

# When the party's over

A drug-trial failure leaves Pfizer in search of a new corporate strategy to deal with the post-blockbuster age, as **Meredith Wadman** reports.

The world's largest drug company starts 2007 in need of a fresh start. Most of all, Pfizer has to put aside the end of 2006, when it was forced to pull the plug on its eagerly anticipated cholesterol-lowering drug torcetrapib. The compound was found to be associated with unacceptably high death rates in a late-stage clinical trial involving 15,000 people (see *Nature* 444, 794–795; 2006).

This is no run-of-the-mill failure. Pfizer's current cholesterol drug Lipitor brings the company more than \$12 billion in annual revenues, but loses patent protection in 2011. The company was counting on torcetrapib to replace those sales. The news sent Pfizer shares down 10% in a day, dissolving \$21 billion in market capitalization.

There's still an outside chance that Pfizer could replace Lipitor: two chemical cousins of torcetrapib — known as cholesterol esterase transfer protein (CETP) inhibitors — are in early development. Steven Nissen at the Cleveland Clinic is using ultrasound scanning of torcetrapib's effect on plaque build-up in the coronary arteries to see if its toxicity was a quirk — in which case the other compounds might prove viable.

But no one is betting on it. For Pfizer's 106,000 staff, the failed trial was the culmination of an inauspicious year. Long-time chief executive Hank McKinnell was replaced in July by lawyer Jeffrey Kindler. And only days before the drug trial was abandoned on 2 December, the company said it would lay off more than 2,000 sales representatives — 20% of the sales force. This was seen as another move in Pfizer's quest to keep Wall Street satisfied in the face of expiring patents and anaemic drug pipelines.

In this environment the company's 13,000 researchers are entitled to worry about their future. "There appears to be a pattern to right-sizing the organization, that probably implies either trimming research and development or, at least, investigating whether it should be trimmed," says Tony Butler, a pharmaceuticals analyst with Lehman Brothers in New York.

Peter Rost, a company gadfly and former Pfizer marketing vice-president,



Jeffrey Kindler: Pfizer's new chief executive has pledged to cut costs aggressively.

now in litigation with the firm over the circumstances of his departure in 2005, is more direct. "It's very likely that Pfizer is going to pull back on personnel in all areas, including research," he says. Rost's blog, <http://peterrost.blogspot.com>, has been abuzz with chat on the circumstances and implications of the trial failure.

The company hasn't publicly discussed its strategic position in the wake of December's setback and declined to comment for this article. But in the press release that announced the trial failure, Kindler pledged to lower costs "as expeditiously as possible". He indicated that research and development, along with manufacturing and other branches of the business, could be subject to cost-cutting.

Pfizer's research and development operation cost \$7.4 billion in 2005 and comprises eight main laboratories (see map). It researches drug discovery in 11 major fields, from heart disease to cancer.

The company has already downsized its Pharmaceutical Sciences division, which helps decide which drug candidates to take forward into clinical trials, and invents the process for manufacturing them. Four years ago, this division had a budget of \$1 billion and 3,800 employees; today it is down to 2,700 people, with an operating budget of \$800 million.

Pfizer has also embraced the industry-wide trend towards acquiring or partnering with smaller companies — and in some cases big ones — to bolster its drug pipeline. But apart from its 2000 acquisition of Warner-Lambert, which gave it Lipitor, this strategy has provided few obvious successes.

## Niche products

Analysts say that putting its own laboratories on the chopping block won't help Pfizer unless it recognizes that the era of blockbuster drugs — those generating more than \$1 billion in annual revenue — is over. According to Boston-based management consultants Bain & Company, among many others, Pfizer and the rest of the pharmaceutical industry need to develop more sophisticated drugs, targeted at smaller numbers of people.

Pfizer currently has 242 products at various stages in its pipeline, including plenty that might fit that bill. They include compounds that harness the immune system to fight cancer, and an obesity drug similar to Sanofi's rimonabant (see *Nature* 437, 618–619; 2005). Butler thinks that concerns about the pipeline have been overblown: "It looks pretty good to me," he says.

On Wall Street, however, a drug that promises sales of 'only' \$500 million won't generate much excitement in the shares of a company with annual sales of over \$50 billion.

"Pfizer was one of the few remaining companies that appeared to be able to manage the mega-blockbuster drugs," explains Kenneth Kaitin, the director of the Tufts Center for the Study of Drug Development in Medford, Massachusetts. "But what this whole episode demonstrates is that Pfizer is not immune to the enormous risk and costliness of drug development — and the problems that come with late failures," he says. "It must adapt its research and development strategy to focus on products that address smaller markets — and that can be brought to market more quickly, efficiently and at a lower cost."

## PFIZER'S WORLD OF RESEARCH

(Numbers of staff are in red)

