

2020

Consumerists

# Fit for Future? Europe's Pharmaceutical Industry in 2020 – Trends and Strategic Options

Trend Study Results  
Life Science Skills and Strategy Board

London, 27 April 2011

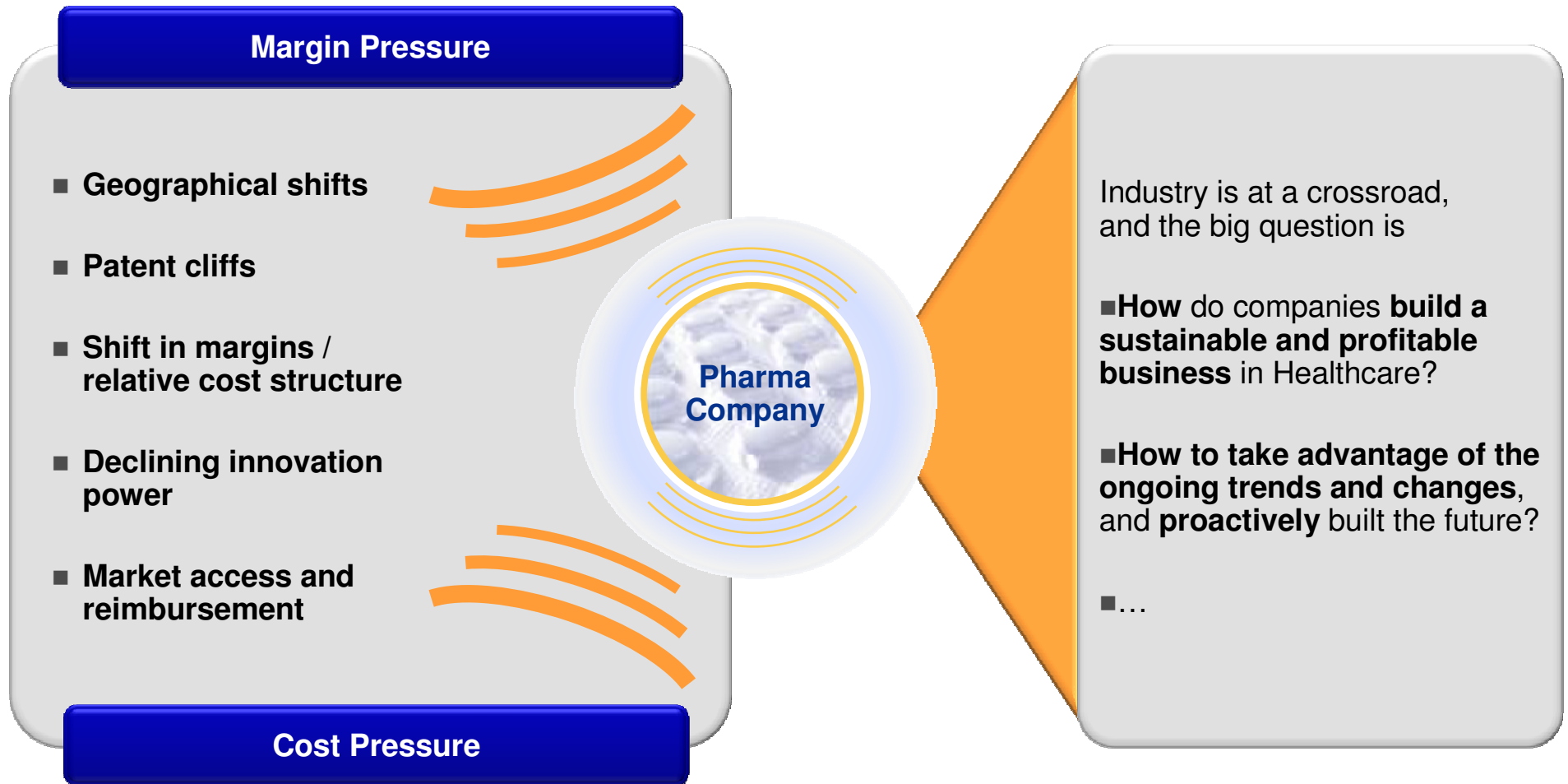


MANAGEMENT ENGINEERS  
Consulting to Completion

INSEAD

New  
Agers

## Challenges for the Pharmaceutical Industry



## Joint Study – INSEAD and

A joint survey by INSEAD and MANAGEMENT ENGINEERS among top executives of leading pharmaceutical companies reveals the industry perspective on the European Pharmaceutical Industry in 2020

Pharma-  
studie

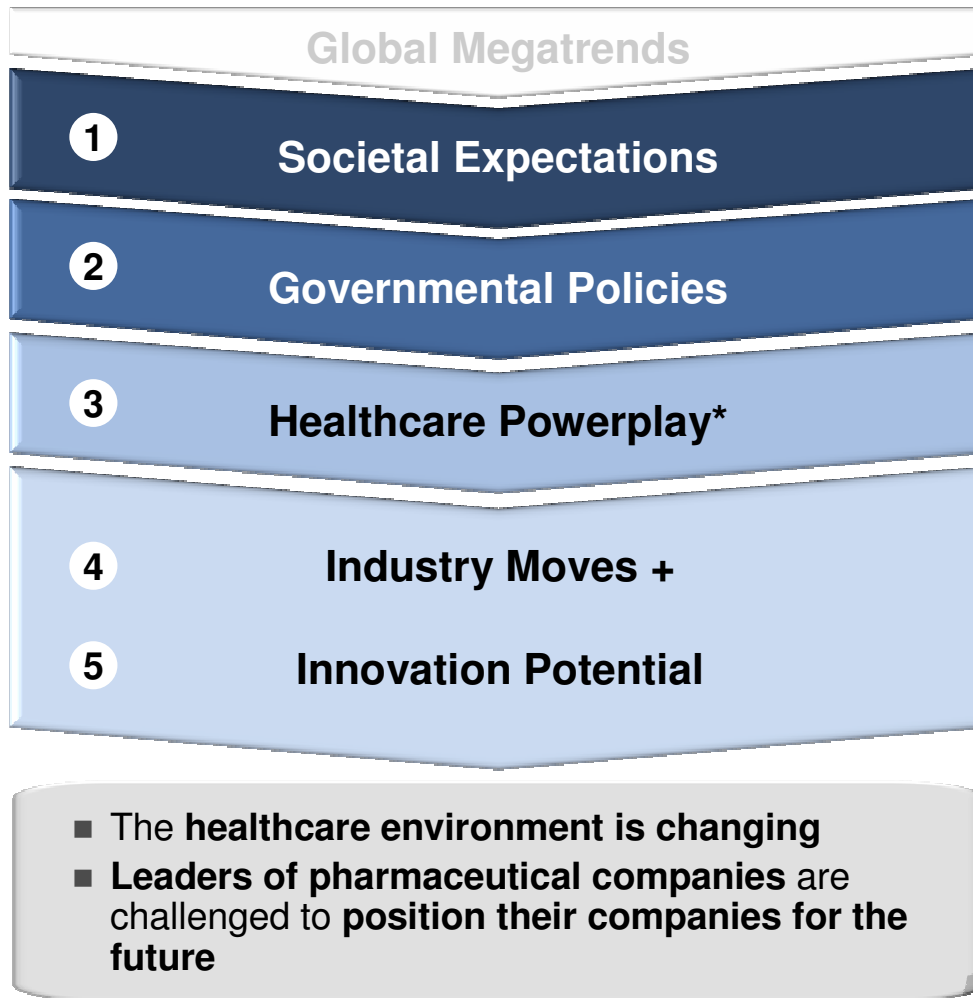


- Joint study elaborated by INSEAD and MANAGEMENT ENGINEERS
- Objective: Industry perspective on the Pharmaceutical Industry in Europe in 2020
- 47 Top executives from 42 pharmaceutical companies took part in the survey
  - These companies account for 61% of global pharmaceutical sales\*
  - 18 of the top 20 global pharmaceutical companies are represented\*
  - 35 of the respondents are Global CEOs, Global Board Members or European Region Heads; the other 12 are Global Function Heads or Country Managers
  - Participants stem from three industry sectors: Originals/Biopharmaceuticals, Generics, OTC

\*IMS Health, MAT Q1 2009

## European Pharmaceutical Industry: Influencing Factors

Pharmaceutical companies are impacted by a total of five trend clusters



To paint a vivid and comprehensive picture of the **pharmaceutical industry in Europe 2020** the study results

- Provide valuable **insight** on industry trends **from the perspective of top executives**
- Lead to **strategic implications** and **hypotheses** which help business leaders to shape their companies

\*Healthcare Powerplay: payers, prescribers, patients, distribution channel

## Executive Summary

Our survey among top executives of leading pharmaceutical companies has revealed shared as well as divergent expectations about the Pharmaceutical Industry in Europe in 2020

### Key Findings

- **Shared expectations for Pharmaceutical Industry in 2020 among virtually all participants:**

- Payers are in control
- Generics and biosimilars are first-line treatments
- Transparent health technology assessments recognize and reward the added value of new medicines
- High channel power reduces the industry's profitability

- **70% or more of all executives expect**

- Higher predictability of R+D success through early proof of concept
- Integrated care models prevail
- Ever-increasing regulatory hurdles pushing development costs and time to unprecedented highs

- **Strong differences among participants regarding expectations concerning the industry's**

- I) Stature in 2020
- II) Patient centricity in 2020

Leads to 3 executive segments

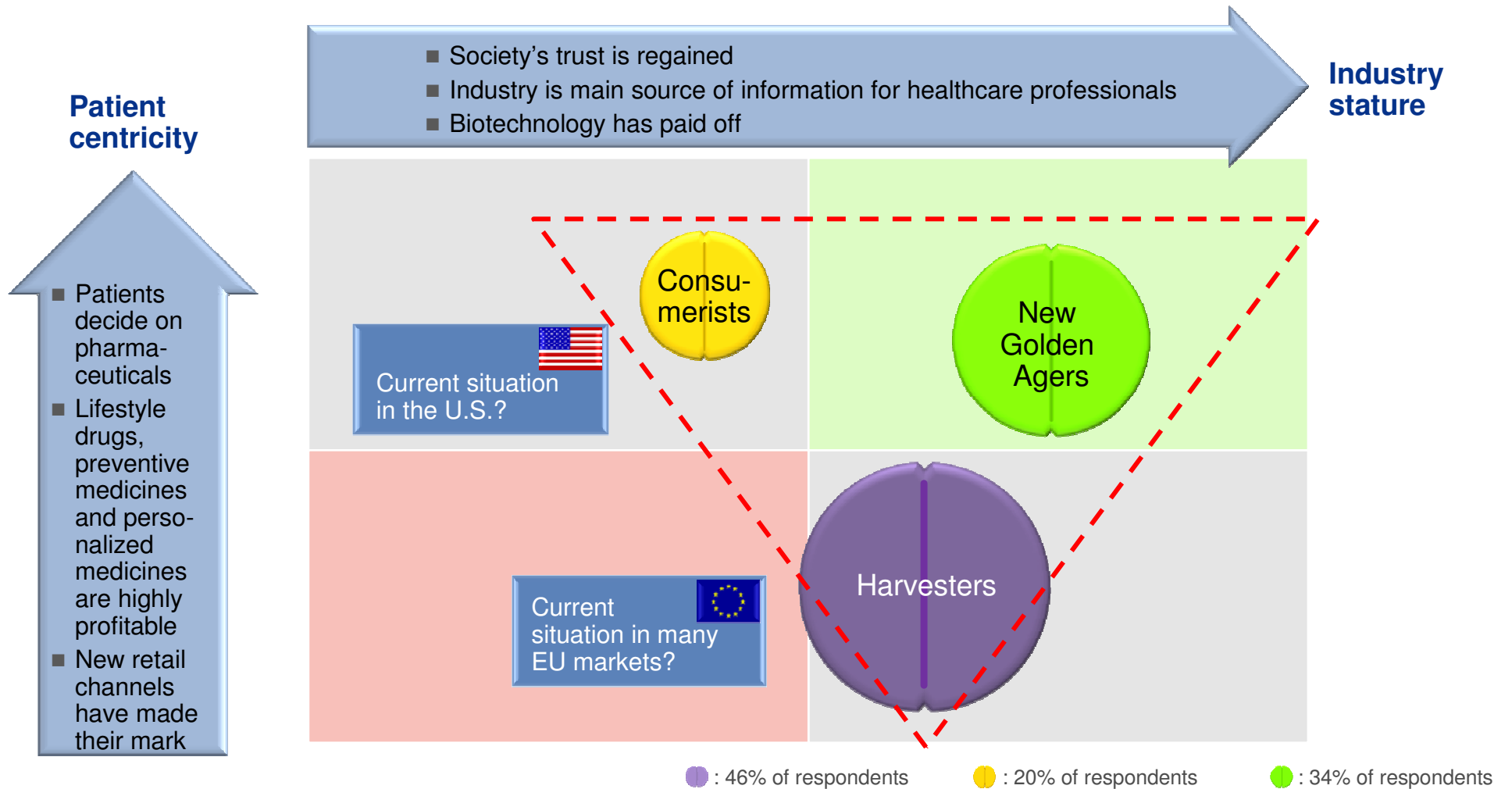
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## Executives' Visions on Europe 2020: Industry Stature and Patient Centricity

Assuming that the industry currently suffers from a doubtful stature and is not consumer-centric, respondents, clustered in three groups, believe that 2020 will bring improvements for patients, industry, or both



## Future Market Requirements – Needed Skills and Education

The expected market development of the pharmaceutical industry in 2020 will require a different skill set and education from employees within the industry

### 2020: Needed Skills

- **Many difficult questions** facing our industry with a **changing environment**
- **CEOs and their companies** are **under pressure** and **need to get fit for the future** to survive
- **Providing employees with the right skill set** will be a competitive advantage:
  - **Technological know-how:** Sound know-how in the key technologies (biotechnology, preventive medicine, etc.)
  - **Economic mind-set:** Need for basic economic understanding, also for scientists: sharpening your mind to include economic thoughts early on in product development – added value considerations
  - **Team player:** Need to work in interdisciplinary teams, both within one company and across companies (think in networks)
  - **Big-picture in mind:** Focus on solution thinking rather than product thinking: Combination of chemistry, biology, engineering (devices)
  - **Market driven:** Stronger focus on marketing / market access considerations: Future development will be much more market driven (economically feasible), less R+D driven (scientifically possible); including major topics such as payer management, channel management, concept development (e.g. integrated care)

**Backup**

# Beyond the Majority View: Consensus and Divergence

The average responses across all participants indicate the future trend expectations for the European Pharmaceutical industry

	Scenario A		Scenario B		
	①	②	②	①	
1.1 Lifestyle drugs are significant and highly profitable				●	Lifestyle drug market is not significant
1.2 There is restricted access to innovative medicines		●			Innovative medicines are accessible for all
1.3 Detailed patient data is accessible		●			Patient data is limited to basic demographic information
1.4 Insufficient trust in industry; detailed regulations				●	The industry has regained society's trust through self regulation
2.1 Transparent health technology assessment rewards added value of new medicines		●			Prices are based on a mere cost plus calculation
2.2 Healthcare professionals receive product information from neutral third parties				●	The industry is the main source of product information for health care professionals
2.3 Collaboration between industry and regulator has reduced development costs and time				●	Development costs and time are at new highs
3.1 Patients decide which pharmaceuticals to take; industry-to-patient communication is allowed				●	Patients rely on health care professionals; industry-patient communication is highly constrained
3.2 New retail channels have made their mark				●	Pharmaceuticals are still sold mainly in traditional pharmacies
3.3 Profitability is reduced due to greater buying power		●			Profit pressure can be offset by efficiency gains
3.4 Payers are in control		●			Physicians have regained control
3.5 Generics and biosimilars are first-line treatments		●			Patients and payers are willing to pay for brands
4.1 Most companies increase their number of indication segments				●	Most companies reduce their indication segments
4.2 Today's leading pharmaceutical companies still exist in 2020				●	A handful of giant companies dominates
4.3 Large companies are not attractive for private equity				●	Private equity has acquired and restructured some top 20 companies
4.4 Integrated care models succeed as new business models				●	Most companies remain product focused
5.1 Biotechnology investments have paid off		●			R+D investments in biotechnology have been reduced
5.2 R+D success is more predictable				●	New technologies have not significantly increased R+D predictability
5.3 Preventive medicine is highly profitable				●	Profits for preventive medicine are low
5.4 Personalized medicine is highly profitable				●	Profits for personalized medicine are low

① Predominantly agree      ② Partly agree      ● Average peer responses