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Healthy competition can save lives through shared value

Global healthcare companies are adapting to meet the needs of the developing world while turning a healthy profit

Health technology companies are beginning to view patients in low- and middle-income countries as customers to be competed for.

Imagine a future where companies that make drugs, vaccines, and medical devices compete to save lives where those innovations are needed most – locations such as India and sub-Saharan Africa. That future is closer than you think. Novartis, for example, has built a profitable business, Arogya Parivar, that serves 42 million rural Indians in 10 states that earn $1 to $5 per day.

Until just a few years ago, most pharmaceutical and medical device companies saw philanthropy as the only viable way to contribute (and many global health stakeholders agreed). Certainly, this approach has helped people in need. Pharmaceutical companies gave almost $3.5bn to developing countries in 2009. But that figure pales in comparison to the size of the problem. Philanthropic approaches are also difficult to scale unless ever greater generosity prevails.

In contrast, and as a testament to new shared-value thinking, companies like Novo Nordisk are competing to save lives. In China, Novo has saved 140,000 life-years by investing in local health systems. In the process, the company has built a profitable $1bn insulin market.

From 2011 to 2015, spending on pharmaceuticals is expected to grow by 14% in low and middle-income markets. North America and Europe are forecast to grow at a mere 4% over the same period. The picture is similar for the medical device market.

Last week, some 100 pharmaceutical and medical device company representatives and global health stakeholders heard from Harvard Business School professor Michael E Porter and others that this shift is real and growing. At the event, FSG launched its new research report on shared value in global health. The report features 10 case studies and many more examples of companies that are innovating to meet the needs of new customers in India, China, South Africa, Kenya, Cambodia, and

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other countries.

The report examines how firms are creating shared value on three distinct levels. GE is reconceiving its products, such as its $500 portable electrocardiogram device, to make them more affordable and less complex. Pfizer and GSK have reconfigured their value chains through a new, jointly-owned company – ViiV Healthcare – that combines compounds owned by both firms to create a viable pipeline for new HIV medicines. Becton Dickinson and Company is strengthening local clusters (local health systems) by building the capacity of developing-country laboratories that will become customers for their devices and diagnostics.

The trend toward shared value in global health is still in its early stages. Developed world markets will account for the majority of pharmaceutical and medical device company profits for some time to come. Likewise, some health needs will remain beyond the reach of business for many years. But these boundaries are shifting, and as companies learn and innovate, new opportunities will emerge at an ever-faster rate.

At last, health technology companies are viewing patients in low- and middle-income countries as customers to be competed for, rather than simply beneficiaries of, philanthropic largesse. These patients stand to benefit enormously as a result.

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