Interview with Mohamed Chaoui, General Manager, UCB Phrama France

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Tags: UCB Phrama France

Historically, UCB Pharma had a much more ‘traditional’ approach to the industry with a broader scope of operations. Recently, the company reoriented in the direction of biopharmaceuticals by moving away from chemicals and divesting from OTCs. As you have worked on the strategy and policy at headquarters in addition to being a country manager, can you outline the direction UCB Pharma is looking to move?

UCB Pharma was a diversified pharmaceutical and chemical company with the pharmaceutical portion solely focused on medicinal chemistry. In 2003 the management decided that we should narrow our strategy towards pure pharma and add a biotech approach. This strategic change really took until 2009 to completely implement with a lot of milestones along the way. Firstly, the group acquired Celltech which brought on the biotech segment of the business that up until then we had zero presence in. At the time, Celltech was the second biggest biotech in Europe after Serono and in terms of pure research it may have been the number one.

In early 2005 UCB Pharma divested from our chemical operations which moved us toward being a biopharma play with a significant primary care presence. Moving into 2006 we acquired Schwarz Pharma which solidified our leadership in the therapeutic domain of CNS further strengthening our presence in epilepsy and giving us a foothold in Parkinson’s and other avenues.

From 2006 to 2009 we adapted our infrastructure to support our new profile and by gradually exiting our primary care business during this period I can truly say we are now a pure play biopharma company. When you look at our history you have to give credit to management who decided on an objective in 2003 and have been consistent ever since.

I would suggest that 2007 to 2010 has been a period of execution for UCB Pharma's strategy and that moving forward we will capitalize on the potential of our new products.

As you have played a role both at headquarters and in the field, can you speak to the differences in creating strategy at headquarters and actually executing it in the field?

Headquarter is more analytical and strategic by nature while operations involves truly being in the field and getting things done. The sense that I have is that within an affiliate, your timeline perspective is much shorter. That being said, while you work day-to-day at the affiliate level I try not to lose sight of the long-term vision of the company.

Today, company-wide strategy is important within our affiliates because we are now a specialized group which means upgrading the level of your people to competencies inline with your objectives. It's imperative that out people have a long-term perspective and know where we want to go which is why when I first came to the affiliate I made sure I conveyed the key strategic messages from headquarters. Moreover, our people don't just want to know what our numbers will be at the end of the year, but what they will be in five years.

You have been here for ten months now, what have been some of the intricacies of coming to France and doing business? How is it different than say the Netherlands or the US where you have previously worked?

The advantage of France – however you look at it – is that it is one of the biggest markets in the world. For me, the most difficult thing I have found is the access to market for new compounds; it's not as easy as the Netherlands or the US. The process is heavily regulated in France from marketing to contacting physicians and while it certainly isn't an issue for us, it's a clear differentiating factor in the market.

France is one of the biggest markets in the world, yet UCB doesn't have that big of a presence here. Why is this?

When you compare our market share in France to our global position I would say they're likely inline and likewise in other countries with the possible exception of Germany thanks to the Schwarz Pharma acquisition.

We have a positive reputation in France making us a fairly well known company here which is another difference from my previous experiences in the Netherlands. I was positively surprised when I arrived in France.

Why do you think UCB Pharma has been able to create such a name for itself in France?

Historically, we have had a larger portfolio of products on the market, production facilities and an acquisition dating back to the 1970s all of which likely helped garner some attention.

Looking at the product portfolio there have been some losses with Zyrtec and Keppra losing exclusivity in the US which, as with every drug, results in significant turnover losses. With the reorientation of the company to CNS and Immunology, are the new products in the pipeline going to match the drug life cycles and be enough to brace losses?

UCB Pharma lost exclusivity with Zyrtec in Europe even before the 2007 US loss. When you look at our numbers from 2007 to 2008 its clear we suffered a little bit but not as much as one would expect with the loss of a blockbuster product. Last year we lost Keppra in the US and if you look at this year's numbers, again we managed the transition rather well. For the most part, excluding Keppra in Europe, these blockbuster expiries are behind us.

I feel that we are in a period where we will be able to succeed because we are launching three new products including Vimpat for epilepsy, Neupro for Parkinson's and Cimzia in rheumatoid arthritis as well as Crohn's disease. All of these products have blockbuster potential so I feel there is a match in terms of new products to pickup where older products left off despite a few patent losses on the horizon in Europe.
All of these products came from the pipeline of our acquisitions which demonstrates the effectiveness of UCB Pharma's strategy.

UCB Pharma formerly held production facilities within France and many multinational companies we have met with have expounded on the importance of being present in the local landscape whether through research or production. How is UCB Pharma a part of the French landscape today?

We externalized the production of our former manufacturing plant in France although we are still the main customer occupying around 90% of the capacity. Currently, we have approximately 150 research partnerships of varying sizes in France such as collaborations with the INSERM, the CNRS, the CEA and several public private partnerships. Therefore we are tapping into the French capabilities for R&D which is very strong: the level of education is extraordinary here.

This being France there is obviously skeptical outside opinions on market regulations and labor restrictions. Do you ever feel at times that you have to act as an ambassador to headquarters and encourage more participation in the country?

Yes, at times, but our headquarters perspective on France is not negative. In fact, our CEO, Roch Doliveux, and our Director of Human Resources, are French so there is a good understanding on the landscape. Simply put, the capabilities and skills developed in this country are great and demand recognition.

Having said this, part of my role as country manager is to identify and convince headquarters of investment opportunities in clinical research and other domains. However, any investment will be made on sound economics regardless of where it occurs.

What would you identify as the best qualities of France that offer the right opportunities for UCB Pharma?

In regard to general capabilities, France can compete with any other country. From my perspective the research skills are among the best qualities the country has to offer as they produce great scientists from their education system.

The industry environment is also changing in France as demonstrated by October's CSIS meeting. Since I came on board, I can sense an acceleration of willingness from French authorities to attract more R&D investment. If you examine the 11 proposals drawn up by the CSIS meeting and the research tax credits that came before them, you can see a significant move to create a positive environment.

For UCB Pharma, we have to find the correct opportunity for us. Initially, we have to identify what makes strategic sense for the company then figure out how we can best go about it doing it.

You mentioned the major issue of getting new medications to market in France. In regard to the 11 CSIS proposals, do you feel like these are the right actions and is enough being done?

It's important to take a step back and look at the approval process globally; recently bringing a drug to market has become much longer and the hurdles are much more difficult than before. The other aspect to consider is the proposals themselves along with other government actions being taken that are extremely positive for investment. They are creating an environment in which R&D is welcome in France and the input is highly valued.

In my opinion, what is missing is the step of valuing the product: the output of these investments. It's one thing to encourage the creation of new drugs through innovative measures but the results need to be valued as well. Eventually, I'm sure this is a point that will be put on the table but as of yet it has lacked attention.

One of the proposals of the CSIS is to follow-up on the exports of medicine from France but they wouldn't need this measure if the right prices existed.

Many of the people we have met with have noted that the costs are getting higher, the market is getting smaller and the process to get to market is taking longer all while the patent length is not changing. Thus, the window for returns is diminishing.

That is exactly right, if you examine the market access process there are more hurdles to get your drug approved so it clearly eats away at your protection period. On top of this, there are some countries where you can launch immediately such as the UK and Germany. However, in countries such as France you have to go through a price and reimbursement process with the authorities which represent an additional amount of lost protection time. France has improved from the past but I believe still more can be done.

I agree with the comments of my colleagues and it ties into my sentiment that France needs to value the output of the industry by giving more time and the right price. Moreover, the discussion would be easier and quicker if we were to obtain a price that is commensurate with the amount of R&D investment.

In the French market it's interesting to view how there are many companies of similar size and completely different approaches to the market. What is the position of UCB Pharma?

When UCB Pharma changed its positioning in 2003 we knew we were facing the loss of patent on Zyrtec and Keppra. This led the company to make the frankly difficult strategic decision to reinvent itself. It wasn't easy for a company our size to acquire Celltech in 2004 or Schwarz in 2006 but it was necessary for the long-term positioning. As a result, we are in a position to launch three innovative molecules over the next year which for a company our size is rare in the industry. This is why I say the perspective is different for all companies.

You have been here for nine months and when you arrived you had to know it wasn't going to be easy: the industry is in the middle of one of the worst economic downturns in recent history and the company is repositioning. What made you decide to take on this role and what has been your biggest surprise about being a manager in France?

First off, taking this job in one of our largest contributing markets was a great personal opportunity. I don’t think anybody would want to pass up this interesting of a market.

What I found most interesting about the market though not so much surprising was the importance of networking in France. This is not to say it isn’t important in other countries but it’s truly a prerequisite to be good at it in France. A manager has to know the industry actors not to curry favor but solely to be in the know and understand how things happen here.

There is a complexity to France that is perhaps less prominent in other markets; the people are very Cartesian and like to understand a rationale before reaching an agreement.

UCB Pharma France has a lot coming down the barrel in the near future with the launch of several potential blockbusters. When you look back in three to five years, how will you measure your success?

Looking at our upcoming launches – Vimpat, Neupro and Cimzia – I envision that in the next few years every patient who needs one of our products has access to it. I judge our success not only on a financial level but from the patient perspective. When you visit the field like I do and hear the stories of patients who have already received Vimpat for epilepsy and for whom the drug has changed their lives that is what makes an impression on me.

Additionally, while UCB Pharma is a well recognized name in France I believe people have yet to fully measure the strategic changes we have implemented over the past several years. Many people still see us as a traditional pharmaceutical company even though we stand today as a legitimately high-tech biopharmaceutical group. Success will mean conveying this over the next several years.

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