Digital strategy: building digital bridges to end consumers
Russian Pharmaceutical Market Trends in 2018
Deloitte CIS Research Centre
Moscow, 2018
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Russian Pharmaceutical Market Trends in 2018

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Deloitte CIS would like to thank all of the participants of the survey, which was held in May 2018 as part of the research project “Russian Pharmaceutical Market Trends in 2018”, for their time and interest. Your expert opinions allowed us to conduct an integrated analysis of the situation on the Russian pharmaceutical market, as well as to study your views and expectations regarding the prospects for your own company’s development and the market overall.

Our recent survey includes the views of respondents from 52 Russian and foreign generic and original drug manufacturers in Russia and abroad, including pharma distributors.

We are pleased to present the full report. We also hope that you will find it useful and informative.

We would be grateful if you would participate in our next survey.

Please feel free to contact us if you have any questions about the report.

The Russian pharmaceutical market continues to see growth, including an increase in sales seen in ruble terms. However, this takes place amid a reduced growth in sales and production, forcing market players to look for new growth opportunities. Digitalization is already here as it changes the face of the healthcare industry, bringing significant potential to the table. Telehealth, online drug stores, electronic documents (patient records, prescriptions and sick leave certificates) and track & trace technology offer opportunities to build an infrastructure to enable market players, authorities and end consumers to communicate in a new way.

As this trend unfolds, businesses become more focused on strategies for digitalization and advanced technology, discussed in detail in our latest study.

Key topics:

- Analysis of the key statistics of the pharmaceutical market and the pharma industry in Russia
- Russian pharma industry: recent developments and future prospects
- Pharmaceutical companies in Russia: recent developments and future prospects
- Pharmaceutical companies in Russia: development strategies
- Cost optimization approaches
- Top issues facing pharmaceutical companies in Russia
- Expert opinion: priority regulatory areas in need of further improvement
- Regulatory measures aimed at reducing the share of pharmaceutical imports
- Digital strategies for the pharmaceutical industries

Best regards,

Oleg Berezin
In 2017, the pharmaceutical market grew by 7.9 percent in ruble terms and by 5.9 percent in unit terms.

Pharmaceutical prices were up 0.3 percent. The growth was driven by sales increasing in unit terms and a shift toward more expensive drugs.

Market growth forecasts for 2018 (in ruble terms):
- DSM Group: up by 4.3 percent
- RNC Pharma: up by 4-6 percent
- QuintilesIMS: up by 5 percent
- ALPHA Research & Marketing: up by 7 percent

Market growth forecasts for 2018 (in unit terms):
- DSM Group: up by 1 percent
- QuintilesIMS: up by 4.7 percent
- IPT Group: up by 4-6 percent
- ALPHA Research & Marketing – Commercial segment: up by 2 percent
- Public segment: no growth

In Russia, pharmaceutical output increased by 3.2 percent to RUB 295 billion while medical product output grew by 0.4 percent to RUB 53 billion.

In 2017, imports grew faster than exports, in monetary terms adding 21.6 percent vs 14.6 percent respectively.

Russia comes in 14th place in the world by pharmaceutical market size.

Expectations for key indicators:
- Sixty percent expect an average growth of 10 percent in ruble terms in 2018
- Almost half of the respondents (48 percent) expect to see operating costs grow by 7 percent on average while another 40 percent anticipate an average decrease of 10 percent.

Delivering more marketing campaigns and initiatives is cited by Russian pharmaceutical companies as a top development strategy.

Shortcomings of government regulation, insufficient purchasing power of households and heightened importance of geopolitical risks have come to the forefront.

According to experts, track & trace technology will deliver better logistics, marketing and control over working capital.

Every fifth company (21 percent) has purchased track-and-trace equipment.

With 75 percent planning to take advantage of digitalization strategies, only 25 percent have implemented digital strategies so far.

Two out of three companies (62 percent) have incorporated end-consumer communication into the strategies they have developed or are in the process of doing so.
Russian pharmaceutical market in figures

Current state and future prospects
Analysis of key market indicators.

Market size

Market size forecast and dynamics
(In ruble terms)

<table>
<thead>
<tr>
<th>Year</th>
<th>Market size, RUB billion</th>
<th>Market size forecast, RUB billion</th>
<th>Growth rate, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>969</td>
<td>1,262</td>
<td>12%</td>
</tr>
<tr>
<td>2013</td>
<td>1,222</td>
<td>1,262</td>
<td>-7%</td>
</tr>
<tr>
<td>2014</td>
<td>1,262</td>
<td>1,395</td>
<td>11%</td>
</tr>
<tr>
<td>2015</td>
<td>1,395</td>
<td>1,629</td>
<td>8%</td>
</tr>
<tr>
<td>2016</td>
<td>1,629</td>
<td>1,699</td>
<td>4%</td>
</tr>
<tr>
<td>2017</td>
<td>1,699</td>
<td>2,288</td>
<td>14%</td>
</tr>
<tr>
<td>2018</td>
<td>1,970</td>
<td>2,611</td>
<td>32.7</td>
</tr>
</tbody>
</table>

Market size forecast and dynamics
(In US dollar terms)

<table>
<thead>
<tr>
<th>Year</th>
<th>Market size, USD billion</th>
<th>Market size forecast, USD billion</th>
<th>Growth rate, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>31.2</td>
<td>35.2</td>
<td>13%</td>
</tr>
<tr>
<td>2013</td>
<td>35.2</td>
<td>32.7</td>
<td>-30%</td>
</tr>
<tr>
<td>2014</td>
<td>32.7</td>
<td>22.8</td>
<td>-24%</td>
</tr>
<tr>
<td>2015</td>
<td>22.8</td>
<td>22.5</td>
<td>-1%</td>
</tr>
<tr>
<td>2016</td>
<td>22.5</td>
<td>27.9</td>
<td>11%</td>
</tr>
<tr>
<td>2017</td>
<td>27.9</td>
<td>29.1</td>
<td>8%</td>
</tr>
</tbody>
</table>

Trend
The year 2017 saw the Russian pharmaceutical market grow by 7.9 percent in ruble terms and by 24 percent in US dollar terms due to a stronger average weighted RUB/USD exchange rate.

Leading analytical agencies predict slower growth for the Russian pharmaceutical market in 2018.

Market size forecast for 2018
(in ruble terms):
DSM Group: up by 4.3 percent
IQVIA: up by 5 percent
RNC Pharma: up by 4-6 percent
ALPHA Research & Marketing: up by 7 percent

Expert view
“[The year 2018] is clearly going to be challenging. Market participants know quite well how to operate in the context of a crisis or an active growth. However, they have far less experience when it comes to tackling stagnation.”

Nikolay Bespalov, RNC Pharma

Source: DSM Group, Central Bank of Russia, Institute for Scientific Forecasting of the Russian Academy of Sciences
Analysis of key market indicators.
Market size by sector

Market dynamics in monetary terms (RUB billion)

Market dynamics in unit terms (in billion packages)

Trend
Contrary to the expectations expressed in 2016, the year 2017 saw market growth driven by public procurement, rather than by sales in the commercial segment. Thus, the public sector grew by 12 percent in monetary terms and by 18 percent in unit terms. At the same time, the commercial segment was only up 6.4 percent in monetary terms and up 3.5 percent in unit terms.

The market in Q1 2018 demonstrated a reverse trend as the commercial segment grew by 5.9 percent in monetary terms and by 22.5 percent in unit terms compared to Q1 2017 while public procurements of subsidized drugs were down by 53.8 percent in monetary terms and by 20.6 percent in unit terms. At the same time, the hospital segment went down by 9.0 percent in monetary terms and by 8.1 percent in unit terms. However, the decline of public procurement was primarily driven by the maldistribution of funds during the year; the situation is expected to improve by the end of 2018, as the total government funding is generally consistent with the previous year’s figures.

The impact from prices on the market growth is almost insignificant. The growth in 2017 was primarily driven by consumption in unit terms.

DSM Group

Market size forecast for 2018 (in unit terms):
- DSM Group: up by 1 percent
- IQVIA: up by 4.7 percent
- ALPHA Research & Marketing Commercial segment: up by 2 percent
- Public segment: no growth
- IPT Group: up by 4-6 percent

* Forecast for 2018
Source: DSM Group, ALPHA Research & Marketing
Analysis of key market indicators. Medicine price dynamics

In 2017, inflation in Russia slowed down to 2.5 percent, with drug prices edging up by 0.3 percent, the lowest inflation rate for the period.

Due to regulatory efforts, prices for drugs on the Essential Drug List (EDL) have generally remained the same, edging up by 0.06 percent, while prices for other drugs demonstrated a slightly stronger growth of 0.4 percent.

EDL drugs account for about 50 percent of the total market; 51 percent in unit terms and 49 percent in monetary terms.

In 2017, the price tag for drugs in the lowest price bracket (i.e. below RUB 50) decreased by 3.4 percent, unlike in 2016 when this segment experienced the strongest growth. However, this could not prevent low-price drugs from losing a share of 0.7 percent in total sales in unit terms.

Drugs in the bracket of RUB 150 to RUB 500 and those priced above RUB 500 grew the strongest – 1.2 percent and 0.2 percent, respectively.

Amid weak inflation, growth was driven by an increase in sales in unit terms and a shift toward more expensive drugs.

The commercial segment saw a significant change in annual inflationary trends as the price tag for drugs in the lowest price bracket (i.e. below RUB 50) decreased by 3.4 percent, unlike in 2016 when this segment experienced the strongest growth. However, this could not prevent low-price drugs from losing a share of 0.7 percent in total sales in unit terms.

Drugs in the bracket of RUB 150 to RUB 500 and those priced above RUB 500 grew the strongest – 1.2 percent and 0.2 percent, respectively.

“Competition for customers makes itself felt as distributors and pharmacies take cuts to their markups in a move to increase customer appeal. This results in losses and marginal profitability. It is the first time ever we have seen such a decrease [in markups]. This is also supported by audit results from Federal Service for Surveillance in Healthcare.”

Sergey Shulyak, General Director, DSM Group
Russian Pharmaceutical Market Trends in 2018

In 2017, consumers continued to shift to less expensive generics, with their market share up 1.1 pp in monetary terms and up 0.5 pp in unit terms. An average price per package of a branded medicine was RUB 646 while generic medicines had an average price of RUB 141 per package.

Locally produced drugs have seen their market share in the commercial segment grow for three consecutive years, increasing by 0.2 pp in 2017, both in monetary and unit terms. Sales of local and imported drugs in ruble terms were up 7.4 percent and 6.1 percent, respectively. An average price per package was RUB 90 for local medicines and RUB 321 for imported drugs.

Sales of OTC products increase in periods characterized by higher rates of flu and acute respiratory viral infections (ARVI). As there was no sharp growth in incidences of flu and ARVI cases in 2017, the segment for Rx products grew at a slower pace of 5.3 percent (2016: 7.7 percent), down 0.6 pp on 2016. Rx and OTC drugs had an average price of RUB 283 and RUB 139 per package, respectively.

Source: DSM Group
According to the Russian Ministry of Industry and Trade, total public and private industry investments exceeded RUB 150 billion during 2011-2017. This enabled the opening of 30 production facilities since 2013 and accelerated the growth rates of drug and medical supplies production in 2013-2016, which slowed down dramatically in 2017.

One of the local production incentives is a government program for the development of the pharmaceutical and healthcare industry ("the Government Program"). However, the funding volume for 2018-2020 envisaged by the current version of the government program (approved on 28 December 2017) is almost 30 percent lower than the 2013-2016 volumes (see the table below). The Pharma-2020* agenda (part of the Government Program), which was the baseline for allocating funds during previous years, was completed ahead of time.

Source: Russian Ministry of Industry and Trade

---|---|---|---|---|---|---|---|---
Total | 15,177 | 14,654 | 16,599 | 16,330 | 11,636 | 11,220 | 11,292 | 11,278
Development of the drug production segment | - | - | - | 5,199 | 2,244 | 7,751 | 7,896 | 7,889
Development of the medical product segment | - | - | - | 1,751 | 2,246 | 3,127 | 3,129 | 3,129
Comprehensive development of the pharmaceutical and healthcare industry | - | - | - | - | 342 | 267 | 260

The Pharma-2020* | 15,177 | 14,654 | 16,599 | 9,380 | 7,146 | Closed down ahead of schedule (effective until 31 December 2017)

* The federal program "Pharmaceutical and healthcare industry development for the period until 2020 and thereafter".

Source: Government Resolution No. 1673 of 28 December 2017
Regulatory trends in the industry. Import substitution

**Share of local medicines (in unit terms)**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>Q1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial sector</td>
<td>36.5%</td>
<td>36.7%</td>
<td>38.5%</td>
</tr>
<tr>
<td>Subsidized medicine sector</td>
<td>46.0%</td>
<td>47.2%</td>
<td>43.0%</td>
</tr>
<tr>
<td>Hospital purchase sector</td>
<td>77.6%</td>
<td>77.8%</td>
<td>76.0%</td>
</tr>
</tbody>
</table>

**Share of local medicines (in monetary terms)**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>Q1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial sector</td>
<td>26.3%</td>
<td>26.8%</td>
<td>28.3%</td>
</tr>
<tr>
<td>Subsidized medicine sector</td>
<td>31.3%</td>
<td>31.8%</td>
<td>30.0%</td>
</tr>
<tr>
<td>Hospital purchase sector</td>
<td>31.3%</td>
<td>30.2%</td>
<td>30.0%</td>
</tr>
</tbody>
</table>

**Trends**

Growing the market share of local medicines is one of the priority areas for the government. Local drugs have seen the strongest growth in the public procurement market, which includes the hospital segment and the subsidized medicine segment.

In the subsidized medicine segment, the Seven Nosologies Program (seven rare diseases) that deals with the most expensive drugs sold at an average price of RUB 14,000 saw sales of local drugs increase by 2.4 pp to 28.2 percent (in unit terms) and by 8.8 pp to 42.2 percent (in monetary terms) on the same period of Q1 2017.

The Essential Drug List as of 1 January 2018 saw the share of local drugs grow up to 84.2 percent.

In 2018, the Ministry of Industry and Trade is working on “The National Pharmaceutical Industry Strategy until 2030” (“The Strategy”) that is expected to set long-term national policy priorities in the field. As at the time of release of the report, the Strategy has not yet been approved.

New objectives addressed by the Strategy include strengthening innovation support and fostering local competencies in the chemical and biological synthesis of active pharmaceutical ingredients. For the purpose of public procurements, the Strategy sets forth price preferences of at least 25 percent of the initial maximum contract value for companies with full-cycle or local substance-based production in the Eurasian Economic Union (EAEU).

Source: DSM Group
### Regulatory trends in the industry. Government support

<table>
<thead>
<tr>
<th>Government support measures</th>
<th>Benefits</th>
<th>Eligibility</th>
<th>Number of participants (pharmaceutical companies)</th>
<th>Effective as of</th>
<th>Total loans received</th>
<th>Total investment made</th>
</tr>
</thead>
</table>
| Special investment contracts (SPICs) | • Maintenance of at least the same tax treatment  
• Tax benefits (potential eligibility for zero rate income tax and property tax; accelerated depreciation)  
• Eligibility for the local producer status, with an extended localization period  
• Simplified access to public procurements  
• Industry subsidies  
• Regional benefits (the construction of infrastructure facilities; preferential terms and conditions for land leases) | Minimum investment: RUB 750 million (net of VAT)  
A special investment contract (SPIC) is valid for a period continuing until a planned operating profit is reached, plus 5 years. The total period may not exceed 10 years.  
A SPIC sets forth obligations for an investor to (i) establish/upgrade manufacturing processes, (ii) implement best available technologies, or (iii) set up processes for manufacturing products where similar products are not produced in Russia. A SPIC also establishes a period within which this must be achieved. | 6 projects approved | Q4 2017 | - | About RUB 18 billion |
| Preferential loans | Reduced interest rate of 5 percent for loans not exceeding 5 years.  
Subject to a bank guarantee, an investor may become eligible for a reduced interest rate of 3 percent over the first three years. | Demonstrating a project’s potential for export or import substitution is the key requirement.  
Loan amount: RUB 50–500 million, with a total project value of at least RUB 100 million.  
Private co-investment of at least 50 percent of the total project value. | 26 | Starting from 2015 | RUB 7.3 billion | RUB 30 billion |
| Loans for leases | Reduced interest rate of 1 percent for loans not exceeding 5 years. | Loan amount: RUB 5–500 million, with a total project value of at least RUB 20 million.  
A loan may finance 10-90 percent of an initial lease payment to cover 10-50 percent of the value of production equipment being purchased on a lease. A maximum loan from the Industrial Development Fund is 27 percent of the production equipment’s total value. | 2 | Q4 2017 | RUB 111 million | RUB 500 million |
Russian Pharmaceutical Market Trends in 2018

Regulatory trends in the industry.
Track & trace technology

In February 2017, Russia started a track-and-trace pilot involving a number of companies across the entire production and distribution chain. According to the current plans, the mandatory labelling will take effect for medicines by 1 January 2020. The Advanced Technology Support Center (Tsentr Razvitiya Perspektivnykh Tekhnologiy) has been selected as a centralized operator of the Track & Trace System. In addition to protecting consumers against adulterated drugs and enabling an quick removal of counterfeit and low-quality products from the market, the system will enable authorities to monitor the flow of products on the market. Drug producers and distributors will also be able to analyze the validity of data on product movements and sales in nearly real time. Businesses can use such data as they implement strategies to enable better marketing, as well as to achieve higher inventory turnover rates and more efficient control over receivables.

The system will involve additional costs for the industry to purchase labelling and scanning equipment for control and identification tags, as well as implement software solutions, etc. The government has developed a program to support pharmaceutical producers and distributors and manage the related financial burden. The Industry Development Fund offers preferential loans to finance purchases of labelling equipment as part of this program.

A preferential loan has the following features:

- Interest rate: 1 percent per annum
- Loan amount: RUB 5-50 million
- Period: max. 2 years
- Additional requirements: The repayment of a principal loan starts in the second year. No co-financing is needed where a bank guarantee is available; a loan may be used for financing the total value of equipment purchased.

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- Additional requirements: The repayment of a principal loan starts in the second year. No co-financing is needed where a bank guarantee is available; a loan may be used for financing the total value of equipment purchased.
Russian pharmaceutical market on the global map in 2017

With pharmaceutical imports almost 15 times higher than exports, Russia became a net importer of medicines in 2017. In 2017, imports grew faster than exports, in monetary terms adding 21.6 percent vs 14.6 percent respectively.

Almost 80 percent of imports come from Europe, primarily from Germany (21 percent), France (9 percent) and Italy (6 percent).

The post-Soviet countries remain the major export markets for Russian medicines, accounting for 80 percent of Russian exports.

The EIU estimates the global pharmaceutical market to grow by 35.5 percent in US dollar terms by 2022.

Although Russia is outside the top 10 countries leading in terms of size, it will keep its 14th place, with the EIU predicting a growth in sales by 1.5 times over the next five years.
Overall situation on the Russian pharmaceutical market
Russian Pharmaceutical Market Trends in 2018: Overall situation on the Russian pharmaceutical market

Russian pharmaceutical industry. Current situation

Trend

Summer 2018 is characterized by a deterioration in the sentiment on the Russian pharmaceutical market, with positive responses down by 13 pp to 63 percent.

Highlights

Generic manufacturer companies tend to be most optimistic about the situation on the market (+14 pp). However, their optimism is down 15 pp on the previous year.

Retailers of medicines and medical products maintain the least optimistic view, with negative responses up by 30 pp to 62 percent.

This negative sentiment has resulted in the overall sentiment among Russian pharmacies to go down by 24 pp. At the same time, all of the Russian producers surveyed expressed positive views of the situation in the industry.

The sentiment among foreign companies operating production sites in Russia has decreased significantly, down by 18 pp. This may be due to tightened criteria for obtaining a localization status for products.

Share of positive responses

<table>
<thead>
<tr>
<th>Share of positive responses</th>
<th>2018</th>
<th>2017</th>
<th>Change over the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>63%</td>
<td>76%</td>
<td>-13 pp</td>
</tr>
<tr>
<td>Production (including foreign production) and/or wholesale of original products</td>
<td>61%</td>
<td>68%</td>
<td>-7 pp</td>
</tr>
<tr>
<td>Production (including foreign production) and/or wholesale of generics</td>
<td>75%</td>
<td>90%</td>
<td>-15 pp</td>
</tr>
<tr>
<td>Retail sales of medicines and medical products</td>
<td>38%</td>
<td>67%</td>
<td>-29 pp</td>
</tr>
<tr>
<td>Russian company*</td>
<td>62%</td>
<td>86%</td>
<td>-24 pp</td>
</tr>
<tr>
<td>Non-localized foreign company**</td>
<td>69%</td>
<td>73%</td>
<td>-4 pp</td>
</tr>
<tr>
<td>Localized foreign company**</td>
<td>54%</td>
<td>72%</td>
<td>-18 pp</td>
</tr>
</tbody>
</table>

* Beneficiary owners are Russian residents
** or the Russian subsidiary of a foreign company

Key findings

- Overall situation on the Russian pharmaceutical market
- Russian pharmaceutical market in figures
- Russian pharmaceutical industry: current situation
- Russian pharmaceutical market: outlook for 2018
- Nuclear companies in Russia: current situation
- Pharmaceutical companies in Russia: outlook for 2018
- Expectations for the key performance indicators on the Russian pharmaceutical market
- Future directions for the Russian pharmaceutical market
- Efficiency of government regulation in the industry
- Innovations and digitalization in the industry
- Our respondents
- Contacts
Russian pharmaceutical market. Outlook for 2018

**Trend**
Fifty percent of respondents do not expect significant changes on the market. At the same time, pessimistic views are dominant among those predicting changes.

Optimistic views have remained at 21 percent while pessimistic responses have increased from 13 percent to 29 percent, with a negative net balance of 8 percent.

Respondents who have expressed positive views on the situation tend to be similarly optimistic about the outlook for the industry, with 27 percent predicting the situation to improve while another 15 percent expect the opposite.

At the same time, there is a reverse trend among less optimistic respondents, a majority of 53 percent, who predict the situation will continue to deteriorate, compared to another 37 percent who do not expect any improvements.

**Highlights**
Original drug manufacturers maintain more positive views on what the future holds for the industry in 2018 (+9 pp).

Retailers are in their least optimistic mood, with 38 percent predicting the situation to deteriorate and only 12 percent expecting the opposite.

Localized foreign companies more often tend to mention that the industry situation will deteriorate in 2018 (39 percent). At the same time, a majority of non-localized foreign producers surveyed do not expect any changes (58 percent).
Pharmaceutical companies in Russia. Current situation

Trend
The Russian pharmaceutical industry is generally characterized by positive perceptions as a majority of respondents express positive views on how their companies perform (88 percent), which is similar to the previous year.

Highlights
Pharmacies more often tend to express negative sentiment as every fourth one responds with "rather negative" (25 percent). However, this year has seen positive developments, with these responses down by 8 pp.

At the same time, the share of positive views is down by 12 pp among generic producers.
Pharmaceutical companies in Russia Outlook for 2018

**Trend**
While half of the companies do not expect that the situation will change, there is another group of those who predict changes, demonstrating a notable amount of optimistic responses (37 percent).

At the same time, positive expectations are down by 10 pp while negative predictions have increased by 8 pp, with a positive net balance of 24 pp.

**Highlights**
This year, generic producers regard the business outlook somewhat differently from the previous survey, with positive responses down from 67 percent to 25 percent and negative expectations up from 24 percent to 63 percent. This may indicate that the growth potential linked to the market shift toward generics is coming to a halt.

Unlike generic producers, original drug manufacturers more often express positive business expectations (43 percent). While Russian companies tend to be more optimistic about the business outlook (+9 pp), localized and non-localized foreign producers largely expect that the situation will continue without change (62 percent and 50 percent, respectively).

Each of the groups surveyed has 12-15 percent of respondents who are pessimistic about the future business position.
Expectations for the key performance indicators on the Russian pharmaceutical market

Positive expectations for the business and industry outlook are further reflected in the expectations for changes in the key performance indicators. **Sixty percent** predict their revenue to grow in rubles in 2018, with an average expected growth of **10 percent**.

In practice, a growth in revenue is generally accompanied by a similar growth in operating costs. Our survey has found that **48 percent** expect operating costs to grow by an average of **7 percent**. At the same time, **40 percent** are planning to reduce operating costs by an average of 10 percent. Only **12 percent** intend to keep their operating costs the same as in 2017.

One third of the companies (29 percent) expect their capital expenditure to increase by an average of 10 percent. Still, most companies (69 percent) are not planning any changes to their existing CAPEX.

With a stable business position, most companies (65 percent) report that they will continue with the same staffing levels while another 27 percent are even planning to boost their staff numbers by an average of 8 percent.

Despite this, almost half of the respondents (52 percent) are not making any plans to increase their pay levels, and another 48 percent expect to increase wages somewhat, by 5 percent, which is just a notch above an inflation of 4 percent projected by the Russian Central Bank.

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Operating expenditure</th>
<th>Capital expenditure</th>
<th>Headcount</th>
<th>Average wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
<td>60%</td>
<td>40%</td>
<td>69%</td>
<td>52%</td>
</tr>
<tr>
<td>15% -10%</td>
<td>12% -10%</td>
<td>2% -30%</td>
<td>8% -4%</td>
<td>48% -5%</td>
</tr>
<tr>
<td>Average expected change (based on smoothed average)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Positive expectations for the business and industry outlook are further reflected in the expectations for changes in the key performance indicators. Sixty percent predict their revenue to grow in rubles in 2018, with an average expected growth of 10 percent.**

In practice, a growth in revenue is generally accompanied by a similar growth in operating costs. Our survey has found that 48 percent expect operating costs to grow by an average of 7 percent. At the same time, 40 percent are planning to reduce operating costs by an average of 10 percent. Only 12 percent intend to keep their operating costs the same as in 2017.

One third of the companies (29 percent) expect their capital expenditure to increase by an average of 10 percent. Still, most companies (69 percent) are not planning any changes to their existing CAPEX.

With a stable business position, most companies (65 percent) report that they will continue with the same staffing levels while another 27 percent are even planning to boost their staff numbers by an average of 8 percent.

Despite this, almost half of the respondents (52 percent) are not making any plans to increase their pay levels, and another 48 percent expect to increase wages somewhat, by 5 percent, which is just a notch above an inflation of 4 percent projected by the Russian Central Bank.
Future directions for the Russian pharmaceutical market
Pharmaceutical business development strategies for Russia

**Trend**

More aggressive marketing is the most popular growth strategy in the Russian pharmaceutical industry in 2018, with more than half of companies (54 percent) reporting promotional channels as their strongest focus.

Even though new product launches have seen their popularity decrease by 24 pp, this strategy continues at a confident second place.

New production sites and R&D efforts, which are cost intensive strategies, have decreased in popularity by 9 pp and 15 pp, respectively. This is also the case for joint ventures, down by 15 pp.

New production sites and R&D efforts, which are cost intensive strategies, have decreased in popularity by 9 pp and 15 pp, respectively. This is also the case for joint ventures, down by 15 pp.

New joint venture with participation from Russian/foreign producers

Innovative technology for business process optimization (EDF, blockchain)

New production sites in Russia

Broader localization

No strategic changes

Innovative products and R&D

M&A

New production sites in Russia (23 percent) While only 16 percent of non-localized foreign companies are considering new production sites in Russia, this is quite the opposite with Russian and localized foreign manufacturers (67 percent and 31 percent, respectively).

Broader localization (21 percent) Almost every second localized foreign company (46 percent) is making plans for deeper localization in Russia.

**Highlights**

- More aggressive marketing (54 percent) While pharmacies report more aggressive marketing as their top priority (88 percent), this strategy is no less popular with manufacturers. Sixty-two percent of non-localized foreign manufacturers and 32 percent of localized foreign manufacturers are making plans for more aggressive marketing. The only exception here are Russian manufacturers, with only 8 percent having plans in the pipeline.

- New production launches (38 percent) Two out of three companies (63 percent) primarily operating in the hospital segment are planning new product launches.

- Innovative technology for business process optimization (33 percent) Large companies employing above 1,000 people more often tend to consider this strategy (50 percent).

- New production sites in Russia (23 percent) While only 16 percent of non-localized foreign companies are considering new production sites in Russia, this is quite the opposite with Russian and localized foreign manufacturers (67 percent and 31 percent, respectively).

- Broader localization (21 percent) Almost every second localized foreign company (46 percent) is making plans for deeper localization in Russia.

No strategic changes in the pipeline (15 percent) Non-localized foreign companies more often tend to report the absence of strategic plans (23 percent).

Innovative products and R&D (13 percent) Every fourth company (25 percent) that expects its market position to improve is considering this strategy as a way for growth.

**Foreword**

**Key findings**

**Russian pharmaceutical market in figures**

**Overall situation on the Russian pharmaceutical market**

**Future directions for the Russian pharmaceutical market**

**Pharmaceutical business development strategies for Russia**

**Cost optimization approaches**

**Preparations for implementing the mandatory track & trace system**

**Economic expectations: share of imported drugs**

**Top issues facing pharmaceutical companies in Russia**

**Efficiency of government regulation in the industry**

**Innovations and digitalization in the industry**

**Our respondents**

**Contacts**
Cost optimization approaches

Trend
Control over distributors has seen a significant growth in popularity, up by 21 pp. It is important to note that the lack of reliable and readily available information on the movement of products and inventory balances remains one of the key issues facing the market.

At the same time, staff cost optimization has moved down by 10 pp on the priority list.

Top 4 cost optimization strategies

<table>
<thead>
<tr>
<th>Inventions and receivables management</th>
<th>2018</th>
<th>2017</th>
<th>Change over the year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>60%</td>
<td>64%</td>
<td>-4 pp</td>
</tr>
<tr>
<td>Optimization of business processes</td>
<td>60%</td>
<td>55%</td>
<td>+5 pp</td>
</tr>
<tr>
<td>Optimization of promotion and marketing costs</td>
<td>54%</td>
<td>51%</td>
<td>+3 pp</td>
</tr>
<tr>
<td>Control over distributors</td>
<td>44%</td>
<td>23%</td>
<td>+21 pp</td>
</tr>
<tr>
<td>Staff cost optimization</td>
<td>35%</td>
<td>45%</td>
<td>-10 pp</td>
</tr>
<tr>
<td>IT cost optimization</td>
<td>15%</td>
<td>15%</td>
<td>0 pp</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
<td>4%</td>
<td>+2 pp</td>
</tr>
</tbody>
</table>

Optimization of promotion and marketing costs (54 percent)
The optimization of commercial costs tends to be higher on the priority list of original drug manufacturers (65 percent).

Control over distributors (44 percent)
Russian companies tend to take a stronger interest in control over distributors to manage potential losses in revenue (69 percent).
Preparations for implementing the mandatory track & trace system

The survey has provided us with insights into how our respondents assess implementation risks facing their business units and what preparations they are taking to prepare for the changes.

**Trend**

According to the responses, track & trace technology will definitely deliver a positive impact on logistics, marketing and control over working capital (a positive net balance of 0.47-0.52).

Even though respondents have generally provided positive responses as regards a potential impact from the technology on document flow and internal controls, almost one third (29 percent) expect a negative impact.

At the same time, respondents are nearly equally divided when it comes to the impact on tax and financial accounting, with the share of positive responses almost the same as the share of negative responses. What is more interesting, almost one third believe that the track & trace system will have no impact on these business processes. This may be an indicator of a significant uncertainty in the market over the track & trace system.

When referring to negative impacts from the implementation of the track & trace system, respondents link these to a potential increase in controls and reports, as well as to higher production costs, both in terms of time and money.

Please indicate how the track & trace system will impact the business processes listed below?

<table>
<thead>
<tr>
<th>Process</th>
<th>Positive Impact</th>
<th>Negative Impact</th>
<th>Net Impact*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics</td>
<td>62%</td>
<td>17%</td>
<td>45%</td>
</tr>
<tr>
<td>Promotion and sales</td>
<td>66%</td>
<td>21%</td>
<td>45%</td>
</tr>
<tr>
<td>Management of working capital</td>
<td>50%</td>
<td>13%</td>
<td>37%</td>
</tr>
<tr>
<td>Document flow and internal controls</td>
<td>48%</td>
<td>29%</td>
<td>19%</td>
</tr>
<tr>
<td>Tax and financial accounting</td>
<td>40%</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td>Production</td>
<td>38%</td>
<td>13%</td>
<td>25%</td>
</tr>
</tbody>
</table>

*Positive responses minus negative responses
Preparations for implementing the mandatory track & trace system

Highlights
Logistics (0.52)
Pharmacies more often cite a positive impact from the implementation, with a positive net balance of 0.88.

Promotion and sales (0.48)
Large companies with a turnover above RUB 10 billion more often have positive expectations as regards the impact the system will have on promotional activities (a net balance of 0.59).

Management of working capital (0.47)
Non-localized foreign companies seem to have stronger expectations as regards the positive impact from the track & trace system on how working capital is managed, with a net balance of 0.69.

Document flow and internal controls (0.19)
Generic drug producers are much more positive about the impact of the traceability system on paperwork and internal controls (the net balance is 0.38).

Tax and financial accounting (0.08)
Companies selling products in the hospital segment more often tend to express concerns over a potential negative impact from the track & trace implementation on tax and financial accounting processes, with a negative net balance of 0.25.

Production (0.06)
Unlike localized foreign companies expressing a positive view of a potential impact from the track & trace system on production processes (a positive net balance of 0.38), non-localized foreign companies tend to maintain a negative view, with a negative net balance of 0.12.
Preparations for implementing the mandatory track & trace system

Trend
As in the previous year, preparations are primarily focused on software development and integration (60 and 79 percent, respectively) and equipment purchases (71 percent).

Most companies (69 percent) are also making plans to assess potential risks and business process optimization areas.

At the same time, most respondents (67-87 percent) have not included hiring new talent, providing focused training and obtaining loans to finance implementation initiatives into the necessary steps.

The table below shows how many companies have completed or are in the process of completing necessary initiatives. Equipment purchases and assessments of risks and optimization areas have seen the most significant progress over the year.

Completed/in-progress initiatives

<table>
<thead>
<tr>
<th>Initiative</th>
<th>2018</th>
<th>2017</th>
<th>Change over the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment purchases</td>
<td>21%</td>
<td>9%</td>
<td>+12 pp</td>
</tr>
<tr>
<td>Development of related software</td>
<td>17%</td>
<td>13%</td>
<td>+4 pp</td>
</tr>
<tr>
<td>Software integration</td>
<td>15%</td>
<td>14%</td>
<td>+1 pp</td>
</tr>
<tr>
<td>Assessment of risks and business process optimization areas</td>
<td>17%</td>
<td>9%</td>
<td>+8 pp</td>
</tr>
</tbody>
</table>

Highlights
Localized foreign companies are more prepared for the implementation of a track & trace system, with 38 percent reporting completed software integration and equipment purchases.

Russian companies most often tend to consider obtaining loans to finance their track & trace implementation initiatives (39 percent), which generally includes companies with a turnover below RUB 10 billion.

Please specify whether your company is implementing or planning to implement these initiatives as part of the preparations for implementing the track & trace system.

Integration of software with the existing accounting systems
Assessment of potential risks and business process optimization areas
Purchases of labeling, scanning and monitoring equipment
Development of related software
IT staff training/hiring
Production staff training/hiring
Commercial function staff training/hiring
Finance staff training/hiring
Use of loans

Field the table below shows how many companies have completed or are in the process of completing necessary initiatives. Equipment purchases and assessments of risks and optimization areas have seen the most significant progress over the year.
How will the share of pharmaceutical imports change on the Russian market over the next two years?

**Trend**

Based on the consensus forecast by representatives from pharmaceutical companies, pharmaceutical imports will decline by 6 percent in unit terms and by 5 percent in monetary terms.

Of the respondents surveyed, 64 percent expect that pharmaceutical imports will decrease within a range of up to 10 pp in unit terms and 54 percent expect a similar decrease in monetary terms while only 21 to 22 percent expect a more significant decrease.

At the same time, every fourth respondent (25 percent) expects an increase in pharmaceutical imports in monetary terms. **Fourteen percent** expect a growth in pharmaceutical imports in unit terms.

**Highlights**

Companies operating in the hospital segment expect a stronger decline in pharmaceutical imports, both in monetary and unit terms (9 percent).

Original and generic drug manufacturers are divided in their view of how pharmaceutical imports will change in monetary terms, with a decline of 6 percent expected by original drug manufacturers and a decline of 3 percent predicted by generic producers.

Localized foreign companies expect pharmaceutical imports to see a sharper decline of 7 percent in monetary terms.

Larger companies with a turnover above RUB 10 billion and businesses employing more than 1,000 people tend to be more conservative in their estimates, predicting a decline of 4 percent, both in monetary and unit terms.
Top issues facing pharmaceutical companies in Russia

**Highlights**

**Shortcomings of government regulation (57 percent)** This is above all the top issue for Russian companies and localized foreign companies (65 percent and 65 percent, respectively). Unlike in 2017, Russian companies have started to pay more attention to it, with the importance increasing by 1.5 times.

**Current situation in the Russian economy (45 percent)** This area is of a greater concern for non-localized foreign companies (53 percent) and companies with an annual turnover above RUB 10 billion (60 percent).

**Insufficient purchasing power of households (29 percent)** Pharmacies have more often reported this factor as having the strongest constraining effect on development (73 percent).

**Geopolitical risks (21 percent)** Non-localized foreign companies and original drug producers have more often cited geopolitical risks as their concern (25 percent and 29 percent, respectively).

**Corruption (16 percent)** This issue has been more often named by companies with a focus on sales in the hospital segment (44 percent). Foreign companies mention corruption more often than Russian companies (19 percent and 7 percent, respectively).

Please select and prioritize the top three issues pharmaceutical and healthcare companies face in Russia today.

<table>
<thead>
<tr>
<th>Issue</th>
<th>2018</th>
<th>2017</th>
<th>Change over the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortcomings of government regulation</td>
<td>57%</td>
<td>60%</td>
<td>-3 pp</td>
</tr>
<tr>
<td>Current situation in the Russian economy</td>
<td>45%</td>
<td>36%</td>
<td>+9 pp</td>
</tr>
<tr>
<td>Insufficient purchasing power of households</td>
<td>29%</td>
<td>20%</td>
<td>+9 pp</td>
</tr>
<tr>
<td>Geopolitical risks</td>
<td>21%</td>
<td>4%</td>
<td>+17 pp</td>
</tr>
<tr>
<td>Corruption</td>
<td>16%</td>
<td>11%</td>
<td>+5 pp</td>
</tr>
<tr>
<td>Insufficient public financing</td>
<td>12%</td>
<td>27%</td>
<td>-15 pp</td>
</tr>
<tr>
<td>Strengthening market competition</td>
<td>9%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>Currency risk (fluctuations in ruble exchange rate)</td>
<td>9%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Lack of efficient product promotion and distributor communication processes</td>
<td>8%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Higher production and selling costs</td>
<td>7%</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Insufficient production capacities</td>
<td>5%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Inaccessible external financing</td>
<td>5%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Lack of qualified talent</td>
<td>4%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Large share of counterfeit products</td>
<td>1%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Insufficiently optimized supply chain processes</td>
<td>1%</td>
<td>2%</td>
<td></td>
</tr>
</tbody>
</table>

**Trend**

Shortcomings of government regulation have remained the top issue for pharmaceutical companies for two years (57 percent).

The situation in the Russian economy comes second in importance, with concern over the macroeconomic environment up by 9 pp on the last year.

In 2018, concern over insufficient purchasing power of households has also grown stronger, increasing by 9 pp. There has also been a surge in concern over geopolitical risks (+17 pp). The year 2018 has seen this area become a concern for every fifth company, while only 4 percent said so last year.

Insufficient public financing has become the only issue that has experienced a significant decrease in importance this year (-15 pp). However, this does not mean that sufficient financial support is already here. It is rather that pharmaceutical companies have more immediate issues at hand.
Efficiency of government regulation in the industry
Priority areas requiring better government regulation

As mentioned previously, pharmaceutical experts perceive government regulation to be the top issue facing the industry. We have surveyed the respondents to identify top areas for improvement.

Trend

The government regulation of medicine pricing (85 percent), the regulation of online sales (84 percent) and the regulation of public procurements (82 percent) have continued as the top three issues for the second consecutive year.

The regulation of special investment contracts (SPICs) is clearly an area of divided opinion, with one half of respondents citing the need for improvement while the other half does not believe it is necessary.

Highlights

Medicine pricing, including the procedure for updating the Essential Drug List and the related price calculation methodology (85 percent)

All companies focusing on the hospital segment, as well as generic producers and localized foreign companies have indicated the need for better price regulations.

Regulation of online sales of medicines and healthcare services (online pharmacies and telehealth providers) (84 percent)

Smaller companies with an annual turnover below RUB 10 billion have demonstrated stronger interest in better regulations of online sales, with a net balance of 92 percent, compared to a net balance of 64 percent for companies with an annual turnover above RUB 10 billion.

Regulation of public procurements (82 percent)

Foreign companies have demonstrated a stronger interest in better regulation of public procurements (a net balance of 100 percent), compared to Russian companies (a net balance of 76 percent).
Government initiatives aimed at reducing the share of pharmaceutical imports

This year further restrictions for foreign producers or the ban on their access to public procurements have been named as a key measure to reduce the share of pharmaceutical imports, with 63 percent saying so. This measure has grown in importance (+27 pp), moving up from fourth place to second place.

Subsidies and privileges traditionally remain highly important for respondents, with 54 percent saying so.

At the same time, the share of respondents saying that incentives for foreign manufacturers to shift to full-cycle production are important has decreased significantly, down by 26 pp.

Additional registration procedures for medicines approved and produced abroad have moved up the ranks, from 15 percent to 29 percent.

Essential drug price regulatory activities aimed at decreasing the share of drug imports have seen their priority go down by 13 pp.

As for the accelerated implementation of a track & trace system for drugs on the Essential Drug List and expensive medicines, it has been voted into the bottom, with only 10 percent regarding it as an efficient measure.
Innovations and digitalization in the industry
Advanced technology in pharmaceutical companies

Please specify which of the abovementioned advanced technologies you have implemented or plan to implement in 2018-2019.

<table>
<thead>
<tr>
<th>Advanced technology</th>
<th>Completed/ implementing</th>
<th>Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced accounting systems (CRM, SAP, etc.)</td>
<td>50%</td>
<td>21%</td>
</tr>
<tr>
<td>Cloud technology</td>
<td>38%</td>
<td>25%</td>
</tr>
<tr>
<td>Completely automated individual business processes</td>
<td>25%</td>
<td>38%</td>
</tr>
<tr>
<td>Big data and machine learning</td>
<td>6%</td>
<td>21%</td>
</tr>
<tr>
<td>Robotic process automation</td>
<td>6%</td>
<td>19%</td>
</tr>
<tr>
<td>Predictive analytics</td>
<td>4%</td>
<td>12%</td>
</tr>
<tr>
<td>Block chain (a distributed and encrypted database)</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Smart production</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Video analytics and computer vision</td>
<td>2%</td>
<td>4%</td>
</tr>
</tbody>
</table>

### Trend
Advanced accounting solutions have landed in the top spot, with 50 percent saying they have implemented such solutions or are in the process of doing so, while another 21 percent report similar plans for the near future. Cloud technology and completely automated individual business processes are also popular on the list, with two thirds of pharmaceutical companies reporting the use of such technologies or having implementation plans.

Even though big data (6 percent), machine learning (6 percent) and robotic process automation (6 percent) are not yet widespread among pharmaceutical companies, every fifth company (19-21 percent) reports plans to implement these technologies.

Predictive analysis has a niche use in the pharmaceutical market, with 16 percent mentioning it.

### Highlights
While three out of four (76 percent) companies with an annual revenue above RUB 10 billion mention the use of advanced accounting solutions, it is only 37 percent for smaller companies. In addition, both localized and non-localized foreign companies more often report using this technology (77 percent and 50 percent, respectively). As for Russian companies, only 23 percent mention the use of advanced accounting solutions while another 46 percent say they do not have any plans to do so.

Russian companies and localized foreign companies demonstrate stronger interest in big data, with 8 percent reporting the use of this technology and another 31 percent making plans.
Pharmaceutical companies on digital strategies

Please specify whether your company has a digital strategy.

- We have a digital strategy in place / are in the process of implementing it
- We have developed a digital strategy, but it has not been implemented yet
- We are in the process of developing a digital strategy
- We do not have any plans for a digital strategy

75% report having implemented a digital strategy or being in the process of doing so.

Please specify whether communication with end consumers is part of your digital strategy.

- Yes, it is
- No, it is not

62% Yes, it is
38% No, it is not

Trend
Every fourth pharmaceutical company (25 percent) reports having implemented a digitally-driven strategy or being in the process of doing so.

Another 46 percent are in the process of developing such a strategy.

At the same time, one fourth of the companies believe there is no current need for a digital strategy.

Two out of three companies have incorporated end-consumer communication into the strategies they have developed or are in the process of doing so.

Highlights
Larger companies with an annual turnover above RUB 10 billion are more interested in digital strategies, with 82 percent reporting having a digital strategy in place or being in the process of developing it, compared to 70 percent of smaller companies. All of the retailers surveyed are also in the process of developing their digital strategies.

Original drug manufacturers, Russian companies and localized foreign companies are leading the digitalization process in the industry (30-31 percent).
Pharmaceutical trends in digital tools for driving growth

Please specify the digital tools that are most relevant for your business.

<table>
<thead>
<tr>
<th>Digital Tool</th>
<th>All (%)</th>
<th>Russian companies (%)</th>
<th>Non-localized foreign companies (%)</th>
<th>Localized foreign companies (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official websites, webpages, social media, etc.</td>
<td>78</td>
<td>92</td>
<td>70</td>
<td>77</td>
</tr>
<tr>
<td>Professional forums and blogs</td>
<td>73</td>
<td>87</td>
<td>65</td>
<td>74</td>
</tr>
<tr>
<td>Advanced data visualization tools (digital dashboards) by medical professionals</td>
<td>62</td>
<td>49</td>
<td>46</td>
<td>62</td>
</tr>
<tr>
<td>SEO</td>
<td>59</td>
<td>77</td>
<td>39</td>
<td>64</td>
</tr>
<tr>
<td>Online sales of OTC products</td>
<td>57</td>
<td>82</td>
<td>42</td>
<td>59</td>
</tr>
<tr>
<td>Information apps</td>
<td>56</td>
<td>69</td>
<td>48</td>
<td>59</td>
</tr>
<tr>
<td>Real-time data for big data analytics, control over balances, etc.</td>
<td>56</td>
<td>77</td>
<td>42</td>
<td>59</td>
</tr>
<tr>
<td>Generation and maintenance of registers to keep data on patients with certain conditions</td>
<td>47</td>
<td>54</td>
<td>39</td>
<td>54</td>
</tr>
<tr>
<td>Online sales of Rx products</td>
<td>43</td>
<td>67</td>
<td>23</td>
<td>54</td>
</tr>
<tr>
<td>Devices/apps capturing unique data on patients</td>
<td>42</td>
<td>59</td>
<td>28</td>
<td>51</td>
</tr>
<tr>
<td>Electronic prescriptions</td>
<td>29</td>
<td>44</td>
<td>14</td>
<td>41</td>
</tr>
<tr>
<td>Telehealth services</td>
<td>25</td>
<td>31</td>
<td>20</td>
<td>28</td>
</tr>
</tbody>
</table>

Trends
Product and company information updates via the Internet/official websites (78 percent) or professional forums/blogs (73 percent) are the most popular digital tools for pharmaceutical companies to communicate with their end consumers.

Digital dashboards, which are used by professionals as an advanced data visualization tool, come next in popularity (62 percent).

Highlights
It is interesting to note that unlike non-localized foreign companies, Russian companies and localized foreign companies generally report a more active use of digital tools for communicating with their end consumers.

Localized and non-localized foreign companies more often mention the use of advanced data visualization tools (74 percent and 62 percent, respectively).

Nine out of ten Russian companies use official websites, social media and professional forums and blogs to inform consumers about their products and activities.
Our respondents
Russian Pharmaceutical Market Trends in 2018

Our respondents

As in 2017, half of the respondents are representatives of non-localized foreign companies. The other respondents come from Russian companies (25 percent) and localized foreign companies (25 percent).

Most of them represent pharmaceutical companies, with 44 percent coming from original drug manufacturers and 31 percent from generic manufacturers.

Professionals from financial and commercial functions, as well as executives make up 48 percent, 31 percent and 15 percent of the total survey population.
The commercial segment is a major sales channel for most of the respondents (83 percent). Hospital purchases represent a major source of revenue for 15 percent of the companies surveyed.

Our survey covers both large and small companies in terms of revenue. Companies with a revenue from RUB 1 billion to RUB 10 billion represent a majority of the survey (63 percent). A majority of the respondents are from mid-sized companies (60 percent). The remaining respondents represent companies with a headcount above 1,000 people (19 percent), as well as smaller companies with a headcount below 100 people (21 percent).
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