

# Drivers of Entry in the US Market by Spanish Pharmaceutical Companies

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El Futuro de la Política Farmaceutica, Madrid, 2009.

# The Goal and The Research Strategy

- To identify factors that affect the probability of the Spanish Pharmaceutical Companies to enter in international markets with branded products.
- They use a data base of the whole population of Spanish firms active in pharmaceuticals (over the period 1995-2004).

# Main Results

- The stronger a firm's innovative capabilities, the higher the likelihood of entry in foreign markets with branded products.
- The higher the diversification of a firm's technological portfolio (scope economies), the higher the likelihood of entry in foreign markets with branded products.
- The higher the level of a firm's cost efficiency, the higher the likelihood of entry in foreign markets with branded products.
- The simultaneous exploitation of cost efficiency (cost advantage) and of scope economies (differentiation advantage) increases the likelihood of entry in foreign markets.

# Discussion of the Results

- In a nutshell, the paper shows that better firms (which are a small set of the whole population) are more likely to entry in foreign markets.
  - The US Market does the right screening over our Pharmaceutical Industry!
- This is a very provocative result, since it may imply that US Market is more competitive?, has Spain barriers to entry that allow to the less efficient firms to survive.
- There is also a provocative result for a business audience. To pursue jointly a cost advantage and a differentiation advantage, increase the probability of success.
  - Against the stack in the middle theory!!, however, scope economies are not a clear differentiation advantage.

# Questions and Comments for Future Research

- Alternative measures of tech-capabilities which capture not only the number of patents but also the value of them
- It would be interesting to undertake an analysis of the performance of the entrants.
- Interesting to control for the quality of the product. Classification of the innovations.
- Explaining the screening: US Market is different of the Spanish/European Markets, in several aspects
  - More elastic demand?, more pressure on the cost advantage dimension.
  - More direct consumer marketing. Potentially a important entry barrier. It would be interesting to see the relative Spanish firms performance over this dimension.

# Challenges of the Spanish Pharmaceutical Companies

- Building stronger links with Spanish independent researchers/Universities focus on basic research.
  - Spain is very strong in basic research in Biomedical sciences. This can be a source of competitive advantage.
  - Industry must be involved in providing incentives and selecting research targets.
- Size Matters. The Paper shows that the competitive advantage usually is linked with scale and scope economies: Mergers, Joint ventures, etc..

# Challenges of the Spanish Pharmaceutical Companies

- Spanish Industry Policy. Can we foster innovation by buying intermediate patents(Public Good)?
- Rethink the vertical structure of the Industry. Cultural/Leisure industries almost totally outsource their R&D, why in the Pharmaceutical Industry this is not the case.
- Marketing is key in the business, do we want to restrict marketing practices:
  - Upside give more incentives to real innovation/ lower public expenditures.
  - Downside, the industry may not develop capabilities over this dimension, reducing the likelihood of selling abroad.