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Going beyond low-cost CRO stereotype

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The pharmaceutical industry has, for long, depended on external sources of innovation, and, by some measures, about 40 percent of the overall portfolio of drug candidates are generated by biotechnology companies and licensed by pharma companies.

This gives rise to a large market for innovation with pharma companies on the lookout for new medicines, and young biotech companies, which do not have the resources or the experience to take new drugs all the way to the market on their own, reaching out to market their early-stage drug candidates to suitable development partners.

However, as in case with all innovation, and more so in the case of the pharma industry, the financial and scientific risks of drug development are very high. Thus, commercialization of drug discovery and development needs a lot of planning and strategic execution, together with strategies in place for risk-mitigation.
Asia has unique advantages in terms of availability of a large patient pool availability, cost-efficient means to drive drug

discovery and development, and availability of a large and talented work force that is just beginning to enter this area of science.

Drug discovery industry in India

Many companies in India have entered the pharmaceutical industry through the generics route. Known and approved drugs have been manufactured in cost-effective ways, and the generics industry has not only benefited the Indian consumer, but has also contributed significantly to the global generics needs. The next few years will also provide big opportunities for growth in the US and European markets, with innovator companies poised at the edge of the so-called patent cliff between now and 2015.

In the face of such large opportunities in the generics' space, pharma companies in India have naturally focused in thisspace for their growth. Concurrently, the domestic pharma market has provided significant opportunities for growth too.

However, the margins in the generics space do not match with the margins that typically integrated innovator pharma companies generate. As a consequence of these circumstances, less-than-optimal investments have been made in drug discovery by pharma companies in India. Even companies that have invested in this space have typically committed no more than one-to-two percent of their revenues in drug discovery and development as compared to an average of 15 percent or more, which typical innovator companies invest in R&D in the US or Europe.

Consequently, successes of companies that have out-licensed their compounds, such as Glenmark, are exceptions rather than the norm. As investors looked at the biotech space, not surprisingly in the land that has traditions of IT services and BPO companies demonstrating huge growth and promise, many investments went into providing "services" to innovator companies.

Thus, we have a landscape defined by generic companies with occasional and apologetic investments in drug discovery and development on the one side, and a few services companies that have not scaled enough to be considered large or world-class by standards that are generally applied in this space.

In this landscape, juxtapose the few stragglers who have attempted innovation and are looking to create opportunities for their drugs under development, and we will begin to see where the marketing challenges appear before biotech companies.

The marketing challenges

Most innovator companies, when they think of India, see the prospect of an alluring and growing market for their products, with their own domestic markets in Europe and the US either being static or shrinking.

A few companies also look towards India, primarily as a source of low-cost services due to given India's strong track recordin chemistry and manufacturing. Seldom have innovator companies looked to India as a source of innovative drugs.

Thus, a typical biotech company from India has to overcome the tag of a "CRO" (a synonym for a low-cost provider of services) first, before addressing other endemic challenges of lack of an ecosystem for innovation in drug discovery, a small (though growing) pool of scientific talent and experience, and a regulatory environment that is certainly not a role model to even the most generous critic.

Mitigating challenges

Biotech companies certainly need to invent in India in forms that make them relevant and attractive to pharma companies seeking innovation in India.

Consistency in terms of communicating their focus as a biotech (as opposed to a cost-arbitrage business), sustained visibility in the appropriate forums where pharma companies look to source innovation, publishing data from their innovation at appropriate and opportune moments, and consistently collaborating with scientific leaders in their areas of innovation could together result in providing the appropriate positioning for biotech companies.

Emphasis on the value proposition that the location in India provides, not necessarily in terms of low costs (a potent weapon in the hands of the buyer, not the seller of innovation), but also from other perspectives, could bring the visibility needed in a competitive marketplace.

Use the 'India advantage'

Biotech companies face steep challenges in setting up and positioning their intellectual property in a market that is known more for providing cost arbitrage opportunities than for delivering high-quality innovation. However, examples of companies that have successfully navigated the marketplace in India should provide biotechs in India clues on positioning themselves to stay relevant and generate value that only innovation can bring.

This needs biotechs to clearly use the “India advantage” appropriately in their positioning in the marketplace, while moving consciously away from the stereotype of the low-cost CROs.

A conscious communication strategy, backed by relevant linkages with experts, high-quality publications and marketplaces for innovation, will see some of the emerging biotech companies excelling and prompting more investments into this space in the time to come.