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IMS says wholesalers need new strategy for next decade, pharma worth \$1 trillion

LONDON, June 11 (APM) - Wholesalers need to adopt a strategy that will position them ready for market changes over the next decade to maintain their competitive edge, according to IMS.

Adel Al-Saleh, president of IMS Health EMEA said the pharma industry, which is expected to grow to around \$1 trillion by 2014, faces many challenges such as price cuts in Europe, changes to the U.S. healthcare system, major patent cliffs for big pharma, streamlining of innovation and providing home care service solutions.

Speaking at the European wholesalers' association (GIRP) annual meeting in Cannes, Al-Saleh said wholesalers had to find a strategy that would focus on these changes over the next four years.

"The key is to choose one strategy that is thinking along the possible dynamics of the next decade....it's not that straight forward."

INDUSTRY GROWTH

The pharma industry is currently valued at \$800 billion and it grew by 7% last year.

Over the last five years, pharma has grown \$232 billion, or 6-7% - by 2014 IMS forecasts it will grow to a \$1.1trillion market, increasing in size by between 5-8%.

"Over the next five years we believe the industry will expand by another \$300 billion... it will be a \$1 trillion industry," said Al-Saleh.

He said there have been a number of trends over the last five years that have shaped the industry - trends in innovation, mergers within industry and dealing with major patent cliffs.

Al-Saleh said the U.S. market has accounted for around 28% of the industry growth over the last five years.

China is currently a \$32 billion market and is expected to lead the way in growth terms over the next four years, expanding by \$5-6 billion per year within the market place.

Europe (the EU top five markets) has seen growth of between 10-12% but this is likely to fall to 7-8% Al-Saleh said.

Japan, on the other hand, varies year-on-year. It has established price increases one year followed by decreases the next, etc. Health technology assessments have also now been introduced, pushing down prices.

And "pharmerging" markets account for around 20% of the global growth.

He also said growth has been driven by specialised markets, with a resurgence in primary care, which accounted for 50% of growth. This growth would continue and look more like 60% by 2014, he said.

INDUSTRY MORE FOCUSED

Al-Saleh said trends in innovation have resulted in a more focused industry.

Since decisions or investments take a long time to see results, many big pharma names have taken a different approach to their pipelines. Companies such as Pfizer and GlaxoSmithKline (GSK) have shown they are willing to invest as well as divest from major parts of their portfolios. "They are divesting from areas they are not interested in pursuing due to a lack of pipeline," said Al-Saleh.

Meanwhile, he said there has been a shift towards working with smaller research and development teams, concentrating on specific projects with various partners.

Al-Saleh said while the number of new products being approved has declined in recent years, the quality of products is improving and pipelines will deliver more in the coming years. "There will be more new products in Europe over the next five years than we have seen over the last eight years," he said.

VALUE OF MEDICINE

One thing Al-Saleh said was missing in the pharma model was a consistent approach to valuing medicine. "Every country has its own way of doing it," he said.

Local economic environments, politics and the presence of pharma within the local boundaries all have an influence, he said.

"There needs to be a more consistent approach to how we value medicine. That's one thing we need to watch very carefully."

OPPORTUNITIES

Over the next 20 years, IMS predicts the biggest causes of death will continue to be cardiovascular disease and oncology, accounting for 65-70% of all deaths. "It's an area which requires a lot of work," he said.

Patient intervention technologies and services will also account for a chunk of growth in the pharma market, Al-Saleh said, pointing out that for diseases such as multiple sclerosis, the patient requires rehabilitation, help in getting medicine and help with basic needs. (APMHE 19242)

"Companies are thinking of extending a whole solution instead of just the drug," he said, adding that this market was particularly attractive to wholesalers, valuing the growth at around \$64 billion. "It's an opportunity for the supply chain to be an active participant."

Al-Saleh said there would also be a lot of challenges for pharma over the next four years, with European price decreases expected in many countries and the impact of U.S. healthcare reform still to be felt.

But he said the industry would still be centred around the products and drugs that are necessary. Therefore focusing on specialised markets, particularly in primary care, are areas which are expected to see strong growth, he said.

Despite cost-cutting being a "way of life" in all European markets, Al-Saleh said there were still growth opportunities to be had in pharmerging markets such as Russia and Turkey.

Meanwhile, countries such as China have huge ageing populations. Over the next 20 years nearly 240 million people in China will be aged 65 or over.

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Helen Collis

Reporter

APM Health Europe

0207 324 2327

www.apmhealththeurope.com