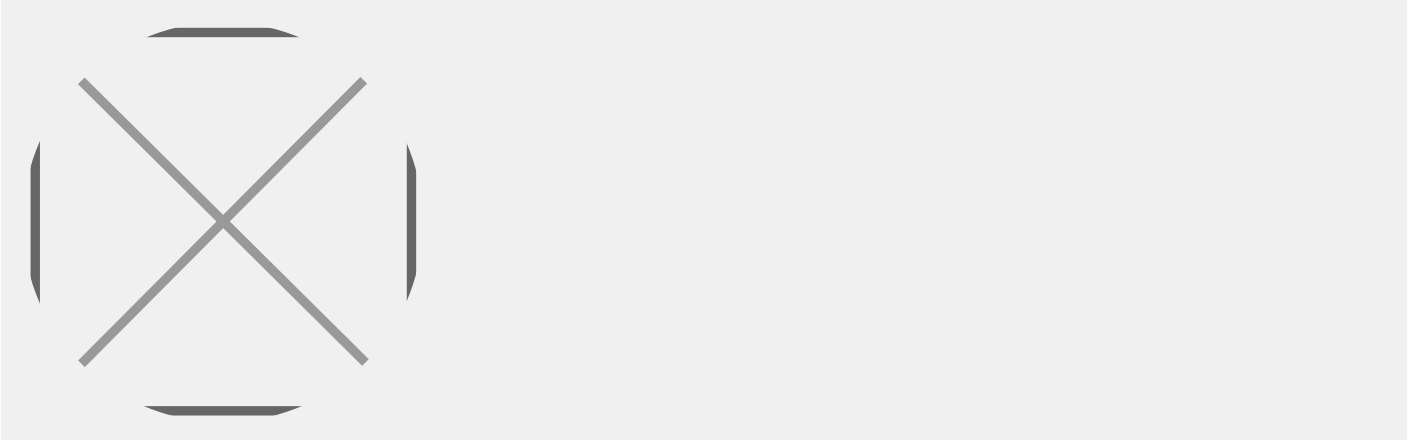
# Interview with Nilton Paletta, President, Latin America, IMS Health Brazil



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**We know the raw data already in the Brazilian market and the number changes since our last visit in 2007 – but how would you interpret these changes into a coherent story explaining the evolution since that time in the country's pharmaceutical history?**

The one major factor influencing country growth and Pharma growth alike is the change in social class distribution. Based on the increased stability of the economic situation, including employment and GDP growth, we have seen social class D to move to C, and C to B. This helps increase access and impacts the market's growth, because these people have more income, and if officially employed also benefit from private health insurance, which both contribute to better access to medicines and doctors. Another factor is that the population is quickly ageing.
Also, an important development to note is that now Brazil has electronic invoicing. This had made the market become more visible and most likely dramatically decreased informality. This means that we are seeing two elements to the growth figures. One is the real growth, which is when you compare 2011 to 2007 at the same base by looking at how many wholesalers or data providers we had in our panel in 2007 versus the same panel in 2011. From May 2010 to May 2011 the market has grown approximately 18% to reach R$38 billion. However, 4-5% comes from the smaller, regional wholesalers and pharmacy chains. They were not represented before in our data panel. Now we can measure the impact of those wholesalers who were not in the panel. Therefore, the market is certainly growing, but at 13-15% growth rate, though this is still an important growth. This has changed market dynamics, because pharma companies used to rely solely on big wholesalers and pharmacy chains. Now they see opportunity to go to the small regional

wholesalers who represent approximately 10% of market volume, or some R$4 billion, however to play in this market opportunity it is required a completely different “go to market“ strategy and certainly a customized “business model” because the market conditions are quite different.

**Doesn’t Brazil have one of the youngest populations in the world? Roughly half are under 30.**

This is exactly the point. We are transitioning from a young population to an older one. Life expectancy is increasing. It’s 73 years on average, and it used to be 52 years. We are living longer, and hopefully better. This fuels growth in the health sector in contrast to the so called mature markets where this transition already happened.

Another factor is the regulatory framework, which enables long-term investment. New companies want to come to Brazil and do business. Though it is still complex, it’s easier.

The Gini coefficient, which measures income inequality, is also improving, as is development in the Northeast and Northwest. Companies used to only look at the south, but they have needed to adapt new business models, for example, how to sell, if you are Pfizer, Lipitor in Sao Paulo, and generic atorvastatin in the north. Not one size fits all to capitalize on each type of opportunity.

**What is the main source of growth in IMS’s business?**

We are growing in two segments. The first is Information & Analytics and new data assets. We have more offerings than before to help companies measure and track their performance. We used to have national data and subnational data. Now we have pharmacy-level data, with more granular information on each therapeutic class within them, also we have an e-commerce platform to allow companies to effectively measure the whole distribution chain up to the point of sales level.

We are going to patient-level data, to help the industry understand what the patient flows are. For the time being, we don’t have prescription data that allow the companies to have targeted segmentation, but we do have aggregate information to help the industry understand diagnoses when drugs are prescribed: with what frequency, for what kind of patient, and for what kind of disease. We have more qualitative doctor and prescription data. IMS is bringing more technology solutions for our clients, including e-commerce which is very critical and allows companies to fully manage their supply chain, to control each product that goes out of their warehouse until it gets to the pharmacy, and eventually the patient. We help not only to evaluate and understand, but develop KPIs where, down the road, they can measure their performance. We help them develop their strategy as well as the action and KPIs. Last but not least, we now have a robust Non Retail Channel audit, which helps the Pharma Companies to see what they had not been able to see in the past, which is the Non Retail Market size, performance, etc.

The second area, an engine for growth in Brazil and Latin America as a whole, has been our Consulting practice, where we’ve been helping clients in a range of strategic and tactical issues.

For over 8 years we´ve been engaged with local and multinational pharma clients in defining strategic issues such as portfolio strategy, pricing, market access and commercial strategy. In the past 3 years this has intensified significantly and we´ve helped numerous companies define their Brazil and Latin America entry and growth strategies. Differently from other consulting companies, we go one step further and also help with more tactical issues such as sales force sizing and alignment, resource allocation, sales and marketing effectiveness, all the way down to implementing reporting dashboards and incentive compensation systems. In order to achieve this growth in consulting we´ve invested heavily in hiring high caliber consultants from traditional management consulting firms as well as new talent from top schools.

**Is most of this growth at IMS organic, from big clients getting bigger, or are you seeing uptake from smaller clients looking for a place to begin?**

It's both. Where IMS is really overperforming is with the smaller national companies. They're desperate for data and insights. We're also growing in the medium & big MNCs where we already have a big chunk of business. They may have our data, but they need more services.

**What sets IMS apart from others more entrenched in the consulting space?**

I think you'd have to ask our clients! I'm a bit biased, but certainly based on the kind of talent we're able to hire, we got a lot of respect in the industry. Clearly we are experts in our field – we focus on healthcare and pharma. This sets us apart from the competition who either work with generalist consultants in Brazil or end up bringing in pharma experts from abroad who don´t really understand the Brazilian marketplace. We, on the other hand, bring the best of both worlds – local pharma consulting expertise (our team in Brazil is over 30 strong) and global therapy area or functional knowledge when required. Because we´re specialists in pharma, we are more effective and more efficient in delivering projects, which translates in value to our clients. Lastly, we have the best access and understanding of the data, which is relevant in increasing accuracy and fact-based recommendations to many of our projects.

**How unique is Brazil as a country in the global IMS picture?**

We play in a global organization by global rules but we're free to "think globally, act locally." In most countries, we work from a price list and take an audit to arrive at overall market size. But here in Brazil the price list doesn't work because there's a high level of commercial discounts. Looking at the price list of $R38 billion, it's important to know what are the commercial discounts to apply to get the real net prices and volumes? Once you have the numbers overall, you must go from product to product, because the discount varies from one to another, so here we have launched the PPP (pharmacy purchase price) audit.

**You mentioned attracting talent from top-tier firms. What's the view from an HR standpoint?**

The issue now is that the market is so hot that competition is fierce, and we're paying for it. It used to be you could easily find someone to replace, but now companies match the market offering to retain their people. At IMS, we build a very high-performance team, so the industry looks to us for its human resources, however we have been very aggressive and competitive so we have been able to continue to attract high caliber talent and most importantly to retain them and even more importantly to offer a career development opportunities for the high talent employees, actually we have several examples to share today in our Organization.

**One important issue on the horizon is mandatory bioequivalence requirements, which will be enforced in Brazil as of 2012. Can you explain the expected impact of this legislation and what it will likely mean for your clients?**

In Brazil, pharmacies can only substitute prescriptions to unbranded generics, not branded generics. The legislation RDC 17/2007 set the demand for bioequivalence and bioavailability for branded generics upon renewal of registration. The RDC 250/2004 set that a registration lasts 5 years then its up for renewal. Therefore, these tests have been going on for 4 years now.
This acknowledges the value of branded generics while demanding quality.
What will change, in my view, is that while nowadays the only exchangeable products are generics, in 2012 branded generics will, in thesis, be exchangeable as well, so if you are building your strategy today, the brand power is a much stronger factor, and the existing brands will become even stronger, because you have the power of a brand behind a consumer decision. Once you take a branded hypertension drug, why would you change for another product if you are happy and have your hypertension under control?

**Where do you want to take IMS in the next five years, and what will it take to get there?**

I want to be the trusted adviser for the industry. I want IMS to be the company, across the globe, which people turn to if they really want to know what's going to happen in the future and what is required to be successful. Today we're not still fully prepared for that, but we are moving quite fast and achieving this positioning is my dream.
To get there, we must prove to our clients we're capable, and to that end we need to improve our current organizational capabilities to be prepared. We need the right people to take the organization to that level, very talented people with knowledge, expertise, and strong external influence, to fit in and trust. We are moving there, but it takes time.

**You were appointed President of Latin America in 2010, after holding the position of General Manager in the Brazilian affiliate since 2003. What is the importance of Brazil in the IMS portfolio?**

It's quite important, for two reasons. Firstly, Brazil represents 40% of total Latin American volume in revenue and market size. Looking at the future, it will be even bigger due to macroeconomic factors

and investment in infrastructure from the World Cup, Olympics, etc.
On a worldwide view, it's a different story. We can divide the world into tiers. In the first tier is the US, Big Five in Europe, and Japan. In the second tier are China, Brazil, Russia, Turkey, South Korea, and Mexico. In this second tier, Brazil is just behind China. This second tier will bring one third of total pharma growth in the coming years, and is the place you have to be. The third tier is the rest of the world.

**What's your final message to Pharmaceutical Executive readers?**

Not just because I am from IMS, but I would advise the readers to not rely on only what people just say without real facts behind to support their messages. You have to go underneath and get deep on the data to really get people to understand whatever is available and make decisions based on real data. Too many people talk a lot, but when it comes down to it, don't know where they get their information. If you want to be here for the long run, you must rely on your assessment from credible data and credible people, because when the market is so hot, there are many people who say they can solve all your problems, but you have to look at the credentials as a foundation for your assessment. There are too many elements in the information alone, and too much room for error. In the past, you could build your business based on assumptions without reviewing them over time. Today, you must not only build your business on very solid assumptions, but go back and look at them every single day because they change. If you want to be successful, you have to be as dynamic as the market is. You cannot assume the business model of two years ago is still valid; things have changed. There are too many variables. This applies for local, existing companies, as well as new companies. For example, launching products in Brazil has completely changed, with different distribution opportunities, growth in Class C, internet, facebook, virtual promotions – you need to look at details. You have to adapt. Conventional models no longer work.

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