Interview: Massimiliano Rocchi – Managing Director, Accord Healthcare Italy



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Massimiliano Rocchi, Managing Director at Accord Italy shares his view on the story behind Accord's success in Europe, the key differentiating elements for any generics company in a market with staunch competition, and his strategy for keeping the momentum in Accord Italy's growth over the next few years.

Accord is a relative newcomer to the European market, beginning its operations here in 2008 when it set up wholly owned affiliates in France, the Netherlands and the UK. Since then it has expanded across the continent at lightning pace, with operations today in over 30 European countries countries. Could you briefly explain what has made Accord so successful?

I think there are two key elements to any successful strategy in the generics market. First, it is absolutely crucial to get your product on the market from day one. Any delay in the introduction of the product at the formation of the generics market will drive down the price you can command, and mean a loss on market-share uptake to the competition. Before day one there is a lot of work of course, in terms of logistics, regulations, IP, and so forth. So there are a lot of aspects you should consider beforehand in order to have your product ready on time. Often, due to the centralized nature of the EMA, that first day might be the the same for many countries throughout the European Union, so the coordination of efforts needs to be planned out well in advance.

The second key pillar is to be as competitive as possible. What we have done to achieve this at Accord is to vertically integrate our operations. At Intas, our parent company, you can find production in terms of manufacturing plants for APIs and for finished products, research and development team which if focused on the development of our programs of solid oral and injectable range, and then of course there is the commercial branch. Including the entire value chain into our business has given Accord a significant competitive advantage throughout Europe.

At this stage, generics means competition. What I think we have to realize, looking at Accord's activity, is that in Italy our main clients are hospitals, where volumes and consumption are flat, and the price is declining due to competition. In other words, we expect diminishing profit margins. In that context, companies have two options: leave the market, or paradoxically, try to invest in order to bring added-value products into the portfolio. However, the investment will not be on therapeutic value, because these products have been on the market for a long time. What we can improve on are the related practical aspects of the products, things like 2D barcodes and delivery systems. That is what we are doing at Accord, with great success.

How has the Italian generics market changed over the last few years, especially with regards to your main clients, hospitals?

In my experience with hospital pharmacists, it is clear that over the last ten years their ordering behavior has changed significantly. Ten years ago their safety-stock levels were very high, giving us time, sometimes two weeks, to deliver the requested products. However today their safety-stock levels are far, far lower. They require their products perhaps two days after ordering, and sometimes next-day. This has made logistics a key element in our business strategy when dealing with hospitals.

With this in mind, we have an MHRA-approved packaging site in the UK, close to Cambridge. This site allows us to react as quickly as possible to sudden demand spikes across the continent. Our main plants are in India, but naturally the lead time there is longer, so we have set up a quick-reaction site in Europe as we are very aware of how crucial logistics can be.

What was the reason for Accord's choice of Italy as one the destinations for its first four European subsidiaries?

At this stage, we are dealing almost exclusively in the hospital sector. The potential of Italy for Accord, is the possibility of entering retail in the near future and thereby increasing the scope of our operations very quickly. Also as a general comment, the retail market in Italy is still underdeveloped. Generics penetration is still low compared to other European countries, making

the promise for Accord our ability to significantly increase our market share over the next three to five years.

How have you marketed your products to communicate the added value they bring, perhaps not in the therapeutic sense as you mentioned, but rather in the surrounding practical elements?

We have a dedicated team of five people, who meet the main hospital stakeholders on a daily basis. What makes me very excited to be working for this company today is EU directive 24/2014. That directive is on the procurement processes for public administrations. Hospitals in Italy are part of the public system, and so each item they buy needs to meet these requirements. One part of this directive is related to the adjudication criteria. In other words, it defines how hospitals should conduct their adjudication process. Today, the adjudication process is one hundred percent based around price. This directive however, states that hospitals should change this to be compliant with the MEAT process, which stands for 'Most Economically Advantageous Tender'. In practical terms this means that a tender should define a list of qualitative, univocal criteria on the basis of which hospitals should define why a certain product best fits their needs. In this way companies such as Accord, which are investing in the practical aspects of their products for patient and healthcare professional convenience, can get their investment and efforts recognized. This is what our team in the field is trying to demonstrate to our clients, our commitment in bringing added value products at an affordable price. So this is a challenge for generics companies, but also a key strength of Accord, and that is what makes me so proud to be working for this company.

Since you joined Accord Italy in 2012, revenue growth has been tremendous, moving from 800,000 euros in 2011, to 64 million euros today. Have you seen your brand recognition go up accordingly as a result?

We are doing market research right now on Accord's positioning in the market, as we have done in other European countries. I am very excited to see the outcome of that research. I do expect similar results to previous research in terms of key highlights from a competitive pricing aspect, where Accord has been rated the best among competitors. On the other hand, there are areas to improve such as the supply and delivery effectiveness. As our expansion and coverage has grown, we have had to accommodate all demand coming from the different countries in which we operate. In 2011 we had maybe 10 hospitals, and today we are covering every region, so setting up those supply chains never goes completely without fault. However, this expansion has meant that just about every hospital in Italy is using at least one of our products, and knows the Accord name.

One advantage which has contributed strongly to this is, as I mentioned earlier, our ability to get products on the market on day one. In December 2013 we launched Capecitabine, an oral oncological drug at patent expiry. We launched this on day one, and in fifteen months, we had reached 30% market share. This confirms that day one launch is key for generics companies, and we aim to launch thirty new day-one products over the next five years, providing a significant boost to our front line.

When we spoke to Enrique Hausermann, the president of Assogenerici, he was eager to demonstrate the benefits generics can bring not just in terms of savings, but especially in terms of improving healthcare through enabling the treatment of more patients. How do you view generics' role in creating a more sustainable healthcare system for Italy?

I think he is absolutely right. Without appearing too practical, it is clear that in the case of generics, the social benefit they bring is a consequence of their economic savings. If you look at IMS volumes data today, you can see that for the main chemo agents, which I view as the traditional chemotherapies, the market-share in terms of volume varies from 60% for Epirubicin to 100% for fluorouracil. All the rest fall somewhere in this range. What this means, as I see it, is that without generics the national health system would not be able to pay for innovation. In other words, without generics the new treatments for Hepatitis and the monoclonal antibodies for example would not be affordable. We as generics are very happy to see so many new products in the field, because we realize that because of them we have the opportunity to treat a larger amount of people who would otherwise have a very poor prognosis. The key consideration then is to realize that without generics, the number of people we could treat with these highly effective, but very expensive medicines would be lower. Like this, the social benefit of treating more people is linked to the economic benefit of less expensive off-patent drugs.

Is the government open to this point of view, and how could they stimulate generics' penetration on their end?

I think they are, but if I look at generics in general, I think the element the government could improve most is the lead-time for generics entering new markets. A product which is approved by EMA should be approved, full stop. However currently it takes months, to conclude the final approval at a local level. So I believe this is where the government should focus their efforts, in reducing the lead times at a local level.

Accord Italy has demonstrated its commitment to the community by introducing a cancer patient oriented program named "Kit Appunti di un Viaggio". Can you tell us

about this initiative, how it was started and what it has achieved?

This is something that was started when we first arrived in the country. I think it demonstrates how we are trying to improve the experience of patients undergoing therapies. The idea was originally to provide oncology patients with a diary of sorts, where they could document any side-affects or issues they came across during therapy and which could then be discussed with their physicians. Along with this, the kit also includes dietary and lifestyle advice, to help patients through this treatment. We have found that it helps patients quite a lot, not only in bringing potential complications to the attention of physicians but also for the patients themselves, having somewhere to document their experience.

Looking at the future, what are some of your strategic objectives for the next three to five years?

Looking at hospitals, we need to deal with our tenders. When I started in 2012, we had one tender for each hospital, which translated into 600 different tenders. Today we have 20 regions, and now, 20 tenders. Looking at this change, one of Accord's strategic moves will be to deal with the stakeholders at regional level, aiming to set up tenders based on the MEAT process I described earlier, thereby moving from simply looking at lowest price, to a different model allowing us to partially compensate our efforts to improve the quality of our products. Finally, I think logistics will remain crucial, so one challenge for us as we expand will be to find a partner who is as committed as we are to making logistics a competitive advantage for us.

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