THE YEAR AHEAD:

Trends and Transformations Facing Pharma in 2017
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An Inflection Point for Pharma

Considering the global nature of the industry, the heavy regulation of pharmaceuticals and the size and scope of the companies that dominate the space, the pharma industry has historically been resistant to transformation.

But 2016 was a turning point for pharma. We saw increasing customer expectations, greater scrutiny from regulators and an unprecedented slowdown in mergers and acquisitions.

In response to these ongoing trends, key transformations are introducing new obstacles and new opportunities to the pharma space in 2017 and beyond. This eBook identifies those key changes, and explains how pharma can come out ahead of them through digital transformation.
The Rise of Generics

Over the last few years, generics have been steadily gaining market share. They are estimated to account for 91-92 percent of all prescriptions by 2020.¹

As consumers become more comfortable with generic medications, and fewer patent-protected blockbuster drugs in the pipeline, pharmaceutical manufacturers will need to make up for lost revenue.

Companies whose revenue traditionally came from patent-protected drugs are being forced to rethink their supply chain strategies as a means to counter generics, which have lowered the cost of some drugs by 80 to 85 percent.²

By 2020, generics are estimated to account for 91-92% of all prescriptions.
The rise of generics has been accompanied by an overall rise in prescriptions – something that could be considered a boon for pharma companies. Prescription volume shot up by 11.6 percent in 2014 and again in 2015 by 8 percent. This growth continued through 2016, and will most likely maintain momentum through 2017.

The increase in prescriptions hasn’t been clearly attributed to a single factor. Rather, studies have pointed at the effects of an aging population, the introduction of new drug products and consumer empowerment as possible catalysts.

On the surface, greater demand is positive, but it comes with its own set of inventory management complexities. Improved forecast accuracy (with machine learning) and better inventory visibility are critical to meeting increased demand while managing cost.
Rise of Cold-Chain Logistics

The demand for biologics-based (biopharmaceuticals) products that need to be stored at colder-than-average temperatures throughout the duration of their journey to market (which typically takes upward of a year) is rapidly growing. These cold temperatures come with high costs – by 2020, pharma companies will be paying approximately $17 billion to manage their cold chain.

The good news is that market for biopharmaceuticals is expanding rapidly. It’s 9 percent annual growth rate is double that of traditional pharmaceuticals, and the space will reach the monetary equivalent of $278 billion by 2020.
Slowdown in Mergers and Acquisitions

2015 was a record breaking year for mergers and acquisitions in the pharma industry. But what was once seen as a major opportunity for pharmaceutical companies looking to expand their portfolios came to a grinding halt in 2016.

On top of significant global political events, including Brexit and the U.S. election, the introduction of new laws to curb tax inversion had a major impact and, in fact, is the reason behind the undoing of the Pfizer-Allergan mega-merger.

The result of all of this was that deal-making fell 65 percent behind the previous year’s rates, something that left many organizations at a loss for how to maintain forward momentum.
Pharma Takes Action Through Digital Transformation

Faced with these trends, the pharmaceutical industry is slowly but surely working to digitize their end-to-end business to drive operational efficiency, retain their margins and keep pace with competitors.

According to PwC, 72 percent of organizations are expected to have advanced digital supply chains by 2020, and it’s really just a matter of time before pharma sees the light.  

Needless to say, 2017 has the potential to be one of the biggest years for transformation in the sector to date.
A Push Into Emerging Markets for Growth

In an effort to seek out new opportunities for growth, pharmaceutical companies will continue to ramp up their efforts in emerging markets, especially the BRIC +T regions (Brazil, Russia, India, China and Turkey). Countries that in the past were treated as small volume export markets are now becoming areas of significant growth and investment. Their full integration into global operations is paramount to supporting this growth.
A Shift Toward Global Inventory Management

With the proliferation of markets being serviced, organizations are pushing forward global inventory management systems to help ensure that each region is serviced with as little overhead as possible.

End-to-end visibility is a popular theme at most pharmaceutical supply chain conferences, and companies have been investing for years in consolidating their ERP footprint and harmonizing what is left.

In order to leverage this opportunity properly though, given the volume of data, transformation no. 3 below becomes an imperative.
The Unlocking of AI, Big Data and Cloud Technologies

In order to enable decisions to be made faster and closer to the point of impact, organizations will begin to utilize new cognitive applications in 2017. These AI-driven applications have domain knowledge specific to the pharma industry and are able to predict outcomes and prescribe actions in real-time. Just as Uber, Amazon Prime Now and other service models in other industries that rely heavily on cloud, Big Data and machine learning have shown, there is significant promise for return on investment for the pharma industry.

In 2017, these advancements will continue to evolve to make the entire organization more intelligent and autonomous.

Cognitive applications will enable faster, highly optimized decision-making across the enterprise.
Accelerate Digital Business Transformation with Aera

Aera is the cognitive technology that enables the Self-Driving Enterprise. Using proprietary data crawling, industry models, machine learning and artificial intelligence, Aera is revolutionizing how people relate to data, and how organizations function. Aera serves the Global 1000 from 8 offices, and is headquartered in Mountain View, California.

Leading pharma companies worldwide partner with Aera to gain real-time, actionable intelligence across the business.