

THE GREAT WALL

Are you prepared for the challenge of “climbing the great wall” and communicating successfully in China’s changing healthcare environment?

practical advice

China is becoming increasingly attractive for foreign pharmaceutical investment, thanks to a large and growing market, reforms to the patent system and pharmaceutical-related regulations, and the broadening of medical insurance. Add a growing middle class and an aging population, both affected by infectious diseases, along with lifestyle-related problems like obesity and diabetes, and it is easy to understand why China’s pharma market has been forecasted as fifth largest by 2010.

A potential roadblock, however, has been that the reputation of the pharmaceutical industry in China, as elsewhere in the world, is in turmoil. Availability of care is an issue; there is social pressure for better access; product pricing is a hot topic; and competition is particularly fierce in a highly diverse and troubled marketplace.

The year 2006 was a particularly difficult one for China’s healthcare sector. Patient complaints regarding high medical costs brought doctors, hospitals, medical suppliers and pharmaceutical companies unwanted public attention. An increased number of insider stories were revealed by the media, creating a need for issues management, as many companies seemed unprepared to be under a spotlight.

Sound familiar? In China, as here in the US, media headlines consistently characterize “big pharma” as a negative influence on healthcare. There is pressure from all sides to rein in “unacceptable” sales practices. A January 2007 *Lancet* article highlighting “the growing unease surrounding healthcare in China,” points to the purported evils of high drug costs and “over prescribing.” The government is calling on the industry to lower prices.

While the reputations of any companies embroiled in scandals will be damaged, those of pharmaceutical companies could be permanently destroyed. More is expected of an industry that has a “life-and-death” relationship with its stakeholders. For pharmaceutical companies, therefore, building and maintaining a reputation that engenders public trust and respect is a critical imperative.

“Of all the intangible assets that a business might want to quantify and enter on its balance sheet,” the *Financial Times* warns, “reputation is at once the most valuable, most delicate and hardest to pin down.”

While reputation-building can be problematic, it is certainly not impossible – and for big pharma in China, it is a “must-set-now” priority. Shrewd marketers will look

to PR to guide these efforts. PR strategies, which are becoming mainstream in China, have already proven invaluable in the US and Europe as the first line of defense in helping companies differentiate and build esteem for their corporate brands.

Good corporate citizenship

“The explosive economic growth in China in recent years, along with its amplified consumerism, coupled with increased media attention, nationalism and a government activist industrial policy, have brought corporate reputation into focus,” declares *China Matters*, a report issued by public affairs firm Powell Tate that explores global reputation management’s importance in Asia.

Citing Weber Shandwick’s *Safeguards Reputation Strategy*, the report adds: “Asian executives are consistent with their American and European peers in their estimation that a significant 63 percent of a company’s market value is attributable to reputation. Particularly in China, as consumerism takes off and loyal brands take root, reputation management will continue to grow in importance for companies doing business.”

In China, no less than in the rest of the

world, therefore, as the Powell Tate report aptly expresses it: "Ignore your reputation at your own peril."

Turning unrest into a positive force

The good news is that pharmaceutical companies in China can move ahead of the curve, effectively communicating messages that define their reputations in a context that frames a cogent discussion of their products' value. For global management here in the US, therefore, the time is ripe to challenge the teams on the ground in China, to determine if they are prepared to address the currently negative perceptions and to design communications initiatives that, instead, reflect positive core values. A misstep in China, like the Great Wall, will be visible even from outer-space.

Ironically, the industry in China can leverage the recent protests – and other events that forced it into a harsh media spotlight – as a catalyst to start early to establish a reputation for good corporate citizenship. It is an opportunity for individual companies to counter, or preempt, any negative perceptions and build their reputations as socially responsible and caring about their constituencies. In consultation with their public relations teams, they can take advantage of the highly visible platform of public attention to shape a response that creates value in the minds of their stakeholders and jumpstarts market leadership.

Equally important is neutralizing emerging issues, as several major firms on the Chinese mainland have already learned. Many of these companies are now more acutely aware that before taking any action, they will want to understand the mindset and interest of all of their stakeholders – patients, caregivers, hospitals, government and the medical community – not just shareholders.

Executives in Asia, says the Powell Tate report, are even more likely than those in America and Europe to believe that corporate social responsibility serves as protection before problems arise. However they are, in general, unsure of how to proceed. First steps would have to include establishing good relationships with local communities, with advocacy groups and with the government. These relationships, with guidance from the company's public relations consultants, can be translated into vehicles for positive awareness and acceptance for their therapeutic offerings.

Power to the patients

An emerging pillar in strong pharmaceutical marketing in China is the patient

Knowing the locals...

Effective healthcare public relations can exist only in the context of an in-depth understanding of the local marketplace. Therefore, take steps to:

- Make sure you know your company's short-term and long-term goals in China.
- Be involved and proactive in reputation-building in China, while the market is still in transformation.
- Become immersed in knowledge of the local marketplace and its relevance to corporate offerings, consistently filling the gaps where on-site experience is missing.
- Leverage experts who can analyze the marketing dynamics in Asia and offer insights into best practices for both the corporate brand and the product portfolio communications strategy.
- Understand your competition's communications strategy and develop programs that allow you to compete effectively.
- Develop a better understanding of the impact of the Chinese regulatory guidelines regarding product communications.
- Brainstorm with local executives to develop initiatives that will build a leadership role in the marketplace.
- Create measurement metrics in advance that relate corporate responsibility to business performance.

group. According to "The Rise of Patient Power in Asia," a survey fielded last year by Weber Shandwick, patients in China are becoming more resourceful and knowledgeable about their health conditions before and after visiting the doctor. The survey found that among patients across China, Hong Kong, Korea, Singapore and Taiwan, Chinese mainland patients are the most assertive in Asia.

The first of its kind conducted in Asia, the survey also confirms that Asians are following a growing global trend of patients who do not rely solely on what they are told in the doctor's clinic when considering their health. They are beginning to look to other sources for information they believe credible and helpful, such as the media and the Internet.

Sadly, the pharmaceutical industry in China is not yet considered a consistently trusted source for health information. But it certainly can and should be. Effective communications can help companies reach out to gain admiration for pharmaceutical innovation, create a sense of hope for the patient population that innovation impacts and encourage a more productive dialogue about it with their health professionals.

Moving forward

All signs point to the fact that China is on track to building a healthcare system that is on par with international standards and in line with its economic growth, although funding, access and quality issues have yet to be resolved.

"Healthcare reform is an integral component of China building a harmonious society," says RDPAC, the trade organization of R&D-based pharmaceutical companies in China. "These efforts will enhance patient's lives in the short-term, while maintaining incentives for investment for growing China's capabilities."

As that healthcare reform takes place, pharma has a golden opportunity to reposition itself as part of the solution, not part of the problem. "Working with healthcare providers, companies can contribute ideas and services that help improve healthcare and quality of life," RDPAC urges.

To that point, communications in China are maturing rapidly, adding dimensions, stakeholders and sophistication. Companies would be wise to reach out with messages that build patient-centric and socially responsible reputations. Waiting is not an option. The situation is still fluid, but it won't be forever.

Listen to Socrates: "Regard your good name as the richest jewel you can possibly be possessed of – for credit is like fire; when once you have kindled it you may easily preserve it, but if you once extinguish it, you will find it an arduous task to rekindle it again."



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