COPY

Date : 18-05-2010

News / Story reproduced with thanks:- **social.eyeforpharma.com**

The Middle East: A pharma market in the making

Rajesh Chhabara - May 18, 2010

Direct link to the News/Story:-
http://social.eyeforpharma.com/story/middle-east-pharma-market-making

Rajesh Chhabara reports on how increased political stability, a growing population, and rising education levels are creating an emerging pharma market in the Middle East.

The Middle East represents a diverse mix of markets, with Jordan the largest Arab pharmaceutical exporter in the region and Lebanon almost entirely dependent on imports.

With the exceptions of Egypt and Israel, every country in the region is heavily dependent on imports. According to the Jordanian Association of Pharmaceutical Manufacturers, 81 percent of its production is exported, 90 percent of which goes to other countries in the region.

Egypt is the largest market, followed by Saudi Arabia.

Other significant markets include Jordan, Lebanon, and the United Arab Emirates.

The total regional market is valued at over $12 billion and is expected to grow 10 to 15 percent annually, according to various estimates.

Smaller markets include countries such as Kuwait, estimated to be worth $365 million, and Oman, valued at $124 million.

Both rely largely on imported generics and branded drugs.

Israel spends 0.8 percent of GDP on healthcare, and local generics giant Teva Pharmaceutical Industries dominates its generics market.

Good to grow
The Middle East has witnessed healthy growth over the last five years, fuelled by liberalization of the healthcare sector by several governments.

Saudi Arabia, for example, introduced cooperative health insurance for citizens in addition to building world-class hospitals, while Israel liberalized its over-the-counter sector.

Jordan and Saudi Arabia have passed laws requiring employers to provide health insurance for employees and their families.

“When people are insured, they can go to any hospital and that expands the market,” says Radi Haloub, a researcher at the University of Huddersfield and a former sales manager at Hikma Pharmaceuticals.

Generics dominate Saudi Arabia’s public hospitals market, while branded drugs drive private healthcare. However, tight price control policies mean companies don’t have much freedom in pricing branded products.

Governments want to increase the share of locally produced drugs and so have been encouraging the expansion of the local industry.

Currently, the region has an estimated 450 pharma factories, mostly producing generics. GlaxoSmithkline remains the largest multinational producer in the region, though a few other companies, including Astra Zeneca, have also established local plants.

Intellectual property problems

Inadequate protection of intellectual property has been a main concern for multinational drug companies. In 2005, the Pharmaceutical Research and Manufacturers of America (PhRMA) estimated that its members annually lose an estimated $555 million due to patent infringement.

According to Haloub, intellectual property protection is improving in the region since most Middle Eastern nations joined the World Trade Organization.

They are now legally obliged to protect the intellectual property rights of companies.

A strong over-the-counter sales culture further differentiates the Middle Eastern markets from the West. Even products licensed only as prescription drugs are in practice sold over-the-counter.

Ciba-Geigy estimated in the 1980s that two-thirds of its prescription drug Voltaren was sold in the Middle East as non-prescription.

Different from the West

According to Jim Ryan, a principal at IMS Health, companies need to understand local consumers in the region and their decision-making processes.

“These consumers are different from those in the West,” he says.

In the Middle East, a consumer can walk into a retail pharmacy and buy almost any mainstream pharmaceutical product without a prescription.

“That in itself is not unique,” Ryan says, “but when it is combined with high levels of disposable income in markets such as Saudi Arabia and the United Arab Emirates, we have an extremely interesting case study in consumer choice.”

Unlike Western markets, when Middle Eastern doctors prescribe branded products, the pharmacy has no choice but to supply the product as prescribed.

“Doctors have the upper hand,” Haloub says.

“A prescription culture which is very different from developed markets poses a challenge for multinational firms when it comes to promoting products.”

Ryan explains that Middle Eastern sources of influence and channels of communication differ from the

West, and therefore influence strategy differently.
"Word of mouth is very important and personal recommendations from friends or other family members can have a big influence," he says.

Word of mouth communication among men, for example, was a very important factor in Viagra's startling sales growth in the region.

Think like a consumer goods company

Ryan suggests that, in the Middle Eastern markets, pharma companies should think like fast-moving consumer goods companies, even if they cannot act like them.

Pharma companies can learn from consumer goods companies' strategy of building emotional brand values. "Pharma companies have, in recent years, become increasingly aware that emotional brand values are important in promoting their products to doctors," Ryan explains.

"In markets such as Saudi Arabia, they also need to think about consumer brand perceptions and how they can be influenced."

For example, the pharmacy is a very important channel of communication and influence in Saudi Arabia. "Many consumers seek advice in the pharmacy for common ailments or about product or brand choice," according to Ryan.

"The pharmacist has a very considerable involvement in brand recommendation and is often able to induce brand switching."

Finally, Ryan concludes, pharma companies wanting to be successful in the Middle East should accept market conditions for what they are, not what they would like them to be.