

Why US Medical Device Companies Should Consider Partnering With Companies in India

Have you had an opportunity yet today to read a newspaper or magazine headline, or taken time to check the morning news on TV or the Internet? If you have, it is very obvious that with the emergence of Asian markets, a new dynamic force in the world economy continues to take shape.

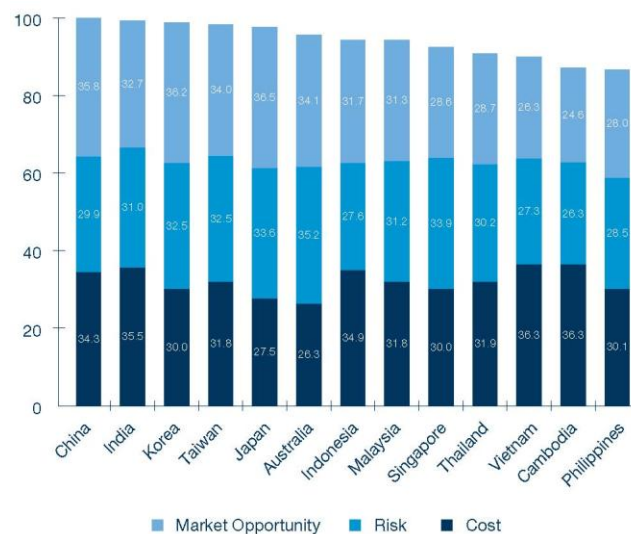
And what exactly does that mean for you and your company as you manage your R & D process and budget? You can either choose to ignore the situation and carry on status quo, or you can embrace the changes and look to capitalize on the new opportunities that become available.

What are the opportunities you may ask? One of the biggest benefits is the opportunity to develop a corporate R & D strategy that will significantly reduce your cost structure and at the same time develop local expertise that will allow you access to a growing market. Your classic win-win scenario takes shape.

As an example of Corporate R&D strategy, Stryker Inc. has opened its Global Research and Development Centre in Gurgaon, India to enhance their technology innovation & increase commercial expansion opportunities. The company has approximately 20 technology centers in the Europe and US but most of them cater to specialized products. The Indian centre is however, designed specifically to support their R&D efforts across all product lines.

As an example of understanding local market requirement, there is slow but steady change in paradigm towards partly-reusable medical devices (reusing some high cost components while disposing patient contaminated parts), a feature which was very Asia centric. Johnson and Johnson having a R&D center in India, was able to capitalize on this knowledge with the successful launch of Advant 55 in Asia, which has features that allow part of the device to be reused. J & J has also positioned itself to take advantage of the fact that this strategy is becoming a future trend in developed markets as well.

The table below shows Outsourcing Index of Asian territories across all factors for Healthcare sectors.



(Scores are 'normalized' with the best ranking territory = 100. Higher scores indicate lower costs, lower risks & greater market opportunity.)

Source: www.trendsniff.com

This research paper provides an in-depth look into the reasons why India seems to be one of the favorite destinations for Medical device companies in the US.

R & D Strategy for Cost Reduction

- *Right Skill set to serve US Companies:*

India has the right skill set to serve medical device companies across the globe. Indian companies are well placed to handle outsourced contract design, development and manufacturing because of its engineering capabilities in a wide spectrum of areas. India also has a wealth of highly skilled English-speaking physicians trained to Western practice standards; the newest and most sophisticated medical technologies; and high-volume practices.

Indian advantages also lies in the fact that the country's rich talent pool is able to span the entire value chain, from low- and medium-skill jobs to high end intellectual skill jobs. As a result, Indian companies have become increasingly efficient in providing “Turnkey” services where they cover everything from Proof of concept to Manufacturing.

- *Superior quality at lower costs:*

The low cost of manpower coupled with India's vast reserves of talent pool makes the country very attractive for US companies. It is not unusual for a US company to realize a cost reduction in the area of 60% when choosing to outsource a project to a supplier in India, while maintaining all required quality standards and documentation. Many US companies, in the wake of the global economic slowdown are looking to optimize their R&D, Clinical trials and other product development expenses by using the above factors to improve their gross margins.

- *Increase the number of projects in pipeline and reduce time-to-market:*

In a typical scenario, a US company will choose to keep core IP in-house while outsourcing non-core R&D and device development work to India. This provides the company with a broader scale of technical knowledge which is often used to advance non-core projects that otherwise may not receive attention, thus increasing the number of overall projects in the pipeline.

Time-to-market in another critical aspect of medical device development and any company would like to keep it to the minimum. Indian companies work on a strict time schedule because of the work flexibility, close contact with the vendors and high volumes of patient pool available. There have been instances where outsourcing CRO work to India has led to almost 80% reduction in time-to-market. As an example, an American device company that conducted a 100-patient study would have taken up to two years in the U.S. but took only three months in India. Data and information yielded from the study resulted in a net savings to the sponsor company of \$20 million.

Local Expertise for a Growing Market

- *Tapping the ever-growing Indian market:*

According to a recent study by Federation of Indian Chambers of Commerce and Industry (FICCI), the estimated market size of the Indian medical device industry is expected to be about \$5 billion by 2012,

with a 15-20 percent growth rate. Considering that Indian Healthcare Industry has high device reusability rate, the market is actually much larger than what the numbers indicate. Affordability by patients, increased awareness on health care, improved hospital infrastructure and increased disease incidences are listed as the primary drivers boosting the growth medical devices industry.

Hence for US medical device companies, another advantage of partnering with Indian companies is that it puts them in an ideal location to penetrate the vastly underdeveloped medical devices market, while also keeping product price and features closer to those typical of the region. Manufacturing devices in the Indian market would also eradicate many challenges these companies face in importing devices manufactured in the US into Asia.

GE Healthcare is developing products in India, specific for the local market. “These products are designed, developed and manufactured after studying specific Indian requirements to create access to high-end technology affordably to masses for quality healthcare,” says V Raja, president and CEO, GE Healthcare South Asia.

A perfect example of a dual product / market strategy would be that of Johnson and Johnson who launched its One-Touch Horizon Blood Glucose Monitor in India which was customized as per the local market demands. J & J was able to customize the product by slightly lowering the memory count and offering fewer personalization options, therefore lowering the price and making the product affordable in the Asian market. While doing so, they also found the product to be in equal demand in developed markets, and this offered them many different product and pricing opportunities worldwide.

Summary

With all the above advantages, US companies have started looking at India not just as a country of a billion people but as a market that provides huge opportunities for top and bottom-line growth.

Considering the world-wide economic slump, cost cutting and saving resources have become the mantra of existence for global companies. The medical device industry in India is well placed in this scenario and can offer competitive, cost effective services for all those who are ready to tap the huge potential and reap the benefits.

About the Author:

Kevin Norris is Vice President – Marketing, for Veol Labs, a medical device development company based in India. Veol Labs has expertise in designing both mechanical and electromechanical medical devices and works with leading medical device companies, paradigm changing startups and individual innovators to turn imaginative ideas into leading medical devices as per the US FDA and CE requirements. Mr. Norris is based in North America.