

Merck & Co - Summary of company profile

Business description

Merck & Co., known as Merck, Sharp & Dohme (MSD) outside the USA, is a large research-driven pharmaceutical corporation. It discovers, develops, manufactures and markets branded human and animal health products. Since the divestment of its healthcare services division in 2003, Merck has no other businesses.

- Headquarters: USA
- Global presence: about 150 countries
- Primary markets: USA (59% of turnover)
- Employees: approximately 62,000

Merck key figures for 2003 (in \$ million)

Sales	22,468
Materials and production costs	4,315
Marketing and administration	6,395
R&D expenditures	3,178
Operating income	9,052
Net profit	6,590

Merck's highest selling product is Zocor, a drug to control cholesterol levels. Over the past years, Zocor achieved worldwide annual sales of over \$5 billion. Other important Merck products are Fosamax (osteoporosis), Cozaar/Hyzaar (hypertension), Vioxx (pain relief), and Singulair (chronic asthma). In 2003 the total sales for each of these four treatments were over \$2 billion.

Merck produces several products of special importance to developing countries, including:

- Crixian and Sustiva/Stocrin, two anti-retroviral (ARV) drugs against HIV/AIDS
- Mectizan (ivermectin), which is donated for the treatment of onchocerciasis (river blindness) and the prevention of lymphatic filariasis
- Hepatitis B and *Haemophilus Influenza* type b vaccines

Merck produces other types of vaccines too, but its business is focused on the US. The US

market demands other vaccine types than those recommended for developing countries.

Corporate Social Responsibility (CSR)

CSR refers to the responsibility of a company for the social, ecological and economic impacts of its operations. Merck has business principles that cover a broad range of CSR issues. However, they do not refer to international standards and do not address some specific issues, such as a number of core labour standards. Merck does not report elaborately on its CSR performance. The company is now making efforts to publish a corporate responsibility report in 2005. On the whole, Merck seems to have a strong focus on corporate philanthropy, which is not the same as CSR.

Merck is transparent about its position on intellectual property protection and preferential pricing for its HIV/AIDS drugs. The company granted a license for generic Stocrin production in southern Africa. This indicates that, in certain cases, Merck is prepared to lift patent protection in order to enhance access to drugs. Furthermore, Merck offers its HIV/AIDS drugs at preferential prices to poor countries. Policies for other drugs are less clear and Merck indirectly supports lobby for stronger patent protection too. Merck also lacks a public policy on its overall R&D commitments and R&D expenditures for diseases that mainly affect developing countries. It performs some R&D on relevant products, especially vaccines, but Merck's R&D portfolio is focused on its US home market.

Global Public-Private Initiatives (GPPIs)

GPPIs bring together different partners to address health problems in poor countries. Merck gets involved with GPPIs when it feels it can make a valuable contribution. The company sees this as essential to be socially responsible. Merck participates in a range of

GPPIs, including:

- Merck Mectizan Donation Program (MDP)
- Global Alliance to Eliminate Lymphatic Filariasis (GAELF)
- African Comprehensive HIV/AIDS Partnership (ACHAP)
- Global Alliance for Vaccines and Immunisation (GAVI)
- Merck Vaccination Network - Africa (MVN-A)
- Accelerating Access Initiative (AAI)

The **MDP** was founded in 1987. Through this company programme, Merck donates the drug Mectizan against onchocerciasis and lymphatic filariasis for as long as needed until these diseases are eliminated. The MDP currently operates in 34 countries and involves, among others, national ministries of health. In 2002, Mectizan donations were worth \$249 million (at US wholesale prices). The **GAELF** is a supportive alliance that brings together the different partners involved with the elimination of lymphatic filariasis. Merck participates in the GAELF through the MDP.

The **ACHAP** is a tripartite partnership, established in 2000, between the Gates Foundation, Merck, and the Government of Botswana. The ACHAP supports Botswana's response to the HIV/AIDS epidemic and covers the areas of prevention, care, support and treatment. The Merck Company Foundation contributes \$50 million for 5 years and Merck donates its HIV/AIDS drugs to the partnership.

The **GAVI** was established in 1999 to expand the widespread use of vaccines in developing countries. The GAVI has identified three priority diseases: Hepatitis B, *Haemophilus influenzae* type b and yellow fever. This focus has been subject to criticism. Apart from a \$11 million supply contract, Merck made a commitment to donate 5 million doses of hepatitis B vaccines to GAVI, worth \$1-2 million. Merck also supports the **MVN-A**, an initiative linked to the GAVI to build infrastructure for vaccine delivery.

Each company participating in the **AAI** individually offers preferential prices for its anti-retrovirals. For the poorest countries, Merck sets a single not-for-profit price. As of December 2003, the number of HIV patients in Africa receiving ARV treatments provided by all AAI companies combined was only about 150,000.

Analysis of GPPI involvement

Merck recognizes several business benefits of its GPPI involvement. The most important benefit is to motivate employees. Other perceived benefits are an enhanced corporate image and more possibilities to build relationships with key constituents, including the governments involved in the GPPIs, public health experts and policy leaders. Public support for R&D may also be a benefit.

Merck is very active in GPPIs and has been making large donations. Merck's approach is centred on philanthropy and has been well-developed in this area, paying attention to for example the integration of supported programmes into existing health systems.

Nonetheless, it should be realized that the primary responsibility of a pharmaceutical company does not consist of charity. Often Merck's support to GPPIs does not involve specific company expertise. By making donations and grants, companies tend to take over responsibilities from donor governments. Furthermore, seed funding for programmes which are likely to be successful in the short term, like the ACHAP, might be conducive to a focus on already less vulnerable countries. Finally, lack of transparency about partnership agreements prevents full external scrutiny and may cause confusion about Merck's role, which happened in for example with the ACHAP.

This company profile was written by **SOMO** (Centre for Research on Multinational Corporations). The full report is available at <http://www.somo.nl>.