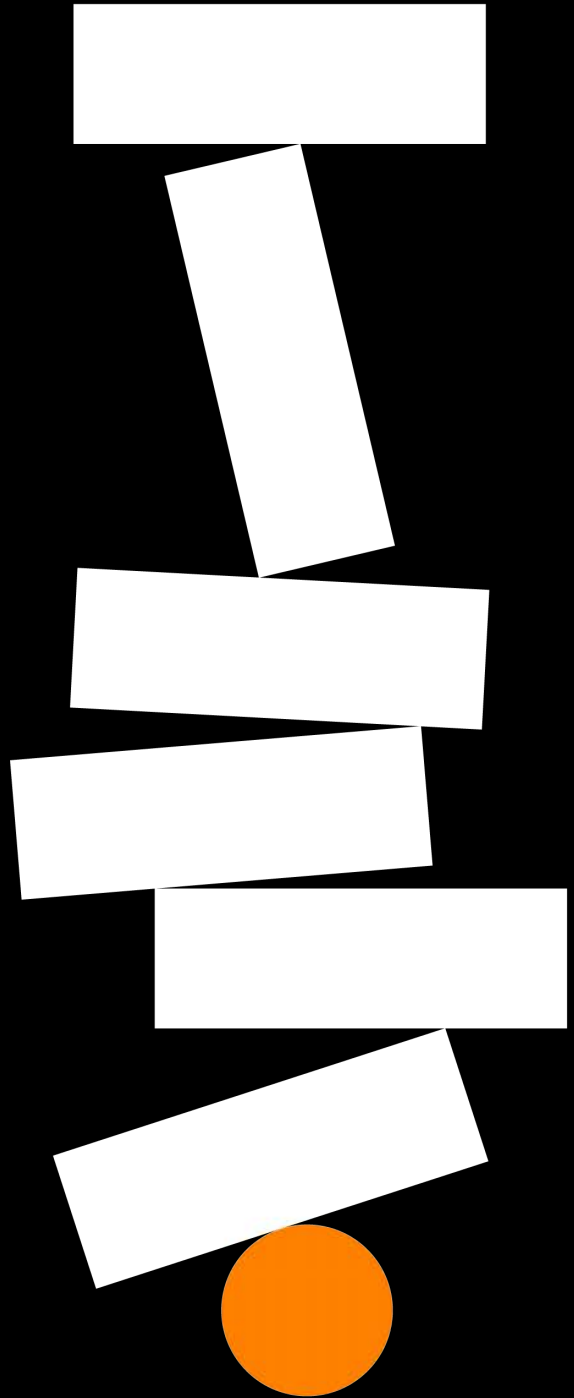


# Deep Dive

This week we're focusing straight in with a Deep Dive on how COVID-19 has impacted the Pharmaceutical industry





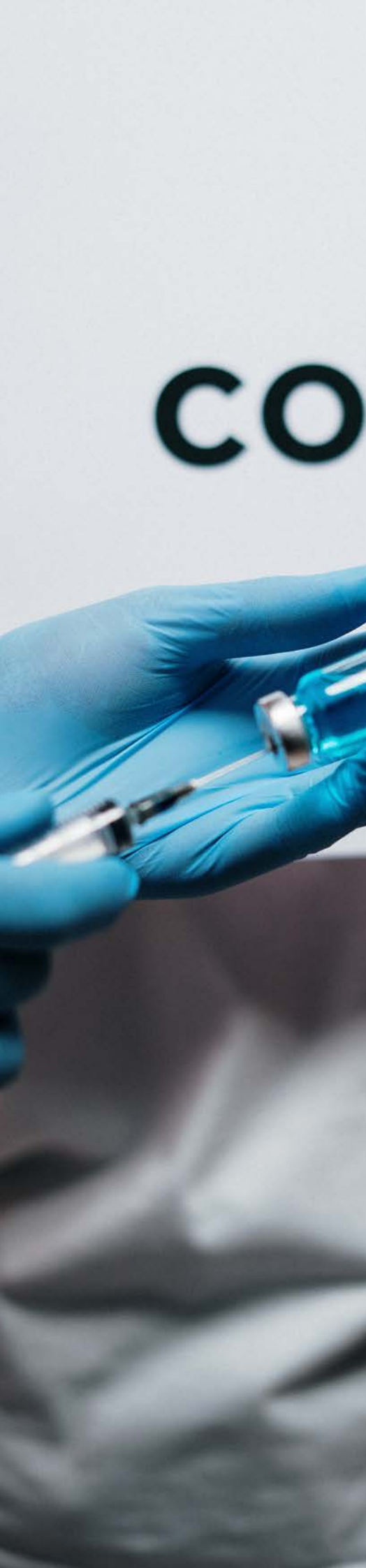
# Category Deep Dive: Pharma

This week, the latest data and intelligence on COVID-19 and its impact on the Pharma industry. We've split the latest (and best) research into three sections on the business, consumer and brand impact of the virus.



**01**

**Business**



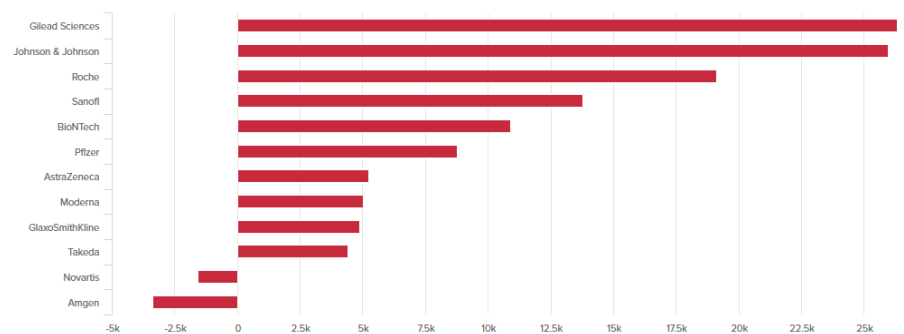
In this week's Deep Dive into the Pharma category: the race for a vaccine re-sets ways of working, consumers turn to value-led products while seeking an immunity boost and media spend strategies change.

## 1. Race for vaccine re-sets ways of working for Big Pharma

Pharma companies are in an arms race to find a vaccine for the current crisis with over 200 therapies and over 100 vaccines being explored<sup>1</sup>. There will be significant commercial rewards for the winner(s) if a vaccine is found, reflected in the growth in market capitalisation for the Pharma companies leading the research efforts (see Figure 1).

**Figure 1: Key COVID-19 Market movers by Market Capitalisation Change (US \$ million), up to 27 May 2020<sup>2</sup>**

Note: Chart shows MSCI, the market capitalisation weighted index (a broad measure of global equity market performance) versus the performance of global insurers (in red).



### Huge challenges see a shift from competition to collaboration

Public perception has settled on a 12-18 month window to find a vaccine. The challenge for Pharma companies is to short circuit the conventional timeline of 10.71 years that it typically takes to develop a vaccine, with only a 6% success rate from start to finish<sup>3</sup>. The European Medicines Agency believes that “a more co-ordinated approach” is required to build up enough data to produce definitive results<sup>4</sup>. There has already been unprecedented collaboration between rivals: GSK has teamed up with Sanofi, while AstraZeneca is backing the University of Oxford by being on the hook for millions of doses for its leading candidate. Pfizer has teamed up with German mRNA company BioNTech<sup>5</sup>.





### **Transparency will be critical to overcome huge manufacturing challenge**

Maybe the most significant challenge ahead is the manufacturing of a vaccine once it has been approved. This is an unprecedented undertaking because the majority of the world's 7.8 billion people will likely require inoculation.



No one company can be expected to get a vaccine through development, made up and shipped out in the shortest period of time it has ever taken to make a new vaccine from scratch.”  
**Paul Stoffels**, Chief Scientific Officer, J&J

Pharma companies are having to open up what is typically a highly confidential and sensitive process. As the Duke-Margolis Center for Health Policy maintains: “there is a need for transparency from drug developers, government agencies and academic researchers across the spectrum of COVID-19 therapeutics development, from discovery to manufacturing, including about topics that are traditionally treated as closely guarded secrets.”

### **Pharma companies request upfront funding**

Pharma companies are seeking funding commitments from governments to help mitigate the inevitable “dead ends” that will occur during this process. As David Loew, Executive Vice-President of Sanofi Pasteur, states: “a swift commitment totalling ‘billions’ of dollars was needed from governments to underwrite purchases of the most promising experimental vaccines even before final proof they work.”<sup>6</sup>

## **2. Chance to improve Pharma’s image by putting people before profit**

Pharma companies are having to navigate a tricky path between protecting and growing shareholder value and serving the public good in an unprecedented crisis. As McKinsey observes: “how companies act individually and collectively in the next few weeks and months will shape the outcome of the pandemic and the reputation of the biopharma industry for decades to come.”<sup>7</sup>



## Coronavirus puts Big Pharma's IP regime to the test

A key area of concern for Pharma companies is on the question of intellectual property and patents which they use to get a return on their investment on successful vaccines. There is noise from some pressure groups and governments for Pharma companies to drop these IP claims.<sup>8</sup> AbbVie has withdrawn its patent rights to Kaletra, an antiviral drug identified as a potential corona treatment. This came as the Israeli government issued a compulsory licence to allow the sale of copycat versions of the drug. Industry leaders believe further moves in this area could have an extremely negative impact.



...waiving IP would be a disaster. "If we don't have IP, no one will take care of developing anything...who would ever invest if there was no incentive?"<sup>9</sup>

**Severin Schwan, CEO, Roche**

There is, however, a huge reputational upside for the industry if they get the balance right and produce a successful vaccine "against the biggest infectious threat in a century".<sup>10</sup>

## 3. Pharma benefits from knock-on effects of Coronavirus

The pandemic has had a mixed impact on the financial results of most big Pharma companies. Lockdown has negatively impacted some revenue streams: the lack of non-essential surgeries and sales of new drugs have been stunted by the lack of available in-person meeting with healthcare professionals during this period.<sup>11</sup>

However, there have also been other knock-on effects. For example, Pfizer's pneumonia vaccine, Prevnar 13, has seen an unexpected jump in sales, which in severe cases causes pneumonia with high mortality rates. J&J noted an 11% increase in sales in its consumer health unit. This was the result of greater OTC demand for medicines such as painkillers and fever-reducing drugs.<sup>12</sup>



A blurred background image of a busy city street with people walking. In the foreground, a man on the left wears a blue face mask, a striped shirt, and a cap. A woman in the center wears a black dress and carries a black bag. A woman on the right wears a green sweater and light blue jeans. The scene is set in a city with historic buildings.

02

**Consumer**



## 1. People turn to value led health products as financial worries increase

Concerns about health and falling sick remain high but are largely decreasing as most countries pass their peak of COVID-19 deaths.<sup>13</sup> The exception is Brazil where ‘worries about falling sick no matter how I take care of myself’ rose dramatically from 29% to 52% between the end of March and end April.<sup>14</sup> Concern about a second wave remains high across all countries, especially for those who are starting to ease their stringent lockdown measures, 88% and 86% of people in Spain and Italy respectively, compared to 64% of people in South Korea are worried about a re-emergence in the coming months.<sup>15</sup> Whilst concerns about health are high, they are being overtaken by concerns about personal finance and household income.<sup>16</sup> Consequently, as the crisis persists, consumers are looking to trade down and economise in the category. Moving towards multipack/ large format take-home packaging and private label options.<sup>17</sup>

## 2. Stockpiling gives way to products that deliver an immunity boost

The first few weeks of the crisis saw stockpiling of hygiene and pharma essentials such as hand wash, hand sanitiser, disinfectants, and OTC paracetamol, which could be repeated if there are subsequent waves of infection.<sup>18</sup> The increase in demand for paracetamol in the UK has been ‘unprecedented’, according to the Pharmaceutical Association of Great Britain (PAGB).<sup>19</sup>

Stockpiling has been followed by a focus on wellness and hygiene at home. With consumers seeking out health related goods, from OTC medication to immune boosting products as they strive to safeguard their physical health. Many consumers are turning to immunity-boosting foods and vitamins in a bid to ward off the virus. There has been a significant increase in mentions of immunity boosting foods and ingredients and natural remedies across social platforms.<sup>20</sup>

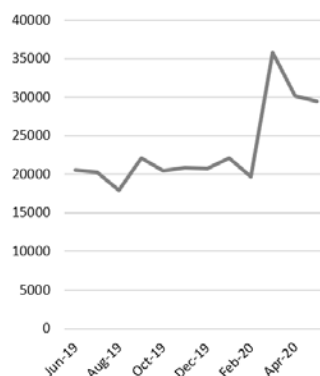


Figure 1: Social mentions of natural remedies/immunity boosting food and ingredients (Global English)

Source: Netbase





There has been a corresponding uplift in sales of nutraceuticals, including immunity-focused foods and supplements and also immune-boosters such as Vitamins C, D and Zinc.<sup>21</sup> With sales of healthcare products rising, Procter & Gamble reported a 9% increase in healthcare sales last quarter – its biggest in decades.<sup>22</sup> In China there has been a continued rise in sales of Traditional Chinese Medicine (TCM), despite some claims from the scientific community that COVID-19 could have originated from bats being handled because of their TCM properties.<sup>23</sup>

While concerns about health remain high, some people have turned to unlicensed products to protect themselves against COVID-19. In March the Medicines and Healthcare Products Regulatory Agency (MHRTA) took part in the annual global coordinated operation to tackle the illegal online sale of medicines and medical devices. Globally, 2,000 online advertisements related to COVID-19 were found and more than 34,000 unlicensed and fake products, advertised as “corona spray”, “coronavirus medicines” or, “coronaviruses packages” were seized.<sup>24</sup>

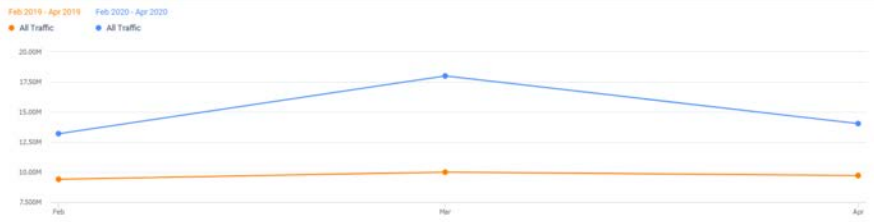
A co-ordinated push by governments and media platforms has tackled some of this misinformation. However, the scientific community continues to be alarmed by the promotion of medication such as hydroxychloroquine as a potential treatment for COVID-19. Despite President Trump promoting the anti-malarial drug (and certain household products), the medical establishment has warned against its use, citing possible negative outcomes.<sup>25</sup>

### **3. Pandemic accelerates e-commerce adoption**

The outbreak has seen a change in shopping behaviour, across countries and categories. In China, while only 12% of Chinese seniors shopped online in Dec 2019 prior to COVID-19, in February the figure had risen to 87%.<sup>26</sup> People across the globe are increasing shopping at online pharmacies, as they remain at home because of lock down, or fear entering spaces where they could come into contact with the virus. In a pattern that is being replicated around the world, in Germany, traffic to online pharmacies increased by 80% between March 2019 and March 2020, rising from 10 to 18 million visits across the month. Although traffic dropped in April as Germany passed its peak, levels were still up 50% on 2019.<sup>27</sup>

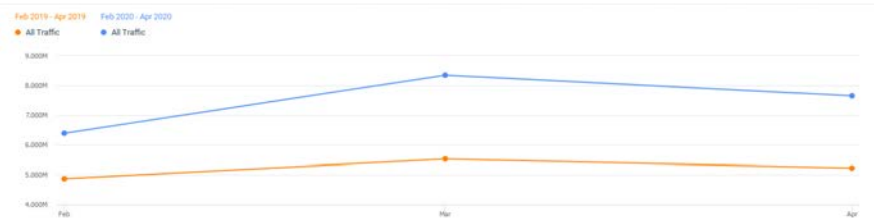


**Figure 2: Monthly visits to online pharmacies, Feb 2020 -April 2020, Germany**



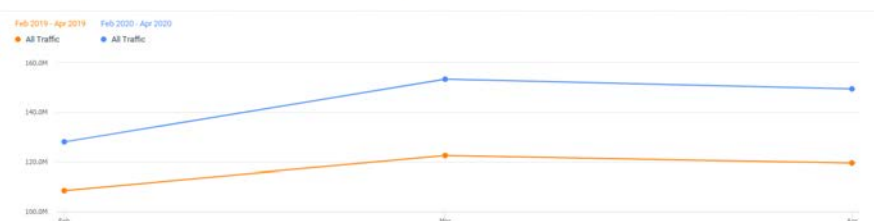
Source: SimilarWeb

**Figure 3: Monthly visits to online pharmacies, Feb 2020 -April 2020, UK**



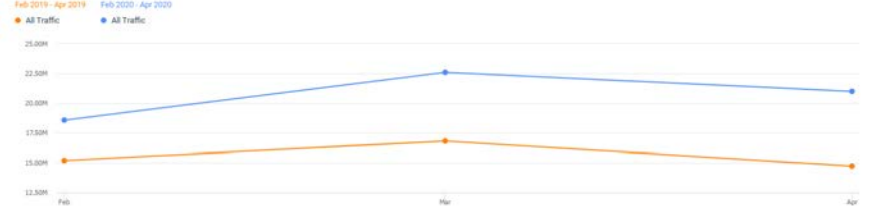
Source: SimilarWeb

**Figure 4: Monthly visits to online pharmacies, Feb 2020 -April 2020, USA**



Source: SimilarWeb

**Figure 5: Monthly visits to online pharmacies, Feb 2020 -April 2020, India**



Source: SimilarWeb



# 03

## Brand





# 1. Media Spend and the increasing importance of DTC communications

Pharma marketers are making the difficult decisions on how to best manage their marketing investments. These decisions include whether to pull back from DTC efforts, maintaining current media spend and how to best reach HCPs (Healthcare Professionals) without field force visits. Examining the cross-category impact of the pandemic on media investment, the pharma industry has implemented the smallest reduction across all categories including Food, Drinks and Financial Services, a -2.2% decrease post outbreak across all channels.<sup>28</sup>

Figure 1: Global media investment shift by category

WARC DATA Global Ad Trends, May 2020

## Global, Year-on-year % change, US dollars, 2020



Note: Data are net of discounts, include agency commission and exclude production costs. Data include display, search and classified advertising spend.

SOURCE: WARC Data, Nielsen Ad Intel

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In the US, Pharma's TV top spenders increased their ad budgets in April to reach stay-at-home viewers. The top 10 brands upped their national TV ad spend by 17% in comparison to March, jumping from \$156million to \$183million.<sup>29</sup> The increase in ad-spend is partly explained by brands adapting their messaging to address the pandemic as well as increasing investment in DTC in a hope to reach HCPs. AbbVie's Humira drove the biggest spend with \$52.9million (double the budget of its closest competitors). The company created new communications specifically about COVID-19, as well as adding messaging to existing ads. Novo Nordisk and Sunovion followed a similar strategy by adding a message about coronavirus to the end of their US ads.

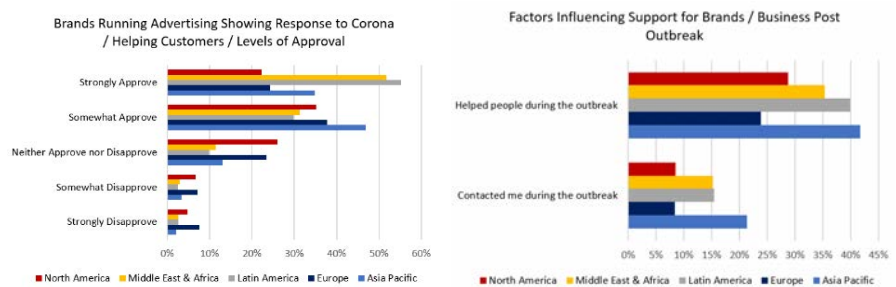
Pharma companies are tackling a shutdown of face-to-face interactions with HCPs, an area which has for a long time been at the epicentre of the industry's engagement mode. HCP marketers reported a 40-70% drop in HCP access resulting in a need to shift engagement practises.<sup>30</sup> Applications such as Veeva's Engage Meeting have allowed engagement to continue and digital rep engagement is 10x higher than before the crisis.



## 2. Brands adapt existing messaging to the current situation

Good corporate behaviour could reap long-term benefits for pharma brands' reputation.

GlobalWebIndex data shows that consumers across all categories and markets approve of brands addressing COVID -19 in messaging and are more likely to support a brand post COVID -19 if that brand helped people during the outbreak. <sup>31</sup>



Several companies are using their resources to help their own patients during the pandemic. Eli Lilly is focusing its efforts on offering support to its US diabetic population through adverts detailing how patients can still receive support in financially challenging times. Gilead has followed a similar approach by announcing that the company will be providing \$1.5 million doses of Remdesivir, a broad-spectrum antiviral medication, at no cost to US patients as well as broadening its distribution. In Europe, Novo Nordisk is also reaching out to patients by creating a helpline aiming to support people with diabetes during the pandemic outbreak. Novartis has also pledged to donate supplies in the US and is currently in discussion with authorities on how to distribute the drug globally. The brand has also started a \$20M fund delivering grants to communities badly affected by the virus.

J&J has acknowledged the importance of brand reputation and alongside donating money and conducting research, they are building a connection with consumers by televising weekly 30 minutes shows teaching the public about the ins and outs of creating a vaccine whilst also assuring viewers that no profit will be made from an eventual vaccine on their behalf.

Several pharma companies have pledged their support to frontline workers. MSD has updated its company volunteering policy to allow more trained health professionals to volunteer for COVID-19 related activities. Johnson & Johnson are making several donations including \$1M to the London School of Hygiene & Tropical Medicine.



AstraZeneca is donating 9 million face masks to countries badly hit by the virus and has accelerated trials on various testing measures. AZ is expected to see a drop in revenue largely due to China's economic situation (an area of strong predicted growth for AZ). The loss in revenue could be solved through the development of a successful drug against COVID-19 this prospect has resulted in AZ further amplifying its clinical trials and research.



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<sup>14</sup> Kantar COVID-19 Barometer, wave 4 (13th to 29th April 2020)

<sup>15</sup> Kantar COVID-19 Barometer, wave 4 (13th to 29th April 2020)

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# Thank you

