

FIXING PHARMA'S DAMAGED REPUTATION

Moving toward 2007, an issue that remains of major concern is the reputation of the pharmaceutical industry.

Reputation is the ultimate business asset. The sustainability and profitability of all businesses depend on their reputation: the trust of all of their stakeholders.

Reputation matters; it implies that the company behaves in the best interests of its stakeholders whom it serves and upon whom its success depends.

Currently, however, the reputation and integrity of the once-iconic pharma industry are under serious attack.

According to analysts from AdvanceTech Monitor, from the end of the 1990s, pharmaceutical companies have suffered a continuous stream of shocks to the body corporate, which have steadily eroded the pharmaceutical industry's once impeccable set of economic, social, political, and technological credentials.

The pharmaceutical industry is paying a steep price for its poor reputation, finds a report from AdvanceTech Monitor, *An Industry in Crisis: Fixing Pharma's Damaged Reputation*. The deterioration in the industry's reputation is reflected by public distrust and an increasingly hostile regulatory and customer environment.

Stakeholders now expect pharmaceutical and other life-sciences companies not only to produce high-quality medicines but also to address social needs.

"Drug companies are doing amazing things but this good news gets lost among the discussion dominated by drug prices and safety," says Patty Leitch, managing director of Biosector 2. "A recent poll conducted by USA Today, ABC News, and the Kaiser Family Foundation found a growing unease in America about healthcare but also a public that has not been educated about cost drivers.

"Most people singled out medical company profits or malpractice lawsuits as the culprit to rising costs when health economists know that improved medical care and treatment approaches are driving up total costs," she continues. "We are getting better care, and the trade off is we are paying for it."

According to experts in a recent AdvanceTech Monitor report, the pharmaceutical industry has been successful in improving its profitability and its size but has failed to satisfy its critics.

Perhaps the most reputation-damaging activity was fully embracing the free-market economic policies of the 1980s and 1990s, which defined success purely as making money.

This attitude is too simplistic for today's world, where stakeholders expect new, affordable, and safe drugs from an industry that has a social conscience and behaves with integrity. Building reputation requires courage, conviction,



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Generex Biotechnology

and a passionate belief that reputation is vitally important.

"The biggest challenge is to empower patients to own their health destiny," Ms. Leitch says. "From recognizing the role of disease prevention through diet and exercise to the risk-benefit profile of drugs, if we as a nation looked at health and disease prevention as passionately as we do other aspects of our lives, we could all make a big difference."

Anna Gluskin, president and CEO of Generex Biotechnology, agrees that the

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"Public demand and patient education will produce drug sales when companies effectively meet patient needs," Ms. Gluskin says. "Treatments should be offered for diseases — fit the drug to the actual ailment and not the other way around."

Kent Stephan, CEO of Princeton Brand Econometrics, believes that the pharmaceutical industry has more than one reputation issue to deal with.

"For example, one is the U.S. pricing/drug importation issue," Mr. Stephan says. "Right now, Canada is the good guy and U.S. pharmaceutical companies are the bad guys to much of the U.S. population."

He says there may be an opportunity to start switching the relationship.

"It should be possible to make the point that the drug-pricing policies of Canada and many other countries are causing patients in the United States to pay for most of the world's pharmaceutical research and development," Mr. Stephan says. "By fixing prices, Canadians are getting a free ride on U.S.-financed R&D. In fact, it should be possible for someone to quantify how much additional research and development U.S. patients are paying for because of other countries' price controls."

To make this fact newsworthy, Mr. Stephan says, the industry should consider a PR campaign aimed at getting U.S. citizens to push the government toward prodding other countries to remove their price controls.

"Price controls will not be changed, of

SUSTAINABILITY REPORTING

Building stakeholder confidence is essential as the pharmaceutical industry looks to overcome the scrutiny it has faced in recent years. Improving the quality of sustainability reporting is one way to improve relations with key stakeholders and address risk exposure influenced by sustainability issues, according to analysts at Ernst & Young.

There are no industry-established guidelines for sustainability reporting, but companies should focus on providing content that is accurate, balanced, and relevant.

While most companies have provided some form of sustainability reports for three or more years, they vary significantly in reporting method, coverage scope, and information reported. In particular, sustainability reporting would benefit from greater coverage of four areas of business activity:

- ▶ **Drug safety and pharmacovigilance.** Growing stakeholder concern over product safety is pressuring companies to provide information on their methods for monitoring, reporting, and acting on safety issues.
- ▶ **Sales and marketing practices.** With more than \$3 billion of criminal charges and

civil penalties incurred by the industry since 2000 and stakeholder concern that conflicts of interest are adversely impacting patient safety, sales and marketing practices are under scrutiny. Companies may want to consider reporting their actions to maintain compliance with laws, regulations, and industry codes of practice.

- ▶ **Conducting clinical trials in developing countries.** As development activity increases outside traditional markets, companies can be expected to provide more coverage in conducting clinical trials in developing countries and maintaining compliance with regulations, protocols, and protection of subjects.
- ▶ **Publishing trial data.** To meet demands for greater voluntary disclosure, in 2005 many companies began to voluntarily publish and make publicly available clinical-trial results. Reporting data-collection methods and scope of trial information and providing information about where stakeholders can obtain this information, as well as intentions for future disclosure, will likely benefit the industry's reputation.

Source: Ernst & Young LLP, New York. For more information, visit ey.com.

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Andrew Weissberg
 Advanstar Communications



**OUTLOOK:
 ADDRESSING THE INDUSTRY'S REPUTATION**

PHARMAVOICE ASKED EXPERTS FROM DIFFERENT SECTORS WHAT THE INDUSTRY COULD DO TO REPAIR ITS TARNISHED REPUTATION.

Anna Gluskin
 GenereX

The industry must focus on prevention and take a proactive approach. More tests are needed to ensure early diagnosis of potential diseases to prevent them before the full-blown disease develops. This will not only help the patient but significantly reduce the costs of healthcare.

Patty Leitch
 Biosector 2

The pharmaceutical industry needs to more aggressively get the message out about the contributions they make to individuals and society as a whole: from research and development to innovating compounds that prevent and treat disease to patient assistance programs. Educating people that the U.S. healthcare system — while not perfect — is still one of the best in the world is an opportunity in 2007.

Kent Stephan
 Princeton Brand Econometrics

Some companies have begun to look toward their marketing and sales operations — their second largest expense item — for productivity

improvements. These companies are moving away from the traditional business model that went something like this: When R&D is pumping out new products, bask in the praise of glowing Wall Street analyst reports. When new products are scarce, freeze head counts, cut costs across the board, and talk about the high-risk nature of R&D. This model worked well because R&D dry spells didn't seem to last too long. Now, there is good reason to believe that blockbusters will be much harder to come by.

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 Advanstar Communications

By providing point-of-care centric programs that yield advanced-level outcomes and enable a continuous needs assessment loop, the healthcare education sector can reinvigorate the value of medical education and its impact on healthcare quality. The biggest challenges will be industry-wide adoption of standards for commercial support that truly enable a fair playing field for all stakeholders who commit resources toward developing, delivering, and evaluating educational performance and ROI.

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course," he says. "But highlighting the problem and advocating a solution could provide a counterbalance to the media's drumbeat for importation of patented brands from Canada."

Andrew Weissberg, general manager, life sciences, of the electronic media group, at Advanstar Communications Inc., agrees that public relations channels need to be put to better use.

"Through proactive PR channels, the industry and its individual companies need to do a better job in reinforcing the strategic and tactical initiatives that comprise their ongoing commitment to improving the quality of healthcare for all of the system's stakeholders and not solely for the patients that rely on their products for optimal health," Mr. Weissberg says. "Research and development, provider education, commercialization, and risk management all contribute to healthcare quality improvement." ♦

PharmaVOICE welcomes comments about this article. E-mail us at feedback@pharmavoice.com.