

Interview: Raymund Azurin, Zuellig Pharma, Philippines



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Raymund Azurin of Zuellig Group, Philippines, discusses the potential opportunities in the Philippines' emerging healthcare sector, the affect of the increasing use of health apps and electronic health records, and how they can be used as a competitive advantage in the healthcare landscape.

Home to where the Zuellig Group started, the Philippines has a special role in the company's history. Now that the company has expanded successfully throughout different Asian markets, how do you see the strategic importance of the Philippines to the Group today?

The Philippines is showing strong potential signs of opportunity in the healthcare sector, which is slowly emerging. The IMS figures show around three to four percent growth in the market place, but we are now at a point in time where the business models in this market are changing. The rise of generics, the growing selfcare market and increasing government intervention through price controls have introduced a certain level of complexity. Below this complexity, however, lie the growth opportunities to expand healthcare access.

The opportunity from growth in GDP is now translating into an increased focus on health. Before, health expenditures were only the ninth or tenth priority in terms of healthcare expenditures, after consumer goods, cosmetics, etc. etc. The advent of economic growth has made health more of a

priority.

Wider healthcare access has always been a challenge for the Filipino patients. Lack of funding and investment from the government and the private sector, lack of supply and availability of healthcare facilities, doctors and allied personnel and relatively low priority spend that Filipino households put on medical care have been significant barriers to accessibility.

With the focus of the current Aquino administration health agenda on Universal Healthcare For All Filipinos, we have seen some positive signs and potential opportunities for wider access of healthcare services. This includes the recent passage of the Reproductive Health Law and the Sin Tax law, which will provide the necessary funding to bring much needed basic healthcare resources to more Filipinos specially the poor.

Coverage for members of the Philippines Health Insurance Corporation (PhilHealth) has also significantly increased to now more than 80 percent of the population. This has doubled in the last 10 years. This has been supported by an increase in fees collected, which has allowed Philhealth to extend more benefit programs like the Z package covering catastrophic diseases like cancer and leukaemia. We have also seen significant increases in government funding for preventative vaccine treatments for flu and pneumococcal infections. In addition, government has earmarked significant funds to upgrade and modernize government healthcare facilities including maternity clinics, provincial and rural health units as well as its specialized hospitals.

Our regulatory body, the Food and Drug Agency (FDA) of the Philippines is also improving its capabilities, as it is heavily investing in technology and additional inspection capabilities. This too, will contribute to better quality medicine in the Philippines. A lot of the worries that people still have today about the quality of medicine in the Philippines will gradually be addressed as the economy moves into the second gear.

What have been some major developments within the private sector?

In the private sector, upgrades in diagnostic facilities for major hospitals have improved earlier detection of chronic diseases with heavy investments made in state of the art diagnostic and imaging equipments. The number of hospitals is still disproportionate relative to the amount of people in the Philippines. The current need for hospitals will draw a number of new players in that space. From my perspective, even property developers are trying to find ways to establish more healthcare facilities in the different communities across the Philippines.

The drugstore pharmacies are also evolving with partnership ventures with large modern retailers like Shoe Mart and Robinson, with major chains like Watsons and South Star Drug posing to rapidly increase store footprint that will help access of quality medicines nationwide. There will be a different interface between healthcare suppliers, patients and modern retailing. The retail sector builds top of line awareness and engages mostly in above-the-line marketing activities. They mainly use modern retail practices, which the healthcare industry is not necessarily very used to. This will change the way people will do business in healthcare in the future.

A challenge that needs to be addressed is the lack of supply of doctors. It is of course very difficult to simply educate and train more doctors overnight. Therefore, part of the way to increase access to healthcare consulting services is through the use of technology. Such developments are naturally subject to regulatory implications, which, in my view, can be addressed.

Telecommunications companies, such as SMART and Globe, are now heavily investing in increasing their bandwidth capacities. These investments will increase access to health applications for patients to gain access to treatments in the most cost-effective manner.

Other new emerging trends are also helping shape wider access of healthcare services, products and also information. The growing use of health apps, the increasing use of electronic medical records and other tools of healthcare technology are empowering the growing number of self care patients to take more control of their health.

The healthcare system in the Philippines can be described as a chessboard. There are many different moves happening at the same time, but the signs are encouraging. The large and influential players need to find common grounds to achieve momentum. We need to engage in large projects that are anchored on the vision of the current administration to achieve better healthcare in the country.

As in the past years, the Pharmaceutical and Healthcare Association of the Philippines (PHAP) where I serve as treasurer, has been involved in several important undertakings that would help ensure greater access to medicines and healthcare. High on our agenda is supporting the attainment of universal healthcare in the Philippines. As vice-chairperson of the so-called Universal Health Care Committee at PHAP, we have been closely working with the Government, the academe, civil society organizations, and the youth so that we could contribute in the ongoing policy discussions to shape and fast-track the achievement of UHC in the country. Specifically, we have partnered with the Department of Health and various stakeholders in the conduct of policy dialogues that would deeply examine issues and probable solutions to impact healthcare delivery and access. As a result of continued policy discussions among stakeholders, crucial health reforms

have been in place in the form of health legislation and policies. Together with our integrity campaign for the pharmaceutical sector, PHAP will be incessant with our UHC campaign until quality healthcare becomes a reality for all.

You likened ZPC strategy to a chessboard. What move is Zuellig making next?

Zuellig is a centerpiece. We connect all the key pieces of the industry with the end in view of reaching the end-users or the patients. We are constantly creating initiatives focused primarily in creating these connections from our suppliers all the way to the patients. Coupled with our extensive regional presence, this makes us a most effective partner since we have practically covered the entire chessboard.

With our scale, which is important in this business, Zuellig Pharma is able to look beyond just distribution services. Our service offerings are all inclusive from managing the supply chain all the way to serving the customers in the most cost effective way.

Our resources and scale shared with our principals and trade customers facilitate their success in this market. The drugstore merchandising program, for instance, provides the medium and smaller drugstores a technology and a system that provides real time information thus helping them achieve a more efficient supply chain and stock management. We also share our information and insights with other stakeholders that wish to participate in the market place. For example, we shared with a developer the economics of investing in hospitals as well as market information on where investment opportunity exists.

Technology can be a building block for competitive advantage in the healthcare landscape, but do you have practical examples of how Zuellig contributes?

As mentioned earlier, by bringing into or upgrading the systems of medium sized and small pharmacies, or when we provide training in category management, spacing, and so forth, we are able to show them that the use of technology and modern disciplines results in increased sales for them and consequently an increase in our sales as well. It is a win-win partnership.

Through our initiative, the healthcare sector is also moving into a corporate setting. We have just implemented a pilot with a large conglomerate by bringing the resources and the education of our principals' products into the employee community. We invite the families of the employees to educational sessions with the principals, facilitate childcare awareness, assist in creating wellness centers, or a website focused on healthcare information and so forth.

Another growing business is in support of patient compliance and adherence programs, i.e. diabetes. We also see an increase in business coming from logistics support for clinical trials. This is a high value business that requires quality warehousing, particularly when it comes to areas such as oncology and vaccines.

Zuellig is a solid market leader in the distribution landscape in the Philippines. What will remain your competitive edge?

We have always kept ourselves alert on the needs of the market place. We sometimes even conceive of new services in anticipation of a potential need. Even in Distribution, which is relatively easy, but the quality of the way it is done is key especially in achieving cost effectiveness and efficiency, which is not easy.

Further to that, we have evolved into more than a distribution company alone. We are here for the healthcare of the nation. Our interests are very close to home and everything we do touches the people that surround us.

Healthcare is a trust business. Zuellig Pharma has been around for so long and in this industry always for the right reasons. As an organization, we have always remained low key and intend to continue doing so. This is what has allowed us to participate and succeed in this arena. Our partners know that we work and value fairness and transparency.

As a non-listed company that has achieved financial independence, there is no need or reason to only look at short-term returns. We do not need to cut corners and can truly focus on the long term. In essence, the company has reached a stage where it is equally driven not only to exercise its corporate citizenship and social responsibility but exercise active partnering in the betterment of society.

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