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Driving business forward

According to Datamonitor, leading specialty pharmaceutical companies are beginning to outgrow the traditional acquisition-only model as the size of the products required to continue their expansion puts them into greater competition with larger pharma companies and raises the price of licensing agreements.

Nicole Lamble, pharmaceutical analyst at Datamonitor Plc., says specialty pharma companies are increasingly looking upstream to fill pipeline gaps with their own R&D rather than acquisitions. But, this is not the only growth strategy available to them. Partnership networks, for example, will become more pivotal to growth and therapeutic foci will widen or change.

There are several other critical success factors that specialty pharma companies must adopt if they are to capitalize on current and future revenue opportunities, Ms. Lamble says. These include sophisticated search strategies and well-structured collaborative agreements; targeting the "right" disease areas; allying with the biotech industry; extensive geographic reach, with direct U.S. market penetration; and a strong and deep late-stage pipeline that can be leveraged for continued vertical integration.

Many of today's specialty companies are embracing a business model that includes product acquisition and organic growth through the development of the in-house capabilities required to discover, develop, manufacture, and market drugs.

"Specialty pharma has long been seen as a sector that simply buys products and remarkets them," says Philip S. Tabbiner, president and CEO, of aaiPharma Inc. "As a result, there has been some question as to whether this is a successful strategy."

aaiPharma has transformed itself from a services business that did research only for other companies to a company that not only still provides those services but has its own products in the marketplace. To make this transformation, aaiPharma built commercial, sales and marketing, and pharmaceutical management components.

A CEO, as well as the entire leadership team, must always concentrate on the big picutre in relation to driving business forward, while focusing on the financial metrics of today.

"Because of our science base, we have the ability to acquire products and reintroduce these products, but, more importantly, we can reinvigorate these products by putting them through our R&D process to either improve the molecule or the drug-delivery technology applied to that molecule," Mr. Tabbiner says.

The top-level executives featured in this month's Forum recognize that an acquisition-only model cannot sustain their company's growth going forward and are balancing short-term and long-term strategies for their companies.

"Products have life cycles and these life cycles have to be managed," says Robert J. Bitterman, president of Dermik, and VP of Aventis Dermatologicals. "We have to anticipate where to place bets for the future given the very long lead times, and that means managing time, cost, and risk to bring new products to market. At the same time, we have to maintain a focus on the day-to-day operations to ensure that we get the most out of our current product line to fund the future."

Whereas Datamonitor analysts predict that future prospects of the specialty pharma market will be determined by the growth (both in terms of rate and strategy) of top-tier companies, according to Adrian Adams, president and CEO of Kos Pharmaceuticals Inc., much of the dynamic revenue growth and strong performance within the industry will come from companies within the biotechnology and specialty pharma industry. This is mainly because of the impressive innovation that continues to emerge from within these sectors.

Taren Grom
Editor