Interview: Stéphane Joly – President, Cristers, France



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The President of Cristers discusses the history of generic drugs in France and what steps can be taken to increase generics penetration, while also outlining the 'cooperative' business model behind Cristers' meteoric rise - with a sixty-fold increase in turnover in less than a decade - from its creation in 2006.

France has been a relative latecomer to the use of generic medicines compared to other developed markets. What do you think explains this phenomenon?

There are a few reasons. In the 1980s, drug prices in France were low. French pharmaceutical companies were strong in France and were concerned of the implications that the arrival of generics could have on their businesses. There was a strong pharmaceutical lobby to protect the French market from generics.

The government did not face the same budgetary pressure in terms of having to cut their health expenditures, so there was no push to promote generics. Any major healthcare cost savings impetus – in any country – has always come from the government. In the UK, under the NHS (National Health Service), it was the government who mandated that doctors can no longer prescribe brand names but must use molecular names. In Germany, it was the Minister of Health and Social Security, Horst Seehofer, who revamped the Social Security system in Germany by mandating doctors to reduce their annual prescription expenditures compared to the previous year, or otherwise pay the difference themselves. Both these measures resulted in an increase in the prescription of generics.

Catherine Bourienne-Bautista of GEMME (French Association of Generic Medicines) was telling us about the recent progress made by the French generic market. What more can be done to increase generics penetration in France?

Generics in France have grown extremely fast. In 1999, generic penetration was less than two percent. This year, it will be 33 percent in volume. Today every one in three drugs prescribed are generics.

In 1995, we had our own initiative to reform the French Social Security system: the Plan Juppé. It was strongly opposed by the pharmaceutical companies and medical professionals. In 1998, the then Minister of Health, Bernard Kouchner, gave pharmacists the right to substitute a prescriptive drug for a generic one. Today, it is important that we further encourage the prescription of generics through financial incentives such as discounts to pharmacists. They play a key role in increasing generics penetration. A case in point is the class of anti-cholesterol drugs called Statin. In France, there is one remaining statin that is under patent, and this is what French doctors prescribe because they do not want pharmacists to subsequently substitute a generic. Compare this to Germany, where a generic statin has 90 percent of the market, because of the different incentives German doctors face.

France also needs to have a societal publicity campaign to promote the use of generics. This last happened in 2002, and another one is overdue. We need to raise awareness about the existing financial incentives for medical professionals to switch to generics. We have an initiative called the *Rénumération sur Objectifs de Santé Publique (ROSP),* which gives bonuses to pharmacists and doctors of up to EUR 6 000 (USD 6 700) if they meet a set of criteria each year. Part of this criteria includes attaining a specified level of generic prescription. Educating the public about the benefits of generics is also crucial. People often have the mistaken impression that generics are inferior to branded drugs.

In 2008, Welcoop Pharma acquired Cristers, a company you founded in 2006. Why was a partnership between the two companies a logical decision?

Throughout my career in the pharmaceuticals industry I have built up a relationship with key executives at Welcoop. In 2008, Welcoop offered the services of one of their subsidiaries, Pharmagest, the leading IT company for pharmacy equipment in France, equipping nearly 50 percent of all French pharmacists. They offered to help promote Cristers and we have gone on to develop a productive working relationship. There is a long history of cooperation and synergy between the two companies, which made this acquisition a very logical and natural progression.

In 2007, Cristers had a turnover of EUR 700,000 (USD 786,000). Cristers' forecasted turnover in 2015 is EUR 40 million (USD 45 million), an increase of over sixty-fold. What explains your company´s tremendous growth?

I am very proud of Cristers' business model, which I call our magic potion! As mentioned earlier, financial incentives are the way to convince pharmacists to adopt generics. This is the crux of our business model: discounts. Generic companies like ours can only grow if we offer substantial and attractive discounts. The key question is how to achieve this. Cristers has a cooperative business model. A cooperative is a jointly owned enterprise, operated by its members for their mutual benefit. Any pharmacist can join Cristers by investing EUR 900 (USD 1000), which entitles them to a share of the company's dividends. This is the crucial element of our model: this cooperative structure enables us to legally give pharmacists about 20 percent more in discounts on top of the official discounts for generic drugs. Between 1999 and 2014, we were legally allowed to give a discount of 17 percent on our contracts with pharmacists. It has long been common industry practice to give out fringe benefits that amounted to an additional 30 percent. As of September 2014, the legal discount level has been increased to 40 percent. Cristers' cooperative structure allows us to give an additional 20 percent on top of the legal maximum, which acts as a considerable financial incentive to pharmacists. This is an industry first, and no other generics company can beat us in terms of benefits to pharmacists. In France, one pharmacy closes down every two days. But one new pharmacist also joins Cristers every two days. Our business model is extremely successful and has been successfully used in other markets.

What are the key challenges Cristers faces?

Our key task is to maintain considerable profit margins so as to support the discount level we offer to pharmacists. We ensure our competitiveness by maintaining a diversified group of companies who we outsource to. We have contracts with 40 different outsourcing companies in Europe, which allows us to find the lowest prices and means we are not reliant on a single supplier. This has become even more important given the current political and economic climate of budget cuts, which have squeezed pharmaceutical profit margins.

Today, you are the 10th largest generics company in France. What are your ambitions for Cristers in the upcoming years?

I have an aggressive business plan to put in action. The top pharmaceutical companies in France have nearly EUR 1 billion (USD 1.2 billion) in generic sales. This year, we will be at EUR 50 million (USD 60 million). We have a lot of room to grow, and I intend to grow Cristers very quickly.

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