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Report on strategies to manage patent protection loss

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Singapore: Exclusivity is everything in the pharmaceutical brand business. Without it, power over pricing disappears and sales evaporate, leaving drug makers helpless, but can this fate be avoided, asks a new report by healthcare experts GlobalData.

The new report considers the looming challenge faced by pharma giants, namely patent protection losses. Big pharmaceutical companies must either prepare to submit to revenue losses, or adopt methods of managing the impact of brand patent expiry. Strengthening of drug development pipelines, opportune product launches and cost-saving initiatives may hold the key to surviving patent losses.

While the birth of a blockbuster drug brings new income and energy to a company, the drug's patent loss causes revenue to drop, leaving the company's financial situation to suffer. Over the next five years, the global pharmaceutical industry will face a $140 billion invasion of generic drugs due to patent protection losses, as in 2011 and 2012 alone, the US is due to see major brands worth $40 billion lose patent protection.

A sizeable portion of a pharma company's revenue evaporates when a product loses patent protection, as cheap generic copies flood the market. Within a few weeks there is an approximate 70 percent to 75 percent switch from branded product to generic equivalent, motivated by an 80 percent to 85 percent reduction in price. This results in disaster for the jilted brand, and therefore strategies to offset these losses are essential.

Over time, the pharmaceutical industry has adopted strategies to generate the "evergreen" concept, in which a brand can continue its market performance indefinitely. In reality, no brand can provide revenue forever, but GlobalData has analysed the strategies most usually adopted by the industry which pave a way for revenue to be extended.

These strategies include the development of formulation improvements, which allow a basic drug formula to be remarketed as a unique product. The 'chiral switch' is one strategy that pharmaceutical companies adopt, inventing 'chiral compounds' which are mirror images of existing drugs, exhibiting similar chemical properties, but performing significantly different biological activities.

Existing medications can also be improved upon by developing once daily, or extended-release formulations. Alternatively, product extensions can use the drug to treat different indications. Lastly, moving a drug within the consumer marketplace from prescription (Rx) to Over-the-Counter (OTC) status allows companies to direct products going off-patent to more accessible use, spurring sales.

Such methods of brand promotion must be used and perfected in order for pharma giants to survive the incoming influx of generic medications, as the loss of patent protection forces the industry to step up the competition.