

Interview: Thelma Tobias-Go, President, The Philippine Chamber of the Pharmaceutical Industry, Philippines



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Thelma Tobias-Go, President of the Philippine Chamber of the Pharmaceutical Industry and Scheele Laboratories, and Ed Ocampo, COO and Vice President of Scheele Laboratories, discuss the implications of the changing pharmaceutical landscape, and how far the country still remains from universal healthcare coverage.

How have you seen the pharmaceutical market in the Philippines evolving since President Aquino publicly announced support for universal healthcare coverage in 2010? Has this direction impacted the structure of the market and the strategies of its industrial players?

Achieving universal healthcare has become a common ambition in pharmerging countries around the world. On Monday July 22nd, 2013, President Aquino announced that 81 percent of the population of the Philippines is now covered by PhilHealth, our National Health Insurance system.

The system has reached out to provide access to medicines to the poor layer of society first, by creating a model that makes quality and affordable medicines available. However, the government's procurement office has voiced concerns over the reach and accessibility in the more rural and remote areas of the country, where it remains difficult to provide access to patients. This remains an area for improvement.

Looking back three to five years ago, the pharmaceutical landscape has changed considerably. In a highly ethically prescriptive market, the patients are now more empowered. Several companies are now looking into providing value-added services, from the doctor's clinic to the drug store chains. More than discount cards alone, this comes down to providing a more personalized service to Filipino patients.

Generic drugs, which are now on the rise, quickly become a commodity. Can you elaborate on how local generics manufacturers can build a competitive edge and differentiate themselves?

The basic principle still comes down to differentiation through marketing efforts in terms of packaging, product placement, and so forth. More than promotional efforts, the industry is also increasingly looking into partnerships. The government has already opened its doors for public-private partnerships (PPP).

While it is being said that a real PPP has not yet been created, I personally believe that we now have a number of informal PPPs. A first case can be seen in the computerization of the local FDA. Let's consider the following specific example. To reduce costs, the government has a 'procurement services' unit in its Department of Budget and Management. All the different government offices procuring anything, like office supplies for instance, are stockpiling under the PSTDM. The idea is to have a certain government entity like PIPC, a government operated and controlled corporation, under the Department of Health to stockpile common molecules, like paracetamol, and push other departments in the government, like the Department of Justice. This can really push the local industry.

We also have the feeling that the industry has changed. President Aquino has pledged to improve healthcare in the country and the Department of Health already has one of the largest budgets in the government now. The local industry has faith in President Aquino and wants to try to work with the government as a new customer.

We are also observing many projects that are uniting the industry. There are now many meetings between pharmaceutical organizations and the Department of Health and we are also very active in such forums. For the local companies this is a significant opportunity.

Local companies have taken away market share from the MNCs in the Philippines, mostly because of a greater push for generic medicines. What are your observations on these dynamics?

Data shows that one of our local companies, Unilab, is now the market leader. Pascual Laboratories has also grown into a very strong player that has entered the market top 10. The MNCs certainly still have the lion share in terms of value, but it is a different picture when you look at volume. Local pharmaceutical companies have the edge when it comes to the number of units. However, there is no exact data available on the percentage of imports from countries such as India, Pakistan and Bangladesh.

How big of a phenomenon are parallel imports in the Philippines?

Ten years ago, parallel imports were a significant threat. Even though this threat has not disappeared, our local industry has learned to deal with it in certain ways. Our companies now know how to counter this phenomenon. From a consumer perspective too, it is an advantage that any problems or issues can be dealt with at a local level if the products come from a local pharmaceutical manufacturer.

In spite of increasing volumes for generic manufacturers, there certainly is a downward price pressure due to competitive pressures and government cost containment. What actions can the local industry take to survive?

Because of the requirements of the local Food and Drug Administration (FDA), all local companies have been upgrading their facilities to match the necessary international standards. This also differentiates us from cheap and low quality generic imports. Most of the patient awareness around these products is already there, and we feel that the local industry has already acquired the trust and confidence of the Filipino population.

Roughly a decade ago, there were roughly 200 Filipino pharmaceutical manufacturers in the market. In the Philippines in 2010, this number had already come down to 130.

What is the situation today? Is there also room and willingness to consolidate?

At present, there are roughly 65 pharmaceutical manufacturers in the Philippines. In terms of consolidation, many of these businesses are still family-owned, which has perhaps refrained the industry from consolidating over time. Alternatively however, we are now working together on other capabilities. Part of our business model is to look at joint-ventures, partnerships, mergers and acquisitions. Mergers are of course a far-fetched idea for most of these family-owned structures but partnerships, often with offshore companies, are becoming a trend.

The local pharmaceutical industry is known to provide its medicines at a high quality but very low price. The main mission of the local industry is to provide its medicines to the entire Filipino

population at an affordable cost. Now, we do look at ways to slightly increase prices to differentiate ourselves from cheaper low quality imports.

What potential do you see for local manufacturers to expand outside of the Filipino borders?

The potential for these companies to move outside of the Philippines is there, for instance through partnerships and exports. Some of our members are already preparing some products for exports, which is particularly interesting as part of the ASEAN harmonization process that is now taking place. As an organization, we are actually very active within this harmonization process.

The Philippines has been the lead in the ASEAN Pharmaceutical Club (APC) for the past two years. We have already started a pilot project for one registration in all ten countries. We are now identifying the company and product for this pilot. PCPI has been leading this initiative.

We have also been very strong in supporting training and development of the different local industries, for instance by providing technical seminars. Some local companies from the Philippines, such as Unilab and Scheele Laboratories, are already active internationally.

What do you foresee as the key trends that will be shaping the market and industry in the years to come?

The vision of the Philippines Chamber of the Pharmaceutical Industry (PCPI) is to build a globally competitive Filipino pharmaceutical industry. Our role in this is to enable these local companies to become more competitive and be more equipped to compete within this space.

We need to make products that are effective and affordable for the benefit of the entire Filipino population. This should include the hard-to-reach areas and the rural population. At the same time, we need to ensure our quality is the best out there. We also need to ensure that we keep our heart in the same place. We need the passion to serve and provide access to proper healthcare to every human, in line with the Filipino ambitions to achieve universal healthcare coverage.

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