

Parallel Session 7

Assessing Optimum Pricing in the Indian Market

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Assessing Optimum Pricing in the Indian Market

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Agenda for the Presentation

- Introduction to India and its healthcare market
- Emerging trends in Indian healthcare and opportunities for pharmaceutical companies
- The pricing dilemma for pharmaceutical companies (global prices or local prices)
- How market research can help

India...a Land of Diversity and Contrast



India...a Land of Diversity and Contrast

**Large, resilient economy,
GDP Growth of 8.7% for 2010**

**81.5% Hindus
12.2% Muslims
2% Sikh, Christians**

**> 60% of 1 Billion population
– working age group**

**Stable government with broad
consensus on economic
reform and inclusive growth**

**Literacy rate 65%
14 official languages
Life expectancy 69 years**

**Geographical Size
six times France
33% of USA**

**Forex reserves covering
external debt Inflation &
interest rates stable**

**29 states & 6 Union Territories
Urban vs. Rural population:
30% : 70%**

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Strong fundamentals driving growth....

- **Economic & demographic factors**

- GDP on sustainable growth path..projected to be 3rd largest economy by 2030
- Significant demographic advantage
- Largest population in the 15-54 yrs age group..favouring markedly higher consumption growth

- **Epidemiological factors**

- Disease Population: Rising prevalence of chronic lifestyle diseases like Diabetes (51 Mn), Hypertension (250 Mn), CVD (35 Mn)
- High prevalence of Cancer and Infectious diseases
- Increasing Awareness

- **Rising affordability**

- Steady rise in income levels
- Increased insurance coverage

- **Enhanced accessibility**

- Growth in medical infrastructure
- Non traditional models like Tier II/Rural
- Improved spending on HC by Govt

- **Rising acceptability**

- Shaping of patient funnel
- Improved acceptance of vaccines & biologics
- Increase in self medication

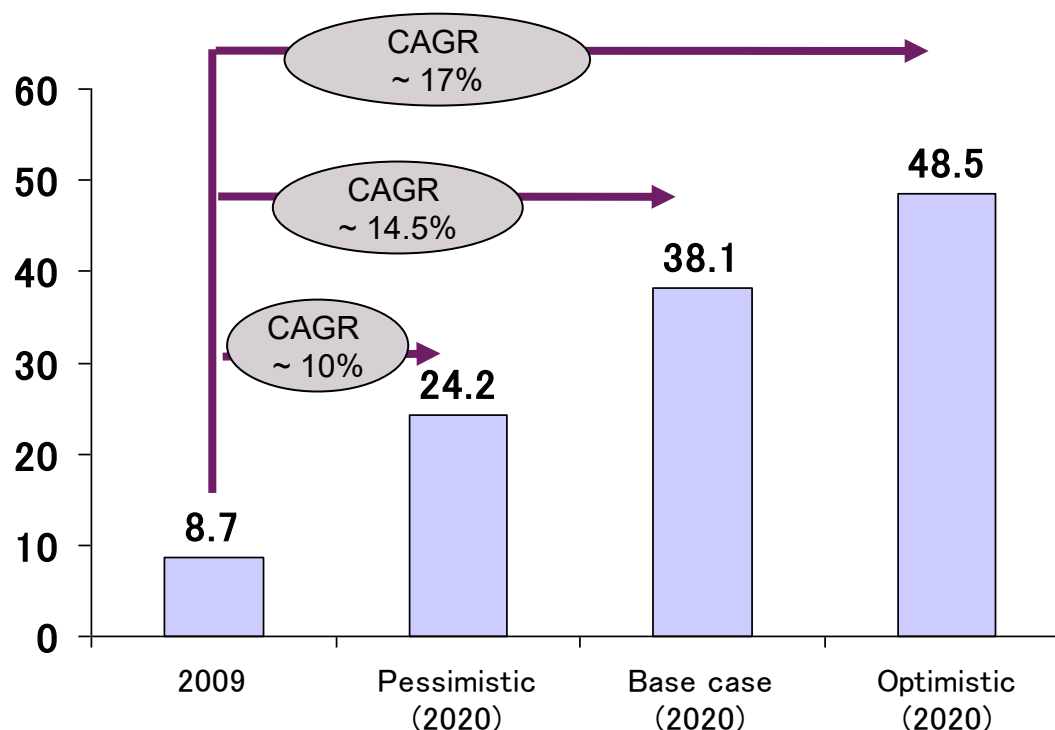
How do these parameters compare to the US.....

	US	INDIA
Population	307 mio	1.16 bio
Life expectancy at birth	78 yrs	68 yrs
Population rise by 2030	21%	31%
GDP	Largest economy;	11 th largest economy;
Healthcare budget (2008)	\$2.4 trillion	\$3.7 billion
HC Expenditure as a % of GDP	16%	4%
Access to medicine	60%	35%
Out of Pocket expenses % of total	15%	80%
Physicians per 10,000 people	27	6
Hospitals per 10,000 people	31	9

India, setting the pace for growth & stability but continues to face the challenges of vast unmet needs

Indian Pharma Market also witnessing sustained acceleration

The Indian Pharma market estimated to grow at a CAGR% of 14% till 2020



Indian pharma predicted to be the 3rd largest market in terms of incremental growth

Indian Pharma Market: A snapshot

Indian Pharma Market

- Highly fragmented market
- Value: 8000 M€
- 35,000 brands; 4000 New Introductions launched every year

Market evolution

- CAGR%: 15% (06-10)
- Mainly driven by volumes of existing brands and new Introductions

Key players & Therapies

- Domestic Indian pharma companies (IPC) enjoy 80% of the market share
- Cardio, Gastro, Diabeto therapy areas are buoying the growth of the industry

Sectors

- Dispersion of population across Tier I & Tier II
- All geographical sectors expected to grow in double digits

Generics

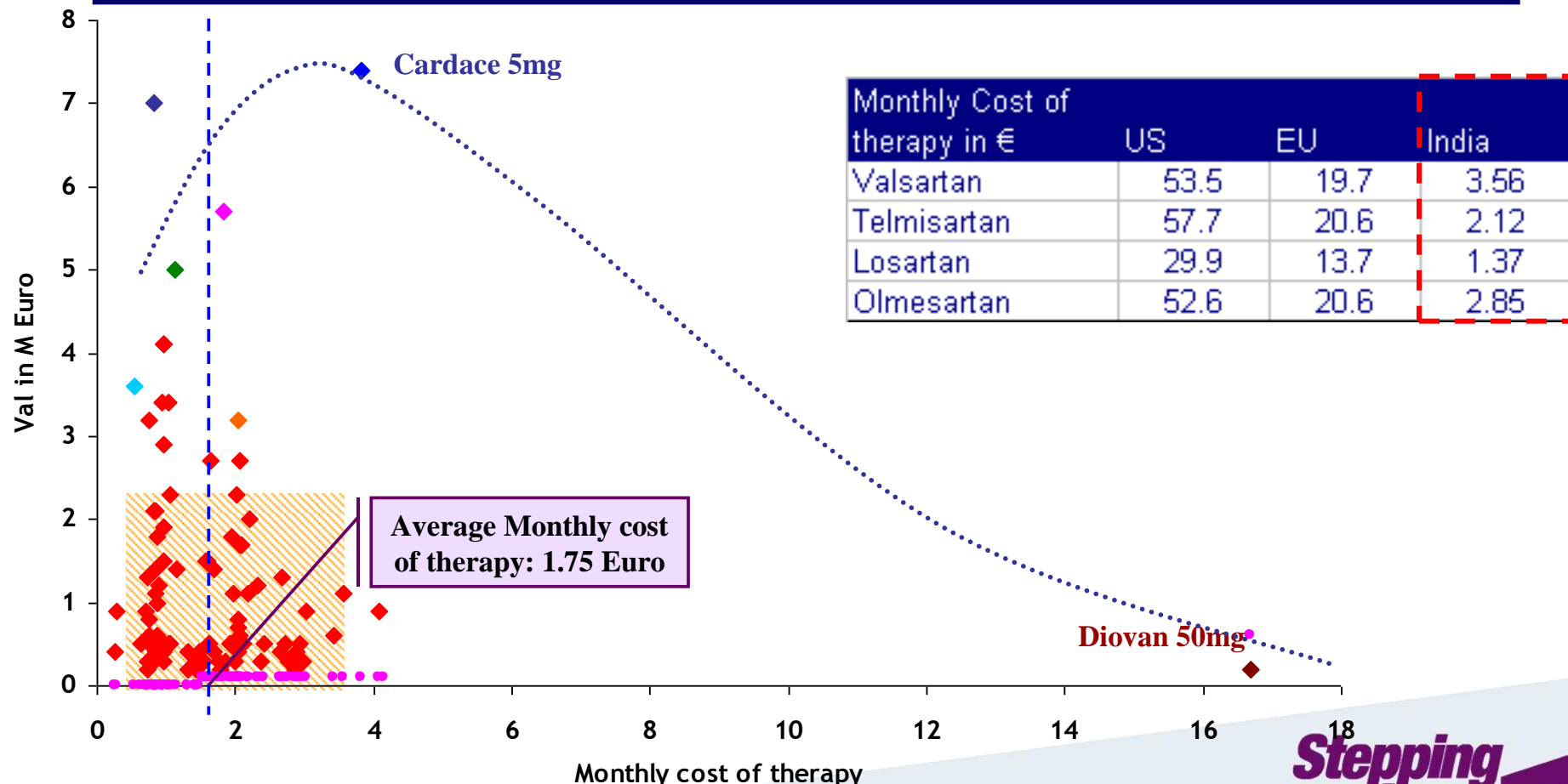
- Branded generics with aggressive competitive pricing in every category
- Lead time between launch of original and entry of generics very low

Pricing decision is one of the most critical decisions ...

The average cost of therapy (COT) in India is comparatively much lower than most parts of the world

CVD is a disease marked by high prevalence in India

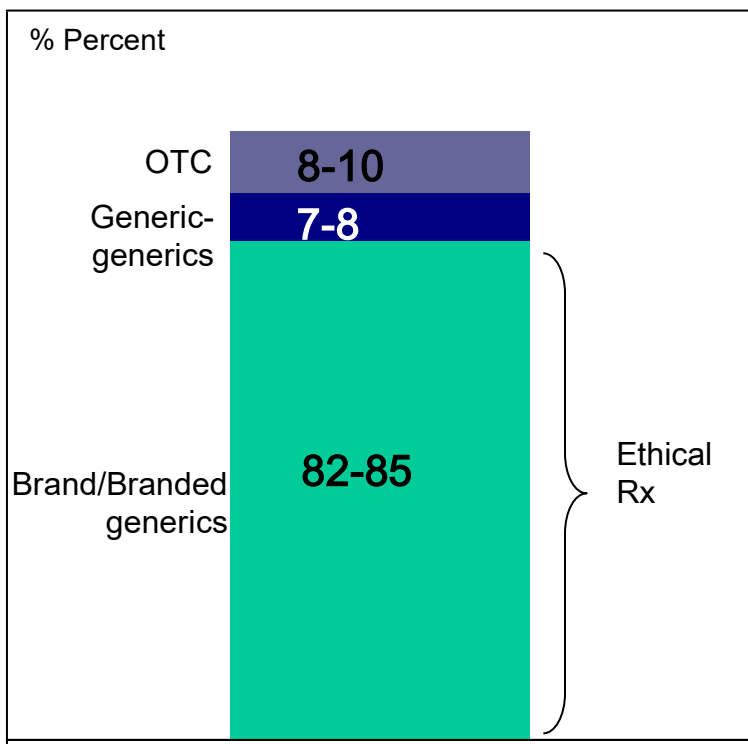
The average cost of therapy of antihypertensive therapy is € 1.75 per month



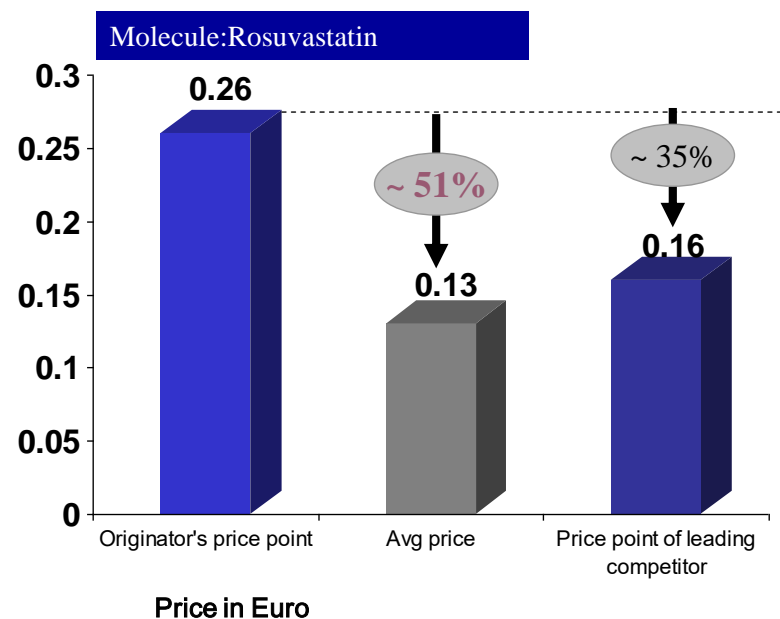
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Branded generics driven by doctors' prescriptions have a significant share in this market

Market segments



Leading domestic players competing aggressively on price



Despite this, various innovative drugs are being launched in India shortly after the global launch

- In the past, launch from parent's portfolio in India was a matter of speculation,
- In recent times India has witnessed many aggressive launches of latest products from parent's portfolio shortly after global launch
 - Eg: Arixtra (GSK), Alimta (Lilly), Januvia (MSD)
- Expansion of portfolio is seen as a starting point towards an 'India specific strategy' since
 - Huge patient population which poses a high potential and market opportunity
 - Indian Pharma Market is 4th largest country in terms of volumes in the world
 - Highly bouyant market for acute as well as chronic therapies

Hence, one of the key Q is: What price is the right price?

Scenario A:

Global brand launch is after generics or generic expected immediately after global launch

- Competitor generic brands already launched & promoted
- Price point more or less defined by generics
- Hence global brand needs to establish differential among lesser priced generics

Pricing dilemma:

What price can my brand command, not necessarily the lowest price?

Scenario A: Global brand could be premium priced and still gain significant share

Rosuvastatin (Top brands)	Price Index	Value Share%
Rosuvas	1.4	30%
Rozavel	1.1	13%
Crestor	2.2	10%
Roseday	0.65	7%
Novastat	1.1	6%
Razel	1.1	6%
Rozucor	1.1	6%
Rozat	0.7	5%
Rosulip	1.0	3%
Arvast	1.2	3%

Example: Crestor

Crestor is approximately 2 times more expensive than other branded generic but not outpriced

Launched 6 years after generics in a cluttered generic market,

Crestor still enjoys 10% share and is no 3 brand

The 2nd scenario could be.....

Scenario B:

Global brand is an innovative/patented first in class drug with no generic threat

- No branded generic competition
- Price point to be decided by originator
- Key decision:
 - To target more value share
 - OR Maximize number of patients who could benefit from the drug

Pricing dilemma:

What value can my brand command?

Global brands being launched at India specific price : which is 20% of the global price

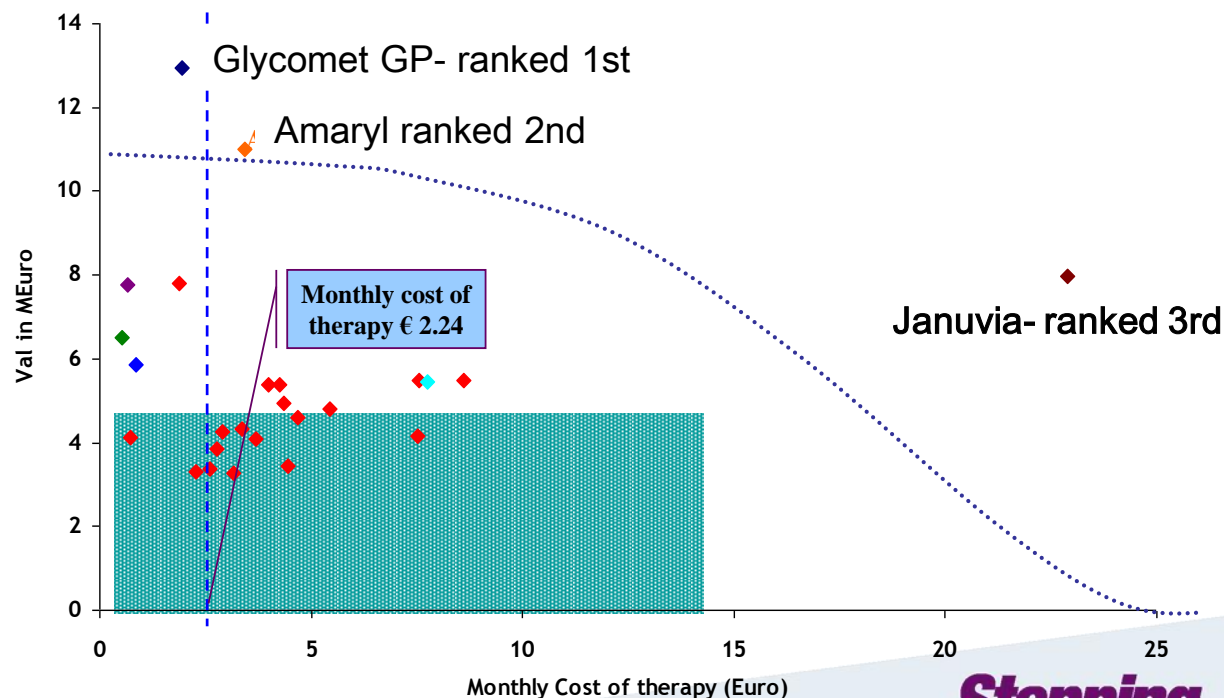
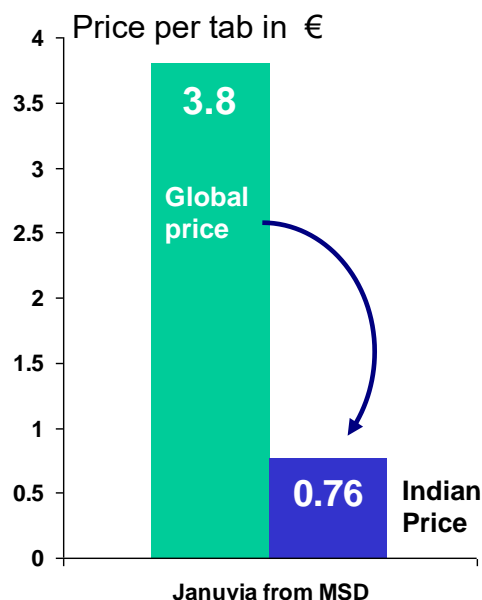
Scenario B: Innovative Global Brands have adopted an 'India-specific pricing' to secure higher volumes

Monthly avg cost of oral antidiabetic therapy : € 2.24

Januvia: Launched at 1/5th the global price in India

Januvia's Monthly Cost is still 10 times more than average Cost of therapy

Januvia today is already the 3rd largest oral antidiabetic brand in India



Hence, one of the key Q is:

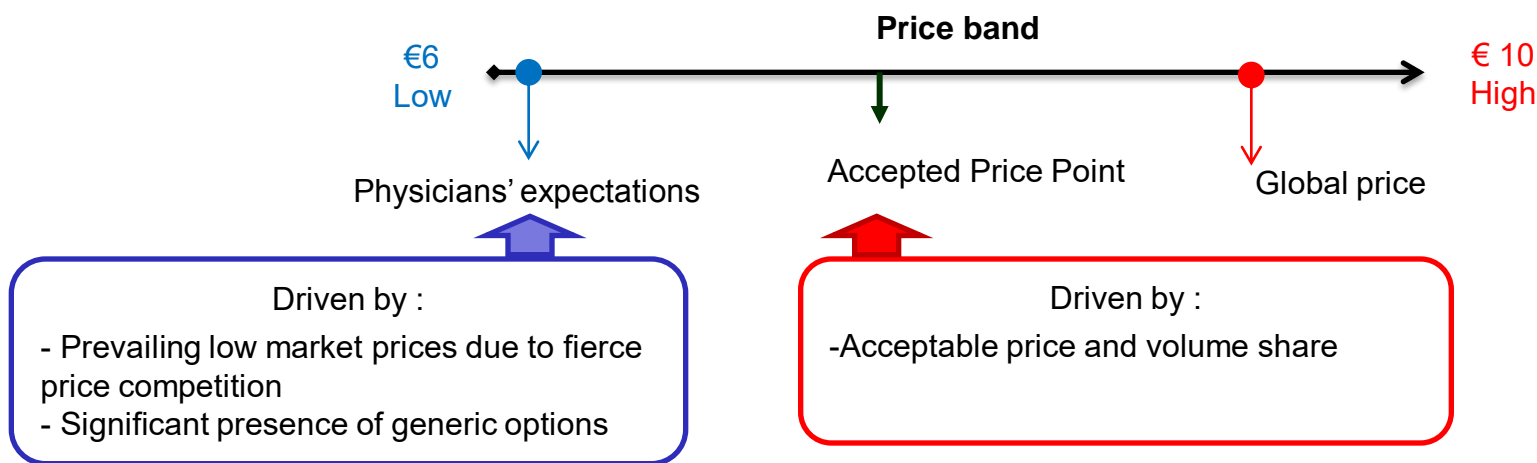
What price is the right price?

Typical Pricing Research in India: Approach and Methodology

- **CASE:**
 - A multinational pharmaceutical company wants to launch their global brand in a market where Branded generics already exist or wanting to consider India specific pricing to get volume share
 - This company is looking at an India-specific price , but at the same time has pressures to NOT go below a certain price point
 - As seen with nearly all pharmaceutical pricing researches in India, the standard method of pricing are used:
 - Price Sensitivity Meter (PSM)/ van Westendorp
 - Here, we would either
 - Keep an open-ended pricing approach (ideal but “fear” of going below the “pressure price point”!
 - Give a band of price (6 to 8 price points) – doctor has to choose between these prices

Typical Pricing Research in India: Outcome

- The typical result of such a pricing research is
 - You get the optimal price as the one that is existing in the market (generic price)
 - The optimal price point is close to the lowest price point tested
 - Patient shares decline significantly as price increases



Client Chooses A Price Point Which Is Higher Than The Physician Expectation But Lower Than Global!

Pricing for Product X: Background

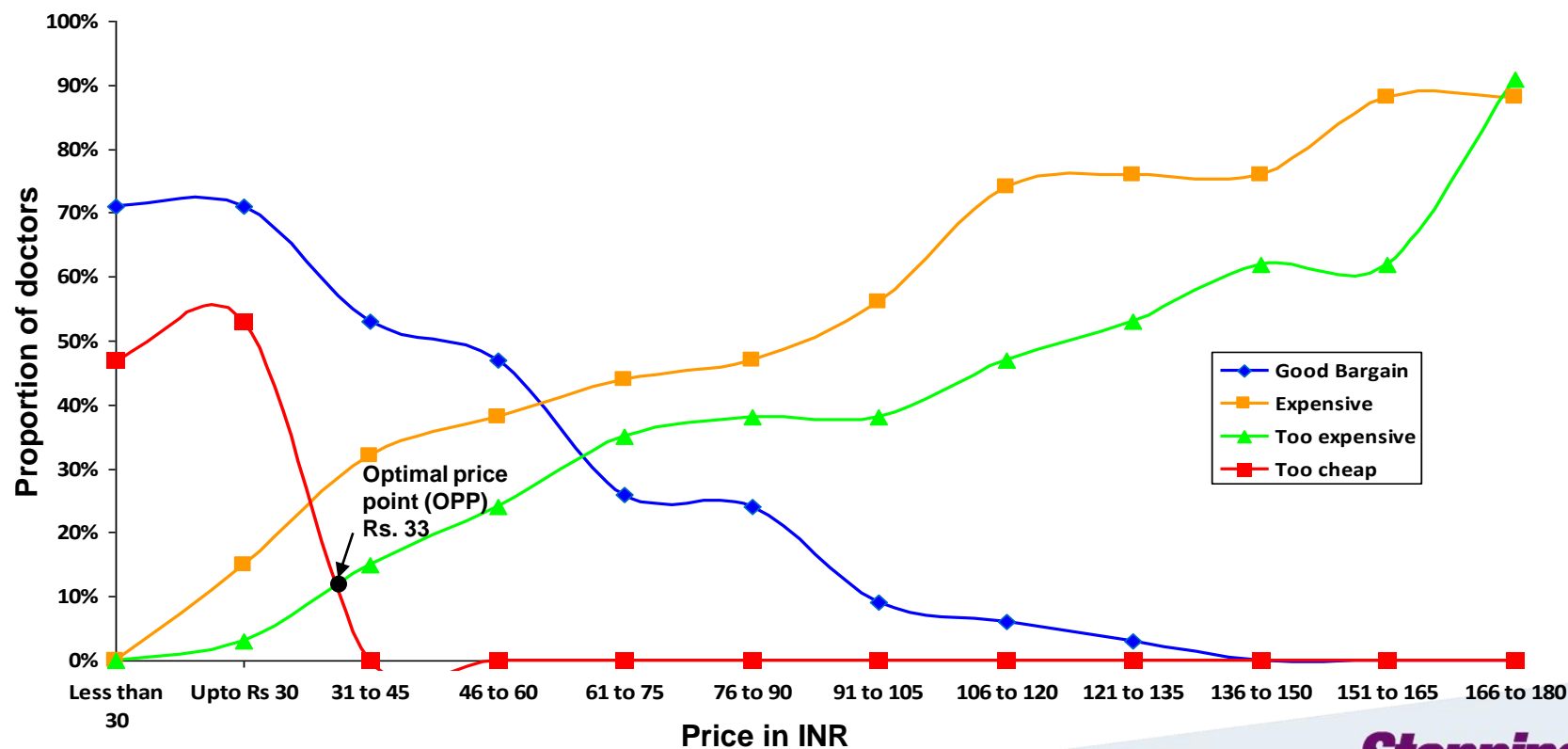
- Sanofi Aventis planned to launch Product X an innovative drug. However no patent protection hence need to be prepared for two pricing scenario
 - Launch and continue to have an exclusivity for its innovative drug
 - Adopt different pricing strategy if low priced generics launched
- Pricing research conducted to arrive at multiple price points so that pricing strategy could be adopted as per the Scenario and the price points provide
 - Substantial support from doctors and patients
 - Revenues would be maximized
- Sanofi Aventis was open to an India-specific pricing for their brand and mutually agreed with Kantar Health to use PSM and Discrete choice modeling (DCM) methodology - a trade-off technique used to understand customer decision making
- Discrete choice modeling methodology being relatively new to the Indian pharma, two methods of pricing research used to understand
 1. Price Sensitivity Meter **AND**
 2. Discrete Choice Modeling

Discrete Choice Modeling: Implementation and Challenges

- Use of new and advance methodology have its own set of challenges
- DCM is generally an online exercise, where a software display various scenarios
- Software program helps validate the accuracy of the responses and the online nature of the method aids the data entry and coding process
- Due to infrastructural and compliance issues, this research was carried out using the traditional pen-and-paper method
- And the challenges were manifold –
 - Additional component of prescription share made administration of the instrument complex
 - Multiple level logic checks had to be adhered to
 - Rigorous quality checks and data-monitoring required
 - DCM exercise added to the length of the questionnaire
 - Physicians had to be visited up to three times to complete the interview

Pricing for Product X: PSM vs. DCM

- The first method of pricing used for this research was PSM and the optimal price point for daily cost of therapy (DCT) was INR 33/ EUR 0.5
- The average DCT for the therapy area is INR 8/ EUR 0.1

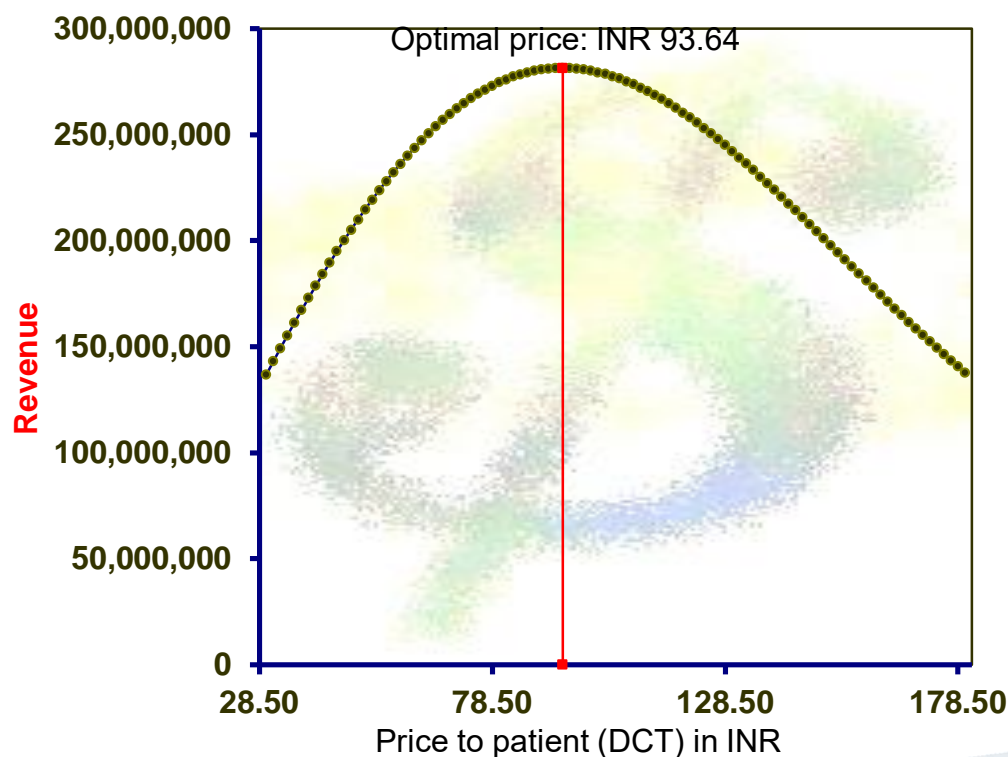


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Conversion rate used: 1 EUR = 64.1017 INR

Pricing for Product X: PSM vs. DCM

- The second method of pricing used for this research was DCM and the optimal price point for DCT was INR 94/ EUR 1.5



Thus DCM gave value based pricing rather than lowest pricing

Key learning: It is prudent to understand that the 'best price' or 'right price' is not necessarily the 'lowest price'

Key Learning

- Pricing decision is one of the most crucial decisions for products in India since
 - Large pool of diagnosed patients hence huge volume opportunity
 - Predominantly out of pocket market (80% population not insured)
 - Strong branded generic market with aggressive pricing
 - Average cost of therapy lower than most parts of the world
- Need to taking pricing decision based on existing market scenarios and adapt pricing strategy as the scenario changes

Scenario A: *Global brand launch is after generics or generic launch immediately after global alunch*

- Objective is to know what price my brand can command vs branded generic
- In such cases techniques like PSM are more suitable to understand best price
- This best price could also be adopted as the market situation changes

Scenario B: *Global brand is an innovative/patented first in class drug*

- Objective What value can my innovative brand command?
 - Techniques like DCM are more suitable to understand the best value proposition given the innovative drug's benefits to patients
- We have done pricing study using both techniques which will help us decide the pricing strategy as the market scenario changes as generic are expected in this market soon

