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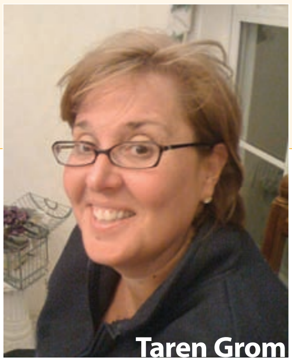
Passport for success



Hola, Ni hao, Annyong ha shimnikka — companies are saying hello to new opportunities in new markets.

It may not be Jules Verne's rendition of "Around the World in 80 days," but for many pharmaceutical company managers it's time to brush up on their language skills and make sure their passports are in order.

The world is definitely getting smaller. Companies that were once aligned as being multinational are changing to global. The difference might be subtle, but there is indeed a distinction. According to several sources, multinational organizations are companies that have established identical units of their domestic business in different countries and markets, whereas global organizations are one step ahead. Rather than establishing identical units, global organizations share resources on a global basis to provide superior quality products and services.

These global capabilities will be ever more important in coming years if companies are to capitalize on new markets. And they will have to address these new markets if they want to be successful in the coming decades. This month's Forum addresses the challenges companies will face in these new markets.

IMS reports that the United States, as well as the top five European countries, is expected to have growth of only 4% to 5% and Japan only 1% to 2%. It's the "pharmerging markets" that hold the greatest potential — 12% to 13%.

Among the leading 15 markets — China, Brazil, Mexico, South Korea, Turkey, India, and Russia are expected to have a higher CAGR until 2011 than the traditional markets. These emerging areas are being defined as having a transitional disease profile, growing access to medicines, and expanding public health programs.

All in all, pharmerging markets are expected to account for 24% of the total market growth, while the top seven markets are expected to contribute just under 50% of the growth.

Goldman Sachs, which coined the term BRIC (Brazil, Russia, India, and China) about a dozen years ago, has expanded its growth areas to now encompass the Next 11, or N-11, a list of countries that have promising outlooks for investment and future growth between now and 2050.

While many of us will no doubt be too busy sipping cool drinks with little umbrellas around the pool and enjoying retirement to see if Goldman Sachs' predictions come true in 42 years, the groundwork needed to address these countries' populations is being laid today. These countries were identified based on macroeconomic stability, political maturity, openness of trade and investment policies, and quality of education. The N-11 includes: Korea, Vietnam, Indonesia, Philippines, Iran, Turkey, Egypt, Pakistan, Bangladesh, Nigeria, and Mexico.

According to Goldman Sachs, among them, Korea and Mexico are particularly important. Mexico will become the sixth-largest economy. By 2050, Korea will become richer (in income per capita) than any of the current G7 countries (Canada, France, Germany, Italy, Japan, U.K., U.S.) except the United States. GDP per capita of Korea will reach $81,462 USD (in market exchange rate) in 2050, if everything goes smoothly, while Mexico's GDP per capita will reach $52,990 USD. The United States' GDP per capita, standing at $89,663 USD in 2050, will be still slightly richer than Korea's.

The opportunities are vast as are the risks. According to Ernst & Young, pharmaceutical firms identify the most important risks as political, compliance (laws and regulations), and currency or treasury risks. They also identify fraud, bribery, and corruption as significant obstacles. (Please turn to page 14 for more information.)

While it may not take us 80 days to go around the world, we will need to make the journey. Just remember to pack a book — the lines at security aren't getting any shorter.

Taren Grom
Editor