

Interview: Patrick Tête, Managing Director, Servier Philippines



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Patrick Tête, Managing Director of Servier Philippines, speaks about the differences between running the company in Australia and in the Philippines, that the office and company culture is very similar, however, working in a healthcare system exposed to such severe corruption clearly makes the job more complicated in the Philippines.

Servier Philippines builds on a legacy of 30 years presence in the country, and is already the third largest subsidiary for Servier Group in Asia. Looking back into the archives, do you recall what drove the company to expand into the Philippines so early on?

As you know Dr. Servier is passionately committed to staying permanently independent. We never had and we will never have shareholders expectations to meet so we could afford to be more daring and invest in those countries early on.

Dr. Servier is a visionary leader, which is one of the reasons why we are so strong in Eastern Europe, where we were one of the first companies to expand into the region. The idea to come to Asia came from the same vision: Jacques Servier preferred to invest in difficult parts of the world such as Eastern Europe or parts of Asia where the healthcare system was not well developed. This was contrary to investing in the US for instance, which would have been a drain on our resources

for a company of our size, due to the high need for medical representatives and the intense levels of competition.

You took over the operations in the Philippines after spending considerable time as the country manager for Servier in Australia, a very different market from the Philippines. What do you see as some of the key differences as well as similarities between these two markets?

The most striking change compared to Australia is the combination of a low-income market with the absence of reimbursement. Two thirds of healthcare expenditures in the Philippines are private, while more than 50 percent is out of patient pocket. Filipino households consider medical care as a low priority and close to 45 percent of the average monthly family expenditure goes to food. The majority of Filipinos also barely have any access to health services.

Another major difference with Australia is the fact that we do not see the same types of patients here. In the Philippines, it is all about treating very sick patients. A survey conducted on hypertensive patients indicated that half of those patients already suffered end organ damage, which usually refers to damage occurring in major organs fed by the circulatory system (heart, kidneys, brain, eyes). Filipinos consult doctors, but do so very late.

Once patients are being treated, the quality of the medicines used is another concern in the Philippines. The requirements for bio-equivalent studies have been lifted for many years, though the FDA is reinstating this requirement now. However, at present many of the generic medicines in the Philippine market are technically not generic medicines. Generic medicines here are often off-patent drugs with no bio-equivalence comparison within acceptable limits to the originator drug. In the end, they are thus mere copies rather than generics.

Counterfeit medicines and corruption are two other concerns in this market. Focusing on the latter, we see that the complex Philippine healthcare system is very vulnerable to corruptive practices. Ensuring transparency, accountability and improving governance is required to combat corruption in the Philippines. It is quite encouraging to see the recently appointed FDA Director supporting such efforts.

When it comes to our organization, there are in fact many similarities between our teams in Australia and the Philippines. The size of our organizations, approximately 170 people, is rather similar. The engagement, loyalty and a fulfilled feeling of belonging are prevalent in both groups.

There is no need to rekindle the flame of the people that have been with Servier in the Philippines for more than fifteen years, something that I also experienced in Australia. Those loyal people truly walk the talk.

As you would expect the culture in both organizations is similar. Every employee knows they are an integral part of the big picture. Culture starts from the bottom, and if people at the bottom feel unimportant, this permeates through the organization like a cancer. Everyone at Servier is equally important. Such culture has ultimately driven our business performance in the long run.

Another major similarity is the relationship and rapport we have built with the key opinion leaders (KOLs) and societies in both markets that has been instrumental to the success of both organizations.

A big difference is the growth paths both organizations are on. While in the Philippines it is our job to manage growth, we have to manage decline in Australia. This has a very different impact on the way I need to manage and lead our people.

Being new to this market, have you already taken specific steps to continue, and perhaps strengthen, your relationships with the local KOLs?

Servier has a very high profile within its disease area, especially cardiovascular and diabetes. All our medicines are supported by lifesaving and groundbreaking evidence. Servier has a strong relationship with KOLs and in societies that have indeed participated in the dissemination of their benefits and as a result, there is continuous success in their respective markets. Commercially, we are now the 15th largest pharmaceutical firm in the Philippines—growth which has been due to growing market recognition of the quality of our medicines as a result of our investment in R&D and educational work. To build on that legacy I committed to meet the main KOLs early on. This is a key consideration for the success of Servier, and any company, in the Philippines. Over the last 30 years, we have placed great focus on our relationship with the KOLs here, and not continuing this approach in the future would be a big mistake.

In Australia you were trying to diversify your portfolio away from Coversyl, in order not to be too dependent on one product. What is the approach to your portfolio in the Philippines?

We face similar issues in the Philippines, though Coversyl does not generate 70 percent of our turnover here. The issue, however, is the fact that 70 percent of our revenue is being generated by products that are or soon will be genericized. The situation is more or less the same here, except that the dependency and risk is now shared by a few products rather than one.

The key issue for Servier Philippines is to rebalance its turnover in favor of its new products. We need to bring in new products and innovations to mitigate the generic threat.

Generics are flooding markets all around the world, so the phenomenon is certainly not new. How exactly will you rebalance the portfolio?

Let me say one thing about generics in the Philippines first. Local government units are known to procure generic drugs that have failed laboratory assays. These substandard generics may be cheaper but they contribute to the worsening problem of adverse drug reactions—Filipinos get sicker, get hospitalized, spend more money, and lose trust in healthcare. We might see the light at the end of the tunnel though, as the efforts and dedication of the Director of the FDA in reforming the FDA will help fix this issue.

So how will Servier rebalance its turnover? We have grown our cardiovascular business into the top five in the Philippines and we now want to do the same in oncology while bolstering our diabetes and rheumatology pipeline. To get there we will combine internal discovery and partnerships focused on novel targets in various cancers. Our business development has been steadily adding to Servier pipeline in oncology with more than ten promising partnerships in the last three years.

We have already worked towards this objective with the innovations that have recently been approved in the Philippines. This includes Coralan for instance, which is used for coronary heart disease and heart failure. We also have Protos to treat osteoarthritis as well as osteoporosis. Both products have a lot of potential and already make up 15 percent of our turnover. Our aim is to rapidly increase this share.

We also have a number of fixed dose combinations in the pipeline, which in my view are especially adapted to lower income patients where living conditions make taking or maintaining a course of medication difficult. Patient compliance and education is an issue, as well as the cost of the medicine in Asian countries like the Philippines.

President Aquino has been very vocal about universal healthcare coverage. What's your take on these ambitions?

The industry and Servier welcome the Aquino health agenda and the commitment to providing equitable and accessible healthcare for all Filipinos. However, it is fair to admit that after five years of implementation, the Cheaper Medicines Act, with the power to set price ceilings on drugs, has not served the poor.

Multiple surveys conducted in large government hospitals report that the positive impact of the Cheaper Medicines Act seems negligible. Patients suffering from long-term diseases, such as hypertension or diabetes, especially did not benefit. Almost half of them being jobless, these patients did not have the means to pay for the full course of their treatment. Only 20 percent did, while the rest had to rely on relatives and friends to pay for their medicines.

To drop the price of medicines by 50 per cent is simply not the solution for those patients. They need to find a job first. Moreover the impact of the Act on the industry is unbearable. The price of the tablet of our anti-diabetic, for example, has dropped to less than the price of a bottle of water—less than 10 pesos. For the Servier Foundation, which reinvests all of its profits from sales back into research and development (R&D), such cut on major portfolio contributors has considerably reduced the contribution of the Philippines to the Group's global research efforts.

While the reform is being welcomed, more needs to be done. Generics certainly have a role to play and entrepreneurial initiatives such as The Generics Pharmacy are needed. In fact, it looks like we see the segmentation in the market where the poor buy from generic chains, while the more affluent population will buy from chains like Mercury Drug. From my perspective, this is not a bad situation for the industry because even though our products are being genericized, they are often being sold at different outlets.

Ironically, one of our biggest competitors is Globe, one of the largest telecommunications companies in the Philippines. The reason for this is that many patients rather spend their limited income on telecommunications than medicines. The government stands before the important task of educating the population on complacency. What is the point of taking an antidiabetic drug only once a week? This is the reality in the Philippines.

Regardless of the term that you will be spending in the Philippines, what vision do you have for Servier in the Philippines?

The Philippines demonstrate some combination of favorable demographics and strong fundamentals that should see a significant rise in its economic size. A recent report from HSBC concludes that the Philippines are seen to become the largest economy in Southeast Asia by 2050, and also larger than Singapore or Australia.

Therefore my vision for Servier Philippines would be to invest more in a country that is going to be one of the strong economies in the future. Our challenge is to maintain high levels of operational contribution to ensure the longevity of the subsidiary and its capacity to contribute to the global R&D effort. My vision is to achieve a profitable double-digit growth over the next decade and to do so we need to maximize the growth of our established products in the context of a growing generic competition while at the same time ensuring the long-term success of our new products and innovations which will include new therapeutic domains such as oncology.

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