

Just before the turn of the millennium, in 1999,
the consulting and research company
Opticom carried out a survey of how senior representatives of
what were at that time the major global pharmaceutical companies saw the future.
How well does the companies' vision coincide with the way things are now, 15 years later?

BOTH RIGHT AND WRONG **IN THE VISION OF THE FUTURE** **FROM 1999**



The report, *Prescription for a healthy industry*, also formed the basis for a series of articles in Svenska Dagbladet/Näringsliv written by Elisabeth Sandlund.

The report was partly based on in-depth interviews with 34 senior executives at what were at that time the 20 largest pharmaceutical companies. Their analysis resulted in three main points:

- There is still a large unsatisfied need for pharmaceuticals. There is no cure for two thirds of all illnesses. The world population is getting older. New research methods are being developed all the time and there will be substantial growth in DTC (direct-to-consumer sales).
- Quick access to market is a key to success. In the face of tougher future competition, companies must launch new innovative products quickly.
- Company mergers slow down companies' development processes. The top executives questioned the benefits of mergers and wondered whether they were driven by the financial markets and by financial consultants. They were the main beneficiaries of mergers - not the patients.

The winners, predicted the author of the report, will be companies that succeed in achieving a high organic growth rate, companies that sell or outsource in areas outside their own core areas and companies that focus on a small number of therapeutic areas and companies that focus their efforts on their own stores and customers. Companies will benefit from alliances with other companies and research groups, in-licensing, greater investment in research and development and strategic use of information technology.

The losers, on the other hand, would be companies with weak research portfolios but that chose to merge - those companies lose their focus and their rhythm, and therefore their competitiveness.

No expected downturn

Carl Michael Bergman, CEO and co-founder of Opticom, recalls that at the end of the 1990s there were

detractors who predicted the decline and fall of the pharmaceutical industry, but that didn't happen at all.

"Admittedly, pharmaceutical research and pharmaceutical companies have disappeared in some countries, such as Sweden, but the need for pharmaceuticals in the market has never been as great as at present. That's because there are more of us on the planet and we're getting older. Lifestyle-related illnesses such as diabetes and obesity are on the increase, along with the associated need for medicines. There have been many new medicines launched in the treatment of cancer, along with new medical devices. The range of medical devices and medicines is now much wider than it was 15 years ago and more patients are receiving better treatment and living longer and more of them are cured than in the past. So, it is fair to say that, as far as the first point is concerned, the prophecy didn't come true", he said.

The speed to market has increased due to the more short-term view adopted by shareholders and financial markets and new technologies in the development of pharmaceuticals. In Sweden, the National Pharmaceutical Strategy and new parallel processes with proper introduction of pharmaceuticals have further reduced the time before patients can benefit from new medicines. The authorities have also realised that everyone benefits from this.

”The range of both medical devices and pharmaceuticals is much wider than it was 15 years ago and more patients are receiving better treatment, living longer and more are being cured than in the past.

Focus on the patient

One marked difference between the situation in 1999 and the situation now is the position of the patient. Then it was barely visible, but today it is natural to focus on the patient in every situation and the question asked more and more often is what the patients themselves think of the treatment they are offered or receive.

Carl Michael Bergman believes that clinical trials can be revolutionised by apps on smart phones that continuously collect data in real time and forward it for analysis - it is not for nothing that RWD (real world data) and RWE (real world evidence) and their usefulness in the development of pharmaceuticals are a hot topic in the pharmaceutical industry.

In 1999 it was predicted that specialisation and concentration on fewer therapeutic areas would become a success factor. That turned out to be true. In principle only Pfizer, the largest company in terms of total sales, still manages to offer a wide range of pharmaceutical products. Other successful companies have reduced their range and focused on fewer areas.

"Roche is a good example of this. Had the company not made an abrupt change and become an oncology company, it is doubtful whether it would still have existed as an independent company", says Carl Michael Bergman.

The cancer market

Cancer was identified as an area of expansion in 1999 and so it proved to be. Carl Michael Bergman believes that the cancer market will continue to grow and that it is not unlikely that in future companies will even need to specialise in specific areas of cancer in order to be successful.

"Remaining at the leading edge in a field will probably require even more specific focus on niches".

Alliances with other companies, healthcare and groups of researchers,

while holding on to intellectual property rights, will be another factor for success in the future. The idea of clusters, with a variety of different skills and resources, being important for life science was not obvious when looking into the future in 1999. If such a survey were carried out today, that factor for success would certainly play a central role.

Opportunities in Africa

The USA was the world's strongest single market for pharmaceuticals in 1999 and it was predicted that it would continue to see appreciable growth. Western Europe had a slower growth rate and it was predicted that it would continue to fall behind. Eastern Europe had begun to make progress but, according to the report, it would take years before growth would pick up. The analysis on Russia was "wait and see". In China, growth was expected to pick up speed from the mid-00s, whereas it was expected that Japan would face a number of years of recovery. India was judged to be an uncertain market, not least because of the unclear situation with regard to intellectual property rights and also due to political uncertainty.

The rest of Asia was considered to have tremendous growth potential in the longer term, whereas South America was deemed unstable but promising. Finally, Africa was judged to be the least important region, with poor infrastructure and an uncertain situation with regard to patent rights.

"Many of us got that about right. If we look ahead, it's probably the view of the opportunities in Africa that is currently changing the most. In 1999 Africa was, in principle, a blank spot on the map, but for some years to come the continent will certainly belong to one of the most interesting growth markets", believes Carl Michael Bergman.

” One marked difference between the situation in 1999 and the situation today is the position of the patient.

Misjudgement concerning parallel imports

The extent of parallel imports in Europe is one area that the predictions got very wrong. In 1999, it was predicted that parallel imports were a disappearing phenomenon. The Euro and more harmonised pricing of new pharmaceuticals would lead to the disappearance of parallel trade within five years. We know that, as far as Sweden is concerned, parallel imports have

increased their market share significantly since then.

"The fact that they still continue to exist is due in part to the fact that the authorities used them to exert price pressure – although no-one would admit it. It's a delicate subject for the politicians. To the surprise of many, parallel imports have continue to exist, but as long as the EU is more of a trading union than a federation, it is perfectly possible for them to continue to exist", says Carl Michael Bergman.

Smart IT solutions are the model for the future

The recipes that have been successful for several decades are not sure to lead to success in the future thinks Carl Michael Bergman.

"Nowadays it is a matter of trying to think of what will bring success in ten years' time. It's very likely that when you look forward in time you'll see smart IT applications", he says.

If you go back just over 15 years to the end of the 1990s, at the time of the previous report, it's striking that the predictions relating to IT and the Internet have been exceeded by far. Among other things, only half the participants in the survey thought that prescription medicines would be sold over the Internet in future.

And many pharmaceutical companies have still not come very far when it comes to maturity in IT and how to integrate it into their business models, says Carl Michael Bergman.

"It's happening now. Now Google, Apple and others have entered the market from their various different directions. They don't think like pharmaceutical companies at all. Their business models could challenge the traditional pharmaceutical companies".

What route will today's large pharmaceutical companies choose? At a time when companies such as Apple and Google, with their bulging coffers, are moving into new business areas such as financial brokerage and self-steering cars – who is to say that they won't go on to invest in the healthcare sector or that the pharmaceutical companies won't invest in completely new industries in the future?

"It will be very exciting to hear that Pfizer or other companies are starting to team up with Apple, Google or other companies outside the traditional pharmaceutical industry. With their wristwatches and health apps, Apple and other companies are able to collect enormous amounts of health-related data that can be of great interest to the pharmaceutical companies. Or maybe the IT giants will choose other partners and ways to put pressure on traditional pharmaceutical companies that don't keep up with developments", says Carl Michael Bergman.

” In 1999, Africa was, in principle, a blank spot on the map, but for some years to come the continent will certainly belong to one of the most interesting growth markets.

New operators on the way in

There were probably not many people in the media world of the 1990s who realised that, within a couple of decades, IT companies such as Google, Facebook and other new operators would be taking a significant share of the advertising money that had previously only gone to media companies. Social media have caused shock waves and have sparked off the biggest crisis ever in the traditional media industry.

Does anyone dare state unequivocally that new operators won't come in and cause something similar in the present-day medical and healthcare industry? Carl Michael Bergman doesn't discount the possibility that completely new operators may play an important role in future.

"The new operators may be in a significantly better position to offer solutions that are attractive to consumers than the operators in the traditional pharmaceutical and healthcare sector. From the point of view of the consumer and the patient, they can definitely make life easier with their products and services. They can quickly go from measuring how we feel to analysing and proposing solutions to make us feel better. Remember that the today's

watch is version 1.0. Wait until version 5.0 comes out. It could be linked to a healthcare system. Remember that Apple and others have detailed knowledge of a billion people's health and lifestyle".

There's a link back to alliances with other operators, says Carl Michael Bergman.

"An incredible amount has happened in the area of healthcare in a few decades. However, I think that even more will happen in the next few decades. We are just at the beginning. And it will be very interesting to see how today's large pharmaceutical companies deal with it. One aspect that I believe will grow is that we will go from trying to cure illnesses to finding early signs before people become ill and then dealing with those in one way or another. How will the pharmaceutical companies tackle those challenges?".



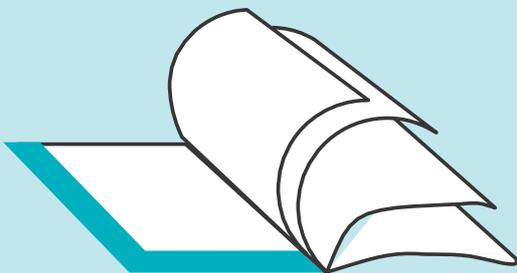
STEN ERIK JENSEN
freelance journalist



It's striking that the predictions relating to IT and the Internet have been exceeded by far.



Opticom is currently planning to issue a follow-up report on how the global pharmaceutical companies see the future, focusing on 2025-2030. If you have any ideas, tips or other thoughts, please feel free to contact Carl Michael Bergman, Opticom.



The Suppliers' Guide is back

When we redesigned our website, many people both on the supply side and in the industry wanted the Suppliers' Guide to stay

Pharma-industry.se has now been redesigned.

You will find specialists in the pharmaceutical industry under different categories of services. So, don't take a chance, hire a specialist who knows your industry,

The following companies have signed up to participate in the Suppliers' Guide so far:



BILBO & Co.



NARVA^{AN}



medicin instruktioner.se



TNS Sifo



internetmedicin.se™

