

Healthcare industry BW

Pharma and life sciences industry as growth sector

The CEOs of pharmaceutical and life science companies are becoming increasingly aware that their companies are facing growing challenges and risks at the global level. At the same time, they are also aware of more and more opportunities.

So says the “11th Annual Global CEO Survey 2008: Pharmaceutical and Life Sciences Summary” presented by the auditing and consulting company PricewaterhouseCoopers (PwC) at the recent World Economic Forum in Davos, Switzerland. The analysis contains the views of 1,150 CEOs from 50 countries, including 32 from the pharmaceutical and life sciences industry, which includes manufacturers of original drugs and generics, biotechnological products as well as devices for diagnosis and therapy.

Immanent problems: regulation and protection of intellectual property

In total, 84 per cent of pharma and life sciences CEOs are confident about the future; in the medium term they are somewhat more confident in their company’s revenue growth than the global responses. Longer term (i.e. the next three years), the CEOs confidence is marginally higher (94%) than the global response (91%).

With regard to major risks which concern all industrial sectors, the pharmaceutical and life science sector CEOs are more concerned about pandemics and health crises (47% compared to 29% for global). The CEOs' assessments differ substantially to the global response with regard to two issues: overregulation and intellectual property. 78 percent of all pharmaceutical CEOs, whose companies often operate within a number of different legal systems, are very concerned about overregulation.

Huge holes in patent protection

63 per cent of the pharma CEOs (32 percent for global) are concerned about intellectual property (patents, legal protection of registered designs and so on) rights. “The fact that the pharmaceutical industry is increasingly sensitive with regards to intellectual property protection is due to several reasons,” said Volker Booton, explaining that “on the one hand, the duration of patents is considered to be inadequate; on the other hand, the enforcement of patent rights is problematic in the major growth markets.”

The majority of CEOs believe that innovation is key to success: 81 per cent of all pharma CEOs (65 response for global) indicated that technological innovation is the main way to gain competitive advantage over the long term. 38 per cent of all pharma and life sciences companies (20 per cent for global) consider new product development as the main opportunity for business growth in the next 12 months. "The development of new products in the pharmaceutical and biotechnology sector normally takes a very long time, often considerably more than ten years. That is why product innovation does not give rise to short-term effects in this sector," said Booten explaining the discrepancy between long- and short-term assessment.

Mergers and acquisitions to fill gaps in product pipeline holes

"The long development times and constantly increasing development costs are a major reason why there has been a rapid increase in the number and variety of deals between pharmaceutical and life sciences companies – from R&D deals to acquisitions. This is often because research-based pharmaceutical companies are trying to accelerate product development and fill gaps in product pipelines," said Volker Booten.

The PwC survey shows that pharmaceutical and life sciences companies have completed slightly more cross-border mergers or acquisitions in the past twelve months (Mergers & Acquisitions, M&A) than the global average. Booten also finds that the pharmaceutical and life sciences industry has to adapt considerably more to change: "Changing conditions force healthcare systems around the world to undergo a shift. The companies that flourish are those that invest more in research, reorganise their sales and treat patients as individuals. The pharmaceutical industry needs to succeed in making the wider public better understand the particular challenges it faces and in order to regain lost confidence."

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