

## Interview: John Smith - Chief Executive, PAGB, UK

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*John Smith, chief executive of the PAGB, the UK's consumer healthcare industry association, discusses the potential impacts of Brexit on the PAGB's members, the importance of consumer healthcare to the overall UK economy, and why self-care remains a priority.*

**A year after becoming chief executive of the PAGB, the UK chose to leave the EU. This has led to creating a turbulent and uncertain environment for the manufacturers of branded OTC medicines, self-care medical devices and food supplements. What has been the impact of Brexit on your members and what are their key areas of concern today?**

You're right, Brexit was a curveball. When I joined PAGB in July 2015, no-one expected the UK to vote to leave the EU. Our main concern is about the possibility of regulatory divergence which would lead to greater delays and more duplication. We want to enable OTC products to continue to flow freely across the borders between the UK and other EU countries without the need for duplication; for example, we are calling for the mutual recognition of testing and batch release, so companies don't have to employ additional Qualified Persons (QPs) or repeat testing on both sides of the border. There are big concerns that in the future the regulations could diverge and we will have different rules for the UK and Europe.

We also have concerns around the impact on manufacturing. At the moment, a manufacturing process can involve different processes in different EU countries. For example, it could be made in Italy, the packaging could be done in France, and it ends up in the UK. We are

working to explain the impact of that continual border-crossing if we become a third country that is not part of Europe. It's really a big concern for us and we want to stay as closely aligned with Europe as possible going forward.

**The PAGB has made a very clear statement that “no fewer OTC/self-care products should be available in the UK after the UK leaves the EU and that those products should not be less safe than they are today.” How is PAGB navigating the Brexit process and influencing policy to the benefit of its members?**

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We are working closely with our member companies. We have established an EU Exit group of members which meets quarterly and we have employed a public affairs agency to support us with lobbying activity. We are trying to set quarterly objectives of how we want to influence so we can change and adapt as the process progresses. We are meeting on a regular basis with the key stakeholders at government level, including the Department of Health & Social Care (DH), the Department for Business, Energy and Industrial Strategy (BEIS), and the Department for International Trade (DIT) and the Department for Exiting the European Union (DExEU).

We actually have a very simple EU position. This next quarter we are focusing on calling for a simple streamlined transition period so that we don't fall off the edge of a cliff in March 2019. We are asking for a minimum two year but ideally five-year transition period, as we believe that if a company needs to set up new sites in the UK or EU, the time needed for such projects is at least five years. PAGB member companies have to make decisions now, and the issue is that the British Government is not currently giving a clear direction or guidance. So what do you do as a member company? Do you start thinking of worst case scenarios? If so, you start preparing and spending money. It's very top-level, but we believe that if we don't secure mutual recognition agreements with the EU (ie MHRA-EMA equivalence and free movements of goods) and we end up in two different systems, it's going to cost our industry around GBP 20 million. It's not an insignificant increase in costs and if we also see added complications and delays it will have an impact going forward.

The other priority ask is for the mutual recognition agreements to be put in place so that products manufactured, tested and released in the UK continue to be exported and vice versa.

**You support regulations for the free movements of goods. The same for the free movement of people, I assume?**

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We're more focused on regulations and the supply chain as the key things that we believe will have the biggest impact on our members and where we have some specific concerns for consumer healthcare. Absolutely we agree on the need for free movement of people as well, but as this is a concern shared with other industries, it's not something that we're focusing on as a trade association. We are supporting the bigger trade associations on that. We work very closely with the ABPI and the FDF for food supplements. We know they are lobbying very hard to make sure we have free movement of people. We are trying to make sure that we pick up the key areas unique to the consumer healthcare sector.

**What other strategic priorities do you have today for this transition phase and more generally?**

We have our own strategic model for what we are trying to do as a trade association which is agreed by our board and you can read about in our annual review. From a strategy point of view, we want to be recognized by our stakeholders for shaping the consumer healthcare market. We want to support self-regulation and promote best practice in our industry. All of our member company ads for medicines on TV, radio, and press have to be pre-approved by us. We want to give a first-class service to our members. How do we make sure we give them a great service on everything we do? Everything we do is member-focused. As an example, the turnaround for all of the advertising we review is 48 hours. 99 percent of the time we beat that 48-hour turnaround quite easily.

We are keen to be the voice of the industry. We want to talk to the press and focus on industry issues. So, we won't get involved with questions about individual companies or brands. But if there is an issue generally across the industry, we want to be that voice. And we want to give a balanced story to make sure that what consumers are reading has a balance and is not just scaremongering.

Lastly, we want more people to self-care. You see that coming up more and more. The Royal College of General Practitioners is a good example of a renowned organization saying that people should self-care first, then go to the NHS choices website for information, then visit a pharmacy, before making a GP appointment. PAGB fully supports this.

**Brexit has been very disruptive, but there is still a lot of optimism in the UK. The British are confident that it comes with opportunities. What is the view of your industry? Do you see opportunities from Brexit?**

We still believe that the risks outweigh any future opportunities from Brexit. The biggest risk at the moment is a lack of a proper transition period and mutual recognition agreements. Those outweigh any possible upsides, and for now, the prime objective is to fix those matters first. As things move on we'll move our focus away from them. We may find opportunities, such as can we self-regulate more? Can we regulate packaging more? But at the moment, we're really focused on mitigating the risks. There's no point in running after possibilities if everything you do upfront outweighs the future benefits.

**In 2016-17, the GBP 2.47 billion British consumer healthcare market suffered a slowdown, with OTC market growth decreasing from 4 to 0.4 percent and volume declining by 1.5 percent. What are the trends influencing this slowdown?**

It's difficult to pinpoint just one cause. Certainly, I think consumers are feeling a little less confident, are becoming more cautious, and are looking at where they spend their money. But if you look at our market, the average price of a consumer healthcare product is GBP 2.94.

Online retailers have also had an impact and discounters are looking at key ranges. British consumers have a great amount of choice. They can buy the branded product, but also the own-label one, and I think this is great that we can give consumers the freedom of choice. The companies bringing the brand will continue to innovate. If you look at products being reclassified from prescription-only to over-the-counter it's always the brands that will be investing in those new products as well as offering new flavors and new tastes. The market is seasonal to a large degree. Some years you have cold and flu seasons where the virus is more prevalent, some years you don't. And our industry is affected by such seasonality.

**What are your predictions for the latest market figures?**

Nielsen provides us with a snapshot of the market twice a year and the next one will be in March. I don't see the market changing drastically in terms of growth, but I see reclassification as a strong driver of future growth. Reclassifying medicines from prescription-only to either Pharmacy (P), where it can be sold under the supervision of a pharmacist, or General Sales List (GSL), where it can also be sold in other retail outlets like supermarkets and corner shops, is very positive and supports self-care. We work very hard with the MHRA and have meetings with them on a regular basis to discuss the reclassification topic. In 2016 we hosted a joint seminar on reclassification which was the result of a good honest discussion between our two organizations to align our interests. It was about improving communication going forward between industry and the regulator and I believe this has been very positive for both.

Giving more people greater choice to be able to self-care can reduce pressure on the NHS. The NHS currently cannot cope; beds are full and GPs have less time to attend to patients. Reclassification is therefore great because it gives people a greater choice. Treatments for malaria prevention, allergies, and erectile dysfunction have all recently been reclassified, which is very positive for self-care.

I strongly believe that the MHRA is one of the most forward thinking regulatory agencies in Europe. They are very positive and happy to have a rapport with industry. They want to get things moving in the right direction. And that worries me as Europe goes forward. I think the MHRA has a very positive influence in European discussions, and it works closely with the EMA which has been based in London. Clearly the EMA has to move and will do so, but the MHRA is more positive and pragmatic than a lot of other regulatory agencies in Europe and I hope it will be possible for MHRA to still have a voice in EMA discussion after Brexit, otherwise I am sure that voice will be missed.

**The UK is very much at the forefront in terms of self-care. For example, Boots has had a wide choice ever since the 1980s. How would you characterize this unique British attitude towards self-care?**

I think people have been brought up that way and they believe in having that wide choice. British consumers trust brands, they love them and you can see many brands throughout different parts of the market. Clearly, brands in the UK are the leaders in developing new products, and innovating in terms of bringing new products to the market, be that through reclassification or developing new formats or flavors. It goes back to choice. The UK consumer loves choices. If you are cost conscious and you want to buy the generics, they are there, but British consumers see the value in brands. Brands, for me, are part of the UK psyche.

**Just how important is the self-care market to the British economy?**

It's worth GBP 2.47 billion, and units are about 841 million with an average price of GBP 2.94. We are a large employer and a responsible taxpayer. We have brands and products that people can use to self-care and get relief from the symptoms of minor health concerns. That enables them to get on with their day, get to work and fulfil their commitments and responsibilities, keeping the economy moving. We are a big industry without a doubt, and we continue to want to bring new products to market and try to get more people to self-care so that fewer people are dependent on the NHS and their GPs.

**That's a big change of getting people to self-care...**

Self-care is one of our core pillars. We want to empower more people to self-care more of the time. We are calling for Government to develop a national strategy to provide the national leadership and policy co-ordination necessary to embed a self-care culture. One of the measures we'd like to see is GPs having a "recommendation pad" that GPs can use to recommend an OTC product to their patient, so that person can self-care. We would also like it to be easier for people to buy OTC products and one idea is to reduce the VAT on OTC products. Nicotine Replacement Therapy has a reduced rate of 5%. Why couldn't all OTC products have a lower rate?

In the longer term, we also need to consider how we continue to improve the health literacy of individuals. I still think it's confusing for people to know where to go if they are not feeling well. The A&E (emergency department or casualty)? The GP? The pharmacy? We're trying to help people with the right information and signposts so they know where to go.

Lastly, we are keen to empower pharmacists so they have the tools to more effectively support people to self-care. Pharmacists can access individuals' records, but they can't add to them - we think they should be able to. Also they should be able to fast-track people into other healthcare services when they see people with red flag symptoms (things that could indicate a more serious condition). We need to empower pharmacists so they become a really good front line and have the tools to either offer advice or recommend an OTC treatment to the individual to manage their symptoms or refer them on when it is something more serious.

**Do you have any concluding words?**

I'm very positive about the consumer healthcare industry in the UK. We have a great industry and some great brands. I think we will manage our way through the EU exit, and that there will be a sensible conclusion. There has to be. Our focus is to make the case clearly to politicians so they understand the need for mutual recognition agreements and a sensible transition period to ensure citizens across the EU continue to have access to OTC products. The industry wants to maintain close links with the EU and we will do all we can to make sure this happens.

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