

Interview with Mark Jones, Marketing Company President, AstraZeneca UK

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AstraZeneca reported decrease in its global revenue for the first half of 2011 mostly due to adverse market conditions in the US. In this context, how has the company been performing in its home market and what will be driving your growth in the UK?

Our financial results are in line with the advice we gave at the start of the year meaning that our growth in the emerging markets is tempered by the expected revenue declines in US and in parts of Europe where a number of our branded products are facing generic competition. We have set out a business strategy that will deliver £28-32 billion annual revenue out to 2014. These estimates take into account a transition period during which some of our main products will lose their patent and other new products are introduced into the market. As we refresh our portfolio we have been telling our investors that we will continue to pay high-end dividends and meet our sales targets. The company also plans to continue share buybacks which will include using money received from our recent divestments and reinvesting it back into the business.

We also have a number of important products emerging from our pipeline for launch currently and we expect this to continue in the coming years. For example, for type 2 diabetes, subject to a successful ongoing marketing authorization application, we are looking to launch a new agent in 2012 in partnership with BMS. In the cardiovascular space we have Brilique that has just been approved by NICE for use in England and Wales. Additional to this, our core growth brands are also performing rather well at the moment, such as Seroquel XL, with licensed indications in the

psychiatry area, that has been growing at over 50%. Nevertheless, there has been some impact within the UK market due to the entrance of generics for products such as Nexium.

As part of AstraZeneca's global strategy, the company is aiming to drive growth from high-performing emerging markets. Where does this leave mature markets such as the UK and how do you aim to position yourself in this market?

AstraZeneca has already fully acknowledged that the UK is a market in which we will have to innovate in terms of ways of working in order to remain competitive because it is a rather unique environment, even when compared to other mature markets. To give you an example, the UK has lower access to physicians for sales representatives than any other European country, which means that the first point of contact between the pharmaceutical companies and healthcare providers is more challenging. There are a number of reasons why this is true, including a degree of negative perception of the pharmaceutical industry, but mostly it is due to a change in the demographic of physicians in the UK. For example, studies have shown that an increasing number of younger GPs are women who aside from being practitioners have significant family commitments and are looking for a different type of work/life balance. This has led us to open up and diversify our channels of communication with physicians, including via telephone and online systems such as live Webex, offering access to a specialist on camera to provide any necessary information. We have been much more successful in reaching our customers this way, and their appreciation of this approach is evident as they seek further interactions via these new channels. Ultimately we have had to develop a much wider mix of methods to establish positive relationships with our customers that suit their working preferences.

Furthermore, while we have also had to cut costs in order to become more efficient in our daily business operations, we recognize that cutting costs alone is not sufficient – rather, a company must reinvent itself in order to remain relevant in the environment in which it is competing, and we are certainly in the process of doing that in the UK by being proactive and identifying creative ways to address the challenges we face. This is also happening in many mature markets in the AstraZeneca network around the world, such as the Nordic region and Canada.

Of course some of the greatest challenges for pharmaceutical companies in the UK is the question of tough market access and slow uptake of new products. These issues are meant to be improved by the proposed VBP scheme. What is AstraZeneca's perception of the VBP proposition?

Undoubtedly, one of the greatest challenges of the UK market is the poor access to new medicines. A recent IMS report looked at new medicines that had been approved by NICE and compared their

uptake to that of other European countries. Essentially what was found is that the launch curve of new medicines in other countries tends to have a fast growth at the beginning and a flattening out over time, while in the UK it is the opposite with very slow growth in the early stages after launching and then a faster pick-up in later years.

In the UK, we have a fragmented healthcare system with a number of layers of approval to determine whether a drug will be reimbursed by the public healthcare system. Even after a medicine secures regulatory approval it must go through several other hurdles, such as NICE and Primary Care Trusts (PCTs) and in the future Clinical Commissioning Groups (CCG's), before it becomes fully available to patients. While VBP aims to improve the valuation of new medical technologies it does nothing to address the issue of the fragmentation of the wider healthcare system. The pricing scheme will not change the fact that products will still have to go through all these layers of approval before they reach patients. This is something that the industry is now expressing very clearly to governmental authorities, because it is essential that they understand the wider problems that affect the uptake of new medicines. Once NICE has approved a medicine and its value has been agreed upon that product should immediately become available and there should be no further delays to patients accessing that medicine.

How can the pharmaceutical industry work together with the national health authorities to overcome such challenges?

While there is still some cynicism towards working more closely with the pharmaceutical industry in certain parts of the NHS, there is also a strong willingness to work together in many areas. It is reassuring that the current administration is demonstrating a great desire to reach out and further understand our industry so that we may find solutions to the challenges that exist together. One great example of this was the QIPP program that aimed to measure the quality and performance of the national healthcare system. Through it we were able to work very closely with the NHS to have a mutually beneficial outcome. If we can help better characterize patient pathways through the healthcare system then the industry and the NHS can work together to improve patient outcomes and treatments.

As a British based company, we have the opportunity to meet with Government fairly regularly, and we have used these opportunities to express concerns to the authorities on a number of key issues. We know that they are certainly making headway, but there is much still to be done, and it is vital that our voices are heard. Many governments will show you figures on how they have improved specific benchmarks, but what they don't show you is how that compares to other countries around the world. When you compare the uptake of modern medicines in the UK to other

countries then you will find a major discrepancy. The good news is that because major reforms to the healthcare system are proposed, the pharmaceutical industry has a major opportunity to work together with the UK Government to get it right.

One of the trends that we have observed while in the UK is that increasingly pharmaceutical companies are implementing patient access schemes as part of their marketing mix and approaches to obtain NICE approval. Ultimately do such initiatives not diminish the true value of new products by undermining their innovation?

The true value of such offerings is in ensuring that the right patients can access important new medicines when otherwise they might not be favoured in HTA assessments. A good example of the way we have approached this is the patient program we implemented for one of our oncology medicines. The scheme involved patients screened for genetic markers and established a single payment which is fixed, irrespective of actual duration of treatment. It means that patients will be able to obtain gefitinib through the NHS, for as long as they need it. The scheme was designed to ensure value for money, to enable budget impact to be predicted more accurately, and to be easy to implement across the NHS. In doing this, we effectively ensure that the medicine will be reimbursed by the public healthcare system.

At the end of the day, I think it is part of the burden of innovation. Innovation today is not just coming up with new chemical structures and molecules, but rather it is proving to healthcare authorities the added value of having your product included in the system and how it is an improvement in terms of outcomes when compared to other available products.

Crucial to improving access to new drugs is the need to educate both patients and health authorities about the diseases that concern them and how to best treat them. In this context, what educational initiatives has AstraZeneca developed in the UK to better interact with patients and payers?

We provide current medical education in all the therapeutic areas that we work in, and indeed we are looking at ways of making these interactions more efficient and transparent through the application of new technology as an alternative to international or national meetings. I feel that on the educational front the value of the pharmaceutical industry in the UK is truly recognized and seen as an asset. But this is not just a question of traditional medical education; it's a question of how our business is structured to meet the needs of the changing NHS and our customer. We are restructuring our UK Marketing Company model to one which better supports holistic and comprehensive interactions with healthcare professionals and payers at all times, and provides the

professional support services to make those interactions work. This is just as important in making sure that the value of our medicines is appreciated.

Another challenge for the pharmaceutical industry worldwide is that of a tainted reputation. How would you characterize the situation here in the UK and how is AstraZeneca working to alter such perceptions in your home market?

This is an issue which AstraZeneca is taking very seriously because we want to be trusted as partners and recognized for the value of our medicines and our contribution to society. Recent studies have shown that both the general public and healthcare professionals have rated the pharmaceutical industry quite poorly in terms of ethical behaviours, while also making clear that ethics was one of the most important factors for them in determining reputation. Perhaps the most significant announcement that we have made recently as we look to build trust in our business was our decision to no longer pay for doctors to attend medical conferences and seminars. While there is nothing inherently wrong for paying doctors to attend such educational events, there has clearly been an issue of misinterpretation which we wanted to address.

AstraZeneca has decided that we must operate such that all of our transactions and interactions are transparent and beyond misinterpretation under any kind of scrutiny. We believe that this is the best approach for our business, and is consistent with what healthcare professionals' representative groups are telling us they expect. In the long-term most pharmaceutical companies will be heading in this direction, because ultimately the reputation of our industry is a collective responsibility, and it benefits all companies to have a business that is built on trust and ethical standards of operation. AstraZeneca is moving ahead in some areas, but the ABPI is also making great progress in areas like payment transparency which will apply across the industry. The unfortunate reality is that people tend to remember a negative news story on a company a lot longer than anything positive on that company, and so many of the negative perceptions of pharma are outdated. There is also an element of natural mistrust in the fact that we are companies seeking to make a profit, which people can mistakenly associate with being unscrupulous. We have to invest in building people's trust in the long-term and this is what we are seeking to do at the moment in partnership with healthcare authorities and the Association of the British Pharmaceutical Industry (ABPI).

AstraZeneca UK has also been using digital media, such as Iphone applications. How effective have these initiatives been?

We have found that our educational social media initiatives have been well-received for the most part. As a company aiming to be actively engaged as part of a holistic healthcare system it is not

enough to be active through traditional channels. The reality today is that people are constantly connected through their Smartphone's and other devices, so it is necessary for us to be present in that space. Some of the new initiatives are quite exciting and they go as far as monitoring medical devices and exchanging instantaneous information with patients and physicians on our medicines. What we are looking to show is that as a company providing healthcare we can be very responsive to the changing needs of patients and physicians.

The trend in usage of these apps so far has been that at launch there is a slow adoption while we find out exactly the kind of person that is interested in the new application. Once this has been discovered then we are able to better target those group of people and we begin to see a rapid increase in the usage of the application. Another great advantage of the social media space is that it provides quite a cost-effective way of communicating with people who are interested in the information we provide and in interacting with us as a company. The acquisition cost of an application can be reasonably high but the maintenance cost for it is rather low.

Given all of the changes that we are seeing in the local market, with the healthcare reforms and companies becoming a lot more responsive to their environment, what can we expect from the UK in five year's time?

Ultimately it will all depend on the outcome of the ongoing discussions between the government and the industry. I expect that companies will be offering a wider range of products in the future, with each of those being smaller in commercial terms than what the industry has been used to in the past. We will also have a heavier burden of evidence for new products that will require us to demonstrate how new treatments can offset other healthcare costs in the longer term, rather than only demonstrating the value in the use of a product. In terms of our sales and marketing operations, companies will have to become multi-capable and more adaptive to different situations rather than simply relying on a large sales forces and marketing departments.

Overall, I believe that both the industry and the government will learn to work with each other in more clever ways for the ultimate benefit of patients. As a British citizen I truly hope this includes addressing the issue of uptake of new medicines so that the UK becomes comparable to its other European counterparts. If we manage to improve this, inevitably we will also see better outcomes for patients in a more efficient and cost-effective healthcare system as well as a more attractive environment for the Industry.

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