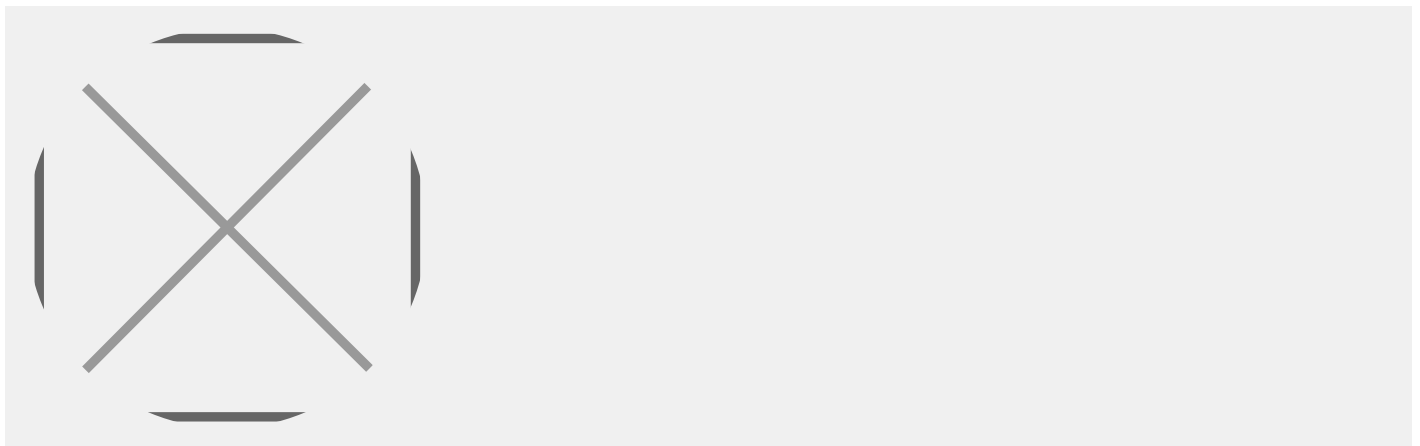


Interview with Philippe Ranty, Managing Director, Actavis France



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Most players entered the generic pharmaceutical industry in France in the late 1990s into the 2000s yet Actavis decided to enter much later – in late 2007 – through an acquisition of Torlan Laboratoires. As the last actor to enter the market, what was the motivation to move into the French market and what are the ambitions?

To begin with the motivation, Actavis ranks number five on the global level for generic pharmaceutical companies. One of the intricacies of our company is that we are a huge producer for most of our competitors which means they are also our customers; In 1999 Actavis moved from being a strong manufacturer to a player in its own right. Strategically speaking this may have been a late shift, but it was a targeted move.

Actavis began with branded operations in the Nordic countries, the UK, Eastern Europe and the US. Despite Western Europe being a driving region for the generic industry we were not located through most in key markets such as France, Switzerland, Austria, Spain and Italy. Therefore a strategic decision had to be made as to whether it was still worth it to enter these markets knowing many were already maturing. France remains very interesting as it's still relatively young.

In 2007 I was no longer working for Sandoz and Actavis approached me to develop a strategic proposal to assess whether it was worth entering the French market and how to go about doing it. At the time Actavis was growing fast and wanted to extend its positions while entering several countries where it had no current presence; France being a clear possibility due to the size of the market.

It was clear that we could not start completely from scratch, thus my first recommendation was to start with an acquisition. We looked for a way to enter the market with a mid-sized approach. Torlan was a good target. Torlan already had pharmaceutical status from the government in France – which in itself is long to acquire. It was interesting to start with an already existing pharmaceutical company, even if it was small, because Torlan already had a generic portfolio with good supply agreements which gave us clear synergies and avenues for our own portfolio to reach the market. At the same time, Actavis made an acquisition of several Rx products from the Roche portfolio which added another level to manage. Therefore it was rather urgent to have our own legal entity with correct approval already in hand.

We took about one year from September 2007 to August 2008 to shift from Torlan to Actavis in France so we remain considerably young. Currently our main activity is registering the group's portfolio of products on the French market in order to increase our offering here. Strategically, our idea is not to copy what has been done by all the other players as we perfectly understand that being a late comer to a difficult market doesn't make life easy and there are lots of obstacles. We have to find a couple of key elements to differentiate ourselves.

Attempting to be a purely generic player would be very difficult in this market; other actors have tried here and shown that the evolution is rather limited. This is not to say it couldn't work but you have to invest a lot up front over a long period and offer a broad portfolio before you see any return. Our strategy parallels the global strategy of the group in that we want to develop different business fields. Generics will be the core business of the group but Actavis has had the opportunity to previously promote, for example, Rx as well as OTC products that were acquired by the group.

Let me be clear – our OTC strategy is not like that of most actors on the French generic market. I would call their strategy an opportunistic one as by law it was decided that some products would lose reimbursement status and instead became OTC products. Thus their choice became either to stop selling these products or accept that they now had a de facto OTC portfolio. Actavis decided we wanted a real OTC strategy with these “opportunistic OTC Gx” and a unique offer with branded products that we are now beginning to launch in France.

On top of our generic, Rx, and OTC approach we decided to launch a Hospital activity where we start to be pretty strong with new ‘generic blockbusters’. Additionally, we recently launched our line of dermatological cosmetics which is a leader in Nordic countries and has received positive feedback in France thus far.

Clearly, we have decided to take a different approach to the industry. When you read the interviews of the companies in the French generic industry, they routinely say that in three years time they will be in third place on the market – ignoring the fact that everybody else will be number three as well. When people ask me what our position will be in the future, I don't know and in some ways, I don't

care. This is not the way we work in Actavis because we try to be realistic and remember that the most important thing is to be profitable; worldwide Actavis is one of the most profitable generic companies and this has been the case for several years. In every action we look to see how we can increase the profitability rather than targeting positions of limited interest.

To return to generics and our ambitions, most companies that have been successful in France have used a big sales force in the field and going after every green cross they see. We have to consider that these companies have done a good job reaching out to the pharmacist and that we have little chance to convince them to change to Actavis. At the moment our portfolio remains somewhat limited – although we did launch 100 products from our global portfolio this year and we intend to continue this trend. That being said, we have to look for different ways to approach the market. We are looking to establish new partnerships, and while it's a bit early to announce anything, you will see we have developed a new approach to this business. When you are the last one on the market, the only way to ensure you have a chance is to be different in everything that you do. In an industry where all of the products are the same, if you simply copy the same strategy as those who have been here, it would be a mistake to consider yourself better than them.

Actavis is very new to the market here, how do you manage five different business lines while your competitors are only looking at one market: generics?

It was a challenge to figure out how to build so many activities in such a short time. The success relies on your collaborators and the people you have brought on board. We have tried to find the very best professionals in each business activity and give them a wide range of autonomy in order to ensure they can manage as they see fit. It was hard at first to launch everything at once but I lean towards saying that the most difficult times are behind us. Today, we know the direction we are taking and our products have entered the market.

In order to make more things more complex we decided to create a foundation focused on health and the environment because we wanted to do something unique as well with our communication.

The most difficult thing is to make the decision and the results will come through the implementation. I had to first convince myself that it was the right strategy and then everybody else as well. I believe that the only way we have a chance on this market is to be active in all of these different market segments.

Nobody expects a generic medicine producer to have a campaign for the environment and it seems like you already have a lot of other challenges on the plate. Why did you feel it was necessary to create this environmental foundation?

Environmental consciousness is something that is not only important for me or Actavis but for the whole pharmaceutical industry. Everyday people watch the news and read the papers where there

are continual reminders of the degradation of our environment. We see images of the other side of the world where large populations of wildlife are disappearing but these examples are always far from our own reality. All of these messages are conveyed by politicians and journalists who in most cases are not highly skilled on this topic nevertheless they are the ones giving advice. We think that health players are not enough involved in all these discussions. We want to refocus their health duty and give them the right skills to inform their patients.

We are not considering these problems as we should because the consequences are not just in the future, they are here today. Some of the biggest of these consequences have been on human health; there are many studies that can demonstrate this impact. If we can start raising awareness about the health of individuals rather than – albeit sad – stories about the plight of penguins then it will become real for many people. A change like this will require leading efforts by doctors, pharmacists and pharmaceutical companies.

Actavis is a pharmaceutical company originating from a country where they have been able to merge the environment with the economy. Iceland made the decision many years ago to consider the environment throughout its development and while it clearly has some geographical advantages they have been able to effectively execute this plan. Since we come from a country with a leading model for environmental sustainability we should take the lead in the pharmaceutical industry. Somebody needed to take the lead and demonstrate that environmental concerns are not the future problems but today's issues.

Within the foundation we have brought on board pharmacists, doctors and medical scientists in order to better explain to people what the real consequences are and what they can do in response. The idea is not to make people frightened about the environment but to provide them with solutions. We began with select campaigns in pharmacies as we think the pharmacy is the best place to discuss such topics. The customers have a trusted relationship with their pharmacists. Our first campaign dealt around pregnancy and infants. Pregnant women are rightly very concerned about what is good and bad for the health of their children so we felt this was the best topic to start with and easily relatable.

The foundation is not particularly concerned with creating new studies because there are a lot already out there but instead aims to provide an authoritative source of information. Today, if someone is looking for information they typically go to the internet where you will find everything including things that are both true and completely wrong with little way to tell the difference. We want to provide access to information with legitimacy through the voices of pharmacists and doctors.

How is this environmental campaign reflected in how your employees engage the pharmacists and doctors in France?

The initiative is becoming part of the culture because you cannot have such a big project without having the involvement of all our collaborators. In the early stages we held lots of meetings for people to give their opinions on the subject so it was really a common decision to communicate on this topic.

Internally, we spend time talking to newcomers and explaining to them why we are so committed to this topic. While not all of our collaborators are involved in this there are five who are directly involved with the foundation and deal with all of our stakeholders to communicate our message.

It seems logical to us but for many it is unusual for a pharmaceutical company to have such an initiative. Many of the industries big laboratories focus on one condition that is related to one of their therapeutic areas therefore attempting to make a link between the disease and their products. This was not at all what we wanted to do and we felt we should take a different approach. It's slightly analogous to the relationship between Asiatic and Occidental medicine; in Asia they treat healthy people in the aim of keeping them as healthy as possible while in the West we wait for someone to fall sick before finding a solution. We wanted to take a more preventative approach by compiling and disseminating relevant information for people to make better decisions for their health.

This initiative on the environment shows a lot of commitment early on to the local landscape. Moving forward what will be the role of Actavis in France and what is your priority?

The aim is clearly to become a strong player here. We will reinforce our position in the generic segment and as I mentioned before we have some very original partnerships on the horizon. Moreover, we will develop the hospital and Rx business while investigating additional fields such as biosimilars. If we feel this new segment represents a real and profitable opportunity in the future then we will likely consider it but at the time being this has yet to have been demonstrated. In regard to distribution, we will strengthen our partnerships with buying groups and wholesalers and work in a different way from our competitors.

The word partnership is used for a lot of things but in fact it is a commercial relationship where everybody is expecting to earn money. Rather than trying to optimize our partnerships to make more business in the short term we are looking to integrate our partners into the way we do business. In the generic industry when you simply attempt to create as many partnerships as possible with distributors you end up with conflicts that hinder business. We have made sure to carefully select our partnerships in order to be able to share more information with one another so we get more out of each agreement.

I know you're personally not a fan of predicting market positions, but you certainly don't create a brand new company with five divisions without having some kind of ambition.

Looking forward what is your goal in France?

Today, we have five activities but we will add some more. In Actavis, rather than saying we are first a generic company, we look to see how the industry moves. For example, historically pharmacists only had to focus on how they could deliver Rx products but if they stick this position today they're dead. They need to get more involved in advice and provide OTC as well as cosmetic products. This change is reflected throughout the industry so we have to adapt.

Flexibility is a key advantage for Actavis. If I compare it to my experience in the industry, I can say that any crazy idea you come up with you can find somebody to listen to you in the company and how you can develop it further. In many other companies you can talk about your idea and they will discuss how you can forget it. This ability to think outside of the box comes from the company's culture; the group was founded in Iceland where the population is small, they know the truth is somewhere else. Instead of having a model focused on one domestic market, Actavis looks outside and accepts having different models in different markets throughout the world.

Looking forward, it's difficult to say where we will be and it will likely vary from country to country. In most countries, Gx will remain the major activity while in others, like France, Rx is today the main activity. Therefore, even in our perspective of a very aggressive Gx launching plan of more than 100 products per year, it remains clear that having access to more Rx or OTC products would be considered as a real opportunity. Wherever we can find a geyser of resources we will try to find a way to implement a way to access it.

There is a quote I very much enjoy and was said by someone very intelligent, he said "It's not the big fish that eat the small fish but the fast ones that eat the slow ones." We need to act very quickly and adapt whenever and however we can, especially in our greenfield markets like France. At the end of the day it's all about being profitable and in the future you will see us have some of the more attractive operations in this market.

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