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Section: Editorial

Expanding into Emerging Markets

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Pharmaceutical companies are increasingly turning their attention to developing nations as they face tougher conditions in the more mature markets coupled with the global economic downturn. Recent deal activity in emerging markets point to a shift in focus by large pharma .

Emerging markets continue to represent attractive opportunities for pharma companies as the GDP of these countries will continue to grow. Having been less impacted by the subprime crisis, they are faring better in the so-called global economic downturn but the effects may yet take time to filter down to those economies.

Earlier this month, GlaxoSmithKline took another significant step to expand its business further into emerging economies by signing a deal to sell over 100 of Dr Reddy's drugs in Africa, Asia Pacific, Middle East and Latin America (Deal no. 33491). In the previous month, it struck a deal to acquire 16% of Aspen Pharmacare based in South Africa and created a joint venture with Chinese company, Shenzhen Neptunus, to develop flu vaccines (Deal no. 31722).

Meanwhile Pfizer has been making strides in its pursuit of growth from emerging markets. Recently, it signed two licensing deals with Indian companies, Aurobindo (Deal no. 32691) and Claris (Deal no. 33375), thus strengthening its position in the Indian market and access to low cost generic medicines by adding over 100 off-patent products to its portfolio. The company has stated that it is looking to conclude further deals in other emerging markets to take a share of the market that is, according to Pfizer, estimated to be currently worth US$160 B and could grow to US230 B in the next four years. The company is also targeting China, Brazil, Mexico, Russia, and Turkey.

Off-patent products are one of the fastest growing segments in emerging markets and give the large pharma companies a mix of products and immediate source of revenue. They can be mass-produced locally and sold at low cost to the poor or the low paid in these countries with margins that are sufficient enough to allow such a strategy. Novartis has taken the lead in such an approach in India and the lesson here is that companies are required to adapt to the demands of the local market.

It's not only in off-patent drugs that companies are doing deals. Eli Lilly forged an alliance with India's Zydus Cadila to focus on cardiovascular drug development (Deal no. 32884). India and China offer opportunities to large pharma in areas such as technology platforms, transdermals, biosimilars and inhalables. Merck & Co has also said it is aiming to become a leader in China and India however, it has still a lot of catching up to do compared to Pfizer, GSK and Novartis. With its push into biosimilars (Deal no. 32431), Merck could also take advantage of the low cost base afforded by China or India in developing generic biologics. As we enter the second half of the year, we could expect to see a lot more big pharma deal making in emerging markets.

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