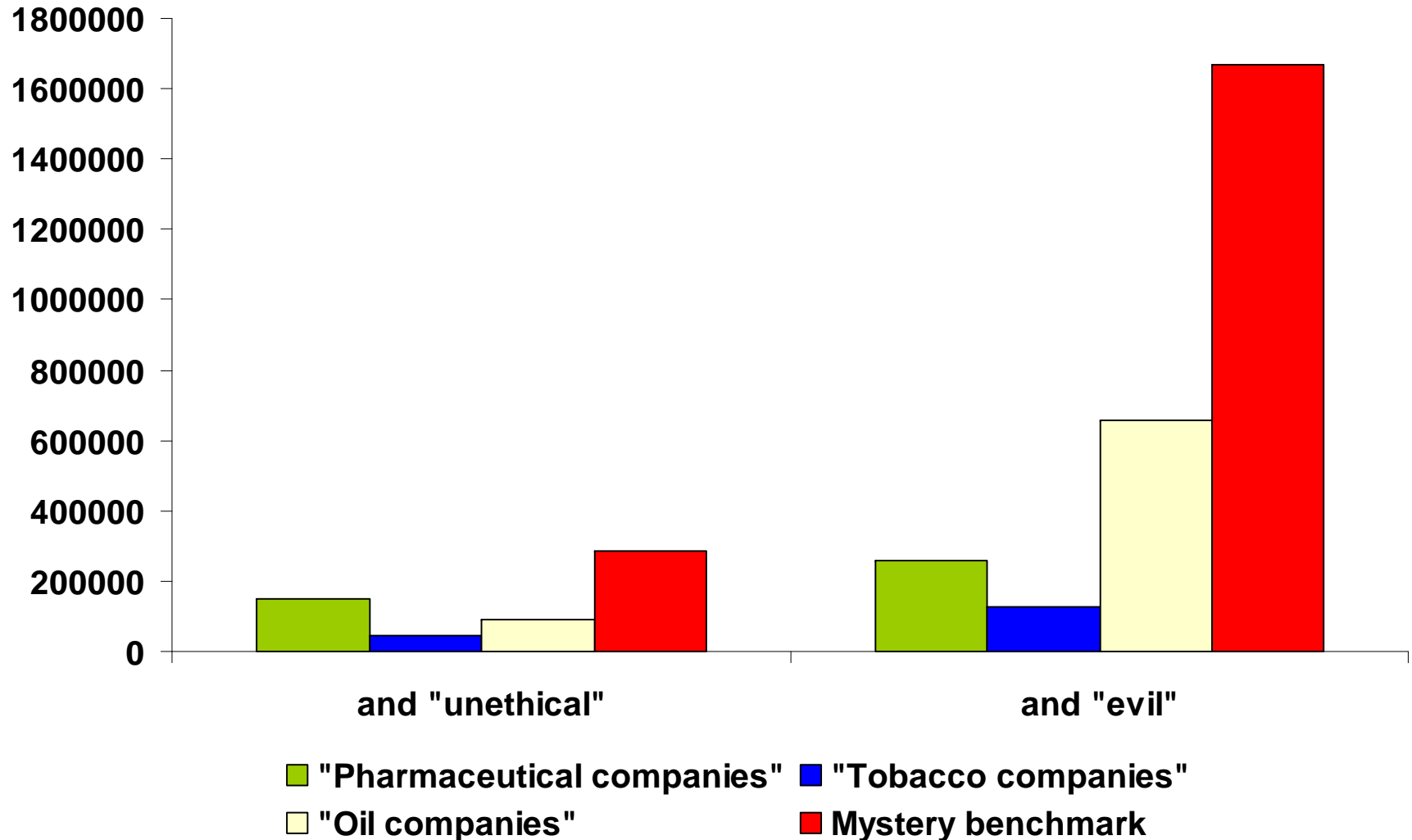


# **INDUSTRY IMAGE AND TRUST** **FROM A EUROPEAN PERSPECTIVE**

**Reinhard Angelmar**  
**The Salmon and Rameau Fellow in Healthcare Management**  
**Professor of Marketing**  
**INSEAD, Fontainebleau, France**

**The International Pharmaceutical Regulatory and Compliance Congress**  
**June 6-7, 2007**  
**Sheraton Brussels Hotel and Towers, Brussels, Belgium**

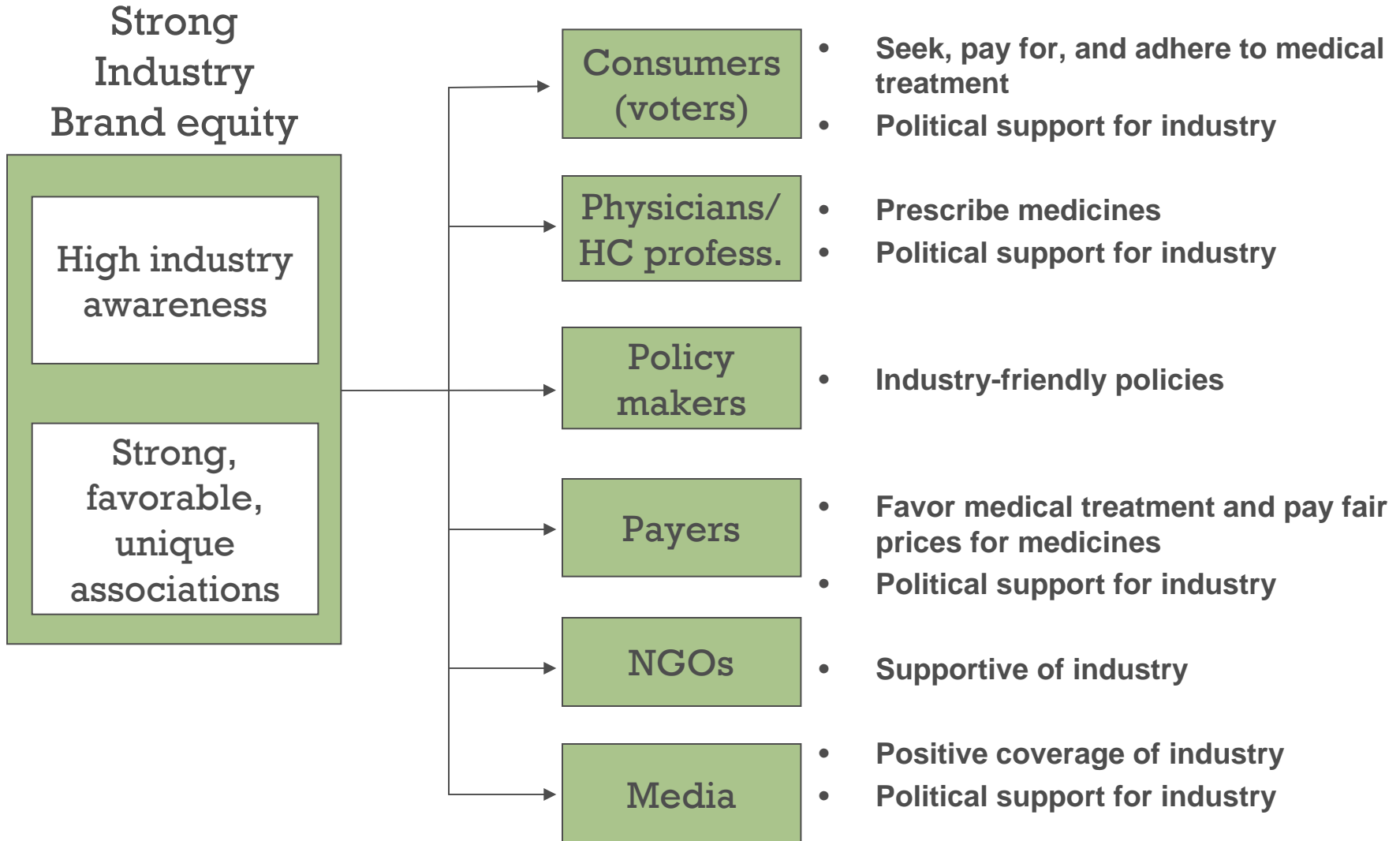
# INTERNET ASSOCIATIONS



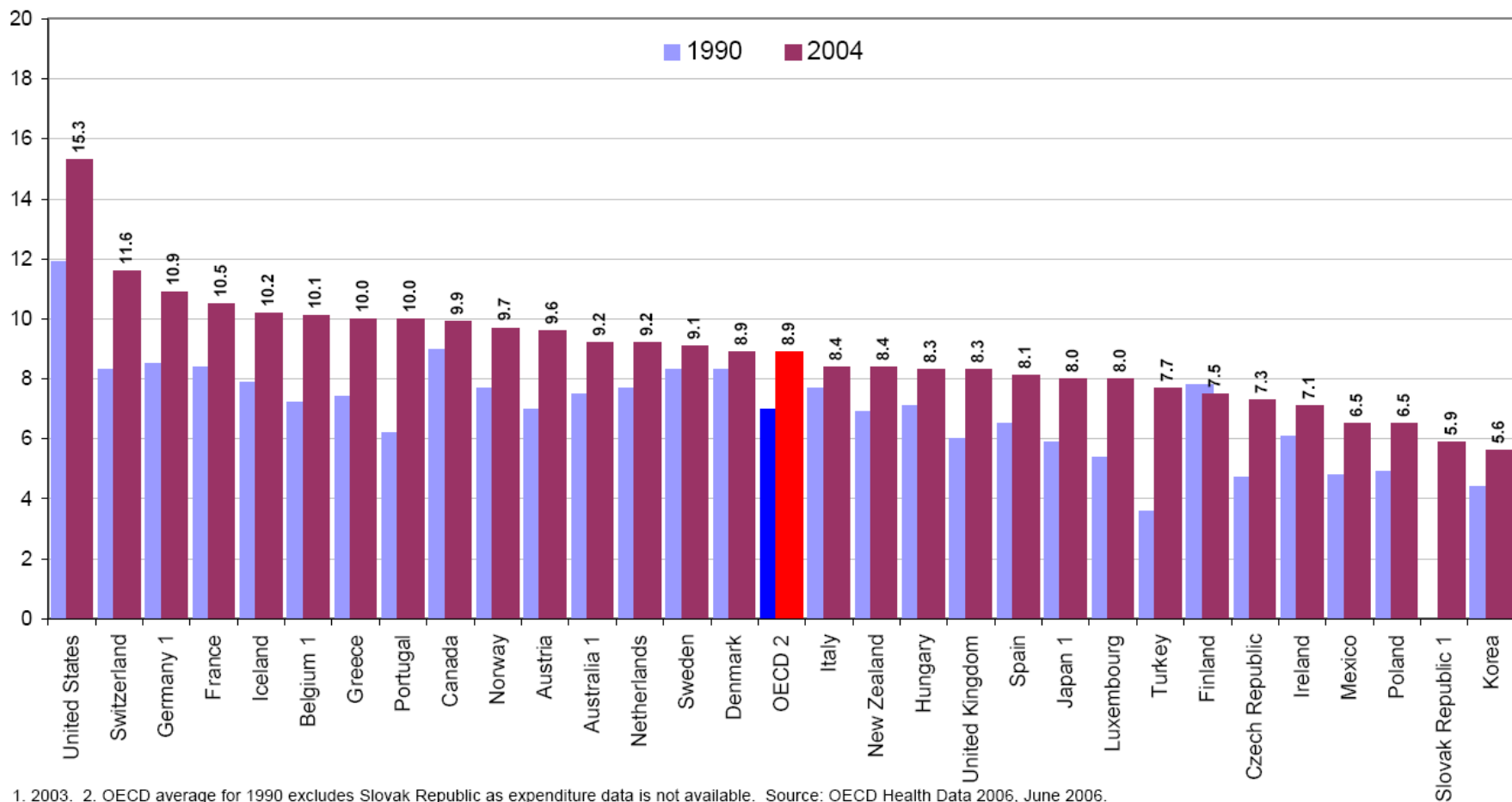
Google Search, May 8, 2007

# INDUSTRY BRAND EQUITY

## Benefits of a Strong Industry Brand Equity



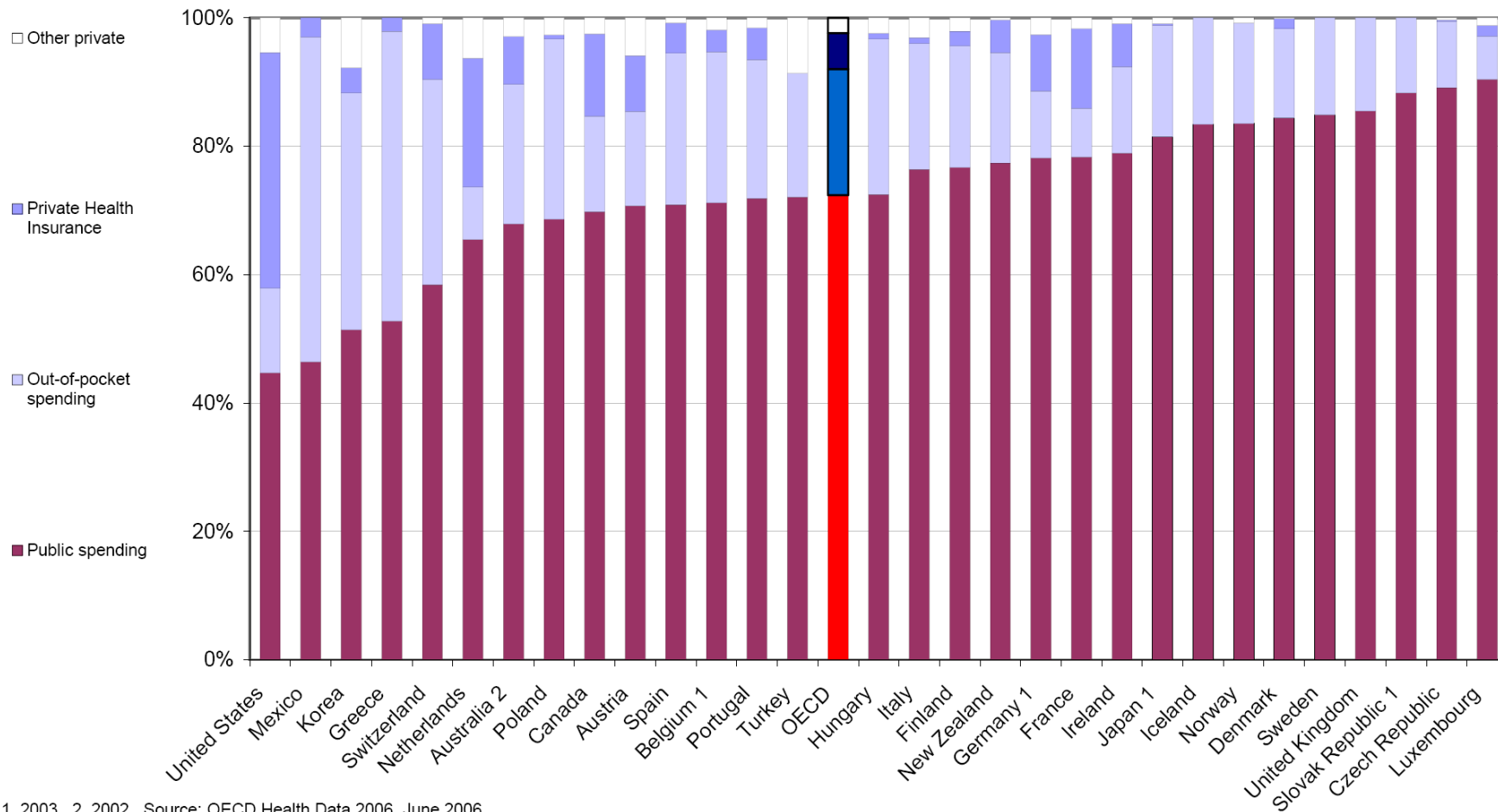
# COUNTRY HEALTH EXPENDITURE (% of GDP)



1. 2003. 2. OECD average for 1990 excludes Slovak Republic as expenditure data is not available. Source: OECD Health Data 2006, June 2006.

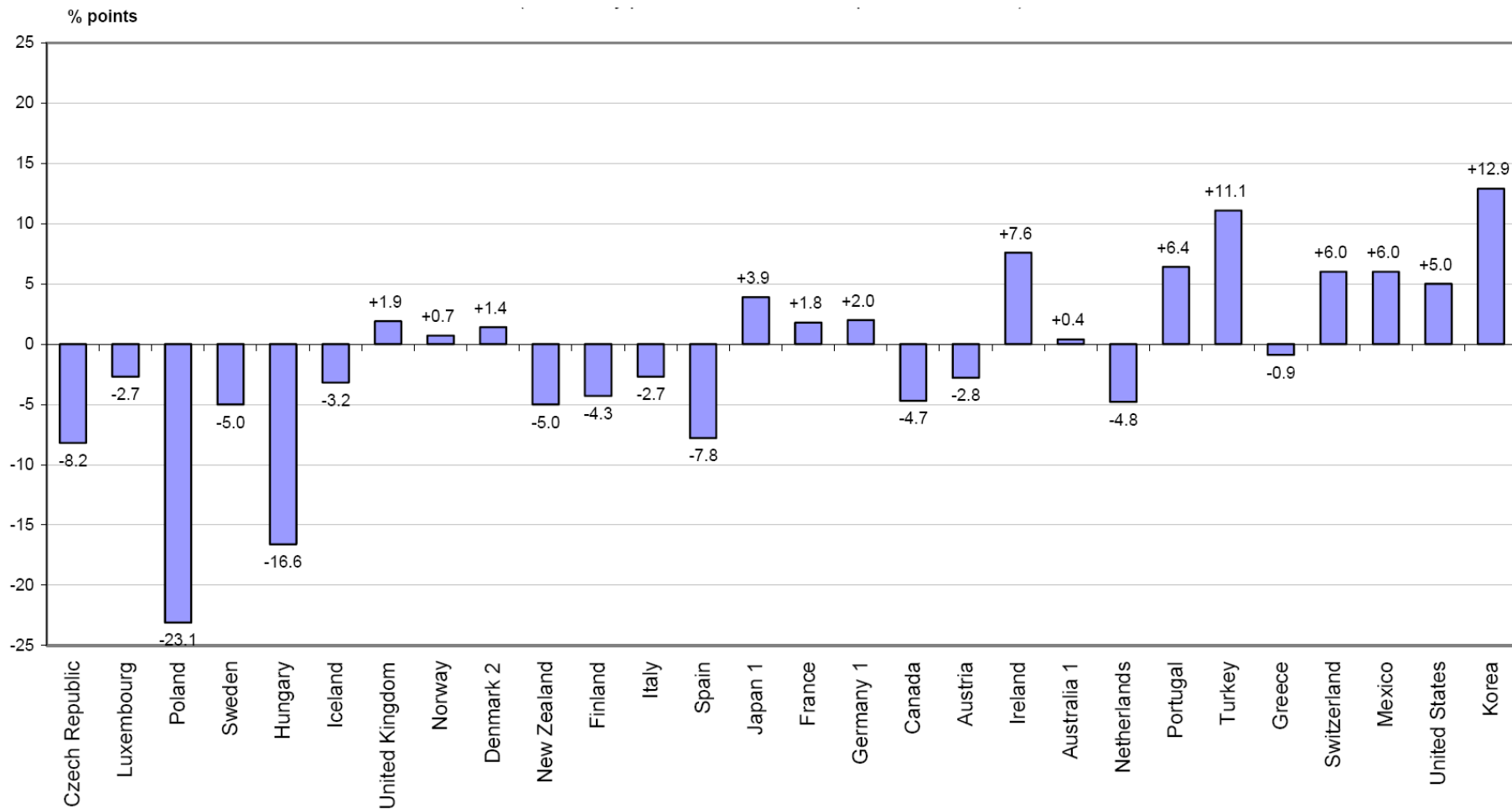


# HEALTH EXPENDITURE FINANCING: 2004



1. 2003. 2. 2002. Source: OECD Health Data 2006, June 2006.

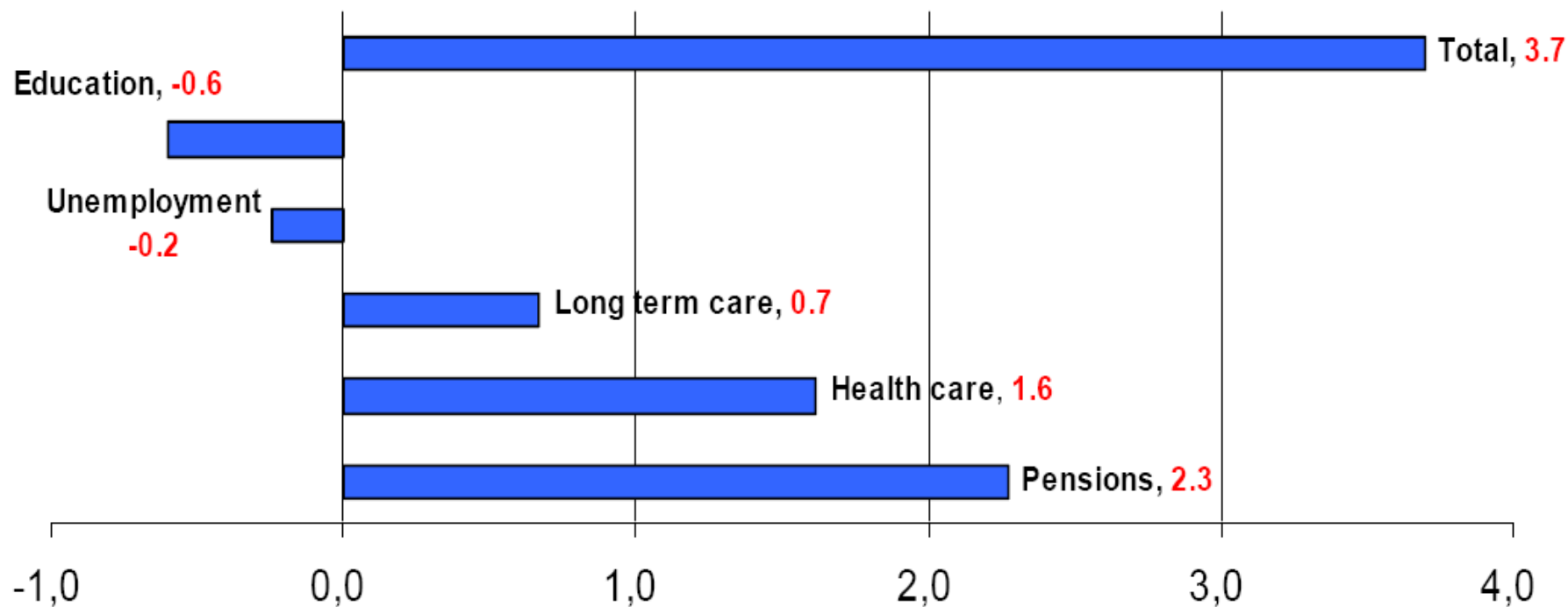
# CHANGE IN SHARE OF PUBLIC SPENDING ON HEALTH: 1990 – 2004 (ranked by 1990 public share)



1. 2003. 2. Current public expenditure as share of Total current expenditure. Source: OECD Health Data 2006, June 2006.



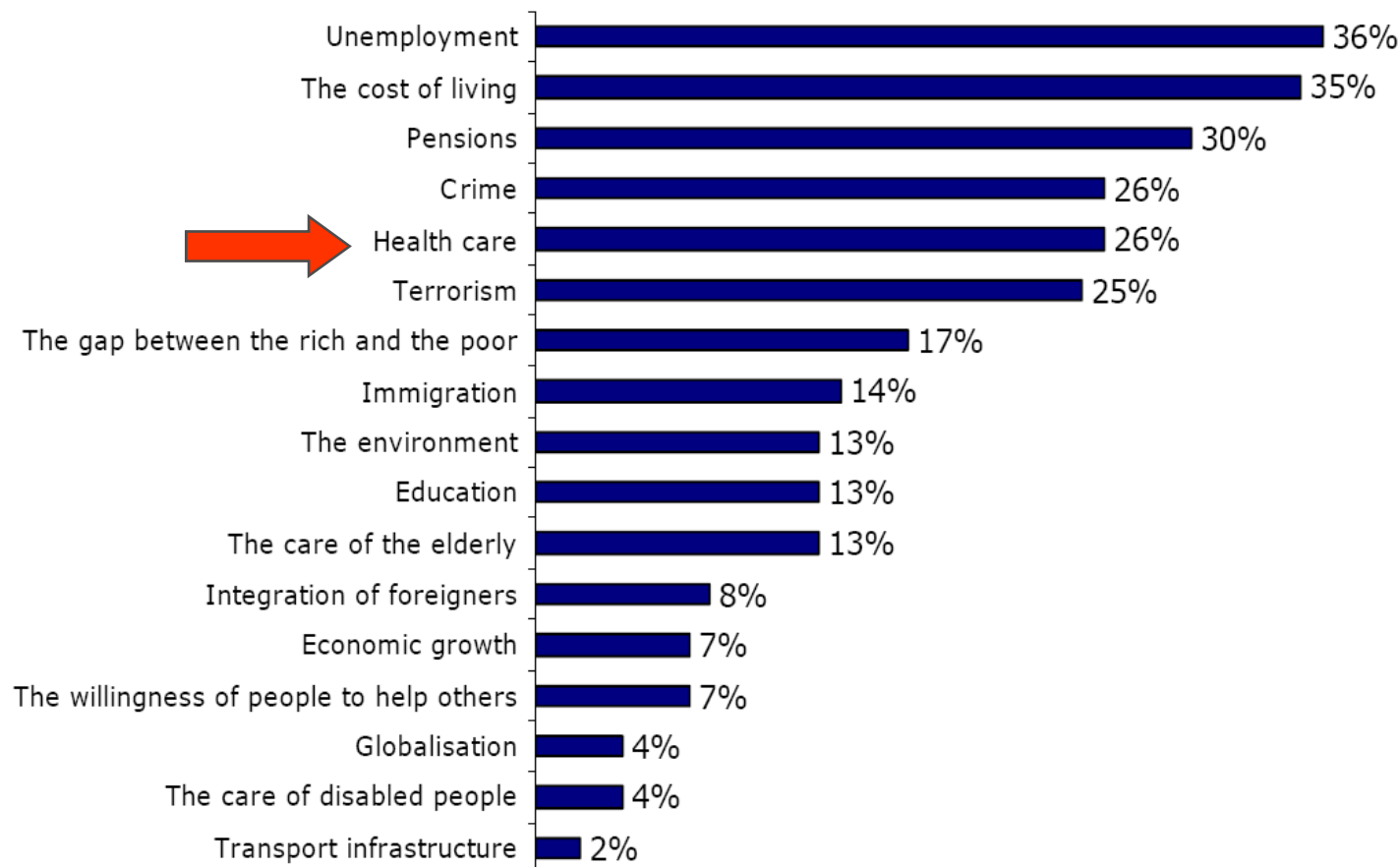
# Age-related change in public expenditure: EU15 - 2004-2050 (% of GDP)



Source: The impact of aging on public expenditure. Projections for the EU25 Member States, Report of the DG ECFIN, 2006

# ISSUES OF CONCERN FOR EUROPEANS: EU25

Fieldwork: Nov-Dec 2006



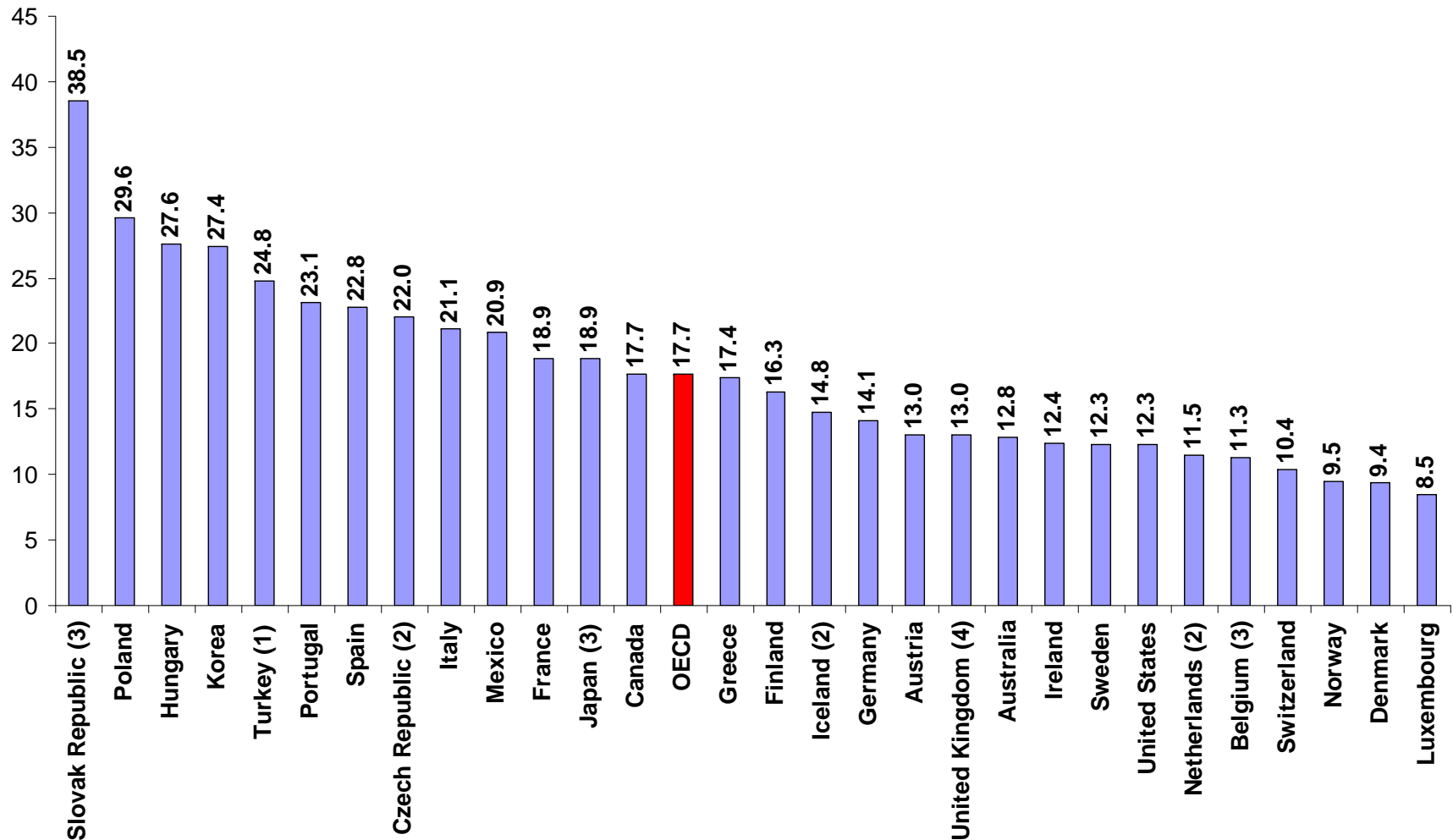
<sup>39</sup> QA26a. I am going to show you a card with a list of topics. Thinking of (OUR COUNTRY), please tell me which 3 topics from this list currently concern you the most. 1. Pensions 2. Immigration 3. Health care 4. Terrorism 5. Integration of foreigners 6. The willingness of people to help others 7. The cost of living 8. Economic growth 9. The care of the elderly 10. The care of the disabled 11. Unemployment 12. Crime 13. The gap between the rich and the poor 14. Transport infrastructure 15. Education 16. The environment 17. Globalisation.

Source: Eurobarometer, European Social Reality, February 07



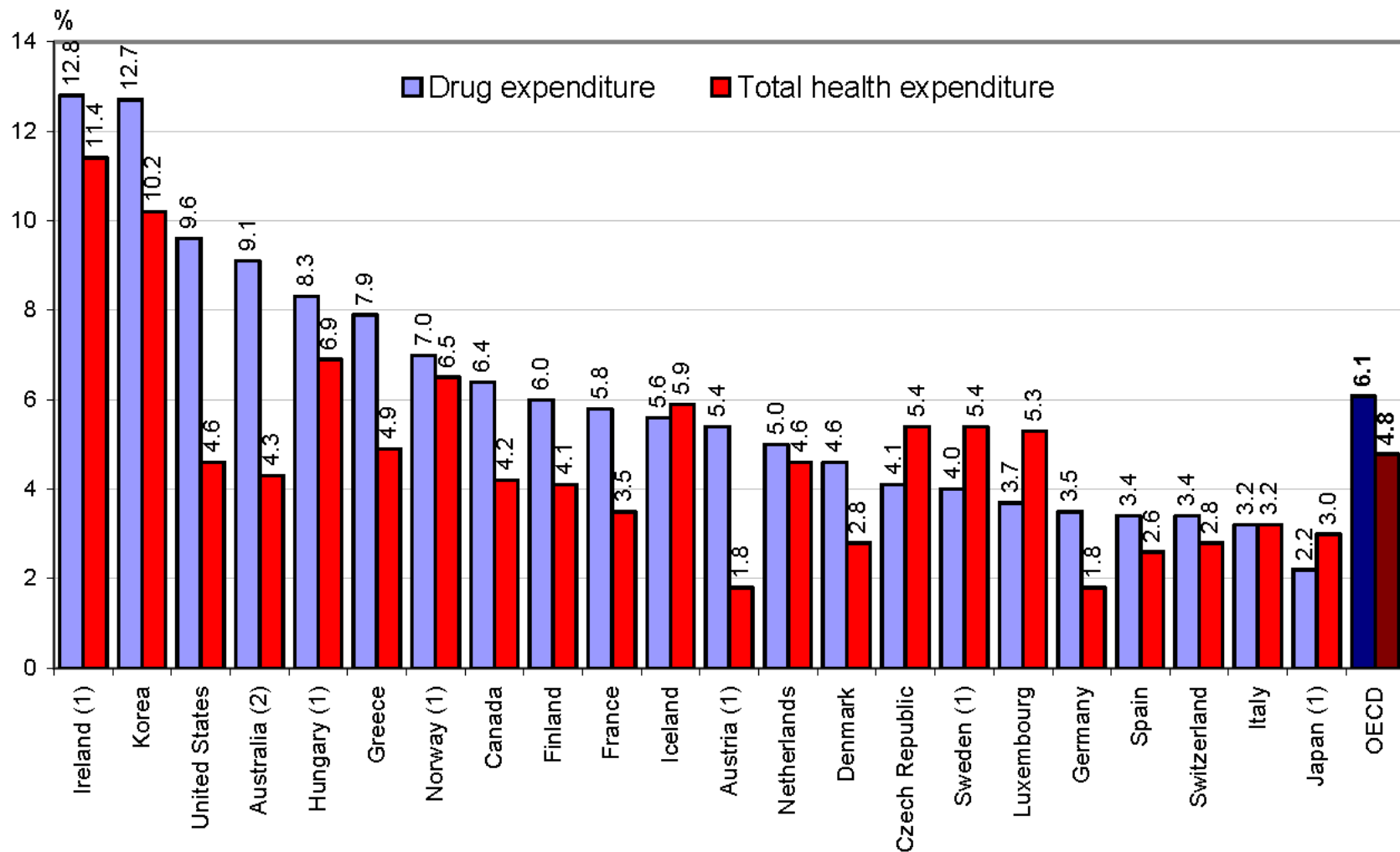


# DRUG SPENDING AS PERCENT OF TOTAL HEALTH SPENDING, 2004



(1): 2000; (2): 2002; (3): 2003; (4) OFT estimate. Source: OECD Health Data 2006

# ANNUAL GROWTH IN EXPENDITURES (1998-2003): Total Health and Pharmaceuticals



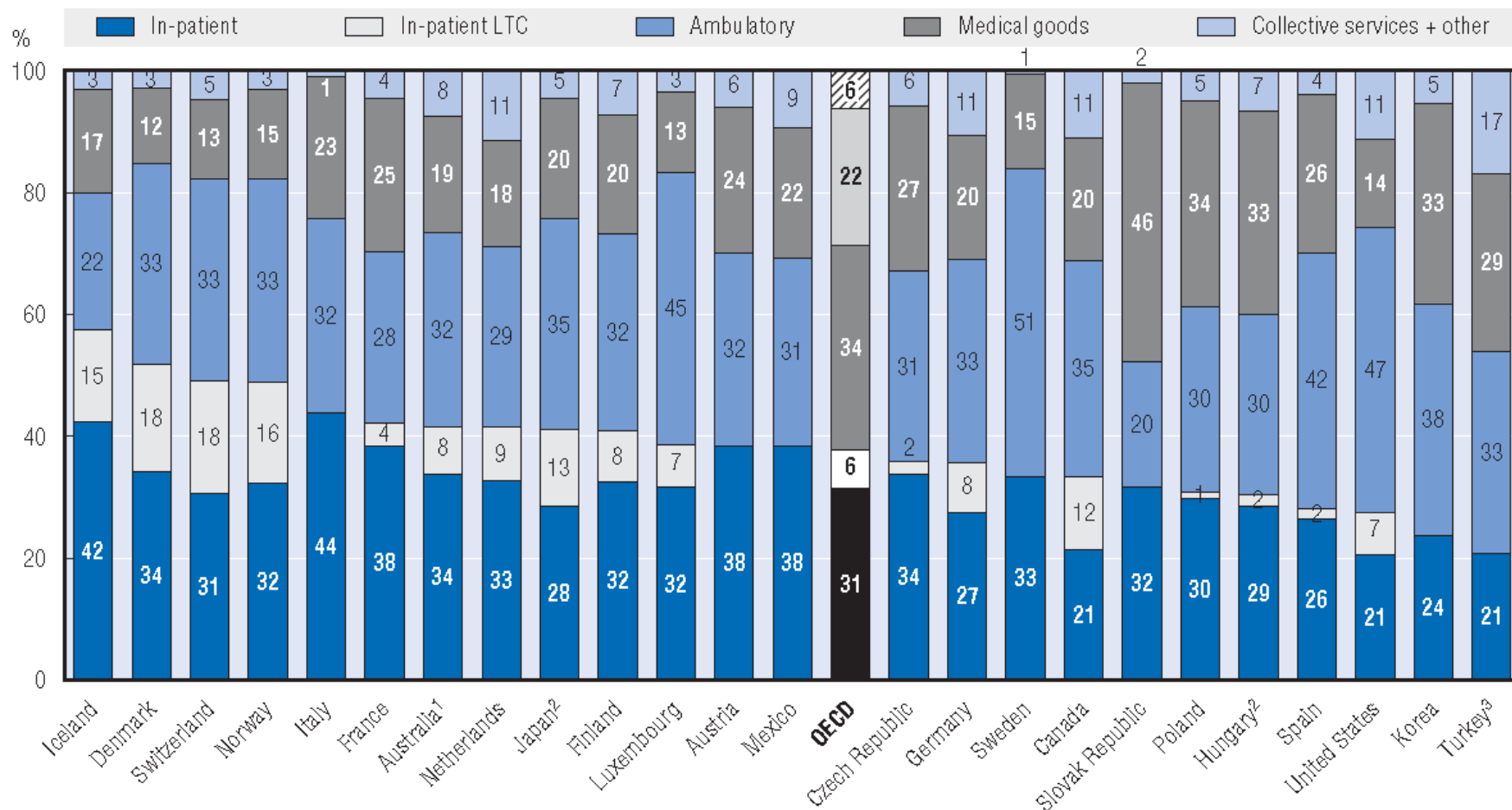
Note: Countries are ranked from left to right by annual growth of per capita pharmaceutical expenditure.

(1) 1998-2002. (2) 1997-2001.

Source OECD HEALTH DATA 2005, June 05

# MAIN HEALTHCARE EXPENDITURE COMPONENTS

Countries ranked by total share of in-patient care of current expenditure on health



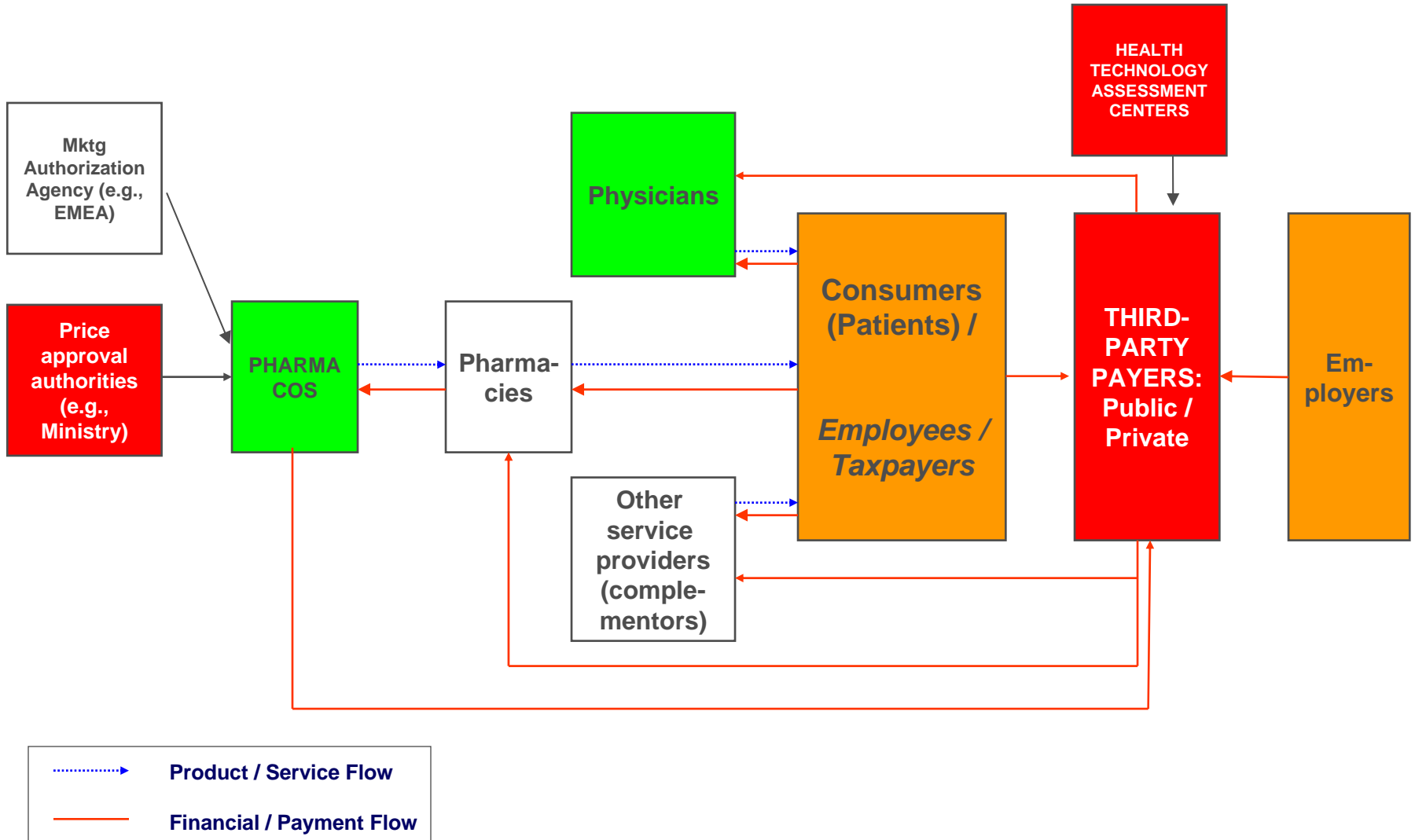
Note: LTC: Long-term care.

1. 2001.

2. 2002.

3. 2000.

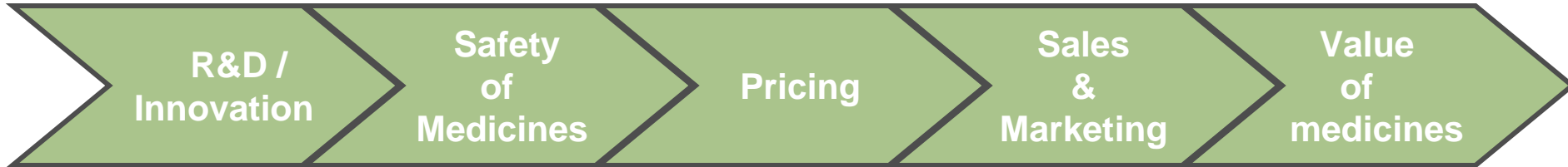
# SELECTED STAKEHOLDERS



# THE POWER GAME

- **Change in relative power**
  - Traditionally strong stakeholders become less powerful
  - Traditionally disempowered stakeholders become more powerful
- **Pharmaceutical industry's relative power declines**
- **Zero-sum game perception heightens conflict between health care sector players**
- **Conflict is resolved in favor of players that**
  - are more powerful
  - have stronger brand equity

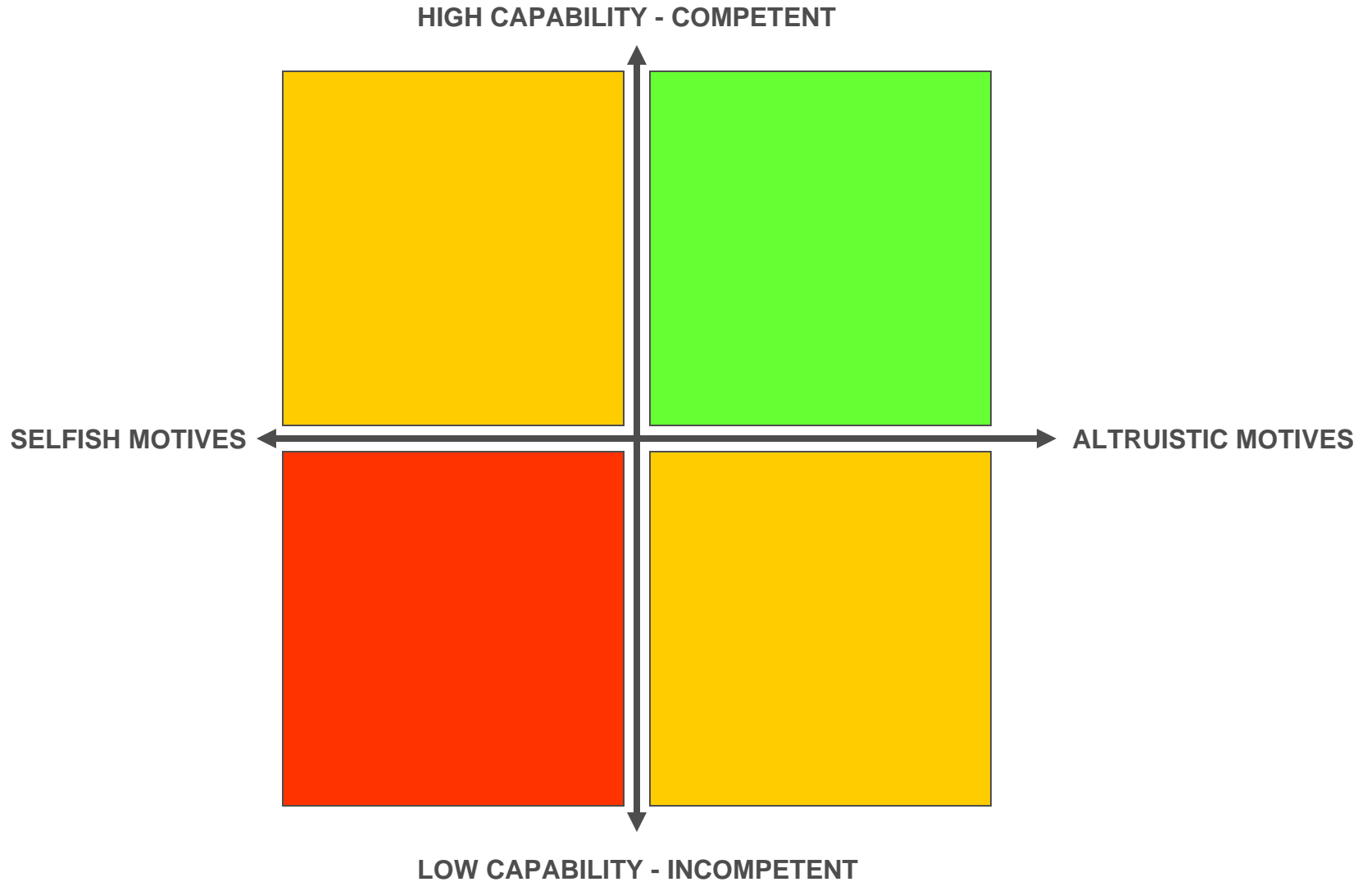
# COMPONENTS OF INDUSTRY BRAND EQUITY



|  |  |   |  |  |
|--|--|---|--|--|
| <ul style="list-style-type: none"> <li>• Choice of disease areas</li> <li>• R&amp;D costs (vs marketing costs)</li> <li>• Industry's role in innovation</li> </ul> | <p>In</p> <ul style="list-style-type: none"> <li>• Development</li> <li>• Regulatory</li> <li>• Post-launch</li> </ul> | <ul style="list-style-type: none"> <li>• Price level of medicines</li> <li>• Access to medicines</li> <li>• Industry profitability</li> </ul> | <ul style="list-style-type: none"> <li>• Aggressiveness</li> <li>• Ethics</li> </ul> | <ul style="list-style-type: none"> <li>• Patient outcomes</li> <li>• Healthcare cost impact</li> </ul> |
| <b>ENGAGEMENT WITH STAKEHOLDERS</b>  |  |   |  |  |
| <b>TRANSPARENCY</b>  |  |   |  |  |
| <b>TRUST</b>   |  |   |  |  |
| <b>OVERALL ATTITUDE TOWARD INDUSTRY (FAVORABILITY)</b>   |  |   |  |  |



# DETERMINANTS OF TRUST



# **SURVEY RESULTS**

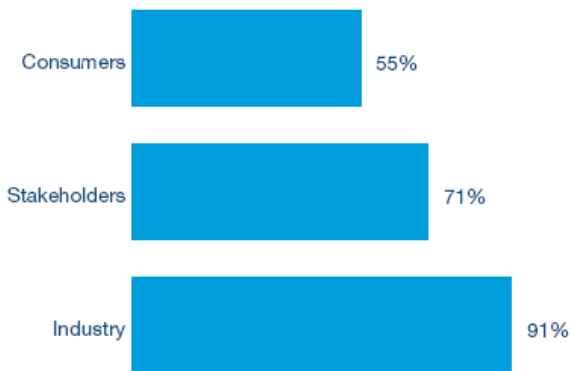


# Perception gaps

- **between beliefs and reality**
- **between beliefs of different stakeholders**

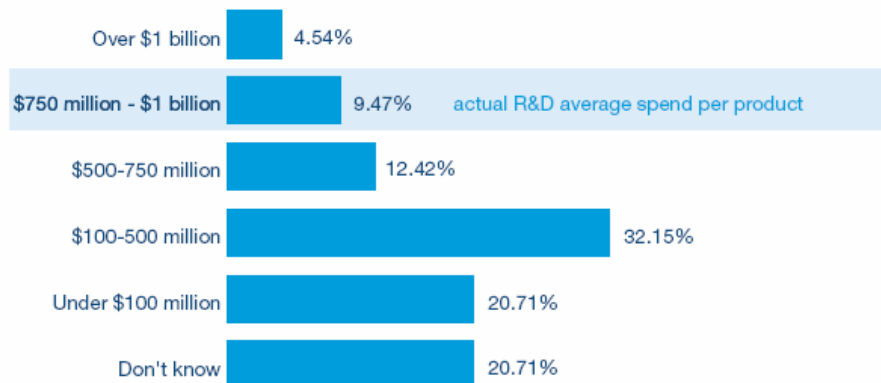
# PERCEPTION GAPS: US

Percent agreement that drug companies make drug development decisions based on 'unmet need'



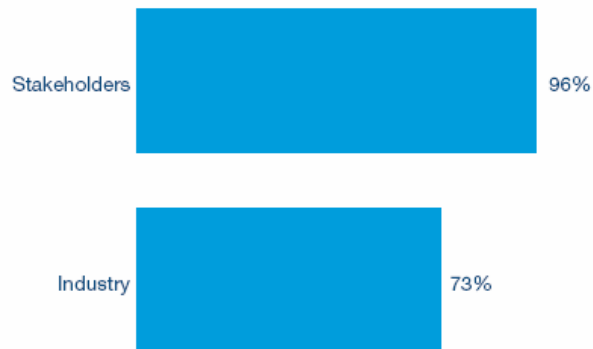
Source: PricewaterhouseCoopers Health Research Institute survey, December 2005

Consumer estimates of cost to bring average drug to market (percent of respondents)



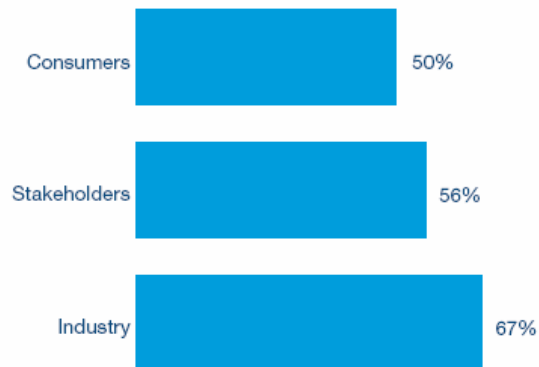
Source: PricewaterhouseCoopers Health Research Institute survey, December 2005

Percent agreement that drug companies need to improve transparency in reporting clinical trial results



Source: PricewaterhouseCoopers Health Research Institute survey, December 2005

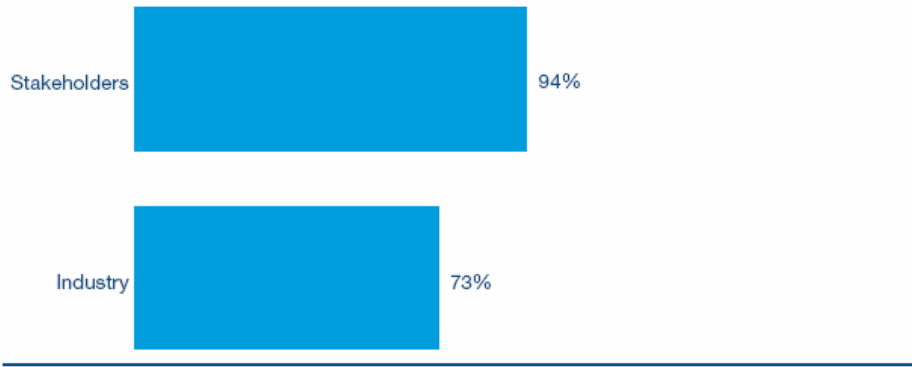
Percent agreement that drug companies have sufficient programs in place to monitor their products' post-market safety profile and public health risks



Source: PricewaterhouseCoopers Health Research Institute survey, December 2005

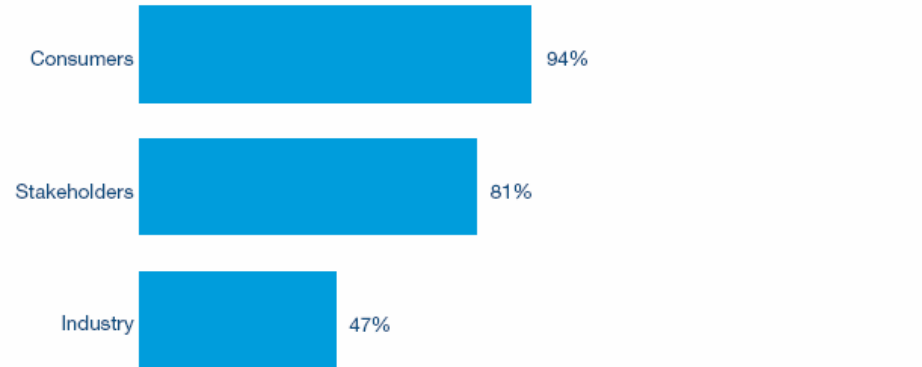
# PERCEPTION GAPS: US (cont'd)

Percent agreement that drug companies spend too much on drug promotion



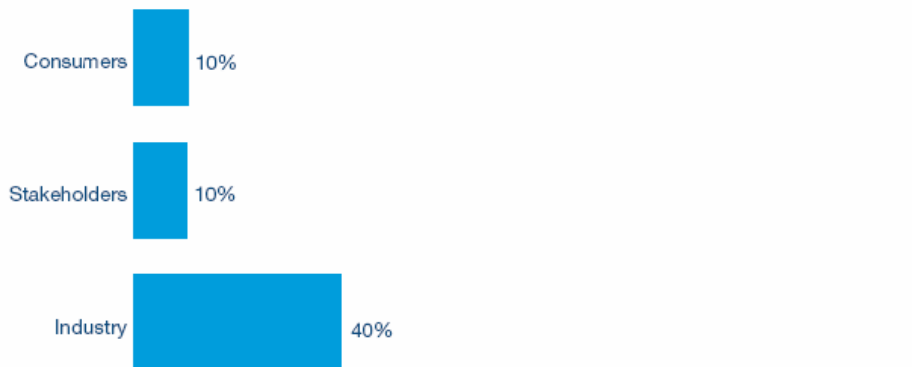
Source: PricewaterhouseCoopers Health Research Institute survey, December 2005

Percent agreement that drug companies can be too aggressive in promoting unapproved uses of their products



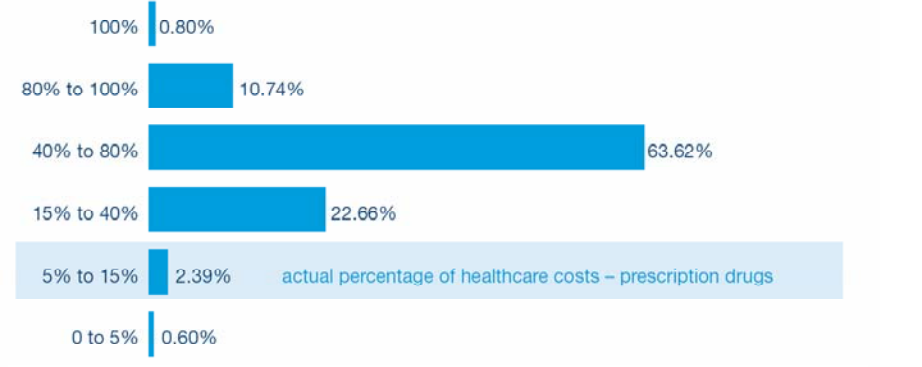
Source: PricewaterhouseCoopers Health Research Institute survey, December 2005

Percent agreement that DTC advertising provides complete and useful information to consumers



Source: PricewaterhouseCoopers Health Research Institute survey, December 2005

Consumer estimates of the amount of overall U.S. healthcare spending comprised by prescription drug costs

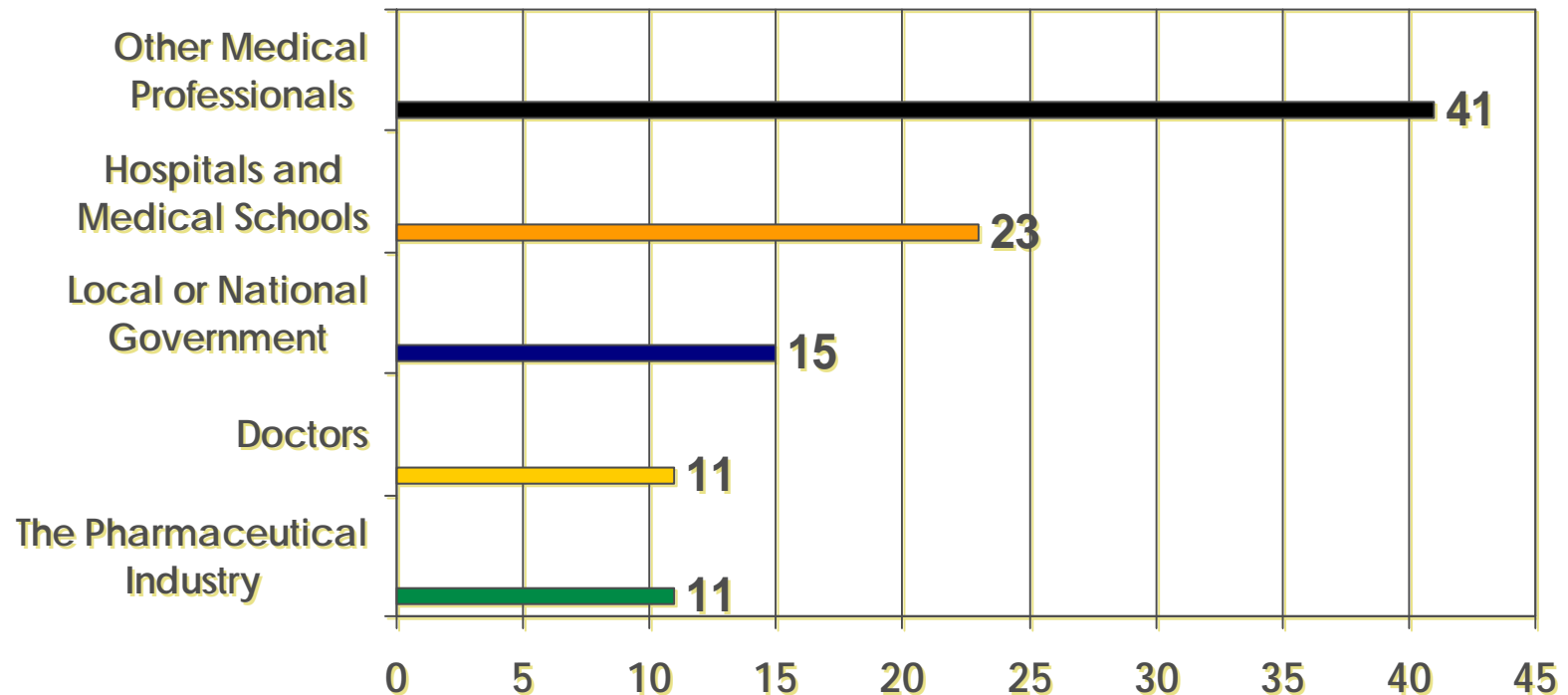


Source: PricewaterhouseCoopers Health Research Institute survey, December 2005



# PERCEPTION GAP: Credit for the discovery of new medicines, EU survey

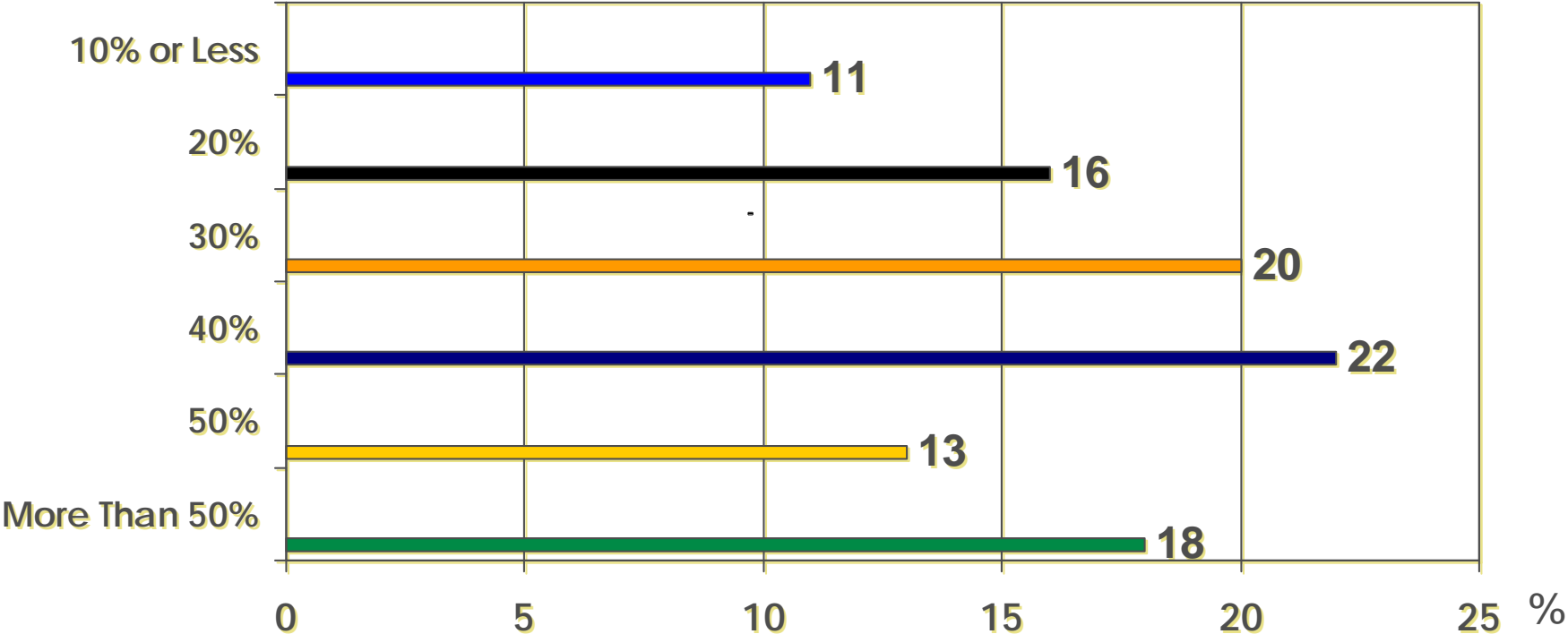
“If you had 10 units of credit for the discovery of new medicines, how many of those 20 units would you assign to each of the following:”



Source: Pfizer, 2004

# PERCEPTION GAP: Pharmaceuticals in % of total HC costs

Percent of  
Health Care Cost



**Survey average: 38%**

**OECD Average: 18%**

Source: Pfizer, 2004

# **OVERALL ATTITUDE TOWARD THE INDUSTRY**

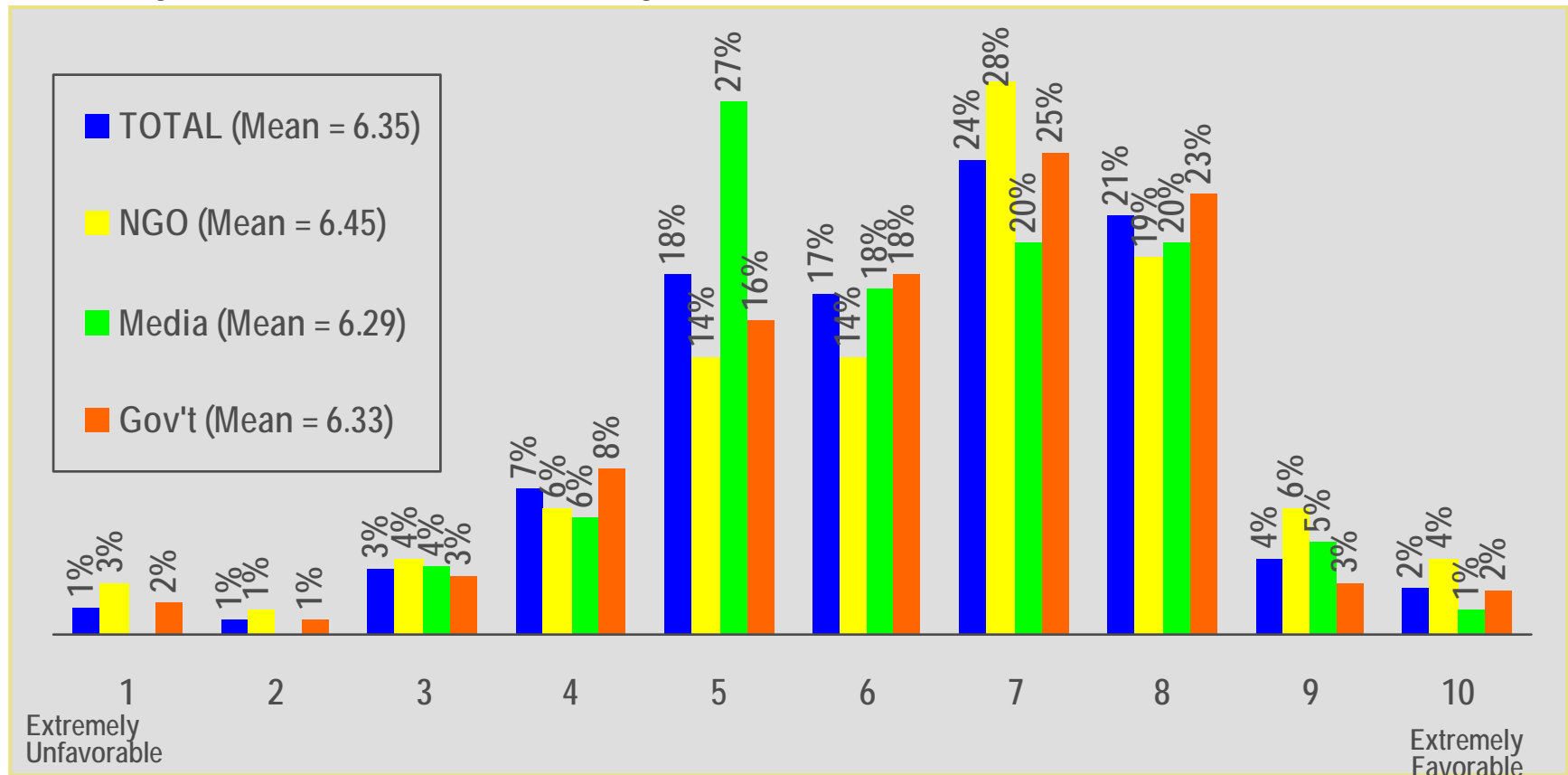
# ATTITUDE TOWARD INDUSTRY: EU Elites

EU Policymakers (n=147): EU Parliament, Commission, Council Permanent Representatives

NGOs (n=80): international organizations, think tanks, trade and professional associations, health NGOs, patient organizations

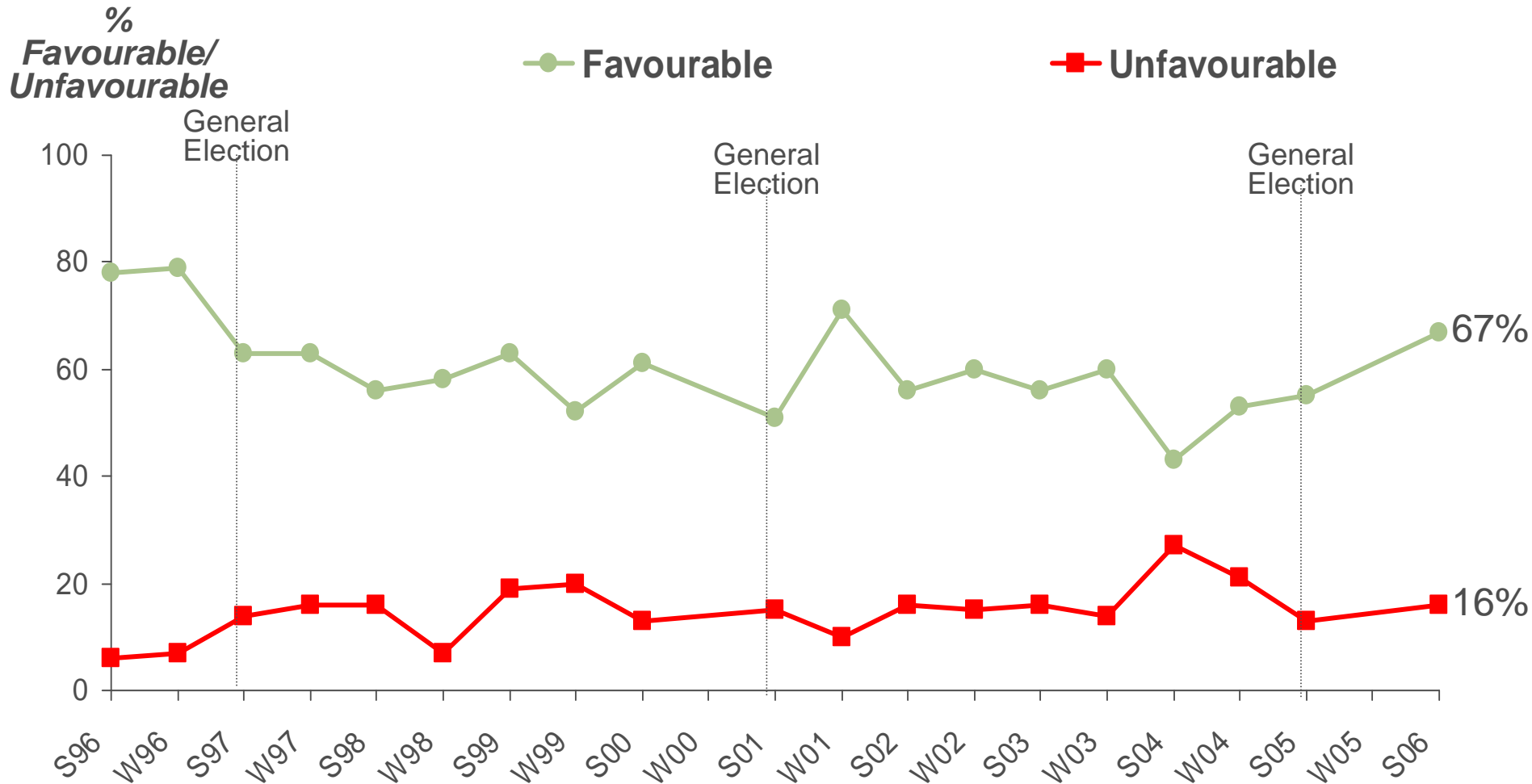
Media (n=88): Pan-European and key national specialized and non-specialized media

"How do you rate your overall feelings toward the pharmaceutical industry? Please use a scale from one to ten, where one means you feel "extremely unfavourable" and ten means you feel "extremely favourable" toward the industry."



# ATTITUDE TOWARD INDUSTRY: UK MPs

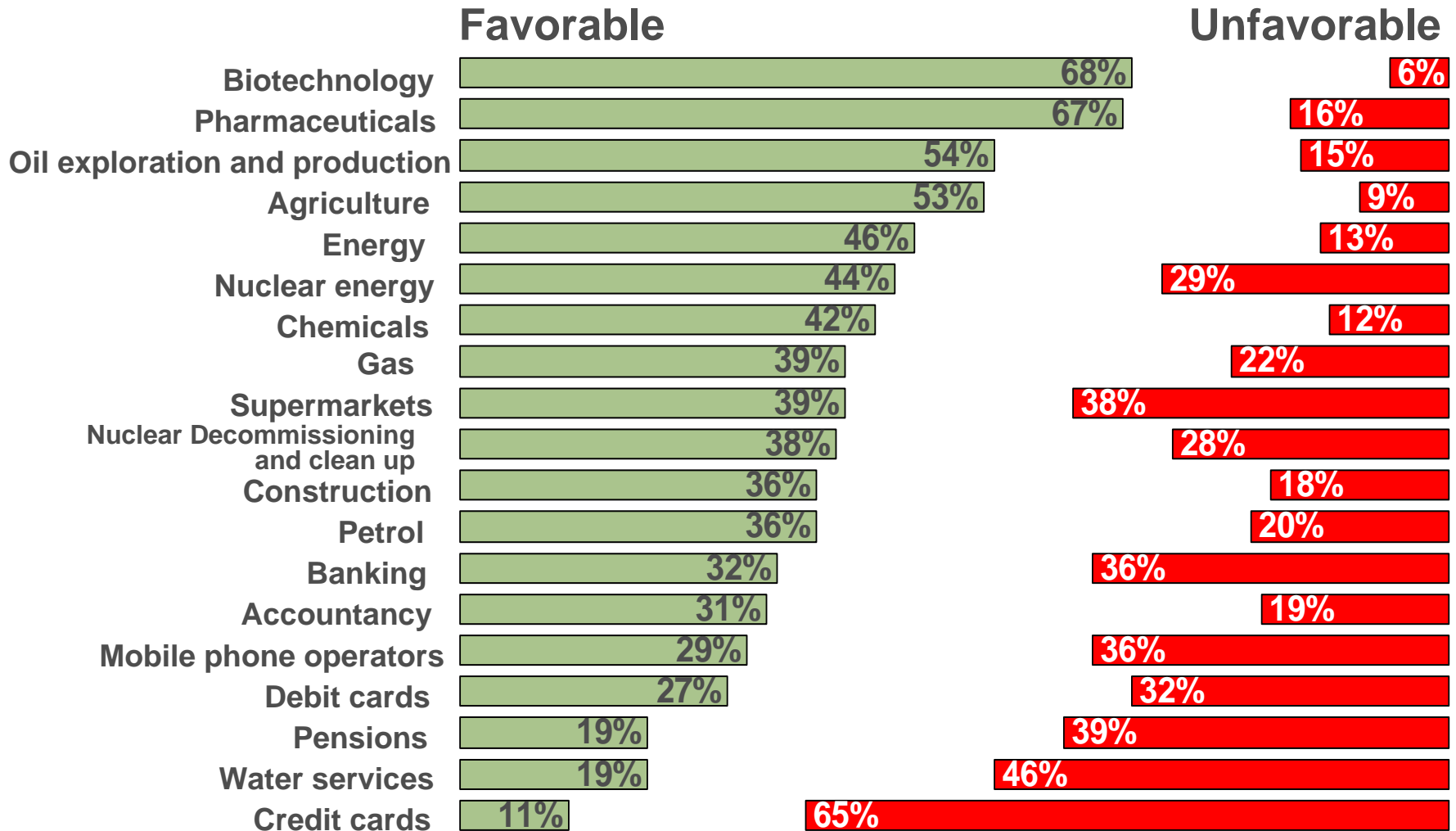
*How favourable or unfavourable is your overall opinion or impression of the Pharmaceutical Industry?*



Source: MORI / ABPI, 2006



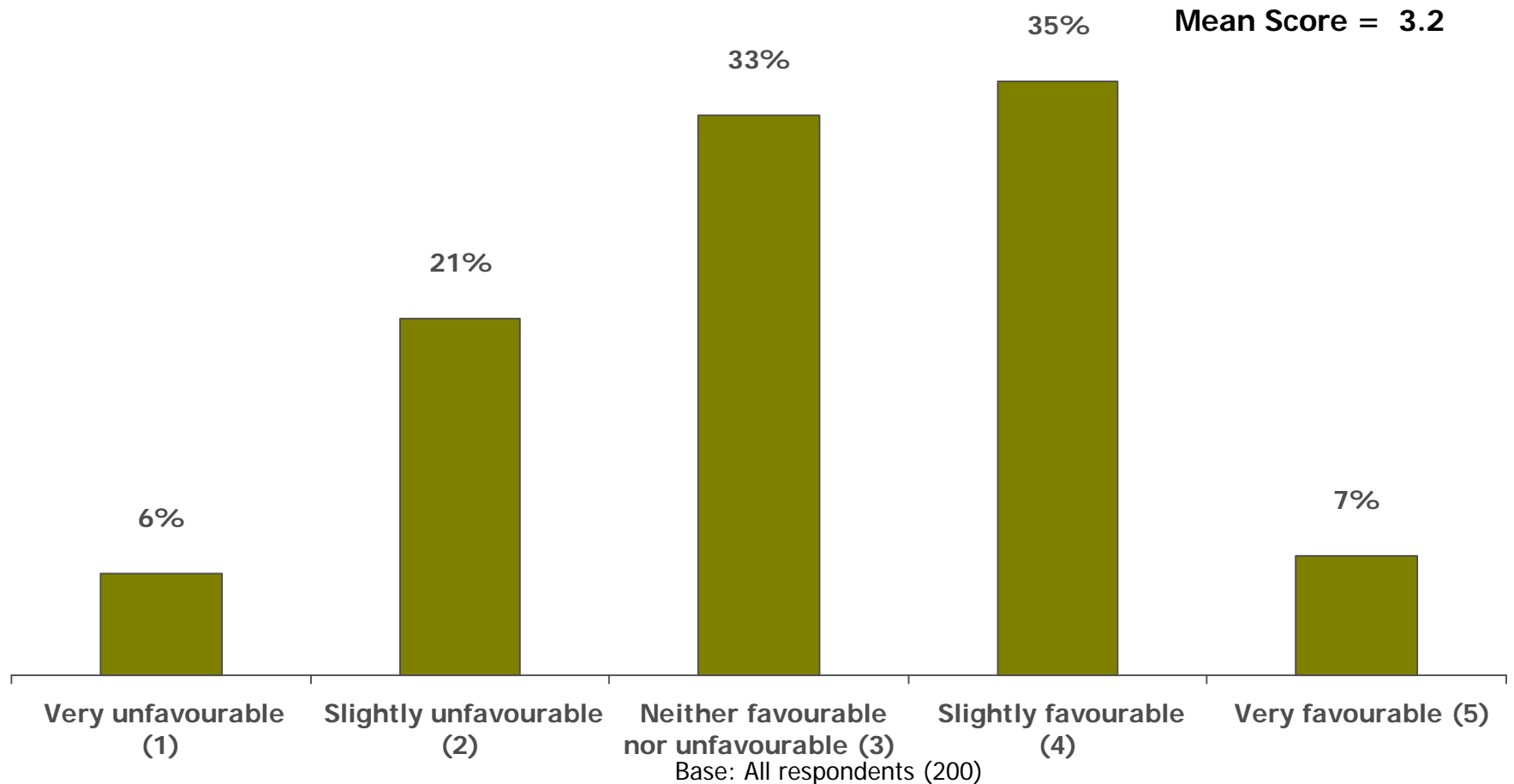
# ATTITUDE TOWARD INDUSTRY: UK MPs



Source: MORI / ABPI, 2006

# ATTITUDE TOWARD INDUSTRY: UK GPs

For each of the following industries, please rate your overall opinion or impression of them, according to the scale shown - **Pharmaceutical companies**

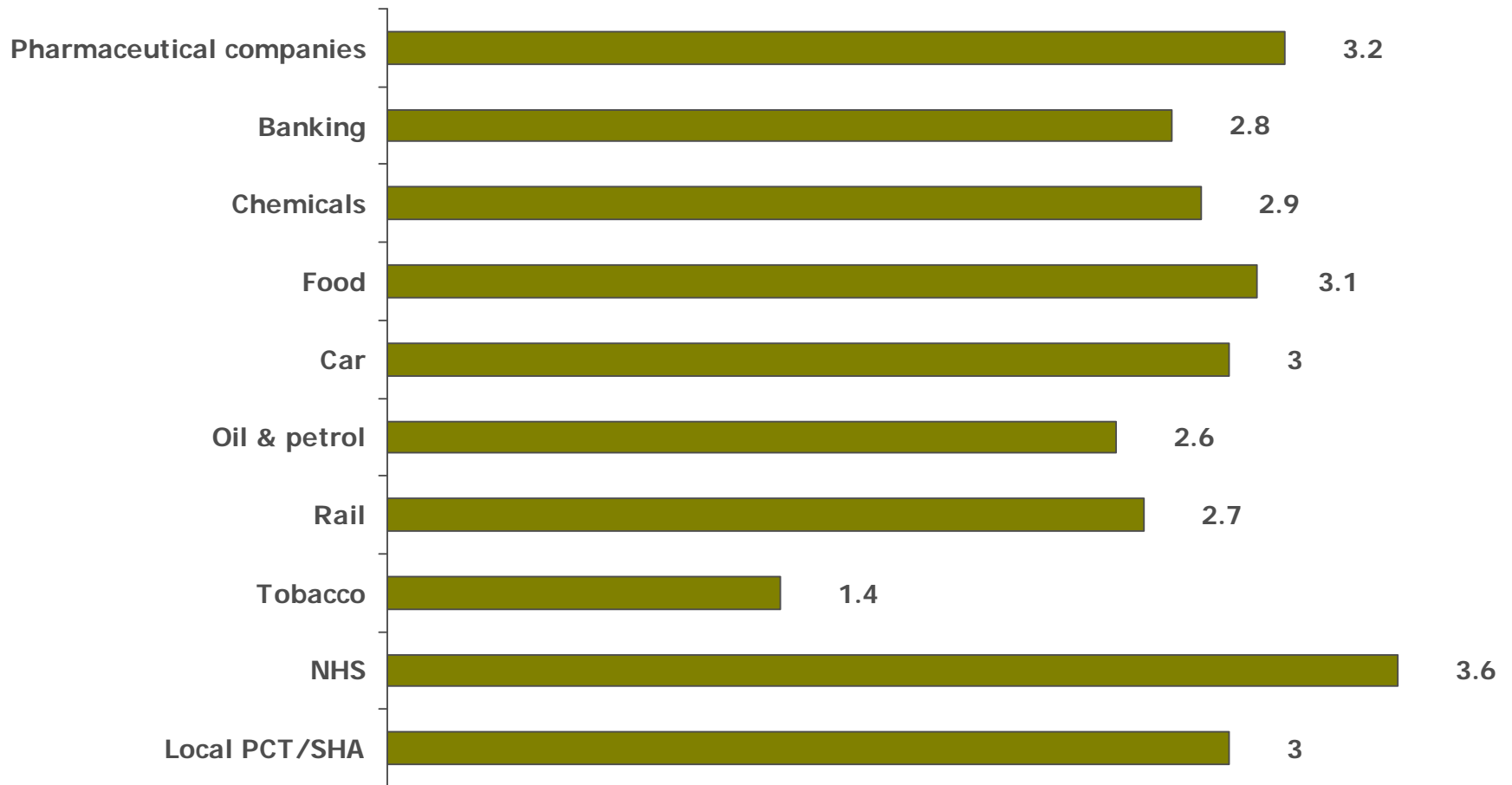


Source: GfK / ABPI, December 2006

# ATTITUDE TOWARD INDUSTRY: UK GPs

For each of the following industries, please rate your overall opinion or impression of them, according to the scale shown

## MEAN SCORE

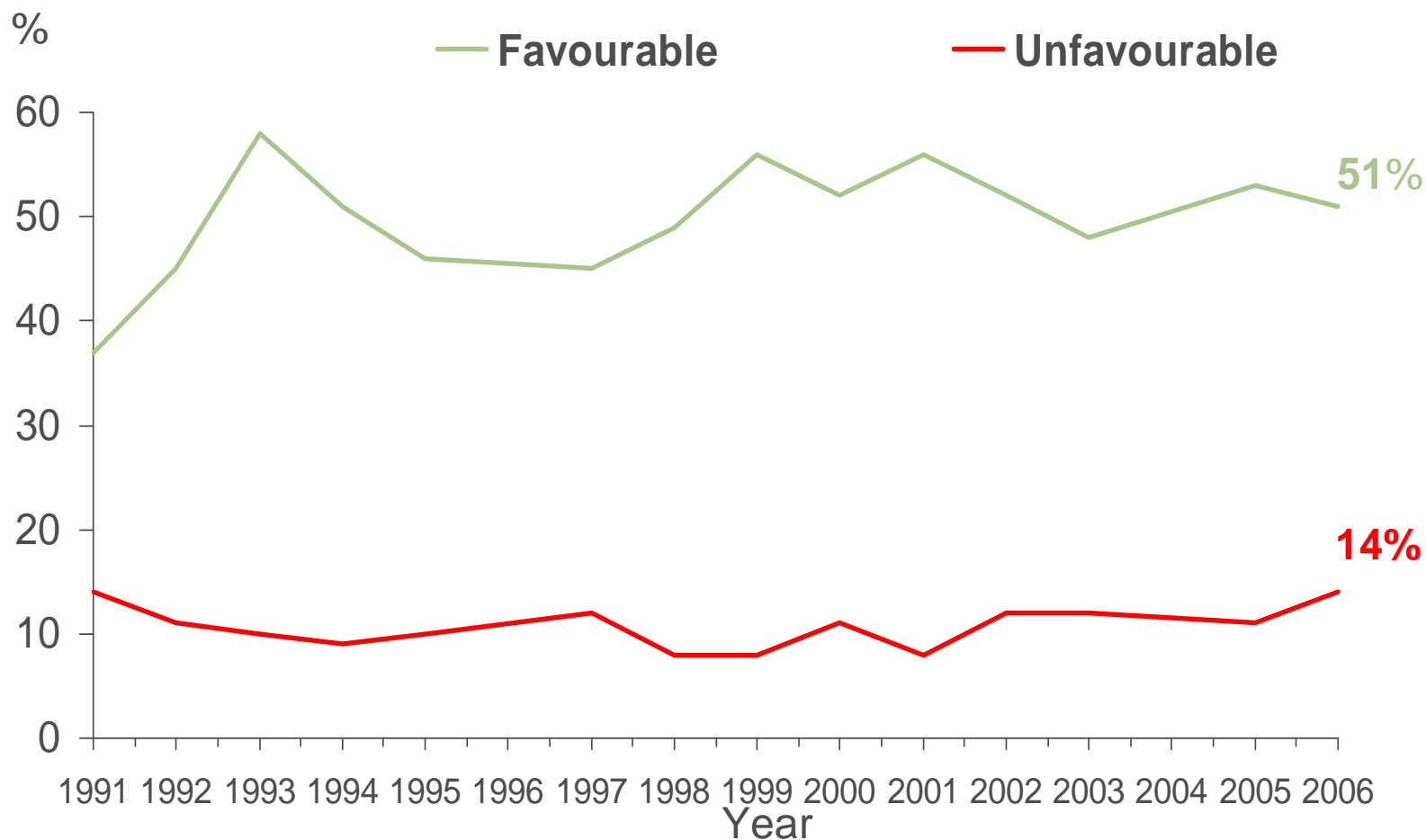


Base: All respondents (200)

Source: GfK / ABPI, December 2006

# ATTITUDE TOWARD INDUSTRY: UK General Public

*How favourable or unfavourable is your overall opinion or impression of the pharmaceutical industry?*

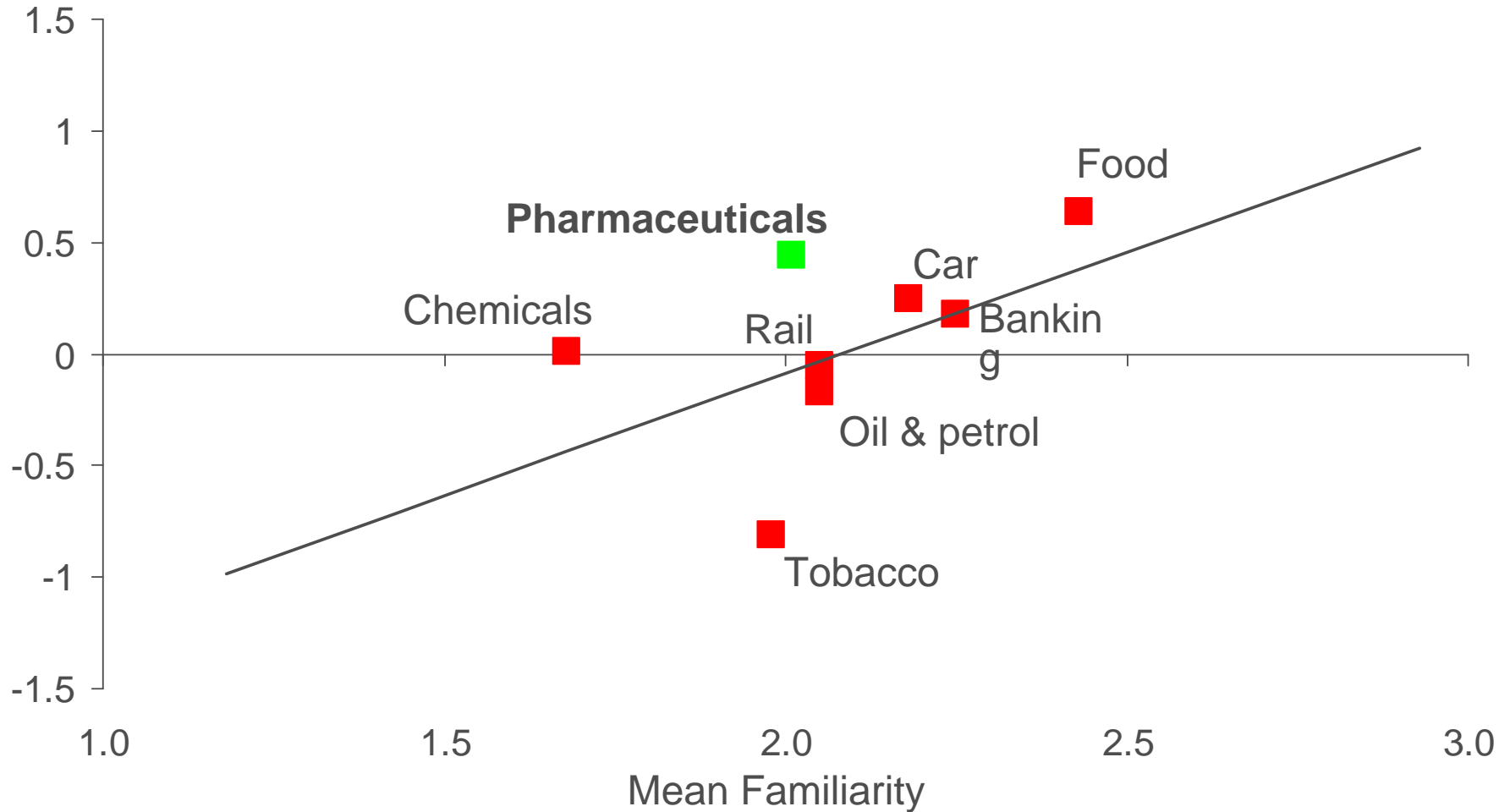


Source: MORI / ABPI, 2006

# **REASONS FOR POSITIVE or NEGATIVE ATTITUDES**

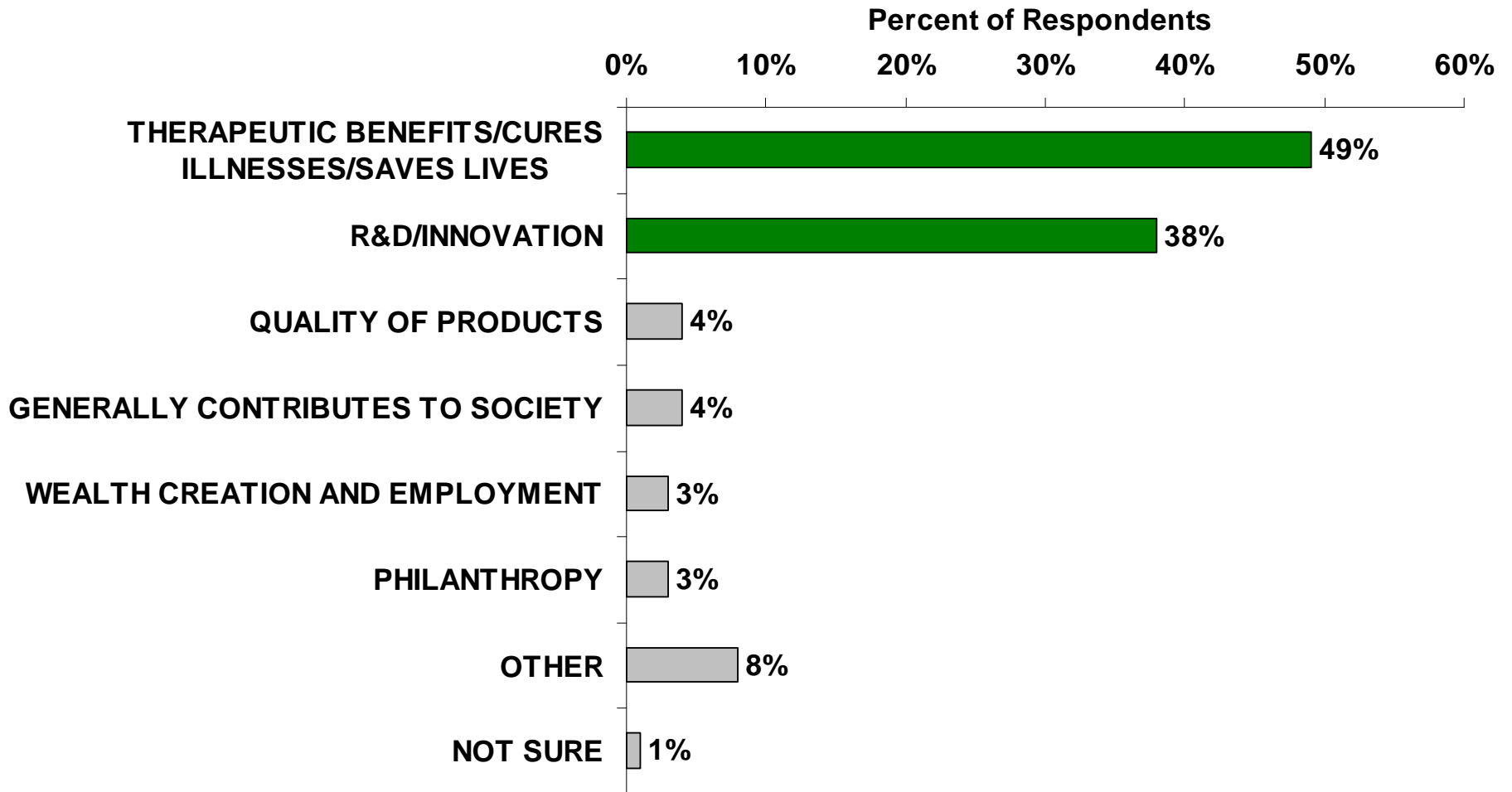
# Familiarity and Favourability – General public

Mean Favourability



# INDUSTRY POSITIVES: EU Elites

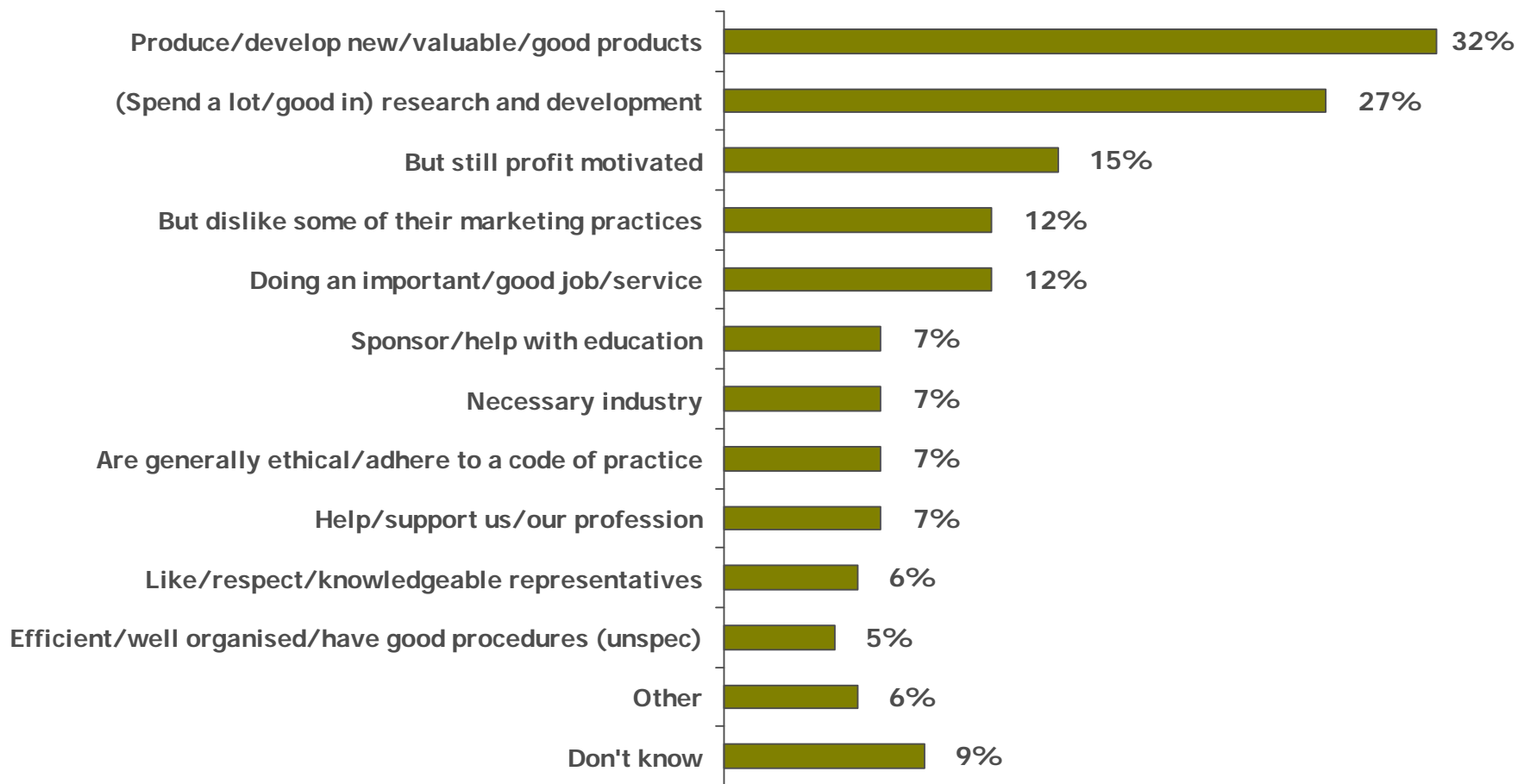
On the question of the pharmaceutical industry, people often express both favourable and unfavourable impressions. On the positive side, what is the main reason that people might regard the pharmaceutical industry favourably?



# INDUSTRY POSITIVES: UK GPs

**“Why do you say that you have a slightly/very favourable opinion of the pharmaceuticals industry?”**

Base: All who have a slightly or very favourable opinion of the pharmaceutical industry (82)

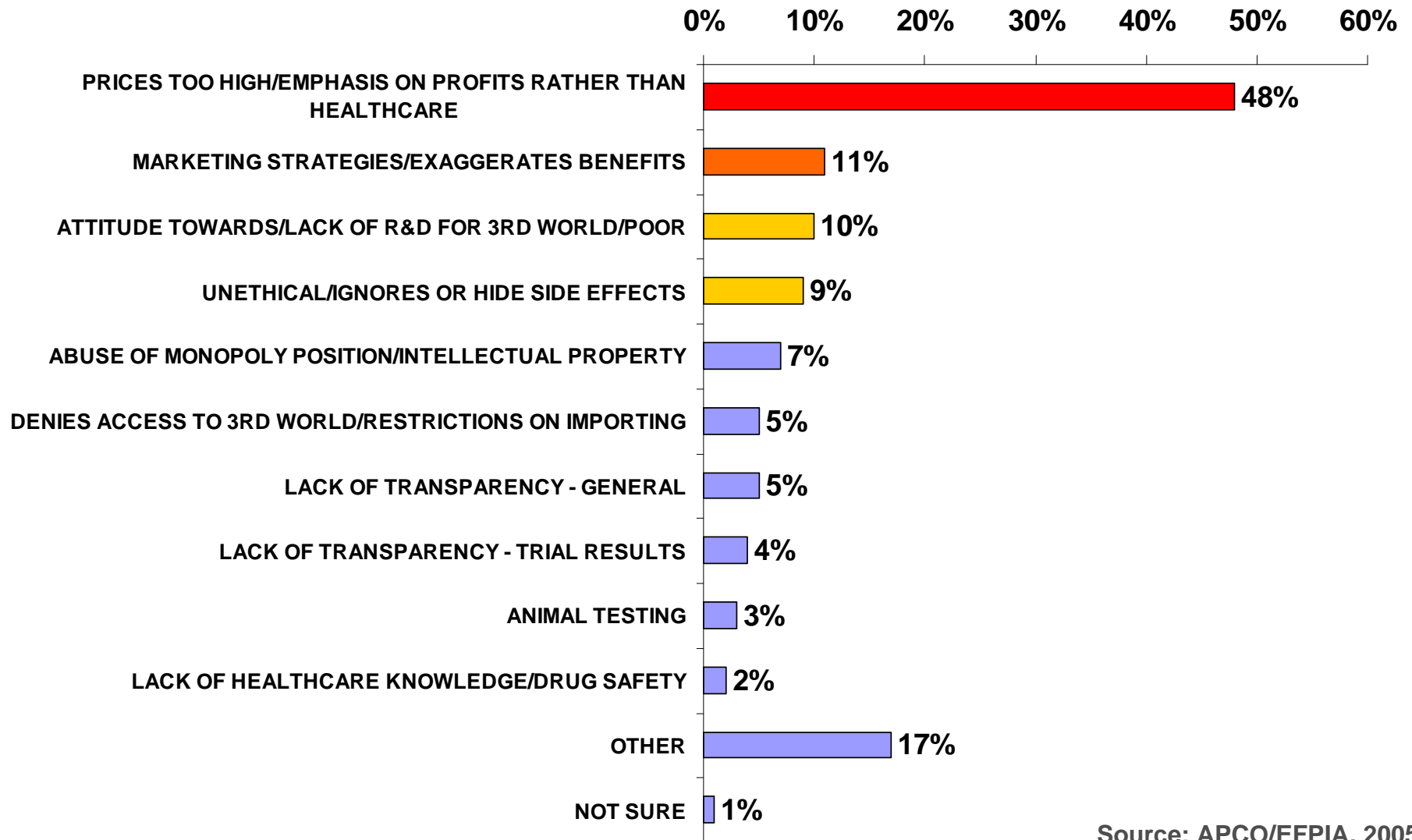


Source: GfK / ABPI, December 2006



# INDUSTRY NEGATIVES: EU Elites

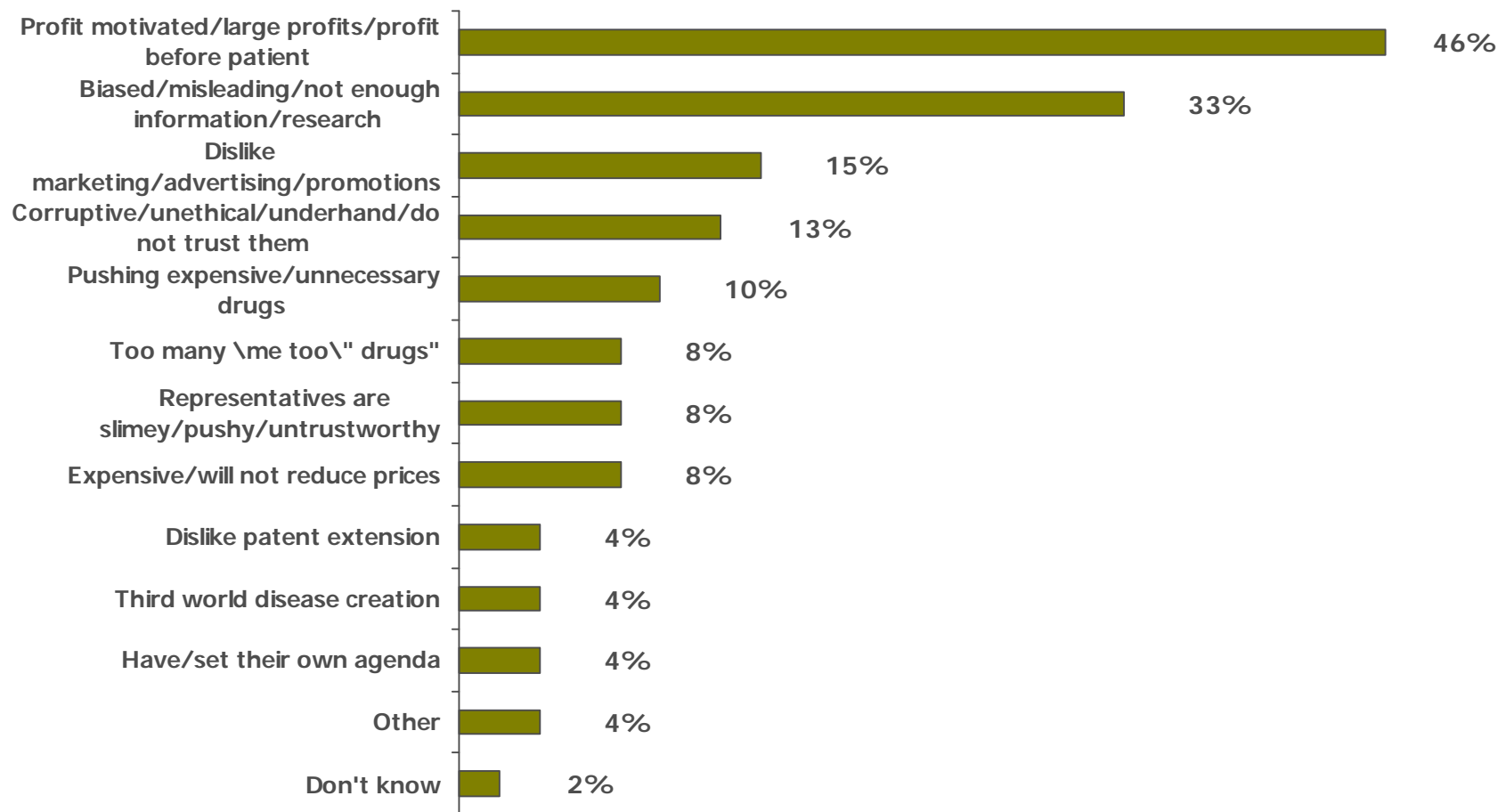
On the negative side, what is the main reason that people might regard the pharmaceutical industry unfavourably?



# INDUSTRY NEGATIVES: UK GPs

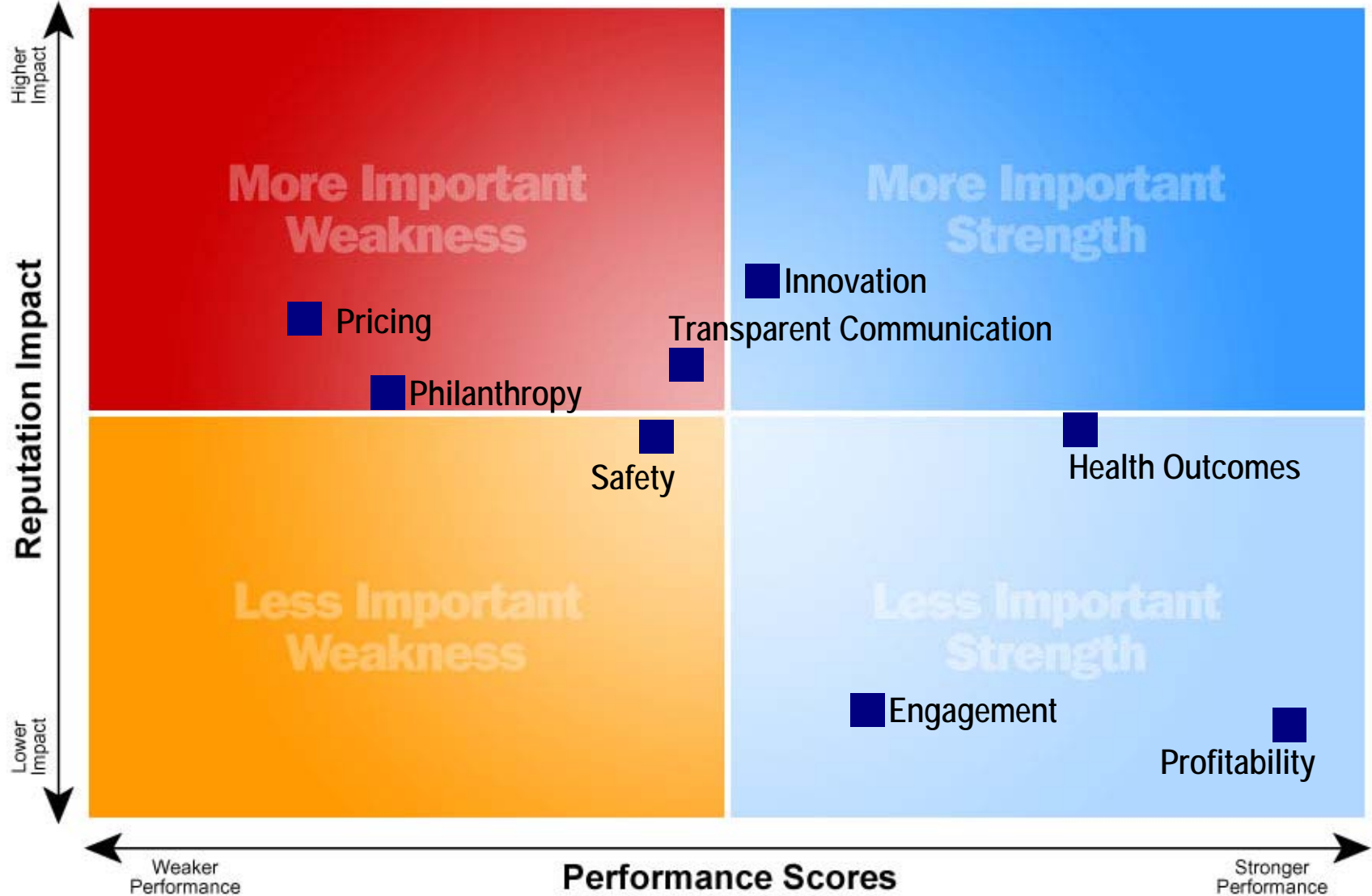
**“Why do you say that you have a slightly/very unfavourable opinion of the pharmaceuticals industry?”**

Base: All who have a slightly or very unfavourable opinion of the pharmaceutical industry (52)



Source: GfK / ABPI, December 2006

# REPUTATION IMPACT and INDUSTRY PERFORMANCE: EU Elites



# Stakeholder Divergences: EU Elites



# TRUST IN INDUSTRY

# TRUST IN INDUSTRY: US Adults

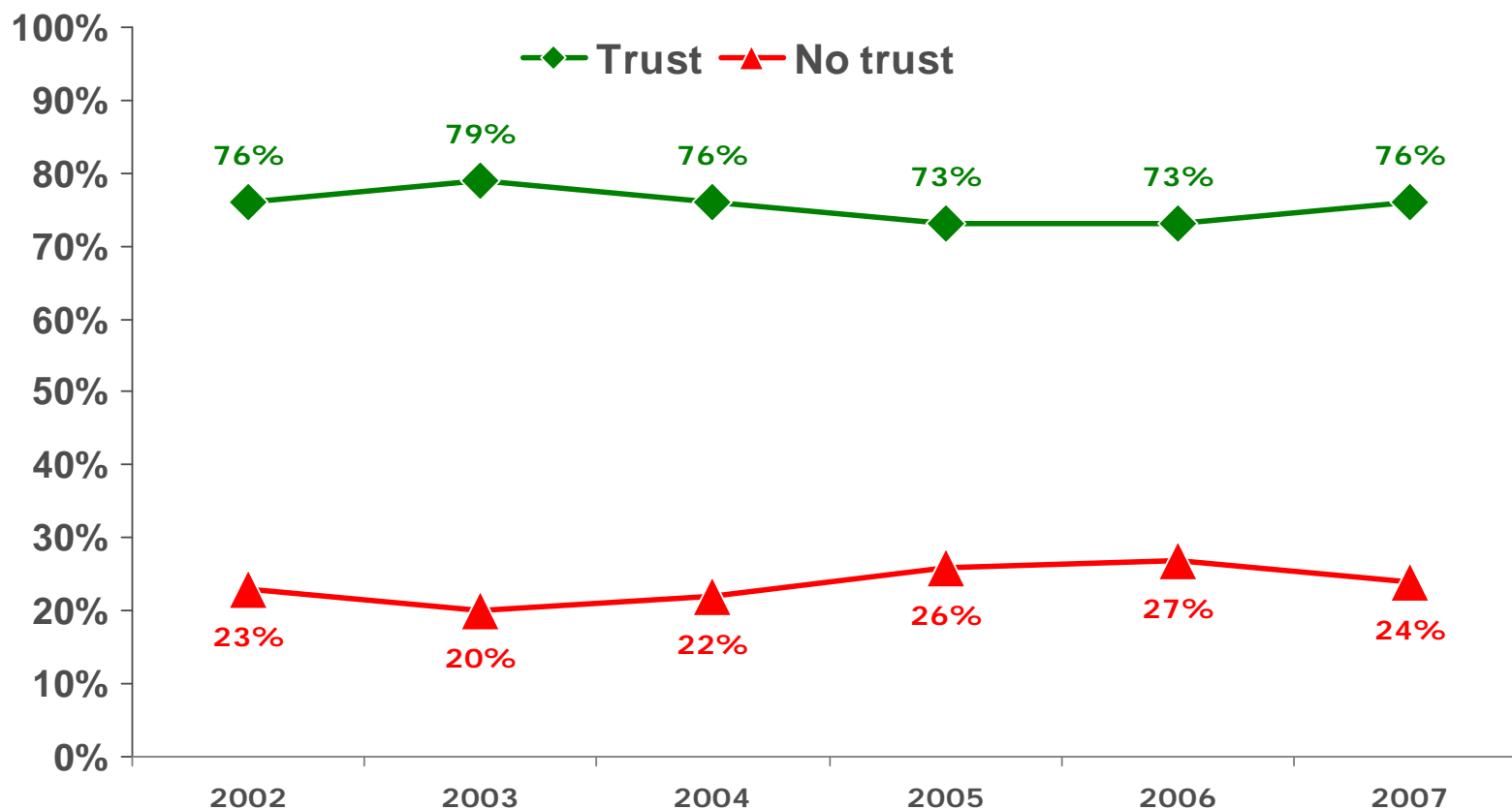
"Which of these industries do you think are generally honest and trustworthy – so that you normally believe a statement by a company in that industry?"

|  | 2003       | 2004       | 2005      | 2006      |
|--|------------|------------|-----------|-----------|
|  | %          | %          | %         | %         |
| <b>Supermarkets</b>                        | <b>40</b>  | <b>42</b>  | <b>39</b> | <b>34</b> |
| <b>Banks</b>                               | <b>35</b>  | <b>40</b>  | <b>34</b> | <b>31</b> |
| <b>Hospitals</b>                           | <b>34</b>  | <b>35</b>  | <b>34</b> | <b>28</b> |
| <b>Computer software companies</b>         | <b>22</b>  | <b>25</b>  | <b>22</b> | <b>23</b> |
| <b>Computer hardware companies</b>         | <b>27</b>  | <b>29</b>  | <b>27</b> | <b>20</b> |
| <b>Airlines</b>                            | <b>20</b>  | <b>22</b>  | <b>17</b> | <b>16</b> |
| <b>Packaged food companies</b>             | <b>23</b>  | <b>23</b>  | <b>21</b> | <b>14</b> |
| <b>Electric and gas utilities</b>          | <b>n/a</b> | <b>n/a</b> | <b>14</b> | <b>14</b> |
| <b>Online retailers</b>                    | <b>n/a</b> | <b>n/a</b> | <b>16</b> | <b>11</b> |
| <b>Life insurance companies</b>            | <b>11</b>  | <b>15</b>  | <b>10</b> | <b>11</b> |
| <b>Telephone companies</b>                 | <b>12</b>  | <b>13</b>  | <b>11</b> | <b>10</b> |
| <b>Car manufacturers</b>                   | <b>14</b>  | <b>18</b>  | <b>13</b> | <b>9</b>  |
| <b>Pharmaceutical and drug companies</b>   | <b>13</b>  | <b>14</b>  | <b>9</b>  | <b>7</b>  |
| <b>Health insurance companies</b>          | <b>7</b>   | <b>9</b>   | <b>9</b>  | <b>7</b>  |
| <b>Managed care companies such as HMOs</b> | <b>4</b>   | <b>5</b>   | <b>5</b>  | <b>4</b>  |
| <b>Oil Companies</b>                       | <b>4</b>   | <b>4</b>   | <b>3</b>  | <b>3</b>  |
| <b>Tobacco companies</b>                   | <b>3</b>   | <b>4</b>   | <b>4</b>  | <b>2</b>  |
| <b>None of these</b>                       | <b>37</b>  | <b>32</b>  | <b>37</b> | <b>40</b> |

Source: HarrisInteractive. Online survey: 2,010 U.S. adults, October 4-10, 2006

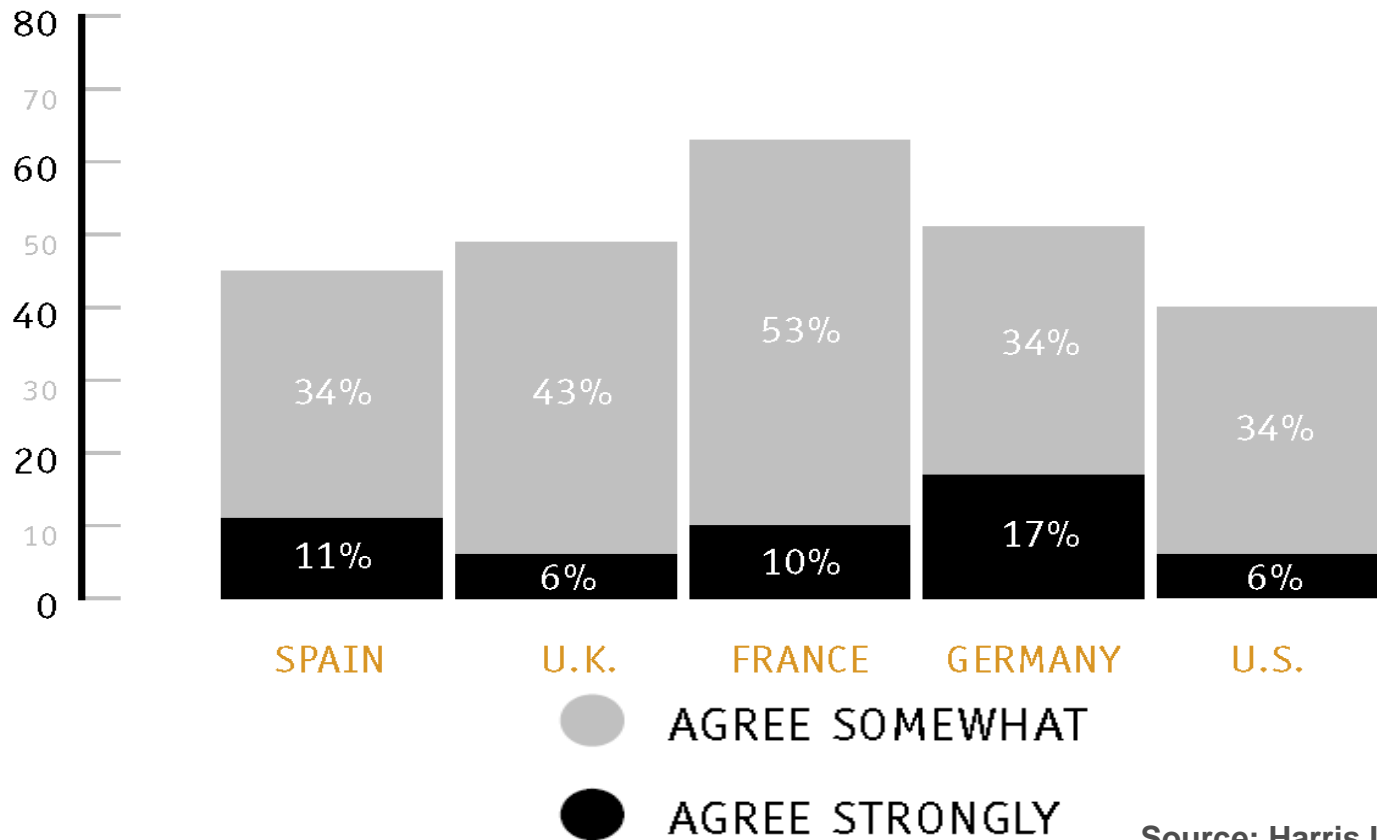
# TRUST IN INDUSTRY: France – General Public

« Faites-vous tout à fait confiance, plutôt confiance, plutôt pas confiance ou pas du tout confiance aux Entreprises du Médicament? »



# TRUST IN INDUSTRY: Physicians in 5 countries

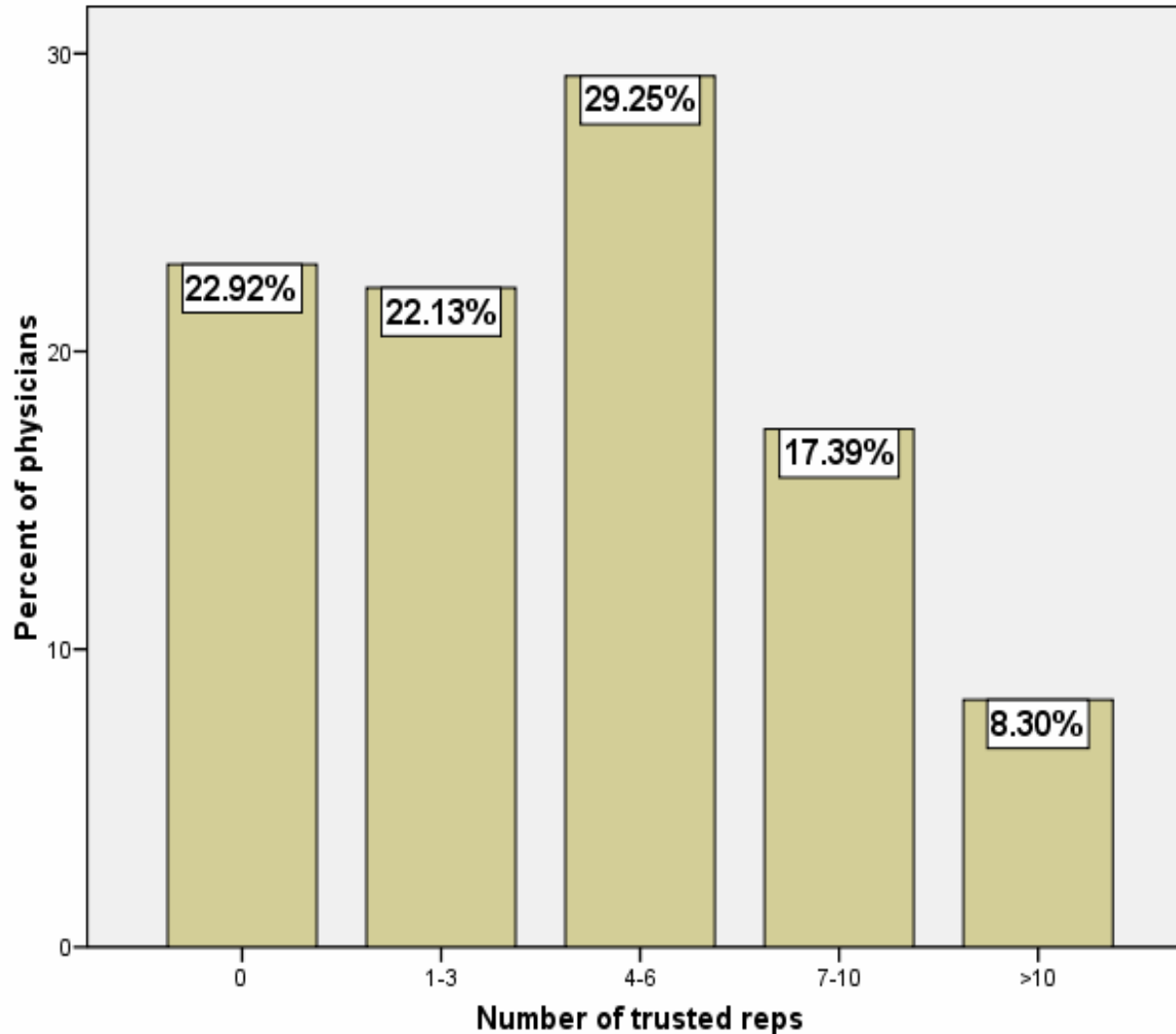
Agreement with « trustworthy »  
as a descriptor of the pharmaceutical industry



Source: Harris Interactive, 2004



# NUMBER OF TRUSTED SALES REPS: GPs in Germany



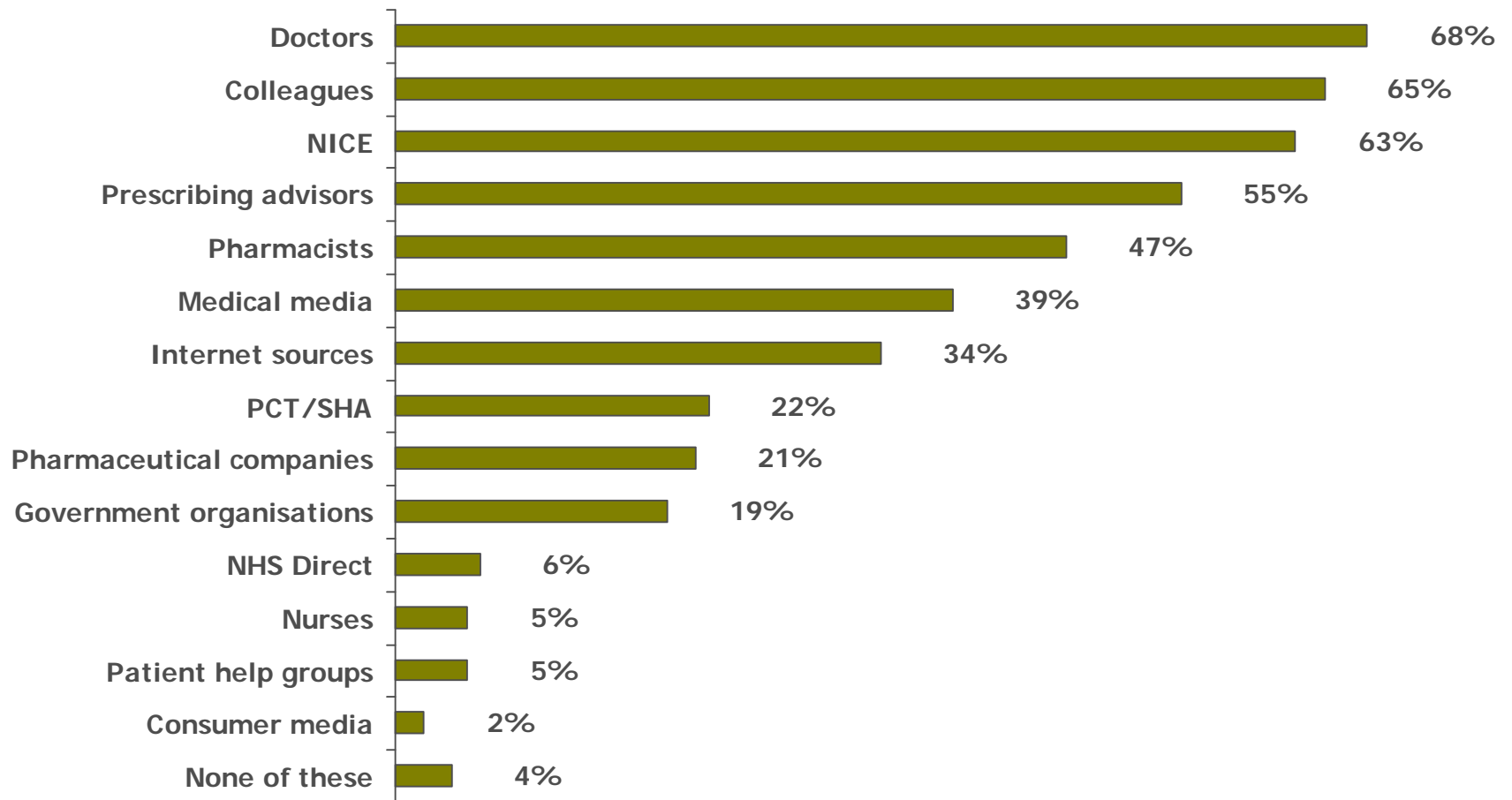
# TRUST IN INDUSTRY INFORMATION – CREDIBILITY AS A SOURCE OF INFORMATION ABOUT HEALTHCARE: EU

|   | %  |
|---|----|
| University medical centers  | 51 |
| National association of doctors   | 40 |
| New healthcare alliance/doctors, pharma companies,<br>pharmacists, patient groups | 35 |
| Patient advocacy organizations  | 35 |
| National association of pharmacists   | 31 |
| National association of pharmaceutical<br>research and manufacturing companies    | 26 |
| Government agency   | 21 |
| Leading pharmaceutical company like<br>Merck, Pfizer or Novartis                  | 14 |

Source: Pfizer, 2004

# TRUST IN INDUSTRY INFORMATION: UK GPs

Which, if any, of the following sources, do you generally trust to provide helpful and reliable information about medicines? Base: All respondents (200)



# CONCLUSIONS

- **Perception gaps**
  - Between beliefs and reality
  - Between industry beliefs and stakeholder beliefs
- **Attitudes toward industry**
  - The proportion of persons favorable / unfavorably toward the industry varies between 4:1 to 2:1 approximately, depending on the surveyed population
  - Compared to other industries, the pharmaceutical industry is well regarded in Europe
- **Strongest positives associated with the industry:**
  - R&D/innovation
  - Patient outcomes
- **Strongest negatives associated with the industry:**
  - Pricing
  - Transparency
  - Sales & marketing practices
- **Significant number of persons do not trust the industry**

**TO CHANGE THE WORLD WE HAVE TO  
CHANGE OURSELVES**