

The Pharmaceutical Industry: Issues & Reputation

A GlobeScan Stakeholder Intelligence eBrief

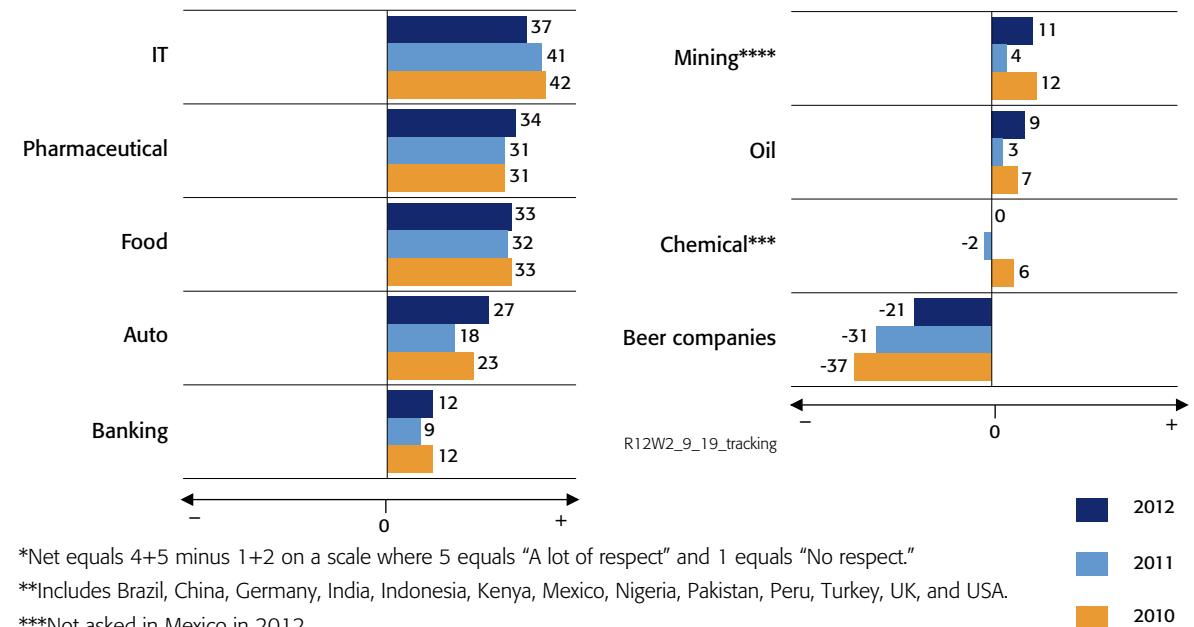
Overview and Background

GlobeScan has been monitoring the reputation of the pharmaceutical industry for over a decade. Each year, we examine the industry's reputation in the eyes of the public around the world—the respect they have for it, who they perceive as the leading companies in the sector, the biggest issues the sector faces, and people's attitudes towards the current level of government regulation of the industry.

Our most recent public tracking finds that the sector is positively viewed, particularly in the developing world. As the chart at figure 1 illustrates, respect for it is on the rise, and is higher than for most other sectors. Pressure for increased regulation seems to have abated. But over the last few years, the issue of the pricing of medications has become more and more contested, and is clearly the dominant concern or consumers. In Asia and Africa, fake

Net* Respect, by Sector

Average of 13 Countries,** 2010–2012



*Net equals 4+5 minus 1+2 on a scale where 5 equals "A lot of respect" and 1 equals "No respect."

**Includes Brazil, China, Germany, India, Indonesia, Kenya, Mexico, Nigeria, Pakistan, Peru, Turkey, UK, and USA.

***Not asked in Mexico in 2012

****Not asked in Brazil in 2012

Figure 1



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medicines are also a major worry. The chart at figure 2 illustrates this pattern.

To complement the picture that emerges from our research among the global public, and to understand the challenges facing the pharmaceutical industry in greater depth, GlobeScan interviewed ten global experts working within health-related NGOs, government, and the media. The majority of them were located in Europe and North America, with some in Africa and Asia.

We asked them to reflect on the pharmaceutical industry's reputation, some of the issues it currently faces, and those it is likely to face in the near future. In this briefing, we explore the responses they gave. The range of issues they raise reflects their different exposure to the industry and its activities, but some common themes emerged—many of which resonate with the concerns of the general public.

Most Important Issue the Pharmaceutical Industry Needs to Address

Unprompted, by Region, 2012

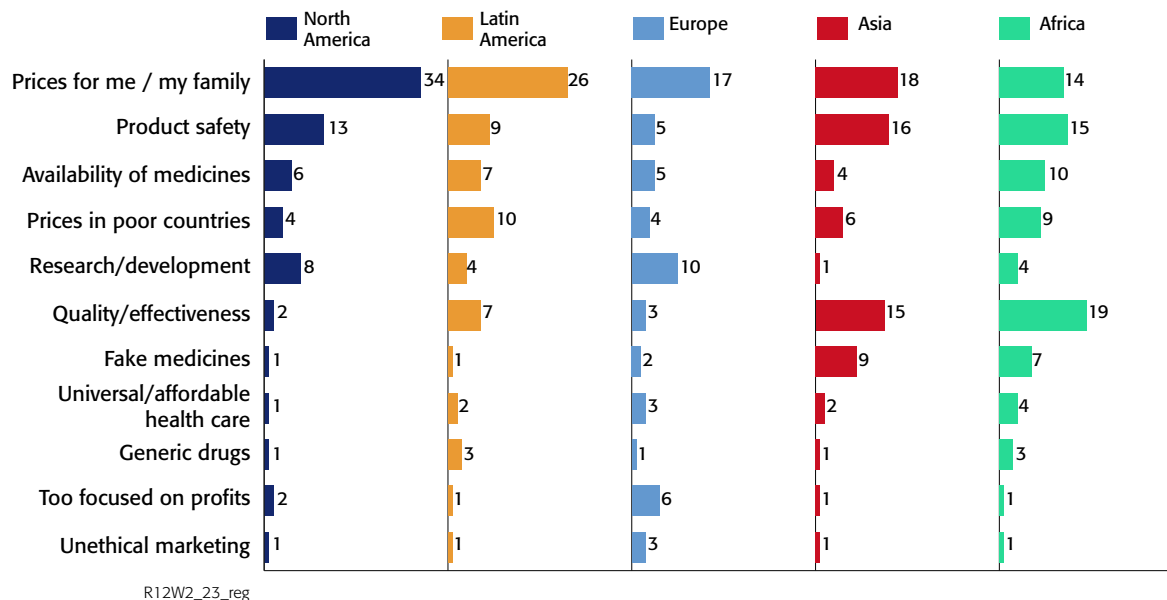


Figure 2



The pharmaceutical industry's reputation

Stakeholders **believe that the reputation of the pharmaceutical industry is poor**: past scandals and heavy fines for big companies found guilty of unethical practices have coloured public perceptions. In Great Britain and Canada in particular, they find a very negative environment, partly caused by campaigns by NGOs such as Oxfam and MSF, and films like *The Constant Gardener*. Pharmaceutical companies' names, it was felt, are virtually unknown unless through scandal or plant closures. Personnel within the industry are very aware of this negative reputation and sometimes seem to feel helpless about it.

Despite that perception, most of those we interviewed believed this bad reputation was unjustified. Several respondents spoke very positively about the sector and the people who work within it. They find **a real belief in their core humanitarian purpose** and a genuine commitment during the last decade to socially responsible projects like the Affordable Drugs for Developing Countries schemes, providing AIDS anti-retroviral drugs off-patent, and other similar initiatives.

It is clearly a huge challenge to change this negative image in the public mind. Some respondents say that there needs to be **a more co-ordinated attempt to counter the negative view** and to put out positive messages. A comparison was made with the way in which the energy sector—with much less impressive stories to tell about its social responsibility—projects itself.

Better communication is the key, both in the developed world where the public needs to be made more aware of such schemes as the Affordable Drugs for Developing Countries project, and in the developing world where much more effort needs to be made by companies to ensure that the nature of medical trials is understood and communicated.

Some respondents said that the poor reputation of drugs manufacturers results from misunderstandings of how their products should be used. They felt that pharmaceutical companies should see some of their corporate social responsibility to be in understanding the culture of the societies in which their drugs are marketed, and in contributing to the training of local healthcare workers.

"I have an enormous amount of respect for the people I meet in the industry. I have a great deal of respect for the industry as a whole."

– NGO, CANADA



Looking to the future—the critical issues

What issues will shape the immediate future of the pharmaceutical industry? Stakeholders predict that **financial pressures** will dominate in the next three to five years. For respondents in developing countries, the clear priority is the availability of drugs that are affordable for poor people. Fair pricing policies will be crucial—both for the people needing the drugs and for the reputation of the companies concerned. The rapid development of economies like Brazil and India, combined with persistently high levels of inequality, is also leading to a challenging context whereby diseases associated with the rich world and those more associated with poverty are starting to coexist in the same country.

“The issue is how you allocate the price because money is tight for everybody. I understand that [pharmaceutical companies] have to have a profit, but you will find that prices are high”

– GOVERNMENT, SOUTH AFRICA

In the developed world, companies will have to work hard to convince cash-strapped governments, healthcare providers, and consumers of the cost-effectiveness of their products. The global recession has brought this into sharper focus.

An overarching financial issue is the need for the industry to raise enormous amounts of money to finance their research and development

departments. In the past, this has come from successful “blockbuster” drugs, but if a company fails to choose the right one or it does not get approval, a company’s finances can become very precarious. GSK is cited as one company that is taking a new approach by moving increasingly into the generics market, earning the same profit but over many times the volume.

Beyond issues of finance, respondents believe that **scientific breakthroughs** will play a major role in shaping the industry’s business model. In particular, they view gene therapy, now approved in Europe, as a new technology that will be used to target previously untreatable diseases.

While not an issue over which large drugs companies have direct control, respondents point out that the sheer scale of the **problem of counterfeit drugs** in the developing world poses an enormous challenge to the industry and a threat to its reputation, as people are frequently unable to identify whether the medications are fake.

“If you’re talking about Africa then, depending on the product, it can be that anything between 10% and 50% of products on the street are counterfeit. The problem in China, as in India, is that it’s a huge industry where substantial amounts of medicines are manufactured and where the regulatory capabilities are ineffective.”

– NGO, UK



Looking to the future— advice for the industry

As it manages these challenges, then, what should the pharmaceutical industry be doing to ensure that it retains its social licence to operate?

Much of the advice given by respondents in developed countries is based on the belief that the industry is doing good, ethical, and important work, and that it should **believe in itself and move forward confidently**, clearly communicating its aims and objectives to the wider community. Though the challenges the industry faces are huge, it has the high-quality personnel to confront them, provided that they are allowed to be motivated by their basic desire to make a difference to people's lives.

From some quarters, there is a call for the industry to do more to **allow its people to contribute their skills for the good of society**. They currently do not have sufficient avenues to use their skills and their marginal time to make a difference. Allowing them to do so, respondents felt, would enable them to be proud of working for an organization which exists, ultimately, to help people.

Fundamental to this new approach to projecting responsibility is the premise that these initiatives must not be seen as part of any company's marketing approach. The bad reputation that the sector acquired in the past, and its concentration into the hands of a few companies, means that its actions must be seen to be beyond reproach. Corporate philanthropic work must be completely separated from the marketing division.

Implications

Broadly, the message from stakeholders is that the pharmaceutical sector needs to rediscover its confidence and sense of social purpose if it is to continue to thrive. This may be by re-balancing its drug portfolio to address the needs of the fast-emerging economies of Asia and Latin America, integrating generics into the "big pharma" business model in order to manage the paucity of new blockbuster drugs and restricted government healthcare budgets, or reinvigorating the sense of purpose of its workforce by making it easier for them to use their expertise to contribute to the good of society. It is encouraging that these experts feel that the sector has more to be proud of than is sometimes perceived. Pharmaceutical companies will need to have more confidence in telling their own story.

"[Scientists within pharmaceutical companies] could be volunteering for six months, a year, to work on specific things of added value as a contribution of the company to our work... reducing our costs and being a way for the company to retain people, and to participate in a socially responsible area of work."

– NGO, BRAZIL