



CRA Insights: Life Sciences

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The value of marketing alliances between pharmaceutical companies

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Alliances between pharmaceutical companies can take a number of forms to accommodate the strategic interests of the partnering firms. These alliances also occur at different stages in the product lifecycle, from early stage product development, to late stage development to the sales and marketing of an approved product, and even occur once a product is approaching or reaches patent expiry. Recently, CRA's Life Sciences practice has been asked to assess the value of different types of marketing alliances.

Marketing alliances

The general motivation for alliances in the pharmaceutical sector is essentially the same. An alliance allows each company to gain access to skills or products they would not otherwise have. Marketing alliances can take the form of co-promotion arrangements (where the parties co-operate in managing the overall process of commercialisation by using a single brand) or co-marketing agreements (where the selling and marketing of a product is conducted independently and under different trademarks by each party in a territory). Co-marketing relationships have been important for many years. Historically they were seen as important in terms of relationships between payers and local manufacturers which could be helpful in getting faster market access, higher prices and to protect originators from pirates in markets without sufficient IP protection.

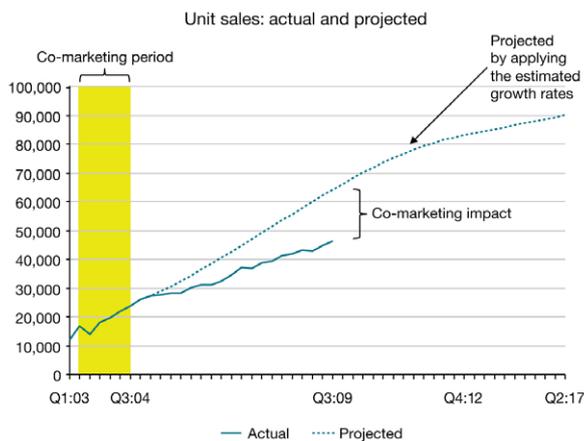
Marketing alliances continue to generate value today, based on the following kinds of advantages:

- **Resources:** Alliances might provide access to a trained salesforce with existing relationships to the market, experience in marketing in a given therapy area, or risk-sharing for building sales infrastructure.
- **Portfolio:** The product may be valuable as part of an existing focus in a therapeutic area, hence there may be value in sharing the product with an existing company in that therapeutic area.
- **Reputation:** Smaller pharmaceutical companies may not be well known by the clinical community and a recognised brand may continue to bring re-assurance in some markets. How significant a factor is the marketing alliance?

How significant a factor is the marketing alliance?

As marketing alliances are undertaken for a variety of different reasons, the value is likely to vary from case to case. However, it is possible to learn from past experience, by comparing the performance of particular products in markets that have followed different approaches. It is informative to look at situations where the nature of the alliance for the same product has changed over time. As illustrated below, where a co-marketing relationship has been terminated we can examine the performance of the product before and after such an event.

Figure 1: Understanding the value of co-marketing



Source: Charles River Associates

Where sales were higher or as high after the termination, it would be tempting to say the alliance created little value. However, we need to take into account (i) the natural evolution of sales as the product penetrates the market after launch, (ii) the other factors affecting the sales of the product – for example, events relating to competing products or new trial results, (iii) the level of promotion before and after the termination and (iv) the degree to which sales are determined by the past actions of the product marketers. A statistical model of the sales of the product before and after the alliance changed may allow you to disentangle these different factors to identify the impact of the marketing alliance.

Is the importance of marketing alliances changing over time?

Looking at recent product launches it is common to see a range of marketing alliances being used today, including co-marketing relationships between leading global pharmaceutical companies. However, the pharmaceutical industry has changed significantly over the last twenty years, so it is not surprising that the role of marketing alliances has also changed. In the past, global pharmaceutical companies did not have local affiliates in every major market and

middle-size national companies were significantly more important in terms of domestic sales. Today, marketing alliances are changing: companies are developing marketing relationships earlier in the development process, for example, Merck and AstraZeneca's joint effort to develop a novel combination anticancer regimen; they are developing alliances across a portfolio of products, for example, GlaxoSmithKline and Pfizer combining their HIV portfolios; and they are combining different types of partners for example, GlaxoSmithKline is co-marketing with Dr Reddy, an Indian generic company, as part of its strategy for emerging markets.

Analysis of the role of marketing alliances

Understanding the role and value of marketing alliances is important in at least four different contexts. Firstly, it is useful to assess the value of participating in such agreements for launching a new product in the future. Secondly, marketing alliances between companies do not always work as originally intended. Disputes between companies are increasingly common. Understanding the way co-marketing, co-promotion and co-operative development arrangements work is important in determining potential damages associated with commercial disputes. Thirdly, co-marketing arrangements are often examined during transfer pricing investigations as a measure of how an "arm's length" relationship would be structured and rewarded. Fourthly and finally, government policy around distribution determines the viability of different alliance structures. Increasing use of molecule rather than brand name prescribing (otherwise known as INN prescribing) in regions in Europe will inevitably change the relationships that are commercially attractive. Therefore understanding the role that marketing alliances play in a market and the benefits they bring is important in public policy as well.

About CRA's Life Sciences Practice

We provide life sciences companies, law firms and regulatory agencies across the globe with the industry experience and analytical expertise needed to address the industry's toughest issues. Our reputation is for rigorous and innovative analysis, careful attention to detail and the ability to work effectively as part of a wider team of advisers.

CRA has offices throughout the world including European offices in London, Brussels, Hamburg and Amsterdam; United States offices in Boston, New York and Washington DC; and offices in Toronto, Bahrain and Hong Kong.