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Global Focus Article

India's Booming Pharmaceutical Market

Is it Part of Your BRIC Marketing Strategy?

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India has an estimated population of 1.16 billion, making it the second most populous country in the world. The healthcare market in India—which includes pharmaceuticals, healthcare, medical and diagnostic equipment, and surgical equipment and supplies—is estimated to be US$ 30 billion. Revenues from the healthcare sector account for 5.2 per cent of the GDP and it employs over 4 million people. Private spending accounts for almost 80 per cent of total healthcare expenditure.

According to a 2007 study by CII (Confederation of Indian Industries)-McKinsey on “Health in India,” India will spend US$ 45.76 billion on healthcare in the next five years as the country, on an economic upsurge, experiences changes in its demographic profile accompanied by increasing lifestyle diseases and increasing medical expenses.

Coupled with the expected increase in the pharmaceutical sector, the total healthcare market in the country could increase to US$ 53-73 billion (6.2-8.5 per cent of GDP) in the next five years.

According to another 2007 report, “Opportunities in Healthcare-Destination India” brought out by Ernst and Young Pvt Ltd in collaboration with the Federation of Indian Chambers of Commerce (FICCI), Indian healthcare is poised for a “mercurial growth of over 15 per cent annually over the next five-seven years.”

Medical Tourism

Medical tourism is attracting a lot of hype, and investment in this sector will attract more patients, especially from the UK, to stream in to India for treatment. International ventures are expected to see a growth rate of 20 per cent CAGR in medical tourism in coming years, according to a 2005 report by Frost and Sullivan.

The attractiveness of the Indian healthcare industry stems from the fact that this is a recession proof industry. The most amazing thing about the Indian healthcare industry is the glaring demand-supply gap driving growth opportunity.

In addition, due to an increase in population and aging of the Indian population—by 2020, over 15 per cent of the estimated 1.20 billion population will be 55 years and older—the minimum additional investment needed in this sector over the next 15-18 years is between Rs 75,000-100,000 crore (US$ 17 billion - US$ 23 billion).

Booming Indian Clinical Trial Business

According to Pharmalot/NJ Star-Ledger, “India has become the leading destination for global drug makers to outsource clinical trials, largely because of the diverse genetic pool offered by its population and the low cost of doing business. Clinical trials are forecast to become a $2 billion-a-year industry in India by 2010 [Ernst & Young forecast]. About 139 new trials were outsourced to India last year, putting it well ahead of the second-placed China, which had 98. Trials in India cost roughly half the price in developed countries.”

Pricewaterhouse Coopers research, which was based on interviews with 185 senior pharmaceutical executives, from both global and Asian companies, found that 72 per cent of multinational companies had considered outsourcing clinical trials to Asia to "some" or "great" extend. India and China are the destinations of choice for this research, with India outpacing China about 3 to 1 in terms of contract research.

More information: “Controversy over Outsourcing Drug Clinical Trials to India,” NPR broadcast.

The Indian Pharma Market

India is emerging as a global powerhouse in the pharma business with a robust domestic industry. As per CII and Assocham, the turnover is expected to treble in 2015 and reach the Rs. 80,000 crore (US$ 18.3 billion) mark. As of now, the domestic sales is Rs. 31,600 crores (US$ 7.2 billion) and exports is Rs. 21,200 crores or US$ 4.8 billion (the export figure includes bulk drugs and formulations). The R & D spend is Rs. 2,210 crores (US$ 500 million).

Allopathic/Biologicals Market

The allopathic-based Pharma formulations (mainly synthetic chemical, vaccines, and other biologicals as active ingredients) market is the largest of the Indian Pharma market, although it is crowded, with an estimated 20,000 manufacturers/marketers. The segment has well entrenched players and is the largest and a growing one.

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This crowded segment has over 70,000 brands. It is a segment characterized by brand clutter. An estimated 12,0000 medical representatives promote products to about 1 million doctors licensed to practice medicine.

India's pharma retail non-institutional market includes a significant allopathic formulations market (it is almost Rs. 28,000 crores; US$ 6.3 billion). About, 25% of this allopathic pharma formulation market is the antibiotic-anti-infective market and another 25% is the gastrointestinals market (which mainly includes drugs for acid peptic disease and electrolytes). The rest of the allopathic ethical pharma market includes the emerging segments such as neuro-psychiatry, derma, asthma management, arthritis management, and the cardiovascular-diabetes (cardiometabolic disease) management segment

Herbal/Ayurveda Market

The herbal pharma formulations market is a smaller, but fast growing and popular segment of the Indian healthcare market. The segment is not crowded and though popular has not caught the fancy of many companies.

The soft power of a country rests primarily on three resources: its culture (in places where it is attractive to others), its political values (when it lives up to them at home and abroad), and its foreign policies (when they are seen as legitimate and having moral authority.) Soft power is a great product and service differentiator. In the case of the Indian pharma industry, herbal products, helps in providing the soft power and act as a differentiator.

One important feature of this market is that the products in this segment are evergreen and are less susceptible to product obsolescence. This segment lends itself to long-term brand building. One can seemingly go on marketing this range endlessly as product obsolescence is a rarity here.

However, this segment is in need of scientific standardization of extracts, a proper ecosystem for supply of raw herbal extracts, and the herbal or herbomineral preparations need robust clinical studies to win the prescribers' favor.

Indian Biotech

In 2007, the Indian biotech industry crossed the 2 billion dollar sales mark. The exact amount is 2.13 billion dollars in total revenues in FY2007 (April 2006 to March 2007). There was a 31% growth over FY06's 1.6 billion dollar revenues (Rs. 6521 crores). Exports from this sunrise sector for the FY07 stood at 1.2 billion dollars (Rs. 4937 crores) showing a good growth of 47%.

The high growth of the biotech segment is largely due to the policies of the Indian government, entrepreneurial interests, and the strategic investments by the private equity and venture capitalists.

India's Biosimilar Market

The most important reason for a buzz in the biotech segment is the fact that India has a bright chance of being a major player in the global biogeneric segment.

in five years, biotech drugs will represent 25% of the total pharma market. Seven major biotech molecules are facing patent expiry before 2010. EPO (erythropoietin), human insulin, interferons, and granulocyte colony stimulating factor are the attractive targets for development of biosimilars in India, which is said to be on the threshold of scripting a success story in the field of global biosimilars just as it has been very successful in the global bulk drugs market and chemical formulations market.

Internet vs. Mobile Phone Channels

The internet and mobile have a lot of potential to revolutionize healthcare in India through services like e-counseling, e-consultation, telemedicine, e-prescriptions, video conferencing, and mobile based healthcare counseling.

More than 70 per cent of India's population resides in rural areas and it has a low average of doctors per capita (approximately 1 doctor per 1916 citizens). Moreover, India's geographic vastness makes the application of telemedicine sensible. Although, telemedicine has not taken off proportional to its potential in India, the internet is aiding its adoption.

In addition to internet based telemedicine consultation, telepathology, teleradiology, telecardiology and telepsychology are very important streams of telemedicine.

There are over 1.5 million broadband subscribers in India and with the advent of IP TV, the broadband service providers are aiming for a minimum of 35 million Indian households with an interim target of 10 million by 2010. Broadband IP networks hopefully will catalyze healthcare and telemedicine shall thus be one of the leading applications of broadband after IP TV and perhaps online gaming by 2015.

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India, China See Potential in Biosimilars as U.S. Stalls on Legislation

BNET Business Network: http://findarticles.com/p/articles/mi_pwwi/is_200807/ai_n27898713

With the passage of new patent laws in their countries, India and China will be well-poised to accelerate their pharmaceutical industries, especially biopharmaceuticals, says the author of a new research study of emerging non-US pharmaceutical markets.

According to Kalorama Information's new report "Pharmaceutical Markets in Brazil, Russia, India and China (BRIC nations)," companies in India and China are placing themselves in a good position to compete worldwide with developers of innovative biological products.

Pharmaceutical markets in China and India reached $20.5 billion in 2007 and are expected to double over the next five years. Ranked seventh and thirteenth in the world respectively, they will probably move up quickly in ranking as incomes, standards of living and healthcare education efforts increase. Products competing with brand name biopharmaceuticals will be one of the key drivers of growth.

"India and China are home to several companies developing biosimilars and these companies are in a good position to continue development as doors are expected to open more around the world," notes Kalorama Information analyst Melissa Elder. "Companies like Dr. Reddy's Laboratories already have multiple biosimilars approved in-country and have reported looking to new markets."

The U.S. and Europe have provided protection from generic competition for biological products, but looming patent expirations and new laws are creating excitement for generic drug developers. Europe now has regulations concerning the development and launch of biosimilars but the U.S. is behind in this area. For example, Sandoz submitted an application for a biosimilar in 2003 and ended up suing the FDA for not giving them a response for several years.

"To date, the U.S. does not have rules and regulations in place, although in 2007 legislation was proposed under the Biologics Price Competition and Innovation Act," notes Elder. "It attempts to strike a balance between market competition and reimbursement for innovators."

Kalorama Information's report "Pharmaceutical Markets in Brazil, Russia, India and China (BRIC nations)" reviews and analyzes the pharmaceutical markets in the four countries, details products in various segments, market indicators, estimates and forecasts through 2012. For further information visit: http://www.kaloramainformation.com/Pharmaceutical-Brazil-Russia-1614109/

However, compared to internet broadband penetration, the mobile phone penetration is more promising. The telecom subscriber base (both wireline and wireless) was 225.01 million in June 2007 and the monthly mobile addition has been between 6-7 million. The Internet and Broadband subscriber base is at 9.22 million for the quarter ending June 2007. The subscriber base for wireless services has increased from 165.11 million to 184.92 million, whereas subscriber base of Wireline service has decreased from 40.75 million to 40.09 million. There are 38.02 million Internet subscribers at the end of June 2007, who are accessing Internet through mobile handset (GSM/ CDMA). So mobile-Internet convergence based healthcare is showing promise.

Health 2.0 In India

The world wide phenomenon of user generated medical and health information is also touching Indians. Although, Indians are active online, only the tip of the iceberg has been exposed. There is a huge potential for health 2.0 in India. http://www.ndtv.com is one example of a popular website that is contributing to the health 2.0 movement. One would envisage that the health 2.0 movement in India will be a convergence of patients, end consumers, interested people, doctors (of all specialties and streams of medicine like allopathy, ayurveda, siddha, unani, yoga, naturopathy, homeopathy etc) and other healthcare professionals (like nutritionists, acupressure experts, physiotherapists etc) aided by internet and mobile penetration.

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Endnote

From a global perspective, the BRIC countries (ie., Brazil, Russia, India, and China) are big chunk markets and represent purchasing power on the rise. Companies are tooling their BRIC strategy the world over. India with its global diaspora, English speaking culture, accommodative spirit, technical pool, stable democracy, and a positive picture is attracting the interest of investing companies, venture capitalists, and private equity investors. India is in the process of assimilating in to the global cauldron through its unique spicy touch.

NOTE: See the next page for additional information regarding the practice of giving gifts to physicians in India ('Aggressive Marketing: Indian Gift Giving").

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Experts Consulted or Cited

The following experts were consulted or cited in the preparation of this article.

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Aggressive Marketing: Indian Gift Giving

According to a recent BusinessWeek story, "drug companies in India operate in a murky regulatory environment where there's no single government agency charged with looking after patients' well-being" (see "Indian Pharma: Hooked on the Hard Sell").

As a consequence, reports BusinessWeek, drug companies sometimes engage in "aggressive marketing tactics, including showering physicians, pharmacists, and wholesale distributors with expensive gifts. In return doctors may prescribe drugs based on company incentives rather than the needs of patients."

Some examples of aggressive marketing cited by BusinessWeek:

- Drug company representatives sometimes provide doctors and pharmacists with gifts ranging from jewelry and consumer electronics goods to automobiles.
- Pharma companies especially target influential doctors at teaching hospitals, paying for them and their spouses to travel to international conferences.
- Some drug companies have printed out "rate cards" for doctors they deal with in small towns and cities: prescribing 1,000 tablets per month of a particular medication gets the doctor a cell phone; 5,000 tabs confers an air-conditioner; 10,000 tabs is worth a motorcycle.

The BusinessWeek article cited research published in the April, 2007, issue of the Indian Journal of Medical Ethics ("Drug promotional practices in Mumbai: a qualitative study"). The following is an excerpt from that study.

Both doctors and medical representatives said that brand reminders were increasingly being replaced by gifts of greater value than stationery. These range from jewellery to electronic items and even automobiles.

Some doctors justified the acceptance of gifts because they felt that it only compensated them for the time they spent listening to the MRs (medical representatives; ie, pharma sales reps). "MRs never try to bribe to sell their drug. (Gifts) are just a gesture to say thanks for the time the doctor gives. Let's say a doctor sees three patients in 15 minutes, the MR is costing him those three patients in his 15-minute talk. So the MR tries to compensate with gifts since obviously he can't compensate in cash." (senior surgeon, Mumbai)

A majority of doctors said they felt that this was wrong. A few would have liked to see limits placed on the value of the gifts; they felt that some gifts were expensive enough to serve as inducements. …Others felt that air conditioners, washing machines, microwaves, cameras, televisions, expensive crystals were acceptable gifts.

Very few doctors admitted to having accepted gifts; those who did stated that accepting the gift would not influence their decision about which brand to prescribe. Ironically, almost all of them knew of another professional who had accepted gifts and believed that their prescribing had been influenced by this incentive.

Doctors felt that pharmaceutical companies offered incentives only to consultants and specialists who were considered "good" prescribers, or those whose prescriptions were substantial, as verified by the neighbourhood chemists. They were more likely to get returns of their investment in such doctors. The general practitioners interviewed stated that they did not receive the expensive gifts received by the specialists. However, MRs stated that general practitioners in smaller towns were given more incentives than specialists were. Two MRs said that public teaching hospital doctors were more aggressively pursued, apparently because they were in a position to influence several new entrants into the field. This was corroborated by doctors associated with public hospitals. "...doctors in these teaching hospitals are in touch with the latest all over the world and keep taking lectures at CMEs, meets, etc. Foreign conferences including registration fees, air tickets and stay for doctors and their spouses are regularly paid for by the pharma companies. Foreign conferences are paid for senior doctors and heads of department, and local conferences are paid for entire departments including the residents if they demand it." (senior paediatrician, Mumbai)

Most doctors felt that newer and smaller companies were more likely to offer incentives to compete with older, more established companies.

Manufacturers stated that "me too" drugs, or variations of existing drugs, required aggressive promotion while innovative drugs were promoted on the basis of their scientific importance. They stated that doctors were more likely to demand incentives for prescribing the former.

Some MRs said incentives had become less cost-effective over the years as each company tried to offer more expensive gifts than the others. Incentives did not work to build a doctors' loyalty to a particular brand as

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all companies offered incentives. So they were now increasingly based on the prescriptions generated. Two doctors practising in slum areas showed printed handouts from a drug manufacturer giving targets and incentives to meet them. They were offered a cell phone handset for prescribing 1,000 tablets, an air cooler for prescribing 5,000 tablets and a motorcycle after 10,000 tablets were prescribed.

Another promotional practice was to finance educational programmes and conferences. Individual doctors' travel, stay and conference fees were also paid for by drug companies. Most doctors had no objection to such support and said they could not otherwise afford these meetings that they described as informative. A small minority felt that the lack of transparency in the funding of medical programmes by drug companies was unacceptable. Nearly half the doctors and all the MRs felt that over the past decade conferences had moved out academic college auditoria to five-star hotels which served lavish cocktail dinners, all with an accompanying increase in budgets.

Drug companies stated that funding medical conferences had become less cost-effective; they suggested that doctors as a group had begun to pressurise pharmaceutical companies into financing their associations' programmes and would even boycott drug companies that did not give in to their demands. "Things have got to such a stage now with doctors actually demanding sponsorship from companies. This year (an Indian drug company) had zero participation in (a specialist association's) conference. The company is now feeling the heat in the form of infrequent prescriptions."(senior executive of an Indian drug company)

In January, 2008, the Organisation of Pharmaceutical Producers of India (OPPI) published a voluntary "Code of Pharmaceutical Marketing Practices," which states that “Gifts for the personal benefit of healthcare professionals (including, but not limited to, music CDs, DVDs, sporting or entertainment tickets, electronic items) must not be provided or offered.”

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