Interview with Andreas Fibig, CEO, Bayer Schering Pharma

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If 2006 acquisition of Schering by Bayer is a prime example of the way that big pharma is now approaching growth through acquisition in this extremely competitive and challenging global market. Given that the company seems to be finished with mergers and acquisitions for the time being, what are Bayer Schering Pharma's strategies for consolidating and advancing its position worldwide?

Bayer Schering Pharma has a growth strategy in place that will let the company grow above the market over the next couple of years, which is driven by its strong internal pipeline, and differentiates the company from its competitors. This pipeline includes Xarelto, a factor Xa product, which has the potential to bring between two and three billion euro in revenues, and will transform Bayer Schering Pharma into one of the industry's major players. Further down the pipeline, the company has other assets which have the potential to become billion euro products: for example, Riociguat, for pulmonary hypertension, is the follow-up compound to Nexavar, and can help the company grow by another five or six hundred million euros. There is VEGF Trap-Eye, which is Bayer Schering's first step into ophthalmology through a collaboration with Regeneron, which has a potential of between five hundred million and a billion euros.

Although Bayer Schering Pharma's internal growth will drive the company over the next couple of years, the business has another advantage over its competitors, in that it is not facing any LOE (Loss Of Exclusivity) on its products. This means that whilst Pfizer are preparing to deal with the loss of Lipitor in 2011, a drug that is worth seven billion dollars on the US market annually, Bayer

Schering Pharma are starting their ramp up

It has not always been the case that the major acquisitions made by big pharma over the last few years have delivered on their expected potential. The fit between Bayer and Schering Pharma was a good one, because it helped the group expand its coverage of different therapeutic areas, and increase its regional presence; before the merger, Bayer had strengths where Schering was weak, and vice versa. Adding the two companies together has only served to strengthen the new combined whole.

The company also has a very strong position in emerging markets. In most of the markets, Bayer Schering Pharma is punching above its weight. The business is ranked either 12th or 13th on the global scale, depending on the IMS panel. Bayer Schering Pharma is number one in Germany, but also in many of the emerging markets. BSP was the number one healthcare company in China last year, the third in Russia, and the sixth in Brazil. In many of these markets, the company has a much stronger position than any of its competitors. Many of these emerging markets still have very strong double-digit growth, and this will be a big help in propelling the growth of the company in the years to come.

We are here to stay: the company is almost 150 years old, and having a sustainable business model and sustainable growth is always the top of the agenda. The company has a very good chance to grow above the market over the next couple of years, and that growth will be very sustainable.

How much of challenge do you think that aim of sustainability will prove to be for Bayer Schering, given the global trends we are seeing today?

The issues today are still access and pricing, which the industry has been working on for a while.

The economic downturn will affect the pharmaceutical industry in some very specific ways. Many countries have created stimulus packages for their economies, but this leads to an increase in deficits across the world. Turkey is a prime example of how this has in turn led to prices being cut dramatically overnight. There will be pressure across the broad spectrum of industry as a result, but pharma in particular will have to prepare itself for that, which could put long-term visions of sustainability in serious jeopardy.

Research always comes into the discussion about sustainability over short-term strategies. R&D productivity within the industry is still suffering, and has been for more than a decade. As an industry we have been investing more than 11% of our budgets in R&D during this time, but the outcome has been much less than we have been accustomed to. There are different reasons for this. One is that today it is much harder to find the right product, because many diseases already have existing and effective therapies. Secondly, clinical trials are becoming more expensive year

after year, because regulatory agencies across the world are asking for more data, and for post-approval data. Companies have to find a way to finance and prioritise research and development in these new times. Since I was appointed at Bayer Schering Pharma, the company has looked at what it can do to change the traditional R&D model, and increase its efficiency, looking at what the company has to do on its own, what it can do with partners, and how it can build a smart network with other companies to help absorb innovation into the business.

Bayer Schering Pharma has three countries where the R of R&D is done: Germany, at centres in Berlin and Wuppertal; Berkeley, California, where the company does its protein research and manufacturing, and finally in China. In February 2009, the company opened an R&D hub in the country, because it believes it is necessary to do development in Asia, and in particularly in China, because it is such an important market. A strategic collaboration was quickly established with Tsinghua University, which allows the company to process research results within the country, and look for partnerships to help develop products. Bayer Schering Pharma tries to focus on certain countries and science hubs, and then focus on certain areas where the company is active: cardiology, oncology, diagnostic imaging and women's health.

Maintaining the company's strengths in the German market is also important in the search for sustainability. Although some companies are focusing either on being the biggest or the best in the industry, at Bayer Schering Pharma we believe that it is possible to be both at the same time. My dream is that whenever a researcher in the medical field in Germany wakes up and has an idea, but doesn't know how to bring this activity to life, he should think about Bayer Schering. That's Bayer Schering Pharma's ambition in Germany. We try to network very closely with all the institutions, such as with the Charité here in Berlin, the biggest university hospital in Europe. They are currently hosting the World Health Summit, and have tried very hard to make it the equivalent of Davos for the medical community. Bayer Schering Pharma tries to partner with Charité very closely to make sure that the company is very much ingrained in the science environment here.

How much of a challenge is it to maintain a focus on both the internationalisation of Bayer Schering Pharma and at the same time maintain this commitment to Germany, and continuing the R&D that has traditionally been so important here?

Many of the German pharmaceutical companies have lost their traditional positioning over the years. I started in the industry in the mid-80s, when Hoechst and the other big German companies were all in the top five. German companies may have lost their edge, but I believe that we have a good chance of rebuilding at least part of our former successes.

As well as taking into consideration that the pharmaceutical industry has its own lifecycle, it is important to note that many of the US based companies will lose many of their patents at the beginning of the next decade, which is certainly not the case for Bayer Schering Pharma. The

company’s strengths in the emerging markets could also give us a very strong competitive edge, because it has already established a very significant position there. If we boost this position even more in the years to come, it will give us more absolute growth than many other companies. An example of how we can do this is the way that Bayer Schering Pharma are currently in-licensing products specifically for the Chinese market, because of the importance of fuelling the franchise there. The company recently in-licensed an insulin from Bioton in Poland, because of the epidemic nature of diabetes in China at the moment. BSP has Glucobay, its biggest product, but this is a single-product franchise, and so the company is trying to bring in more products that fit the needs of Chinese patients, as well as the needs of patients in other emerging markets, such as Mexico, where diabetes is a significant threat.

Given that you believe Bayer Schering Pharma has the potential to be the biggest and best pharmaceutical company in Germany, what is your vision for the future development of the business?

BSP wants to be a top ten company by 2015. The company wants to be specialised in its selected therapeutic areas, and to be overweight in the emerging markets, where the company is very excited about competing. By 2015, we will have continued our lead in women’s health; we are trying hard to become one of the important and emerging players in cardiology, because with Xarelto and Riociguat we have two fantastic assets in our pipeline, and we will have built a very strong oncology franchise. Today, everybody is involved in oncology, but with Nexavar Bayer Schering Pharma has an important product with the potential to encourage double-digit growth.

Bayer Schering Pharma is also looking at ways to consolidate its achievements in the therapeutic areas where it has previously has great success. With women’s health, we have shifted our focus in research to endometriosis and myoma, whereas in the past, it was very much contraception. Bayer Schering Pharma has a strong diagnostic imaging business: the company is the world market leader, and today it is building a molecular imaging business, and the first project will be an Alzheimer’s tracer, which will hopefully be accepted by EMEA, and we can launch it in the 2011-12 time frame. Key opinion leaders in Alzheimer’s believe this technology will be very welcome, because the disease is still so under diagnosed. With a tracer, physicians will have the right diagnostic tool to start treatment at an early phase. That will be a breakthrough.

How would you describe your management style?

The most pleasure I get out comes from seeing competent people working together in a manner that creates value for the company. There are two things that drive the business: people and products. I try to be close to my people, and I try to be close to my products. That is the reason that I am very much involved in product strategy, in research and development, and I am also very close to my staff. A good example of this is that I make sure that I interview every country manager,

no matter where they are being sent to in the world.

What is your final message to the 40,000 readers of Pharmaceutical Executive?

Bayer Schering is a striving company with good growth prospects for the next few years. We want to build a high performance company, which steers a global business with global people, with a focus on sustainable growth.

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