Gordon Institute of Business Science
University of Pretoria

Pharmaceutical companies' product pricing and entry mode strategies for emerging markets: A Case Study

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfillment of the requirements for the degree of Master of Philosophy (International Business).

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Abstract

The purpose of this study is to understand multinational pharmaceutical product pricing and its influence on entry mode strategies for emerging markets (EM), in particular South Africa. The study explored pricing and entry elements such as cost complexity, market attractiveness, entry mode approaches, value-based pricing, reference pricing, and generating a social license to operate, using a case study approach.

Findings revealed that, for improved entry, multinational pharmaceutical companies seeking to explore opportunities in EM need to develop pricing strategies that look beyond the margin and profit computations but rather consider strategies that are more responsive to the socioeconomic needs of the EM. Furthermore, the findings reveal the value of strategic partnerships with local governments in EM and medical aid funders to address the access and affordability challenge related to innovate pharmaceutical products.

A qualitative research methodology was used to gather the data. Twelve interviews were conducted to gain the insights of global and local participants knowledgeable about pricing and market access strategies. Participants included key executives and managers involved in the pricing and market access strategy formulation and participants from the department of health to provide context from the public sector perspective.

The key outcome of the research is a recommendation to expand on the elements considered during the pricing process. The recommendation is that factors that address social impact as well as market specific disease burdens should be the core of pricing strategies. Further that pharmaceutical product pricing should be a shared responsibility between pharmaceutical MNCs, governments and medical aid funders to agree on pricing frameworks that are suitable for the EM.

Keywords:

Internationalization, entry mode choices, pharmaceutical, product pricing, emerging markets, strategy.

Declaration

I declare that this research project is my work. It is submitted in partial fulfillment of the requirements for the degree of Master of Philosophy (International Business) at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university. I further declare that I have obtained the necessary authorization and consent to carry out this research.

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Kgositsile Kamogelo Mogamme

28 November 2022

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List of Abbreviations

Abbreviation	Long-form
EM	Emerging market
FDI	Foreign direct investment
GDP	Gross domestic product
GDP	Gross domestic product
IB	International Business
IMS	International market selection
JV	Joint venture
LOF	Liability of foreignness
MNC	Multinational company
Pharma	Pharmaceutical
R&D	Research and development
ROI	Return on investment
SEP	Single exit price
SLO	Social license to operate
VBP	Value-based pricing
WHO	World Health Organization
WOS	Wholly owned subsidiary

Chapter 1 – Introduction to Research Problem

1.1 Preamble

Pharmaceutical product pricing is a complex and sensitive issue which has caused debate among many policymakers, scholars, and governments internationally (Shaw & Mestre-Ferrandiz, 2020). The point of contention derives from the monopolistic pricing power afforded to a pharmaceutical company with a first-to-market product and the rising burden of disease in many countries (Rikap, 2021). Scholars concur that pricing alone creates business revenue (Phillips, 2021). The most crucial decision a pharmaceutical company has to make post production is determining the price it will set for its goods. Kolter and Armstrong (2018) said that "price is the amount of money the customer is willing to pay for a product or service based on the perceived value the product garners" (p. 263). The components of supply and demand are the foundation of economic theory of price; economists have asserted that the optimal price is realized when consumer payments for goods and services equal the marginal cost of production and that prices for goods and services should increase when demand exceeds supply and decrease when supply exceeds demand (Gordon, 2022).

Price setting in the pharmaceutical industry can be a complicated and delicate exercise that must strike a balance between protecting the value of innovation, driving increased access to innovative treatment solutions, and profitability (Schweitzer & Lu, 2018). In most instances, the pharmaceutical product pricing process would involve extensive engagements with government agencies and medical insurers (Teramae, 2020). Studies have shown that the adoption of specific pricing strategies for market entry has hampered research and development (R&D) efforts in focused therapeutic areas to aid in reducing the increased global disease burden. Pharmaceutical companies typically justify premium pricing strategies based on recovering R&D costs.(Murray et al., 2020).

Dunlop (2018) said that pricing solutions for emerging markets (EM's) must be innovative and that pricing strategies must meet clinical outcome expectations in the target market, address unmet needs, and have an acceptable budget impact internally and externally. This position is most clearly articulated in various pricing frameworks referenced in the context of the pharmaceutical industry; specifically value-based pricing (Kaltenboeck & Bach, 2018), outcome-based contracting (Jørgensen et al., 2020), reference pricing (Kanavos et al., 2017), as well as volume-based pricing. Only through evaluating these pricing frameworks would it be plausible to state that the frameworks are applicable when pricing for EM's, particularly

South Africa. Understanding how prices affect pharmaceutical companies' entry patterns in EM and the significant cost of untreated ailments in areas with no entry is crucial, in addition to understanding price setting for markets like South Africa. (Tannoury & Attieh, 2017).

1.2 Pricing for emerging markets

Price setting for EM's presents numerous challenges for multinational companies (MNCs). The challenges are attributed mainly to the macroeconomic environment in emerging markets caused by fluctuating inflation rates, volatile currencies, and shifting interest costs (Danzon et al., 2015). Scholars have demonstrated over time that current pricing models in established markets may not always be applicable to EM (Moon et al., 2020).

Empirical research demonstrates that stakeholders in emerging markets have a different perception of products and services from those in developed markets and that stakeholders in emerging markets have grown increasingly price-sensitive (Vuong et al. 2018). The consumer price sensitivity in EM's has presented a debate on access limitation, situating Pharmaceutical MNCs at the centre of the debate for excessive pricing and incomprehensible strategies with emerging economies. Researchers highlight the idea that this argument stems from pharmaceutical MNCs' reliance on conventional pricing frameworks for goods necessary for the disease prevention and treatment in emerging markets, which has led to discussion for the protection of individual and societal health in these markets (Schweitzer & Lu, 2018).

Strong cases have been made for cost containment measures to be adopted to achieve equitable pricing and affordability for consumers in EM's (Mossialos & Le Grand, 2019). Some of the proposed containment measures include the review of current patent laws, which have resulted in monopolistic pricing and market exclusivity for innovative treatment solutions by the MNCs (Mossialos & Le Grand, 2019). For example, in South Africa, the patent laws protect any originator or new molecule registered in the market, guarantying exclusivity for 20 years (Patents Act 57 of 1978). Conversely, the MNCs have argued that proposed cost containment measures threaten innovation and could lead to disinclination in investing in essential research for difficult-to-treat non-communicable diseases in EM's (Sweitzer & Lu, 2018). There is still a significant scholarly need to delve more into the phenomenon of pharmaceutical product pricing, its impact on emerging markets, and how pharmaceutical MNCs might adjust their pricing strategies for better access in EM.

1.3 Market Entry Strategies: The Theoretical Perspective

The resource-based view (Beamish & Chakravarty, 2021) and the institutional theory (Kostova & Marano, 2019) are two theoretical approaches to entry mode decisions that have been accepted by international business (IB) researchers. The scope of this study is limited to internationalization theory. The theory makes two key assumptions; the first is that when economic operations are more advantageous in terms of cost and effectiveness, they are conducted within the company. The second relies on the company's readiness to take part in FDI activities if the expected return on investment (ROI) is greater than that of domestic investment (Surdu et al., 2021).

The internationalization theory acknowledges the importance of management in the decision of entry mode and offers a dynamic view of entry mode tactics. (Schellenberg et al., 2018). The common internationalization models and approaches include the Uppsala model (Vahlne & Johanson, 2017), which assumes that the process of internationalization begins in foreign markets that are near the domestic market. More recently, the born-global phenomenological approach, these are firms that do business globally within three years of being established rather than taking the gradual internationalization process (Falahat et al., 2018). and international new ventures (Oviatt & McDougall, 2018). The internationalization hypothesis, according to Melin (1992), only applies in the early stages of internationalization and is not grounded in rational analysis. According to other academics, the concept of internationalization is overly predictable and sequential (Chetty & Eriksson,2002; Mardanov, 2003).

1.4 Liability of Foreignness

The history of the MNCs is solidly formed on the trade facilitation between markets and their communities (Kogut, 2021). The theory of the MNCs denotes that firms that participate in FDI possess firm-specific advantages, which can help them overcome the cumulative liability of foreignness (Wan et al., 2020). LOF refers to the inherent costs incurred by MNCs when doing business in foreign markets; these costs are driven by the company’s unfamiliarity with the environment, culture, politics, and economic differences in the target market(Wan et al., 2020).

The choice of entry is critical in establishing relationships in host countries as firms need to build local responsiveness to achieve vertical integration (Najafi-Tavani et al., 2018). There are two schools of thought on how MNCs can overcome the LOF; the first is leveraging firm-

specific advantages to neutralize the host country's challenges. This choice by an MNC often leads to wholly owned subsidiaries (WOS) being established in host countries. The other is leveraging local resources that supersede any investor weakness; this choice would often lead to joint ventures (JVs) with local firms, making it easier for the MNC to tap into local resources and establish relationships (Cao & Alon, 2021).

Often, pharmaceutical MNCs prefer WOS even though, in most cases, the force behind this choice of entry and FDI is the exploration of local resources (Araja & Sumilo, 2020). However, due to an overreliance on the corporate headquarters and a lack of subsidiary autonomy, particularly in emerging markets, the majority of pharmaceutical MNCs fall short of achieving local responsiveness. The majority of the time, pharmaceutical production is not restricted to the host nation. The emerging market is then positioned as an import market with a complex supply chain that contributes to the access challenges faced by several African markets (Najafi-Tavani et al., 2018). This calls for studies examining whether pharmaceutical MNCs should organize their manufacturing capabilities and resources to drive local responsiveness, especially in emerging markets such as South Africa.

1.5 The Business Case

A large number of patients in emerging markets lack healthcare insurance and pay out-of-pocket for pharmaceutical products or depend on external medical aid to gain access to innovative treatment solutions (Jakovljevic et al., 2017). According to the World Health Organization (WHO), 29% of developing market health expenditures is covered by foreign help, while out-of-pocket expenses account for 44% of that spending. (World Health Organisation, 2021). The old, aged argument has always been that pharmaceutical premium pricing and internationalization strategies present a growing access challenge for several global markets, which calls into question the sustainability of the systems that drive innovation and profitability for pharmaceutical manufacturers (Teramae, 2020).

Over the years, emerging markets have presented growth opportunities for different industries and multinational companies, leading emerging markets to become key players in international business (Grosse, 2018). Although the opportunities presented have been lucrative for several multinational companies entering emerging markets, pharmaceutical companies have faced harsh implications that have prevented pharmaceutical MNCs from stepping up their capabilities in emerging markets (Teramae et al., 2020).

Pricing and availability of pharmaceutical products have drawn a lot of attention in emerging economies as these regions struggle to control their rising healthcare costs. Governments have responded by introducing stronger regulations and procedures for funding and pricing of pharmaceutical products (Gray et al., 2015). These restrictive policies and regulatory requirements in emerging markets have made it increasingly difficult for pharmaceutical MNCs to enter these markets and solve issues related to equitable access to healthcare treatment (Ben-Aharon et al., 2017). In addition to the restrictive product approval and pricing policies, pharmaceutical MNCs often need to navigate through layers of jurisdiction and siloed healthcare landscapes marred by poor healthcare standards, unskilled labor, and the lack of infrastructure, which compound the entry challenges in emerging markets (MacNeil, 2021).

Scholars have proposed that pharmaceutical MNCs can address these macro-environmental challenges through well-established market access frameworks, which will assist companies in implementing and monitoring stakeholder engagements and initiatives for infrastructure strengthening (Kumar, 2014). Conversely, research has shown that the implementation of such access frameworks may require additional capital and headcount investment for early integration of market access and health economic considerations, the development of solid partnerships with regulators and funders, as well as human resource management, which could drive up the cost of entering emerging markets for pharmaceutical companies (Koch, 2015).

In summary, pharmaceutical MNCs have learned that exploring entry opportunities in emerging markets and operating out of a robust institutional environment does not necessarily confer advantages when entering emerging markets, as the MNC will still face the LOF presented by social and economic costs which may have a significant impact on the company’s sustainability and profitability (Teramae et al., 2020).

1.6 The Research Context

Reports issued in 2019, reflect that 70 to 90% of the pharmaceuticals consumed in Africa, estimated at $ 14 billion, were imported from Europe, the United States, and China (Conway et al.,2019). Although research on pricing and entry mode strategies has been extensive in emerging markets such as China, Brazil, Russia, and India, Africa remains underrepresented in this literature despite the notable pharmaceutical MNC activity in Sub-Saharan Africa and existing studies on pricing in South Africa (Moodley & Suleman, 2019).

This study is premised on the affordability and availability of pharmaceutical products in emerging markets, particularly in South Africa. Governments, health insurers, and patients are concerned about the rising costs of medications in EMs, both in the public and private sectors. A number of factors, including the gross domestic product (GDP) of EMs, per capita spending, sociodemographic characteristics, and notably pricing techniques used by MNCs, have an impact on the issue of rising expenditure (Stepovic, 2019).

Mirzoev et al. (2021) state that for pharmaceutical MNCs to achieve successful entry into EMs, they must demonstrate that their pricing strategy aligns with the target market's macroeconomic factors and institutional and policy considerations rather than innovation and production costs. This study expands on Cameron et al. (2009) investigation of the costs, accessibility, and affordability of medications in low- and middle-income nations; it is based in South Africa but incorporates knowledge from other EMs.

1.7 Research Aims and Questions

This research aims to understand whether pharmaceutical product pricing influences MNCs' entry mode decisions in EMs. Specifically, this study investigates pharmaceutical MNCs from developed markets exploring opportunities in emerging EMs, particularly South Africa.

In addition to opportunity exploration in emerging markets, two key factors that influence pricing and entry decisions will be explored. First, the idea of cost-plus pricing as a deterrent to innovative treatment in EM will be investigated (Deshpande, 2018). This study direction will work to explore the difficulties that this pricing approach for MNCs entering EMs presents in greater detail. . Secondly, MNCs grapple with additional costs when exploring modes of entry in EMs by investigating the challenge of market access and affordability faced by MNCs in EMs (Wan et al., 2020). A key resource that could boost a company's competitive edge is the pricing and entry of pharmaceuticals into South Africa, which are not well established.

The main research question that directed the research, is: **How do pharmaceutical product pricing strategies influence the entry mode choices of MNCs in emerging markets?**

Three sub-questions explore the external factors that influence successful entry into emerging markets and how these can be translated into advantages for pharmaceutical MNCs:

Sub-question 1: What additional factors or barriers beyond those that are transaction-specific influence the entry mode choices of MNCs in emerging markets?

The question aims to understand the barriers to entry in emerging markets and how these could be considered in the opportunity-scoping process.

Sub-question 2: How can the value chain of the pharmaceutical MNC be improved to ensure that differentiated pricing for emerging markets, particularly South Africa, is achieved?

The question explores whether there is scope for revisiting the pharmaceutical MNC value chain for improved pricing for emerging markets.

Sub-question 3: What role should a pharmaceutical MNC play in fostering public and private partnerships for improved entry into an emerging market?

This question seeks to understand pharmaceutical MNCs' extent of engagement and collaboration required with governments and key stakeholders within the healthcare industry in emerging markets for a successful entry.

The research questions guided the methodology and design of the study, which are described in Chapter 4.

1.8 Relevance and Contribution of the Study

Numerous academics have extensively explored the pricing and entry mode phenomenon in European, American, and Asian settings. However, they have little understanding of this phenomenon in Africa. For example, while Bangalee and Suleman (2018) The relationship between ex-factory product pricing and the entry mode choice of MNCs in the market has not been considered to the extent to which it affects the end user, according to a recent study on the effectiveness of the single exit price policy and the lack of price transparency by pharmaceutical MNCs in South Africa.

Three ways in which the study's findings will add to the body of literature. First, the study will seek to advance our understanding of ex-factory product pricing. By exploring applied pricing strategies for innovative treatment options in different therapeutic areas, this study extends product pricing research in the pharmaceutical discipline, which has tended to examine pricing in general (Light, 2018).Second, by using empirical data on how product cost affects judgments about access to treatment and entry mode, this study will add the context of EMs to the entry mode frameworks beyond the available transaction-specific factors that are well established in the literature (Shen et al., 2017).

The study will explore the context of LOF for MNCs in the Sub-Saharan African context and how MNCs may overcome this phenomenon from a business perspective (Wan et al., 2020).

Finally, the study will attempt to add to internationalization literature by studying its application in the pharmaceutical industry in the South African context. This study will provide data from semi-structured interviews, making it a qualitative study using a chosen case to concentrate on a real-life setting and place. This is in contrast to most contributions to the literature on pricing and emerging market entry mode tactics.

This study's supporting literature review is highlighted in the following chapter. The study's conclusions should be of interest to academics, business professionals, and legislators who are interested in the price and entry mode issue in the pharmaceutical industry from a South African viewpoint.

1.9 The Report Structure

The foundations of the study have been established in this chapter, along with a research topic and various gaps in the body of existing literature. It is critical to comprehend the relationship between pricing constructs and entry mode tactics for emerging markets. The emphasis of this study, which is to examine the pricing and entry decisions made by MNCs for emerging markets, is clearly defined by the research problem.

The research report is structured as follows:

Chapter two establishes a connection between the three scholarly bodies by analyzing the key literary contributions and the entrance method and pricing theories, then applying these theories to the situation of the pharmaceutical MNC in emerging countries.

Chapter three deliberates the research questions and aims.

Chapter four explains the data collection and analysis methods utilized in this qualitative investigation.

Chapter five outlines the research findings from the policymakers and industry experts whose opinions were consulted.

Chapter six by integrating the findings with earlier debates in the literature, gives a thorough interpretation of the findings.

Chapter seven concludes the research, discusses the limitations, and recommends future studies.

At the end of this document are **appendices** that contain the pertinent data used in the study process.

Chapter 2 – Literature review

2.1 Introduction

This review's focus is on the pricing and entry mode phenomena as they are supported by research on pharmaceutical pricing tactics in developing countries. Peer-reviewed scholarly material that was published between 2016 and 2021 lends additional support to the study.

This chapter attends to five major concepts. The concept of internationalization and market attractiveness are discussed in sections 2.1 and 2.2, respectively. Section 2.3 looks at emerging markets' attractiveness. Discussions on differentiated entry mode follow this approach for emerging markets in section 2.4. Section 2.5 presents literature on the cost complexity of pricing for emerging markets and explores the interdependencies between environmental and company-specific variables. Section 2.6 examines the ability of MNCs to leverage pricing strategies to generate social licenses for trade in emerging markets, particularly in the South African context.

2.2 Internationalisation Theories And Market Selection

The history of multinational corporations and internationalization is deep-seated in colonialism and trade, where colonial powers set up port cities to facilitate trade between the mother country and a colony (Wilkins, 2009). Economic and business historians set out that internationalization theories are concerned with examining the rationale behind a firm’s decision to participate in activities in other markets (Buckley, 2018). Merlin (1992) and Bradley (1995) suggest that management’s decision to participate in the outward movement of the firm’s resources is based on two measurements, the first being the selection of a target market and the second is deciding on the choice of entry in that market. Authors have said that this definition of internationalization constricts the underlying influential factors such as cost, market, and political drivers, which have a significant impact on successful entry. And have added that an internationalization model which considers these factors may offer a more holistic view of the entry mode decisions (Whitelock, 2002; Mihov & Naranjo, 2019). The four conventional theories of internationalization are described in table 1 below.

Table 1: Conventional theories of internationalization

Theory	Theorist	Explanation
The Eclectic Paradigm	Dunning (1977)	The paradigm takes into account a number of factors, including transaction costs and firm benefits to explain the reasoning behind a company's choice to engage in international business and expand outside of its native country.
The Uppsala model	Vahlne and Johanson (1977)	The model explains how businesses expand internationally. The model was recently improved to examine how MNCs progressed from their first forays abroad to become a truly global company.
Foreign Direct Investment	Paul and Feliciano-Cester (2021)	The theory describes the actions of a company from one country in establishing an enterprise in another country. The relationship comprises a parent enterprise and an affiliate in the investment country.
Interactive network	Whitelock (2002)	The theory describes a network of firms engaged in different initiatives through which lasting business relationships are established.

Source: Authors' own

Dunning (2015) stated that MNCs seeking growth opportunities in EMs often encounter challenges related to political instability, cultural distance, poor communication, and poorly developed distribution systems and infrastructure. The macroeconomic and political factors influence international Market selection (IMS) although scholars discuss that IMS driven by political and macroeconomic factors fails to allow for the possibility of dynamism, globalization, and EM characteristics which are connected to the markets and, as such a more customized selection analysis are required for exploring opportunities in emerging markets (Sakarya et al., 2007; Mersland et al., 2020).

A review of internationalization literature presents several explanations behind a firm's market selection and entry decision. Hymer (1976) argues that MNCs usually have substantial technological and institutional advantages to leverage for overcoming the LOF. Vernon (1966) introduced the concept of a sequential entry mode which involved companies going through stages of intensifying investments in overseas markets. The proposed transaction cost theory by Williamson (1975) recommends that companies should lower transaction costs that influence a company's selection and entry decisions. Dunning (1988) argued that the internationalization decision is influenced by economic theory and that IMS and entry decisions are primarily driven by location, internalization advantages, and culturally based ownership. Traditional IMS methods allow MNCs to screen countries of interest on a large

scale; however, grouping and ranking methods do not consider market specificity and the strategic dimensions within emerging markets (Mersland et al., 2020). MNCs have adopted these traditional internationalization methods for IMS and entry into EMs. Some authors have said that adopting these traditional approaches to internationalization has led to entry failure for MNCs in EM (Magnani et al., 2018). They have attributed such failure to the MNCs' lack of understanding of the institutional voids in EM (Gao et al., 2017). The importance of understanding the institutional voids in emerging markets is explored further in the following sections.

2.3 Emerging Market Expansion Decisions - Market Attractiveness

A body of well-established literature on market attractiveness exists. The attractiveness of a market is closely linked to the potential opportunities for a company in a specific territory (Paul, 2019). Porter (1980) asserts that there are two factors that affect market attractiveness: entry barriers and competitive responses. Porter cites scale economies, product differentiation, capital needs, switching costs, access to distribution channels, and government regulations as entry obstacles (Porter, 1980). Competitive responses are influenced by factors common to the pharmaceutical sector, such as slow industry development, commodity products, high fixed costs, concentration, and a focus on market positioning (Bruijl & Gerard, 2018). The soundness of the market attractiveness assessment or evaluation is crucial for informing strategic control and essential in positioning the MNC in the target market for long-term forecasting with the expectation to yield profitability (Paul, 2019).

Haller (2016) said that the higher the market attractiveness, the higher the average return on capital. Other scholars have indicated that the more favorable a market positioning is then the higher the risk factors associated with that target market (Bhaumik, 2016). The current competitive advantage of a firm in a market is an example of an internal influence element. A company's success in a new market is dependent on a variety of external and internal influence factors. The resources and key competencies of the organization have a role in this influencing element (Miller, 2019). Therefore, on this basis, the assumption is that MNCs non-harmoniously allocate resources according to the resources-based approach (Assensoh-Kodua, 2019). This premise creates a basis for a resource-based competitive advantage by allowing (Assensoh-Kodua, 2019). Barney (2002) provided that the following requirements listed in table 2 below must be met for an MNCs internal resources to reach any strategic relevance in the target market:

Table 2: MNC Internal resources for competitiveness

Scarcity	Capacity for imitation and substitution	Value
A company's resources must be distinct in order to achieve exclusivity in a target market because resources that are also available to rivals cannot serve as the foundation of a resource-driven competitive advantage.	There must be limited imitability of the company strategy and resources by competitors.	A resource ought to be valued; resources ought to be seen as valuable when they allow a business to seize opportunities or

Source: Author's own

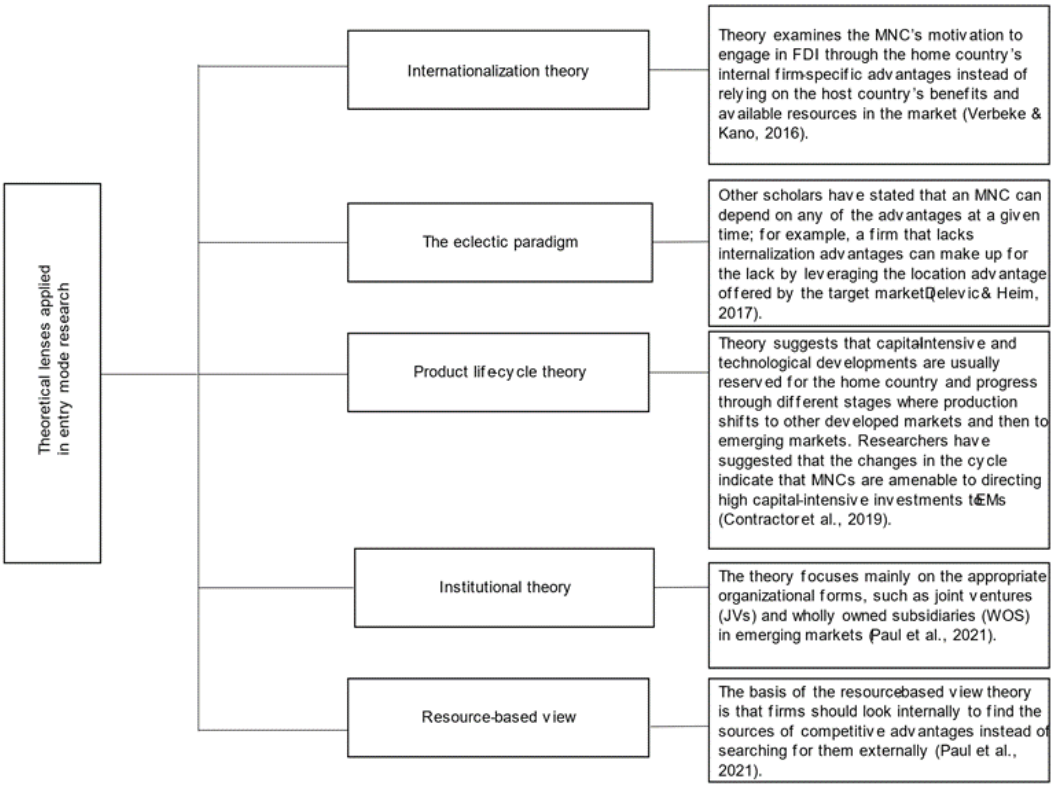
The conditions of a target market are key to the success of an MNC; the target market's requirements are external and not within the control of the MNC (Rottig, 2016). This perspective is grounded in the industrial organization approach, which holds that a market's structure is the key determinant of an MNC's success (Rottig, 2016). This means that the market structure, which according to Porter (1992), consists of the customers, suppliers, and competitors, the rate of substitution of products directly impacts the company's performance in the target market. For instance, a target market with significant vendor competition and low profitability may show low demand growth and a high fraction of fixed expenses. However, strong barriers to entry have a favorable impact on profitability in the target market (Porter, 1992). By calculating the means of the variables market potential and market growth, market attractiveness can be identified (Assensoh-Kodua, 2019).

Authors have said that although emerging markets are attractive for expansion, MNCs need to rethink their core guiding entry strategies as some challenges are specific to emerging countries and must be addressed before any real gain and or profit can be realized by the MNC (Paul, 2019). Over the years, researchers have developed theoretical frameworks to help firms assess market attractiveness considering macro-micro and political influences in the context of developed countries; there remains an opportunity for researchers to apply the feasibility of these frameworks and models using data from emerging markets, mainly African emerging markets (Paul, 2019).

2.3.1 Direct Influence on entry mode choices

One of the topics most extensively studied in international business is MNCs' methods for entering foreign markets. Figure 1 below summarizes the most pertinent theoretical perspectives used in entry mode research.

Figure 1: Theoretical lenses applied in entry mode research



Source: Authors' own

According to Brouthers & Brouthers (2003), the choice of entry-mode is influenced by factors that are industry-specific. Examples of factors influencing producers' entry-mode choices include the investment-intensive nature of manufacturing, environmental uncertainty, and risk inclination. While asset specificity, trust propensity, and behavioral delays affect service providers' entry-mode decisions.

Literature suggests that potential factors influencing an MNC's decision to enter foreign markets include economic, political, legal, cultural, and international experience (Schellenberg, 2019). MNCs cannot directly influence certain external forces, but they can have some effect over them. MNCs can respond to changes in the uncontrollable forces of the targeted market by managing internal forces, which are controllable forces (Schellenberg, 2019).

2.3.2. Entry mode contingency - Dunning's eclectic paradigm

The success of a firm's worldwide operations is impacted by the entry mechanism it chooses for a target market; earlier research suggested that this choice is influenced by the firm's strategic intentions for its processes in various markets (Almor, 2018). Dunning's OLI frame (Ownership, Location, Internalisation) denotes a practical approach to gauging and assessing factors influencing MNCs' foreign production and growth capabilities (Dunning, 2001). The ownership (O) advantage establishes that the more competitive the investing firm has compared to other firms in the target market, the higher the probability that the firm is interested in investing in that market. Location (L) advantages refer to the attractiveness of other regions or countries for establishing production capabilities by the MNC in the target market; thus, the more natural and environmental benefits a country has which can be used by the MNC together with its competitive advantages, the higher the probability of the MNC engaging in FDI in a target market. The third paradigm presents a framework, Internalization (I), that enables MNCs to assess their internal resources and core competencies given the attraction of the target market; therefore, the higher MNC's ability to internalize the target markets product market, the higher the probability of the MNCs engagement in foreign localization rather than licensing the rights of production (Dunning, 2000).

Dunning's OLI framework expanded the traditional research spectrum in IB by shifting the focus from MNC firm-specific advantages and country-specific advantages as units of analysis to adding the effects of location selection as a critical paradigm for an MNC's international growth potential (da Cruz et al., 2020). A wide range of theoretical approaches have been used in empirical investigations of the determinants affecting FDI location, using diverse techniques and variables (Jain et al., 2016). Several IB scholars have acknowledged the advancement in IB theories; however, they have said that Dunning's framework is the most suitable for MNCs in developing internationalization strategies (Jain et al., 2016). The vigour of the framework is said to be in its potential to allow for MNCs to explore different interactions between several IB perspectives, providing a holistic view of the foreign production phenomenon and required analysis (Mbalyohere et al., 2017).

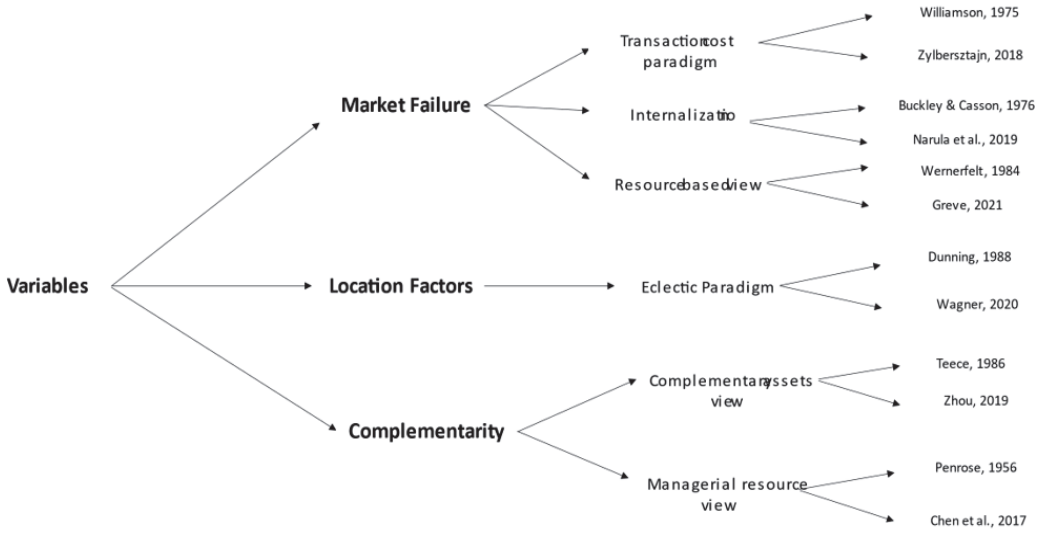
The eclectic paradigm has prompted some extensions from different writers over time. A political dimension was added to the paradigm, for instance, by Mbalyohere et al. (2017) in emerging markets like Uganda. Park and Roh (2018) proposed the OILL framework, which focuses on FDI from emerging MNCs to developed markets. In modern literature, Dunning's eclectic paradigm continues to be the preeminent theoretical framework for elucidating the scope, pattern, and geographic distribution of an enterprise's international value-adding operations (Wagner, 2019). The eclectic paradigm has been attacked for its resultant fragmented reference to the theory, which many researchers have argued leads to doubt,

despite its pioneering significance and its general application in describing MNC's internationalization process (Rugman, 2010) paradox (Hennart, 2012) and obscurity (Nayak & Choudhury, 2014).

2.4 Entry Approaches For Emerging Markets

Over time, the growing importance of EMs has helped generate significant studies on the entry mode choices adopted by MNCs (Buckley, 2018). In the field of international business, research on entry mode selection has flourished. Transaction cost theory (Andreson & Gatignon, 1986), corporate strategy (Contractor, 1990), and the learning perspective are some of the theoretical frameworks that have been used in earlier studies (Barkema & Vermeulen, 1998). These studies have advanced the idea that the MNC's purposeful efforts to increase its competitiveness, efficiency, and control over its essential resources are the basis for entry-mode choice decisions. The decision as to whether an MNC will enter an EM via a JV or as a WOS has been in the spotlight of IB research (e.g., Guillèn, 2003; Yiu & Makino, 2002). There are numerous factors that go into understanding an MNC's choice of entrance mode because choosing an entry mode is not only an economic process but also a management one. (Jiang et al., 2018). The most researched variables are summarized in figure 2 below; scholars have said that these variables have been instrumental in distinguishing the types of entry modes.

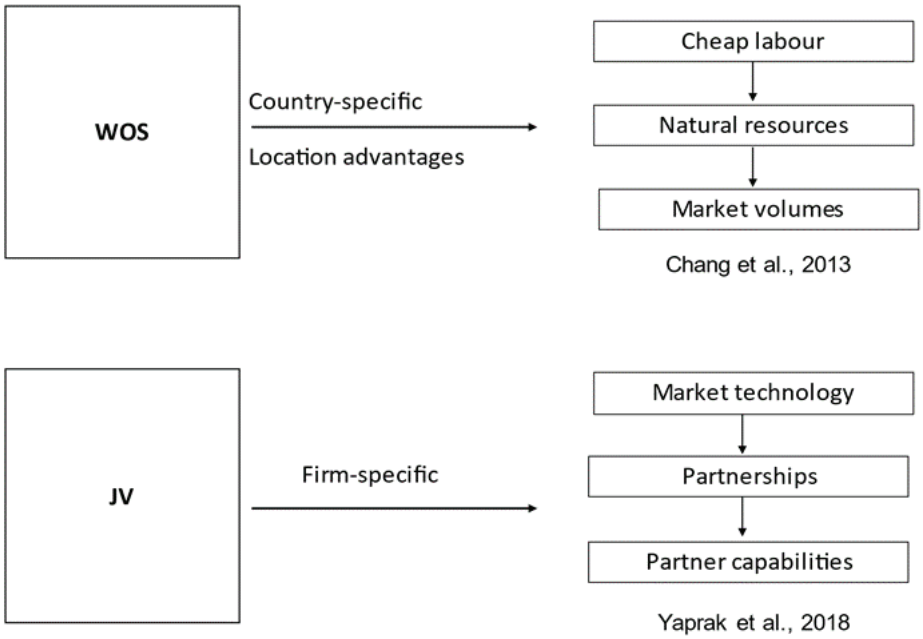
Figure 2: Entry mode-related variables



Source: Author's own

The three principal theories under the market failure variable explain the growth of an MNC and posit that FDI occurs primarily in imperfect markets, which then determines the degree of market failure (Jackson & Jabbie, 2020). For example, increased import tariffs by the target market cause a higher level of market failure. As such, the MNC will have more incentive for internalization (Leih & Teece, 2018), as Dunning mentioned earlier in his eclectic paradigm model highlights the advantages of ownership, internalization, and optimal geographic location in the FDI process. To better understand entry mode choices, it is crucial to distinguish between country and firm-specific location factors and advantages (Yaprak et al., 2018) this is illustrated in figure 3 below.

Figure 3: Country and firm-specific advantages for entry choice



Source: Author's own

If an MNC is interested in a generic country-specific advantage of an EM, then the MNC would go for a WOS in the target market. However, if the MNC is interested in a particular firm-specific advantage, then the MNC would prefer a JV in the targeted EM (Yaprak et al., 2018). The MNC's capability to overcome the liability of foreignness (LOF) depends on its selection criteria for WOS and a JV. An MNC's strategy calls for balancing the development of new resources with the exploitation of already-existing ones (Zhou, 2019). Scholars have indicated that this balance between the advantages and disadvantages of exploiting and developing resources in the target market should be considered in the entry mode decisions (Doh et al.,

2017). The complementary asset viewpoint is based on a value chain perspective that encompasses organizational skills as well as tangible and intangible assets (Zhou, 2019). The assets that support a company's main goods or core businesses are its core assets; complementary assets are core assets that are used in the production and management of an enterprise (Zhou, 2019).

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In addition to the above entry mode variables, the institutional environment of an EM forms part of the MNC’s critical considerations in the FDI process. The institutional environment of a target market impacts the MNC’s strategic decisions and actions; EMs have been said to have underdeveloped institutions, which usually serve as the foundation on which MNCs from developed markets thrive, thus creating institutional voids rendering MNCs incapable of executing transactions in the targeted EM (Doh et al., 2017). The link between institutional emptiness and resource commitment is critical for IB in EMs both conceptually and practically. In light of this, the majority of IB research in EMs expressly and implicitly deal with voids (Liedong, 2020). According to Doh et al. (2017), MNCs can fill gaps by internalizing, substituting, borrowing, and signalling; however, these tactics typically do not show a resource commitment from the MNC. Although cultural distance does not necessarily translate into institutional vacuum, Beugelsdijk et al. (2018) study the cultural distance and the MNC's internationalization. Institutional voids constrain EMs, preventing developed market MNCs from committing downward FDI. This implies that deficiencies in institutions can obstruct the internationalization process. Whether an MNC decides to invest in foreign operations depends on the caliber of the host nation's market-supporting institutions (Liedong, 2020).

2.4.1 Relationship between host country regulations and FDI inflows

Studies on FDI inflows focused on macroeconomic variables to explain market differences (Boateng et al., 2015). Regulations in markets have been defined to govern the movement of FDI; however, it has been said that regulatory constraints influence a company’s behavior or limit its best choice (Contractor et al., 2020). Institutional theory classifies regulations into three categories: cognitive regulations, which refer to informal societal knowledge; normative

regulations dealing with relaxed social norms; and regulative referring to formal governmental regulations (Mudambi & Navarra, 2002).

These three classifications are said to make up a country's business environment. IB scholars have noted the inverse nature of regulations stating that regulations may have the opposite desired effects in two different markets. They could produce positive results in one market while driving negative growth in the other. FDI inflows are influenced by societal and cultural standards, according to authors; however, governments have little authority to change these norms. Governments have the power to alter market rules and legislation to welcome foreign direct investment. Hill (2016) argued that, for multinational strategies, formal regulatory elements are typically more important than cultural and cognitive aspects in the host country. To some extent, a society's fundamental norms, preferences, history, and culture are reflected in its laws and regulations.

Researchers have investigated the reverberations of variations in many markets and compared the FDI inflows. However, the research have only addressed one or a few regulatory variables at a time or largely focused on one region at a time (Contractor et al., 2020). Contractor et al. (2020) indicated that attention in research must be directed toward understanding the dissimilarities in regulations and laws which affect the initial FDI inflows or entry mode choice.

Research on FDI inflows toward Africa has intensified over the years; however, this has not translated to the MNCs' technical know-how on doing business on the continent in a manner that is market appropriate and drives market responsiveness (Marandu, 2019). IB research has concentrated on entry mode choices of MNCs and the globalization of several EMs; however, studies of this nature in Africa have been limited. Oguji et al. (2021) assert that most of the research on entry mode choices into Africa has indicated that the common entry strategies have been international joint ventures (IJV). However, these entry tactics have proven difficult for MNCs entering Africa to implement due to the substantial institutional gaps between African markets and the MNC home nations (Oguji et al., 2021).

2.5 Price Theory

Understanding price theory is necessary to comprehend economic activity in terms of the creation and transfer of value (Weyl, 2019). If things are bought and sold in a market, prices will rely on the equilibrium between supply and demand. In a free market economy, producers often aim to charge the highest feasible price that is reasonable for their goods and services,

whereas consumers want to pay the lowest price possible to purchase them. Market forces will eventually bring the two parties together at a price that both consumers and producers are willing to accept (Banton, 2022). When the quantity of an item or service available equals the demand from potential buyers, it is said that the market has reached equilibrium. According to the concept of price theory, prices may vary as market conditions alter. Since agents can freely enter and quit the market, economic conditions can change over time, and not all market players have access to the same information, we cannot realistically expect markets to always remain in equilibrium (Weyl, 2019). When this happens, the issue of how to value assets in EMs comes up. The equilibrium point is the spot on the graph where the intersection of the supply and demand curves for a specific good occurs. Or, to put it another way, the price at which the quantities that producers are willing to deliver, and consumers are willing to buy are exactly matched (Banton, 2022).

Price discrimination is the act of offering various consumers different quantities of the same commodity at various costs. In many cases, a vendor must place emphasis on observable qualities because the willingness to pay for a good is private knowledge of potential customers and is, therefore, unknown to a vendor. The market power of any given corporation tends to decrease with the existence of additional businesses. The requirement for this company to anticipate every other firm's behavior is the main factor. Limit pricing is a strategy used by an established company in an industry to prevent competition by setting prices below the long-run average cost. This helps the incumbent firm maintain its dominant position. On the other hand, a monopolist firm's ability to set prices is naturally constrained by the mere possibility of competition because of the necessary initial outlay (Weyl, 2019).

2.6 Value-Based Pricing

Value-based pricing (VBP) refers to the extent to which management bases pricing decisions on how consumers weigh a product's advantages against its cost (Kienzer, 2018). Numerous marketing academics have connected VBP to profitability, yet the majority of businesses continue to prioritize cost-based and competition-based pricing (Liozu, 2017). In order to determine VBP price, information concerning customer value must be found, analyzed, and communicated. The majority of the time, firms have distinctive pricing strategies that can be defined by the type and the degree to which managers base their decisions on information about costs, competition, and customers' perceived value (Kienzer, 2018). VBP prioritizes the needs of the consumer, and there is empirical proof that it is superior to alternative pricing strategies.

MNCs must deal with challenges of subjectivity, uncertainty, and complexity when implementing pricing strategies that prioritize customer perception of value. More challenging to get, analyse, and comprehend than other information frequently employed in pricing procedures is data regarding customers' perceived value. Although the literature on pricing strategies recognises the significance of environmental complexity, the issue of how this influences managerial pricing methods is still largely unexplored (Kienzer, 2018). The concept of VBP with regard to pharmaceutical products has gained increased momentum, however individual patients as well as health systems (Garner et al., 2018). The logic behind it appears to be relatively straightforward: health systems should pay comparable sums for goods that have the same therapeutic impact or "value." This has proven to be more challenging, especially when deciding which criteria should be included in "value" assessments. On the other hand, it might be challenging to base decisions solely on cost-effectiveness ratios when determining prices. For instance, should "innovation" command a premium regardless of its potential therapeutic advantages? Industry has advocated in favour of this strategy to assure ongoing innovation, but it can be challenging to assess the value of innovation, especially when the expenses of research and development are opaque (Garner et al., 2018). The empirical literature on VBP presents several proposed pricing approaches, which are outlined in table 3 below.

Table 3: Proposed VBP Approaches

Authors	VBP Approaches
Liozu (2017)	investigates how VBP is viewed and the challenges it encounters in practice. examines how VBP affects margins and finds the key variables that have an impact on business units' profitability and pricing power as a result of VBP.
Chung (2017)	provides a conceptual framework to explain what results in the successful implementation of the "Pay What You Want" pricing mechanism, a participative pricing model where the consumer fully determines the price.
Johansson et al. (2017)	Explain the differences between centralized and decentralized systems. It is up to the value evaluation to determine Value generation capabilities of the organization and the within specific market categories, variances in value-in-use for various customers.
Stoppel & Roth (2016)	Analyze whether a VBP strategy is suitable for pricing systems that are focused on both products and customers. They provide a more thorough definition of the word "pricing scheme" and classify different customer- and product-centred.

Source: Authors' own

Although value-based pricing is widely advocated, the majority of MNCs concentrate on cost- or competition-based pricing. Although VBP is now a rising orientation and methodology rather than a severely underutilized pricing orientation and prospective procedure, there is still room for development.

2.7 Reference Pricing

Reference pricing is a method for setting prices or one of the elements influencing pricing and reimbursement choices. The technique works by selecting prices from a group of reference countries (Kanavos et al., 2020). The decision is based on four main elements. Geographic closeness to the benchmark nation; identical GDP levels; comparable socioeconomic conditions; and ad hoc concerns, such as optimum price levels, are the four criteria used as a benchmark. Typically, the lowest price in the basket is used to compute the reference price, but other methods, such as the average or median, are also sometimes employed (Kanavos et al., 2020). It is therefore more difficult to assess the effects of reference pricing than those of other pricing schemes since reference pricing systems vary widely in how they are implemented.

Due to the potential detrimental long-term impacts on dynamic competition, economists are less inclined to use reference pricing. The possibility of manipulating the model by strategically launching a new product in various markets is another matter of worry. Pharmaceutical companies and consulting firms have been pushed by the growing popularity of reference pricing to create models and databases with the aim of regulating the timing of the release of new medications in various countries to minimize any unwanted consequences (Persson, 2016). The approach employed for reference pricing determines how reference pricing affects prices in a specific nation. Reimbursement pricing and policies in other countries may be directly or indirectly impacted by prices set in one country. Persson (2016) has said that reference pricing can lead to manufacturers refraining from launching new molecules in a market because of regulators only accept low prices for new drugs as this may impact the manufacturers pricing strategy in other markets.

2.8 Cost Complexity Of Pricing Decisions For MNCs In Emerging Markets

Reasonable pricing and creating pricing methodologies that are beneficial to the market remain crucial elements of the MNCs' performance and acceptance in EMs as EMs continue to offer prospects for MNCs (Hague, 2018). The rising FDI inflows by MNCs are proportionate to economic growth, access, and reform in the EM. Numerous important dominant elements that need to be taken into account further complicate pricing in EM (Nagle & Muller, 2017). According to Neubert (2017), the majority of international pricing literature focuses on topics

that are currently popular, such as pricing frameworks like ad transfer pricing and cost-plus pricing, internal pricing processes, and market pricing strategies. According to academics, the performance of the MNC in the EM depends on carefully researched pricing strategies for export markets (Nagle & Muller, 2017). Pricing ideology includes objectives and drivers related to costs, competition, margins, and the systemization of pricing decisions. The pricing decision-making process refers to the steps and frequency at which pricing is reviewed within an entity (Hague, 2018). The MNC's pricing decision process involves consideration of the value chain and its effect on the ex-factory price, currency contemplation in pricing, and whether to adopt a standardized approach to pricing for all markets in which the MNC has commercial operations (Kienzler & Kowalkowski, 2017).

Despite the fact that research has demonstrated that numerous factors affect pricing decisions in EMs, it is crucial to comprehend the cost complexity of the pricing decision and assess whether MNCs take into account the numerous aspects that affect what would be deemed suitable pricing in EM (Hague, 2018). MNCs are in a better position to comprehend strategies and build pricing strategies that integrate market-based or affordable elements by choosing the cost complexity of pricing decisions in Ems (Raymond et al., 2001). Three pricing tactics used by MNCs in EMs have been identified by researchers: strict cost-plus pricing, flexible cost-plus pricing, and dynamic incremental pricing. Table 4 below provides more information on each of these tactics.

Table 4: MNCs pricing approaches in EM

Pricing Approach	Description	Scholar
Rigid cost-plus pricing	Costs associated with manufacturing, overhead, transportation, and customs fees are added to the price, which frequently results in a final cost that is too high to be competitive in emerging markets. .	Deshpande, 2018
Price Flexibility	Price adjustments, like discounts for large orders, are permitted in some situations. The goal is to keep the profit margin constant.	Roach, 2021
Dynamic incremental pricing	In addition to the already spent fixed costs, portions of the overhead are added to the price. The MNC only recoups variable costs in emerging markets and costs associated with overseas customers. They make it possible for the MNC to compete better.	Neubert, 2022

Source: Author's own

The spectrum, which stretches from cost-based to market-based pricing, must be fully considered. Market-based pricing refers to comprehending the MNC's value in correlation with

what the competitor offers in the same market (De Toni et al., 2017). Cost-based pricing involves the firm accounting for all the fixed costs and adding a margin to the fixed costs to reach a final price (Hague, 2018). According to Hague (2018), MNCs set a ceiling pricing at the point where they break even on sales and a floor price that reflects how much the market values the product. The target market price can be established using both market- and cost-based data, according to academics (De Toni et al., 2017).

The price of pharmaceutical items is influenced by both demand and production costs, in accordance with economic theory (Kienzler & Kowalkowski, 2017). When a brand-new pharmaceutical product is released, it is protected by a patent and has no rivals, thus there is no price sensitivity in the demand for the product. As generic versions become more widely available and cost less after a product's patent expires, consumer demand for the product becomes more price sensitive. At that moment, a price increase or continued use of the old pricing may lead some customers to choose an alternative (Kienzler & Kowalkowski, 2017). According to experts, forward-thinking pharmaceutical companies must concentrate on the launch price of novel compounds and develop a base price that will sustain revenues until the product is no longer in demand (Danzon, 2015). The cost needs to be set up so that it can go up while the patent is in effect and go down properly once the patent expires (Danzon, 2015). Other studies have hypothesized that, in addition to demand-related challenges, pharmaceutical price incorporates a number of crucial issues. These concerns include the influence of ongoing cost containment, reimbursement rules and the use of reference price, the use of Pharmacoeconomics and the effects of parallel imports, and the use of reimbursement restrictions (Dutta, 2018). The cost complexity of pricing pharmaceutical products for emerging markets, especially in Africa, is a crucial topic that needs to be explored.

2.9 Achieving Social License To Operate In Emerging Markets Through Price

The term "social license to operate" (SLO) refers to a contractual foundation for the legitimacy of a company's particular undertaking or activity (Jenkins, 2018). From a normative perspective, SLO has its roots in business practice. The idea is strongly tied to social contract theory, and as a result, it contains a political component (Demuijnck & Fasterling, 2016). Businesses use the SLO to signal that their operations are regarded as morally acceptable by society. The phrase is frequently used in the context of potential disapproval of their behavior when such acts could lead to opposition that would be detrimental to the corporate interests (Demuijnck & Fasterling, 2016). In actuality, the extractive sector is where the SLO expression is most prevalent. However, most lately, the idea has been extended outside of this industry

to any commercial operation that may cause controversy, including the pharmaceutical industry (Jenkins, 2018). It is, in principle, better from an ethical perspective if corporate actions that will have a substantial social impact are widely praised or accepted by society as a whole. However, some research have shown that it is possible to develop precise criteria incorporating the facts from which we can conclude that an MNC has no SLO. This normative stance has been criticized for being too nebulous. The acquisition and maintenance of a SLO could be seen as a distinct quantitative phenomenon rather than just a way of speaking. (Demuijnck & Fasterling, 2016).

Any type of organization whose operations could have an impact on other people's lives has been called into question and examined by organizational theorists. Legitimacy in organizational theory refers to the consistency between the social values implied by or associated with actions and the standards of appropriate behavior in the larger social system (Demuijnick & Fasterling, 2016). Organizations are viewed as fulfilling and according to societal expectations; they are appreciated, accepted, and taken to be proper, appropriate, and sound. Numerous academics have emphasized the significance of a SLO and broader organizational legitimacy for MNC survival as well as importance as a moral ideal. According to organizational theorists, legitimacy defined as adherence to social norms, values, or expectations improves business survival or serves as a prerequisite for the steady flow of resources and constituent support. (Jenkins, 2018).

Pharmaceutical MNCs must create real value across their value chains for the target emerging markets they intend to enter. Otherwise, businesses run the danger of encountering escalating resistance to new releases. In order to maintain and improve SLO for pharmaceutical MNCs in emerging markets, a concerted, massive effort involving a variety of business functions, such as product pricing setting, may be necessary (Chan et al., 2016). According to researchers, using a strong and logical method can help to ensure that your efforts successfully get the results you want. They have indicated that MNCs need to understand the governments of the targeted emerging markets. One of the mistakes made by pharmaceutical MNCs is thinking that they know what is right when working with governments from emerging markets rather than taking the cue from what the governments have to say (Demuijnick & Fasterling, 2016). MNCs can make well-informed decisions regarding their pricing and entry mode strategic direction by having a thorough awareness of the social landscape of a growing market.

2.10 Conclusion

Although the theory of internationalization is a vast one the common denominator for internationalization theories is that they are all concerned with exploring the rationale behind a company's decision to participate in activities in other markets (Buckley, 2018). The theories are applicable in the pharmaceutical MNCs business environment as many phramceutical companies seek opportunities outside of their home countries. The challenges faced by pharmaceutical companies in EM vary however the issue of pricing strategies and affordability and selecting a favourable entry strategy are long standing contentious challenges. Alternative reimbursement strategies such as VBP and social licenses offer a solution to the pharmaceutical product pricing challenge for EM. However, the adoption and implementation of such strategies is often faced with extensive probing on the profitability and marginal computation of such solutions (Garner et al., 2018).

The need for pricing strategies that are responsive to dominant variables that exist in EM such as the markets institutional voids and the cost complexity of price requires a collaborative approach between the local government, local MNC market access and pricing employees as well as MNC headquarter employees to resolve (Nagle & Muller, 2017). By examining pricing and entry mode tactics in the context of an EM like South Africa, this research intends to add to the body of knowledge on pricing strategies and entry mod options for EM.

Chapter 3 – Research Questions

3.1 Introduction

The purpose of the study is to comprehend and learn more about the price phenomenon for pharmaceutical products. It also looks at the influence pricing has on entry mode choices for pharmaceutical MNCs in emerging markets.

The study contributes to the body of knowledge regarding the significance of pharmaceutical MNCs' varied pricing and entry mode tactics in South Africa and other emerging economies in general. The purpose statement centres around understanding the constraints around pricing decisions for innovative pharmaceutical products and ensuring equitable access to treatment in emerging markets. The research aims to identify opportunities in the pharmaceutical value chain to improve pricing differentiation for pharmaceutical products and drive access in emerging markets. The research questions look into the knowledge gaps left by the literature. to provide a satisfactory solution to the research question that is adequately motivated (Kross & Giust, 2019).

3.2 Research questions

The research questions were formulated based on the literature reviewed and presented in chapter 2. The main question was defined in three sub-questions to explore the research problem's elements further.

Main research question: How do pharmaceutical product pricing strategies influence the entry mode choices of MNCs in emerging markets?

The main research question explores the pharmaceutical MNC's internationalization decisions and the emerging market constraints. Uncertainty around pharmaceutical pricing and entry into South Africa is a good opportunity for a company to gain a competitive edge.

Three sub-questions explore the external factors that influence successful entry into emerging markets and how these can be translated into advantages for pharmaceutical MNCs, namely:

Sub-question 1: What elements are taken into account by price and access managers when formulating pricing strategies?

The goal of the inquiry is to comprehend the various factors that price decision-makers evaluate when developing pricing strategies for emerging markets.

Sub-question 2: What effect does pricing strategy have on pharmaceutical MNCs' choices regarding entry mode?

The inquiry explores if pharmaceutical MNC price decisions have a substantial effect on the ultimate entry mode strategy.

Sub-question 3: What elements should a pharmaceutical MNC take into account while forging ties in order to improve entry into emerging markets?

In order for pharmaceutical MNCs to successfully enter emerging countries, this inquiry aims to identify the level of engagement and collaboration needed with governments and important stakeholders in the healthcare sector.

The research questions guided the approach and design of the study described in Chapter 4. The research used a qualitative approach as a result of the nature of the research problem.

Chapter 4 – Research Design and Methodology

4.1 Introduction

The research questions in Chapter 3 highlighted the need for an exploratory research approach that aims to investigate the ramifications of the pricing and entry mode phenomena from the viewpoint of the people involved in these business components (Kamal, 2019). Consequently, a qualitative research approach offered insights based on the varied experiences and descriptions of the occurrences (Collins & Stockton, 2018). In this chapter, the study approach and methodologies are explained in terms of the fundamentals of qualitative research.

4.2 Research Design

The many theoretical frameworks that describe internal and external elements and considerations that affect pricing and entrance method choices were highlighted in Chapter 2. It was essential for the study to be founded on past theoretical frameworks and expertise to make valid conclusions and not being overabundant with data. In this study, a qualitative exploratory methodology was used to allow research participants to freely express their ideas on the subject (Saunders & Lewis, 2018).

To elaborate on the themes that emerged from the cross-sectional interviews with the research participants, an interpretivist paradigm was used (Saunders & Lewis, 2018). The method is consistent with the idea that people have a deeper and more personal grasp of reality (Alharahsheh & Pius, 2020). This approach is seen to be more successful at tackling certain theoretical concerns and is especially suitable for subjects with minimal prior knowledge (Hennink et al., 2020). To explore the relationship between pharmaceutical product pricing and entry mode decisions, the research participants were questioned using a mono-method and semi-structured questionnaire on the factors of pricing and pharmaceutical businesses' entry mode decisions (Saunders & Lewis, 2018).

The study presented the case of a selected, born global pharmaceutical firm, for a comprehension of the topic under consideration (Liu, 2021). A case study is defined by business and management researchers as a study focused on the complexity and specific nature of a chosen case, which could be an organization, location, person, or event

(Eisenhardt & Graebner, 2007). The case study approach assisted with concentrating the research into a practical setting and enabling some degree of transferability. To find trends and improve the data set, triangulation was used, to improve the study's objectivity.

An inductive technique was employed to provide a means of drawing conclusions as a result of the targeted examination supported by a semi-structured questionnaire. Condensing textual material into brief, understandable outcomes, this strategy helped to establish connections between the study objectives and the conclusions from the data acquired and helped to reach a conclusive conclusion (Bell et al., 2019).

4.3 Research Setting

The pharmaceutical sector in EM, particularly South Africa, served as the backdrop. From an MNC standpoint, the study investigated participants who were actively involved in decisions on price and entry modes. The participants were from the selected company, Organon LLC, and comprised of brand customer managers, market access managers, pricing managers, and members of the South African Department of health pricing committee. A comprehensive environment for analyzing price and entry mode perspectives from a policy and institutional point of view was provided by the Department of health representative. Recommendations derived from (Moser & Korstjens, 2018) supported the selection of the setting.

Organon was chosen since it is an MNC that was founded in 2021 and actively opportunities for growth in South Africa. The targeted research participants provided insights into factors affecting product pricing from an MNCs perspective. Based on the significant pharmaceutical company profile of 129 firms in South Africa, including MNCs like Novartis, Johnson & Johnson, and MSD, the country was chosen. This audience contributed to the study’s thorough construction and enabled a deeper understanding of the original theoretical framework related to pricing and access (Moser & Korstjens, 2018).

4.4 Unit Of Analysis

The focus of the study established the characteristics of the selected population to be examined; Silverman (2020) referred to this as a unit of analysis. Representatives from the pricing, market access, and brand customer departments of Organon LLC, as well as those

from the Department of health pricing committee and affordable medicines, served as the unit of analysis in the study setting.

4.5 Level Of Analysis

Particularly decision-makers within the company Organon LLC as an organization served as the level of analysis, with employees of the South African Department of Health who were deemed to possess knowledge about the phenomenon.

4.6 Sampling

According to Shaheen and Pradhan (2019), deliberate sampling enables in-depth analyses of the phenomenon, and research subjects can be chosen based on the researchers' predictions of the areas from which they will learn the most important lessons.

Participants from the pharmaceutical sector and the South African department of health who were deemed to possess the necessary understanding of pricing and entry mode strategies were chosen, as discussed in the research context and unit of analysis. Patton (2014) suggests using two strategies in the selection process. The first was the criterion sampling strategy, which calls for the researcher to create a standard for choosing study participants. The second technique, known as heterogeneous sampling, permits the greatest variability (Shaheen & Pradhan, 2019). The following three criteria were used to choose the research participants:

- Their input into the pharmaceutical industry's pricing decisions.
- A history of communication with the health department and decision-makers.
- Their background in strategic planning, especially in the area of company growth.

Before saturation is reached, it is not always possible to determine the population of respondents from the outset (Bell et al., 2019). However, the gathering of data concentrated on the accuracy of data on pricing strategies and the impact on entry mode decisions. A qualitative study is said to have 12 and 25 interviews to obtain saturation, according to Guest et al. (2006). The sample size chosen was a suitable sample that offered adequate depth and breadth in relation to the unit and level of analysis (Taherdoost, 2018) Table 5 compares the intended samples to the actual samples. In the sampling strategy, respondent themes were

triangulated across stakeholder groups to compare the thematic results (Creswell & Creswell, 2018). The thematic coding saturation method exhibits the population's maximal heterogeneity to show the range of participants' responses. Data saturation was made possible by the responses' corresponding homogeneity, which identified patterns of resemblance that require further investigation. When this occurred, the coding ceased, as shown in Table 8 in section 4.9 (no new codes are achieved).

Table 5: Targeted samples versus achieved samples

Population Group	Targeted Samples	Achieved Samples
Organon Local Market Access and Pricing	3	2
Organon brand customer managers	2	2
Organon Global and Regional Pricing	3	3
Organon Business operations	2	1
Organon local commercial business unit directors	4	2
Organon local business operations	1	1
Organon regional business operations	1	0
Department of the health pricing committee	1	1
Total	**16**	**12**

Source: authors' own

4.7 Measurement Instrument

Two semi-structured open-ended interview questionnaires (**Appendix 5** and **6**) were the measuring tool; one was intended for the Department of health pricing committee participant and the other was for the pricing, marketing, and market access participants from Organon LLC. To ensure that an audit trail was maintained for verification, semi-structured recorded interviews lasting 30 to 60 minutes were collected on a recording device and transcribed. The use of this method made it possible to gain a thorough understanding of how the participants conceptualized and comprehend the issue studied (Roulston & Choi, 2018). The study questions were used as a model for the interview questions, and examples and explanations allowed for a thorough discussion of the themes during the interview. Due to the nature of the interview, the research participants' answers to those questions slightly varied (Bell et Al., 2019).

4.8 Data Collection

The data set must be comprehensive, rich, and diversified in order to completely understand the phenomenon (Roulston & Choi, 2018). The participants' positions at Organon LLC made it difficult to gain access to them for the purpose of collecting data on the intended research participants. Therefore, permission was sought in a manner that encouraged a willingness to engage. A two-step request process was followed. First, a consent request was sent to Organon LLC, requesting permission to approach he identified research participants. The request was approved (see Appendix 1). Thereafter, formal interview sessions were scheduled when all interview participants had agreed to participate in the study through email (Bell et al., 2019). Understanding the industry helps to build rapport to schedule the suggested interviews and utilize the available networks (Saunders & Lewis, 2018). Microsoft Teams was used for all interviews, and the platform was used to record and transcribe all interview sessions. The recordings were utilized in aligning the description provided by the participants respondent's and their experiences as part of the validity checks, which are a crucial component of the rigorous qualitative research process that is depended upon to enrich the data that was collected (Roulston & Choi, 2018).

Though the identities of the respondents are known, it was prudent to ensure their confidentiality. Due to the nature of the topic within the pharmaceutical industry, assuring the respondents that their identities would be protected allowed them to freely express themselves and offer their ideas without any hesitation. The informed consent form that was distributed to respondents prior to the planned interviews included a section on confidentiality (see Appendix 2). To assure that the respondents' confidentiality was upheld, several control measures were established. These included:

- Microsoft Teams transcripts and recordings being stored anonymously.
- The final transcriptions were saved with no identifying information and a special reference that is connected to the audio recording.
- Identifiers were eliminated in preparation for coding and analysis on Atlas.ti.

4.9 Data Analysis Approach

A categorization of similar codes is suggested by the data analysis's inductive technique. The link between the codes is influenced by the theoretical notions used and the areas of interest (Saldana, 2021). An approach to data sorting that encourages the gradual abstraction of real-

world knowledge into theory-based explanation was followed. As such, cross-category linkages start was revealed. Themes of interest are revealed by connecting categories to academic theory (Belotto, 2018).

Computer-aided data analysis was performed using the Atlas.ti program. The interview transcripts were converted into codes by the software, which was then utilized to create analysable data from which quotes were chosen. To distilling quotations and consolidating codes, the coding procedure required several cycles (Saldana, 2021). The exploratory holistic coding cycle, which is said to be suited for the inductive technique being used, was the primary focus of the first cycle of coding (Saldana, 2021). The seven-phase method suggested by Lester et al. (2020) was followed to cross-reference and compare the themes that emerged. The process for creating a thematic map is shown in Table 6.

Table 6: Seven-phase approach (Lester et al., 2020)

Step #	Phase	Description
1	Prepare and organise	A master data catalog that details each source of data and the date of collection is part of the process. For a smooth transfer into ATLAS.ti is essential that the record be precise and comprehensive.
2	Transcription	An exact transcription of the dialogue was made using the respondents' data, which was taken verbatim. aids in developing a more thorough knowledge of the respondent's viewpoints on the research topic.
3	Becoming familiar with the data	reading and rereading the information understanding the initial constraints on the data that was collected is crucial for identifying potential topics for additional investigation into the gaps.
4	Memorizing the data	making concepts and initial reflections on the gathered facts.
5	Coding	Give the data set codes and note any objectionable statements or responses. developing topics being reflected.
6	Categorizing	Assemble relevant guidelines and laws.
7	Report	Reviewing the analysis in its final form, making comparisons with the literature study, and creating the academic report.

Source: Authors' own

The validation of the themes that emerged from the various respondents allowed for the triangulation of the data. This comparison was used to demonstrate the inconsistency in pharmaceutical MNCs' pricing strategies and assess the degree of overlap across the themes. The chosen respondents offered their thoughts on how the industry uses pricing systems.

Regarding the price system and environment in South Africa, the responses from the Department of Health participant offered a comparison.

Table 7: Contributions of the sample

Code Groups	Number of respondents per code group	Interview Type
Advantages of local manufacturing	4	Telephonic - MS Teams
Broader industry dynamics	6	Telephonic - MS Teams
Categories of products	1	Telephonic - MS Teams
Challenges faced by MNCs in navigating emerging markets	9	Telephonic - MS Teams
Challenges faced by MNCs in setting price	10	Telephonic - MS Teams
Character of emerging market contexts	11	Telephonic - MS Teams
Character of pharma ecosystem	3	Telephonic - MS Teams
Components of MNC floor price	2	Telephonic - MS Teams
Considerations for emerging markat based production	10	Telephonic - MS Teams
Considerations for new market entry	11	Telephonic - MS Teams
Current industry dynamics	9	Telephonic - MS Teams
Customer considerations	9	Telephonic - MS Teams
Drivers of low cost production	2	Telephonic - MS Teams
Elements of access	2	Telephonic - MS Teams
Elements of COGS	5	Telephonic - MS Teams
Elements of margin computation	1	Telephonic - MS Teams
Generic supplier approach	6	Telephonic - MS Teams
Government approach to managing industry	5	Telephonic - MS Teams
Government approach to managing price	8	Telephonic - MS Teams
Manufacturer approach to optimise market opportunity	8	Telephonic - MS Teams
Navigating new market entry	9	Telephonic - MS Teams
Oversight scope of SA pricing committee	1	Telephonic - MS Teams
Pricing administration	4	Telephonic - MS Teams
Pricing approach	7	Telephonic - MS Teams
Recommendations for emerging market approach	8	Telephonic - MS Teams
Recommendations to optimise of pharma in emerging markets	7	Telephonic - MS Teams
Respondent profiles	11	Telephonic - MS Teams
SA context specifics	9	Telephonic - MS Teams
Sentiments over industry dynamics	10	Telephonic - MS Teams
Stakeholder engagements for pricing alignment	5	Telephonic - MS Teams
Strategic thinking behind pricing	10	Telephonic - MS Teams
	Total Interview minutes	**596**

Source: Author's own

4.10 Data Saturation

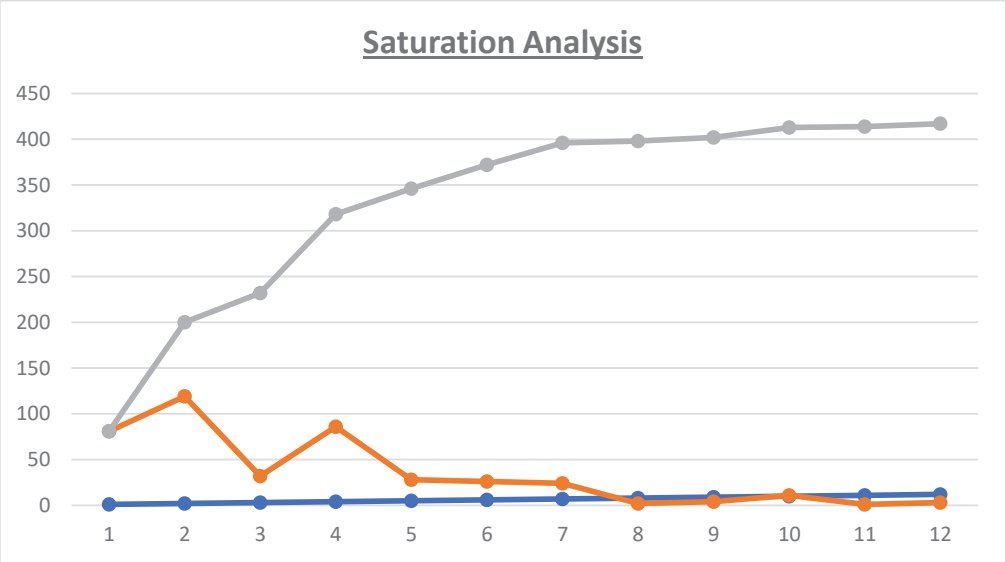
To guarantee adequate data collection, a total of 12 interviews were carried out (Bell et al., 2019). By interview number 12, just three new codes were added, as seen in figure 4 below, signalling the saturating of the data. The overall coding process generated 417 codes, which were checked for duplication. The codes were gathered into categories, which were then divided into themes. A total of 31 categories were created and further reduced to 22 after a process of identifying and removing duplications.

Table 8: Total and new codes per interview

Interview Number	Denomination	New Codes	Cumulative
1	AT	81	81
2	AN	119	200
3	LU	32	232
4	MM	86	318
5	Mmas	28	346
6	NK	26	372
7	YK	24	396
8	JK	2	398
9	KD	4	402
10	KP	11	413
11	SO	1	414
12	WB	3	417

Source: Author's own

Figure 4: Saturation Analysis



Source: Author's own

4.11 Quality Control

It can be difficult to establish validity and trust in qualitative research since there are so many different opinions on what validity is and so many different taxonomies, including credibility, authenticity, dependability, transferability, and quality assessment (Maxwell, 2012). By developing an audit trail from design to the final research report, the research process was made transparent. To ensure that the data gathered was precise and diverse, the participants

were specifically chosen based on their current positions at Organon LLC and the Department of Health. Selection was based on their prior work in the field, which was essential for validating responses.

The results of the study cannot be trusted until validity has been demonstrated, as Bell et al. (2019) pointed out. To guarantee the study's objectivity and to remove any potential biases, several tools were relied on. Although, as noted above, specific criteria were utilized to choose appropriate study participants, the data collection technique also allowed for different perspectives from a participant outside the pharmaceutical industry to generate meaningful insights into the phenomenon under examination. The time allotted for each interview was sufficient in facilitating a detailed discussion of the questions and the participants abilities to compare their answers. To ensure correctness, the transcripts of the interviews were cross-referenced with the manuscripts. The researcher's supervisor was also informed of the data analysis results and reviewed them to preserve objectivity and correctness in reporting and interpretation (Bell et al., 2019).

Every participant was given the opportunity to ask questions before the researcher gave them an overview of the study's context and research issue. Prior to the interviews, their confidentiality was assured, and any issues were handled. Because of this, the participants and the researcher were at ease and trusted each other (Bell et al., 2019).

To limit the reflexivity of the researcher, each participant received a full disclosure of the organization they worked for, the position they held, and the reason behind the study topic before the interviews began (Roulston, 2010).

4.12 Ethical Considerations

The University's ethics committee was consulted before speaking with any of the participants. The interview process and study methods both needed ethical clearance. The University of Pretoria's Gordon Institute of Business Science's (GIBS) ethical committee reviewed and approved the researcher's completed ethical clearance application after it had been approved by the researcher's supervisor. The GIBS ethics committee approved the application subject to the Health Science Faculty ethical committee's clearance at the University of Pretoria (**Appendix 3**). The research methodology and interview process were both described in the application that was submitted to the faculty of health sciences, as well as a statement that no interview would start without the approval of the faculty's ethical committee. **Appendix 4** contains the letter of permission for the ethical clearance obtained from the University of Pretoria's Health Science Faculty.

Before setting up appointments with the identified participants, a letter of clearance to interact with the participants from Organon LLC obtained. Interviews were scheduled after obtaining the necessary approvals. Before data collection started, all authorization and consent letters from the company and participants were acquired and stored in an anonymous database.

The participants' time was respected, and interviews were completed within the allotted scheduled time. Two participants asked that the interview be limited to 30 minutes instead of the scheduled 60 minutes; these requests were complied with as seen by the lengths of the individual interviews. Were interview protocol questions could not be answered in the specified 30 minutes, both participants offered to reschedule the interviews; however, this was not necessary since the researcher was able to cover all questions in the allotted time. Except for one interview that lasted 93 minutes, all other interviews were all concluded within the 60 minutes allotted.

Incentives: the participants were not offered any inducements or incentives by the researcher to take part in the study. No participant was required to continue; nonetheless, the Department of Health participant did not feel comfortable replying to some of the questions, so the researcher had to go on to other inquiries or restate the initial query.

The interview questions were neutral and would not help or hurt the organization. All participants were identified only by unique codes while maintaining their anonymity. However, unless otherwise agreed upon during the interview, actual roles were outlined within their area of competence.

Files for all audio recordings were kept in an anonymous fashion. To maintain participant confidentiality and safeguard their rights, it is not be possible to publish the names of contributors or their contributions under any circumstances (Cypress, 2018).

Only the researcher is aware of the password for the password-protected file where the recordings were placed. The research data will be stored in a protected file for ten years, as requested by the academic institution. The interview transcripts were not printed, other than for the research report.

Every piece of academic writing was derived from academic databases and journals, all of which were correctly referenced and from which it was permissible to have access.

4.13 Triangulation

Triangulation is a crucial test for assessing the validity and reliability of a study (Creswell & Creswell, 2018). It increases the understanding of the research subject from different viewpoints and increases reliability through themes from several inputs. This triangulation was achieved through the participation of the Department of health pricing committee representative involved in pricing policymaking for South Africa to validate the data gathered from Organon employees.

4.14 Transcription Services

The researcher employed the services of a qualitative research transcriber. However, the scope of the service by the transcriber was only limited to transcriptions and not interpretation and writing up the findings; this was the researcher's sole responsibility. In addition, the transcriber was required to complete a non-disclosure agreement to protect the respondent's confidentiality (see Appendix 8).

4.15 Limitations Of The Research Design And Methods

Because the researcher is new to the field, the quality standards of the data gathering, particularly the interviews and research methodologies used, may have been lowered. Interviewing for research is not the researcher's strong suit. The structure of the questions and the interviewer's lack of interviewing skills might have had an impact on the calibre of the responses given. The query over pharmaceutical price structures served as an illustration of this. Due to their positions within the organization and their desire to avoid accidentally disclosing information that would be viewed as proprietary, a few participants were hesitant in their responses. As a result, the researcher decided against asking more questions on certain concepts (Qu & Dumay, 2011).

The interview questions were specific, allowing the participants to share their experiences and perspectives. They also had distinct themes that could be explored and expanded upon to put the research into perspective (Crane et al., 2018).

The knowledge and exposure of the participants to MNCs that produced a social permission to operate as a practical limitation. This idea is widespread in the industries that extract

resources, but it has only just begun to catch on in other sectors of the economy (Jenkins, 2018).

There were intrinsic drawbacks in the research design and methods, such as the study's reliance on a single pharmaceutical company (Bell et al., 2019). It is unknown whether findings can be repeated in the larger pharmaceutical sector. The research questions were company-specific and did not consider the perspectives of other businesses in the same sector.

Notwithstanding these limitations, the research may be helpful to researchers and industry experts. The insights gathered may contribute to understanding pharmaceutical pricing within the emerging market context, particularly in South Africa.

Chapter 5 – Research Findings

5.1 Introduction

The information gathered during the interview process is presented in this chapter as a part of the research project that was conducted, as indicated in Chapter 4 and based on the findings. Results were displayed using the theoretical categories listed in Chapter 2, with each theoretical category's outcomes being compared to the research question for that category listed in Chapter 3. The following sections will go deeper into the research findings after introducing the study's participants.

5.2 Participants

There were 12 interviews in total. Three organizational strategic functions that decide on cost and entry for the Department of Health, as well as the South African affiliate and corporate headquarters, were represented by the attendees. As shown in Table 9 below, the individuals were divided into four categories or analytic groups.

Table 9: Analysis Groups

Identifier	Analysis Group
GMP	Global Market Access and Pricing
LMP	Local Market Access and Pricing
CO	Commercial Operations
PS	Public Sector

Source: Author's own

Based on their roles at the MNC and the Department of Health, the research participants were divided into analysis groups. Participants' names and descriptions of their positions at Organon LLC and the Department of Health are listed in Table 10.

Table 10: Participants' involvement at Organon LLC and the Department of Health, as well as their description

Identifier	Role at Organon LLC and the Department of Health
Global Market Access and Pricing	
AT	Director Market Access, USA
LU	Director Global Pricing
SO	Director Market Access, Global
Local Market Access and Pricing	
MM	Director Market Access and Public Sector, SSA
KP	Market Access Manager, SSA
Commercial Operations	
AN	Director Business Operations, SSA
MMas	Business Unit Director, East Africa
YK	Business Unit Director, SA Private
JK	Brand Customer Manager, East Africa
KD	Brand Customer Manager, SA
WB	Brand Customer Manager, SA
Public Sector	
NK	Chair of Pricing Committee Department of Health

Number	Name	Type	Quotations
1	Research Interview_ AT-20220906.docx	Text	106
2	Research Interview_AN-20220930.docx	Text	168
3	Research Interview_LU-20220913.docx	Text	77
4	Research Interview_MM-20220908.docx	Text	215
5	Research Interview_MMas-20220930.docx	Text	89
6	Research Interview_NK-20220927.docx	Text	74
7	Research Interview_YK-20220923.docx	Text	114
8	Research Interview_JK-20221007.docx	Text	46
9	Research Interview_KD-20220930.docx	Text	63
10	Research Interview_KP-20220915.docx	Text	77
11	Research Interview_SO-07102022.docx	Text	81
12	Research Interview_WB-20221005.docx	Text	95

Source: Developed by the author

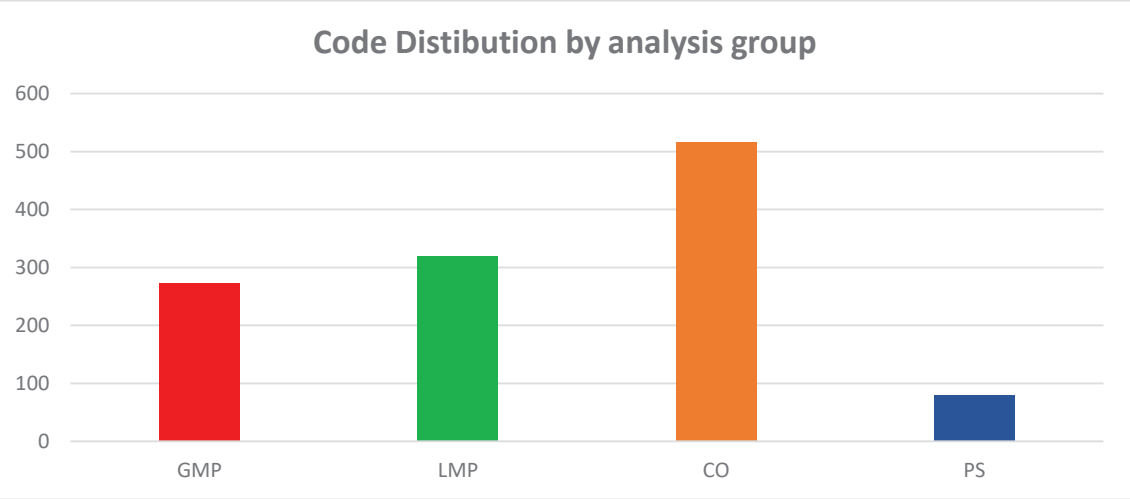
Individual participant identifiers, which are presented in Table 10, were used in Chapter 5 to identify participants. When the data is evaluated without compromising the participants' privacy, these identifiers serve as descriptors.

Both the organization and the Department of Health are well-represented among participants with comparable educational backgrounds and pricing expertise in pharmaceutical items. The responses from the GMP participants showed a global approach to strategic pricing and entry due to their exposure to the dynamics inside and between local affiliates or subsidiaries and the macroeconomic environment in which the Organon affiliates operate in other locations.

The LMP participants' remarks provide a more localized perspective on market price, access, and the challenges an MNC like Organon faces in the South African market. The CO responses reflect the strategic entry mode decisions made at the affiliate level as well as the factors to be taken into account when determining an appropriate product price for a developing market.

The replies from the PS participants provide insight into the misalignment between pharmaceutical MNCs and the Department of Health as well as a lack of understanding of market dynamics and macroeconomic issues that may hinder effective entry into a market like South Africa. Figure 5 displays the distribution of codes among the analysis groups.

Figure 5: Code distribution by analysis group



Source: developed by author

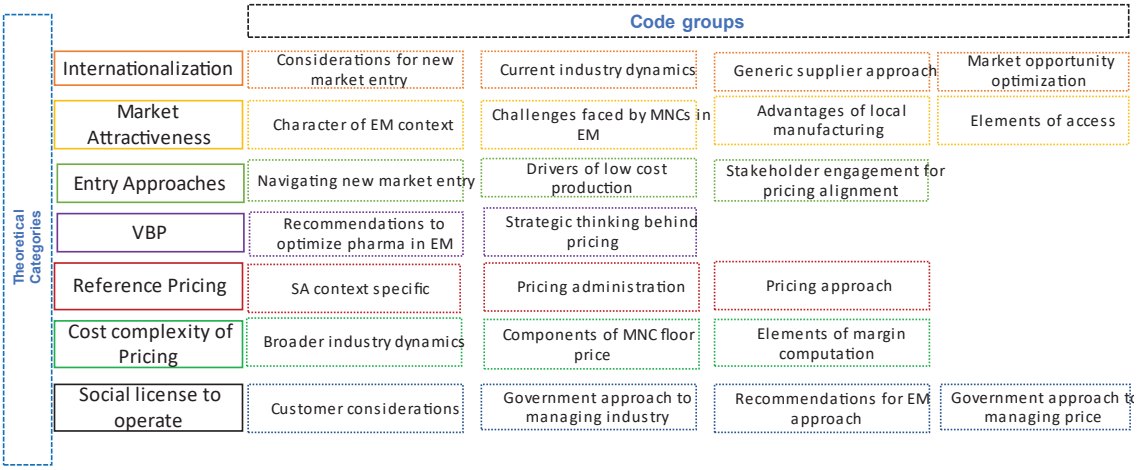
Section 5.3 provides more detail on the code groups that were mentioned earlier.

5.3 Data Analysis

The analysis of the 12 interview transcripts produced 417 codes in total. The codes were further investigated, integrated, and grouped into 31 code groups in accordance with the meaning and intent revealed by the codes during the interviews. To prevent any duplication, the codes were further evaluated and whittled down to 28 code groupings. Theoretical ideas discussed in Chapter 2 include value-based pricing (VBP), the cost of pricing complexity in emerging markets, reference pricing, market selection and attractiveness, the relationship

between the host country and FDI inflows, and entry mode possibilities. Figure 6 illustrates these theoretical ideas associated to the study question and the code groups.

Figure 6: Theoretical categories, code groups and emerging themes



Source: developed by author

Partitioning the data based on the constructs indicated in the main research question and the supporting questions was the first step in the data analysis process. With this method, a logical progression could be constructed on top of the data sets, establishing the context of pharmaceutical product pricing in emerging markets and how it affects entry mode choices, the significance of stakeholder engagements for facilitating entry and taking into account local production, as well as the value of gaining a social license for gaining a competitive edge. The data was then split up into groups for the analyses. As a result of the clear distinction between GMP, LMP, CO, and PS workers, the points of view of the parties could be considered from three different angles.

Both the corresponding code group and the theoretical theme under examination are treated in-depth in the parts. Using the major findings from the data analysis, the Department of Health Pricing Committee and the pharmaceutical MNC are triangulated. The participant opinions are then supported using verbatim quotes from the interviews. Each part was produced iteratively until all of the subjects had been looked at and dealt with properly. Key concepts are used to support or refute theoretical topics listed in Chapter 4 as appropriate. A succinct review of the key ideas is provided at the end of each section. The design is the same for all themes. The research results are summarized in Chapter 5's conclusion.

5.4 Research Findings

The research topic's main objective was to ascertain how pharmaceutical MNC product pricing strategies affect decisions about entrance mode for emerging markets. The insights for addressing this question were shaped by the examination of the data. The participants' perceptions of market attractiveness, cost complexity, and EM environment were used as the basis for a deductive analysis to determine the viewpoints and requirements of pricing and strategic entry into an EM.

5.4.1 Theoretical theme: Internationalization

The data collection contained a section on internationalization and its relevance to pricing and entry mode choice because that was the research topic's nature. Despite the fact that the notion of internationalization is well known, it was necessary to check whether participants understood what was meant by it. Four code categories were found in the research data after the data was analyzed and matched to the theoretical concept of internationalization. These code groups included:

(1) considerations for new market entry, which highlighted market-specific factors the MNC must consider.

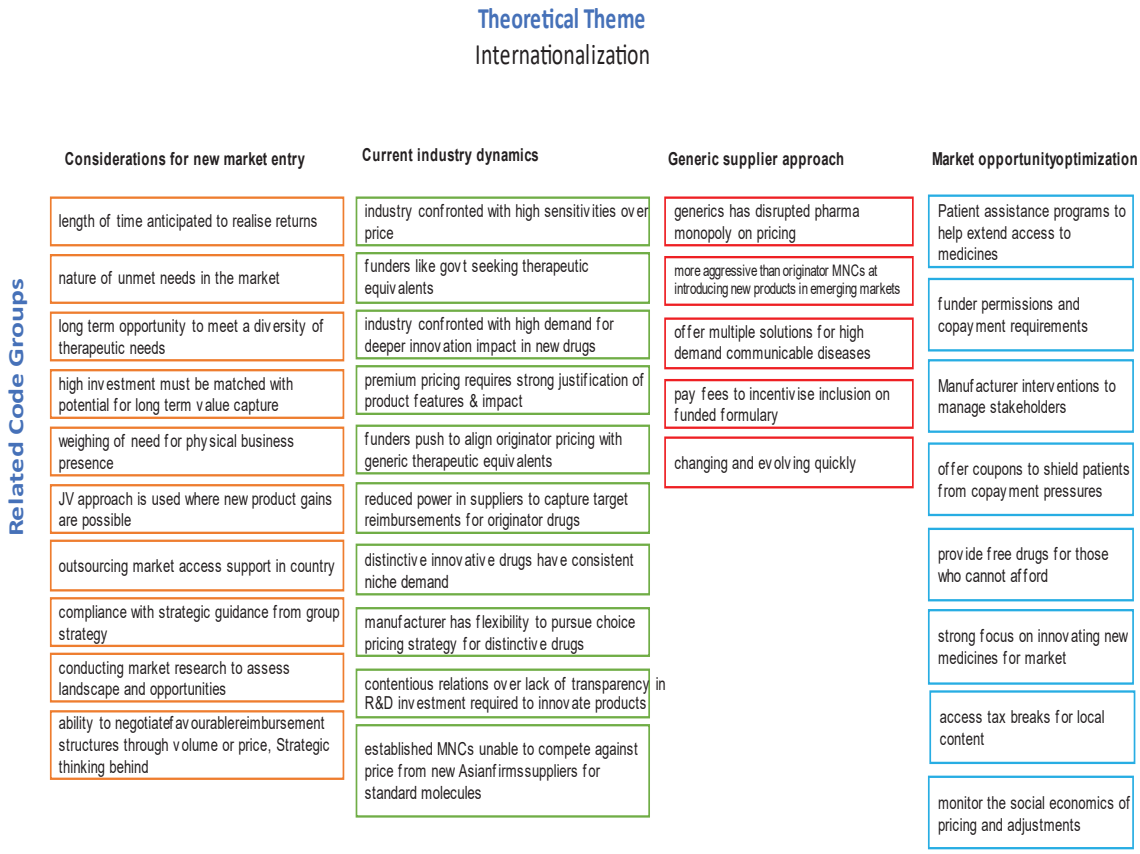
(2) current industry dynamics, which examined the pharmaceutical landscape and its development.

(3) generic supplier approach, which provided context for the price war between biopharmaceutical MNCs and generic manufacturers; and

(4) market opportunity optimisation, which considered how the MNC should react to create opportunities with the market.

Figure 7 shows the major theoretical theme and its related codes.

Figure 7: Internationalization codes and code groups



Source: developed by author

5.4.1.1 Discussion: Internationalization

Although internationalization is a vast topic, participants generally agreed that there are a number of factors to be taken into account when examining potential in EM or choosing a market. Only the pharmaceutical industry was subject to the diverse viewpoints. According to MMas, an employee of Organon,

> *"We take into account their pricing strategies, how they are working. You know the value chain and all those factors actually impact how we then you know decide whether we are going into that market or whether we are going to give it a miss." MMas*

AN and KD, employees at Organon, also emphasized some of the elements that are essential for selecting a market:

> *"But again, it's a process of saying, where do you think there's potential and where is there marginal risk? So for me, I will probably look and sort of like say the potential of*

Nigeria, because of its huge population, is high. But the risk of doing business in Nigeria is also very high." AN

"I would factor in things like, what are my chances of being paid? So you'd look at Angola and sort of like say to yourself, well, potential is probably not that big, but my risk of not getting paid is very big." AN

"What are the barriers to entry? Ethiopia, for example, you know, probably some business to be done there, but they've got a huge foreign exchange problem, so it means it's really hard to do consistent on-going… and we know that, because we see it." AN

"So again, you have to look at what the patient base is or the potential patient base. So looking at data from Stats SA and making, there's a lot of assumption as well. In terms of when I specifically look at private market, for example, you have to sort of work out your numbers in comparison to what the actual numbers are versus the percentage of people that are on medical aids." KD

Participants, including both Organon personnel and the Department of Health representatives, were aware of the significance of adhering to rules and local legislation in EM as part of the selection process.

"Because even if we do have the price sector which has a different regulation, ultimately it is the government that makes the decision, and it is the government that makes the laws." NK

"I know there's a lot of that because of the government regulations and I've seen places where we simply didn't launch a drug in another country for a plethora of reasons." LU

"Entering into a market, of course, you definitely look at the regulatory framework, so you'd consider things like parallel importation. What kind of regulations are there to kerb parallel importation, and how is that viewed?" KP

MMas and AN, Directors at Organon indicated that it is crucial for MNCs to completely grasp the government priorities as well as the disease burden in that market when choosing a market or when opting to explore potential in an EM. This is in addition to understanding the regulatory environment in EM.

"Hmm, I definitely think there's more that needs to be done, especially if we look at the areas that governments are prioritizing. So again, that intimate understanding and knowledge of what is important for a government in GRC, for example." MMas

"Things like HIV, things like family planning or unintended pregnancies, and TB - those had to be driven through prioritization at country level. So, we continuously need to engage with governments to understand their short, medium and long term plans when it comes to healthcare." MMas

"You would look and sort of like say, what products are available and what are the unmet needs" AN

There is a need for regulatory harmonisation in EM, in particular the African continent to improve pricing strategies and access to innovative treatment solutions.

"…One of the hot potatoes that we try to deal with right now, because each country has its own regulatory requirements. As you can imagine, 54 countries, one continent. So there's a lot of duplication again of effort. And I do believe that pharma could play a critical role in lobbying for a more unified regulatory system. And the good thing is that regulatory processes themselves lend themselves well for a digital transformation, right" MMas

"Imagine this - we have a centralized regulatory board, and when a product is registered with FDA or whatever, in order for it to get to market, it gets submitted to the centralized regulatory board and when it's approved there, then it means this approval is actually applicable across the entire continent." MMas

However, as KD, a Brand Customer Manager at Organon, noted, developing connections with governments in EM presents unique difficulties for MNCs.

"…From personal experience we tried to foster some form of relationship in the Organon space. I sometimes think that the Government, or the Department of Health does not, they take really long to make decisions and then they go off on different tangents and so where the attempt is to assist I think sometimes they also run off in a different direction. So they appear to have implemented something now that is very similar to what we proposed but we have been completely excluded from the exercise." KD

Institutional voids and structural limitations also pose a significant entry barrier for MNCs in emerging markets, which also lead to access restrictions to pharmaceutical products for patients in EM.

"Jada, for example… you know, currently they're using Oxytocin. Oxytocin requires it to be in the fridge. There's another one, Oxytocin, that they can use which doesn't require refrigeration, but how many government institutions have got fridges? Yes, all

of them have got, but what's in the fridge? Vaccines. Do we have shelf space? No, I don't." MM

"...Then it takes a lot of storage in the warehouse. How big are these guys' warehouse? Not that big. They've got to carry the saline and everything. So, if my packaging is small, then it's easy for people to order more because they can store it. And then of course, if it's smaller then they can buy more." MM

The idea that the pharmaceutical MNC value chain should be examined and adapted for EM was put out by several participants as a way to boost access, improve pricing, and strengthen ties with the government.

"If you look at the value-chain model by… this is a different note, and then the first one I think it's API for us – it's currently API manufacturing. And the next one is going to be registration and QC. The next one is inbound marketing warehousing… no, inbound which is warehousing, logistics, and then the other one is outbound, alright. So if you ask yourself, across that bottom part of the value-chain, what can we do to influence the pricing?" MM

"…Organon can contract with local distributors and you know, supply chain managers across the supply chain, to ensure that at any given point we have some level of control on this value chain." MMas

Additionally, KP and AN, stated that there is potential for meaningful interactions with in-market partners inside EM to find opportunities throughout the value chain where percentage markups can be decreased to improve entry and access.

"…I can say is that we're looking at the value chain from the wholesaler to the pharmacies and then ultimately to the patients to see how can we try and curb the percentage markups along that value chain. And if we think about it is an easier thing to try and manage rather than going back to the manufacturing production, it's something that we get the different stakeholders around the table and understand why they are having exorbitant markups and to see if we can try and get them 1) to curb markups, keep them consistent and bring them down in in some instances." KP

"So you might think you've got a product that's sort of like okay, but by the time that distributor has put on his markup, by the time the pharmacist has wanted to put on their markup… because those kind of things are unregulated in the rest of Africa." AN

5.4.1.2 Analysis: Internationalization

The thoughts or explanations linked to the theory will vary depending on the audience you ask because internationalization is such a broad topic. The participants agreed on the aspects and

considerations that affect a market's attractiveness to a multinational corporation. Some Organon personnel, particularly those who operate on a global and regional scale, were knowledgeable about market selection and entry concerns. Participants who operate at a level below that of a director did not demonstrate this level of understanding. The Brand Customer Managers concentrated more on issues that directly affected their individual therapeutic areas and brands than they did on the strategic entry choices made by local Directors and the above market team. The Department of Health official, on the other hand, spoke in the "same language" as their business colleagues, particularly when it came to the significance of developing a connection with the Government for better pricing and entry within South Africa.

5.4.1.3 Conclusion: Internationalization

From both a global and local perspective, Organon LLC staff shared a focus on internationalization and factors to be taken into account when entering EM. Even though there was consistency, the Department of Health participant brought up the idea that there is little agreement between pharmaceutical MNCs and EM governments on important issues including the burden of disease in the market, government priorities, and local competency and institutional gaps. This imbalance, as many participants stated, could result in higher costs and more barriers to access for patients in emergency medicine. The participants agreed that there is potential for in-depth discussions with the pertinent stakeholders to reassess the pharmaceutical MNC value chain and find opportunities to utilize in order to improve strategic pricing and market entry.

5.4.2 Key findings: Current industry dynamics

5.4.2.1 Participants' contributions

The fact that EM are heavily focuses on generics, using molecules that are perceived to be inferior to those of biopharmaceutical businesses is a significant factor in the limited availability to innovative pharmaceutical goods in EM. EM patients, funders and governments would prefer the generic due to the higher pricing, however biopharmaceutical MNCs frequently have to compete with an equivalent generic product that does not offer the same quality and indications as the originator.

> *"…this wasn't a new launch as in a new product that's unknown to the environment. So because it was combination tablet of existing molecules that are available in a highly genericised environment, scoping is fairly easy. You look at your track, your history, your historical sales on the existing molecules you already have in market," WB*

“Nothing novel about it. You know, I can get Atorvastatin and I can get some generic Ezetrol now, and that’s cheaper and funders will look at that.” AN

“They’ll say, we will set our reimbursement price at a combination of a generic Ezetimibe and a generic Atorvastatin, and that’s what we’ll reimburse for your Lipitor.” AN

“but the thing will still remain to say, what is the cost of a therapeutic equivalent? And we’re not even looking at a generic equivalent for a molecule. What is the cost of a therapeutic equivalent?” AN

“We sort of think about that. But in general, we, you know, those programs are highly cost driven and it depends on the market. So, if we're entering a space that has a lot of generics that are very inexpensive, you know we're not going to get a lot of access because they're going to continue to choose the least expensive option. So, I think that that's kind of what happens a lot in in that space.” LU

Participants agreed that because consumers and medical funders in EM are price conscious, they will often choose the less expensive option if the pharmaceutical MNC's new medication if there are cheaper alternatives in the market particularly when there are no additional benefits presented by the drug,

“…There’s no equivalent molecule on the market, but we’ll look at what it does. So this is what it does, and then we would say, but you know, we’ve got other drugs that do exactly the same thing; we don’t feel that the additional benefits you are selling, unless they are dramatic and usually cardiovascular related.” AN

“But where people are so price-conscious these days - and especially where funders are managing a limited pool of money, their resources are scarce - they will say, oh that’s fantastic, but you know, we don’t see any additional benefits for that premium price.” AN

“And then you’re completely out there, and then it’s difficult. I think we’ve seen it to a certain extent with Liptruzet, where people are saying, Liptruzet, it’s great, but all it is really is a combination of products; there’s nothing really new.” AN

“we don’t see any additional benefits for that premium price.” AN

In a number of the interviews, the idea of value-based pricing (VBP) came up quite a bit. Participants stated that the pricing framework should take into account the value that medicines offer and that the clinical benefits of the drug should be obvious to justify and build appropriate pricing models if Pharmaceutical MNCs are to succeed in EM like South Africa.

The proposed VBP pricing framework is not a novel one in the pharmaceutical industry, but it is one that is frequently disregarded in favour of the cost-plus approach. The industry's slow adoption of VBP is due to the possibility that determining market value could be a time-consuming, expensive process that might affect other markets' pricing standards.

> *"You need to consider things like the value, the extent that your medicine or vaccine covers a particular therapeutic area." KP*
>
> *"And we need to show them value, and not necessarily just value versus the closest competitor or something similar. But if you, for example, with Jada, if you're preventing that patient from going, needing to go into ICU for a night, that's a huge cost. And so really solid modeling and proposals." KD*
>
> *"Yes, general approaches to you know, frameworks, how to think about pricing; typically, you would hear you know, the industry talk about value-based pricing." SO*
>
> *"And then you have to say to yourself, do we think that we have enough sort of like attributes or benefits or value that we can sell over and above that price? So it would be, we feel that having Atorvastatin and Ezetimibe in one tablet offers a benefit that is worth another 20% on the price, because we feel that people will be very happy to have it in one tablet, and for that they will be prepared to pay a premium." AN*
>
> *"So for example, if we're bringing to market something that is just as safe as something else, just as it efficacious as something else, but maybe a little bit more convenient, we know that convenience is valued by patients, but not necessarily by payers. Payers will not necessarily pay for convenience, which means you might not be able to command a premium for the product, unless you can also prove that there's some kind of …with through health economics research that there is also an economic value to that convenience." LU*
>
> *"which means if you have a new product coming to the market and it's priced at, let's say $20, you need to therefore be able to demonstrate that the $20 is equivalent to the value, or clinical value that that product is going to bring into the market." MM*

Increased transparency in the cost of research and development (R&D) of these drugs could also be used as a mechanism that helps justify pricing strategies. The lack of transparency in R&D cots had contributed to the continued distrust between pharmaceutical MNCs and customers in EM. Transparency on the cost of R&D would give consumers an appreciation of the different elements which inform the ex-factory price.

“There’s no transparency around your R&D costs. We instinctively don’t believe you, but you are justifying this high price because you said it costs this amount of money to come to market, but you are not providing us with any evidence to show whether that’s right or wrong. So R&D costs do come into it, but the cost of goods…” AN

“The cynic in me says that the R&D costs are a lot less than what we’d like people to believe.(Laughs.)And that’s the argument the activists take. The activists are saying, you’re bullshitting us; you’ve led us down this road for years and years and years, telling us that your high prices are justified by your R&D costs, but we are not sure. We are not sure, and you are not showing us and you never will show us and it’s like confidential information.” AN

“So we do that. In terms of transparency reporting, it's called state transparency reporting and the truth is every single state is different and it's gotten so complicated that we have engaged a vendor to help manage this for us because not every state does it, every state does something different; some states might publish like the top five most expensive drugs or top 10 most expensive drugs, like a shame list almost.” LU

In order to lower ex-factory prices and improve treatment for EM, there is a global change in the pharmaceutical business toward streamlining distribution patterns and the drug manufacturing process. One of the strategies used is local manufacture. Regarding entry technique and its impact on pricing, participants had differing opinions.

“I don't know if localization would be cost effective, but certainly our current sort of distribution model is problematic. I mean you've got product that gets made in one country, moved to another country, part packaged in that country, then sent to South Africa, packaged here - final packaging - and then distributed. So that chain is quite complex.” WB

“No. If we localize that can bring your price a lot down. For the products that come as finished goods or even… there's no currently for Organon, there's no local manufacturing in the sense of manufacturing the drug. What we do is secondary packaging here. So that process takes place abroad. So you need to cover those costs of the manufacturing then bring it here to South Africa and then also do secondary packaging here in SA.” YK

With this newly found emphasis on localization, public-private partnerships are now more viable as a pharmaceutical MNC's entry mode strategy in EM. Participants discussed how crucial such alliances are for a successful market launch.

“So from that point of view it’s a lot easier. Public-private partnerships on things like Implanon will be so much better because it will be a lot easier for you to go to your sort of like Clicks pharmacy down the road and get a Clicks pharmacy nurse or clinic sister to insert your Implanon than it is to now catch a taxi to one of the local hospitals and hope that the clinic there will be able to assist you” AN

“Now, there's definitely a need for that, and I think it will be extremely beneficial. I mean, we have seen with COVID-19 that their Private Public Partnerships that started to emerge where you would find that, you know, some company that is completely unrelated to pharma but being part of the solution either through, you know improving the supply availability by lending their supply chain, or their value chain capabilities, and it ensures that more people could be reached with the message around a COVID-19, more people could be reached with the vaccination.” MMas

“And so, you know, I think; I think everybody is trying to do that. What I would say is there is no simple answer, and I do think it is going to be, you know, through public private partnerships.” SO

“You know, but you have got to be able then to bring together public and private partnerships to realize and make that happen, and you know, it can get really complicated when you know, each partner would have their sets of interests in order to realize and make it happen.” SO

“So I think private-public partnerships just improve the quality of care in a way, and I’m talking about access to medicine, so it’s a lot easier to go to Clicks and get your medicine, especially if they pre-pack it, than it is to go to your clinic, or go to your local hospital pharmacy and things like that, where they may or may not have your product.” AN

Multi-stakeholder engagements should be a part of the processes that are being mapped out when entry decisions are being made at a pharmaceutical MNC level. This is especially true in the EM landscape, where medical funders and medical associations, in addition to the government, play a crucial role in formulating treatment guidelines that guide decisions about reimbursement for patients, doctors, and pharmacists.

“we do is to speak to stakeholders and find I suppose appropriate reimbursement levels for our medicines or vaccines, obviously to the value that we have determined internally.” KP

“There’s no reimbursement discussions, why am I now having to have to have big access discussions with the funder, where the funder will say, guys, it’s Elzetimibe and

Atorvastatin – it's nothing new. Why must I pay more for that just because it's in one tablet? It's not worth that extra money. You can't prove to me that compliance is better and that as a result of better compliance, the end outcome is going to be better. You can't do that. There is no reason for us as funders to believe that paying an extra R40 or R50 out of our scarce resources, gets us anything." AN

5.4.2.2 Analysis: Current Industry Dynamics

A thorough understanding of current industry dynamics is evident from the analysis of the data collected from the two groups. Participants from Organon and the Department of Health stressed the significance of generic equivalent molecules and how they have altered EM funding and pricing structures. For pharmaceutical MNCs like Organon, the availability of generic alternatives has made it challenging to maximize the benefits of FDI inflows in countries like South Africa.

The majority of the stakeholders agreed that there is room for VBP in the market and that such a pricing mechanism would work well in EM, be consistent with governmental aims, and meet the expectations of funders. According to the participants, VBP concentrates pharmaceutical product pricing strategies on clinical results and benefits to the end user rather than cost-plus measurements, which is far more agreeable to funders and patients.

From a local perspective, CO participants agreed that pharmaceutical MNCs should be more open about their R&D expenditures if they want to win over local stakeholders, particularly the government and consumers in EM. Participants in the GMP, who believe that the current approach and pace of disclosure on the costs of R&D is sufficient, did not all share the same sentiments.

"So, so we publish our list prices, like we have a list, prices are public and we publish them through a very you know various pricing services. So there's a handful of private pricing services that you pay for a subscription to. It doesn't cost anything to list the price of your drug, but it costs to be a subscriber and be able to access all of the drug prices." LU

Both groups of participants agree on the importance of private public partnerships (PPP) as a counterbalance to localization considerations. The participants suggest that MNCs could use these partnerships as a springboard for their entry into the EM. The participants hinted that these partnerships could be used as a way for MNCs to invest in the market without opening a full-fledged commercial office. However, local partners could be the ones to drive the product

in the market, giving it a better chance of success because they already have a grasp of the various market factors.

> *"I mean we know that the bigger pharmacy groups, Dischem and Clicks have inhouse brands these days. It's not their own brand, but they partner with a pharmaceutical company and they get 50% of the income of that drug. So the pharmaceutical company gets 50% and the pharmacy get 50%. So indirectly it's a 50% log fee that they get and it's all a business, it's no longer about the patient, it's a business. Where do I get profits and where do I survive?" AN*

> *"It's going to be a lot easier for you to go to a Dis-Chem just down the road, or to a Clicks that's in your local mall just down the road as well, and get your medication, than it is for you to go to your local clinic." AN*

5.4.2.3 Conclusion: Current industry dynamics

Reviewing the interview data revealed the importance of forging connections with local funders and the government. All participants agree that EM are getting increasingly genericized and that pharmaceutical MNCs must provide greater value and innovative compounds while pricing their products appropriately to gain greater acceptability in EM.

Participants show concern about the overall procedures needed to implement such a pricing strategy in EM, but they do believe that adopting VBP as a pricing strategy could be great for new product launches because the strategy would be more customer-focused.

The comprehension of market operations and industry dynamics depends on the participation of stakeholders. Participants acknowledged that both the public and private sectors contain important stakeholders who should be involved.

The local Organon staff and the headquarters team are clearly out of sync when it comes to pricing transparency. As these participants fall on the opposite extremities of the pricing transparency spectrum. Local Organon employees working in EM disagree with head office pricing representatives who believe that the publishing being done is sufficient and express that more needs to be done to build confidence with stakeholders EM.

5.4.3 Key findings: Generic supplier approach

5.4.3.1 Participants' contributions

When making internationalization decisions it is crucial for the pharmaceutical MNC to understand the market dynamics, particularly how receptive the market is to generics. This is important for pharmaceutical MNCs due to the fact that the more generic the market is, the harder it is to enter the market and make any significant gains.

“So I think that reimbursement piece is critical – and it’s not that we didn't consider it but you know market dynamics change so rapidly, because when we were preparing pricing for this launch, we prepared it in I think it was July of last year with a view to launch in March. Between July and March we had about – not about - I'm going to be very specific, we had 16 generic entrants of Monotherapies.” WB

“Because let’s do it one time. In fact, that is what the generic companies have done very cleverly. They will lodge 5 multiple generics and what that does is, if you’re one person and you have 5 clones for one brand, you’re going to take over the entire market because you are allowed to do differentiated pricing within that therapeutic class. So ultimately, you’ll dominate the market, you’ll take over, you know. That’s really how it works.” MM

“It means you will be too high and there will just be no business. I mean, they will now be no uptake of that particular brand and what we do find in the emerging markets that there's already a lot of generics from various companies and not even…” YK

“South Africa has got an issue with noncommunicable disease – that goes across the globe. But we’ve got multiple generics in South Africa, in fact, everywhere.” MM

Pharmaceutical MNCs typically have an advantage in that they are the first to market with new medications. Participants expressed that in less regulated markets especially EM, these MNCs have encountered issues where generic molecules were already on the market before the original manufacturer and/or there was insufficient IP protection, which meant that as soon as a generic became available, the pharmaceutical MNC lost exclusivity in the EM. One of the participants, MM, shared an example from her experience as Market Access Director for a company herein referred to as “company X” in the quote below.

“But when it landed into the market, guess what? Then… I don’t know the deal that company X had, but company Y already had, and guess which 0:29:58 is available in South Africa? The one by company Y. company Y is a generics company. So they under-cut the price from company X. company X can’t sell, and yet, that was supposed to be a blockbuster.” MM

“So we do find that there's already in some cases even before an originator is in the market, generics are in the market.” YK

The participants expressed the opinion that clients or patients in EM are frequently unaware of the many treatment alternatives and would typically not question the caliber of the medications offered to them, the manner of use, as well as the negative consequences of the

medications. For generic manufacturers, who do not have to uphold the same level of quality requirements as originator MNCs, this has proved useful. The use of medications, including generics, contributes to health disparities and issues with constrained positive health outcomes. MMas strongly suggested that pharmaceutical MNCs use patient education as a deterrent strategy for further market expansion and entry.

> *"The following month, and here's an old lady who's on hypertensive treatment. This month she got generic X. Then the following month she gets generic W, right? I mean to a lay person, they might not even be able to differentiate or read or realise that Ok, this is the same molecule, because they don't" MMas*

> *"Most people don't even know molecule. Right? Then this means that patients are even at more at a greater risk because they could be drinking two tablets, one X and one W, but it's actually exactly the same thing. But they are none the wiser. So one can't help but wonder how many people have unnecessary hospitalizations, or even death because of issues such as that." MMas*

Although drug quality is very important for market acceptance and entry, price still serves as the primary motivator for EM. MM strongly expressed that MNCs will face difficulties entering EM, such as South Africa, in the absence of pricing strategies that are matched to market variables.

> *"And so whenever possible there's a patient would want to go for a generic product because the branded products are just too expensive. So I would say that pricing strategy reduces access generally." MM*

Participants said that while South Africa heavily regulates the business operations of pharmaceutical companies, the government appears to have taken a more lenient stance toward generic producers and their business practices at the pharmacy level. Due to the substantial incentives provided to pharmacy groups by the generic manufacturers, KD and YK related their personal experiences with generic undercutting at the pharmacy level. According to these CO participants, the government would need to be more involved in upholding fair competition laws and making sure that EM industry actors behave consistently.

> *"So larger generic companies do tend to do basket deals. They give them incentives to dispense their products over others. They will, it's just not as ethically managed as we do. The logistics fees are sometimes excessively high, so they get away with promoting things and getting themselves on formularies and preferable dispensing in ways that we as an ethical company are not going to be participating in." KD*

“And I have seen at for instance Clicks, that they have to comply 98% to their formulary. So the pharmacist do not get the incentives if they don't achieve 98% of what they require them to dispense. So if you're not on that formulary and what it takes to get on a formulary is a higher fee, is a certain negotiation and it's all about money, they sometimes can get up to 50%.” YK

5.4.3.2 Analysis: Generic supplier approach

According to the data analysis, there is agreement regarding the generic supplier approach in EM and its effect on pharmaceutical MNCs entering these markets. However, there are opinions on the advantages of generics in emerging markets, with some participants stating that generics are essential for facilitating access to treatment options and offering alternatives at a reasonable price when compared to originator drugs introduced by multinational pharmaceutical corporations. The LMP Director MM backed up this assertion by using a COVID-19 example.

“Yeah, so it never materialised. So when company X was doing their planning, and I was part of the planning, we knew this was going to help because covid was an epidemic and ‘hana-hana’, especially for the people that didn’t want to be vaccinated, they’re bound to get sick. There was an alternative. And what happened? It came. Dr Reddy was running it.” MM

The consensus among all the participants is that pharmaceutical MNCs must have a thorough understanding of the generic landscape in an EM before entering the market because it gets harder for an MNC to gain market share in a market dominated by generics, especially when there are several generic versions of the same molecule available. Participants said that in a market like this, a volume-based strategy with no guarantees would be of no benefit.

“And of course we know that there is definitely year on year, even if it is 1 or 2%, but it could be up to 10%, erosion of generics. Because on average I would say there is across our brands 18 generics per brand. And there is a lot of companies and it varies from reputable generic companies to I would say less reputable generic companies.” YK

“And then we've got to ensure that you try and make that up. So you have to double your volumes and that's very difficult when you're competing against 12 generics that are still at a lower price point than what you are, and the minute you lower your price as the originator brand, they lower their price because they have bigger room to play. Their margins look different.” WB

Several Organon participants expressed their dissatisfaction with the lack of regulatory oversight at the pharmacy level, where the majority of originator switching occurs, claiming that the practice of logistics fees and incentives is directly at odds with the letter of the law and does not promote fair competition within the pharmaceutical industry.

5.4.3.3 Conclusion: Generic supplier approach

Pharmaceutical MNCs must manage turbulent EM situations that may not allow for premium priced products because the customer focus is on affordability due to the nature of the pharmaceutical industry and the rise in generics. The insights offered by the participants show that generic manufacturers have a lot more price freedom, which makes them much more desirable in EM. This is a luxury that many pharmaceutical MNCs do not have.

Participants in Organon were more concerned with how generic drugs will affect their profits and capacity to compete than they were with end-user access and affordability in emergency medicine.

5.4.4 Key findings: Manufacturer's approach to optimise market opportunity

5.4.4.1 Participants' contributions

Even while only a few of the participants were able to explain the pharmaceutical MNC strategy for maximizing potential in EM through access programs, the vast majority always had knowledge of the kinds of access programs needed in EM to maximize market opportunities. The use of patient programs to open up market potential is not a new concept; the programs performed by pharmaceutical MNCs are highlighted below with explanations and examples.

> *"We offer patient coupons to help buy down co-pays. So even if you are insured, we oftentimes will still provide support and helping patients with their co-pay." LU*

> *"Then they said, if you're really unemployed and you're suffering and you can't afford, government doesn't have it, we'll give it to you for free. So, the beauty with that access programme was that it really forced everybody to treat the right patient." MM*

Notable is MM's recommendation that pharmaceutical MNCs should seize opportunities by doing proactive screening to identify the markets they want to target or enter.

> *"Because if you want to have market, identify those people that you can treat. I can't start treating without activating the market, without getting them to be tested earlier. Even hypertension – how many people get diagnosed at late-stage hypertension? Quite a lot. That's the reason why they die. By the time that they are diagnosed that*

they're hypertensive, guess what has happened? They've got multiple complications and the hypertension is diagnosed just by fluke. So the biggest problem we have is late diagnosis." MM

It was mentioned by a participant that the information gathered from such screening or market monitoring may subsequently be utilized to influence policy in the EM that was being targeted. forming the policy to allow the pharmaceutical MNC to enter the market and/or launch a new therapy that is backed by policy and included in the medicine recommendations as the preferred drug of choice. MM shared that according to the claim, a pharmaceutical MNC would be in a better position to influence price if it could affect policy before entry because the volumes would be safe from an EM standpoint.

"Because here's what I would say. If I say I have a new drug in HIV, just for argument's sake, let's talk about Organon. I have my wonderful drug called Implanon. It really is a wonderful product, alright. But had I known about Implanon very early, I would have influenced government; well, I influenced the policy – Implanon was included." MM

It was suggested that pharmaceutical MNCs should think about eschewing conventional methods of product development in favour of using cutting-edge technologies for precise market diagnostics, identification of the disease burden, increased production capacity at a lower cost, and lower production costs. MM expressed that this would help lower the cost of medications for end users.

"They're using sophisticated computer modelling to then be able to see, to identify new molecules that can work. And then they test out of those 10 that are promising. So the dynamics now of R&D is changing. It's no longer going to cost a lot of money, it's going to cost just a fraction." MM

According to the data presented, some participants think that pharmaceutical MNCs may use collaborations with donor funders for product profiling in particular EM, access initiatives, and price control.

"In support, meaning … No, I don't think there is, it depends. On the Access programs there are donor organizations or organizations like Clinton Foundation and people like that, that do buy for the country. So you indirectly deal with a funder or an organization that supports and buys and supplies to the country." YK

"In some instances, there's private funders like USAID who have created collection points for specific treatment options like your TB medicine, your HIV medicine, to ensure that patients have access to this. And I think it's important to broaden that type of partnership as well." MMas

While there are several strategies the pharmaceutical MNC might use to maximize prospects in the EM. YK acknowledged that acquiring local healthcare providers' support and training them remains the key and important strategy for maximizing potential in a particular market because they have a substantial impact on the available treatment options for many patients.

> *"…You think Open Access, lowest price, everything will happen for you - and it doesn't. It's still hard work to establish that and get the doctors to actually put hand to paper and drive that, compared to what they used to be doing for 10 or 20 or 40 years – to change that behaviour. They are not necessarily going to go for the cheapest. It's difficult. I mean we tried different models and still it just doesn't automatically happen. It's still hard work." YK*

According to KP, the industry needs to change its perspective on the issue of access from one of a pharmaceutical MNC concern to one of a multistakeholder one. The participant urges all relevant parties with a stake in enhancing EM healthcare outcomes to collaborate in co-creating solutions to the access and cost issues.

> *"Pharma is operating within a space that is really created, and all the parties need to really come together to ensure that the access to medicines or vaccines is availed to the citizens of a country or a particular market. So has pharma done enough as a stakeholder in this broader context? I think they have done what they can. Can they do more? Absolutely. However, the regulatory environment needs to enable that 'more' that pharma can do." KP*

5.4.2.2 Analysis: Manufacturer's approach to optimise market opportunity

Following data analysis, it became evident that all participants had a similar understanding of the importance of access programs in enabling prospective prospects in emergency medicine. However, there is a widespread belief that pharmaceutical MNCs should be much more proactive in their market analyses and illness targeting for the EM that they intend to enter as this might help the business save a lot of resources and pointless spending.

> *"Yeah. So the reason we have the 'guvys' of this world. 'Guvy's' is going to give me money to the emerging, the Africa countries. So there's a subsidisation that can happen, but they only allocate that money to diseases that… like epidemics, you know, cholera and all that kind of stuff. Those days it was the polio, it was the things that treat cervical cancer to prevent it earlier." MM*

The analysis also shows that donor funders, through enhanced participation and cooperation with such global funders, might play a crucial position in devising price and entrance strategies for pharmaceutical MNCs. The following is an illustration of this:

> *"In some instances, there's private funders like USAID who have created collection points for specific treatment options like your TB medicine, your HIV medicine, to ensure that patients have access to this. And I think it's important to broaden that type of partnership as well." MMas*

A disagreement exists over whether pharmaceutical MNCs are doing enough to increase access to cutting-edge EM treatment options, according to the data. One school of thought holds that pharmaceutical MNCs have made significant contributions to access and ensuring that price is consistent with industry practice, whereas the other holds the exact opposite perspective and believes that pharmaceutical MNCs can do more, especially in EM.

> *"I genuinely do, I really believe that there's a lot of things that pharma manufacturers do to try to ensure access, and in the United States, even we offer a lot of, you know, we have a patient assistance program where patients can call and get support and help in getting access to their drugs and we provide support to them." LU*

> *"I don't think pharma does enough because big pharma - so I'm answering the second part of the question first – big pharm has a big pharma mentality and it's a very Americanized and Eurocentric view on health I guess, and on the provision of these healthcare products." WB*

5.4.2.3 Conclusion: Manufacturer's approach to optimise market opportunity

Analysis of the interview data showed that multi-sectoral cooperation between local governments in EM, donor funders, and pharmaceutical MNCs can help address the problem of pharmaceutical product price and promote access in EM. Even though pharmaceutical MNCs operate access programs, the other participants agree that local governments should take a more active role in these programs rather than leaving it entirely up to the MNCs. It is noteworthy that some of the participants felt that pharmaceutical MNCs could be more innovative in their market selection assessments as well as product development to minimise resource inefficiencies and reduce production costs, which make up the COGS and ultimately influence the ex-factory price.

5.4.2.4 Theme conclusion: Internationalization

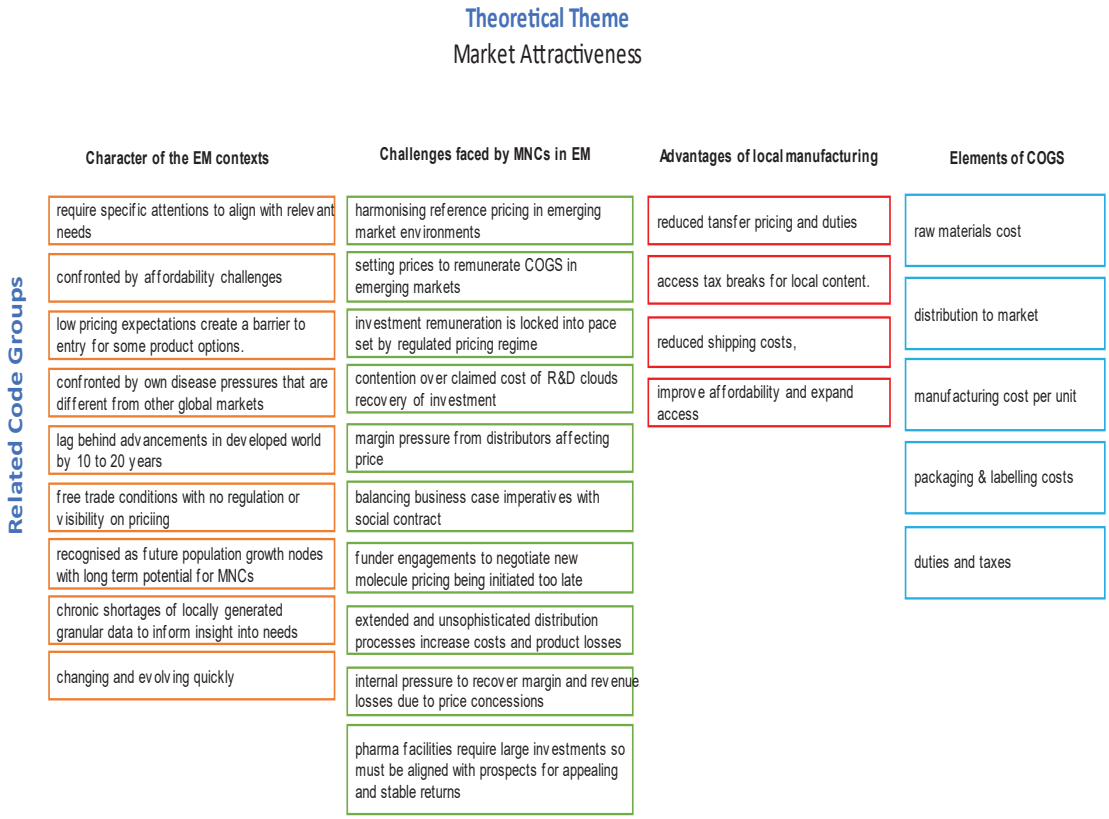
It was crucial to learn how the participants understood the notion of internationalization given the framework that was established for the interviews. It was also crucial to find out whether the participants thought it was essential for pharmaceutical MNCs to find pricing solutions in EM for easier entry. Additionally, it was necessary to check whether the Department of Health participant and the participants from Organon LLC shared the same views on the idea of internationalization. The participants agreed on the difficulties faced by MNCs when choosing to investigate potential in EM as well as the pricing concerns, notwithstanding some instances of divergent opinions.

5.4.3 Theoretical theme: Market Attractiveness

5.4.3.1 Results of the coding process

In relation to the theoretical theme of Market Attractiveness, four code groupings emerged. The first code group is made up of the nature of the EM contexts, which considers issues of MNC endurance in functioning in EM as well as awareness of the environment. The second code group examines the difficulties MNCs encounter in EM, especially the pricing and volume equation. The benefits of local production and its effect on cost are taken into account in the third code category. Finally, there are the components of COGS, which are related to the factors that affect ex-factory price and determine what drives the cost of products. Below, each of the code group data sets will be reviewed and evaluated. The main theoretical theme and its associated codes are displayed in Figure 8.

Figure 8: Market Attractiveness code and code groups



Source: developed by author

5.4.3.1.1 Key findings: Character of the EM contexts

Although just a few of the participants were able to explain the idea of market attractiveness, the majority of them always had a thorough comprehension of the procedure MNCs use when choosing a new market to enter. The following comments about market attractiveness and the procedure are highlighted.

> *"And so when it comes to like getting creative or interesting or thinking about emerging markets, that's kind of we're not really doing that at that time because we're really looking to just say let's be conservative and make some estimates, and we know that emerging markets aren't where the big financial drivers are. Our ability to enter emerging markets hinges pretty heavily on the success of the product in the US." LU*

> *"And another critical thing for multinational companies, I think it's very important to ensure that there is internal advocacy and understanding internally, that Africa is not*

one conglomerate country, right, it's a continent and each country within the continent has their own nuances, regulatory issues, as well as pricing." MM

"So there's that gap as well. The knowledge gap of understanding the market itself and sometimes the assumption that a continent is homogeneous." MMas

Even though the pharmaceutical business has a strong understanding of market attractiveness, some of the participants acknowledged that pharmaceutical MNCs may still improve their comprehension of EM. The level of understanding needed to inform entry strategies is restricted, according to AT and MMas, who shared this observation from a worldwide perspective.

"I would feel that that emerging market would want us to have an understanding so we could be relevant and not miss the mark, otherwise we would be irrelevant if we don't have either of those in consideration." AT

"So there's definitely a need for pharma companies as they look at their pipeline and that, to also bring in the voice of the emerging market, so that if the product portfolio doesn't necessarily speak to the needs of the emerging markets, what can be done from a research perspective to expand on that?" MMas

Many participants believed that MNCs, especially those in Africa, should alter how they see EM. Participants said that entering into EM is typically seen as more of a cost-cutting measure, which is a dangerous view that could cause pharmaceutical MNCs to miss out on the growth potential in Africa.

"I also think that when you think about an emerging market, people are trying to just in general control costs and when that happens," LU

"So I think if we look at the population stats, right, it's very evident that the biggest population growth comes from Africa and other emerging markets, right? So which means that, you know, by investing in these markets, this will give the multinational companies that longevity that they're looking for in this market. And there's a lot of innovation that happens." MMas

"Why would you not enter in emerging markets and affording those patients the benefits of the innovative solutions?" YK

"I do. I think if I just picture Africa in its entirety, I mean, there is a lot of need and a lot of. if you want to call consumers volume, there is a huge volume of women patients that could really benefit. Again, the costing or where the funding comes from is the challenge. But there is most definitely benefit for both company and consumer." JK

The participants could not provide much insight when questioned about the price frameworks or methodology used for EM, although they did mention that a variety of approaches or frameworks are used. It is highly likely that pharmaceutical MNCs do not have a clearly defined pricing approach for EM, which, as stated by the participants, presents several entry challenges in markets like Africa. This is indicated by the fact that AN mentioned the reference pricing framework and MMas mentioned volume-based pricing.

> *“So we know that at that reference pricing, we’ll never be able to compete with the local therapeutic equivalents, and there’s a barrier to entry because we can’t launch it, because we know it will never sell. At that price we are definitely over-priced.” AN*

> *“I mean, I couldn’t walk into Kenya and start selling Lipruzet for like R500 a month, because I know that is just so way outside of affordability. I’m limiting it to a couple of people.” AN*

> *“I would say it is a multitude of frameworks that are used, because again when one looks at a lot of the low- and middle-income countries, there you tend to have the volume, however, one needs to price in a way that will be accessible to the majority of the people. So one takes that into consideration as well.” MMas*

Participants hold that the ecology is constantly changing and that illness types vary so swiftly in the marketplaces. Because of the ecosystem's rapid development, certain pharmaceutical MNCs have found it difficult to diversify and evolve their pipelines for market-specific diseases, or in some circumstances, they have advanced more quickly than EM markets, rendering the company's product portfolio unsuitable for EM markets.

> *“We’re still treating old diseases that in America don’t even exist at all anymore. The only ones I think that affected all of us is the covid. I mean, if you look at ebola, ebola was a disease of Africa. Did it affect America? No” MM*

> *“So I think that reimbursement piece is critical – and it’s not that we didn't consider it but you know market dynamics change so rapidly, because when we were preparing pricing for this launch, we prepared it in I think it was July of last year with a view to launch in March. Between July and March we had about – not about - I'm going to be very specific, we had 16 generic entrants of Monotherapies.” WB*

> *“But again, I know South Africa has got the highest number of people with HIV, alright. Now that’s fine. So America thinks, okay, when we have a new HIV drug it’s good for South Africa.” MM*

"So it may not necessarily speak to commercial viability and commercial opportunities that organizations would want it. It could be very, very niche to a particular disease area and what's driving it, but not necessarily giving me the epidemiology of a disease from a national point of view." KP

The data suggested that pharmaceutical MNCs do not have long-term strategy when intending to enter EM and are fast to leave the market in the event of even the slightest crisis. Pharmaceutical MNCs frequently turn to EM as the first port of contact when cost-cutting measures need to be undertaken, according to MMas, and as a result, many EM have lost faith in MNCs' intentions.

"because the other issue with multinational companies is that you know there is no consistency in longevity in terms of them operating in emerging markets. It's almost like if there's an opportunity to cut, the first countries that are regarded as opportunities to cut would be emerging markets. But the reality is this is where the biggest need actually is. So I think it requires that paradigm shift from." MMas

Pharmaceutical MNCs may have chances if they enter EM, but the participants noted that because to the limited immediate commercial viability from EM, MNCs are typically unwilling to modify prices to accommodate the market. The data also reveals that some participants believed that MNCs would not benefit nearly as much from setting up operations in EM as they would from the initial infrastructure investment that would be required.

"And when as an emerging market, you represent such a minuscule, small amount of their total revenue, there's no good reason for them to take pricing risks in a small environment." WB

"the infrastructure and the capital expense that we are putting in in order to you know, be cable to meet the demand that is continuously increasing in these emerging markets." SO

- ***Analysis – Character of the EM contexts***

The examination of the data revealed that the participants held similar opinions regarding MNCs investing in EM, particularly in Africa, based on the premise that the continent offered excellent growth prospects due to its expanding middle class and population. Participants did point out that MNCs should adopt a long-term perspective on FDI inflows into Africa, as they might not experience instant growth.

“I mean, you take a step back and look at it from an opportunity perspective, emerging markets are said to be – and especially in SA – said to be the next growth frontier. We’ve got the youngest population, that population will need medicines. It will need vaccines. And in my view, despite all the challenges, it is an area where there's great opportunity for not just the pharmaceutical sector, but for business in general and understanding the risks and understanding the complexities, looking at them specifically and then making the decision based on that.” KP

There was broad agreement that MNCs must carefully evaluate the needs and priorities of the market, avoid lift-and-shift techniques from one EM to another, and develop specialized penetration strategies for African markets. JK stated that the difficulty with affordability in Sub-Saharan Africa sometimes prevents price skimming penetration tactics from becoming successful, particularly with pharmaceutical products.

“I would mean it's more like a market penetration strategy, I mean a similar one, where you're looking at the 80% of the population and try to make medicine available to at least 80% of the population and not less. Unless the very bottom of the pyramid where there is zero affordability.” JK

“Which means you are selling the same implant at $100 in US instead of making $70.00 profit, now you're making $90.00 profit. So the economy of scale off course at the production level and because of that, then the brand become more profitable globally rather than less profitable, when you do not have the access strategy for middle income and emerging markets. But that would only hold true for a product that you can mass produce.” JK

“but then unfortunately for sub-Sahara Africa or the countries are so poor that if you go for price skimming then you will get very, very limited penetration.” JK

The issues of pricing in EM and the substantial investments required of MNCs to penetrate the markets were again being emphasized by the participants. Global and local Market access and price participants were all aware of this EM context. They further questioned the value of investigating any potential in EM given the low commercial viability and considerable expenditure needed.

“So it is a bit of a challenge pricing product in emerging markets where there is free trade, where there is no pricing regulation and very little visibility on the pricing” MMas

“On my other portfolio, we had a call for tender and they sell these, they get the drugs for three rand! You know it's completely unprofitable for us to even consider. You know

we might as well it costs us more to package and import than what, you know? So it's insane that environment that you're working in. Ja" WB

- ***Conclusion – Character of the EM contexts***

According to an analysis of the interview data, pharmaceutical MNCs need to change how they approach FDI inflows into EM. The participants support the adoption of a long-term strategy for MNCs to realize any commercial gains and the management of expectations with regard to immediate results. The participants think that the adoption of such an approach would allow the MNCs to fully establish themselves in the EM and benefit from the EM growth potential, in particular African markets. The participants demanded greater effort be made by MNCs to understand the different dynamics in EM and the different epidemiological landscape from that of developed markets and appreciate the fact that the needs are different, even though they had seen efforts made by MNCs to better understand the annoyances presented by EM. Notably, some of the participants have suggested alternative go-to-market methods such as partnerships with distributors since they do not think the investment necessary to successfully penetrate EM through JV's and or WOS is worth the modest commercial advantage. However, because of EM's affordability issue, access to medications would continue to be a problem.

5.4.3.2 Key findings: Challenges faced by MNCs in EM

5.4.3.2.1 Participants' contributions

The data indicates that from a pricing framework perspective, participants strongly believe that reference pricing presents a challenge for MNCs in EM, although popularly used in the industry may not necessarily yield the indented price parity outcomes for markets considered to be of the same scale when it comes to GDP growth. Instead the reference pricing framework as shared by AN usually limits the MNCs ability to compete in the market.

"The problem arises, and we see it a little bit with our fertility market at the moment, where the reference pricing for the fertility products in South Africa is way higher than what we could possibly expect to sell it at. So there, reference pricing for us is too high." AN

"So we know that at that reference pricing, we'll never be able to compete with the local therapeutic equivalents, and there's a barrier to entry because we can't launch it, because we know it will never sell. At that price we are definitely over-priced." AN

In addition to the challenge cited above, the participants indicated that with EM in particular in South Africa once an MNC has submitted a price for the a particular product there is very little flexibility for price adjustments. The pharmaceutical pricing regulation does not allow manufacturers to take price increases irrespective of changing dynamics in the environment the only adjustment that may be made is a price degrease.

> *"Well, the negatives are obviously for the pharmaceutical companies, because linked to that is a price – you've lost your flexibility in terms of pricing. And it's going to be things like, you can't just take your own… so you launch at a certain price, you've got it wrong, you can't suddenly decide, guys, we've sold 20% under, we need to increase our price by 20%. Now you can't go back and change your price up to make higher." AN*

> *"Yeah, no, sure. Yeah, no, you've got to get it right because once you've decided on your price and you've got your price approval, that's your price. And as I say, that price, you can't do anything about that price in terms of increases other than except the government increases." AN*

MM discussed the high volume and low price economic approach and shared that this equation is challenging for MNCs as in EM the manufacturer would need to price in accordance with the macroeconomic factors at the expense of the company's margins which is not sustainable in the long run.

> *"So, in economics they say high volume, low price – it makes sense. But in pharma that really… that equation doesn't really apply, because if you have high volume but you're pricing extremely low to accommodate for government's financial of fiscal situation, then the challenge is, you end up corroding your margins. So when you're doing pricing, one has to look into the profit margins." MM*

> *"I do know that people believe medicine is for the people, the profit would follow. But that equation, really, that mantra doesn't really work, because if you're selling at a loss, you might as well not even build the site. And to even complicate matter is, it's the rand/dollar exchange, number 1, the pricing affordability based on the macro and the micro" MM*

The participants expressed that the pricing regulations in EM do not allow for MNCs to be creative in developing alternative reimbursement solutions with medical aid funders in order to drive increased access to innovative pharmaceutical products. MM used the example of the South African Single exit price policy (SEP).

"Well, not all animals are equal, that's number 1. So the biggest challenge with South Africa in particularly, primarily in the private sector, is our pricing regulation which is a single exit price. If anything, if we can remove that, life will be easy." MM

"So if we can't discount, it's a single price across all. That basically implies that all of us are equal – but we're not equal in terms of affordability." MM

Participants indicated that currency fluctuations are also a big problem for EM which make it challenging to justify the premium pricing of new launches and or building convincing go to market strategies with the relevant stakeholders.

"I mean, we have product X that's coming. Apparently, it's going to revolutionise – it's a pretty good device, 'hana-hana', but if you look at how it's priced in America, I mean, that pricing benchmark in a couple of thousand dollars, I'm thinking excuse me, it's not going to happen here. Even if you say it's $500 – by the time is comes to me, the rand/dollar exchange will probably… yeah, I don't even want to think about what's going to happen." MM

"And for us it's easy to say to the government, to the guys in global, look, the rand/dollar exchange doesn't help us, the price is too high 'yada-yada' but it's way too late. You should have done that very, very early." MM

MM discussed the need for increased alignment on pricing governance and strategies between the internal local and global market access and pricing teams as there is an apparent misalignment in priorities when the gross and nett targets for EM are set by the MNCs global pricing team.

"So in terms of pricing and the factors that influence pricing governance and the structure, it's whether there's an alignment between what is their priority and what is our priority." MM

"The challenge lies in, if you give me that nett and gross, that doesn't apply to me because me, I have a single exit price. I can't discount. Then without using logistic fees. But government wants to curb the logistic fees. I think about 5 years ago, 7 years ago they set, they packed that at 8%. That hasn't materialised, but it's probably going to come, alright." MM

"So to answer you in terms of the factors that are impacting, there's a disconnect between what is our priorities, the priorities from the health perspective of the emerging market and the priorities from the health perspective of the Western countries. There lies the biggest disconnect." MM

The data indicated that participants are of the view that EM have a skills shortage and MNCs find it challenging to find talent in these markets to critically address and formulate compelling access and pricing strategies which could be shared with the global teams to build differentiated pricing models for markets like Africa.

> *"But if you look at Organon, as an example, how many people do pricing? We don't know. Does the organisation have capacity to say, I'm going to take two people from our current structure, let them start preparing the market for the future – capacity is an issue. I'm not even going to talk about skills set. But capacity, because we're addressing the problems of the now; we're not looking into the problems of the future – and I think that's another disconnect here." MM*

> *"That's number 1. (Number) 2, we knew very early, in the early stage of Implanon, that iDepo interferes with the drugs that are used in HIV. There's an opportunity. Now I could have done my pricing such that I say, give it to me at $8,95 but the volumes are millions, because I've already activated the market and I've already identified, and I already engaged with the stakeholders, and I've already influenced policy. So you can't give me a price and then tell me I must go influence policy. It's too late" MM*

> *"Then me and global can say, well, for South Africa this is the price. And let me let you in – it's not a secret, but one of our biggest challenges is, when we do global pricing, global pricing says, this is your nett, this is your gross for the market. But it doesn't say this is your nett, this is your gross for the government." MM*

> *"No, for government. I'm like, hey guys, you can't expect government to buy this at $5 per unit. But there's no differentiation between the pricing structure for public sector, which is government or tenders, versus the pricing structure for private. They think it's the same." MM*

However, a counter argument was raised by another participant stating that the MNCs could play a greater role to address the resourcing challenge in EM by resourcing adequately. MMas stated that the resource and capacity challenges faced during the market attractiveness assessments are largely driven by MMas not dedicating enough resources to execute the required assessments to the sufficient level of detail before entry decisions are made.

> *"I think sometimes organizations need to also be intentional about resourcing markets and not always match one to match the resource with the revenue that it generates, especially in the exploratory phase. Right. And because we might need to invest more with smaller gains in the beginning." MMas*

The lack of regulatory harmonisation was presented as a challenge in EM. Participants shared that if EM could find a way to harmonise pricing regulations in the African markets, then there would be some form of standardisation which could lead to pricing strategies that are consistent.

> *"Ja, the regulatory harmonization and have one central hub that deals with regulatory for the entire continent. I think that would be it a great improvement in efficiency and some of the processes that are duplicate processes within the regulatory space can also be automated and it will make this centre even more efficient." MMas*

> *"I definitely think they would cause as I mentioned earlier, looking at the fact that a product could leave the manufacturer at $2.00 but ended up with the patient at $10. That on its own is a massive challenge, right? Because it means as a manufacturer, even if you keep on reducing the price, trying to make it more accessible, there's many other things that happen along the chain that actually takes away that access piece that you had wanted to make possible you know?" MMas*

The geographical positioning of South Africa was brought up as a challenge by one of the participants. Stating that as an unintended consequence of South Africa's location inherently bring a product to this market would be drive up additional costs which would normally be built back into the price. YK alluded to the fact that the value chain would also need to be revisited when reconsidering pricing strategies that are EM appropriate.

> *"Definitely, definitely. And also if you look at the way geographically South Africa's positioned, getting product here from wherever – US, Brazil, South America, Europe – is costly. So that adds a lot to our cost, and of course that localisation can definitely be a huge benefit." YK*

5.4.3.2.2 Analysis: Challenges faced by MNCs in EM

Analysis of the data on the challenges faced by MNs in EM highlighted that the participants share the perspective that reference pricing presents a challenge for pharmaceutical MNCs in EM. This framework is mostly used within the industry however participants have indicated that it may not always be transferable, KP use the example of the economic classification of South Africa and Saudi Arabia and how the classification has created significant pricing disparities when the reference pricing framework is applied.

"I'll think about the example of a market as I'm speaking, and I'll mention it now, but if we think about very recently, actually Saudi Arabia, a high income country, was referencing South Africa. Now if you remember I mentioned that we've got pricing guidance for high income countries, low and middle income countries and so on - now taking that example, of course, the pricing guidance for Saudi Arabia will be higher than that of South Africa." KP

"The visibility of our price then gives the Saudi government leverage to go back to pharma and say 'hang on, but you're selling medicine X at $1000 in South Africa, but in Saudi you are selling it at $3000. We want the South African price." KP

The reality persisted, participants agreed that pharmaceutical pricing regulations in South Africa do not give MNCs flexibility in price taking or skimming solutions. YK indicated that this level of inflexibility has been detrimental to the MNCs ability to be creative in establishing pricing and alternative reimbursement solutions.

"I can't… by law in SA if there is a generic, it is equivalent to the ethical drug and the efficacy or the bioavailability in the body has been proven and accepted by the authority. So I can't question that and if there are already several generics and I can't differentiate myself, price will ultimately be the…. And if I can't compete with the price… and there are factors playing in price." YK

Participants agreed that Africa would benefit from a level of regulatory harmonization from the registration of pharmaceutical products to a standardized pricing standard across Africa. The participants shared that such harmonisation would help fast track the process of getting products to EM and provide a base for pricing strategies especially in Africa.

The data also revealed that there are conflicting opinions about the resource challenge MNCs face in EM. One group of participants is of the opinion that the difficulty in conducting robust market assessments that speak to entry strategies is as the participants stated a result of the lack of skilled resources in the EM. The other group of participants presented an opposing view putting the responsibility on the MNCs to ensure that the company's dedicate sufficient resources to execute on the expectations for the market attractiveness assessment.

5.4.3.2.3 Conclusion: Challenges faced by MNCs in EM

Challenges faced by MNCs in EM can determine the future success of the MNC. The participants highlight the importance of having internal alignment on the expectations and resources required in order to effectively execute market attractiveness assessments that are key to entry mode decisions. The participants strongly agree that there is a need for regulatory

harmonisation in Africa to facilitate product registration and pricing for the markets however the practicality of how this regulatory body in Africa would work and where the governance would be managed was unclear. Participants referenced the United States and Europe as markets that have successfully implemented such harmonisation.

5.4.3.3 Key findings: Advantages of local manufacturing

5.4.3.3.1 Participants' contributions

The topic of local pharmaceutical product manufacture in EM is not new. The obvious benefits of such an entrance strategy were emphasized by the participants, who noted that it would significantly lower the costs of delivering finished items to the target market and deal with transfer pricing issues.

> *"Okay, it's going to certainly bring down things like shipping costs." AN*
>
> *"It's going to certainly bring down things like transfer pricing maybe, and import duties and things like that" AN*

Several participants thought that such an approach would also benefit an MNC from the standpoint of a tax rebate, as markets like South Africa encourage local manufacturing to produce jobs for locals. The local authority in Tunisia and Morocco, for instance, forbids the sale of goods that are not produced there, according to AN.

> *"and it may give you some tax benefits because you're creating locally. Everyone loves… I think we've got that situation in Tunisia and Morocco and things like that, where they say, if you don't make it locally, you can't sell it." AN*
>
> *"more importantly the organization would also benefit from tax rebates for job creation and for contributing to the economy of that particular country."*
>
> *"Umm. And ja, it will also create job opportunities, therefore contributing positively to the communities in which it would be operating"*

LU An international participant from Organon said that the access problem is substantially exacerbated when MNCs choose to use a local production strategy. The participant did make a suggestion that the pharmaceutical MNC would then be responsible for setting up appropriate access programs, but LU was unable to elaborate on whether or not such a strategy would have a significant impact on the ex-factory pricing for innovative medicines in EM and address the affordability challenge.

“that will help patients in ensuring they have access and ensuring that where they don't have access, we support them and help them get access” LU

The decrease of supply disruptions, according to one participant, would be a major benefit of local production. They gave the COVID-19 pandemic as an example of a time when they experienced difficulties bringing products to market. The idea of a reduced supply was then disputed by KD, who brought up the issue of API procurement and said that because APIs will be purchased outside of the EM, supply limits would still be a problem.

“The first main benefit would be we will have definitely less disruption in supply. I mean if I just bring this conversation to Africa, if we had a few hubs in Africa producing different Organon products, then this challenge that we faced with COVID-19 where we had shipping containers stuck across multiple harbours, therefore product not being able to get to market, that would have been not a problem, because we would, we would have been able to manufacture and then use the road, for example, to actually get product to market, right.” MMas

“We may still need to source things like API, but if you are really compounding it into actual medicine and packaging, and it would be a lot more affordable to get product to African countries, including our own.” KD

5.4.3.3.2 Analysis: Advantages of local manufacturing

The majority of the participants were able to describe the benefits of local pharmaceutical product production in EM. The participants recognized that MNCs may use local production to lower the costs of bringing items to market and to strengthen ties with regional governments. However, the participants were unable to explain how local production would be advantageous from the perspective of pricing strategy or how it would assist resolve the affordability issue that is pervasive in EM.

Participants expressed opposing points of view regarding the use of a local manufacturing strategy for EM to ease supply constraints. Local manufacturing, according to the widespread consensus, would undoubtedly assist the organization avoid the difficulties it faced during the COVID-19 pandemic, but the potential of supply disruptions would still exist because the API needed for production must still be imported.

5.4.3.3.3 Conclusion: Advantages of local manufacturing

Despite the fact that local manufacturing's benefits were not a major focus of the research paper, the data analysis showed how important it is for MNCs to take into account such an entry strategy in order to support local governments' efforts to create jobs, which could ultimately help the MNC's image in EM.

5.4.3.4 Key findings: Elements of access within healthcare

5.4.3.4.1 Participants' contributions

NK, a participant from the department of health, was the only one to bring up the components of access. NK discussed a number of components that MNCs should take into account while creating access strategies for EM, including:

> *"achieve Universal coverage" NK*
>
> *"effective treatment" NK*
>
> *" affordable medical care" NK*
>
> *"quality medical care and products" NK*

NK emphasized the value of high-quality items as well as the effectiveness of MNCs' products that were registered in South Africa. The participant emphasized that MNCs should not compromise on the quality of the items designed for emerging countries and that they should consider how the climatic conditions in these areas differ from those in developed markets when making their evaluations.

> *"I think we already have to do; you know now I am purely about quality and safety right; but you have to show demonstrate stability data that you know, your packaged product would be able to handle all the moisture and…" NK*

Organon participants didn't offer any suggestions for what might go into an effective access program for EM in a country like South Africa.

5.4.3.4.2 Analysis: Elements of access within healthcare

The participant believes that in order for MNCs to roll out access programs in EM that are successful, they should make a concerted effort to ensure that the products that are registered

in the market meet the standard requirements that have been stipulated by the local regulations as well as ensure that the program is not limited to specific groups of people in their market but should have universal coverage that ensures affordable medical treatment.

5.4.3.4.3 Conclusion: Elements of access within healthcare

Accessibility factors did not significantly impact the research report. There was no information from an MNC perspective that could be used to determine whether pharmaceutical MNCs were aligned to the elements that make for a successful access program in EM or not, according to the limited insights provided by the participant from the department of health. Local EM government stakeholders have their own opinions on what constitutes suitable access programs for EM.

5.4.3.4.4 Theme conclusion: Market attractiveness

In the pharmaceutical industry, the idea of market attractiveness is not new, and most participants were generally familiar with it. Participants were able to clearly discuss the important factors that pharmaceutical MNCs must take into account when evaluating the market's attractiveness and when developing an entry strategy in an emerging market. The study question's central theme is market attractiveness since it influences MNCs' decisions about entry modes and opportunity sizing significantly. The participants concurred that, in addition to pricing considerations, attractiveness valuations help MNCs understand the EM landscape and what will and won't work.

5.4.4 Theoretical Theme: Entry approaches

5.4.4.1 Participants' contributions

In relation to the theoretical theme of Entry Approaches, three code groupings were found. The first code group looks at navigating the new market entry, which considers factors MNCs need to consider when entering a new market. The second code group examines the drivers of low-cost production. The benefits of local stakeholder engagement on pricing alignment are taken into account in the third code category. Below, each of the code group data sets will be reviewed and evaluated. The main theoretical theme and its associated codes are displayed in Figure 9.

Figure 9: Entry approaches code and code groups

Source: Developed by author

5.4.4.2 Key findings : Navigating new market entry

5.4.4.2.1 Participants' contributions

The analysis of the data showed that the global market access players and the local market access participants from Organon concur on the crucial value of local knowledge and the requirement for a pharmaceutical MNC to rely on it when making entry mode choice for EM. According to AT, in order to ensure that the entry mode strategy address local demands and are in line with local government agendas, the headquarters strategic planning teams would need to communicate often with the local markets. This claim is consistent with the viewpoint expressed by NK in section 5.4.3.10.

> *"are in an emerging market for example, where you maybe don't know as much and you maybe don't have someone in that country - that is definitely going to make it a bit harder to get there." AT*

> *"whether it maybe new hires that may have that respective country expertise – I think that would be important, I think personally I would want somebody with that expertise if we were looking at specific markets. They would also be able to help if it were someone that was from that local market, that emerging market, to help us understand what are the rules of the road" AT*

The vast majority of local participants felt that the global strategic access and pricing teams should do a better job of making a deliberate effort to include local specialists from an early stage when determining on market needs and the goods that would be appropriate for an EM. The participants said that this would be crucial in ensuring that the MNC meets local demands and avoids bringing in products that won't be successful there.

> *“So we just don’t work in tandem, if you know what I mean. So the left doesn’t talk to the right. The right does what they have to do, which is their primary responsibility, but the right doesn’t know that the left, which is the commercial team, needs to understand and start interrogating and figuring out what is the pricing dynamics. Do we need the clone to apply right now?” MM*

> *“But no-one ever bothers about saying, hey. So now, should we maybe have a broader team? We’ve done this. We’re close to manufacturing and then let’s talk about size. Is size important? For all the other markets, by the way, but in South Africa, if I say to you, if it’s a fridge item it’s got to be small.” MM*

Along with MM's ideas, MMas added that including the local team would allow for a range of experiences, viewpoints, and methods, which would provide a new perspective on designing pricing strategies that are appropriate. implying that MNCs are relocating away from top-down methods when making pricing decisions for EM.

> *“…And I think this is where our diversity becomes critical, because this is the diversity of understanding the diversity of, you know, I mean they, the benefit that diversity will bring because now suddenly you have different minds coming together to come to a solution.” MMas*

> *“But you have better representation as well, you know, of the voice of the market as well as the voice outside of the market and the two could potentially at some point find each other.” MMas*

The report also highlighted how MNCs may more easily enter EM from the perspective of the South African public sector. NK stated that multinational corporations (MNCs) must always be aware that what works in the home country will not work in an EM. It is crucial for the MNC to engage with local stakeholders and seek to fully understand the dynamics of the target EM before using that information to inform their entry mode and pricing strategies.

> *“…but I think what's important for me is that if you're a multinational company and you're coming into South Africa, you need to bear in mind that SA is a different animal. South Africa has got laws and regulations you need to abide by, you know, and we cannot for example, consider certain things as a copy and paste. If something is being*

applied, if you're a multinational company in, you are based in Switzerland or in America, what works in America or Switzerland won't necessarily work in South Africa." NK

This participant from the public sector's perspective on the various market perspectives was further backed by AT from Organon, who emphasized the need of developing relationships with local stakeholders, getting in touch with the relevant people, and keeping an eye on local procedures.

"So I would think in being very respectful of their process but also making sure that they would be connecting with the right people; if they don't know who the right people are it is really asking those questions," AT

"what is permissible or not – just knowing the rules of the road because they are going to be different for each respective country, it is not a cookie cutter approach." AT

"understand what are the rules of the road, what are we regulated by, what are we not regulated by, what would resonate from a need perspective, who are the key influences that we need to work with within that market." AT

"I think that is always a good, respectful way to kind of talk about things and make sure that both angles are discussed, from each respective point of view, Organon or the emerging market." AT

Participants in the discussion agreed that MNCs should put more effort into comprehending EM difficulties and working to help the markets find solutions in order to successfully navigate new market entry. The participants' opinions were supported by the statistics, which showed that MNCs should consider an EM's solutions to the problems it raises rather than just dismissing it out of hand.

"if there is a way to overcome that challenge - and maybe for some segments there won't be, but at least you will be able to explore that and look at what the options may be or may not be. So I think just not to assume that 'okay, we can't go there because it is not going to work'; I think having that understanding of why wont it work, or maybe it will work, how can we maybe see it as working" AT

5.4.4.2.2 Analysis: Navigating new market entry

The study of the data by the different analytical groups turned up recurrent themes about the idea that MNCs entering EM should make a concerted effort to establish relationships with both internal and external stakeholders. The idea that such an attempt might result in win-win

collaborations with target market stakeholders was enthusiastically supported by the participants.

The local team felt that the global MNCs teams could consult them a bit more on pricing and entry strategies as they are subject matter experts on what would be commercially viable in markets like South Africa. There were also differing opinions among the participants in Organon with regard to strategic planning and the involvement of local experts. The local participants urged a breakthrough in the internal gap to guarantee commercial success.

The data also showed that the public sector and pharmaceutical MNC perspectives share the understanding and appreciation that in order for an MNC to be successful in its entry efforts, it must adhere to all local procedures and requirements, as well as actively engage with local authorities and avoid taking a copy-and-paste approach.

5.4.4.2.3 Conclusion: Navigating new market entry

Analysis of the interview data revealed how crucial it is for both public and private players to work together to navigate admission into EM and achieve priority alignment. establishing strategic relationships with external EM stakeholders with a focus on providing access and price solutions that are appropriate for the EM.

Early on in the process of developing a strategy, the global and local market access and pricing teams should coordinate to produce effective plans that are specifically suited for the market they are targeting to support local engagements with the government.

5.4.4.3 Discussion: Drivers of low-cost production

5.4.4.3.1 Participants' contributions

The study of the interview data focuses on the participants' perceptions on the factors that influence low-cost production. These factors would affect how much a prescription product costs for EM. The drivers listed below are those that the participants indicated.

> *"Or if you can find a country where you've got big tax breaks for like setting up production facilities, or somewhere where you're very close to the API production site. So you don't want to have your API produced in China and you've got to ship it half-way across the world to actually now get it made." AN*

"So all those things, closing the gap between your API source and your manufacturing facility, makes a big difference, because that all will be built into your cost of API and things like that." AN

"…also depends on the complexity of the product" AN

The participants also discussed how MNCs could lower product prices by utilizing large-scale local manufacturing at the EM level or by revaluating the locations of the manufacturing and distribution centres to improve efficiency. The notion of MNCs investing in cutting-edge technologies to improve the value chain was first proposed by MMas.

"see whether the current methodology that we are using to produce product for example, is at its best efficiency, and if not, what are the new technologies that can be applied or some of the processes that can be automated" MMas

5.4.5.6 Analysis – Drivers of low-cost production

According to the results of their interviews, the participants believed that local production was a major factor in the development of low-cost products and would play a part in the creation of pricing strategies specifically suited for EM. Some people, however, stated that if there were to be any meaningful change in the cost of goods, the API gap would need to be closed.

The examination of the data demonstrated that the pharmaceutical MNC value chain may need certain modifications, either through the introduction of cutting-edge technology or by locating manufacturing and distribution centres that are ideal for serving EM.

5.4.4.3.2 Conclusion: Drivers of low-cost production

The drivers that are essential for low-cost production at an EM level were identified through analysis of the interview data. However, they suggested that without closing the API gap, there won't be any adjustments to the cost of items. Participants highlighted the influence local production would have on pricing strategies and cost reduction.

Participants noted that MNCs could open significant entry points into EM if they re-examined where to locate their production and distribution centres to benefit EM. They also suggested that MNCs might consider investing in technological advancements to enhance the pharmaceutical MNC value chain.

5.4.4.5 Discussion of findings: Stakeholder engagement for pricing alignment

5.4.4.5.1 Participants' contributions

Participants underlined the need for more pricing for EM alignment between pharmaceutical MNCs, EM government leaders, and industry organisations. KP stated that while it is a commercial requirement, the approach to EM should be responsive to the difficult economic circumstances in those markets. Pricing plans for EM cannot be left only to the MNC.

> *" I definitely think that all stakeholders should bring their minds together and you know, there's ongoing discussions from IPASA, from the CMS. There's also ERM Steer Committee that is made-up of various stakeholders – pharma, funders, as well as the CMS sits on that Steerco as well. So the only missing link I suppose on such committees and bodies that have been put together, is the Department of Health, the Pricing Committee – and as we get together and discuss and ideate as to how they could be implemented, you may find we are speaking amongst ourselves, we are speaking to ourselves, we don't necessarily have a full appreciation of the complexities on their side and without them on the table, it's very difficult to get that insight" KP*

The possibility of corruption and undue influence exists in EM, particularly South Africa, notwithstanding the importance of this multi-stakeholder alignment from the perspective of partnerships and in the development of personalized pricing strategies. KP express that it is crucial for MNC players to prepare for dealing with these problems while interacting with stakeholders in EM.

> *"You probably thinking that it could also then open up the avenue for unethical behaviour and so on. Definitely. Which is true and we shouldn't shy away from what could happen. But I think what needs to be transparent is the process rather than the actual price." KP*

5.4.4.5.2 Analysis: Stakeholder engagement for pricing alignment

Although alignment between industry bodies and stakeholders was not the research's primary emphasis, participants acknowledged the value of such alignment when developing pricing strategies for EM. Participants discussed the value that industry and government agencies could add to the pricing and access debate and how this would change the emphasis from pricing being only a problem for pharmaceutical MNCs to one that needs to be solved by many different stakeholders.

Although the sentiment is that the drive for fair access to cutting-edge medical solutions much surpasses the risk of corruption, the participants appear to be cognizant of the risks associated with managing such multi-stakeholder engagements in EM, such as corruption.

5.4.4.5.3 Conclusion : Stakeholder engagement for pricing alignment

Stakeholder alignment on price was not specifically addressed in the research question, but this concern is important because it has been brought up repeatedly by participants in various areas of the study. Pharmaceutical MNCs entering the EM market should work to prioritize external stakeholders in pricing strategies.

5.4.4.6 Theme conclusion: Entry approaches

The pharmaceutical industry naturally lends itself to significant investment requirements when entering EM, from investing in local personnel to guarantee sufficient market attractiveness studies are completed to maybe contemplating local production to reduce costs.

Participants agreed that pharmaceutical MNCs needed to reassess their interactions with EM, from the local team to external stakeholders, and put more of a focus on making sure that the market voice is heard when creating pricing plans.

Participants concurred that managing admission into the EM can be difficult, but that building ties with government stakeholders and industry organisations on pricing strategies can help to make entry into the EM easier.

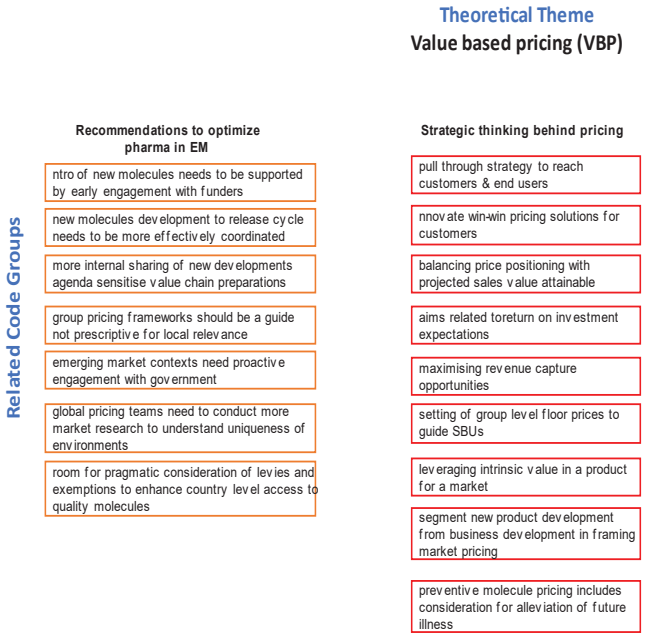
The development of solutions to the problems with pharmaceutical product pricing and access should be the basis of the interactions with external stakeholders. Having said that, the participants are aware of the possible risks the MNC may be exposed to by creating platforms that support such collaborations.

5.4.5 Theoretical theme: Value based pricing (VBP)

5.4.5.1 Data analysis

The data analysis revealed two code groups; the first is recommendations to optimize pharma in EM, which considers the demand for a deliberate strategy in EM drug pricing. The second code group examines the strategic considerations that go into the price of pharmaceutical products, which have to do with developing alternatives for window-of-opportunity spaces in aligning pharmaceutical items. Figure 10 presents the primary theoretical theme and its related codes.

Figure 10: Value-based pricing (VBP) code and code groups



Source: developed by author

5.4.5.2 Participants' contributions

Participants' opinions revealed that pharmaceutical product prices varied widely. MM made a connection between it and market pricing based on clinical results and the significance of early shaping and influencing with the funders.

> *"At the beginning, yeah. So there should be some element of cohesion between the clinical trial which is the medical and the market access teams very, very early, because that allows you to structure your pricing." MM*

> *"so that we can begin to influence the global pricing strategy very early. At the moment we get told, we start squirming, but we could have influenced it very early." MM*

Other participants recognized the value perception of price by matching the pharmaceutical MNC target market intents with the market's needs and what the market at the time saw to be a priority from a healthcare perspective. In order to ensure that price decisions are in line with local demands and to maximize outputs for the target market, the participant emphasized the significance of data and information collecting during the needs analysis process.

> *"And I think the processes need to also not be too stringent, right, because some of the things that might be required for pricing finalization - that data might not be*

available in country. So maybe again, here's another opportunity, invest a bit more in the market to ensure that the availability of information can be channelled in a way that it can help us to be able to make those business-critical decisions, right?" MMas

"Umm, this is always a bit of a contentious issue, right? (laugh) But I think if there is deeper understanding of the market and the dynamics in market and so there's definitely a need for the global pricing team to also do market research so that you know when we share that OK, this is what happens in this market, it's clear to understand and then take into account." MMas

"So what we really need is really good health economics modeling that's fine tuned to South Africa. So sometimes we are handed health economics models that are not this is, from my understanding from market access colleagues. It's not necessarily relevant to our market. So I think investment in proper health economic modeling and we really need some tight, really good interactions with market from a market access and a funder perspective." KP

According to the data analysis, participants were aware of how governments, funders, and patients in EM regarded the value of pharmaceutical items and how to establish prices for them as a realistic pricing strategy. The participants said that the pharmaceutical MNC now had the responsibility of demonstrating to the stakeholders the value that the products will bring to them and the patients.

"And that relationship between us and medical aids really needs to be key. We need to drive that a lot, a lot more. And we need to show them value, and not necessarily just value versus the closest competitor or something similar. But if you, for example, with Jada, if you're preventing that patient from going, needing to go into ICU for a night, that's a huge cost. And so really solid modeling and proposals." KD

Participants acknowledged that the VBP strategy is a customer-focused pricing strategy, which for them meant that the MNC would shift toward basing their pricing decisions on what the customer believes about the product. This would then, to some extent, negate the cost-plus pricing framework that is typically applied.

"I think we definitely have a significant role in that and our role obviously is to bring, in my view, to bring regulators, to bring local organizations within a particular market to the table and a discussion should ensue, but the discussion should really be one that is looking at the sustainability of the stakeholders around the table (1), but more importantly, how do you then ensure that patients can ultimately get medicine or vaccine at an acceptable price, right?" KP

> *"Which means you are selling the same implant at $100 in US instead of making $70.00 profit, now you're making $90.00 profit. So the economy of scale off course at the production level and because of that, then the brand become more profitable globally rather than less profitable, when you do not have the access strategy for middle income and emerging markets. But that would only hold true for a product that you can mass produce." JK*

Due to the highly specialized nature of biopharmaceuticals, the analysis of the interview data showed that pharmaceutical MNCs are better positioned to utilize VBP strategies. As a result, they are able to start conversations with the government and funding sources about alternate reimbursement strategies that are aimed at increasing access to the pharmaceutical products. However, all parties engaged must be able to work together for the common good.

> *"I think uh, the first role is they would be the ones to initiate the partnership in most of the cases; it's only a few cases where a government will come to a company and say, 'We need your product, can we do something about it?' Most of the time it will be the other way around where the company comes and says 'We have a solution for XYZ problem. Can we partner together?" JK*

> *"So my thinking would be that the company should have a profit motive and a business case to make the product available in Africa and then also a sure responsibility angle where… I don't know whether you're familiar with the phrase of doing well as you do good, not just coming Africa to do well as a company, but also to do some good. But when you want to do the good only, in my view it's a failed strategy." JK*

Some participants believed that the perceived value of VBP as a pricing solution for EM was highly dependent on whether or not customers in EM were willing to assign value to the pharmaceutical products. As a result, there is a significant need for early engagement with local stakeholders on the procurement of the pharmaceutical product.

> *"But also begin to engage with the stakeholders that are going to be influencing how the product's going to be procured, per (gesso? 0:24:12) funded. We need to do that process very early. But obviously, as pharma company, all of us in fact, all pharma companies we don't do that." MM*

The participants also emphasized the need to remove entry barriers when it comes to product registration delays in the EM as this has a significant impact on the value of the product and how quickly an MNC can bring it to market. This is necessary if a VBP strategy is to be successful in EM.

“So it can work; you just need a little bit of creativity, some creative juices. But at the same time, I can’t start an access model when the product is 3 months to registration. That’s way too early, because remember, I’ve got to engage with the pricing committee, engage with the key stakeholders far earlier. So in essence, what I’m saying is, as far as pricing is concerned locally, we need to start looking into pricing at least when we start phase 3, because you kind of know what’s happening.” MM

“I saw the biggest barrier has been that you have to make a dossier for Kenya, a dossier for Uganda and a dossier for Nigeria, a dossier for Ethiopia, and each one of them is different and that has been a barrier to entry into many markets because then you are trying to see what the economic benefit, what's the return on investment that you spent XYZ amount of dollars, to have the product registered in a country. But there has been a very robust effort to harmonize the registration process and that would encourage entry into more countries.” MM

According to the data, some participants believe that in order for a pharmaceutical MNC to adopt and implement VBP as a strategy, the MNC would need to close the informational gap between the teams in charge of in-market medical affairs, clinical trials, and market access and make sure that they are all in agreement about the goals and anticipated results of the pricing model, as shared by MM.

“But most importantly, a far more stronger co-ordination with the medical colleagues, because they know the clinical trials that they’re doing. I don’t even know the clinical trials that have been done at Organon, but I do know there’s Jada, but Jada is already in market in America. But I don’t know what else they have in the pipeline. So if I knew now what’s in the pipeline, then I must start working on it. And then I can start influencing.”

5.4.5.2.1 Recommendations for optimisation in EM

The participant's overall knowledge of VBP as a pricing strategy and agreement that the implementation of such an approach to pricing for EM might be advantageous for both MNC and all external stakeholders were revealed by the data analysis. Participants are aware that with this pricing strategy, the customer's perceived value of the product, rather than the cost of production, is the focus in designing the price model.

Despite the fact that the participants had said they would have to convince important stakeholders of their significance. The participants' inability to describe how such a model would appear in the context of Organon and what elements the Market Access and Pricing

team would need to consider in addition to the epidemiologic benefits of pharmaceutical products in order to prove their worth to the government, funders, and patients was a key finding.

The value perception of VBP as a commercially feasible pricing option is still a contested topic, according to an analysis of the interview data. The participants did not appear to be particularly certain in their responses about the potential profitability of adopting such a model, but they did express the significance of VBP in addressing access challenges and the flexibility such a model would provide in coming up with innovative alternative reimbursement solutions.

- ***Conclusion: Recommendations for optimisation in EM***

According to the analysis of the interview data, the majority of participants concur that using VBP as a pricing strategy would increase access to EM; however, it was still unclear how such a model would be developed and applied in the Organon setting.

Participants emphasized the crucial internal and external stakeholder engagements that would need to occur for the VBP to be successfully adopted and/or provide value to the target beneficiaries or customers.

5.4.5.2.2 Strategic thinking behind pricing

Participants in the study, according to an analysis of the research data, believe that in order for VBP strategies to be effective, one must completely comprehend what is important to the client in order to create a pricing strategy that is responsive to their demands. Understanding the anticipated draw through from the EM is also important.

> *"Also the other thing from an ACCESS standpoint is just knowing what is important to the stakeholders. So is it all about the price or are there other influences that are important to them, meaning perhaps other product properties or certain things via the indication that you have for the products that would be important." AT*

> *"but we are also very importantly thinking of the pull through. So you can have the greatest product in the world but if you don't have a pull through strategy of how is that going to get pulled through with each of the respective end users, or customers, that is a really critical component that you have to develop," AT*

Some of the participants brought up the fact that if a multinational corporation (MNC) is the first to market with a product, it may be able to define the pricing criteria for that specific innovative pharmaceutical product, providing a chance for the MNC to implement VBP as a strategy.

“you will have an ability if you have a time, if time is on your side from when competitors are or are not coming out, then you have an opportunity to set the stage for the price.” AT

“it may be related to the fact that this is the only great product that we have and we have to try and maximise the opportunities on it.” AN

“But the other one would be around what intrinsic value do we think that we have in this product that we will be able to sort of like leverage in our price? For example, Keytruda would be, it was the first PD or second PD onto the market.” AN

According to the analysis of the interview data, participants thought that stakeholders would need to evaluate the pharmaceutical MNCs product from the standpoint of its features and the value it would provide. As a result, it is crucial for the pharmaceutical MNC to be aware of any competitors on the market, and the VBP strategy should be based on the product's uniqueness and the conclusion that there are no competitors.

“So they would look at the product and look at features and benefits and say, what are the features and benefits worth? What value in those features and benefit can we sell, and what percentage of price above the equivalent treatment to the market do you think we’ll get away with?” AN

“So just knowing where our competitors are at because you don’t want to be way out of the distance if you are going to be way above and beyond what everybody else is going” AT

“So when it comes to like setting a list price or published price, the US participates in value based pricing, so that means that we're going to look at the existing therapies on the market, look at the price of those therapies and then try to sort of position our price in line with the other therapies that are on the market.” LU

“So, what is the value that a product brings to an individual patient and the whole society. You know, and then I would say in terms of the framework if this is what you are after; the framework to determine what your pricing strategy is going to be. I would imagine, you know, there is general literature out there, for sure” SO

All participants came to the conclusion that a premium pricing strategy would be much more commercially viable for pharmaceutical MNCs to begin with than a VBP or a volume-based pricing strategy, especially when the pharmaceutical MNCs product has been demonstrated to be superior and first to market. According to participants, this would provide the

pharmaceutical MNC time to recuperate R&D expenses, capitalize on the demand for the product in EM, and accelerate profitability.

> *"If you're launching a product that is more efficacious, that is safer, that has a better clinical profile than what's out there, then that would sort of validate the you know having a premium price to something that's existing already on the market." LU*

> *"I'm going to take risk out of it, I'm guaranteed almost of getting that amount of money and I'm going to go with that, as opposed to now putting it at a low price – you suddenly don't get your numbers right, and you sort of lost all that revenue with no opportunity now to increase your price." AN*

> *"You may need to think about, look, I'd rather take a chance on a high price, see how the market reacts, and then potentially drop my price. In a way you don't want to go in at a low price, your assumptions are wrong, and all of a sudden, man, you haven't maximised the opportunity." AN*

Some of the participants raised the concern that an MNC would undercut itself in the EM and advised caution if the MNC used a premium pricing approach because the launch product was the first to market. They also advised making sure the price was still reasonable for the EM private sector.

> *"if the people in the private sector can't afford the price, that means your pricing is wrong from the beginning. So if you're having a new launched brand and you've over-priced it, no matter how good the product is, it's not going to take up." MM*

Analysis of the interview data showed that the market access and pricing participants felt morally obligated to make sure that patient needs are always prioritized when establishing prices. VBP is one of the models that may be used as a method to make sure that those engaged in price setting are regularly reminded of their greater moral responsibility to make sure that the price they have established encourages access to the pharmaceutical product.

> *"You know, I think every pharmaceutical pricing person I know thinks really carefully about that, you know. There aren't government rules. There aren't government obligations, but I don't know a pharma pricing person who hasn't thought really carefully about the right thing to do when it comes to setting price." LU*

> *"And so there are certain drugs that sort of, you know, we think about if there are therapeutic areas that disproportionately impact certain socio economic status and therefore those people are on government insurance, you know, or people of… we have a program for the older population. If this is a disease state that impacts that*

population and they are primarily on government insurance, that is where it would matter." LU

"And you know, I used to work in the rare and orphan disease space where prices are extremely high. And when I talk about, when I think about our launches and the prices that we were launching drugs at, we spent hours and hours as a team, talking about the right thing to do." LU

Some of the participants stressed the significance of MNCs negotiating with medical aid funders in EM on VBP based on the efficacy provided by the pharmaceutical product and said that funders should be ready to fully reimburse the treatment solution if the MNC based on the results of clinical trials have shown that the treatment option works. The significance of the value perspective and understanding the product's place in the market are then brought up again.

"Because based on that clinical evidence, if there's superiority very early, even at phase 2, we can say, okay, we can do premium pricing. But you can't suddenly… once you've finished everything, end of phase 3, bring this thing to me and say, well, Princess, looking into the science. Princess will tell you, but you know, if the efficacy or whatever outcome measure gives you a 20% cure rate, and the new drug gives you… even if it's 22%, that 2% difference basically tells you upfront you need to be premium price." MM

"So again, it's understanding the position of the brand, but looking to the pricing dynamics very early." MM

"So essentially what we do is to speak to stakeholders and find I suppose appropriate reimbursement levels for our medicines or vaccines, obviously to the value that we have determined internally and also ensuring that it's available for the right patients - again at the right time. So that is the availability of the medicines or vaccines to the particular population or dependent of course on the therapeutic area." KP

Participants noted that, in addition to switching from a cost plus to a VBP strategy for EM, it is necessary to review how floor prices are set and how pricing is governed within the framework of pharmaceutical MNCs because these factors affect what can be expected in terms of EM and gross margin.

"But there is a specific floor price that one cannot go beyond because then once you go beyond that then it means now you are operating in the negative margin, right? And it's a business you don't necessarily want that" MMas

"And yet, you and me know in South Africa the future is NHI. But if your pricing governance doesn't talk to government, then the future sustainability of our subsidiary is questionable, because you don't have a price that caters for the majority of the people." MM

- ***Analysis: Strategic thinking behind pricing***

Analysis of the research data revealed that both local and international participants thought VBP would be crucial in EM, but that in the event that the MNC had a special molecule that was first to market, the MNC would have the opportunity to pursue a premium pricing strategy in order to recoup the R&D expenses.

Additionally, participants felt that pharmaceutical MNCs might negotiate VBP terms with medical aids, particularly if they had clinical evidence supporting the efficacy of their pharmaceutical product. Participants' opinions on premium pricing varied, with some emphasizing the danger of overpricing in the EM should the price become too high for anyone to pay in the private sector. The participants warned MNCs of this significant risk.

Return on investment is still a contentious issue, with some participants stating that it would be challenging to abandon conventional pricing tactics because they were unsure of how VBP would be used to gauge the commercial feasibility of the MNC in the EM.

According to the analysis, participants did agree that pharmaceutical MNCs cannot avoid their moral responsibility to set prices, and that they should always try to do the right thing when setting prices or using a pricing approach like value-based pricing (VBP).

- ***Conclusion: Strategic thinking behind pricing***

The results of the analysis of the interview data demonstrate that the participants' opinions on VBP as a strategy are mixed, and there is a clear awareness of the difficulty in demonstrating the return on investment when employing this pricing model.

The participants agreed that VBP would be valuable in facilitating access to cutting-edge EM treatment options, but they feel that this cannot be done at the price of the pharmaceutical MNC achieving its financial goals.

5.4.5.4 Theme conclusion: Value based pricing

The study of the interview data revealed that value-based pricing is consistently understood to be a pricing strategy for EM. A potential access driver and, to some extent, profit

maximization approach for MNCs was suggested by the participants as VBP. However, the data analysis revealed some discrepancies in the relevance of adopting VBP for EM. Some participants believed that if the pharmaceutical product is best in class and of high value, it would be strategically advantageous for the MNC to adopt a premium pricing approach rather than VBP.

Participants emphasized the significance of strategic collaborations with pertinent parties, such as the government pricing committee, medical assistance funders, and patients, in proving the value of a product and creating a VBP plan those benefits both the MNC and the end user.

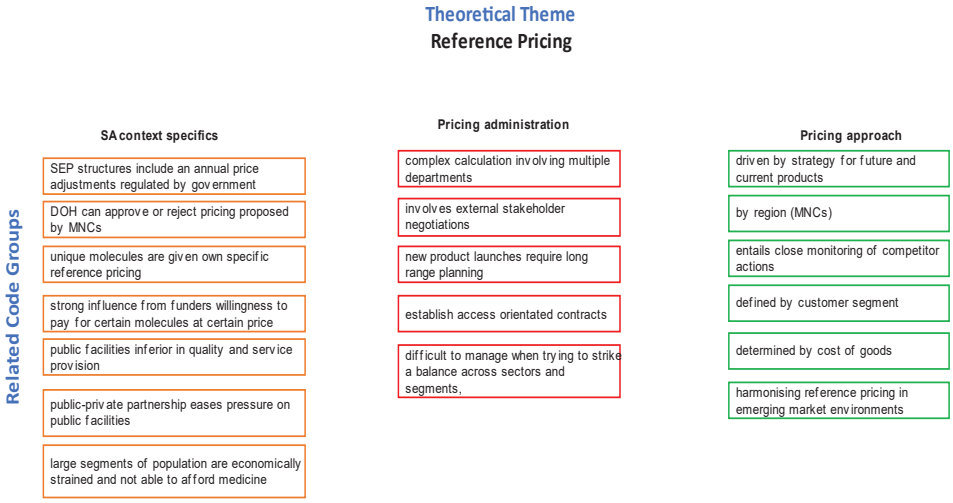
5.4.6 Theoretical category: Reference pricing

5.4.6.1 Themes and constructs

Three code categories were the subject of the reference price investigation; these themes examined reference pricing in EM, particularly South Africa. The themes looked at whether reference pricing is a useful pricing mechanism for calculating the cost of pharmaceuticals in EM. The code groups under investigation are: (1) South African context specifics, which considers the South African pricing framework; (2) Pricing administration, which examines the conditions for managing prices and efficient price setting; and (3) Pricing approach, which looks at the pharmaceutical MNC perspective on pricing in EM.

The broad interpretation of reference pricing as it is applied for a target EM was the subject of the data analysis. Figure 11 presents the primary theoretical theme and its related codes.

Figure 11: Reference pricing code and code groups



Source: Developed by author

5.4.6.2 Participants' contributions: South African context specifics

The analysis of the interview data revealed a range of viewpoints on the SEP (single exit price) rules for pharmaceutical products in South Africa. The SEP's publication of the highest price at which a medicine may be sold from a pharmacy to a wholesaler, as seen by participants from Organon and the department of health, is excellent for promoting pricing transparency.

> *"And the National Drug Policy also called for the establishment of the national pricing committee. So as a result they had to amend the medicines and related substance act to allow the pricing committee to be established, and then the pricing committee was mainly to develop transparent pricing system for all medicines as I've indicated, and scheduled substances in South Africa." NK*

> *"And the regulation in terms of medicine pricing for the private and the public is different; the public system is exempt from the medicine pricing policy, which is mainly sections 23 G of the Medicines Act as I have mentioned, and also Section 18 (a), 18 (b) and 18 (c), but the pricing committee is mainly responsible for section 22G and also section 18 (a) of the Medicines Act." NK*

The SEP policy, according to AN, offers some guardrails for price setting and inhibits MNCs from setting inflated pricing for their products without taking prices from other parts of the world into consideration. The policy permits the pricing committee to look into and reject the

proposed entrance price in the case that the local pricing authorities believe that the price suggested by the MNC in the EM is not in line with prices globally.

> *"And the other thing that started to come in a bit, and I haven't seen it that much, is where you're going to have… there was talk where you'd have to do HECON studies, Health Economic Studies, to support your pricing proposal. So you can't just kind of make up a price in a way. Theoretically, if the government thinks that you are way outside, they can come back and challenge you and sort of like say, sorry, we don't understand. This looks far too high, and you would now need to produce the evidence to support this pricing, yeah." AN*

Some MM strongly disputed the SEP's value, claiming that the regulation somewhat constrained an MNC's ability to come up with price strategies that would benefit the pharmaceutical product's end customer. Although the SEP policy was created to protect patients from overuse of pharmaceutical products, it has also restricted MNCs' ability to develop alternative reimbursement strategies, such as discounting, particularly when the reference price strategy has been implemented but is not appropriate for the targeted EM.

> *"It's already R20,000. So who can afford R20,000? And now, think about this, Jada is for this women that is post-partum haemorrhage. That's fine, and in our minds we're saying, well, it's going to become a hospital benefit, fantastic. But if you look at the number of people that are within medical aids covered… yes, you're covered for delivery of babies, but if you're sitting on a hospital plan, there's no ways that the fund is going to pay for 20,000 over and above the delivery. They're going to give you Oxytocin – simple." MM*

> *"The challenge lies in, if you give me that nett and gross, that doesn't apply to me because me, I have a single exit price. I can't discount. Then without using logistic fees." MM*

> *"So for us in South Africa, the model of giving me gross and nett, doesn't really apply because what I'm going to do? I can't discount to Netcare, I can't discount to MediClinic." MM*

Participants discussed further restrictions that flow directly from the SEP policy. For instance, once the launch price has been determined, MNCs are unable to evaluate and raise the price in accordance with market trends.

> *"By the pricing committee. So downward pricing, very easy to effect, but once you've set your price, once you've launched your price, once your price is in with the DOH, you're going to get your between 1 and 4% increase every single year. If you get it wrong and you suddenly realise that in fact it's too low, we should have actually set this at higher, you can't do it. So once you make a call, you've made a call." AN*

The ability of pharmaceutical MNCs to bargain for lower prices with the global pricing team has been removed as a result of price visibility in an EM like South Africa, according to participants. This could result in high-income countries referencing the EM price, which could result in pricing disparities.

> *"So I think the visibility of price in South Africa has taken away the ability of pharma in general to negotiate lower prices that would be appropriate for our health care sector, because of the risk of being reference by high income countries that in all honesty, probably generate significant amounts of revenue for companies if you look at the proportions." KP*

Participants noted that South African medical funders are typically not open to alternate pricing models, and that it would be difficult to switch to a model that would be more responsive to market demands at the moment if the MNC had used reference pricing in setting its price for a new product.

> *"So in the South African market, which may be different to the rest of the African market, which I don't know that well, but in the South African market, unless you have something that's unbelievable and the funder's going to give you your own specific reference price for that product, you're going to be stuck at reference pricing the whole way through." AN*

5.4.6.3 Analysis: South African context specifics

Participants generally agreed that reference pricing may be advantageous when price stakeholders are comparing apples to apples, but market dynamics in emerging markets are constantly changing. Pricing is controlled in the South African environment, and the participants concur that while the regulations have benefited transparency, they have also had unforeseen implications for MNCs operating in South Africa. The ability to review and adjust

pricing based on the current market dynamics is restricted as the first of these consequences, and the second is that developed markets often refer to emerging markets when establishing their pricing strategies, which causes the MNC to experience several inconsistencies. Some participants were of the view that the South African SEP policy has been a barrier to access in that it has restricted MNCs from developing alternative reimbursement solutions that would drive access. Although reference pricing has been used as a cost-containment mechanism by funders, the general opinion is that it has greatly restricted the MNCs' pricing flexibility, which has, to some extent, benefited patients but has also limited the number of new, innovative products that could have been introduced to the market.

5.4.6.4 Theme conclusion - South African context specifics

Analysis of the interview data revealed that participants had differing opinions about reference pricing. Participants recognize the value of the mechanism in cost-containment initiatives and pharmaceutical MNCs making sure that markets are priced consistently and in accordance with their classifications. Despite the benefits of using this price mechanism, particularly for patients, participants from Organon felt that it had, in part, led to access restrictions because it limits MNCs' capacity to be innovative when coming up with pricing options for the market. A change of South Africa's SEP policy was also demanded by the participants in order to give MNCs the flexibility to review and modify their pricing as and when circumstances need it in light of market and sector dynamics.

5.4.7 Discussion: Pricing administration

5.4.7.1 Participants' contributions

Improved pricing management between internal and external stakeholders appeared as a recurring theme throughout the interviews. The pharmaceutical business plays a part in EM's slow access to pharmaceutical products. The management of pricing in EM needs to be rethought because the same ideas used in developed markets are not necessarily applicable in EM. Participants suggested that the reason for this might be that EM are more price sensitive.

> *"But to make it even worse, because we're also trying as an organisation to broaden our scope within the public sector, then pricing becomes a very difficult thing, because now you're pricing for an extremely price-sensitive market, which is predominantly volume driven." MM*

Despite stressing that market economic factors and whether the price provided by the MNC is reasonable from an affordability perspective, LU notes the requirement for safety data of the products intended for EM.

> *"So they do like medical reviews to decide whether or not the product is safe and efficacious and make sure that we would put the product on formulary so, they do that component of it, but then from there a lot of it is the economics for them and for patients to make sure that financially it makes sense for them." LU*

Participants agreed that in order to effectively manage pricing, industry players must create forums where the complexity of pricing can be openly discussed and industry perspectives can be openly shared. This will help participants fully comprehend some of the market factors and how pricing and reimbursement for products should be managed.

> *"So it's actually an NPO, right? And it's different stakeholders it does include pharma, it does have representation from the funders, but also just interested individuals from the industry, and it's really a small body and what they really do is they provide a platform for funders to speak about various indications that they have, obviously within the ambit of compliance and not speaking on product, but really the clinical side of things - and it's a forum where funders come together where you've got your clinicians on board and pharma almost can suss out what is happening industry." KP*

AT made the observation that in order to have a successful relationship with the government and donors, the strategic partnership's foundation should be driven by access and focused on pricing strategies to promote access in EM. However, such a collaboration for managing prices should be governed by a written agreement.

> *"again this may be more ACCESS orientated – but maybe what we think about is it is great that you have a respective phrase and you have a contract" AT*

5.4.7.2 Analysis: Pricing administration

It is crucial to note the participants' advice that the administration of pricing be a shared duty that is publicly discussed by all those concerned in ensuring that pharmaceutical items are priced fairly in the EM.

The participants concur that the pricing administration concepts used in developed markets cannot be applied to emerging markets and that MNCs should always keep in mind that they are dealing with more price-sensitive consumers in EM.

5.4.7.3 Conclusion: Pricing administration

Although the issue of pricing administration does not play a significant role in the study report, it is vital to discuss participants' opinions on how industry stakeholders should share responsibility for pricing decisions as well as their feelings on internal and external price management.

5.4.8 Key findings: Pricing approach

5.4.8.1 Participants' contributions

Participants emphasized the significance of MNCs understanding where competitors are benchmarking in the EM when deciding on the best pricing strategy in order to avoid pricing over what the market expects at the time of entry.

> *"So just knowing where our competitors are at because you don't want to be way out of the distance if you are going to be way above and beyond what everybody else is going to be. So knowing your competitive market is really critical." AT*

> *"Right, so what your competitors are doing is really important to understand to the best of your knowledge" AT*

> *"So there's those elements that you consider, but you are also looking at what your competitors are doing and feeding back to business unit leaders that information, that intelligence, that you are seeing out in the market." KP*

While examining pricing strategies, the need for MNCs to consider reimbursement pricing solutions by implementing price tiering emerged as a common topic. AT gave a case study of a situation in which tiered pricing was an effective alternative to the standard pricing strategies.

> *"So it was really seeking understanding, it was something that hadn't been done before: we added on another tier of pricing that was more of a confidential tier, but it was more where there was a need, that we could actually pull that tier if need be – from the customer's, not just from Merck's perspective" AT*

MM stated that, for an MNC to deliver on such novel pricing strategies for EM, it would be necessary to invest in specialized resources because these solutions call for substantial resourcing to ensure execution.

> *"But if you look at Organon, as an example, how many people do pricing? We don't know. Does the organisation have capacity to say, I'm going to take two people from our current structure, let them start preparing the market for the future – capacity is an issue. I'm not even going to talk about skills set. But capacity, because we're*

addressing the problems of the now; we're not looking into the problems of the future – and I think that's another disconnect here" MM

The analysis of the interview data also demonstrated the existing pricing strategy, which is for the EM's private sector to pay a higher price to subsidize the public sector's lower price. The two-tiered healthcare system in South Africa, where the public sector bears 80% of the country's health burden, makes it likely that this method will be successful.

"and that's why sometimes pricing in private sector is higher to subsidize the public sector price because of course the profitability in your public sector and tender models is not that good. So the private sector then subsidizes that pricing." YK

5.4.8.2 Analysis: Pricing approach

According to an analysis of the interview data, participants believe that the MNC should first understand the competitive environment in the target EM market before deciding on the most plausible pricing strategy for that market. This understanding would then guide the MNC's choice of the best pricing strategy.

"It's the local landscape. So you have got to have a look at your competitor environment and I'm in market dynamics." WB

Participants concur that pharmaceutical MNCs have a chance to implement price tiering in EM, but they also recognize the resource limitations that the MNCs may encounter in establishing the ideal tiering solution for the EM.

5.4.8.3 Conclusion: Pricing approach

Data analysis revealed that pricing strategies differed from company to company, but that each strategy was built on the MNC's grasp of the competitive environment and EM dynamics. The participants also mentioned that the pricing strategy that is afterwards used needs to be in line with market and industry norms and expectations.

5.4.8.4 Theme conclusion: Reference pricing

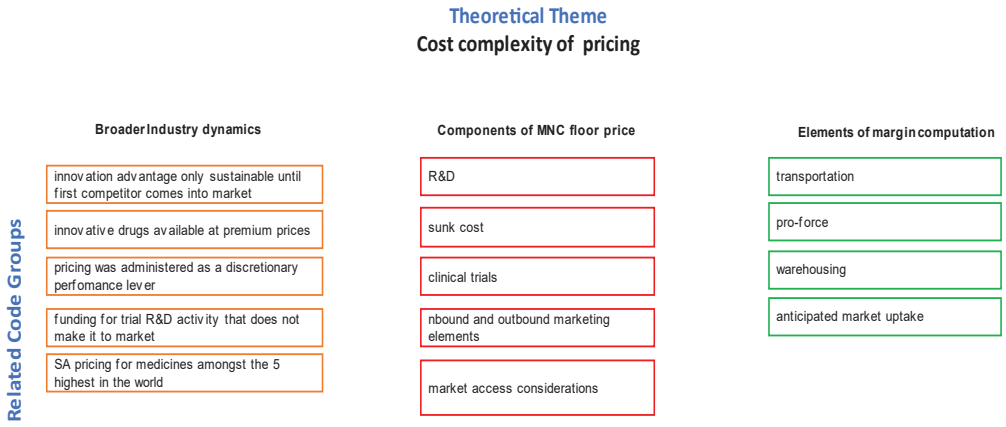
Data analysis revealed that participants from Organon and the department of health concurred that reference pricing provides advantages for the final consumer of pharmaceutical items. The participants from the pharmaceutical MNC nevertheless stated that there is a risk to MNCs when implementing this pricing method in that it limits the MNCs ability to explore other pricing choices and or its capacity to review and adjust pricing according to market circumstances.

Participants highlighted that the pharmaceutical MNC pricing approach is largely pegged on the market dynamics and the responsiveness of the market to different pricing solutions. Participants highlight that in the absence of understanding the landscape an MNC cannot developed or adapt an appropriate pricing approach for the EM.

5.4.8.5 Theoretical category: Cost complexity of pricing

Cost complexity of price is a key component of the research because it is a contentious issue that pervades the entire study. When the codes indicating cost complexity of pricing were grouped, three sets of codes were found. Broader industry dynamics, with an emphasis on cost components within the sector, as well as the pricing issue, complexity, and barriers that are present in EM, are some of these. Second, the MNC floor price components concentrated on the elements that go into the floor price, which the participants have repeatedly mentioned. The third set of margin computation components focuses on the costs included in the margin. The major theoretical theme, its related code groups, and the codes linked to each code group are shown in Figure 12.

Figure 12: Cost complexity of pricing code and code groups



Source: Developed by author

5.4.9 Key findings: Broader industry dynamics

5.4.9.1 Participants' contributions

The examination of the data demonstrated a comprehension of the larger industry forces at work that affect pharmaceutical MNC pricing. Participants concur that being the first to market gives the MNC an advantage in determining the product's pricing, and that in order for this advantage to be realized, the product must have been demonstrated to be cutting-edge and inventive.

In addition, the participants emphasized that price setting is not difficult when you have a cutting-edge product that is the first to market and gave instances from their own experiences working for other businesses. But the participants were unable to describe the degree of complexity that comes with EM and the need to deal with macroeconomic issues.

> *"So I hope I am understanding the question correctly but if we came first to market, we would only have up until such time as the next person comes into play." AT*

> *"because I recall when I worked for the other company X many years ago, we would have sort of like a meeting and we would look at sales versus budget and we'd say, guys, we're behind, we need a price increase. And you'd put a 5% price increase and put it into the market. Four months later you'll have the same meeting and say, guys,*

we're still behind, we'd better have another price increase, and you put another 5% on. And you could have 3 or 4 price increases on a product in a year." AN

The majority of participants agreed that pharmaceutical MNCs must set their prices so they can cover their R&D costs in order to be profitable, but they did not address the MNC's need to balance access and profitability ideas within EM or how pharmaceutical MNCs have dealt with this complexity.

"So I think we have to make sure we do that, and there is a risk involved, there is a lot of clinical trials or expenses that we invest in that you know, those drugs never come to market." LU

The headquarter participants discussed the procedures for setting prices and emphasized that they are free to do so at any time in their own country. According to Department of Health participant NK, this strategy has partially spilled over to target EM to the detriment of the EM and led to limited access.

"So I mean, I think that there is a lot of ... I think there is a lot of things that are good about the US market, in terms of it is a free market, we are able to set our own prices and we are able to launch all that." LU

"Well remember when I gave you a brief background on the recent pricing in SA I told you that initially our prices were amongst the 5 highest in the world and access was limited." NK

The data also demonstrated that there is considerable doubt over the degree to which MNCs in EM have profited from the methodology of price setting in settling the complexity of pricing for markets like South Africa. Participants acknowledge that pharmaceutical MNCs set the pricing, but they also acknowledge that the methods may not have been advantageous or effective in the setting of emergency treatment.

"Has it worked in terms of the price point that is set by pharma initially? One could question that maybe not because we are now the price makers in a sense; we set this price and it is what it is. That's what's in the market. And so that's I think an error that probably needs to be explored a little further." KP

Pharmaceutical pricing is a complicated issue, according to the participant from the department of health, and in some circumstances it cannot be managed at the level of a national or global firm. Participants acknowledged that the World Health Organization and United Nations stakeholders are talking about the pricing problem.

"I know quite a number of ATPs have tried to define access, I know that the UN SDGs which I mentioned earlier also mentioned this. And I know the aim is basically to achieve Universal coverage to have access to effective, affordable, quality medical care and medicines" NK

5.4.9.2 Analysis: Broader industry dynamics

The examination of the data revealed recurrent themes that provide credence to the notion that a pharmaceutical MNC's unique product and aggressive market entry may occasionally result in complex pricing fixing since the business wants to maximize revenues before losing its market exclusivity.

The public sector in an EM like South Africa believes that price fixing practices used in the MNCs' home country have led to fragmentation at the level of EM and decreased access to care for those with EM. This belief is supported by an analysis of the department of health participants' interview data.

The Organon participants agree that the macroeconomic dynamics inside the EM have not been taken into account, particularly for first-to-market innovative pharmaceuticals, but they disagree that it is vital to take into account the requirement to recover R&D expenses when deciding the price.

5.4.9.3 Conclusion: Broader industry dynamics

Although pharmaceutical MNCs must take production costs into account when setting prices, analysis of the interview data revealed that EM and market dynamics should be given far higher weight in the process.

The pharmaceutical MNC and the local pricing authority must agree on the criteria for price setting in order to guarantee that everyone involved is aware of the price setting goals and deliverables with the EM.

5.4.10 Key findings: Components of MNC floor price

5.4.10.1 Participants' contributions

The focus of the study of the interview data is on what the participants thought were the key components of a floor pricing for pharmaceutical products. There are a number of factors that affect the product's ex-factory price. Many elements were cited by the participants. A description of them is given below.

“So they factor the cost of R&D, that’s number 1”MM

“the clinical trials, that’s number 2” MM

“…inbound and outbound marketing, size, packaging, colour is important.” MM

“And then the final one is sales and marketing, which is differentiation.” MM

The production and global pricing teams frequently convey the factors affecting the floor price to the participants, who indicated that they are unaware of them yet assumed that the price may take manufacturing costs into consideration.

“Well, I stand to be corrected because I'm not really that involved in determining the floor price, but my understanding is that you know cost of goods is taken into account” MMas

Local member MM stressed that with the development of technological advancements in the production of pharmaceutical products, the adoption and acceptance of new technologies might help cut production costs and ultimately lead to a reduction in price in the future for EM.

“But I can influence… price goes across all those, because if a manufacturer uses sophisticated computer modelling to identify new promising drugs that reduce the cost, ultimately, my ultimate price to me as an emerging market is not going to be high because they haven’t really spent so much on R&D.” MM

Review of the data also supports the local Organon team's belief that, from the standpoint of production and floor price setting, MNCs should take into account EM dynamics because they will have an impact on the eventual ex-factory pricing for the target EM.

“I would say it is a multitude of frameworks that are used, because again when one looks at a lot of the low and middle income countries, there you tend to have the volume, however, one needs to price in a way that will be accessible to the majority of the people. So, one takes that into consideration as well.” MMas

5.4.10.2 Analysis: Components of MNC floor price

Interviews revealed that the local Organon participants had a thorough awareness of the factors determining the pharmaceutical items' floor price. The production costs were indicated by some as making up the floor price, while the sales and marketing expenses were mentioned by others. As a result, the data shows that there is uncertainty regarding the components of the floor price at the local EM level.

The participants concur that when establishing the floor price, the production and global pricing functions within the pharmaceutical MNC chain should always keep in mind EM dynamics and that the floor price influences the gross and net margins communicated to EM, which in turn influences the EM team's ex-factory pricing decisions.

5.4.10.3 Conclusion: Components of MNC floor price

The components that the participants thought made up the floor price were provided in the analysis of the interview data, but it became clear that because they were not involved in setting the price, they were unable to affirm these components with absolute certainty.

The participants weren't afraid to voice their thoughts about the factors that the aforementioned market functions should take into account when determining the floor price and the impact that price has on the ex-factory price, which could then restrict access in the EM.

5.4.11 Key findings: Elements of margin computation

5.4.11.1 Participants' contributions

The essential components of margin computation are examined in the study of the interview data. These factors all contribute to the pharmaceutical MNC's gross profit margin within the EM, which serves as the firm's ultimate barometer of market profitability. The participants named a number of components. Below is a description of these.

> *"transportation" MM*
>
> *"there is pro-force" MM*
>
> *"there's warehousing" MM*

The participants didn't go into enough depth about how pharmaceutical MNCs calculate their gross profit margin or what factors they use to decide whether to enter or leave the market. However, in relation to this issue, the participant discussed their opinions on the shipping and distribution costs to countries like South Africa and said that this expense line is a major contributor to margin evaporation.

> *"If I can reduce the cost from China to here, or China to… or if I can reduce the cost of API from China to the Netherlands to the manufacturer facility, and then also the reduce the cost from the manufacturer facility to here, then that is going to influence*

my ultimate margin. But if the cost of bringing the market is about 80% of my final price, I have lost margins there already." MM

5.4.11.2 Analysis: Elements of margin computation

The participants had little to no knowledge of the factors taken into account in the margin computation, according to the analysis of the interview data. This might be the outcome of the participant's absence from the appropriate function, which deals with profit monitoring.

However, the participant gave their opinion on how much it costs to send goods to EM and how this affects how they determine their profit margin.

5.4.11.3 Conclusion: Elements of margin computation

Although the issue of margin calculation does not play a significant role in the research report, it is crucial that the participants' perspectives on distribution costs and margin erosion be highlighted as MNC considerations when navigating the cost complexity of pricing for EM.

5.4.11.4 Theme conclusion: Cost complexity of pricing

Analysis of the data revealed that participants believe price setting is not complicated when dealing with a first-to-market product from a broad industry dynamic perspective, but that more emphasis should be placed on understanding EM dynamics to set the price as a lift and shift strategy from the MNCs home country would not work in the EM.

Some participants had a general understanding of the elements that make up the floor price as well as the gross profit margin, which could be a sign to the MNC that more time should be spent educating local market access and pricing staff members on these components and elements. This is because better educating them on the process of price determination would better prepare them to facilitate discussions about pricing with external stakeholders and/or develop innovative pricing and reimbursements.

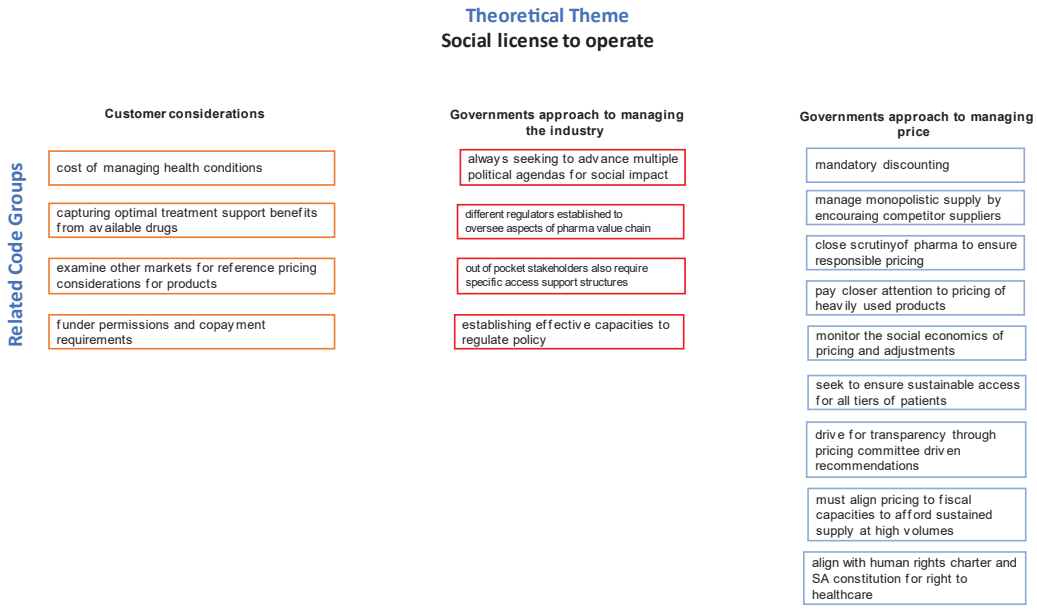
5.4.12 Theoretical category – Social License to operate

5.4.12.1 Themes and constructs

The investigation on establishing a social license to operate in EM was centered on three code groups that provided information on the standards within the pharmaceutical sector that may assist MNCs in generating a social license to operate in EM.

These code groups concentrated on investigating the components that would increase pharmaceutical MNCs' acceptance within EM. Customer considerations, the government's approach to governing industry, and price are some of the themes that were examined. The main subjects that surfaced during the interview analysis are illustrated in Figure 13 by the code groups and their corresponding codes.

Figure 13: Social license to operate code grouped in code groups



Source: Developed by author

5.4.12.2 Key findings: Customer considerations

5.4.12.2.1 Participants' contributions

Various participant perspectives on pharmaceutical MNCs considering customer considerations in order to establish rapport and produce social license were revealed through analysis of the interview data that was given. ideas about competitive advantage. Participants noted that the priorities of the governments and funders at any given moment heavily influence social licenses in the pharmaceutical business.

> *"Those kind of things. And the problem comes when maybe people are, but the funders say, well, we don't care whether people are happy at taking one tablet or two tablets,*

our cost of treatment is this amount of money; you can have your convenience of once a day, but the co-pay is going to be 30 bucks or something like that." AN

The participants also suggested that the pharmaceutical MNCs' level of sincerity and transparency in determining prices for the EM may play a significant role because the department of health would compare the offered pricing to those in comparator nations.

"And the other thing to consider with your pricing is the DOH still has the right to not approve your price. I don't know if they still do it these days. Remember those 5 reference countries? And theoretically they would go to the 5 reference countries, and they would see what the same product costs in those markets, and if you were way outside what your benchmark countries were, they could reject your price." AN

Some participants agreed that before setting a premium price for a product, the pharmaceutical MNC should gauge the patient's appetite for co-payments and allow the patient's feedback to influence the pricing decision as this would directly affect the patient's degree of affordability. The participant said that this might encourage patients to become brand loyal.

"how much tolerance does the patient have in terms of co-pays. I mean, the fact that we've still got patients on Singulair means that there are few patients out there that don't care." AN

"They're brand loyal, or they're paying for it out of their savings account, and they've got a lot of money in their savings, so they don't mind, they just say, take it out of there. Or they just pay the co-pay. Or they just pay the co-pay. I think I pay about R20/ R30 on my co's every single month or something like that. I feel a moral obligation towards the company, so what. If I didn't work for Organon, I might be seen to say, well you know, 40 bucks a month…" AN

The necessity for pharmaceutical treatments with high efficacy was mentioned by participants as a means of gaining social acceptance. According to LU, clients in EM would be far more eager to engage beyond the pricing considerations if the pharmaceutical MNC could demonstrate that the product is excellent.

"So they do like medical reviews to decide whether or not the product is safe and efficacious and make sure that we would put the product on formulary so, they do that component of it, but then from there a lot of it is the economics for them and for patients to make sure that financially it makes sense for them." LU

LU continued to provide examples of some of the programs they manage in terms of global market access and pricing. The participant emphasized that these initiatives were put in place to help patients in the market access pharmaceutical products while collaborating with local stakeholders, such as the government, to address concerns about the pharmaceuticals' affordability.

> *“We offer patient coupons to help buy down co-pays. So even if you are insured, we oftentimes will still provide support and helping patients with their co-pay” LU*

> *“So in the US, if you're not covered, if your insurance company doesn't cover certain things, it's a little trickier to navigate and that's why we really need to have programs like that here” LU*

The department of health participant said that pharmaceutical companies should genuinely put patients at the forefront of every decision they make, nearly to the point of recommending that pricing and profit should be secondary in EM and that access should be prioritized.

> *“So my personal view is that the main and the most important thing is the patient because we can do all that we want to do, regulate it, but if we don't consider the patient, I think it defeats the purpose.” NK*

> *“it ends up having a negative impact on the patient's where patients end up not being able to access the product because they don’t have the money and if they don't have the money to pay for treatment they end up defaulting.” NK*

YK emphasized that in order to boost market acceptance, pharmaceutical MNCs should look at affordable treatment options or pharmaceutical product variations that make them more accessible and handier in emergency situations.

> *“But there are small things that play a role and like I say, the economic pressure is so high that patients do go for more OTC, which they can go get over the counter because they save their healthcare professional cost. So they get the drug directly from the pharmacy or if an alternative cheaper option is offered to them, they do accept it.” YK*

Participants emphasized that different reimbursement options would provide pharmaceutical MNCs an edge in the private sector for social acceptance. Participants urge greater cooperation in emergency medicine between MNCs and medical assistance funders.

> *“Private sector, a lot is being driven by what is reimbursed. And that relationship between us and medical aids really needs to be key.” KD*

“but more importantly, how do you then ensure that patients can ultimately get medicine or vaccine at an acceptable price, right?” KP

“Funders, so the medical aids. You need to look at, I suppose, the volume of potential patients.” KD

“Ja, you know taking that into consideration because what is happening with my brand now is the two separate monotherapies are better reimbursed than the fixed dose combination. And that creates a problem because it means that the funders and patients, because patients who have a medical aid don't want to make co-pays or pay out of pocket for their medications. So both the funder and the patient make the decision to rather take the two separate entities” WB

5.4.12.2.2 Analysis: Customer considerations

The participants agreed in principle that pharmaceutical MNCs would need to evaluate consumer experiences in the market and re-evaluate their price and access strategies considering those factors to earn social licenses in EM.

In order to boost social acceptance, the pharmaceutical MNC would need to work with medical aid funders to offer alternate reimbursement methods that are appropriate for the EM, according to analysis of the interview data. The participants also stated that MNCs should think about whether their products are appropriate for their intended use and created for EMs, and if not, that MNCs should make a concerted effort to ensure that the products intended to be introduced to a target EM are suitable for the market and affordable.

5.4.12.2.3 Conclusion: Customer considerations

The results of the interview data analysis revealed the participants' opinions on the factors that customers should be considered for the MNC to obtain a social license to operate in EM. Participants agreed that although community acceptance and a change in perceptions are not assured, pharmaceutical MNCs must take stakeholder demands into account when developing entrance strategies that meet customer expectations.

The interview data is unclear as to whether such consumer considerations will undoubtedly result in a license to operate or acceptability in the EM.

5.4.13. Findings: Government's approach to managing the industry

5.4.13.1 Participants' contributions

When the socioeconomic objective of the government is advanced as part of the target market entry strategy, the pharmaceutical MNC can win favor in the EM, according to analysis of the interview data on this issue. Below is MM's example of how an MNC might approach this in a South African setting.

> *"Now again points with government because I've created employment, I've got local production, I improve my BEE points, but I've decreased the cost of production. So the cost of production is a very important element that fits into my final price." MM*

KD agreed that the political agenda is a compelling one that should never be ignored because political decisions affect the direction that the nation's economy takes. It is crucial that MNCs take an ethical stand in advancing various political agendas for social impact.

> *"I find there's obviously a lot of political decisions that get made, and I don't think it has necessarily anything to do with the proposal. It just might be personal decisions that are made." KD*

KP mentioned that the pharmaceutical MNC might be able to educate the local authorities and EM government about price governance using joint resources in the form of a private-public partnership.

> *"So I think, potentially because 1) it hasn't been done in I'll say a formal way prior and there potentially is a lack of knowledge and know-how of how to govern if they were to implement. Because if you think about it from a regulator's perspective, if you say, 'yes go ahead', you have to have some sort of governance framework and how you're going to ensure oversight, and I don't think that they've got the capacity to do that and hence, not wanting to provide the guidance of how to implement alternative reimbursements." KP*

5.4.13.2 Analysis: Government's approach to managing the industry

According to the interview data, pharmaceutical MNCs must consider political conundrums when they enter an EM. Although some considerations are politically motivated, the participants agreed that it is crucial for MNCs to look for opportunities to have a positive social influence in the communities where their businesses will operate, such as through fostering job growth and environmental protection.

The findings showed that participants believe MNCs may influence pricing frameworks and the regulatory environment by pooling resources and possibly forming a public-private partnership with the government and pricing committee.

5.4.13.3 Conclusion: Government's approach to managing the industry

Analysis of the interview data brought forth participants' opinions on how the government is managing the EM industry. Participants acknowledged that in order to generate social impact, there is a constant need to promote various political interests. Some delegates demanded that MNCs and the EM government work more closely together to create the framework and regulatory environment.

5.4.14 Key findings: Government's approach in managing price

5.4.14.1 Participants' contributions

Data analysis reveals that the South African government viewed inexpensive access to healthcare and medications as a fundamental human right. The participant stated that a wider perspective is embraced when pricing policies are being developed.

> *"Yes, the patient is the end user and yes, as regulators when we make law or decisions in terms of medicine prices, we need to have a broader outlook not only looked at ensuring that the pharmaceutical industries that Africa is sustainable, but it does not make sense that a product is introduced and the next thing nobody can afford to buy it." NK*
>
> *"However, from a human rights perspective, access to health is regarded as one of the fundamental basic human rights and our Constitution actually provides for the right of access to healthcare services. And it also indicates that everybody has a right to have access to healthcare services, right?" NK*
>
> *"And central to this is basically the progressive realization of the right of access to healthcare services and is also access to affordable medicine." NK*
>
> *"So at the level it is a whole different experience of where you are fitting in and what you are doing, and I definitely as a rep felt that I made a lot of difference to patients' lives." WB*

The participant believes that in order to win over the public and have an impact on society, pharmaceutical MNCs cannot afford to enter an EM like South Africa with a lift-and-shift

strategy. Instead, they must be fully cognizant of the market dynamics and comprehend the local environment.

> *"And as I said you can't come and say that you want to copy and paste what is being applied or a model in different countries and apply it here because 80 to 90% of South African citizens rely on the public healthcare system and even those ones that are in the private healthcare system, it does not mean that access to them is equitable." NK*

Others said that in order to afford ongoing supply at high volumes, the pharmaceutical MNC would need to make sure that their price is in line with the fiscal capacities in the EM.

> *"So, we understand why people want to have affordable medicines so, there is no doubt about that. But when you take the girl and you start having governments to have to manage their… you know, if we are talking about the public sector, they would have to manage their budget. Of course, they are going to want so much for as little investment as possible because they have many other things to prioritize and focus on for their citizens beyond medicines." SO*

5.4.13.8 Analysis – Government's approach in managing price

The participant from the department of health emphasized that in order for the MNC to gain favor in the market, the MNC would need to understand the provisions and align their expectations with the local dynamics. The interview data revealed that the South African government bases its pricing decisions on the constitution.

The statistics showed that MNCs would need to align their pricing with the country's fiscal capacity in addition to aligning their interests with human rights and South Africa's constitution on the access to healthcare.

5.4.14.2 Conclusion: Government's approach in managing price

The opinions of Organon and the department of health on the government's strategy for regulating prices in EM were emphasized by an analysis of the interview data. The MNC cannot treat EM pricing as a lift-and-shift exercise, according to the participants, who advocated for greater alignment with local government interests on a human and macroeconomic level. The discussion participants did not go into further detail regarding how this alignment and elevated engagement would ultimately translate into a higher social effect and societal acceptance for the MNC.

5.4.14.3 Theme conclusion: Social license to operate

Data analysis revealed that participants feel entry strategies should take socioeconomic and consumer dynamics into account to acquire societal acceptance to work with an EM MNC. Participants generally agreed that MNCs would need to provide the government with resources in order to help it create pricing frameworks and regulations. The participants' perspectives on the MNC's need to reconcile its interests with the right of everyone to access to inexpensive medications as well as the EM's financial capacity at the time of entry into EM were novel. Participants could not clearly explain how MNCs could effectively generate a social license to operate or what it would mean for the MNC from a business perspective, while having a general awareness of what is meant by this concept. This might be the case since this subject is one that is developing in fields other than mining.

5.5 Chapter Summary

Using an analysis of the conducted interviews, Chapter 5 presented the research findings. The results were summarized, supported by quotes, and discussed with each participant in the analysis group, which included members of the Department of Health Pricing Committee and Organon. The in-market team of Organon and the global market access and pricing team were compared. To contrast the public sector's perspective with the private sector's, the Department of Health participant's opinions were included. To triangulate the data, the private and public sectors were pitted against one another. Reviewing, analysing, and presenting the findings in relation to the theoretical themes involved 23 data sets. The data set from the code groups, created from the codes, contained the seven major theoretical topics mentioned in Chapter 2 as well. The data analysis procedure was guided by certain primary themes having three code groups, others having two, and the majority having four.

In Chapter 6, these results and their relevance to the study question will be explored.

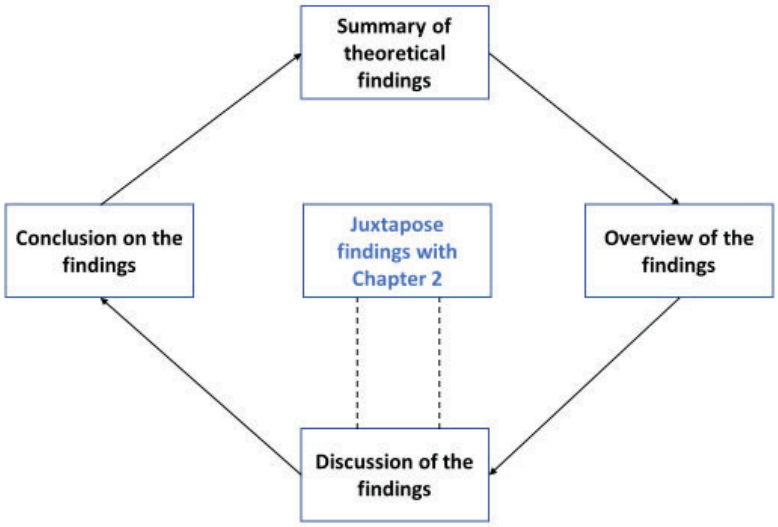
Chapter 6 – Discussion of findings

6.1 Introduction

Chapter 6 discusses the research findings presented in Chapter 5, with a focus on the theoretical themes and key findings. These key findings will be discussed in terms of the literature review presented in Chapter 2 to indicate new insights and possible differences. Conclusions will be drawn and presented for each theoretical theme. This process aims to assist in answering the main research question: How do pharmaceutical product pricing strategies influence the entry mode choices of MNCs in emerging markets? The findings of the research contribute to understanding the views of the analysis groups on product pricing and its influence on entry mode choices for emerging markets.

Figure 14 is a representation of the layout of Chapter 6. Each section will introduce the summary of the research findings as presented in Chapter 5, excluding any reference to the literature. This will be followed by an overview of the findings, comparing it with the extant literature and concluding the section with a conclusion based on the evidence presented. Where required, the literature will be updated or extended in Chapter 2.

Figure 14: Chapter 6 structure



Source: Developed by author

6.2 Discussion Of The Results: Internationalization

The research findings for the internationalization theoretical theme are discussed below and the focus is on the key code groups that emerged from the analysis of the interview data which comprise of considerations for new market entry, current industry dynamics, generic supplier approach and market optimization. The discussion on the key findings will be compared to the extant literature to determine if it is consistent with, an extension of or a contradiction to the literature.

6.2.1 Overview of the findings pertaining to internationalization

The majority of the participants agreed that a pharmaceutical MNC in the process of scoping opportunities in EM need to consider several factors. Some of these factors include market size, in market regulations and laws and institutional voids. Although being from different sectors, public and private, participants from Organon and the Department of health agreed on the significance of adhering to the local legal requirements as part of the internationalization process. This was particularly stressed by the Department of health participant. Whilst discussing the relevance of MNCs entering EM, the practice of establishing relationships with the government and potential local partners was said to pose extreme challenges for MNCs seeking to enter EM, particularly in South Africa. The to degree said this was as a consequence of the institutional voids in EM.

The majority of the participants agreed that for successful entry in EM especially in Africa, there is a need for MNCs to revisit the pharmaceutical value chain and identify opportunities for local partnerships in the spheres of distribution and production. The motivation for this sentiment was largely driven by the pricing and access argument and local partnerships in distribution and production were presented as potential entry strategies that could potentially help augment pricing challenges and drive affordability and access. Important, irrespective of whether the participants were from the Organon or the Department of health, the proposed entry mode by way of localization as opposed to full local commercial operations seemed to be favoured from both ends of the spectrum.

The Organon participants, identified the highly genericized nature of EM as a challenge which MNCs need to prepare for when considering entry and pricing strategies for EM. MNCs cannot operate in a vacuum in EM and need to re-evaluate how they account for the industry dynamics from their engagements with relevant stakeholders to their approach to generic suppliers and manufacturers in order to optimise opportunities in EM.

6.2.1.1 Discussion of the considerations for new market entry

New market entry evolves around examining the rationale behind a firm's decision to participate in activities in other markets (Buckley, 2018). MNCs seeking growth opportunities in EM encounter a number of challenges in EM, some of these challenges include political instability, poorly established distribution channels and cultural distance among many other challenges (Dunning 2015). Organon participants could articulate the considerations which an MNC would have to take into account when developing entry strategies for EM and indicated that these considerations for entry could include the need for regulatory harmonisation and the understanding of the local government's priorities in the EM. This is aligned to the literature that highlights that MNCs would have to fully understand the markets institutional voids in order to fully optimise the opportunities in EM (Gao et al., 2017).

The pharmaceutical industry plays an integral role in developing treatment solutions for global diseases, providing markets with relief on disease burdens however for pharmaceutical MNCs to successfully participate in the outward movement of its resources it would need to be mindful of the underlying influential factors for market entry such as price, political drivers which have a significant impact on the successful outflow of the firms' resources (Mihov & Naranjo, 2019). The research findings aligned with the literature indicating the importance of entry strategies are built on these considerations as being more holistic and providing MNCs with a better chance at success in EM (Schellenberg, 2019).

The Department of health participant seemed to share the same sentiments as Schellenberg (2019) on the considerations for new market entry strategies to enable better success and unlock opportunities in EM.

6.2.1.2 Discussion of current industry dynamics

The entry mode choice of an MNC is complicated by a number of factors because involves both managerial and economic considerations. (Jiang et al., 2018). This is consistent with the opinions of the participants on localization, and public-private partnerships as being more practical for a pharmaceutical MNC's entry strategy in EM. More evidence indicates that MNCs should reconsider their fundamental entry strategies because some industry characteristics are unique to emerging nations and must be addressed before the MNC can enjoy any substantial benefit or profit. (Paul, 2019). The research findings indicate that the participants believe that the comprehension of industry dynamics in EM is largely driven by the MNCs involvement of local stakeholders such as government and funders.

The significance of EM industry dynamics was not negated by the participants who acknowledged the need for pharmaceutical MNCs to be mindful of the EM nuances within the

industry for robust internationalization strategies. Therefore, the research findings aligned with the extant literature on direct influences on entry mode decisions.

6.2.1.3 Discussion of the generic supplier approach

Two elements play a big role in the internationalization decision for MNCs and these are the entry barriers that exist in that market and the rection of competitors in that market (Porter, 1980). In the pharmaceutical industry, participants agree that EM are highly genericised which makes entry into the markets challenging. The evidence also shows that consumers in EM makers are price sensitive and as such generic suppliers have an advantage in the sense that they can responded to the entry of an MNC by dramatically reducing the price of the same molecule to price levels that are not sustainable or commercially viable for the MNC. This notion shared by the participants aligns with extant literature on the reaction of competitors in the EM. The reaction of competitors in the market is driven by commodity products, high fixed costs, concentration, and the emphasis on market positioning (Bruijl & Gerard, 2018).

The research findings revealed that participants believed that pharmaceutical MNC have a competitive advantage in that they are able to differentiate their products from that of generic suppliers on the basis of the uniqueness of the molecules. The literature is aligned with this research finding as a company's success in a EM is dependent on various internal and external factors and in the case of pharmaceutical MNCs the uniqueness of the molecules constitutes an internal influence factor and core competency that is valuable and not imitable (Miller, 2019).

6.2.1.4 Discussion: Market optimization

Literature suggests that firms should first look internally to find that source of competitive advantage instead of searching for it externally (Paul et al., 2021). The research findings support this notion as participants agreed that pharmaceutical MNCs have the resources and capabilities to establish access programs that could help address the intuitional voids in EM but also optimise the opportunities the growth opportunities for the MNC in the EM. This resource-based view approach to entry aligns with literature.

The research findings indicate that the participants believe that for pharmaceutical MNCs to maximize their opportunities in EM they would need to focus on entry partnerships with local networks such as funders, distributors and hospital groups. This belief aligns with institutional theory and the selection of the appropriate entry strategies for EM as part of the MNCs efforts to enhance its competitiveness, efficiency, and control over its critical resources (Jiang et al., 2018)

6.2.2 Conclusions pertaining to the theme: Internationalization

The extant literature and the research findings correlate with the observations made by the participants. Internationalization was identified as a relevant and important growth strategy for pharmaceutical MNCs. Pharmaceutical MNCs are challenged to revisit the manner in which they develop entry strategies, and their market selection processes by take into account the unique influencing entry factors in EM. The finding was corresponding with the literature.

Participants acknowledged that for MNCs to fully understand the influencing factors in the internationalization process, the MNC would have to establish partnerships within the EM to optimise market opportunities (Gao et al., 2017).

An observation was the difference in opinions on the approach to generic suppliers in the EM between the Organon participants and the Department of health participants. Although both groups aligned on the institutional voids being an entry barrier, they did not align on generic competition being an entry barrier as due to the price and affordability advantage generics provide to consumers in EM. This is supported by literature that emphasise the importance of differentiation by MNCs to overcome the entry barriers in EM (Assensoh-Kodua, 2019).

6.3 Discussion: Market Attractiveness

The research findings for the *market attractiveness* theoretical theme are discussed below and the focus is on the key code groups that emerged from the analysis of the interview data which comprise of considerations for EM context, challenges faced by MNCs in EM, elements of access and advantages of local manufacturing. The discussion on the key findings will be compared to the extant literature to determine if it is consistent with, an extension of or a contradiction to the literature.

6.3.1 Overview of the findings

The response of the participants on market attractiveness was varied, with the majority of participants from Organon expressed the opinion that MNCs should change their perspective on EM and the need to establish long-term entry strategies (Paul, 2019). There was broad agreement between local and global Organon participant on MNCs having to align their priorities to local needs and avoiding lift and shift entry strategies.

Participants were well versed in the EM context on pricing and access issues. There was, however, a reluctance to share insights on the pricing frameworks applied for pharmaceutical products especially in EM.

The participants were aligned on the challenges experienced in EM however strongly felt that EM do not provide room for flexibility when it comes to pricing which then puts in question the growth prospects in the markets.

The value of local manufacturing was well understood but challenged by Organon participants who stated that although local production could help with strengthening relationships with the local government it does very little from a pricing perspective as the API for the production would still be imported.

Participants recognised that access programs by MNCs should also be driven by quality production and underpinned by projects guided by local regulations and universal coverage.

6.3.1.1 Discussion: Character of EM context

Although it is widely recognised that FDI inflows focus on macroeconomic variables to explain investment decisions, regulations have also been indicated to determine the movement of FDI in EM (Contractor et al., 2020). Institutional theory classifies regulations into three categories, these classifications are said to make up a markets business environment (Mudambi & Navarra, 2002). Literature on FDI inflows has evolved however scholars are of the opinion that in the EM context especially in Africa the knowledge on the technical know-how on doing business in Africa in a manner that ensures market responsiveness has not fully translated (Marandu, 2019). It is therefore not surprising that participants had varying views on the EM context and its influence on entry and pricing strategies for pharmaceutical MNCs. The research findings aligned with the extant literature with observations from participants quoting literature and presenting an EM context of what could in an EM influence FDI inflows within the market. Oguji et al. (2021) note that the institutional differences in African EM and the MNCs home country have intensified the entry challenges for MNCs seeking growth prospects in EM, which corroborates some of the research findings where participants acknowledged that the character of an EM may such that it could potentially render a pharmaceutical MNCs product portfolio as unsuitable for the market.

The research findings indicate that several participants believed that pharmaceutical MNCs are required to change their outlook and understanding of the EM context. Contractor et al. (2020) who indicated that attention must be directed to understanding not only the EM but the

dissimilarities in the market context, regulations and laws which threaten the initial FDI inflows or entry mode choice.

6.3.1.2 Discussion: Challenges faced by MNCs in EM

While EMs continue to provide MNCs possibilities, developing pricing strategies that are beneficial to the market and maintaining acceptable pricing remain crucial elements of the MNCs' success and acceptance in EM. (Hague, 2018). The pricing challenge that MNCs in EM face includes the influence of ongoing cost restraint, reimbursement rules and the application of reference pricing, the use of pharmacoeconomics, and the impact of parallel imports (Dutta, 2018).

The internationalization process can be hampered by institutional weaknesses, and the MNC's decision to invest in foreign operations depends on the strength of the market-supporting institutions in the host nation (Liedong, 2020). This was supported by the research finding, highlighting that pricing regulations in EM limit he MNCs ability to fairly compete. Participants from Organon mentioned the challenge presented by volume-based pricing strategies which have been common in EM as not being commercially viable and where required or implemented for a market as detrimental to the future success of the business. The challenges faced by MNCs in EM has become a relevant topic for discussion when considering pricing and entry mode strategies. Doh et al. (2017) shares how MNCs may respond to the challenges presented in EM by relying on internalization, substitution, borrowing, and signalling. However, the research findings indicate that some of the recommended strategies in literature do not indicate any resource commitment from the side of MNC which is the assurance that is usually required by EM governments and other industry stakeholders.

6.3.1.3 Discussion: Advantages of local manufacturing

The research findings were aligned to the general body of knowledge or understanding on value chains and local production. An observation that could be of value MNC strategic leaders is understanding the advantages of local manufacturing. Organon participants highlighted that pharmaceutical MNC may use local manufacturing as an opportunity to lower costs of bringing product into the EM which then influences the ex-factory price. This view aligns with price theory which is concerned with the economic activity of trade in goods and services between economic agents (Weyl, 2019).The extant literature and research findings are similar, with participants highlighting the use of local production as a counter strategy to supply constraints indicating that constraints would still exist due to all other elements that would still have to be brought into the market which does very little for the price the patient pays. According to

literature, pricing ideology encompasses goals and forces that are connected to manufacturing costs, competition, margins, and systematizing pricing decisions (Nagle & Muller, 2017).

6.3.1.4 Discussion: Elements of access

As generic versions become more widely available at reasonably cheap prices after the product's patent expires, demand for the product grows more price sensitive. At that moment, a rise in price or continued use of the existing price may cause some customers to switch to a substitute (Kienzler & Kowalkowski, 2017). It is essential to take into account the entire range of options, which range from cost-based to market-based pricing. Understanding an MNC's value in respect to what a rival in the same market is offering is known (De Toni et al., 2017). This literature aligns with the research findings, where participant from the Department of health indicated that strategic access components that pharmaceutical MNCs should factor in when developing access programs for EM must be founded on universal cost coverage, affordable care and quality medicines. MNCs failure to consider these factors would lead to local customers opting for generic alternatives.

6.3.2 Theme conclusions: Market attractiveness

The research findings revealed that market attractiveness in the pharmaceutical industry is well established. This aligned with the literature which outlined the different concepts related to EM market attractiveness. The research findings highlighted that the local EM governments may have varied opinions as to what constitutes successful entry strategies to those operating within the pharmaceutical MNC space. Yet, the research data and literature is aligned in that the focus of market attractiveness should be the EM context and the MNC ensuring that both the pricing and entry strategies that are developed have the ability to unlock market responsiveness.

The literature cautioned that the internationalization process may very well be hampered by institutional challenges in the EM and the macroeconomic influences and that MNCs need to ensure their pricing and entry strategies guard against these elements.

6.4 Discussion: Entry Approaches

The research findings for the entry approaches theoretical theme are discussed below and the focus is on the key code groups that emerged from the analysis of the interview data which comprise of navigating new market entry, drivers of low-cost production, and strategic thinking

behind pricing. The discussion on the key findings will be compared to the extant literature to determine if it is consistent with, an extension of or a contradiction to the literature.

6.4.1 Overview of the finding: Entry Approaches

Participants aligned on the high investment required by MNCs to establish operations in EM. Although all participants agreed that entry strategies for EM required revolution by MNCs, the participants expressed the significance of MNCs establishing relationships with local stakeholders which should result in equal benefit to both parties. Some of the participants from both Organon and the Department of health establishing local ties with stakeholders could be beneficial in resolving the pharmaceutical product pricing dilemma. Participants from Organon concluded that the pharmaceutical product pricing challenge faced in EM is not for the pharmaceutical MNCs to resolve independently however the participants expressed that this was a multisectoral challenges which required increased collaboration from all relevant stakeholders to develop a universal solution that is suitable for the target market.

All participants agreed that strategic partnerships can be beneficial in providing long-term pricing solution for pharmaceutical products that are of benefit to both the pharmaceutical MNC and the target market.

6.4.1.1 Discussion: Navigating new market entry

When negotiating with stakeholders from EM, pharmaceutical MNCs make the error of believing that they know what is correct rather than taking their cue from what the governments have to say (Demuijnick & Fasterling, 2016). Further literature shows that The effectiveness of market-supporting institutions in the host nation will determine whether an MNC (Liedong, 2020). This correlates with the research findings where participants were of the view that MNCs entering EM should actively work to build relationships with internal and external stakeholders and that lift and shift entry approaches from other markets are not transferable (Magnani et al., 2018). The research findings supported the literature on internalization and reliance on the MNCs core competencies for new market entry strategies (Dunning, 2000).

Strategic stakeholder partnerships that are designed to address the pricing challenge in EM, will contribute to the establishment of long-term viable strategies in which profitability may be assessed for MNCs and EM stakeholder benefit may be retrieved (Paul, 2019). This aligns with the research findings where participants from public sector and pharmaceutical MNC concurred that an MNC must actively interact with local authorities in order for its entry efforts to be successful.

6.4.1.2 Discussion: Drivers of low-cost production

When using cost-based pricing, the business must account for all fixed costs and then add a margin to those costs to get the final price (Hague, 2018). Literature provides that the price of pharmaceutical items is usually influenced by both demand and production costs, in accordance with economic theory (Kienzler & Kowalkowski, 2017). The research findings indicate that when pricing for EM, participants believe that that the construction of low-cost items was greatly influenced by local production and that EM-specific pricing tactics would be influenced by local production, which aligns to the literature.

Participants identified other factors such as large-scale local production and the redesign of of the distribution model as potential strategic decisions that MNCs would have to make in order to drive low-cost production. The extant literature supported the outcomes of the research findings, with Dutta (2015) expanding on the need for MNC to consider local production as part of the cost containment of pharmaceutical products.

6.4.1.3 Discussion: Stakeholder engagement for pricing alignment

The pricing needs to be flexible enough to be increased during the patent protection period and decreased appropriately once the patent expires (Danzon, 2015). In other words, the quantity that consumers are willing to purchase and the quantity that producers are willing to deliver are exactly matched in price (Banton, 2022). The research analysis aligned with the literature in that the participants indicated that there needs to be greater alignment on pricing with external stakeholders and that the MNC needs to be able to establish what the local EM stakeholders are willing to pay for the pharmaceutical products.

An area that may extend the literature as per the outcomes of the research analysis is the need for multistakeholder engagement on pharmaceutical product pricing and the risk of corruption in the South African context.

6.4.2 Theme conclusions: Entry Approaches

The research findings identified that entry approaches into EM by pharmaceutical MNCs allow for MNCs to further interrogate the intended entry strategy and its acceptance by local stakeholders in EM. Pharmaceutical product cost containment was more likely to occur through local production provided that the MNC also reconsiders the distribution channels for increased low-cost production. The research findings reveal that there is greater need for stakeholder alignment on pricing requirements at an EM level however with the potential risk of corruption given the EM institutional and governance challenges, participants expressed

that the cost complexity of pricing in EM is a shared multiparty responsibility and should always be approached as such (Banton, 2022).

6.5 Discussion: Value-Based Pricing

The research findings for value-based pricing (VBP) theoretical theme are discussed below and the focus is on the key code groups that emerged from the analysis of the interview data which comprise of recommendations to optimise pharma in EM and strategic thinking behind pricing. The discussion on the key findings will be compared to the extant literature to determine if it is consistent with, an extension of or a contradiction to the literature.

6.5.1 Overview of the findings: Value-based pricing

The research findings identified the potential of using VBP as a pricing method and its contribution to driving access and affordability. Participants acknowledged that due to the value driven by VBP as a pricing strategy that can be leveraged by the pharmaceutical MNCs and stakeholders within the EM setting.

However, despite VBP being a potential pricing strategy that drives equitable access there are question posed on the strategic imperative and profit maximization of the strategy for MNCs especially when dealing with first to market valuable pharmaceutical products.

6.5.1.1 Discussion: Recommendations to optimise the pharmaceutical industry in EM

Value-based pricing (VBP) is the degree to which companies consider how customers perceive a product's advantages in relation to its price when making pricing decisions (Kienzer, 2018). Despite the fact that VBP has been connected to profitability by a number of marketing researchers, most businesses continue to prioritize cost-based and competition-based pricing (Liozu, 2017). The research findings suggest that MNCs in the pharmaceutical industry are better positioned to use VBP as a strategic tactic. The pharmaceutical MNCs are then in a position to start discussions with the government and financing sources about alternative reimbursement solutions which aim to improve access to the pharmaceutical products to achieve the common good, all parties involved must, however, be able to cooperate.

Extant literature reveals that firms' pricing strategies are, for the most part, unique; these strategies can be characterized based on the kind and the degree to which managers base their decisions on information about costs, competition, and customers' perceived value (Kienzer, 2018). The research findings are aligned to literature as Some participants thought that whether or not customers in EM were willing to assign value to the pharmaceutical items would have a significant impact on how valuable they viewed VBP to be as a pricing solution for EM. Further, the findings suggest that for this pricing strategy to be effective MNCs would need to find ways to close the information loop between clinicians, medical aid funders and in-market pricing and access personnel, calling for greater collaboration between these stakeholders. This notion supports the literature that noted that conducting value assessments is fraught with difficulties especially when the R&D costs are not transparent (Garner et al., 2018).

6.5.1.2 Discussion: Strategic thinking behind pricing

Liozu (2017) confirms the effect of value-based pricing on margins and pinpoints the main factors that affect business unit profitability and pricing power. Additionally, the extant literature indicates that MNCs must grapple with challenges presented by subjectivity, uncertainty, and complexity when implementing pricing strategies that prioritize customer perception of value. In comparison to other types of information frequently employed in pricing methods, information on customers' perceived value is more challenging to get, analyze, and comprehend. This aligns with the research findings were participants agreed that in addition to changing from a cost plus to a VBP strategy for EM, it is crucial for MNCs to review how floor prices are established and how pricing is controlled within the context of pharmaceutical MNCs because these aspects affect what can be anticipated in terms of EM and gross margin.

The research findings indicated a potential gap in the literature, and it may be extended by:

- Extending the literature to include the impact of VBP on the pharmaceutical MNCs profit margins.
- Explore the value in understanding the pharmaceutical products positioning in the EM to facilitate local stakeholder engagements on reimbursement solutions.
- Examine the implications of adopting a VBP for a first to market molecule.

6.5.2 Conclusions: Value-based pricing

The MNCs ability to adopt VBP as a pricing strategy that creates value for both the MNC and the stakeholders within the EM could ensure growth opportunities within an EM context

(Garner et al., 2018). The findings from the research highlighted the need for MCs to negotiate the terms of the VBP in line with the clinical benefits and outcomes of the pharmaceutical products intended for the targeted EM. A strong correlation between the value perception of the customers and the eventual reimbursement outcomes from the EM government and or the medical aid funders.

The literature can be extended to investigate the true impact of VBP on pharmaceutical MNCs profit margins within the EM context.

6.6 Discussion Of The Results: Reference Pricing

The research findings for reference pricing theoretical theme are discussed below and the focus is on the key code groups that emerged from the analysis of the interview data which comprise of the South African context, pricing administration and the pricing approach. The discussion on the key findings will be compared to the extant literature to determine if it is consistent with, an extension of or a contradiction to the literature.

6.6.1 Overview of the findings

Participants from the Department of health and Organon expressed varying views on the value that pricing regulations drive in EM. The Department of health participant was of the opinion that pricing regulations are good for EM from a governance perspective and providing some form of guardrails. Conversely, the Organon participants view the pricing regulations as a constraint to the Pharmaceutical MNCs ability to develop innovative pricing solutions. Participants agreed that there is a need to set up platforms which facilitate dialogue among industry players on complex pricing and access issues to effectively manage pricing in EM.

The participants had varying opinions on the benefits of reference pricing as a pricing strategy, with some participants agreeing that there could be a benefit to the patient where reference pricing is adopted. The other participants acknowledged that reference pricing can present a risk to MNCs as the pricing method limits the company's ability to adjust the pricing according to market circumstance.

6.6.1.1 Discussion: The South African context

Comparatively to other pricing approaches, reference pricing is more difficult to study since reference pricing systems differ greatly in how they are applied (Kanavos et al., 2020). The popularity of reference with economists is more guarded due to the potential negative effects

on dynamic competition in the longer run (Persson, 2016). A reimbursement price set in one country can have both a direct and an indirect impact on reimbursement prices and policies in other countries (Persson, 2016), the findings reveal that the participants from Organon are of the view that the publication of prices for pharmaceutical products by other markets yields a positive result from a transparency perspective however the participants indicate that the negative side to this is that markets who are not comparable from a GDP perspective use these published prices as a basis to develop their own pricing strategies which results in an imbalance from an affordability perspective in the EM context. This view is supported by the literature in chapter 2 That reflects that those regulations only allow low prices for new pharmaceuticals; reference pricing may force manufacturers to hold off on releasing novel compounds in a market (Persson, 2016). The findings of this research supports literature in that this may have an impact on the manufacturer's pricing strategy in other markets. Participants largely concurred that reference pricing may be useful when price stakeholders are comparing like with like, but market dynamics in emerging markets are continually shifting.

6.6.1.2 Discussion: Pricing administration

The research highlighted pricing administration as a strong enabler for pharmaceutical MNCs ability to successfully implement reference pricing. The research findings indicated a potential gap in the literature, and it may be extended by:

- Extending the literature on pricing administration in EM.
- Exploring shared responsibility between multiple stakeholders in managing pharmaceutical pricing strategies.

Clear strategic outcomes will be required for reference pricing strategies to be successfully implemented in EM and MNCs limiting the ability of developed markets referencing EM. This aligns with the extant literature highlighting the selection basis for reference pricing to be on the grounds of geographic proximity, comparable GDP levels, similar socioeconomic backgrounds and desirable price levels.

6.6.1.3 Discussion: Pricing approach

The literature on reference pricing is advanced and this method of pricing relies on the principle of identifying prices from a basket of reference nations as a way to determine prices or as one of the factors used to guide pricing and reimbursement decisions (Kanavos et al., 2020). Typically, the lowest price in the basket is used to calculate the reference price, while other methods, such as the average or median, are sometimes occasionally employed in other nations (Kanavos et al., 2020). The understanding of the competitor benchmarking is key

when and MNC adopts reference pricing as a pricing strategy to prevent pricing above what the EM is accustomed to (Persson, 2016).

This research suggests that refence pricing can only be successfully adopted if the MNC considers reimbursement in a price tiering format however to do so the pharmaceutical MNC would have to heavily invest in specialised resources in the EM. There is limited similarity between the literature and the research findings, with the research indicating a strong preference shared responsibility for pricing administration in EM for successful implementation of reference pricing.

A research gap would be addressed by determining the to which external stakeholders in EM such as South Africa could contribute towards the pricing administration and development process.

6.6.2 Conclusions: Reference pricing

Reference pricing can drive benefits for the end user of pharmaceutical products in EM however the pricing strategy has far reached implications for MNCs with respect to their ability to adjust pricing according to changing market dynamics (Kanavos et al., 2020). The findings from the research highlighted that pharmaceutical MNCs that intend on adopting reference pricing strategies need not do so in isolation from external stakeholders especially the department of health pricing committee as pricing administration and approach should be a shared responsibility in EM. A strong correlation between the reference pricing elements and entry mode choice is the main motivator for the research findings on pricing for EM. There is not sufficient similarity between the extant literature and the research findings, on reference pricing, as the linkages in the literature between entry mode choices for EM and reference pricing is not well defined.

A theme that was not explicitly explored in the literature review but emerged in the research findings is the MNCs need to understand the competitive environment in relation to reference pricing. The literature can be extended to investigate this correlation and assess its benefits and challenges on entry decisions for MNCs targeting EM.

6.7 Discussion: Cost Complexity Of Pricing

The research findings for the cost complexity of pricing theoretical theme are discussed below and the focus is on the key code groups that emerged from the analysis of the interview data which comprise of the industry dynamic, the components of floor prices and elements of

margin computation. The discussion on the key findings will be compared to the extant literature to determine if it is consistent with, an extension of or a contradiction to the literature.

6.7.1 Overview of the findings: Cost complexity of pricing

Participants from both the Department of health and Organon concurred that pharmaceutical product price setting is a complex and sensitive issue which if not handled with the requisite care and attention where all aspects are taken to account and tested could lead to unfavourable results for EM and MNCs.

6.7.1.1 Discussion: Broader industry dynamics

Pharmaceutical product pricing is a complex problem that has several industry forces which affect an MNCs influences the ultimate ex-factory pricing decisions. Pricing setting requires consideration of macroeconomic factors and a collaborative approach for a company to set a price that maximizes revenue whilst benefiting the consumer (Hague, 2018). From pharmaceutical industry perspective prices need to be set with the principal objective of driving access, recouping R&D costs and proportionate to economic development (Nagle & Muller, 2017). Extant literature reveals that the success of an MNC in an EM depends on well-thought-out pricing plans for export markets and as such the pricing ideology should account for Costs, competitiveness, margins, and the systematization of pricing decisions (Hague, 2018).

The literature review highlighted that industry dynamics provide implicit challenges related to the influence of parallel imports, the impact of reference price, the usage of pharmacoeconomics, the impact of reimbursement laws, and the effect of ongoing cost minimization (Dutta, 2018). The research analysis agrees with the literature, with participants agreeing that a pharmaceutical MNC's distinctive product and aggressive market entry may occasionally result in sophisticated pricing methods since the company wants to maximize revenues before losing its market exclusivity.
However, the participant show much MNCs in EM have benefited from price setting that considers macroeconomic factors in resolving the difficulty of pricing for EM like South Africa which have high economic disparities.

The pricing must be flexible enough to rise throughout the patent protection period and fall appropriately once the patent expires (Danzon, 2015). The research findings indicated misalignment with literature as the participants were of the belief that price-fixing techniques practiced by MNCs in their home country have caused fragmentation at the level of EM and lowered access to care for persons with EM.

6.7.1.2 Discussion: Components for MNC floor price

The research findings indicated that participants are routinely informed of the variables affecting the floor price by the production and global pricing teams. The findings highlighted that the adoption and acceptance of new technologies may assist reduce production costs and, ultimately, result in a decrease in the price of EM in the future as pharmaceutical product production technology advances.

Cost complexity could also be viewed as a process which allows for a better position to comprehend pricing strategies which integrate market-based or affordable elements by choosing the cost complexity of pricing decisions in EMs (Raymond et al., 2001). The research findings suggested that the production and pricing functions within a pharmaceutical MNC reconcile to the element of the floor price influencing the gross and net margins communicated to EM, which in turn influences the EM team's decisions regarding ex-factory pricing.

To a degree, the research finding presented vary views on the components of floor prices in EM, views being shared that in some instances the components include sales and marketing activities and in other cases the cost of production. This aligns with extant literature on rigid cost-plus pricing which indicates that price is calculated by adding a gross margin, manufacturing costs, administrative expenses, transportation costs, and customs fees; this process frequently results in a final price that is too high to be competitive in emerging countries (Deshpande, 2018).

6.7.1.3 Discussion: Elements of margin computation

The research suggests that a pharmaceutical MNC's overall measure of market profitability is its gross profit margin within an EM, which is influenced by several elements. This aligns with the extant literature on price flexibility which reflects that Under specific conditions, price fluctuations are permitted, such as discounts for large orders. Maintaining the profit margin would be the biggest priority (Roach, 2021). Although the research findings did not yield much results on margin computation, there is an opportunity for literature to further explore the link between distribution costs and margin erosion.

6.7.2 Conclusions: Cost complexity of pricing

The research findings showed that a pharmaceutical MNC's introduction of a new molecule in a market mitigates the cost complexity of pricing from a larger industry dynamic because it gives the MNC the option to establish prices based on the distinctiveness of the molecule. The

research's findings, on the other hand, show that it is unclear to what extent MNCs in EM have benefited from conventional pricing fixing techniques. This is consistent with research on reference pricing and the inequalities it may cause between EMs.

However, the research findings also reveal that at a EM level there is limited understanding as to what makes up the floor pricing components and as such resulting in an increased call for collaboration between pricing employees operating in the MNCs home country and those in the EM to drive better responsiveness to market dynamics.

6.8 Discussion: Social License To Operate

The following discussion focuses on the key code groups that emerged from the analysis of the interview data and include customer considerations, government approach to managing industry, recommendations for EM approach, and finally, government approach to managing price. The research findings for the social license to operate theoretical theme are covered in this section. The discussion on the key findings will be compared to the extant literature to determine if it is consistent with, an extension of or a contradiction to the literature.

6.8.1 Overview of the findings

Participants from Organon thought that social licenses in the pharmaceutical industry are significantly influenced by the agendas of the governments and funders at any given time. The participants also proposed that the department of health would analyze the offered pricing to that in comparable countries, which results in a substantial impact on the pharmaceutical MNCs' expression of sincerity and transparency in deciding prices for the EM. Participants from the Department of health thought that pharmaceutical firms should strive to put patients first in all pricing decisions made, advocating that in EM, access should take precedence above cost and profit. As such, this approach would assist pharmaceutical MNCs to generate greater acceptance in EM.

The participants agreed that the political agenda is compelling and should never be disregarded because political choices influence the course that the country's economy takes. The department of health participant thought that affordable access to healthcare and pharmaceuticals to be a basic human right.

6.8.1.1 Discussion: Customer considerations

The concept of social license to operate is a complex one in the pharmaceutical industry as it is a contractual foundation for the legitimacy of a company's particular activities in a target market (Jenkins, 2018). Incorporating a social license to operate with pricing and entry mode strategies could be a way with which companies address the access and affordability challenge in EM (Demuijnck & Fasterling, 2016). Focusing on corporate activities that that have an impact on the socioeconomic issues in the EM drives acceptance in the market (Jenkins, 2018) which could drive competitive advantage for the MNC in the EM.

The literature review highlighted that the concept of social license to operate is mostly fully fledged in resource extracting industry such as mining and not so much in the pharmaceutical industry (Demuijnck & Fasterling, 2016). Participants' scepticism about the applicability of social license to operate inside the pharmaceutical sector and the advantages that would result from a social appeal approach is supported by the research analysis, which is consistent with the literature. Therefore, the viability of the concept within the pharmaceutical industry is questioned. Although, some participants agreed that there could be some value in derived in prioritising an EM socioeconomic issue over profitability for successful entry in a market.

Where MNCs are to obtain a social license in EM, they would have to have an understanding of consumer experiences in the market and reconsider their pricing and access policies in light of those considerations and create value (Chan et al., 2016).

6.8.1.2 Discussion: Government approach to managing the industry

A concerted, extensive effort spanning numerous business operations, such as product pricing fixing, could be used to obtain a social license to operate for pharmaceutical MNCs in growing countries (Chan et al., 2016). The research findings indicated that generating a social license in the pharmaceutical industry requires industry to be aware of political decisions which have a great influence on the course in which the country's economy takes, the political agenda is one that should never be disregarded and pharmaceutical MNCs should be responsive to such mandates. This is aligned to extant literature which indicates that MNCs must comprehend the political landscape of the chosen EM. As negotiating with governments from emerging markets, pharmaceutical MNCs make the error of believing that they know what is correct rather than taking their cue from what the governments have to say (Demuijnick & Fasterling, 2016).

In order to advance various political objectives for social impact, MNCs must adopt an ethical stance. The findings highlighted that pharmaceutical MNCs could contribute to the policy and

regulatory development in EM related to pricing as differentiator for the company. Incorporating social impact to strategic decisions such as pricing and entry for EM, may add to the competitive advantage of the companies due to the perceived commitment to advancing access objectives.

6.8.1.4 Discussion: G*overnment approach to managing price*

Pharmaceutical MNCs entering EM may need not use a lift and shift strategy and have to be mindful of the market dynamics and comprehend the local environment. Findings highlight that the Department of health in South Africa access to healthcare as a fundamental human right as such when developing product pricing strategies then the MNCs must adopt a broader viewpoint which reflects a connection to this human right.

This aligns with literature in that i MNCs may make wise decisions regarding their pricing and entry mode strategic direction by having a thorough awareness of the social landscape of an emerging market (Demuijnick & Fasterling, 2016).

6.8.2 Conclusions: Social license to operate

The implementation of pricing and entry strategies which take into account the social impact it would have in the EM can assist companies to generate greater acceptance in the market (Chan et al., 2016). The research suggested that pharmaceutical companies that actively contribute to the development of pricing frameworks and regulations and show a commitment towards driving local political objectives that are link to social development and economic advancement have a greater competitive advantage in the EM. However, the findings caution MNCs to establish a greater ethical stance when adopting strategies that are geared towards generating a social license to operate in the EM. The research alluded that this approach would contribute towards positive reception by local stakeholders. The research findings and literature agree that companies who incorporate the elements would be in a better position when entering EM (Jenkins, 2018).

6.9 Conclusion: Research Findings

Pharmaceutical MNCs face increased pressure when developing suitable pricing strategies for EM as such strategies may determine the rate of the company's success in a market. Internationalization can contribute to sustained growth prospects if all the aspects of thoughtful pricing are considered, including the cost complexity in EM as well as social impact.

Internationalization needs to be linked to the pharmaceutical MNCs intentions on driving access and affordability of innovative medicines in markets that face great macroeconomic challenges.

Entry mode strategies cannot be established in isolation from pricing strategies when targeting EM as the market dynamics in the EM would ultimately define the level of market acceptance and product penetration. As such it is critical for headquarter market access and pricing managers to understand EM dynamics and drive greater collaboration with the managers based in EM, this will ensure that the pricing and entry strategies are responsive to market needs and the burden of disease.

Entry and pricing strategies that are co-created and informed by local EM stakeholders such as the department of health's pricing committee and medical aid funders could give MNCs a competitive advantage and the ability to influence and shape policies to allow for greater flexibility on reimbursement solutions such as VBP. Such extensive stakeholder engagements prior to market entry need to ethically governed to avoid opportunities for undue influence.

Upon entry MNCs need to clearly articulate a two-sided value proposition for both the external and internal stakeholders. The proposition needs to be positioned against the market's fiscal poly on healthcare expenditure as well as social impact imperatives. If there is alignment between the product pricing strategy and the policy objectives, then there is scope for the MNC stakeholders and the government stakeholders in EM to co-create pricing solutions as a shared responsibility. This would position MNCs not only as pharmaceutical manufacturers but also strategic partners to governments in EMs in dealing with institutional voids.

A summary of the research results and literature comparison presented in this Chapter 6 is given in Table 11. The parallels and discrepancies will be emphasized. Where a gap existed and potential literature extensions were identified, they will be enumerated in Chapter 7.

Table 11: Summary of research findings

Key Constructs	Key Findings		Results
Internationalization	Internationalization consideration are focused on growth and key to the success of the organization.	observation - There is misalignment between the MNC and government healthcare objectives. Misalignment could result in high costs.	Findings are similar to literature
Market Attractiveness	Elements of market attractiveness are well established in the industry. Benefits and challenges well constructed		Findings are similar to literature
Entry Approaches	High investment required for entry into a new market. Strategic partnerships are key to successful entry.	Observations – there is a need to restructure the flow of information and responsibilities. Allow the local team in the EM to develop the pricing strategies.	Findings similar to literature/ Gap in the literature identified
VBP	Framework is a potential access driver.	Observation – discrepancy in adopting VBP in EM for best and first in class molecules. Need for strategic partnerships.	Findings similar to literature/ Gap in the literature identified
Reference Pricing	Framework provides advantages to final consumer.	Observation – risk to MNC in EM as it creates pricing imbalances between developed and emerging markets	Findings are similar to literature
Cost complexity of Pricing	Price setting not challenging when dealing with innovative molecules. Understanding market dynamics is key.	Observation – there is a need to educate market access and pricing managers on the elements of the floor price.	Findings are similar to literature
Social license to operate	Pricing and entry strategies should account for socioeconomic issues	Observation – no understanding of the social licensing concept within the pharmaceutical industry context.	Findings similar to literature/ Gap in the literature identified

Source: Developed by Author

Chapter 7 – Conclusion, Recommendations and Limitations

7.1 Introduction

The industry focus on FDI inflows into EM and on equitable access to innovative medicines continues to intensify. The pharmaceutical industry has over the years made efforts to drive access to treatment solutions through access and donor funded programs, however the industry has reached a point where market access and pricing executives need to embrace the need for creative reimbursement and pricing strategies for EM, especially those within Africa (Light, 2018). By introducing pharmaceutical product pricing strategies that are centered around and or responsive to the market dynamics and socioeconomic challenges of the targeted EM, pharmaceutical MNCs position themselves as strategic partners to local stakeholders who influence industry related policies and market performance. This positioning in the minds of the local stakeholders will result in the pharmaceutical MNC achieving greater social acceptance as well as successful entry into the EM. This need for developing pricing strategies has to go beyond the positioning aspect and drive towards increased collaboration and partnership with the governments and medical aid funders in EM for establishing pricing frameworks and models that address access and affordability (Shen et al., 2017). However, such collaborative effort and increased shared responsibility in addressing the pharmaceutical product pricing issue is a long-term fix which will require the establishment of governing bodies that have the prerequisite independence in order to avoid MNCs running the risk of undue influence. In the immediate term, MNCs would have to rely internal resources to develop pricing and entry mode strategies that enhance access. This could be done through streamlining internal processes and the flow of information between market access and pricing employees based in the headquarters and those based in the EM. More focus should be spent on the market analysis and truly understanding the burden of disease and treatment requirements in the EM so as to avoid planning for entry of products that are not reflective of the EM governments priorities as well as the disease progression in the target EM. This understanding can only come through local subject matter experts within a company such as Organon LLC, driving the pricing strategy development process as well as the market assessment and feasibility studies (Wan et al., 2020).

By introducing this streamlining of information and changing the roles and responsibilities between market employees and local subject matter experts, this could enhance the pricing strategies and the responsiveness of those strategies to institutional voids and socioeconomic

challenges in the EM. VBP, a pricing model recognised as having the capacity to address pricing beyond clinical benefits but potentially social dynamics, can be an enabler for Organon LLC for both the local and above market pricing and market access strategists (Kienzer, 2018).

This research suggests that, in the process of defining a strategy for the EM, the local Organon LLC pricing and market access executives should start really probing the benefit of localization and other partnerships that could help introduce efficiencies to the existing value chain. The re-engineering of the value chain from production, distribution and sale has the potential to create increase efficiencies as well as cut production and distribution costs which influence the ex-factory price, addressing some of the pricing cost complexity consideration (Hague, 2018). The alternative would be for local Organon LLC employees to focus on developing pricing strategies that would enhance social acceptance and help generate a social license to operate within the EM. The company could adopt a co-creation approach to pricing and allow for ownership of the pricing process through a multi-stakeholder agreement and ensuring that the companies interest and commercial viability is protected and well represented in this type of forum (Chan et al., 2016).

Unfortunately, generating a social license to operate, as a phenomenon, is not a well understood concept within the pharmaceutical industry, as such this will create some reluctance with the above market pricing and market access executives, as the scales from a business perspective do not balance in the MNCs favour and the required investment is far greater for the MNC (Dutta, 2018).

This research aimed to answer the question: How do pharmaceutical product pricing strategies influence the entry mode choices of MNCs in emerging markets? The key constructs identified for this research, included *internationalization, market attractiveness, entry approaches, value-based pricing, reference pricing, cost complexity of pricing* and *social license to operate*. In Chapter 2, the literature review explicated these concepts. The research queries and subsequent interviews were influenced by the theoretical conceptions. The discussion of the research findings was offered in Chapter 5, which also expanded on the theoretical constructs by addressing issues related to market opportunity optimization, navigating new entry markets, and the government's strategy for managing prices. It was highlighted how the findings compared and diverged from the body of earlier research covered in Chapter 2.

According to the findings of this research, pricing and entry tactics in EM should be more responsive to market dynamics and socioeconomic concerns in the region. It is acknowledged that this strategy offers pharmaceutical multinational corporations (MNCs) a significant chance to enhance their interactions with external EM stakeholders and generate shared value when formulating pricing strategies for the EM. This will have a positive effect on the difficulties

patients in the EM face in gaining access to and affording medications. These engagement forums involving pharmaceutical MNCs, the government, and medical aid funders can only be successful if there is a change in the internal flow of information inside the MNC and a delegation of duties to the local market for the design of pricing strategies and market analyses.

7.2 Response To The Research Questions

The literature review from Chapter 2, the study findings as presented in Chapter 5, and the discussion of the findings from Chapter 6 will all be included into this section to address the main research question. The sub-questions make use of theoretical frameworks to answer the main research topic.

7.2.1 Conclusion on sub-research question 1

To better understand the various factors that price decision-makers must consider when developing strategies for EM, Sub-Question 1 looked into the elements taken into account by pricing and market access managers when formulating pricing strategies. It also considered whether these considerations should be expanded to include other considerations. The research concluded that the pricing and market access managers from above market and at a local level were aligned on the current factors that are accounted for in pricing strategy formulation, such as macroeconomic indicators in the EM, the cost of production for the product, the floor price of the product and other incremental costs associated with getting the pharmaceutical product into the EM. Pricing elements are however limited to the margin and profitability computation factors and do not extend to socioeconomic considerations and market specific needs. Although there are efforts through patient access programs, these efforts are temporary with a limited social impact and have not been enough to shape pricing policies in EM. The research findings and literature concurred.

7.2.2 Conclusion on sub-research question 2

Sub-Question 2 expanded on sub-question 1 to explore the effect pricing strategies have on entry mode decisions and if pricing could influence a pharmaceutical MNC to enter an EM or to readjust prices in other markets to limit discrepancies.

The research concluded that pricing in EM was an extremely difficult task to do for pharmaceutical MNCs and in some instances then it is far better to rely on existing pricing frameworks such as reference pricing (Kanavos et al., 2020) as opposed to establishing platforms that facilitate critical engagement with governments and medical aid funders. Although the latter would result in pricing strategies that are bespoke for the EM, the resource constraints and time required to develop novel pricing frameworks that balance out commercial viability and social impact may not be worth it for the pharmaceutical MNC. The risk associated with existing pricing frame works such as reference pricing is the economic disparities that exists across the globe and as such a lift-and shift pricing approach would severely disadvantage consumers in EM (Kanavos et al., 2020).

The importance of reconfiguring the pharmaceutical value chain and its link to the cost complexity of pricing was highlighted in the research, recognizing that reconfiguration of the value chain could lead to opportunities to drive low-cost production and distribution as well as entry through other forms of partnerships such as JVs with distribution companies (Zhou, 2019). The research findings and literature somewhat concurred.

7.2.3 Conclusion on sub-research question 3

Sub-Question 3 aimed to investigate the elements a pharmaceutical MNC take into account when fostering relationships with local stakeholders to improve entry in EM. This inquiry aimed to identify the level of engagement and collaboration required with external stakeholders such as the government, industry bodies and medical aid funders.

The research concluded that, although there are complexities involved with these engagements, and various factors such as corruption which contribute towards the reluctance to engage or have constructive dialogues that could help shape policy and pricing frameworks that are beneficial to both the MNCs and patients. There is a lot of benefit in establishing frameworks that would allow for this collaboration and creation of shared responsibility and value. They further found that partnerships create an increased level of acceptance in the market which could position the MNC as a strategic partner to the government (Schellenberg, 2019).

The findings suggested key factors for consideration when establishing collaboration with local stakeholders:

- The significance of establishing governing principles for these forums.
- Drive independence in the management of the forums and not let the be led by companies or individuals with vested interests.

- The core objective of the forums should be to develop pricing and alternative reimbursement solutions that would be beneficial to the EM and MNC. MNC needs to fully understand the governments health objectives and the market disease burden.

7.2.4 Conclusion on the main research question

This section reflects on the conclusions of the sub-questions that addressed the main research question, which explored the influence of pharmaceutical product pricing strategies on entry mode choices of MNCs in EM.

The research concluded that pharmaceutical product pricing strategies need to look beyond the profitability and margin computation elements and give more consideration to the social impact elements to pricing in order to address the access and affordability issues that are prevalent in EM. The findings also presented the value in local partnerships and collaboration on pricing strategy development, which could be leveraged by the pharmaceutical MNC as a positioning tool that is used to facilitate entry into the EM. It could also change the narrative that pharmaceutical companies are responsible for the high prices related to medicines but rather create a sense of shared responsibility and ownership when dealing with the pricing if pharmaceutical products. The partnerships should focus on delivering value to the EM and the MNC for better success in the market.

7.3 Theoretical Contribution

The research study and the body of existing literature were complementary, suggesting that the emphasis on the African context, particularly South Africa, and the inclusion of viewpoints from the Department of Health Pricing Committee made an addition to the literature. By incorporating the idea of **social considerations** and **expanding collaborations with the government and medical aid funders** as essential levers in the creation of the pricing strategy for EM, the research adds to the body of knowledge on price and entry mode choice.

On pricing, entry mode selection, and its use in the pharmaceutical industry, there is a wealth of literature. By examining additional price elements that have an impact on pricing and entrance strategies, this study contributes to the corpus of knowledge. A review of the research focuses on the advantages of shared pricing responsibility for EM and MNCs.

7.4 Business Contribution

Pricing for pharmaceutical products has been at the center of difficulties with access and affordability for years, and the consequences for pharmaceutical MNCs' reputations have been severe. Pharmaceutical MNCs are perceived as exploiting EM without making any attempt to set up price structures that are appropriate for EM and reflective of market dynamics. In order to considerably lessen the unfavorable reputation that has lingered for years and to allow successful entry, MNCs should strive to collaborate with local stakeholders to devise pricing strategies that are responsive to market needs and the illness burden in the EM.

The pharmaceutical sector is a globally connected one. Since pricing and entrance decisions are made centrally in the MNCs' home nation, the nature of the industry encourages bureaucracy in operating MNC in various locations (Buckley, 2018). MNCs must empower local employees in EM by giving local subject matter experts responsibility for developing price strategies and incorporating social impact factors into pricing. The MNCs may be confident that the pricing strategy is in line with regional goals and priorities in this way.

7.5 Recommendations for managers and/or stakeholders

Pharmaceutical products in EM become pricey and unavailable as a result of the pharmaceutical MNC value chain's complexity, which spans numerous areas and other businesses. It is crucial for the responsible executives who are in charge of product movement to support the idea of restructuring the pharmaceutical value chain and take into account local JVs with distributors and manufacturers in EM, as this form of FDI influx in the EM might also have a social impact.

Market access and price managers are now in a position to equally share pricing responsibilities among internal and external stakeholders thanks to the suggestion to create a forum with local stakeholders to develop appropriate pricing strategies for EM. Additionally, this will assist them improve their connections with donors and policymakers.

The pharmaceutical industry needs to adopt a different mindset in order to develop more socially responsible pricing and entry strategies for EM in order to increase access and affordability to cutting-edge pharmaceutical therapies.

7.6 Limitations of the research

The examination of the research's constraints in this section will go into the constraints of the entire investigation. These broad constraints are not exhaustive, but they do highlight the significant difficulties the author identified as potential weak spots in the study's thoroughness. The author lacked experience and knowledge in interviewing techniques or the creation of study questions. Although this had no detrimental consequences on the research, it might have had a negative effect on the calibre of the questions and answers that were asked and received in return, which helped to generate the research's data. This research focused on a newly launched born global pharmaceutical company with participants situated at a global and local level, and with a participant from the department of health. These participants represent a fraction of the pharmaceutical industry, which consists of trade and revenue, regional commercial operations, supply chain management and external corporate affairs. The views expressed, were hence limited to one pharmaceutical company from a sector that is represented in different therapeutic formulations and business models such as generic pharmaceutical companies.

One person was included in the Department of Health pricing committee sample. Despite the fact that the department of health is the biggest and most important player in the healthcare sector, the research left out the opinions of a great representative of the public health field to focus on the effects of pharmaceutical product pricing on the ecosystem of the public sector.

Generating a social license to operate is not an established concept within the pharmaceutical industry, which made it extremely hard for participants to understand the concept within the pharmaceutical MNC context. The research did not take into consideration the broader industry view on social licensing.

7.7 Suggestions for further research

The following areas are proposed for further research:

- **The cost complexity of pricing in EM**

Additional investigation may reveal prospective areas for pharmaceutical value chain optimization and indicate regions that should be taken into account for promoting low-cost manufacture. **Pharmaceutical MNC social licensing in EM**

The literature on social licensing may be expanded to include the pharmaceutical business with more study, and implementation frameworks that could be used in EM while the MNC is still profitable may be produced

- **Pricing strategy formulation at a local level within the pharmaceutical MNC context**

To make sure that strategies take socioeconomic issues and elements into account, the research might explore and further the sharing of information and the shifting of pricing strategy formulation to the resources in EM..

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Appendices

Appendix 1 - Organon LLC Consent request and approval

[Date]

[Company Address]

Dear Sir/Madam

Re: Permission to conduct research at Organon South Africa (Pty) Ltd.

My name is Kgositsile Mogamme.

I am studying for a Master of Philosophy in International Business at the University of Pretoria's Gordon Institute of Business Science. I am a staff member at Organon South Africa (Pty) Ltd and seeking permission to conduct research within the organisation.

I am conducting a qualitative study on pharmaceutical product pricing and entry mode choices for emerging markets. The study will be based on theoretical frameworks and attempt to link pricing constructs to other factors that may impact entry into emerging markets and measure the corresponding effects.

The design of the research will be exploratory in nature and cross-sectional interviews will be conducted with pricing, market access, and strategic planning executives within the organisation using a semi-structured questionnaire. To help provide an in-depth understanding of the phenomena under investigation, I intend on introducing the case of Organon LLC as a born global pharmaceutical company, this will assist in focusing the study within a real-life context.

The project will be conducted under the supervision of Professor Alet Erasmus (GIBS, South Africa).

I request permission to collect primary data within the organisation by way of virtual interviews with leaders in the aforementioned functions as well as make use of the organisations publicly available reports and webcasts.

I intend on inviting individuals from the organisation to participate in this study by email.

The semi-structured questionnaire will be made up of 21 key questions. These questions will be shared with the selected participants in the organisation before the virtual interviews. I will require at least 60 minutes of each participant's time. The virtual interviews may be scheduled during work hours depending on the participant's availability. Furthermore, please note that the participant's responses will be recorded.

The selected participants will be asked to give their written consent to participate in the study by email before the interviews are scheduled. Their responses will be treated with the strictest confidentially. Individual privacy will be maintained in all published and written data resulting from the study. The collected data including transcripts will be stored electronically for a minimum period of 10 years.

The results of the data gathered will be communicated in my dissertation.

The research participants and the organisation will not be advantaged or disadvantaged in any way. The participants and the organisation may withdraw this permission at any time during this project without any penalty to the participants and or the organisation. There are no foreseeable risks in participating in this study. The participants will not be paid to participate in this study.

I therefore request permission in writing to conduct my research at the organisation and use the organisations pricing and strategic planning reports that are in the public domain.

Should you require any further information, please do not hesitate to contact me on +27 (0)82 653 8328 and 11203553@mygibs.co.za or my supervisor, Prof Alet Erasmus, on erasmusa@gibs.co.za

Yours Sincerely,

Kgositsile Mogamme

Signature: _____

Date:_____

ORGANON

Organon South Africa (Pty) Ltd
(Reg. No. 2020 / 543929 / 07)
Spaces, 1st Floor
22 Magwa Crescent, Gateway West
Waterfall City Midrand
2090
Tel: +27 (0) 87 106 9655
Fax: +27 (0) 10 492 6977

Mr Kgositsile Mogamme
Gordon Institute of Business Science
University of Pretoria

25th July 2022

Dear Mr Mogamme

Request for permission from the Company

Your letter dated 13th July 2022 refers, wherein you request permission to conduct research within our organisation in partial fulfilment of the requirements of your studies at the Gordon Institute of Business Science.

Permission is granted to interact with relevant employees, and to gain access to the required information, in order to complete your research. You will need to comply with the relevant company policy that relates to such research studies.

Wishing you success with your studies.

Yours sincerely,

Abofele Khoele
Managing Director
For and on behalf of Organon South Africa (Pty) Ltd

Appendix 2 - Informed Consent form

Research Participant Consent Form

[Date]

[Company address]

For attention: Mr/Ms/Mrs

Request to conduct an interview for research purposes

Dear [Name of participant]

My name is Kgositsile Mogamme, and I am a Master's of Philosophy (International Business) Student at the University of Pretoria's Gordon Institute of Business Science ("GIBS") in Johannesburg, South Africa.

The research I wish to conduct for my Master's dissertation considers pharmaceutical product pricing strategies and the influence on entry mode choices in emerging markets and how these constructs fit into internationalization theory. This project will be conducted under the supervision of Professor Alet Erasmus (GIBS, South Africa).

I would be most grateful if we could connect for a virtual interview via Microsoft teams on 30 September 2022. Our interview is expected to last about 60 minutes. I intend on providing you with a copy of the questions that will guide our conversation before the scheduled meeting date, please note that the list is not exhaustive.

I have 13 key questions, which specifically focus on pricing strategies and their influence on entry into emerging markets.

Please note the following:

Your participation is very valuable in terms of the outcome of this study. However, your participation is voluntary, and you can withdraw at any time without penalty. By signing this letter, you are indicating that you have given permission for:

- The interview to be recorded without specifying your name.
- The recording is to be transcribed by a third-party transcriber, who will be subject to a standard non-disclosure agreement.
- Verbatim quotations from the interview may be used in the report, but they will not indicate your name or that of your organisation.
- The data to be used will be part of a report that will be publicly available once the examination process has been completed.
- All data to be reported and stored without identifiers for a minimum period of five years.

I appreciate your consideration of my request. I will contact you on 21 September 2022 to ascertain your availability, or you may leave me a message using my information below.

Should you require any further information, please do not hesitate to contact me at +27 (0)82 653 8328 and 11203553@mygibs.co.za or my supervisor, Prof Alet Erasmus, at erasmusa@gibs.co.za

Signature of Research Participant

[Name]

[Role]

Signature_____

Date _____

Signature of Researcher: K Mogamme

Signature _____

Date _____

Annexure 3 – GIBS Ethical Clearance Approval

Gordon Institute of Business Science
University of Pretoria

Ethical Clearance Approved

Dear Kgositsile Mogamme,

Please be advised that your application for Ethical Clearance has been approved.
You are therefore allowed to continue collecting your data.
We wish you everything of the best for the rest of the project.

Ethical Clearance Form

Kind Regards

Annexure 4 – UP faculty of health science ethical clearance approval

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Faculty of Health Sciences

Institution: The Research Ethics Committee, Faculty Health Sciences, University of Pretoria complies with ICH-GCP guidelines and has US Federal wide Assurance.

- FWA 00002567, Approved dd 18 March 2022 and Expires 18 March 2027.
- IORG #: IORG0001762 OMB No. 0990-0278 Approved for use through August 31, 2023.

Faculty of Health Sciences **Research Ethics Committee**

29 September 2022

Approval Certificate
New Application

Dear Mr KK Mogamme

Ethics Reference No.: 526/2022
Title: Pharmaceutical companies' product pricing and entry mode strategies for emerging markets

The **New Application** as supported by documents received between 2022-08-25 and 2022-09-26 for your research, was approved by the Faculty of Health Sciences Research Ethics Committee on 2022-09-28 as resolved by its quorate meeting.

Please note the following about your ethics approval:

- Ethics Approval is valid for 1 year and needs to be renewed annually by 2023-09-29.
- Please remember to use your protocol number (526/2022) on any documents or correspondence with the Research Ethics Committee regarding your research.
- Please note that the Research Ethics Committee may ask further questions, seek additional information, require further modification, monitor the conduct of your research, or suspend or withdraw ethics approval.

Ethics approval is subject to the following:

- The ethics approval is conditional on the research being conducted as stipulated by the details of all documents submitted to the Committee. In the event that a further need arises to change who the investigators are, the methods or any other aspect, such changes must be submitted as an Amendment for approval by the Committee.

We wish you the best with your research.

Yours sincerely

On behalf of the FHS REC, Dr R Sommers
MBChB, MMed (Int), MPharmMed, PhD
Deputy Chairperson *of the Faculty of Health Sciences Research Ethics Committee, University of Pretoria*

The Faculty of Health Sciences Research Ethics Committee complies with the SA National Act 61 of 2003 as it pertains to health research and the United States Code of Federal Regulations Title 45 and 46. This committee abides by the ethical norms and principles for research, established by the Declaration of Helsinki, the South African Medical Research Council Guidelines as well as the Guidelines for Ethical Research: Principles Structures and Processes, Second Edition 2015 (Department of Health).

Research Ethics Committee
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Fakulteit Gesondheidswetenskappe
Lefapha la Disaense tša Maphelo

Appendix 5 - Organon LLC semi structured questionnaire

Semi-structured interview questions – Organon LLC Market Access and Pricing Representative

Theme	Questions
Questions about the interviewee	• What's your role in the organisation? • How long have you been with the organisation? • Share the extent of your experience with product pricing strategies or funding strategies within this company
Questions about the company	• How long has the organisation been in the pharmaceutical industry? • What Is the organisation's commercial footprint in emerging markets?
Key Questions	1. What pricing framework is usually applied by multinational pharmaceutical companies? 2. Briefly describe 3 key influences behind pricing decisions within the pharmaceutical industry. 3. What makes up the cost of goods for innovative products? 4. What process do you follow to scope opportunities in emerging markets? 5. According to you what influence the entry mode choice for an emerging market?? 6. In your opinion how should multinational pharmaceutical companies price for emerging markets? 7. Which factor should a pharmaceutical company take into account when pricing for emerging markets? 8. Do you think there is a link between the income level of the host country and the entry mode choice? 9. According to you how can pharmaceutical companies drive access to innovative medicines in emerging markets? 10. How does the regulatory environment in emerging markets affect entry decisions for emerging markets? 11. Does price have an impact on allocation decisions for emerging markets? 12. What is your view about multinational pharmaceutical companies' role in fostering public, private, partnerships for better entry into emerging markets? 13. In your opinion, do you think entry into emerging markets is worth the investment required? 14. Do you think multinationals should change their pricing strategies to generate a social-license to operate in emerging markets?

Appendix 6 – Department of Health semi structured questionnaire

Semi-structured interview questions –Department of Health Pricing Committee and Affordable Medicines employees

Theme	Questions
Questions about the interviewee	• What's your role at the Pricing Committee and Affordable Medicines? • How long have you been with the Department of Health? • Share your experience with pricing policy development and pricing for access in the public health sector
Questions about the company	• How long has the pricing committee and affordable medicines been in existence? • What Is the main responsibility of the committee?
Key Questions	1. What pricing framework is usually applied to the public sector? 2. Briefly describe 3 key considerations the pricing committee takes into account when pricing for new pharmaceutical products? 3. How effective has the Single exit price framework been with driving access to innovative medicines in the country? 4. Would you say that the Single exit price framework has kept up with international pricing standards for pharmaceutical products? 5. Do you think that the pricing policies have had a negative impact on pharmaceutical companies plans to register innovative medicines in the market? 6. What considerations do you think the pharmaceutical industry should take into account when pricing for emerging markets? 7. According to you, do you think multinational pharmaceutical companies take into account the emerging market macro-economic factors when developing pricing strategies? 8. Who would you say are the most critical stakeholders a pharmaceutical company should engage with when exploring entering emerging markets? 9. In your opinion, would you say that the regulatory environment in emerging markets affects entry decisions for multinational pharmaceutical companies? 10. What is your view about multinational pharmaceutical companies' role in fostering public, private, partnerships for better entry into emerging markets? 11. In your opinion, how can the healthcare infrastructure in emerging markets be improved to drive increased foreign direct investment by multinational pharmaceutical companies? 12. According to you, should entry into emerging markets be a long term or short-term strategy for multinational pharmaceutical companies? 13. What role do you think multinational pharmaceutical companies should play in strengthening the healthcare system in emerging markets?

	14. From your experience, do you think multinational pharmaceutical companies have done enough to change their pricing strategies for better entry in emerging markets? 15. In your own words, do you think that the proposed National Health Insurance will force pharmaceutical companies to evaluate their pricing methods for emerging markets? 16. How has standard global pricing methods and reference pricing affected access initiatives by the Department of health?

Annexure 7: List of Codes

Internationalization		**Market attractiveness**
Considerations for new market entry		Character of EM context
Current industry dynamics		Challenges faced by MNCs in EM
Generic supplier approach		Advantages of local manufacturing
Market opportunity optimisation		Elements of access
Entry approaches		**Value-based pricing (VBP)**
Navigating new market entry		Recommendations to optimize pharma in EM
Drivers of low-cost production		Strategic thinking behind pricing
Sentiments over industry dynamics		Oversight scope of SA pricing committee
Stakeholder engagement for pricing alignment		**Cost complexity of pricing**
Reference pricing		Broader industry dynamics
SA context specific		Components of MNC floor pricing
Pricing administration		Elements of margin computation
Pricing approach		**Social Licensing**
Elements of COGS		Customer consideration
Elements of access		Governments approach to managing industry
Categories of products		Recommendations for EM approach
		Governments approach to managing price

Annexure 8 Transcription Services Agreement

Transcriber non-disclosure Agreement

Dear Julie Rathbone

It is a condition of engagement that students will assist in preserving all confidential information, ideas, and plans; any confidential information or any information in respect of any data gathered, captured or analyzed in respect of the research work they undertake in fulfillment of GIBS masters or doctoral degree programs, in this case, the research project titled [insert title of research] conducted by Kgositsile Mogamme. The parties under this agreement agree to the following:

1. To apply their best efforts to keep any information confidential which has been acquired or may acquire pursuant to the research work. For the purposes of this clause, confidential information excludes information which:

1.1 is publicly available or becomes publicly available through no act or default of any Party.

1.2 was in the possession of a Party prior to its disclosure otherwise than because of a breach by any party of any obligation of confidentiality to which it is subject.

1.3 is disclosed to the student by a person which did not acquire the information under an obligation of confidentiality; and

1.4 is independently acquired by a student and because of work carried out by a person to whom no disclosure of such information has been made.

2. No party shall use or disclose confidential information except with the prior written consent of GIBS or in accordance with an order of a court of competent jurisdiction or in order to comply with any law or governmental regulations by which any Party concerned is bound or as may be lawfully requested in writing by any governmental authority.

3. The party undertakes to permanently delete any electronic copies of confidential information received and destroy any confidential printed documentation or similar material in their possession promptly once they are no longer required, usually on completion of the service contracted by the student.

4. On completion of the contracted service on behalf of the student, the party is to confirm to the student that they are not in possession of any confidential information.

Signed at Randburg on this 27th day of September 20 22 On behalf of: Qualitative Quarter Name: Julie Rathbone Signature: J Rathbone duly authorised and warranting such authority Witness: _____