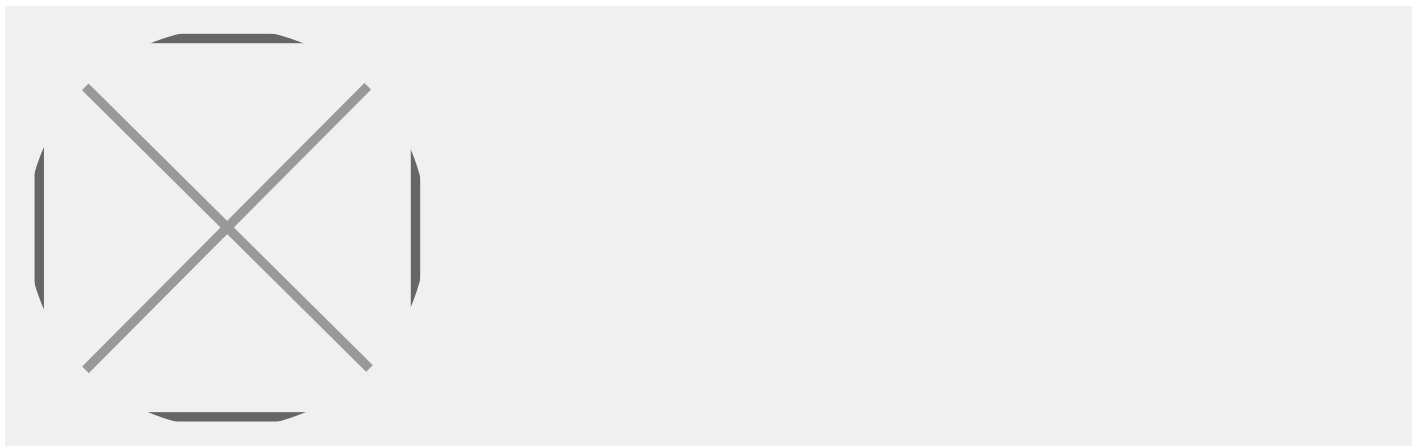


Interview with Philip E. Tan President Director of Eisai Indonesia



14.05.2013

Tags: [Eisai](#),

Eisai has a history of more than 40 years in Indonesia. In fact, the country was one of the first places for the Group to expand into outside of Japan. Indonesia has already increasingly entered the international spotlight, but how does this apply to Eisai? It seems the Group has been eyeing this market for a much longer time already?

Indonesia surely is a very strategic market for Eisai. Beyond pharmaceuticals alone, Indonesia already has strong trade relations with Japan. Japanese companies too are now very well presented in Indonesia. After China and India, Indonesia is the next big market in Asia, so it should be close to our heart. Historically, we have moved from a factory producing herbal products into our current factory in Bogor. This facility now produces pharmaceutical products whereas we also still import some of our global brands, either from Taiwan or our headquarters in Tokyo, Japan.

In terms of culture, I believe that the Indonesian people are warm and hospitable. In my experience, they look up to a good leader and will give full support to a leader who professes sincerity and professionalism. The educational level is not that high yet and good talents are hard to come by. Finding competent medical representatives is a tough challenge. So what did we do?

We adopted a strategy of approaching fresh graduates from the universities, selecting raw talents with the potential to be nurtured into a highly skillful and competent medical representatives honed in the HHC (Human Health Care) culture and philosophy of Eisai. Then the next issue is talent retention. Employee turnover in Indonesia is quite high as companies adopt a strategy of pirating

good talents with better pay and with promotions. To address this issue, we have to build a company with clear career paths, a good training program that will further enhance the skills and competencies of employees, a reward system based on very transparent key performance objectives and indicators, and a constant and day to day living of our HHC philosophy. This philosophy is basically thinking first about the patients and their relatives and how we can meet their unmet medical needs in our daily engagement with the medical and health professionals.

The Japanese business culture is quite focused on long-time serving within the same company, correct?

Yes. But in Eisai this culture has evolved. When I came here, I decided to set specific objectives and key performance indicators (KPIs). Based on these KPIs, we then have to evaluate performance and reward people accordingly. Promotions of people in the company is not based solely on the length of service, but career track record and targeted competencies for the position at hand. Promoting people into positions with the wrong fit will create problems both for the employee and the company. Indonesia is a market with huge potential but at the same time has market dynamics like generics, branded generics, and counterfeit products and so forth. To position ourselves in this market, we had to ask ourselves: "What is our competitive advantage?" "How will we be different from all these other companies?" The answer lay in our innovative products and our scientific knowledge and HHC philosophy.

Big MNCs like Pfizer and GSK are innovative too. How do you differ from their approach?

After defining your competitive advantage, implementation of each company's strategy will always be different. In PT Eisai we have established a cross functional team from medical, marketing and sales to ensure that we deliver the right product and disease knowledge to the right target doctors.

Approaching doctors in Indonesia is a very tough challenge for medical representatives. For each doctor, there are roughly 10,000 patients. Therefore, they barely have the time to see our representatives. If one wants to see the top doctors in Indonesia, he or she literally needs to wait until midnight, one or two o'clock in the morning. But even in that one minute that our representative is able to spend with a doctor, he should be able to tell him something about our product and the disease.

To assist our medical representatives to plan and execute their tasks professionally, we have also invested in tools like PDAs and later on iPads.

Moving into the products, what can you tell us about the current portfolio of Eisai in Indonesia?

We have a highly specialized portfolio with products for neurology, gastroenterology, and oncology. We also have OTC products. Having been around for a while, Eisai has a number of old products which we have been selling in Indonesia for over 30 years. When I arrived in 2008, I still saw a lot of potential for these existing products. Today, these products are still growing in double digits in Indonesia. Apart from that, we also have our global brands that have gone through large-scale clinical trials, such as Pariet and Aricept.

AD (Alzheimer Disease) has a very low awareness and sense of urgency in Indonesia. Our challenge is to further build the awareness and the urgency to treat the disease at an early stage rather than at the later stages.

While the government has many other things on its agenda, have you been able to liaise with them to a certain extent?

Projects on AD cannot be considered a priority for them today. Having said that, we are trying to get our products listed in the national formulary and the Askes – the national social security fund. We already reduced the price of Aricept by 50 per cent, just to make it accessible to the patients.

How do you see prices evolving in this market?

I foresee a lot of price pressures, especially for companies that are trying to get into the national social security fund.

And for these specialty areas, you limit your reach to the bigger cities?

Yes. The specialists that will see the patients are really available in the key cities in the hospitals. So we have our people covering these major hospitals in key cities.

Where will your growth come from in the coming years?

While we have grown significantly over the past few years (IDR 147 billion in 2012 compared to IDR 95 billion in 2009), we have so far limited ourselves to the private sector. In the next stage, we will need to work together with ASKES and BJPS on pricing, awareness and listing. If we manage

to do so, we will be able to expand our business in the national health insurance scheme. OTC is also an opportunity area where we want to have a stronger presence.

Manufacturing, on another note, has been an important aspect of Eisai's footprint in Indonesia for a long time, particularly because you also export to the region from here. Why – historically – has the country been attractive for Eisai to invest in?

The Indonesian law requires that MNCs had to manufacture in the country to market their products here. Our factory was set up many years ago. The initial idea was linked to the immense size of this country's population. Today, you see many other industries – such as automotive – setting up their manufacturing facilities in Indonesia. The combination of a large domestic market and the hub potential to export within the region made it attractive for us to invest here. Moreover, the ASEAN region is now looking at setting up an economic cooperation block within where there would be free trade. All these markets combined are perhaps already half of China. To do so, one of course needs to make sure to have the proper people and logistics in place. The old perception of 'made in Indonesia' is changing, and manufacturing here is no longer associated with poor quality.

Many of these ASEAN markets – as well as Indonesia – are set to increase in volume over the coming years. Will we see Eisai investing more in its manufacturing capacity here?

This possibility exists. As a part of the Group Eisai, we always need to make sure that we stick to the GMP standards. As the market will grow, I certainly believe that we will need to invest further. However, maintaining a GMP factory is not cheap and these investments are significant. I constantly remind my colleagues that we have a world-class facility in Indonesia, which lives up to the standards of our operations in Japan. Although we can keep investing in facilities, we should not forget that talent remains an issue. I therefore see education as a key priority for the Indonesian government to invest in. Apart from that, I believe the country needs investment in infrastructure.

Looking back at 2008, how does the situation of today compare with the expectations you had back then?

The vision I had in 2008 was to change the paradigm of the way we do business. The only way to make our business unique and sustainable is by building on our competitive advantage, which is the science and the knowledge behind our products. Even when you have good products, science and knowledge, you need to find a growth strategy. For this, it is important for a manager to take the time in this market to implement the right strategy.

Do you have a target in mind before you feel that your work is done?

We work on long term plans. My goal is to reach at least 300B IDR by 2015. But more important than just reaching the revenue goals is to be able to institutionalize the systems and the culture that will make PT Eisai unique and competitively sustainable in the years to come. Make PT Eisai Indonesia a great place to work where people work and enjoy growing the business together.

What does it take to be so successful in Indonesia?

Focusing on your real competitive advantage may require quite significant investment. In 2009, I took a big risk to change paradigm and invest in training by sacrificing sales and market share. Convincing the regional office to support this initiative was quite a challenge. Further to that, we have 300 employees here for which the affiliate is responsible. One needs to take up the task of building a sustainable business to support our employees and their families and at the same time meeting the expectations of the regional office. My experience showed that when employees see the benefits and rewards of their hard work, and internalizing this with the company's mission of HHC, success will be sustainable.

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