

Interview: Al Z. Castro, General Manager, IMS Health, Philippines



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Al Z. Castro, General Manager of IMS Health Philippines, speaks about the ongoing challenges of bringing about awareness and acceptance of generics medicine to the local population, how this will affect IMS Health, and what their strategy is going forward over the next five years.

IMS Health has previously classified the Philippines as a pharmerging market. How do you reflect on this classification with today's data and key market indicators?

According to IMS Health's strict definition, the Philippines has actually yet to attain the position of a "pharmerging market", based on macroeconomic metrics and pharmaceutical market forecast. In South East Asia, countries that belong to this class of markets (pharma sales below \$85 per capita) are Indonesia, Thailand, and Vietnam. The Philippines would count as what we call a Frontier Market. Along with Malaysia and Bangladesh, these markets are expected to have a sales increase of \$2.7bn by 2017. Nonetheless, the Philippines benefits from the strong momentum of the many markets in the Asia-Pacific region, driven in large part by macroeconomic growth, rising healthcare spend, and urbanization.

According to the latest data, the Philippine's pharma market growth is positive, sitting at around three percent for the total market. This growth is driven mainly by branded generics and consumer health.

Do you expect this trend to continue?

We do expect this level of growth to continue. Based on our IMS Market Prognosis, the CAGR of the Philippines will average around 3.8-4.0 percent through 2017.

Among the factors that are expected to fuel this growth are improvements in healthcare facilities across the country, the continued push for generic medicines and for generics-only pharmacies, and the eventual implementation of Universal Health Coverage (UHC).

UHC is one of the top priorities as we look at the future of our pharmaceutical and healthcare industries. The Philippine government is committed to achieving UHC and they are building the funds to do so. The reason why we see this as a major growth driver for the industry is because core to UHC is a commitment to the needs of the poorest in the Philippine society who have yet to benefit from better access to medication and healthcare.

From a commercial point of view, the main advantage of a UHC environment is the expansion of the market. The success of such expansion, however, will rely on the capabilities of industry players to provide treatments and products that deliver expected healthcare outcomes and that are priced appropriately for the intended markets.

Is it clear who will benefit from the government's actions to contain costs? One might assume that local generic players stand a better chance than MNCs.

In fact the entire industry can benefit from these trends. In my view, multinational companies (MNCs) can also benefit from this program, provided that they are able to build relevant business models for product development and pricing.

There are a number of facets of UHC that a wide variety of players can capitalize on. Take for example, the "Z Benefit Program," introduced by the Philippine Health Insurance Corporation (PhilHealth) in 2012. 'Z Benefit' is the newest package of health benefits that focus on catastrophic illnesses. It was named as such because if we were to classify illnesses in order of severity (from A to Z), the letter 'Z' would be composed of those that are most complex and expensive to treat. As part of the UHC, the aim of the program is to aggressively reduce out-of-pocket costs associated with treatment of these severe diseases that cause patients great financial burden. Currently, this includes childhood acute lymphocytic leukemia (ALL), breast cancer and prostate cancer, and will be continually expanded. PhilHealth has invited the industry to participate in the bidding process for treatments required for the said illnesses and we have heard of a list of companies formally participating.

UHC also aims to include out-patient treatment. Currently, PhilHealth benefits only apply to in-patient treatment, or treatments for patients who have been admitted to a hospital. As the program expands, coverage to out-patient treatment, all pharmaceutical/healthcare organizations—MNCs included—have the opportunity to develop products and services with pricing structures that complement the spending capabilities of the expanded PhilHealth beneficiaries.

How do you see UHC affecting the competitive landscape here?

While the move towards UHC is perceived to mostly benefit low-cost generic products, we believe that it will not be a space that solely national companies can play in, especially considering that an increasing number of MNCs have entered the generics market.

In the Philippines, a number of MNCs are either establishing separate generic businesses, or are launching generic second brands (or “authorized generics”). We have already seen these types of entry and growth strategies into the generics market by established companies in India and Pakistan, for instance.

Local companies face a lot of opportunities with a growing generics market, but they operate in a highly competitive landscape that suffers from significant price pressures.

What is your advice to them?

“Quality” must be at the core of development efforts for companies seeking to penetrate this highly competitive generics market. Successful generics players will also need to complement quality with investments in patient/consumer awareness and education to reinforce the benefits and value of generics as a valid, alternative option.

Efforts to cultivate a positive perception of generics and promote its use must be grounded on the fundamental standards of efficacy and safety. This is critical in a period when patients/consumers, as brand loyal as they are, are faced with a wide range of medicines/treatment choices.

From a commercial standpoint, both national and multinational companies should consider capitalizing on the acceleration of the UHC agenda by adopting product development and marketing strategies that will make them attractive partners of the government, especially that the latter will eventually become an “official institutional customer” as UHC pushes its way forward.

As a Filipino, you understand the local culture very well. How do you look at consumer awareness when it comes to generic medicines in the Philippines?

In the Philippines, patients still go for the original (or “innovator”) brands if they are available, accessible, and affordable. These brands are strongly linked to quality, and therefore have a very secure place in the minds of patients and prescribers alike.

Generics will become stronger as awareness and acceptance among patients/consumers and doctors increases. This will come as a result of more government promotions of generics, the emerging interest of pharma companies in this segment as the next source of business growth, and the momentum of generics-only pharmacy chains.

In an environment where the market, the industry and the regulations are changing so rapidly, how are you shaping your service portfolio to serve both local companies and MNCs as a partner?

Times have indeed been turbulent, and even though some say that the dust has settled, we still see many of our top clients dealing with the consequences of price cuts and working through the challenges of an increasingly generics-based market.

At IMS Health, we find ways to offer services that directly address the current needs of our clients. For instance, we now have customized reports for specific therapeutic areas, which we are able to ‘cut and slice’ to answer specific business questions.

Increased productivity has become the name of the game, so the more we can be involved with “commercial effectiveness” projects for our clients and the more tailored our solutions become, the better our partnership will be.

IMS Health, as a corporation, is also investing in a range of services and technologies in order to provide better and more relevant solutions to our clients, helping them increase both their commercial and operational effectiveness. These global acquisitions will eventually impact our local portfolio, enabling us to further enhance our value to clients in the Philippines.

In other markets, such as Romania, Cegedim is the market leader in your niche of services. Where does IMS Health stand in the Philippines?

IMS Health holds its position as the leading provider of market intelligence for the pharmaceutical market in the Philippines, particularly for national and sub-national audits where we remain unmatched in terms of scope and depth. While we face competition locally on services such as primary market research, our foundation and competitive edge continue to rest in the quality of the data, analytics and insights we provide—all of which have made us a trusted partner in this market for many years now.

How challenging is it for you to obtain reliable market data?

The Philippines is one of the markets where we are able to achieve a substantial level of accuracy. The majority of our data for the drugstore and hospital audits, for instance, is based on actual data rather than on statistical panel projections, and we are constantly working to increase our coverage, particularly for generics and consumer health.

Because the structure of our market is relatively simple in terms of distribution and sales channels, we have the advantage of being able to quickly understand its dynamics. Most companies in the Philippines are also quite transparent with their data, which helps us in sustaining the reliability of the information and insights we deliver.

IMS Health is building a global Production Center in the Philippines. How do you see the future role of this affiliate within the Group as a whole?

Our Global Technology Services & Operations function at IMS Health has been heavily investing in technology capabilities over the past two years. Our production hub in Manila is a global Production Center of Excellence and forms a key part of this investment agenda. Manila is one of several production centers across the globe, providing 24-hour service to our clients in about 77 countries. The organization expects the continued expansion of this center in Manila as we progress with our technology-focused strategy.

Going forward, what will be your priorities to keep your edge in this market?

Of course, like our clients, we will be focused on adapting to the changes in the pharmaceutical industry and tailoring our offerings to help our clients manage the many factors at play, from changes in government policies to the needs of a general public that is becoming more empowered and more knowledgeable about healthcare options.

We know that the pipeline for innovative brands is drying up and that branded and unbranded generics are here to stay, and we are strengthening our focus on solutions customized to the needs of these companies. The Philippines is an out-of-pocket market, where about 90 percent of the market volume comes from the retail channel and its many niches. Retail drug stores are growing very fast now, which is motivating us to expand and promote our channel reports in order to offer players in this space more focused, relevant solutions for their business.

Also, we aim to continue to leverage our position as industry thought leader to help our stakeholders understand how trends in the national economy, and all other expansion trends in the market, will benefit the healthcare sector, and it is our goal to be at the center of this conversation.

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