



PHARMACEUTICALS EXPORT PROMOTION COUNCIL

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News / Story reproduced with thanks:- **Fierce Pharma**

Are emerging markets enough to boost Big Pharma?

May 25, 2010 — 11:23am ET | By Tracy Staton

Direct link to the News/Story:-

http://www.fiercepharma.com/story/are-emerging-markets-enough-boost-big-pharma/2010-05-25?utm_medium=rss&utm_source=rss

Can pharma's emerging-markets growth strategy really work? The *Wall Street Journal* raises this question in a column today, suggesting that low margins in developing countries, plus the fragmented nature what we consider "emerging markets," could interfere with drugmakers' success at offsetting generic competition in the U.S. and Europe.

Practically everyone who's anyone in Big Pharma is going after fast-growing drug markets like India, Brazil, China and so on. The idea is that, as blockbuster drugs fall off patent in mature markets, drugmakers can churn up emerging-markets sales to make up the difference. And the numbers appear to back this up: As the *WSJ* notes, emerging markets drug sales are forecast to almost equal drug spending in the rest of the world by 2020.

But there are caveats. The big six emerging markets--Brazil, Russia, India, China, Mexico and Turkey--account for only half of emerging-markets sales. The rest is scattered among a host of countries, so to really take advantage of growth in the developing world, drugmakers will have to be in, well, a host of countries. And each country has its own culture, its own rules, and so on.

Not to mention the oft-repeated fact that margins are lots lower in emerging markets, partly because it takes big sales forces to get the word out about drugs for sale. As *WSJ* points out, GlaxoSmithKline's emerging-markets margins are about 36 percent, compared with 60 percent and 68 percent in the U.S. and Europe; AstraZeneca's are up to 30 percent lower in developing countries.

Then there's local competition. Domestic drugmakers in these emerging markets have certain advantages: Language, for one thing. Culture. Regulatory favor, as governments--overtly or not--treat homegrown companies better than foreign firms.

The *WSJ's* conclusion? Sure, emerging markets may help Big Pharma grow over the next 10 years. But the growth isn't going to be nearly enough to make the drug industry the financial powerhouse it used to be.