

German giant Bayer to push harder on tiered pricing for its drugs

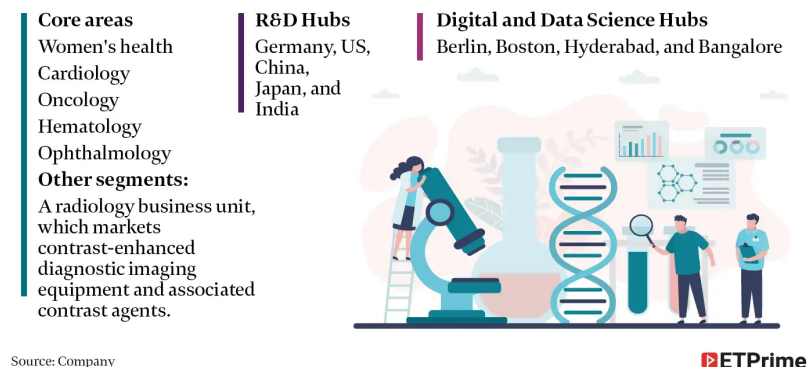
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Bayer Pharma at a glance

Operates in over 80 countries,
It has an expanding R&D and digital footprint in India



[Bayer's](#) global head of pharmaceuticals business [Stefan Oelrich](#) is leading a crucial transformation revolving around prioritizing key markets like China and India, restructuring the management and cranking up productivity of the research unit.

Bayer clocked revenues of roughly USD21 billion last year and [Oelrich](#) expects faster growth than expected. In an exclusive interview with ET, he said for India he has created "an almost tailor-made portfolio," with a strong focus on non-communicable diseases and its leadership in the cardiovascular segment. The results are already showing. Finerenone (Kerendia used to treat chronic kidney disease) and vericiguat (branded Verquvo for chronic heart failure) have seen a strong uptake in the Indian market, mainly pushed by its local marketing allies. For Kerendia, Bayer has an alliance with Sun Pharma which sells the same drug under the brand Lyvelsa, while Dr. Reddy's Labs sells Verquvo under the brand name Gantra. Oelrich said Bayer will consider more partnerships for its new launches in the country.

He noted, "India is projected to be one of the fastest growing economies in the world. With that growth India will also see an increase in the size of its middle class, and with that, more people will be gaining access to innovation." However, on healthcare spending, some catching up is desirable. Oelrich said India invests below the OECD (Organization for Economic Co-operation and Development) average in health, and investment in health is always a proxy for

the wealth of a society. In India, Bayer's crop sciences business is a listed entity while the pharmaceutical operations is wholly owned by the parent organization.

Edited excerpts:

How has the Trump administration's tariff decisions on imports of medicines impacted Bayer's business?

I am very much in favour of rule-based trade around the world. Free trade has been the basis for an incredible creation of wealth for the entire world, independent of regions. On pharmaceuticals, an (US) investigation is ongoing when it comes to trade, and we'll have to see what the outcome of that is. There have been some trade deals between the EU and the US, given that we have a lot of reciprocal trade. That at least gives us some planning certainty, but the rest must be seen. It's a little bit in flux.

The biggest change in recent years has been in obesity management. Where is Bayer placed?

Traditionally we have been strong in cardiovascular and metabolic areas, so all of these are connected. We don't have a specific obesity pipeline project today, but that doesn't mean we're not interested in the overall connection of what's happening in terms of your immune system. In fact, obesity is ultimately an inflammatory process. We target other inflammatory processes, for example protecting the kidney, protecting the heart and all of this come together. So, reducing weight is one important factor, but not the only one. We are happy where we are. And in R&D, it's like a good sports game: you don't want all the kids on one ball; but you want them distributed along the field to score the most goals.

China has become a big innovation hub with a rush of deals by large companies. How do you see that axis of innovation shifting from the West? How does Bayer prepare for it?

Take our presence in India — more than 120 years, making us probably one of the oldest brands in the country. That holds true in many regions of the world. Investment in innovation goes where there's a good reception for it, and where there's also some level of acceptance of returns on those innovations. Europe was traditionally the "pharmacy of the world." Then it shifted more to the US. Today we have more balance across regions, which now includes China.

You're also the president of the European Federation of Pharmaceutical Industries and Associations (EFPIA), and you've spoken about the need for a reset because of pressures from the US and China. What's your road map to get European research back in shape?

I would like to characterise it with three simple words that are easy to remember because they all start with an A: We need to accelerate, attract, and access. These words essentially sum up my agenda in this presidency. Europe needs to be attractive for investment, both in capital and in terms of people. Europe needs to be faster in approvals, faster in reducing bureaucracy and faster in creating better regulation.

We need to accelerate and ultimately, it must ensure strong access to all citizens. One of the most important tasks that we have as innovators is that innovation translates into demand. These three together should make Europe competitive with any region in the world.

You have said breakthroughs require courage, ambition, and crucially the right environment. What will be your prescription for that?

I think time has never been better for breakthroughs than today in our industry. The increase in knowledge around biology, combined with digital advancements and chemistry, has never been better than today. Knowledge growth in our sector is almost second to none. In IT, we always talk about Moore's law in chips. Something similar applies to biopharmaceutical sciences.

So that incredible push in knowledge growth translates ultimately into the opportunity to create products that make life better and longer, and ultimately also make this industry very attractive to invest in.

To get there, you need to be courageous. Because to get breakthroughs you need to take risks, because you never know if that knowledge ultimately translates into a successful medicine. You need to get off the beaten path and take the innovation to the next level.

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Core areas

Women's health
Cardiology
Oncology
Hematology
Ophthalmology

Other segments:

A radiology business unit, which markets contrast-enhanced diagnostic imaging equipment and associated contrast agents.

R&D Hubs

Germany, US,
China,
Japan, and
India

Digital and Data Science Hubs

Berlin, Boston, Hyderabad, and Bangalore



Source: Company

ETPrime

We have seen a wave of new companies that are more agile and able to invent new drugs, and they have toppled the old order. On the other hand, centuries-old companies have felt the pressure and cost burdens are increasing. In all of this, do you think large companies can come back with the same efficiency and agility?

I love that question because it brings me to the third priority for us this year, leveraging our new operational system.

I am going to answer in different parts. It started as we were revamping our whole R&D model to become much less German centric than we had traditionally been. We did acquisitions in the United States and Europe. Three of them were in the US.

As we acquired these biotech companies, one of the organisational principles that we applied was to manage them as if they were continuing as biotech firms. We created what we call the arm's length principle. Their boards stayed in place, I am now the chairman of the boards of these three companies, and we operate them as independent biotech units that buy services from us instead of building them internally.

They remain independent in how they operate, how they pay their people, and how their IT systems work. They are very agile. My thought was, instead of them becoming like us, we should become more like them.

So, how does this work?

How does a more than 150-year-old company become an agile biotech company? We are working on exactly that to transform ourselves. Typically, what makes a small company agile is they pursue much fewer priorities and are much more outcome focused. Large companies for the most parts are functionally structured. Functions give you the lay of the land on how the company is supposed to run, little like the government. Which is why very big companies are often seen as bureaucratic.

How does this change work?

The idea is relatively simple, can you move away from a functional organisation to an outcome-based organisation? We have tried to do that by tilting the pyramid. We still have the business to run, it is not that everyone decides whatever they like, but now we make end-to-end decisions around products. We have created speedboats inside the company, which we call product teams, and we do it in both R&D and commercial stage products.

Previously, functions had budgets and they would allocate those budgets to what they thought were highest priorities. We have taken away that liberty of spending and given it to the projects. Now projects can dynamically source

from the functions. It inverts how large organisations, which are organised very hierarchically. We have flattened hierarchies by moving money differently and giving that system change to our people. We are doing the same in all the countries.

In India, for example, we were much more traditionally focused in the past in so-called business units, and these business units had their budgets and they were following in their silos how to best optimise the silos. We have dissolved these silos. They now work much more dynamically, and in Southeast Asia they even come together as a region to decide where the biggest growth opportunities are and move resources accordingly.

It is a much more dynamic play; we call it Dynamic Shared Ownership. When you have an outcome-based system, ownership gains a new meaning.

Bayer in India

Present in India for over 128 years.



R&D and Innovation in India

Multiple active clinical trials (Phases III-IV) with 4,000 Indian participants across cardio, renal, metabolic and women's health.

Data Science & Analytics Center, Hyderabad: Supports global AI/ML projects in oncology and cardiology.

Launched earlier this year, the radiology R&D India Hub, focuses on medical device software, embedded systems, and AI development.

Source: Company

ETPrime

Cultural transformation is a tough task for old organisations.

Very often companies go through cultural transformations, people come and tell you to be more entrepreneurial, you should be more this and more that, but if you do not change the system on which you operate, all the goodwill and change in mindset that is required will never come into effect. You will always fall back to where you started from.

What we have tried to do is really a system change, but a systematic approach. We run product units like it was a portfolio in a venture fund. I give them clear three-year targets and a defined investment frame. If outcomes are not achieved, we change the frame. It creates accountability. And maybe that is one of the reasons why we are performing so well.

(Graphics by Sadhana Saxena)

