Interview with Rhenu Bhuller, Vice President of Health Care for Asia Pacific, Frost & Sullivan

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Singapore wants to be seen as a springboard for Asia, but that is a position that other countries in Asia would also like to hold. In general, executives prefer to work in Singapore rather than China because Singapore is a far more business-friendly environment. From a marketing perspective, HQ's are in Singapore due to the ease of doing business and transparent systems, and thus regional offices can be established here without difficulty. However, companies that have HQ in Singapore are increasingly tending to have China and India in a separate office that does not report to Singapore, but reports directly into global, hence Singapore is becoming HQ for South East Asia. However, from a manufacturing perspective, we still see Singapore having facilities that provide support to the region due to the infrastructure and government's push for Singapore as an R&D location.

Can you please provide thehard figures behind the growth and opportunities of Asia Pacific? What was been the growth of the markets in the past 5 years and which were the countries that experienced the fastest growth?

If we look at the overall growth of the market there are different areas. Frost& Sullivan looks at the market in 4 key areas: healthcare services (hospitals and health care delivery), pharmaceutical and biopharmaceutical markets, medical technologies and the health care IT market.
From a growth perspective if we look at the pharmaceutical market globally, it has been growing around 2-4 %. In the Asian region we are seeing a growth between 8-12%, depending on the

country. Countries like Indonesia and China are growing around 12%-16%.
South East Asia can be a strong growth engine; however it is an area where historically there has not been a lot of focus on in terms of investment and resources since companies usually focus on China, Japan and India when talking about APAC. The ASEAN region represents a population of approximately 700 million people, and this will be number 3 after China and India. Furthermore, if you look at the regulations that are coming into ASEAN like the AFTA agreement and free trade zones, we foresee that for the pharmaceutical industry it will have an impact in terms of manufacturing, commercial flow and increasing collaboration for trade.
As for medical technologies they are growing faster than the pharmaceutical industry. In fact, in China we are seeing 20 – 22% growth and in the other Asian countries the growth has generally been between 10-14%. In this niche, growth comes from different areas, such as medical imaging equipment, surgical devices, portable devices, cardiovascular and ophthalmology among others.
We have seen good growth in it since Asia is at a growth stage in terms of developing infrastructure on hospitals. There are few Asian countries in which the ratio of population to beds is at OCDE average except for Japan, Australia and South Korea. However, today most Asian countries (highlighting China, Singapore and Indonesia as examples) have plans in terms of developing infrastructure. With this coming into place, from the infrastructure perspective, setting up hospital equipment, health care and IT will take place more quickly (foreseeing this post 2014) in the South East Asian countries.
Furthermore, as the region goes towards more collaboration in medical tourism, private hospitals with different branches in the region will help to make the transition from medical travellers much simpler, which will drive the use of health care IT in these markets.

Specifically for the pharmaceutical industry, what are the main trends that you identify in these markets?

In APAC you have a very diverse population structure in all the developing markets in the region. The first is the 5 -10 % of the market that has high accessibility to healthcare and private hospitals. The second one is the growing middle class, for which companies are starting to establish healthcare education to increase diagnosis, treatment and monitoring compliance. This segment of the population will have the most potential growth areas for pharmaceutical companies. Last, you have the largest segment of the market, which is around 60-70% of the population who are dependent on the public sector for health care and need basic access to start with.
Within these 3 tiers there will be different opportunities for growth. In the public sector tier, companies that have differential pricing or generic products with a certain quality have an opportunity. As for the growing middle class, there are opportunities from a compliance

perspective. As they become more aware and they get more health checks, the middle class can potentially get conditions diagnosed earlier and become more aware of the importance of compliance or also have opportunities in preventive healthcare.
However for these growth drivers, the challenge is that as there are large populations that do not have access to healthcare. Governments have started to look at ways of providing access, creating some restraints with which companies will have to deal. This trend is not going to vanish because governments are increasing pressure on healthcare providers and ensuring healthcare access is always in their political agenda.

What do you think companies can do to keep up the pace to meet their ambitions in these markets?

I think it will be finding the right segment. The middle class is a segment that you can access. They are in urban cities with the infrastructure that is needed to tap the market. This will be the most competitive part since all companies will be playing. The challenge will be how to reach the other 70 percent that are mainly in rural areas as the objective here is to be able to provide basic healthcare access at an affordable cost. Here a lot of issues come into play: do you have the right distribution, are products going to the right areas, do you have the right product mix at the right cost, etc.
Saying that, it will be essential that companies identify areas in which they can do well. Rather than trying to go after everything, these areas could be from a portfolio management perspective, differential pricing or therapeutic areas. Within this dynamic, finding the right partner in terms of regulation, distribution or marketing will be extremely important.
Conversely, working with the government in Asia will be very important, especially for countries like China and Indonesia where the healthcare sector is mainly driven by the public sector. Therefore, companies will need the ability to recognize which areas where they can work with the government and create opportunities for their products, which could treat infectious diseases or long term chronic disease.

Can you please comment on the new paradigm from ‘sickness care’ to ‘wellness’ and what new opportunities will open in Asia?

Today, 70% of total health care spending is spent on treatment and the rest is spent in diagnosis and prevention. If we look at the trend of how government reimbursement and medical insurance are moving, individuals are rewarded if they are staying healthier, and this trend will continue. The aim behind this is that we shall be spending more on diagnosis and prevention rather than treatment. Keeping people healthy means that you keep them out of hospitals, thus saving money.

Today it costs between 1 to 3 USD daily to keep yourself healthy versus 10 000 a day if you end up in ICU. That is a reason why the whole phase should be moving towards prevention and keeping people healthier for a longer period of time. As consumers get more aware of that they will understand the value of living healthier and they will exercise more, eat healthier, and get more frequent checkups.
Furthermore, we see that a prevention mindset will move forward because governments cannot afford to keep on spending that much in healthcare. If this continues, we will end up like the USA, spending 16% of the GDP in healthcare.

On this note, how does Frost & Sullivan help companies to tap into these opportunities?

We provide a 360 degree view to companies. We take a rounded vision of how healthcare and healthcare delivery looks, how it is growing, what are the policies and regulations and within that what are their strengths.
We have what we call the 360 degree overview of the market which look at the customer, competitors, best players, industry convergence to improve patience outcomes and reduce mediation areas, technologies, best practices studies (in terms of what has worked and what has not and the lessons learned). In short we provide a holistic view, which is a good solution to start off before tackling certain areas.

What is unique about Frost & Sullivan?

We are a company that can provide insights on areas convergent within the industry. You can find companies that will be really good in ICT, others in healthcare or pharmaceuticals. We coveralmost every industry from aerospace to chemicals, information technologies to energy to healthcare and convergence between them.
If you have a building company that wants to build hospitals, we combine knowledge from our building and infrastructure arm with our healthcare group and move forward with the implementation systems with our IT group and so on. It will be difficult to find another company that has the breadth of coverage and the depth of industries that we do. Having all that perspective and putting all together in one place drives us to towards implementation excellence.

If we come back in 5 years how different will be Frost & Sullivan?

We see ourselves as visionary innovators; we provide outlooks based upon what the market will look in 5 years. When we make our outlook we make them forward looking, we want companies to think 5 years ahead. As visionaries we are always looking at the next big thing.

What would you like to convey as your final message?

Healthcare is one of the most difficult markets in which to work as it is highly regulated and also has a very strong social responsibility as you are dealing with people’s lives. Many companies in every market are out there to do business and do it well. This becomes more complicated in healthcare since you have to balance your social responsibility and keep people healthy whilst running a business. Therefore we really have to find the best way to combine all these and be successful in the market.

As one of the few women we have met, what piece of advice can you give to young women in order to motivate them to become an executive?

In Asia, the expectation as a woman is not only to do your job well but also take care of your family. We have the ability to do so, so go for it. Women are the best multi-taskers.

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