Paul-François Cossa – Country Chair & General Manager CHC, Sanofi Czech Republic & Slovakia



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03.03.2020

Tags: Czech Republic, Sanofi

Paul-François Cossa, country chair of Sanofi Czech Republic & Slovakia and General Manager CHC, reviews the outstanding performance of the company in 2019, breaks down his new vision for Sanofi in the Czech Republic and Slovakia after the divestment of Zentiva at the end of 2018, and explains how it ties in with new CEO Paul Hudson's strategic priorities. Cossa also lays down his strategy to grow above market in the dynamic and mature OTC environment. Finally, Cossa discusses the industry's efforts to improve the market access and pricing environment for innovative medicines in the country.

Paul- François, could you start by introducing Sanofi's footprint in the Czech Republic and your performance in 2019?

Sanofi remains the number two player in the Czech Republic, despite the divestment of Zentiva at the end of September 2018. We represent five percent of the Czech pharma market which is valued at about three billion euros and growing rapidly, with a six percent average annual growth rate. Despite being a sizeable player already, we managed to grow at the same pace as the market in 2019, strengthening our leadership position.

The main growth engines were specialty care, consumer health care, and cardiology and vaccines, and we expect these areas to continue leading the growth in the coming years. Within specialty

care, immunology and rare disease are driving performance. In 2019, we had the opportunity to launch Dupixent, the first biologic treatment for atopic dermatitis, in the Czech Republic, and is soon to be launched in Slovakia. The second growth driver is consumer health care (CHC), our over-the-counter (OTC) medicine business unit. We have a long-standing presence in the Czech OTC market and, as a result, Sanofi is a household name in the country: one out of ten drugs sold in the Czech Republic bears the Sanofi logo. In particular, our portfolio includes two of the best-selling brands in the country, Ibalgin (ibuprofen) and Paralen (paracetamol), both historic local brands known by most Czechs. Although Sanofi is already number one in the OTC market, we grew by mid-single digit in 2019.

Not only are we growing the business, but the teams as well. In 2019 alone, we hired 47 new associates, a more than 10 percent increase in the workforce, bringing our total headcount to about 430. The new hires are to support the growth of the business, but also the role the Czech affiliate plays as a hub for Central and Eastern Europe in certain functions, such as managing external production through contract manufacturing organizations.

To sum up, 2019 was a fantastic year for Sanofi in the Czech Republic, not only in terms of financials, but also in developing our overall presence and footprint in the country.

2019 was an exciting year for you personally as you started as Country Chair of the Czech Republic & Slovakia. What strategic priorities did you put in place to leverage opportunities and overcome the challenges you identified?

To clarify, in every market, Sanofi is organized in four business units. Sanofi Genzyme is our specialty care division, which includes for example oncology, immunology or rare diseases. The Primary Care business unit includes our innovative portfolio of diabetes and cardiovascular drugs, as well as all of our established medicines. Thirdly, Sanofi Pasteur represents our vaccines division. The fourth business unit is CHC. In addition to being Country Chair, I am also General Manager of this business unit.

The decision to divest Zentiva represented a significant event for the Sanofi group, but was particularly felt in the Czech Republic as Zentiva was, and still is, a strong local generics company here. Understandably, many people were emotionally attached to Zentiva. As a result, after the divestment, there was a real need to rally our local teams around a common vision and mission as a Czech and Slovak organization. That was my number one priority: re-engaging our people by defining a vision of who we want to be in the Czech Republic and Slovakia whilst building the roadmap to get there. I wanted to reignite that pride of belonging to such a great company as

Sanofi. We officialized the new vision a few months ago embodied in the words “People Proud to Care.” Each word is important: “People” is the first word of the vision because everything starts with the teams. “Proud” is because we believe there are essential reasons to take pride in being part of Sanofi. Finally, “Care” is what unifies all four business units. Caring for people is what makes all of us get up in the morning.

In order to make this vision a reality, we defined four main local objectives to accomplish by 2025. The first is putting people first in everything we do. Secondly, we want to transform Sanofi into a brand people love, not just a brand they know. The third objective is to become more agile in our ways of working and simplify the organization. Finally, we wish to foster a “Proud to can” attitude. When working in a global matrix organization, it can be difficult to ensure an agile way of working at the local level. The idea is that the result of the team must be greater than the sum of its parts by working collaboratively to produce greater value. Once we defined the objectives, we translated them into concrete projects.

At the global level, Sanofi is also redefining its vision with the recent appointment of Paul Hudson as new CEO. In December, he unveiled a new strategy that includes a plan to bump up Sanofi’s business development efforts, reorganizing the company’s business units, with a particular focus on specialty care and vaccines. How are you preparing to roll out this strategy here on the ground?

There are three axes in the new global strategy that will impact us locally moving forward.

Number one is focusing our efforts on the main growth drivers in specialty care and vaccines. In specialty care, Dupixent has the potential to become a mega blockbuster globally and we launched it last year in the Czech Republic with outstanding results. The next steps are to launch in Slovakia as well and expand into other indications such as asthma. In vaccines, we recently launched Vaxigrip Tetra in both the Czech Republic and Slovakia, and we need to continue working here to reach its full potential.

Secondly, Paul Hudson expressed his desire to free up resources to invest in future growth by operating in a more efficient and agile manner. As I mentioned, we need to play our part as a local commercial organization by redefining the ways of working.

The third priority is to implement the new Global Business Unit (GBU) model which Paul announced. Sanofi is going to be organized around four GBUs: General Medicine, Specialty Care, and Vaccines will form the three so-called core GBUs. The CHC business unit is the fourth, and will be “carved-in”, to operate as a standalone business. I am fully confident this is the right move from my

experience managing the General Medicine business unit in Canada and now the CHC unit here. CHC requires an agile operating model, with unique sales and marketing activation levers. It is not only about activating healthcare professionals (HCPs). OTC includes direct-to-consumer channels with traditional and digital media. We intend to implement this new GBU model in the coming 18 to 24 months. It is very exciting because in a way we are creating a new company by carving-in CHC. We need to rethink the roles and the operating model to win in the OTC market.

When we spoke with Sławek Ludwiczuk of Bayer Consumer Health, he explained the dynamic channel shift in the OTC market with the increasing consolidation and vertical integration of pharmacies, coupled with an emerging e-commerce and mass market. As General Manager CHC, what have been your priorities to be in the driver's seat of these dynamic trends, instead of just a passenger?

The Czech consumer healthcare market is fascinating due to the level of maturity it displays compared to other European markets. The pharmacy market is extremely integrated with wholesalers controlling retail pharmacy networks. For instance, ViaPharma, one of the top wholesalers, is affiliated with Dr.Max, the largest pharmacy chain in the country with its own private label OTC drugs. I believe other markets in Europe will move in the direction of the Czech market, although the level of integration will depend on the legislative environment.

The key question for us is how to strengthen our leadership position by competing effectively against these integrated players, who are also our commercial partners. We have defined three main axes to reach this goal.

The first is focusing on fewer but larger bets. It is very difficult to succeed in this market if you are not the top brand. As players compete fiercely in the media landscape, spreading media investments on too many bets would not allow you to reach critical mass. So, we need to focus on battles we can win, whether for new launches or promoting specific brands. Being focused also means switching from the "carpet bombing" marketing approach through traditional media to precision marketing through digital media.

The second axis is channel diversification. The Czech consumer healthcare market has made major advances in e-commerce. Interestingly, the Czech Republic is one of the few markets where Amazon is not present as there are strong local players, which really showcases the strength of the country in digital innovation. We need to diversify our sources of growth by entering channels where we do not have a strong presence, and e-commerce is definitely one of them. By

diversifying, we believe we will be able to reduce our dependence on large chains.

The third element is disruption. As the top player in the market, we need to be the one bringing disruptive business practices. For instance, we are already disrupting the way we engage with HCPs face-to-face by moving towards a multichannel approach including remote detailing, emails and webinars, providing more flexibility, and thus more opportunities, for HCPs to connect with Sanofi.

We believe that executing on these three axes will enable us to continue leading the market. Our goal is to grow above the market, which is an ambitious statement given our leadership positioning.

Regarding innovative pharmaceuticals, the Czech Republic lags behind the rest of Europe in terms of market access timelines. How do you collaborate with key stakeholders to improve the environment?

Innovative pharma companies operate under a complex business model as developing a new drug takes 10 to 13 years, costing on average 2.5 to 3 billion euros, while the probability of success is only 10 percent. At Sanofi, we are committed to innovation with more than 80 projects currently in clinical development.

In the Czech Republic, a lot of efforts have been made to support access to innovation. There are still, however, some limitations in ensuring the best possible access of Czech patients to innovation. The first one is related to strong price pressures which limit our room for maneuver to launch innovative therapies while creating value for the company considering the complex business model pharma companies have to navigate. The second is the budget cap defined for the reimbursement of innovative drugs.

As part of the Association of Innovative Pharmaceutical Industry (AIFP), Sanofi is very much involved in trying to shape the environment in a way that provides a better frame and visibility for bringing innovation to the Czech market. Together with our peers, we are pursuing a two-pronged approach.

The first priority is to concretely show that innovation is not a direct cost but an investment which generates economic, social and demographic benefits. This is not a belief, but a hard fact supported by evidence. Last year, the AIFP sponsored the *Innovation for Life* study. Pharma companies, including ourselves, participated in the study. The data was combined with health and

socioeconomic data and analyzed by reputed academics. The results, published in November of last year, clearly show the added value of innovative medicines for society as a whole.

The second priority is to ensure that the criteria used to price and reimburse innovative drugs are broadened to take into account these benefits, for instance by considering the additional tax income generated by improving the survival and quality of life of patients who are then able to return to work.

In 2020, we will concentrate our efforts on communicating the fascinating results of the study to health authorities in order to shape how they view innovation and how it is treated in terms of pricing and reimbursement.

You mentioned that as part of your new vision, you want Sanofi to become a “brand people love”. What would you like Czech people to think when they hear the name Sanofi?

I want people to think of Sanofi as a company that cares for people at every stage of their lives and for every type of disease, from the most benign to life-threatening conditions. Whatever your age, the seriousness of your condition, or the therapeutic are, we are here to care.

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