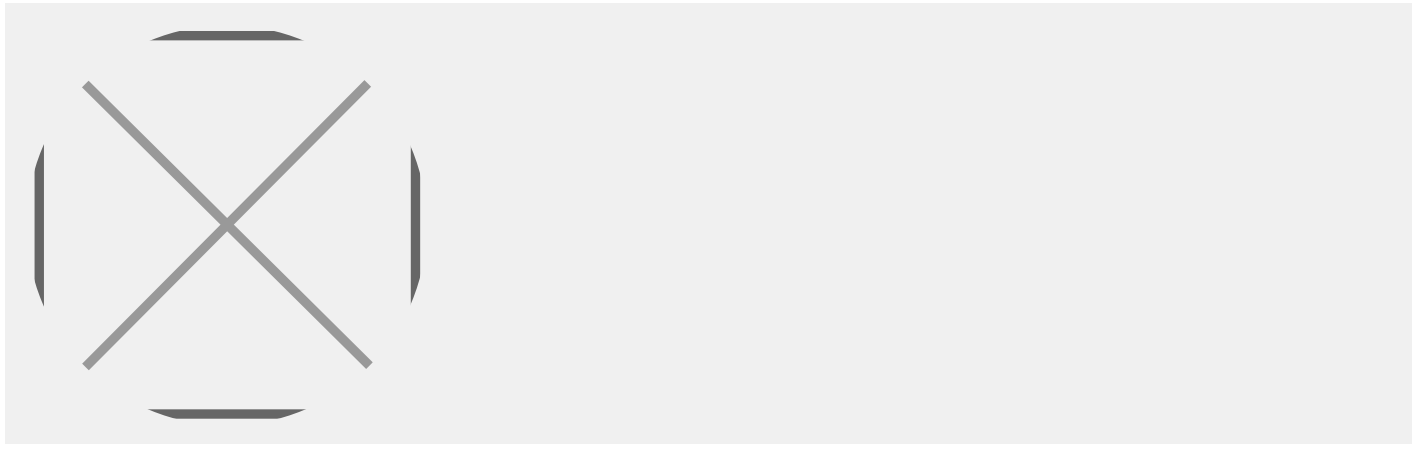


Interview with Martin Dawkins, Senior Bayer Executive of UK/Ireland Region and Managing Director, Bayer UK/Ireland



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Within the global trend of increased economic pressures on the pharmaceutical industry, there has been a recent focus on growth in emerging markets. In this context, where does this leave mature markets, such as the UK and how do you aim to position the company locally?

The UK is perceived as one of the great pharmaceutical markets, even though there is a predicted reduction in the total value of the market next year. Volume and demand are set to increase, but with a move towards lower prices and generics, the total value is set to diminish. For Bayer, the UK represents about 3% of our total global turnover, but this includes all of our business units and is not specific to healthcare, which represents about 50% of our local turnover. Ten years ago the UK was probably closer to 10% of the company's global turnover. This gives you an idea of how mature and western markets are becoming a smaller proportion of total turnover for big pharma. China is set to overtake the US (today our largest market), within the next 3- 5 years and this illustrates the dynamics of the global industry in terms of the opportunities that high-growth markets represent for companies. In terms of Bayer's corporate strategy, there is great focus on the BRIC countries, but also on other fast-growing markets such as Mexico and South Korea.

It has now been 5 years since you returned to your native country to head Bayer's operations in the UK. During your time in this role what do you consider have been Bayer's main challenges in the UK?

I would say the market decline has been the main challenge, particularly when what we strive for is profitable growth. Luckily Bayer has a very healthy pipeline of products that will provide us with the growth that we are looking for. Additionally, we do not have any upcoming significant patent expirations in the near future, which will also provide us with stable growth ambitions. Beyond the market decline, the next big challenge will be obtaining access for our new products and ensuring that these are adopted by the NHS. The UK healthcare system takes a very rational and pragmatic approach in adopting new medicines, by which a product is evaluated in terms of the value that it can bring to the system and patients.

Whereas in the past, drugs were approved with pre-established prices, today once the product is launched there is a whole discussion between companies and the payers as to how the product will be used within the system and how it will be priced. This is today the greatest challenge for pharmaceutical companies, because even though product development may be very strong, this does not guarantee that products will be adopted by the system.

Fortunately, or unfortunately, the UK is leading the world in this direction, so that pharmaceutical products begin to be evaluated based on their added value to patients and healthcare systems. The challenge for companies then becomes how to put together the value proposition of a product, so that it is recognized as valuable within the healthcare system. If you consider this approach objectively, most countries will have to move in the same direction simply because the costs of healthcare will continue to escalate with the ageing of populations. Bayer is already moving in this direction on a global basis, because we anticipate that more and more markets will shift from a product-focused system to one that is based on value.

In line with these numerous challenges, you stated in an interview in 2008 that: “the NHS hasn’t got the recent history to suggest that change will happen”. In the face of healthcare reforms and initiatives such as the Cancer Drug Fund, do you still believe this to be true?

The Cancer Drug Fund seems to be working extremely well for patients and this was only developed because there was a dialogue between the government and industry. This government came in with some great strategies to reform the NHS, but it is starting to soften its approach. The original concepts that they came up with were extremely valuable and the political momentum to implement such reforms was there due to the need for the country to recover from the recession. I believe that in the long-term most of the proposed changes were the right thing to do, and they would have made a significant positive impact in the quality of healthcare. But the problem now is that they are backtracking and it has become uncertain as to where things are heading. The net effect of the proposed reforms would mean that resources are taken from some of the establishments of the NHS and reallocated to focus on patient care. This is necessary because the NHS today has an enormous infrastructure that you do not find in most other healthcare systems, and this needs to be streamlined to be able to provide a more value-driven healthcare. Had the

government focused on selling the big-picture view they would have been able to gather a lot more support for the reform, but unfortunately they decided to make small incremental announcements over time that did not provide a full scope to their final vision.

When you consider that the current structure of the NHS was developed in 1948 and it has not changed since then, it becomes evident that major modifications need to occur. The problem is that no government wants to take on the task of enacting such a reform, even when they acknowledge the need for it, because it represents a political poison pill for them. I truly thought this government would go through with it, and achieve it, but I now see them softening their approach and backing down on many of the initial changes they had proposed.

One thing the UK has done extremely well however, is to take on chronic diseases at a very early stage. For example, this is one of the best countries to be treated for coronary heart diseases and we are amongst the top three for patient outcomes in this therapeutic area, including prevention and treatment. This demonstrates where our healthcare system can be very effective. But the key now is to make sure that this level of quality is spread system-wide to eliminate discrepancies.

Is it then safe to say that big pharma has no reason to forget about the UK pharmaceutical market?

The reality is that this market has become significantly less important in the global scheme of things. We spoke about rapid-growth markets taking over in terms of what they represent for a company's revenue, but those markets will also become more relevant for a company's pipeline and conducting clinical research. Naturally, when these markets become more important for a company's overall growth, then clinical development and product development will focus on catering to those markets.

Other interviewees have mentioned a decrease in clinical research as a response to diminishing quality of British science. Considering that Bayer Healthcare has conducted many of their late stage clinical trials in the UK, how would you rate the quality of British science today?

We still conduct around 10% of our clinical development in the UK even though the country only represents 3% of our global turnover. Nevertheless, I think the overall sense that clinical research has become less important in the UK, is more related to the past government's policies, than an actual decline in the quality of scientific research in the country. There have been greater hurdles for clinical research in the UK when compared to other global markets, such as lengthy approval times and higher costs. The current government seems to have understood this and is listening to what companies have to say. They seem to be learning from the experience and only time will tell if true changes happen to make the clinical research environment more attractive.

Luckily Bayer Healthcare also has the benefit of having a rich OTC portfolio that in fact drives the company's brand recognition worldwide. In this context, how would you characterize the OTC segment in the UK?

The OTC market in the UK is entirely different from the rest of the healthcare system so our operations for those products are independent. In general the OTC segment here is very much driven by large retail companies and is much more similar to the OTC model in the US than others in the rest of Europe. The UK is characterized by a strong consolidation rather than having numerous small pharmacies as you would see in other European countries. Whereas in the US you have major groups like Wal-Mart, here in the UK you have companies like Boots that dominate the OTC segment and have the ability to drive our products. This also means that they have great negotiating strength in relation to their suppliers to the extent that the European Commission looked into the situation a few years back. While I wouldn't characterize our relationship with such companies as the easiest one, they definitely provide advantages in driving the volumes that we look for.

Beyond pharmaceuticals and healthcare products, Bayer in the UK is also recognized as one of the most socially and environmentally conscious life science companies. What has granted you this reputation locally?

This reputation begins at a global level and is not something unique to the UK. It is something that Bayer has taken on as a global company and is part of its core values. Our corporate motto is "Science For A Better Life", and while it might seem like every other company has a similar slogan, Bayer truly lives by this phrase. There are two main reasons why the company decided to go this way. The first being that in the long-term, it makes commercial sense for us to do this because many of our businesses are related to the environment, so inevitably we will get great returns from it. The second reason is that we have a long-standing history of social responsibility, even when most chemical companies might not be recognized as such. Because of this history we have also learned to promote our initiatives better than most companies and we have projects within the company, as well as outside, that highlight our environmental and socially responsible approach.

Along with the company's forward-thinking is its use of social media to communicate with patients and healthcare providers. How effective has this innovative approach been for the company?

Social media is a great place to be because it is something new and quite unexplored. At the same time it can be tricky because as a new platform and medium for pharmaceutical companies, the boundaries as to what is acceptable or not are still not clearly defined. In the long-run we decided to venture into social media because we see that in the future patients will be making a lot more decisions in regards to their healthcare. Patients are a lot more informed these days and are using

the internet more and more to decide on where to get their healthcare and which treatments they want to take. They are learning to inform themselves online, so the next step to this is social media and sharing information through it. If you do not use this platform then you will be losing out on an entire group of people and generation that relies on such tools to make their health decisions. Ultimately the idea is to become part of the community through such platforms, rather than simply communicating and providing information to patients. We are not there to inform but rather we want to be a part of the greater community discussions that go on inside this kind of media. This is also in line with the company's shift from being product-focused to becoming value-focused, and we feel that by being a part of social media we can bring value to our customers.

Well it's already been five years for you here in the UK, what can we expect from you and Bayer Healthcare for the next five years to come?

In regards to myself, I think it's safe to say that I won't be retiring in the next five years...

Talking about Bayer in the next five years, I expect to see more innovation on how we build relationships with payers in the UK. This might mean a move from pure product and clinical research to a broader evaluation of how the product will impact the healthcare system in a real-life situation. This is a change that I foresee and the UK will be one of the leading markets that will bring on this shift in mentality to think in terms of integrated healthcare. The focus will be on how a product will affect the greater population in terms of costs and benefits rather than only focusing on the patients that will be using the treatment directly.

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