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“China and India: Outsourcing Beyond the
Comfort Zone,” by Chris Paddison, Chris
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Running the numbers

To better understand opportunities and challenges confronting the US pharmaceutical industry, A.T. Kearney analyzed the US growth prospects for the 10 largest pharmaceutical companies in 2003 (see Figure 2). These companies had US sales just over US\$100 billion in 2003. Assuming a 10% annual growth rate, investors expect more than US\$60 billion in incremental sales by 2008.

Where will this revenue come from? Products on the market today with patent protection through 2008 will account for about half of this growth. Nonetheless, companies will be challenged by patent losses on many blockbuster products. According to our analysis, products losing patent protection will reduce sales by approximately US\$25 billion by 2008, and anticipated new products won't fully make up for these losses. Finally, large customer groups, particularly state and federal government, are putting pricing pressures on the industry, further reducing sales growth. As a result, if current trends continue, we estimate a performance gap for these companies of US\$48 billion by 2008.