

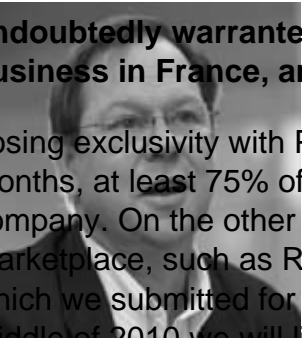
Interview with Emmanuel de Rivoire, Country Manager, Nycomed France

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tant patent with Pantoprazole in the middle of 2009, which has undoubtedly warranted some restructuring. What has been the impact of this loss on business in France, and how are you preparing for the future?



Losing exclusivity with Pantoprazole is huge as it was 70% of our revenue in France. In the past six months, at least 75% of this business has disappeared which obviously makes us a much smaller company. On the other hand, in the coming years, we know we will have new products entering the marketplace, such as Roflumilast (Daxas®) for chronic obstructive pulmonary disease (COPD) which we submitted for registration in Europe in May, 2009. While we anticipate EU approval in the middle of 2010 we will likely not be able to launch until mid-2011 based on the average reimbursement discussion period. Therefore the big issue has been: how do we maintain our presence in France during this two year gap between 2009 and 2011? This disparity is too short to make a definitive change to the model but too big to do business as usual.

The strategy we came up with was to develop a partnership, which is the way Nycomed globally likes to approach the pharmaceutical industry. We feel we can provide to our partners knowledge of the general practitioners and a powerful sales force so in early 2008 we began searching for a partnership in France. Our approach was very systematic and I would estimate we met over 20 companies which resulted in a deal with MSD in April 2009 to co-promote Maxalt® which is the gold standard of anti-migraine treatment. This agreement is good through the loss of exclusivity of Maxalt® in 2013.

To go back to Pantoprazole, there were added challenges as well because it was marketed under two brands in France; one was Nycomed's Eupantol® and the other sanofi-aventis's Inipomp®. Our agreement with sanofi-aventis was to repatriate the Inipomp® brand at the beginning of 2009. This deal meant we had to manage the repatriation at the same time as prepare for the inevitable generic erosion.

In order to handle this erosion for both brands, we had to engage intensively in direct-to-pharmacy sales which have proven a fairly successful tactic thus far. We monitor our share of the market weekly in order to measure our effectiveness and as of last week we have held on to 26% of the market. Compared to other molecules this is a satisfactory result, while I cannot call it fabulous it's most certainly not a catastrophe given the circumstances.

Our last move of 2009 coincided with our Nycomed's headquarter decision to launch an OTC version of Pantoprazole on the French market. We received EU-centralized approval for the 20mg dose of the drug, which is not very easy as it has to be granted in unanimity by the 27 member

states. Despite having no knowledge of OTC in the French market we went ahead with the launch which required the establishment of a new local division. Currently, 6500 pharmacists have already bought the OTC version out of the 22,000 or so pharmacists in France which demonstrates a significant launch.

Overall, 2009 was a really intensive year as we lost a lot of business but also succeeded in bridging the gap in preparation for the Daxas® launch not to mention establishing an entirely new division. 2010 will be spent preparing for future products such as Instanyl® for mid-2010, which is Fentanyl-based intra-nasal pain reliever which is the first product of its kind and meant for cancer patients.

Worldwide, Nycomed is already well known in the OTC business despite being new to the market in France. Does this first OTC with Pantoprazole represent a new way forward for your business here?

The OTC business represents several things, most notably it is added business and due to the recent loss of exclusivity, we are chasing all additional revenue segments. However, it's important to remember that the overall OTC market is still comparatively small to the Rx market so it alone cannot offset our losses from Pantoprazole. Moreover, the overall business model is different requiring higher initial investment with periods of return on investment. Yet this is a tradeoff for sustainable brand value that comes with the OTC market as there is no patent issue.

In France, we recognized that Pantozol Control® was a big enough opportunity to justify the establishment of an entirely new division; there are very few opportunities of this size that come along. Many companies in this field are used to promoting five to ten products in one call yet with Pantozol Control® alone we can breakeven in this segment. Obviously, we do not intend to maintain only one product and we will look to bring other compounds to market.

Another big factor behind our move into OTC is my belief that pharmacists are becoming an increasingly important customer in the overall pharmaceutical business. An internal OTC business is the best way to ensure we have constant interaction with pharmacists and can control our image in the market. With the launch of Pantozol Control®, our pharmacy sales force will now have the ability to not only market our OTC but our Rx offerings as well.

When we spoke with AFIPA, representing the French OTC segment, they noted the large amount of change going on at the moment, especially with the approval of "libre accès" in pharmacies. What potential do you see in the French market right now?

While it's true that the overall OTC market is much smaller than Rx, the growth rate is in the double digits while Rx is only in the 1.5-2% band. Clearly there is opportunity here which is why we felt it is an important business to enter. We also recognize that "while it will not be easy" we will be able to feed our OTC portfolio with Nycomed brands from other markets. This is not a copy-paste operation as we have to see which local dossiers can be duplicated and submitted to French authorities but there is potential.

Your German counterpart, Stefan Brinkmann, he noted that the respiratory business will be very important for him in the years to come with the release of Daxas®. Is this the same for Nycomed France?

Absolutely, Daxas® "for COPD" will be our number one product by 2013. I believe in Germany they already have some respiratory business that we do not have here due to reimbursement reasons so Daxas® will be our entry to this therapeutic area in France.

Historically, France has been one of the most important affiliates of Nycomed, as the next few years look relatively difficult, will France remain in this position?

France was clearly a top three affiliate of Nycomed but with the loss of Pantoprazole we will likely decline to the sixth or seventh market over the next few years. Nevertheless, we should remain a significant affiliate and while its possible markets like Spain and Italy will surpass us in the medium term, we will eventually return to the top. This is the nature of the business and will at the very least remain in the "first league".

As your experience in the past year has demonstrated, the industry is very cyclical and it's hard to match loss of exclusivity with new launches. What will the structure of Nycomed France look like in five years time ideally? Will it be reliant on the blockbuster Daxas®; will the OTC market grow in importance?

The structure as it's designed now with our MSD partnership can sustain the Daxas® launch although it may require some external partners in order to ensure we are powerful enough to manage the sales. While the plan is not yet finalized, we know we will need a bigger sales force and that we do not have enough business aside from Daxas® to field more representatives. Again, I must note partnership is the DNA which makes Nycomed.

In regard to OTC business structure, the marketing and strategy is done internally while the sales force itself is outsourced with exclusive representatives. Whether we will internalize this in the future is effectively an accounting issue as they are managed much like our people. I believe that the size of this sales force should increase over the next two to three years but the magnitude of this expansion will depend on both the sales curve of Pantozol Control® and the adoption of other OTC offerings to our portfolio.

Speaking to the "DNA" of Nycomed; many managers we have met have remarked how the ownership structure of a company in many ways can reflect onto the culture of a company. Nycomed has a fairly unique structure in that it has just a few private equity stakeholders. How do you believe this translates into the business culture of Nycomed?

To reflect upon the first part of the question: this can be true and not true. Being owned by equity funds may frighten many people who think their stakeholders are short-term minded and only concerned about certain ratios which would lead to uncertainty and instability among the ranks. In reality, it's different at Nycomed as the owners have been backing the company for quite a while. How long they will be around for is not a question I am here to answer. However, what I can say is that despite having a private equity structure, we are not a publically traded company which means no one can play back and forth with the ownership.

Secondly, we are a company of Scandinavian origin and for whose people, culture is extremely important. Since the integration of Altana Pharma, there has been a big emphasis on developing Nycomed's culture and ensuring our employees are aware of the company's values. These values make the organization more stable and less affected by the anxiety that can come from private equity ownership. In the end, our performances are the best way to convince these funds to stay with Nycomed. So far, the performance of Nycomed since the acquisition has outperformed the original case for Altana Pharma that the equity funds put forward, so have to be happy with their investment.

You have moved around several times during your career, coming to Nycomed France in 2007 as Altana Pharma was being incorporated and a new culture was being established. You also had to know that there were challenges ahead with the portfolio, what made you decide to return to France and "jump in the fire" with this group?

These decisions are always a combination of things, first of which are family reasons and after five years abroad we wanted to return to Paris. After this, the question becomes why Nycomed and not another company? The answer is quite simple: Nycomed in France was extremely exciting. The take over of Altana Pharma had been committed at that point in time but the real integration was still to come which would require a total rebuilding of the company in France. It was really exciting to take two companies, located in opposite sides of Paris and put them together. I feel the real integration really started to begin when we came together here inside Paris. Many people decided not to follow the company due to distance and other issues so we had to rebuild nearly everything.

The second attraction was the entrepreneurial aspect of Nycomed which you do not experience much at the local level in many "big pharma" companies. There is so little left to decide at the operational level in some that you have to ask you boss if you can change the sales representative's bonus schemes. At a certain point in time I decided I wanted a more flexible company and when I look at our actions in 2009 it is a good demonstration of our ability to be entrepreneurial a the local level.

The past two years have clearly been busy for you and Nycomed, what have they taught you about being a manager?

It's been really fascinating. I had to learn how to build a company with an existing team full of people I had not chosen while putting together two cultures and many different characters. Before I arrived there had been virtually no management-team meetings for six months so it was a challenge to put together people looking for a boss yet who had worked independently for such a long period of time that they had forgotten certain team habits. I really found myself needing to raise the spirits of the team and get people working together because we had already lost so many people if we were to start dismissing at will we would threaten the core functions of business. Making the best out of the pieces you have was the best lesson.

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