Interview with Patrice Zagamé, CEO, Novartis France

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You worked for many years in emerging markets, especially in Latin America, but also in neighbor countries such as Spain. How these previous experiences in very different markets can now help you direct the world's third largest pharmaceutical market?

Experiencing different patterns, trends and types of businesses gives you a valuable learning that is very useful when you have to adapt quickly to new realities. This greater flexibility and sensitivity is what my previous experiences in different countries like Venezuela, Brazil, Argentina and Spain have brought me. More concretely, the bigger advantage that my experience in 'out of the pocket' markets gave me is a greater sensitivity for the point of purchase – that is, pharmacies – which in France was somehow forgotten until recently.

The potential alliance between the prescription industry and pharmacies is still poorly developed here and the reason behind it is that the local industry has been only focused on the physicians for decades. The new healthcare reform tries to change that. It gives a pivotal role to pharmacists and expands their potential scope of interface, although the law also prevents the industry from getting too close to the point of purchase (pharmacies).

To be in Brazil and Spain – two very regionalized markets – was also of special value to the French context, which is now heading towards regionalization. The epitome of the concept is Spain, where regional governments have autonomous decision on drug listing. The HPST reform (La loi Hôpital, Patients, Santé et Territories) brings to France a wider scope of decentralization and regionalization. Obviously, I believe the French government has not aimed at the same model we have in Spain, but there will be some similar elements here. Therefore, my previous experiences in regional management are also relevant for the expansion of Novartis French affiliate in the

changing local environment.

As you said, the French healthcare system has experienced a number of changes in recent years that will reshape the way the French pharmaceutical industry operates. Do you believe the current changes are leading the local industry towards the right direction?

Novartis acknowledges the French government's efforts to adapt the French healthcare system to the new realities and challenges faced by the French society and we do support their current initiatives. It is also true that further reforms should be made to increase the productivity and efficiency in the healthcare approach towards patients – parcours de soins santé – in order to guarantee the optimization of the patient flow in the French system. It is clear that the pharmaceutical industry must support this initiative for the good of patients and for the better use of the public resources, since this is the center piece of the current debates.

Novartis is supporting that and is opening a dialogue whenever possible with authorities to give our point-of-views and propose directions to work on. We want to build a close alliance with public decision-makers to improve programs and surveys or highlight pieces of the healthcare system that might be suboptimal and should be improved for the benefit of us all.

Novartis is a well established player in France. However, when compared to other major developed markets such as Germany, the French affiliate can be said to lag behind in terms of manufacturing and R&D capacity. How does Novartis France respond to this?

The French affiliate is very competitive throughout the entire spectrum of activities where Novartis operates. You name the commercial part and it is clear that Novartis France is the fastest growing major player in the French pharma market.

For instance, Novartis has been one of the pioneers on Biotech development and manufacturing in France. Ten to fifteen years ago we were one of the first companies to set up a very advanced biotech manufacturing facility in French soil. Today Novartis France is one of the most prominent players in biotech manufacturing; we are expending the product range of these facilities and developing a center of excellence that will work as a hub for other Novartis' biotech manufacturing facilities around the world.

Furthermore, on the development business Novartis France is very competitive in comparison to other companies. We are active from phase I through phase IV and we are covering the entire French territory. Novartis works with the best recognized local institutions in all areas where we operate. Following the last Conseil Stratégique de la Industrie Sante (CSIS), we announced the opening of an onco-development center in France which will be the third largest worldwide in the group. It will also play the role of a European hub for research; bringing together researchers from all over the world. We will start with about 30 of them and eventually increase to between 50 and

80. This is a very interesting investment which brings Novartis France to the frontline of research, not only development.

Novartis has been one of the main protagonist among 'big pharma' in trying to overcome the blockbuster model and expand its product portfolio through both M&A in different niches as well as heavy R&D investments for the expansion of the product pipeline. How is the French affiliate building the necessary synergies between Novartis' widespread activities and what have been your main growth drivers in the French market?

You raised two important pieces of our strategy. One is the diversification of products with all our units (OTC, Generics, Vaccines and Pharma), which will properly answer to the healthcare challenges of the population. We need more prevention worldwide and Novartis, like no other, can offer it through its vaccine and diagnostic businesses. This is an expanding part of the company where we have been extremely successful with the flu vaccine and also with products in meningitis area, for instance. In the prescription business, Novartis has a widespread portfolio. As opposed to other companies, our portfolio is wisely balanced between chronic diseases, cancer, neuroscience and so on.

The self medication market is not very developed in France. The local culture is not around self-medication, as opposed to other countries, but it will slowly change. We can foresee that this market will expand due to the increased transfer of healthcare towards patients that, with further education, will demand more of these products. The other public health need Novartis is ready to fulfill is that for cheaper drugs, for which our generics division – Sandoz – is responsible. As you can see, Novartis covers a wide range of the health needs within the French society.

Regarding Novartis main growth drivers, the Pharma division is the main responsible for growth in France and within pharma it would be difficult to say which area is leading the pack since most of them have a substantial growth. We could just as well name the cardiometabolism area, the oncology area and neuroscience, which are all major pillars of Novartis sustainable growth.

Novartis is increasingly internationalizing its structure to become a truly global player by investing heavily in emerging markets. However, more than 50% of its revenues still come from Europe. As this scenario is inevitably changing, how is the French affiliate adapting to it?

It is clear that Novartis is transferring part of its energy to emerging markets, for example China, which holds the highest growth potential for the near future. Naturally, this trend is bringing a certain drain on resources for the rest of the company because either you pile up on your current spending or you optimize your expenditures elsewhere to dedicate part of the group's international revenues as investments in those fast-growing markets. That's the logic around and as a European affiliate Novartis France has to support this growth. This forces us to bring more productivity to

European operations even though the local scenario might play against it with increased cost-containment policies.

This is forcing European affiliates to get more productivity since, as you said, Europe still counts for 50% of the Novartis global turnover. We have huge challenges such as a fierce competition in European markets; hence we need the necessary investments to maintain our competitive position and our investment in research.

The solution to this challenge is around quality and excellence. It is around opening the dialogues with governments to discuss how together we can maintain the attractiveness of European countries taking into account the reality that, yes, today the pharmaceutical turnover worldwide is relying on Europe, Japan and the USA but very soon it will come from somewhere else. Hence, together we have to face that challenge as opposed to remaining in a historical antagonism between public players and the pharmaceutical industry.

This dialogue has been opened again through the CSIS and there is a common understanding between public institutions to work together with the pharmaceutical industry – even French universities that have historically been very hostile to the private industry. The awareness is there, we now have to join our forces through partnerships to resolve these issues. As for Novartis France, our role is to bridge our headquarters with the local public investigators to see how we can maintain France's attractiveness.

Novartis has made great efforts in opening this dialogue through direct R&D and also as a promoter of the democratic debate around the healthcare system; therapeutic education and so on. We at Novartis are trying to have a proactive role in every debate that involves healthcare because we are convinced that these dialogues will bring the solutions the European pharma industry needs. Furthermore, through the LEEM Novartis is playing a leadership role to push the strategic influence of the association in order to promote the French pharmaceutical industry among the main stakeholders.

What would be your final message to the readers of Pharmaceutical Executive, both in France and worldwide?

As an industry, we should step out of our a priori dogma and paradigms in order to have our demands heard. We are all in the same boat of making France an attractive country. That means business, healthcare, and optimization of the overall health environment.

If we stay on the same a priori dogma and paradigms we are bound to fail. All stakeholders should really open their eyes and realize that dialogue is the only way out. All affiliates of MNC in France, all French companies and all relevant government actors have to sit at the same table and dialogue in order to make sure they maintain the local attractiveness to – at the end of the day – better serve

the patients at the best cost possible.

If that dialogue fails then it will not only be the industry that will be hurt, the healthcare quality will also be compromised. Novartis is actively doing its part to both boost France’s role as an R&D and cutting-edge manufacturing hub and as a sustainable and fair healthcare system.

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