

# RACE AGAINST TIME

The pharmaceutical industry is seizing the moment to both help lift society out of the pandemic and rebuild its own reputation. The clock is ticking. By Brunswick's **BEN HIRSCHLER** and **JEREMY RUCH**.

**T**he COVID-19 pandemic is a make or break moment for the pharmaceuticals industry. Around the world, billions of people are living in hope of a vaccine or cure, and entire stock markets are swinging on read-outs from clinical trials. • The potential for drug companies to throw a lifeline to a sick world has sent corporate purpose soaring to the top of the boardroom agenda—and drug development is in the spotlight in a way it has not been since the early days of HIV/AIDS. • With drug companies investing billions of dollars in COVID-19 research and executives marshaling their best scientists to try and outwit the virus, the pharmaceutical sector now has a huge opportunity—and a huge challenge—to prove its value to society. In the words of Eli Lilly CEO David Ricks, the pandemic represents a “once-in-a-generation opportunity to reset the reputation of the industry.”

While academic and government labs will play an important role in the fight, it is only the world's large drug companies that possess the infrastructure, production capacity and know-how to develop and manufacture the necessary drugs and vaccines at scale. However the recognition that multiple companies—ranging in size from industry giants to small biotechnology outfits—are working flat out to roll back the greatest health crisis in more than a century is already changing perceptions across the board.

A Brunswick Insight survey of more than 600 opinion leaders who follow healthcare in the UK, the US and China shows how the sector has enjoyed a significant reputational boost. In the results from Britain and America, those who saw a more positive impact from recent events topped those who saw a more negative impact by 30 points. In China, that spread has historically been even larger, and currently stands at more than 80 points. Other Brunswick research among informed consumers in the UK and the US also reveals reputational gains for pharmaceutical companies. Around two-thirds of informed consumers now have a positive view of drug makers, compared with well under half in 2018. Significantly, throughout the research, Chinese respondents proved to be considerably more positive towards companies and more optimistic about progress on COVID-19.

The industry could certainly do with a lift, especially in the all-important US market. The sector has received a battering in recent years from the opioid epidemic, a run of mis-selling scandals and politically charged drug pricing controversies. As a result, at the end of 2019, pharmaceuticals ranked as the most poorly regarded industry in the eyes of Americans among 25 industries monitored by Gallup. It was the lowest reading since the series began in 2001.

Now, however, the COVID-19 emergency has changed the terms of the debate and the pharmaceutical industry's response to the crisis has given companies a chance to improve their tarnished reputation. The big question is: Will the halo effect last? The Brunswick Insight survey shows that while big pharma and biotechnology companies, in particular, are currently enjoying a notable boost, just over half of people still have not changed their view of the sector—a source of risk if companies fail to deliver.

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“If the pharma industry creates hopes that they can't fulfill, particularly concerning delivery of a vaccine, then the reputational reprieve may be short-lived and the reaction could be harsh,” Erik Gordon, professor at the University of Michigan's Ross School of Business, told the Brunswick Review.

The Brunswick Insight survey finds that most people expect to see an approved and available vaccine within a year, although many also recognize there is a risk that any vaccine could be delayed or not prove entirely effective or not be made widely available. Not surprisingly, it is expectations around vaccines that are especially critical in determining sentiment toward the sector, with meaningfully higher positive opinions evident among those who expect widespread vaccine availability by this time next year.

In other words, it seems that the industry has around 12 months to deliver before patience starts to run out.

Since the traditional timeline for vaccine development is 10 to 20 years, this is a tough ask. Yet there have already been remarkable advances, with around 170 vaccines against the coronavirus now in development in laboratories around the world, according to the World Health Organization—even though the genetic sequence of the virus was only deciphered in January. More than 30 of these, including a significant number from China, are already in human trials. Globally, it is an unprecedented pace of progress.

Another message that comes across strongly from the polling is that companies are expected to be collaborating—not competing—when it comes to COVID-19. By and large, this chimes with the reality on the ground. While it is true that there is rivalry between scientific groups, the big picture shows an exceptional level of collaboration both within the industry and between the business, academic and governmental organizations. The combined effect is turbo-charging a trend toward open innovation that has been building for some years.

Indeed, announcements about COVID-19 partnerships have come thick and fast in recent months. GlaxoSmithKline and Sanofi, for example, are working together in a unique vaccine alliance that aims to get a COVID-19 vaccine to market by next year. In this case, each company holds a key part of the puzzle: Sanofi is providing the basic experimental vaccine, while GSK is supplying a

crucial additional ingredient, called an adjuvant. Adjuvants make vaccines more effective at lower doses, enabling large-scale production.

In another promising case, AstraZeneca is working with the University of Oxford to fast-track progress on a vaccine originally developed by academic scientists, in a deal that underlines the need to build manufacturing and distribution capacity alongside good science.

The pandemic has also brought out the inventiveness of companies in tackling medical problems in novel ways. This includes the adoption of new technologies for many experimental vaccines, such as using ribonucleic acid (RNA)—a chemical messenger that instructs a person’s cells to make viral proteins in order to mount an immune response. This is the technique adopted by US biotechnology pioneer Moderna, as well as Germany’s BioNTech and CureVac.

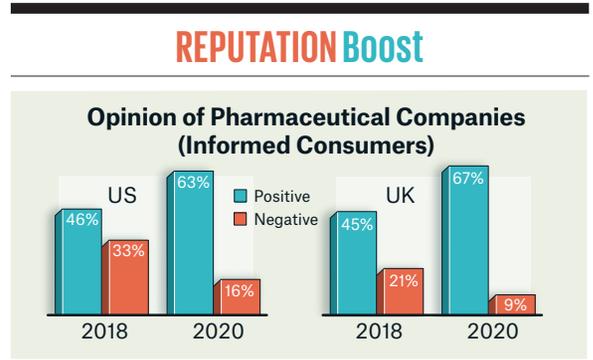
In some cases scientific progress has been down to applying lateral thinking to problems. British biotech company BenevolentAI adapted its artificial intelligence system—originally established to find new drugs—to hunt for existing medicines that could work against COVID-19. This has led to the discovery that an established rheumatoid arthritis drug, made by Eli Lilly, had the potential to be repurposed as a coronavirus treatment. The drug is now in clinical testing.

However, developing new products and getting them through clinical trials and on to the market is only one part of the challenge. Just as tricky are the demands for equitable access and fair pricing—marketing areas that could easily become pitfalls for companies.

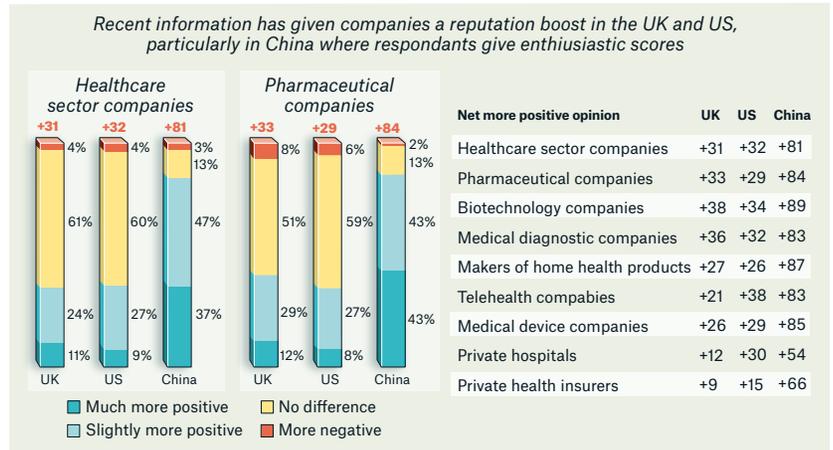
While there is acceptance that the industry needs to make profits in order to invest in future research and development, the survey also finds a high level of support for price caps in the case of coronavirus-related products. This will require the industry to tread a fine line when it comes in setting prices—something that several companies have recognized by pledging to restrict profits on vaccines that are sold during the pandemic.

One such decision that attracted extraordinary attention was the move by Gilead Sciences to set a standard price for its newly approved antiviral drug remdesivir of \$2,340 per patient across advanced economies. The move was criticized on both sides of the drug pricing divide, but welcomed

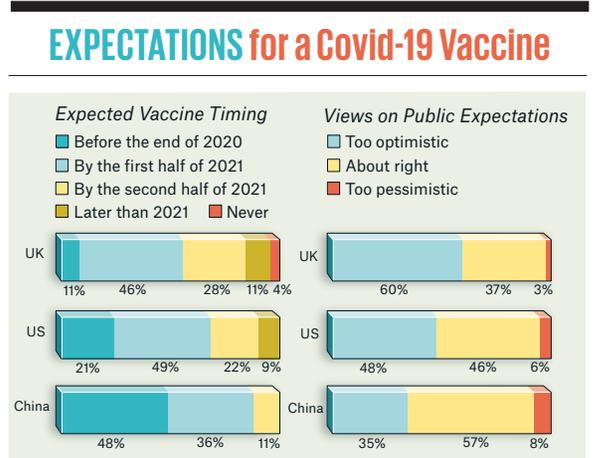
**In the midst of a global pandemic, we have seen a significant increase in positive sentiment toward pharmaceutical companies.**



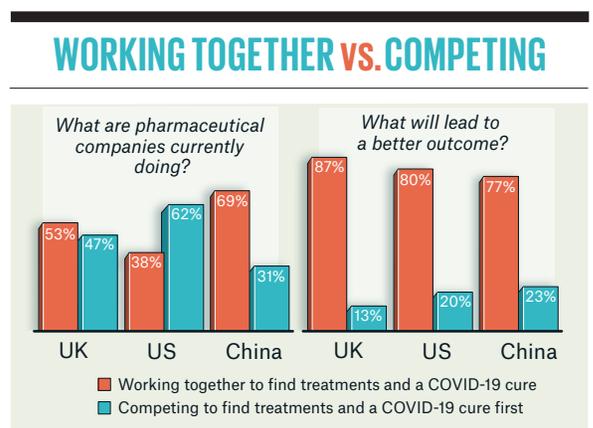
## IMPACT OF INFORMATION About Healthcare Companies



**Most respondents, including nearly half of those in China, expect an approved vaccine by this time next year. However they also believe public expectations are too optimistic.**



**There is benefit to pharma companies showcasing their work with other companies. Collaboration sends a more positive message.**



as “responsible” by the US-based independent non-profit watchdog the Institute for Clinical and Economic Review.

“When Gilead came out with their price, they got attacked by everybody,” said John LaMattina, a senior partner at PureTech Health and a former R&D head at Pfizer. “They got attacked by analysts, who said they were not doing right by the shareholders because they were charging too little, and by various nonprofit agencies, who said they were charging too much. My personal feeling is that since both sides attacked them, they probably got the price right.”

Mr. LaMattina, who wrote a book on the industry’s broken reputation in 2012 called “Devalued and Distrusted,” has been following the fortunes of the sector closely during the coronavirus crisis. He believes pharma has done a good job so far in being attuned to the needs of society, while also balancing the requirements of shareholders.

“The big companies are really doing the right thing in terms of dropping everything, prioritizing this pandemic and making investments at risk. Nobody else can do what they are doing right now in terms of devoting resources, money and capabilities at the problem,” he told the Brunswick Review.

While the commercial fortunes of some smaller companies hinge on the success or failure of COVID-19 products, these are not actually likely to move the profit needle very much for most pharmaceutical companies, given their more diverse therapeutic portfolios. Instead, the pandemic is widely viewed in boardrooms as an ESG (environmental, social and governance) issue. This puts companies’ common purpose of leveraging science and innovation to improve human health front and center, while also throwing a spotlight on how they interact with governments.

The desire of certain governments to prioritize supplies for their own citizens ahead of those of other countries—so-called “vaccine nationalism”—is a clear risk. For global companies, satisfying the demands of one large buyer in a particular market may antagonize stakeholders elsewhere. Navigating through these competing demands when initial stocks of vaccine are limited is going to be a delicate balancing act—and the political pressures could be intense, given the heightened role of state actors in the pandemic. Large amounts of public money, as well as private capital, are now

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being invested in the vaccine hunt, with the US spending billions of dollars via Operation Warp Speed and other countries placing large pre-orders for supplies.

The need to strike the right balance on access is echoed in nuanced public opinion feedback. Most survey respondents say they want an eventual vaccine to be equitably distributed, both by geographic area and individual need. Yet there is also support for governments claiming priority access to vaccines that have been developed by domestic companies.

This is not the only area where public opinion is pulling in opposite directions when it comes to expectations of industry behavior.

For example, while finding a COVID-19 vaccine and improving testing are viewed as the top priorities for healthcare companies, there is also a strong desire for corporations to protect patient data and privacy. Stakeholders also want both faster approval processes, to speed new innovations to market, but simultaneously would like to see increased regulatory oversight for medical treatments to guarantee patient safety.

Ultimately, COVID-19 has given pharmaceutical companies a unique opportunity to prove their societal worth by doing the right thing in a crisis. They possess the potential to return economies around the world to some semblance of normality by collaborating in ways that they have never done before to deliver life-saving vaccines and treatments. That is a powerful story. Of course, it may not work out if products are delayed by scientific or manufacturing setbacks, in which case some blame is likely to be apportioned to both companies and governments.

But Mr. LaMattina is optimistic that at least some winners will make it to market, allowing the industry to steer the conversation back to an appreciation of how it helps people live longer and healthier lives—a message that has too often been overshadowed by scandals and pricing rows.

“They’ve been doing stuff they haven’t got much credit for,” he said. “But when your reputation is down in the gutter with tobacco companies it takes a while to recover.” ♦

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