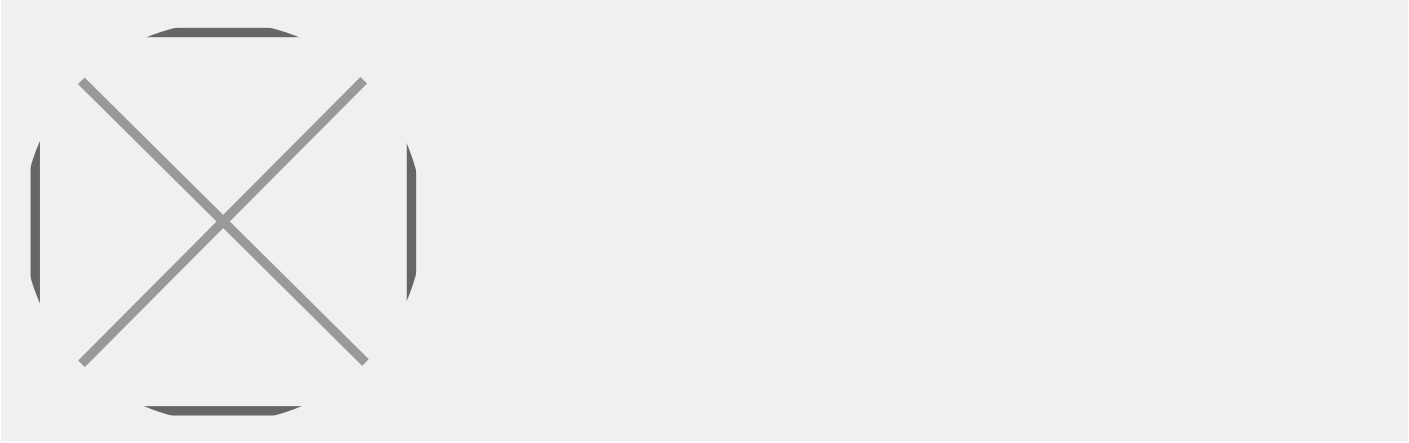
Interview with Dick Sundh, General Manager, Gilead Nordics, Sweden.



05.06.2013

Tags: Gilead Nordics,

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As the blockbuster sales model fades, the rush is on for a new formula for growth, termed 'Good growth' by Pharmaceutical Executive: niched, balanced & sustainable with high margins from protected pricing, more patient-friendly than patent-centric and with revenues coming from a deep reservoir of unmet medical need. How well do the new realities of the pharmaceutical industry fit Gilead?

For us it is not a new reality. This has been our reality from the start; it is what Gilead is based on as a completely science-driven organization. A lot of competitors say they are science-driven; I believe a lot of them were once science-driven, but as they grew bigger, the drive shifts towards the commercial end. Gilead is still extremely science-driven. Our Chairman and CEO John Martin and our Chief Operation Officer John Milliganare scientists and they are still driving the company.

We concentrate on areas of unmet medical need. The niche-part of the new model is exactly where we are in: we are involved in HIV, in antifungals, hepatitis B and soon hepatitis C and oncology– highly specialized niche-products.

Gilead is the second-most-valuable independent biotech company after Amgen. Some analysts have pointed out that, with its vigorous focus on Wall Street, some 'Big Biotech' companies are starting to resemble 'Big Pharma.' Is Gilead subject to this plunge?

Not much. At Gilead we chose not to focus on share price but rather on our daily business, which is curing and treating patients. The stock price is not affecting our daily business.

We focus on unmet medical need – there is a large emphasis on the science that creates patient-value. Revenues and stock prices are just an effect of those two matters. It is not the other way around. If you succeed with those two, the other things will come naturally.

Innovation is the battleground of our industry. Gilead is diversifying beyond HIV into cancer & hepatitis as patents expire and competitors try to move in. How confident are you that Gilead will be able to replicate the success of its HIV-products in hepatitis C and oncology?

Very confident. We believe that given our focused approach we can offer solutions for patients with unmet medical needs . As mentioned previously, given our science-driven approach we believe that we can do what is right for patients across many disease areas.

What sets Gilead apart from its competitors when it comes to ensuring a strong pipeline?

I regularly discuss this question with colleagues and try to find out how it can be that Gilead can be so innovative all the time. It is not easy to answer.

A lot of companies try to replicate Apple's processes. With my previous employer our process for innovation was exactly the same as in Apple. We even hired people that had worked with Apple and used them as consultants. But doing things the same way does not necessarily lead to the same levels of innovation.

I do think it is a lot about culture and atmosphere rather than about processes. Our people are really motivated and this is something that is prevalent throughout the Gilead organization: people enjoy what they are doing;there is a sense of enthusiasm, and pride about the company and what we are aiming to achieve.

If you compare Gilead with companies like BMS or Bayer, Gilead has a similar market capitalisation – but it relies on much smaller human resources. What does the term 'lean management' mean for the company?

We actually like to say responsibly lean.. Firstly, if you hire too many, you cannot keep up the quality. Secondly, with this structure we can focus on hiring the best talent and on making sure that they are focused on the right things.

Being responsibly lean automatically means taking out practically all of the overhead that big companies usually struggle with. At Gilead we are so few that we just have to work on the most important matters; we simply focus our efforts accordingly. That is an extremely powerful way to ensure that we concentrate on what really matters.

As the focus of the global industry shifts towards the BRICS-countries and emerging economies, what is the significance of the Nordics for the company?

The Nordics provide an environment that is easy to operate in: cooperation is at a good level, we have a well-functioning health system, etc. At the same time, we are small markets of a combined population of roughly 25 million, which compared to Europe's biggest markets is still small.

In addition, the prevalence of our disease focus HIV/AIDS, Hepatitis, is rather low. But we have a steadily growing business opportunity.

Should the innovative industry resolve that major growth shall no longer come from mature markets, or do you see significant opportunities?

I most certainly see opportunities. I do not think Gilead is driven by the run for the BRICS. In Gilead we have a lot of growth coming from markets that others would call mature. We are not yet in that phase where we have to say, we hardly have any growth coming from mature markets so we have to focus on China, Brazil, Russia. We go to these countries, but it is not to cover growth that we do not generate in the western world. Rather it is to expand access for patients wherever we can.

For instance, the unmet medical need in hepatitis C is huge. Even though the prevalence in the Nordics is not that high, there still are a lot of untreated patients. In a company like Gilead, everything is about the unmet medical need. Here we are just serving an unmet medical need, which is very obvious. I am really looking forward to bringing our new products to the market.

Is the Swedish government sufficiently rewarding innovation?

I think that today they are. The value-based pricing has developed into a successful model that forces companies to show that their innovation is actually worth something. For quite some time, it has been a successful model.

I am a little bit more critical towards the new model that has been proposed, which suggests mixing value-based pricing and international reference pricing. I think we need to do 'either', 'or'. It would

be rather strange to first approve a product through a value-based pricing system – meaning you believe this drug offers good value for money – and then, five years down the line, have the product price adjusted by reference pricing.

I fully understand the reference pricing system and the mechanisms, and prefer a value-based pricing system, but I understand why the government wants to do it. Combining a value-based pricing system and international reference pricing is something that I cannot understand.

This may allow the government to save a lot of money, but it will most certainly not promote innovation.

To which extent is success determined by realizing that old, traditional sales models do not work in the highly developed Nordic markets anymore?

I believe very few of my competitors are still in the process of making that change. Most of them have done it several years ago.

Who led these changes? Was it a case of big pharma following biotech?

I do not think it was a case of one following the other. I think that many people in the industry realized around the same time that things needed to change. Some were of course quicker to change than others.

Of course the consequence of this realization is much bigger in an organization with 150 reps in Sweden than it is for a small biotech company that is running five reps. The implications are bigger, but the fundamentals of the change are the same.

It appeared to me that this was another case in which the leading biotech companies are driving industry changes.

If you have innovation, if you really bring value to patients and payers, you do not have any problems. People are eager to have you in their offices and actually call you to come and talk about your innovation.

I sit in a number of industry meetings, and in our dialogue with payers and politicians a lot of my competitors focus on expressing complaints about the environment getting so challenging and cost-containment making life so difficult.

But that is not the real issue. The real issue is a lack of innovation. If there was enough innovation, the payer would be happy to put down money for the extra cost.

So yes, changes are driven by biotech. That is where innovation comes from. But I think that we need to give the big pharma companies in this world credit for what they do really good. And talking about the kinds of changes we just talked about, changing the role of sales reps etc., a lot of that is still driven by them, because they do not have the same output of innovation.

This puts a lot of pressure on their business model: what do I do when I no longer have 15 percent growth in Sweden but rather a 20 percent decline and 150 reps that cannot get access to the doctors? In such a situation companies are forced to implement operational changes such as right sizing, changing the role of the sales reps to key account managers, etc, and try in every possible way to introduce cooperation with payers and local regulators. They have been really good at doing that. Is it enough to overcome the lack of innovation? No.

Where will you have taken the operations of Gilead in the Nordics if we would meet again five years from now for the next edition of our report?

Five years from now we would have grown our business significantly, but we will not be much bigger in work force – like I said: responsibly lean. We will have a much more balanced business and our new therapy areas will contribute significantly. .

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