infrastructures through both health education and prevention services. In Asia, this initiative has resulted in a partnership with the non-governmental organization (NGO) “Care International UK.”

**Accessibility**

Importantly, Sanofi and GSK have both coupled their awareness campaigns with initiatives designed to build access. For Sanofi, this has taken the form of a so-called Prayas strategy, which combines physician education with the provision of medicines at more affordable prices for those living in rural India. The first ten drugs introduced in the Prayas program were for infections, pain, and gastric disturbance—all conditions treated by primary-care physicians.

GSK, meanwhile, has gone beyond traditional price cuts to enter into partnerships with NGOs specifically designed to improve accessibility. It’s a program near and dear to the heart of Andrew Witty, GSK’s CEO, who has said, “In 2010 we created a Developing Countries and Market Access operating unit dedicated to increasing patient access to GSK medicines and vaccines while expanding our presence and helping us to build a sustainable business in developing countries.”

In fact, GSK leads all pharma MNCs in providing access to medicines in developing nations, according to the Access to Medicines Index 2012, which is based on assessments of activities such as drug donation, patent policy, pricing and research. GSK is closely followed by Johnson & Johnson, Sanofi-Aventis, Merck & Co. and then the specialized, mid-sized manufacturers Gilead Sciences and Novo Nordisk.

“We’re seeing MNC pharmaceutical companies take steps to make their products more accessible to the different population segments in Asian countries,” explains Dr. Srikanth Rajagopal. “These companies recognize the substantial variation in the quality of healthcare infrastructures across top-tier metropolises, lower-tier cities and towns, and provincial or rural areas. They segment their opportunity based on these variations, carefully prioritize target markets and then collaborate with local channel partners to effectively distribute and make their products accessible. And significantly, they are looking to localize their value proposition to enable accessibility.

A prime example is the generation of localized clinical evidence, which drives faster regulatory approval, physician uptake and enables MNCs to differentiate themselves from local manufacturers, who largely depend on difficult-to-replicate relationship selling.”
While gaining access in Asia is relatively new territory for global pharma companies, there are many possible routes to success. Patient assistance programs offer a viable approach, as Novartis discovered in Thailand with its patient assistance program for Glivec®. So do partnerships with local organizations that are already plugged into effective distribution channels. Campaigns that simultaneously target awareness and access (those that include diagnostic testing, for example) can be key, as can research and development initiatives focused on orphan diseases that may not have a large market elsewhere but could open doors in Asia’s emerging markets.

Success can also come in the form of carefully launched second brands or branded generics, which are popular in Asia, thanks to their lower prices and favorable reputations. As mentioned earlier, branded generic manufacturers tend to be well-equipped to capitalize on loss of exclusivity situations and to gain the market share once held by originator products. In addition, due to their wide and well-established network, partnerships with local, branded generic manufacturers provide MNCs with a sound alternative to lengthy patent struggles and a defensive strategy against cheaper, generic alternatives. This is especially true in many of Asia’s self-pay markets (e.g. Philippines, Indonesia, and India), where branded generics often comprise the majority of market share.

AFFORDABILITY
Finally, consider affordability and the willingness to pay. Price matters everywhere, but it matters even more in Asia, where inflation rates, GDP growth rates, rising patient incomes, and elevated expectations combine to make cost a crucial decision point for those who need the products as well as those in a position to prescribe them.

“We’re seeing many global pharma companies adopt local pricing strategies that intelligently reflect the affordability of local populations,” says Dr. Rajagopal. “But we’re also seeing a number of smart approaches to improving the affordability of products by establishing local manufacturing and distribution capabilities.”

Price cuts (both those targeted at specific markets and those designed for entire populations), patient discount cards, “second brands” (priced competitively with generic manufacturers), and income-based patient discounts have all been put to good use in Asia by global pharma manufacturers.

This may mean that pricing in India is only 10% of the price of that same product in the US or Europe (as is the case with a number of GSK products in India). Sometimes it means that global companies pursue price points that are different in top urban cities from those in outlying cities (as is especially the case in China). Always it means that the strategies and tactics have been tailor made for the market at hand.

However, lowering the price is not always the right strategic play in Asia. An informed understanding of affordability in a market —considering both willingness and ability to pay— may suggest that the current price can be maintained, or even increased, while still expanding access and retaining market share. In Thailand, for example, Pfizer adopted a unique approach of launching a cheaper, second brand of Lipitor® (Xarator), while maintaining Lipitor’s existing price. As a result, Pfizer was able to maintain value share post-loss of exclusivity, targeting different patient populations with two different brands.
FINAL THOUGHTS

Clearly, raising awareness, accessibility, and affordability levels are levers for driving success for global pharma companies engaging with the Asian market—not just singularly, but together.

“You can’t let any one of these factors go unaddressed,” affirms Morton-Small. “Leave one unaddressed, and you risk a misaligned approach to specific markets, resulting in not only potential failure to capitalize on growth opportunity but also potential backlash from key stakeholders. Bayer, for example, faced legal and commercial challenges associated with the pricing of Nexavar® significantly beyond the reach of most cancer patients and their families in India.”

Assessing a market through the lens of awareness, accessibility and affordability enables the identification of countries with similar in-market conditions, growth drivers and barriers. A recommended next step would be clustering markets and developing synergistic strategies appropriate for each market cluster.

For example, an analysis of awareness, accessibility and affordability levels in Asia points to a common growth denominator of an Aspiring middle class in China, Indonesia and India – as compared to an Established middle class in Thailand, or a Nascent middle class in Pakistan, Bangladesh and Myanmar. As each cluster of markets (Nascent, Aspiring and Established) share similar drivers and barriers, strategies targeting the respective drivers and/or barriers would likely work across countries belonging to the same cluster (Graph 5).

At the top of the agenda of many MNCs is the need to overcome the affordability barrier with appropriately targeted strategies. On page 21 of this magazine, we explore both the strategic considerations (e.g. timing, competitive intensity, risk, option selection) and the implementation considerations of price-volume strategies (e.g. price optimization, deployment enablers, etc.) in order to address affordability barriers in a country, or cluster of countries sharing similar in-market conditions.

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