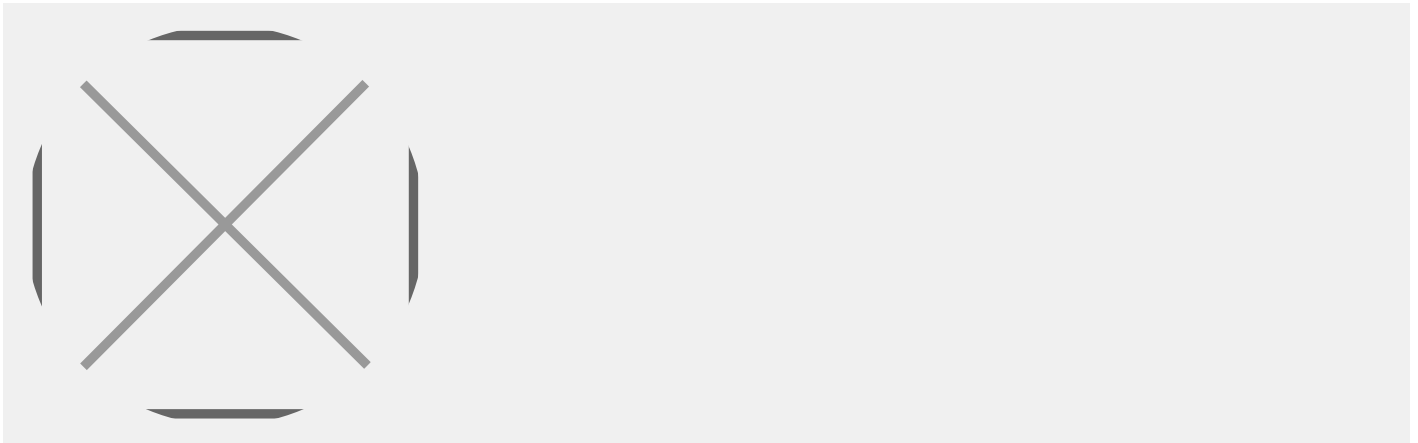


Interview with Robert Dahan, President, AstraZeneca France



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You've been at the head of AstraZeneca France for 7 years through during which time there has been a lot of M&A activity in the industry as well as a rising generics market in France and increased regulations for market authorization. How has the business changed for AstraZeneca in this market during your time here?

Looking back, the most dramatic change in the French landscape has probably been the introduction of the generic business. This new aspect does not affect our business model much for the French market as the industry has operated much the same in other countries with high numbers of generic medications. The way in which patent expiry is handled and the overall commercial potential in France are similar with other countries.

However, the most influential factor that has made us change our business model over the past years has been the difficulty of bringing new products to market with an increase in attrition rate and a decrease in R&D efficiency.

Can you elaborate on these difficulties of bringing new medications to market?

This is a worldwide issue in the pharmaceutical industry and is brought on by several factors, the first being that companies have been too optimistic in their belief of biotechnologies and their ability to develop new drugs. Secondly, the industry has likely been too proud to acknowledge the true difficulties of developing entirely new medicines in challenging fields like degenerative diseases. Thirdly, as an industry, we have been too internally focused in the past which led to many ignoring

the competence and knowledge in external institutions. Those companies who have been more externally driven have been more successful in producing new medicines so this last reason is likely why so many companies have faced difficulties. We are trying to address these issues by making adjustments to the organization of R&D but it is likely more about changing the mindset overall.

Regulations are becoming tighter as well but I would not consider this an important factor leading to the in decreased introduction of new medicines. Time and money are the only two inputs a company needs in order to fulfill the new demands from regulatory authorities; if you have a good drug, it will receive market authorization at the end of the day.

The dynamic of the patient is changing as well and people are becoming more and more interested in what they are paying for. Pharmaceutical companies have never faced this before and were not ready for such a development so they are working to catch up with this shift as well.

From the French perspective the discussion is around two points: the added value of a medicine and its impact on reimbursement price. While it is true that France is a highly regulated market where everything is decided for everyone it makes it make it very easy for pharmaceutical laboratories. All you have to do is succeed in development to be on the market. What we have noticed is that the added value of drugs to their alternatives is increasing but the predictability of the system is not always present. These evaluations are meant to support innovation in the market and are the core to pricing negotiation.

Of course the idea is that the state would like to minimize their costs by utilizing this evaluative model. However, the concept of equal chance for everyone to get the best treatment is one of the attractive qualities of this market and is strong in the minds of people.

Over the past years, there has been a peak and flow in regard to commercial organization with total sales reaching a high in 2005-2006. This was due to the competitive environment in major classes of medicines which is declining and in a ten year period will likely drop 40% from 25,000 to 15,000 drugs offered by the overall industry.

How is this industry wide decrease in drug offerings affecting AstraZeneca?

It was apparent we had to make a change to our complete portfolio of products but at the same time we need to maintain turnover and grow the business. I would estimate that we have lost 80% of the turnover from our 2002 portfolio that was based on products that have since entered the generic market. One dominant product alone represented more than 40% of our turnover until 2004 when its patent expired which was a big hit to the company. Therefore the focus has been on rebuilding the portfolio which we have done with products like Symbicort, Inexium, Crestor, Arimidex and Atacand. Through these replacements we have been able to maintain our turnover, increase our contribution and ensure every drug was a success.

We briefly discussed generics with Jean-Pierre Cassan, specifically the fact that labs have not taken this part of the market into account. The major challenge has been that the main prescribers of generic medicines are not the doctors but the pharmacists who the labs do not have as strong a relationship with. Has AstraZeneca taken this dynamic into account for future products that will go off patent?

In my personal opinion it is a waste of time because you spend a lot of resources and energy trying to access this market for very little return.

In 2010 AstraZeneca is launching Iressa in the French market; what are your expectations for this drug and how will it impact turnover?

Iressa is a target therapy for chest cancer and has a long story which exemplifies the difficulties in the overall pharmaceutical industry as well as AstraZeneca in particular have experienced in understanding our new drug. This is especially true in regard to the clinical development of a drug associated with a new concept. We now have a drug which is specific to a population defined by their amplification of the EGFR signal. Importantly, as a first time treatment, Iressa is more effective than chemotherapy which is one of the first someone has demonstrated a daily pill could a superior option.

Now we have different priorities to achieve, the first being an active dialogue with oncologists. Secondly, it's necessary to characterize the patient which used to be done in different ways than before, specifically by looking at receptor levels. Thirdly, you need to organize the logistics around this patient determination because it's not easy or straightforward. Therefore this is a new way of thinking, not only for the physician but also for the laboratories because if we want to be successful we need to do more than produce a pill.

AstraZeneca France has teams examining the oncology business which was previously leading down a monotherapy path. There are multiple patents expiring in the coming years not to mention one patent last year that accounted for 65 million Euros. All together the oncology business represents approximately 250 million Euro a year which I cannot expect a drug like Iressa to make up for by itself. At the same time we need success with Iressa and an organization should be built upon where you want to be successful.

Where would you like to be successful in the coming years?

I would like to be successful in oncology which means Iressa is highly important to us as it demonstrates a new way of working in this field. Our pipeline has a number of other products coming through which use the same approach to development.

Diabetes is another important field for AstraZeneca France as we will launch a new drug in this field by 2010 with BMS in what is first time we have partnered with another big pharma laboratory.

The ability to be a good partner in this industry is a key aspect for the success of AstraZeneca in the long term. It is also our goal to be successful in the development of an antiplatelet compound which should be launched in 2011. It has proven to save life when compared to Clopidogrel or Plavix which is a hugely successful drug so taking its position in the market is something I would like to achieve for the organization.

You mentioned that it has to be a change of mindset for a lot of drugs that are coming through the pipeline, not only for AstraZeneca but for physicians in diagnosing patients. This change also extends to sales teams and the rest of the business, how are you reconciling these changes?

I think there are some mistakes being made here as some have claimed that sales people will disappear which I don't believe all. As long as the physician is still the one responsible for prescribing medication they have a choice to make which means the face to face interaction will remain the most powerful way of influencing this decision through promotion and information.

While the content of this interaction will change, the need for it will not disappear. In the past, this content was largely geared towards products that were used broadly and often by physicians. Due to the targeted illnesses, complexity of treatments and rarity of the diseases the education behind the drugs has to be more in depth. This means enriching the tools and services as well as the information itself while utilizing other channels of communications like the internet to reach patients. However, all of these approaches will be complimentary to face to face interactions.

One thing that will not change is the need for production; AstraZeneca has gone through heavy restructuring but you maintain a plant in Dunkerque that provides for both the French and global markets. Could you elaborate on the importance of this site and why it is important to keep production sites in France?

Dunkerque is an interesting story because from the very beginning it has not been an obvious place to make a production investment. The most likely answer is that during the 1980s, French authorities demand larger companies who wanted to launch products in the market to have some source of production in France. While the initial measure may have been more business than production rational but the expansion of the plant has been due to its recognition for high productivity despite the traditional image of France. Moreover, the former Mayor of Dunkerque, Michel Delbarre, had a very positive attitude towards industry and took all the necessary measures in order to improve the region.

There were two factories in Dunkerque, and we decided to sell our chemical synthesis side while keeping our PMDI which is completely in line with our operational strategy. AstraZeneca wants to keep the valuable pieces in-house while externalizing operations that can be done elsewhere at a similar price. Having made the analysis, PMDI analysis is essential because we are one of a few

who have the capabilities so we can do work for others as well. On the other hand, we did not see the same use for the chemical synthesis plant so we found a company which was interested in purchasing the facility and producing for us as well. This method of investment is important because as the manager I have the social responsibility to find the best solution, within the strategy of the company, for former employees.

You have noted it's important for a country to be able to attract key assets of a company for continued investment. Do you think there is hope for France to attract more assets from the industry in the future?

It's difficult to answer this question because you have to define the key aspects of a company in the pharmaceutical industry which include two options: R&D and production. There have been a few examples of investment in production recently such as with GSK in vaccine facilities near Belgium as well as Lilly in existing facilities. I am doubtful you can call this a trend for the future because most of the necessary plants already exist in France. Moreover, France may have missed the turn to biotechnologies as these production facilities have been built in other parts of the world.

AstraZeneca is about to begin marketing a product in conjunction with BMS and you have also mentioned about possibly entering a public private partnership with CNRS. The press reported that this talk was after a meeting with President Sarkozy in June; what did he said to convince you that AstraZeneca should invest more in R&D in France?

In order to make R&D investments you need several things in place, first of which is a political force behind a thought out strategy. Nicolas Sarkozy made a speech in front of several R&D heads from different pharmaceutical companies where he clearly stated that pharmaceuticals were a strategic business to France. He said he would do his best to attract R&D organizations to cooperate with public institutions in France and he has already taken a lot of steps towards establishing partnerships. This was a very strong message coming from a president to an industry and highlighted how much the government wants us here.

The second condition is the priorities for health in a country which in France is focused on oncology and Alzheimer's disease. Oncology is likely the strongest area in French research and clinical trials which makes a clear link between the governments goals and the work carried out by companies. I am making the guess that the same will apply in the future for Alzheimer's disease as it has been set as a priority more recently. As a result, I have discussed with my people who are in charge of the neuroscience business the possibilities of collaborating with other actors in this field including companies and the foundation. This will allow for direct contact with the research centers and a leading position in the cognitive disorder field.

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