# Liz Chatwin – Country President, AstraZeneca Korea



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*Liz Chatwin came to Korea as general manager of AstraZeneca in the fall of 2013, following a period working at the company's Chinese affiliate for several years. She contrasts the two markets and highlights the unprecedented quality of Korea's clinical research capacity.*

**What were your initial impressions of the market in Korea upon arriving from China?**

Korea is much smaller than China. The system is different in that it has a universal, public insurance funded system that covers the entire population. As a general rule, people are economically more well off here than in China and the middle class is more widespread. Korea is unique in that it has a wonderful healthcare system accessible to all across the country, with rapid access to any treatment for a very low price. I was struck by that combination of public healthcare quality and immediate access compared to other developed countries, particularly at a low price to the consumer.

Of course, while the pharmaceutical industry has immediate access to patients in terms of product or has strong volumes, profits are low. Physicians' compensation is also relatively low for this system to be efficient. They need to deliver a high volume of service for patients to gain income. Regardless, this high quality can be found across Korea, unlike China where quality is very dependent on location and social class.

**What steps did you take to address Korea's austerity measures to maintain good margin?**

AstraZeneca was not as badly hit in terms of revenue by the 2012 price cuts as many other companies. However, we experienced big challenges in 2014 when two of our largest mature brands suffered price cuts due to loss of exclusivity (LoE). These products represented approximately 45 percent of revenues. The strategy in Korea, similar to our global strategy, was therefore to spur growth of new brands. We were lucky in that we had a number of new brands available to launch at the end of 2013. My strategy was to focus investments on new products and deliver them successfully and as quickly as possible while trying to maintain volumes of our LoE products.

To do this, I created a new unit responsible for our major LoE brands. Rather than have them dispersed throughout the business, having a single team responsible helped us manage hospital bidding and tendering processes under one group, as well as building the right relationships to compete with generics.

We also used the resources of three major local companies to support us by driving these brands in the price-sensitive clinic, or primary care, sector. Despite post-LoE price reductions, there is an opportunity for these brands to impact more patients. AstraZeneca had quite low clinic market share for these brands and we have used the resources of a co-promotion partner to expand our volume in the clinic while preserving our own resources to focus on hospital tendering and managing out hospital customers.

**What extent is AstraZeneca involved with open innovation partnerships aligned with Korean companies?**

We have a number of partnerships with companies in Korea. Some are long-standing, and others are quite new; in 2014 alone we established three new partnerships. One of these was designed to support some of our mature brands in the clinic and to support us with the growth of some of our new products.

**What is the perception of the value added from such relationships on both sides of the table?**

There is always value for local companies to partner with multinationals, but from what I understand they see it in two different ways. We have actually set up co-promotion partnerships with a number of large local companies where we share marketing and sales in return for access to distribution of a strong innovative brand of AstraZeneca’s. We benefit with resources that can help us promote our brand. The local companies benefit because they can actually add some revenue to their top line, and can build a reputation by having an innovative product as part of their portfolio.

The second relationship for them is more long-term. Collaborating with multinationals means that local players can bring new products into their own portfolio through in-licensing. AstraZeneca has actually licensed out a second brand of one of our products to a local player, and they have done well with this product. Such companies want to have more innovation in their portfolio, and multinational collaborations allow them to pursue some incremental innovation projects, such as a new formulation or fixed dose combination of one of our products, or sole-distribution of one of our molecules.

**What has been the success of AstraZeneca's MoU with KHIDI to support translational oncology research projects in Korea?**

We are very proud of our collaboration with KHIDI, especially as it benefits AstraZeneca Korea, AstraZeneca globally, KHIDI and even Korea's cancer society and patients. AstraZeneca in general has a very interesting early phase pipeline in oncology with a number of new molecules and mechanisms that are being researched in the US and Europe. But we do not have enough resources internationally to do every possible study on these molecules. Therefore we must partner with academia to create new research ideas for these molecules. The company's global R&D team did several presentations in Korea on our early molecules for potential researchers here. Korea is a powerhouse of clinical research, and the centers here are unique in that they can do preclinical work or basic/translational science as well as early clinical research. Bringing our molecules here would certainly stimulate a number of ideas for researchers in Korea, which are chosen and funded by a committee chaired jointly by AstraZeneca, KHIDI and Korea's cancer society. Korean scientists can also travel to our global R&D headquarters to further develop on their research ideas.

KHIDI also has a goal to improve the early research capabilities of Korean scientists, and our MoU provided them a platform for them to do this. For AstraZeneca Korea, it was a great way to build our name and also to generate a strong reputation in early oncology with physicians treating cancer patients, meaning they could potentially have early access to some new mechanisms.

**Does this active partnership reflect a new research paradigm for AstraZeneca globally?**

Indeed, big pharma does not have the resources to act upon every possible research idea for their molecules. AstraZeneca used to be reluctant to show its molecules to the general research community. Now we need to be more open and collaborate with academia and research institutes to obtain the real cutting-edge science. AstraZeneca's global ambition is about pushing the boundaries of science to deliver high quality medicines more quickly. To do that we need to collaborate with the best minds globally, and our MoU with KHIDI is a shining example of that.

KHIDI wants Korean researchers to have a strong reputation worldwide and develop early research capabilities and AZ needs to collaborate with scientists to develop our molecules more effectively. This is a mutually beneficial project.

Korea’s research capability is its unique value proposition. The government here is very interested in establishing an environment that allows Korea to be uniquely competitive. The regulatory environment here allows for programs to be run far more easily than in other countries. The infrastructure for hospitals, which really encourages research, is also quite unique.

The clinical research facilities of institutions like Samsung Medical Center or Seoul National University are much better than anywhere else in the world, even the US. This is because they have a coordinated approach to research with all the phases of research under one roof. The implication of this is that institutions can mix expertise in pre-clinical research, translational science and clinical development in one place. . They can then do clinical research very efficiently. The patient database in Korea is also extremely well documented and tailored, since every Korean citizen goes through health checks and through the health care system with a unique identifier. Hospital patients can be identified rapidly to fit particular criteria for a clinical trial. Because the big institutions treat almost every type of patient with almost every diagnosis in their centre, they can recruit individuals for just about any clinical study very quickly. For some of our global studies, Korea has recruited the most patients, and this is because of the way the research is set up here. Seoul is the second largest city globally for cancer trials, and has risen in the ranks over the last several years. This is truly unique for Korea, and global and local companies appreciate this and the government and researchers are very proud of that fact. It is almost a savior for academics here because Korea is a great country for research.

**Are Koreans promoting themselves strongly enough?**

In general Koreans tend to wait to be asked, but there are a number of key opinion leaders in the top tier of their respective specialty who are considered global leaders in their areas. They are invited to all the major think tanks and they are involved in planning the next phase of treatment options for their particular disease. But they are few and far between. Korea has a big story to tell, and Korean researchers are among the world’s best. This needs to be communicated more strongly.

**In which therapeutic areas is AstraZeneca involved with here for clinical trials?**

AstraZeneca Korea’s focus areas are oncology, respiratory, inflammatory disease, cardiovascular disease and diabetes. Our leading role is in oncology partly because Asia tends to have different

genetics to the western world. For example, lung cancer is very common in Asia and lung cancer genetics are different, and so Korea has been a lead country in Asia for certain pivotal cancer studies. Japan has more patients but is not as well set up as Korea for research. The way patients are treated in Japan is much more discreet in smaller centers, whereas here it is more concentrated. Korea certainly has a higher net number of cancer patients being recruited into clinical trials than Japan.

**How important is Korea for AstraZeneca?**

Korea will always be important for AstraZeneca for its research quality and scientific capability. Korea boasts one of the best performing countries in terms of clinical research capacity and quality, in particular for oncology pre-clinical and clinical trials.

From a commercial perspective, as long as we keep growing we will be important. Korea is basically a developed market, although it sits among emerging markets in the AstraZeneca structure. Thus we have to compete with those other markets for resources. If we can grow in a high single digit, we will continue to be globally important and can effectively compete for investment.

**Where can we find AstraZeneca Korea in 2020?**

We wish to grow faster than the market, and to be in the top seven in Korea and top five among multinationals by 2020. This is more akin to AstraZeneca's positioning in other markets. We will achieve this through the success of our growth platforms, particularly our diabetes franchise that was acquired from BMS in 2014. Diabetes is very common in Korea, is actively treated and patients actively keep their glucose under control. The high responsiveness of new diabetes products in Korea will help us reach our 2020 vision.

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