Interview with Maurice Chagnaud, President, Teva France

29.07.2012

Tags: Teva France

We have had the chance to interview a number of Teva's subsidiaries in Europe, and witnessed how each of them has dealt with the strong transformations that the group has experienced in the last four years. For instance, Mr. Dethlefs from Teva Germany highlighted the challenge in harmonizing five different branches under a new Teva umbrella; while Mr. Medda from Teva Italy emphasized the priority to shift Teva's attention from GPs to pharmacists due to legal changes in the Italian pharmaceutical market. What would you highlight as the main issues and achievements Teva has experienced in the French market since you took the reigns of the local operations in 2006?

In 2006, when I joined Teva, the company had four different subsidiaries in France, so in fact we faced the same issues of integration and synergy building as other subsidiaries in Europe. One of these branches was the product of Teva's acquisition of Bayer Classic's generic activities, which was then called Teva Classics. IVAX Pharmaceutical, from its side, was a purely branded branch focused on the respiratory business. Therefore, we had the important task of bringing together two different mindsets and cultures because the respiratory market was only prescription oriented. The third subsidiary was the packaging center, with a wholly different mindset. Last but not least, we continued to have an additional subsidiary called Teva Pharma, which is dedicated to innovative products in partnership with sanofi-aventis (Copaxone®).

Thus, in 2006 and 2007 we focused our attention on the merger of the two main commercial activities of Teva Classics and IVAX. The main concerns were to have a unified company with a single mindset and to maximize the synergies between the reps visiting GPs and pharmacies. In fact, this was a good opportunity because Teva built a very interesting portfolio in the respiratory area, creating a global respiratory franchise called Teva Respiratory and managing to reach our goal of having more than 40% of the market share in beclometason market (ICS). This was a very important achievement since we started from a 22% market share.

Another important issue in France was the security of supply – a paradox since Teva is the number one generic producer worldwide. In order to overcome it we rechecked the forecasting procedures and only 18 months after we were able to considerably improve the problems related to supply. This was very important for us because the company previously had an unfavorable image among pharmacists who perceived Teva to be constantly out of stock. Overcoming this was imperative for the success of our business in France.

To summarize, the last 4 years were extremely important for advancing Teva's position in the French market and we were able to build strong pillars for the new company and more than double our size in the French market.

In 2009 Teva Group grew more than 20% in Europe, with France being one of its main growth drivers. What have been the main forces behind this growth?

First, we had the opportunity to seal an important partnership with a wholesaler and the main pharmacist groups in France. These are the critical forces behind our strong growth in the French market. Besides that, we have a very large range of products in order to maximize our coverage of the substitution list. We are very proud to say that last year Teva launched around 100 products, with the best performance ever among generic companies.

It is also extremely important to be present on 'D Day' – the day when the branded products lose their patent. Since France is a very competitive market, being the first to launch a substitution product is crucial to secure the proper market penetration.

But due to the strong and well established local competition, Teva needed to go beyond these minimal requirements. We managed to further increase our market share by developing exclusive products as in the case of the respiratory franchise. Teva is the only company in France to have a wide portfolio in this field, with both branded and generic products. Furthermore, we provide many services to GPs and pharmacists to develop the portfolio around asthma disease and most of the therapeutic areas related to respiratory products.

Many generic players complain about the strict legislation imposed on their products, impeding their further penetration in the French market. Having doubled your size in the last four years, what is your overall assessment of the local environment?

If you consider the perimeter of the substitution list, you will find that France has a very good performance reaching 75% penetration rate.
One of the problems in France is that a big proportion of therapeutic areas are not considered “eligible” for generic products by law.

In fact, the law defines, with some specificities, what generic products are and many are left out. Despite our good penetration rate compared to Germany, UK and USA, the substitution list is very limited, covering only 22% of the market volume. Teva works with the French generic association GEMME to enlarge this list. We need to grow it up to 30% and from there to 40% of the global volume in France. This is one of our challenges, being also in the interest of the health authorities to keep moving in this direction and promote generics on the French market.

We know that every year from 2010 to 2015 branded products worth €600 million to €900 million (based on exfactory price) will lose their patents. Therefore, the potential in France continues to be enormous and right in front of us, making it a very interesting place for Teva to be.

France plays a role not only as a growing market for Teva, but also as a manufacturing base, with your packaging facility still operative and growing in Sens. How significant is it to growing your position in the French market?

Our plant in France is now totally focused on packaging. According to our strategy, some products arrive directly from Hungary or Israel, since these are our two big manufacturing hubs for Europe. For Teva it is very interesting to have this facility in France because the French market has many specificities; and they are often related to packaging. For instance, two years ago, the local health authority decided to develop three months treatment packs for chronic diseases. Hence, for many cardiovascular products or diabetes we had to quickly change the packaging from a one month style to a three months one.

If you are not able to develop that quickly in the market you could lose important market share. Thus, Teva adapts its packaging center in Sens to our strategy. Another example of the utility of our French packaging facility is with the development of our blister line. Since 2006 we heavily invested and now we have six packaging lines delivering 65 million packs per year with a great level of flexibility.

This flexibility allows us to better control the size of our packaging. It is key as in France some very big pharmacies work with robots to hand the products to the customer. If the pack of a Teva product differs in size from an ethical one, the pharmacist refuses to change it. Therefore, we need to always be able to adapt our size directly to the size of our branded competitors.

As you can see, Teva is very well tuned to the needs of our customers. This is essential for every company that wants to become the market leader, but naturally only a few can do it.

With so much achieved already, what are your main ambitions for Teva France in the next three to five years?

The strategy of Teva in France is fully included in its European and global strategy. From my side, I would like Teva to be recognized as a global player in the pharmaceutical industry Teva is not anymore a pure generic player and we want to develop the mindset built in the generic field throughout the rest of our activities. For instance, on March 4th we launched our first biosimilar, TevaGrastim® , biosimilar of Amgen’s Neupogen. Our goal in France is to become number one in this market by the end of the year.

My personal goal is to reinforce Teva’s good image of a global quality player in the French pharmaceutical industry and to have the possibility to work on different segments: innovative, generics, biosimilars, OTC and hospital, growing in line with our ambition for 2015.

See more interviews