Getting Market Research Right in the Middle East
A Land of Diversity, Opportunities and Unique Challenges

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With the challenges facing the pharmaceutical industry in the more developed markets of the U.S., Western Europe, and Japan, the emerging markets have become the growth engine for the industry, which is shifting its investment to new geographies.

In countries where market research is not yet established—e.g., China, India, and the Middle East—it can be a challenge getting reliable business insights that are required to guide business strategy.

This is the second in a series of three articles highlighting points made by Kantar Health executives in a recent webinar titled “Getting It Right in the Emerging Markets: Identifying the opportunities and avoiding the pitfalls in conducting market research in new geographies.”

The first article in this series covered an overview of the importance of emerging markets for the pharmaceutical industry (see PMN Reprint #98-03; http://bit.ly/ajx0i6).

This article delves more deeply into the specifics of market research in the Middle East.

**Importance of Emerging Markets**

“When you think Middle East, you should be thinking of fifteen countries,” said Sherif Shafick, General Manager, Middle East and Africa, in his opening remarks.

Including northern Africa, there are even more countries to consider. Regarding the “traditional” Middle East region, however, Shafick summarized its diversity and importance to the pharmaceutical industry as follows:

- More than six languages and many different dialects are spoken. Shafick, for example, is Egyptian but he can hardly talk to a Moroccan or an Algerian person in Arabic because their Arabic dialects are very different.
- Total GDP is larger than the UK, sixth in the world.
- Pharmaceutical market is more than $20 billion, almost the size of the UK, and is growing by 10% to 15% per year.
- This is a pharma market larger than the combined Indian and Russian markets.

**The Middle East – A Land Of Diversity**

The Middle East is not only a land of demographic diversity but also a land of diverse health systems (see Table 1, pg 3). Egypt’s health system, for example, is mostly an out-of-pocket system, with more than 55% of the expenditures paid for out-of-pocket. In Saudi Arabia, on the other hand, out-of-pocket expenses are only 3%.

“But other than diversity, the Middle East is also a land of opportunities,” said Shafick. “Think of a market that has a combined GDP of $2.4 trillion dollars and with growth of more than 5%. The population growth rate in the Middle East is among the highest in the world and highest among the emerging markets themselves.” The Middle East is the 7th largest pharmaceutical market in the world, with sales of more than $20 billion per year.

**Individual Markets in the Middle East**

- **The Turkish pharmaceutical market** grew from $3.3 billion in 2003 to $10.6 billion in 2008. “Grew is really an understatement,” said Shafick. “This is explosive growth. This market more than tripled in just five years and is larger than two of the four BRIC—Brazil, Russia, India, and China—markets.” Shafick estimated that prescription sales in Turkey will reach the $20 billion mark in 2015.
- **Egypt** is the most populous country in the region (see Figure 1, pg 4). The pharmaceutical market in Egypt more than doubled in the five years between 2003 and 2008, from less than $1 billion to $2 billion. That’s close to a 20% yearly growth rate, which is higher than most emerging markets.
- It is probably common knowledge that Saudi Arabia is the world’s largest exporter of petroleum. It’s pharmaceutical market is more than $2 billion in value.
- The Saudi government recently backed laws requiring employers to provide health insurance for employees and their families. “The implication is that in a few years you will have everyone in Saudi Arabia covered,” said Shafick. “You can imagine how this will expand the private market.” Shafick added that these kinds of health reforms—a major factor driving market growth—are being done by most Middle Eastern countries.

**The Middle East – A Land Of Opportunities**

To summarize the opportunities:

- Turkish market grew from $3.3 bn in 2003 to $10.6 billion in 2008 and is estimated to hit $20 billion in 2015.

*Continues...*
Egypt, the most populous country in the Middle East, saw its pharma market grow from less than $1 billion in 2004 to more than $2 billion in 2009 with close to 20% growth rate;

The Saudi Arabian pharmaceutical market is more than $2 billion in value and the government recently passed laws requiring employers to provide health insurance for employees and their families;

The United Arab Emirates has a pharmaceutical market of more than $1.5 billion, which is expected to reach around $2.5 billion by 2014 with growth rates of more than 12%;

Iran is a $1.87 billion pharmaceutical market. "To us Middle-Easterners," noted Shafick, "Iran is our emerging market ready to develop versus the more developed Middle-Eastern markets like Saudi Arabia and Turkey."

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<table>
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<tr>
<th>Country</th>
<th>Generic Substitution</th>
<th>Co-Payment</th>
<th>Price Controls</th>
<th>Guidelines</th>
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<td>KEY</td>
<td>Heavily regulated</td>
<td>Most out of pocket</td>
<td>Price Freeze</td>
<td>Guidelines with significant details</td>
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<td></td>
<td>Encouraged</td>
<td>Only in private sector</td>
<td>Some Regulation</td>
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<td></td>
<td>Little/No restriction</td>
<td>Covered mostly by private funds</td>
<td>Little/No Restriction</td>
<td>Lack of detailed guidance/ variations</td>
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<td>Egypt</td>
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<td>For most cases docs prescribe generics first</td>
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<td>Morocco</td>
<td></td>
<td>20-25% co-insurance</td>
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<td>Turkey</td>
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<td>Depending on which hospital</td>
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<td>Especially in oncology. GLs may change/be updated</td>
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<tr>
<td>Algeria</td>
<td>Will ask patients first</td>
<td>Not in public system</td>
<td>Gov't sets cap on drug prices</td>
<td>Yes, but depends on disease area</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>Yes for public/poor areas. Not req'd in private &amp; Class A, B insurance</td>
<td>20% co-pay in private</td>
<td></td>
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</tr>
</tbody>
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Table 1. A Land of Diversity of Health Systems. Cost-containment measures in Midde East/Africa markets—a wide variety of national priorities and measures.
Unique Challenges
The Middle East also has its own unique challenges. In Turkey, about 1 in every 4 people is obese. The United Arab Emerate (UAE) has the 2nd highest diabetes prevalence in the world—1 in 4 people—and the disease causes 75% of deaths among UAE nationals. In Saudi Arabia the incidence of sickle cell disease (SCD) is at 1.45% compared with only 0.1% in the U.S. “Yet the total number of physicians treating SCD is less than 60 in all of Saudi Arabia,” said Shafick.

“Egypt has more Hepatitis C sufferers than the total for North America, the whole continent.” Actually, Egypt has the largest epidemic of Hepatitis C virus in the world. The prevalence of Hepatitis C is more than 1 in 7 people, which means that more than 11 million people are infected with Hepatitis C in Egypt, and there are perhaps only 120 Hepatologists in Egypt.

“You can imagine how busy these doctors are,” said Shafick. “Pharma companies would find it difficult to gain access to these physicians. Sometimes the doctor would have all the medical reps line up beside each other and then ask, ‘So you, What's your name? What are you selling and what service are you offering?’ And so on down the line.”

Obviously, the Middle East also has unique commercial challenges for pharmaceutical companies, which Shafick outlined as follows:

- Inadequate protection of intellectual property is a major concern for pharmaceutical companies.
- In most of the Middle East markets, a consumer can ask a pharmacist for almost any prescription drug and buy it “over the counter” without a prescription.
- The implication of this differs from country to country depending on whether the market is a reimbursed market or an out of pocket market, the levels of disposable income in the market, and the level of education.
- Generic competition is very strong. In Egypt, for example, generics represent more than 70% of volume sales.

“Strong generic competition, combined with the inadequate protection of intellectual property, means that a generic drug sometimes enters the market before the original brand,” according to Shafick. “And there have been cases where physicians thought the generic was actually the original brand.”

Case Study: Bonding Emotionally with Physicians
The implication for pharma companies is that they need to bond with physicians at an emotional level, not just at the functional level. “Emotional branding in Pharma couldn't be more appropriate and needed than in this market,” said Shafick. To illustrate, Shafick presented a brief case study of uncovering the underlying emotions of physicians in the Egyptian pain management market, which was a study done by Kantar Health.

Project Objectives:
The client was launching a pain management brand in Egypt and Kantar Health noted two things:

- Because of weak intellectual property protection, functional differentiation is limited and not sustainable. Emotional branding is needed.
- Universally and not just in Egypt, pharma companies are not selling products to physicians. When physicians prescribe drugs, they are buying a promise of better reputation and a better career. This allows many emotional and identity needs to be evoked.
“Capturing these emotional needs of physicians will allow for the best positioning of the brand at an emotional level,” said Shafick. “This is what is needed to counteract the generic competition that would definitely come in to play.” Kantar Health proposed needs-based segmentation and positioning using projective techniques in a quantitative and a qualitative setting.

**Project Outcomes:**

Through this research, Kantar Health was able to advise its client on the different physician typologies, their respective emotive and identity needs, and how the brands are positioned in their minds.

“As a result,” said Shafick, “we identified a unique position where our client can place its brand and helped our client make the emotional connection with physicians that can prevent competitive inroads, especially from generics.”

“When you think Middle East,” said Shafick in closing, “think enormous growth, think diversity, and think change.”