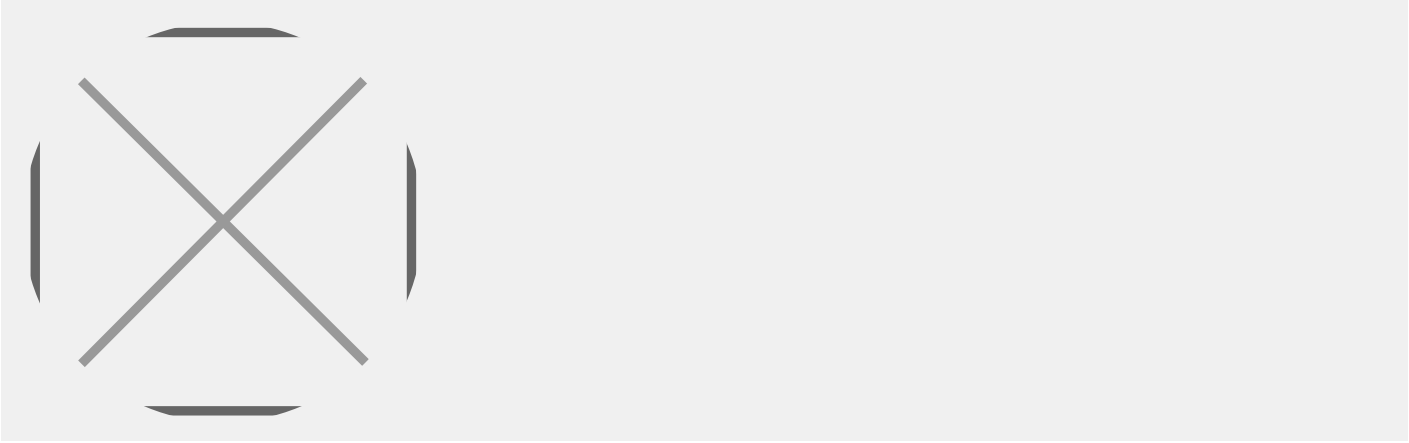
Interview with Ewe Kheng Huat, Managing Director, Merck Sharp & Dohme (MSD) Malaysia



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Stefan Oschmann, President of the Emerging Markets at Merck and Co. described MSD as the dark horse of the emerging markets. How is MSD performing in Malaysia?

Since the merger last year with Schering-Plough, MSD has been #1 in the ethical category and we carry a heavy responsibility to remain in this position. This is in spite of a large amount of reorganisation as a result of the merger in order to create a new entity. Based on October data we experienced zero growth in sales. To put this in perspective, in the industry in Malaysia ethical drugs sales were at -3% and for the top ten companies in Malaysia their sales have been down by 5% on average.

You mention that sales of ethical drugs have been down in 2010 what chances do you see of recovery in 2011?

There are many challenges ahead and these mainly result from the government's call for a focus on the generics industry. Therefore whenever companies lose patents their government business will be severely affected. Even if innovator companies reduce prices to win tenders, the volume they gain from government sales will not make up for the value lost through price reduction.

There are challenges in the private sector as well coming from competition and price reduction. One of the challenges we faced at MSD was the price reduction of Ceverix due to high levels of competition in the HPV market. This is another factor which will slow growth rate for the pharmaceutical industry here. If there is growth next year it will be around 3-4% among the top ten

companies.

What is your roadmap to ensure that growth happens next year?

The environment needs to be made conducive for the industry. Patent laws need to be upheld and we are facing an increasing number of generics companies who are trying to invalidate patents. Even with patents still in force, generics products are launched in the market. MSD's product, Losartan, already has a generics equivalent in the market despite the patent being in place. The government needs to act to enforce patent protection including patent-linkage. The drug control authorities are also currently registering generics when patents are in place. Enforcement therefore needs to improve.

The government also should give more funding and access to research for certain diseases such as HIV and diabetes. The government are providing funding for research into hypertension and cholesterol but the government needs to look into new therapeutic areas.
Patients also need better access to information. In Malaysia direct advertisement of drugs is not allowed and there are strict guidelines in place to prevent companies promoting their products. This is a problem in terms of raising awareness about certain diseases. For example, the government does not encourage the use of the word contraception and insist on calling it 'family planning'. MSD, which is involved in this field, therefore faces problems in terms of educating the Malaysian population. I believe these problems could be addressed through partnerships with companies like Bayer and Pfizer to work with the ministry to remove outdated policies. The industry should be involved in educating the population and work with the associations to raise general awareness about using drugs in the right way.

Awareness of diabetes is another cause for concern. Many are still seeking traditional remedies despite the seriousness of the disease. The government has so far focused on insulin but needs to look into new oral diabetes drugs as well.

When we spoke to Ms Fui of Amcham she said that the government's promotion of generics was causing a rift with the MNCs in Malaysia. How is MSD approaching this problem?

It is a fact that generics are here to stay. If a product goes off-patent then the generics company has every right to try to capture this market. However we do not want the government to support generics purely for the sake of supporting the Malaysian industry. Patents need to be adequately upheld to support the innovator companies operating in Malaysia.

The competition is strong within the generics industry with three arenas of competition for branded-generics, imported generics and local generics. Indeed customers do not perceive these generics as equivalents. MSD does not compete in the generics field and prefers the research-based innovative field.

Patent cliffs are forcing pharma companies to change business strategies. What is your strategy at MSD?

The Malaysian market is divided into two distinct sectors: public which accounts for around 40% of the market and private sector at 60%. In order to compete in Malaysia there needs to be a good balance. The public sector needs to be maintained through innovation and having a strong pipeline and the life-cycle of these drugs needs to be successfully managed. MSD's success has derived from being able to maintain its pipeline of new drugs. MSD's Losartan drug is due for expiry in 2013 but MSD has other products within the Malaysian formulary which can take its place. In 2003 MSD suffered a large patent loss with Zocor. However since then MSD has built up a strong line of product launches.
In the private sector, MSD strives to maintain good relations with the three main players: pharmacies, GPs and private hospitals.

There are many unmet needs in the private sector. Osteoporosis is rarely screened and diagnosed. Diabetes is another area which is not yet managed well. If MSD can target these areas successfully it can drive business forward. Indeed over the last three years our product Januvia has exceeded our expectations in driving business. Diabetes is the single biggest growth driver for the company in Malaysia. There is a lot of competition which is good as it helps to develop the market.

Private hospitals and medical tourism are being promoted by the government. What potential do you see from the development of this industry?

There is currently a reasonable level of medical tourism in Malaysia especially in areas like Penang and KL where there are many medical tourists from Indonesia. With the right incentives and infrastructure there is good potential for expansion in this industry. It is a question of ascertaining which are the therapeutic areas in which Malaysia has strengths.

MSD has a strong clinical research team in Malaysia and has done many phase II trials for diabetes. Malaysia has a strong ethnic diversity and this provides a rich environment for trials.

Mr Oschmann said that the emerging markets provided fertile ground for innovation and experimentation. What can Malaysia bring to the company overall?

MSD has already done a lot of innovative programmes including our integrative business management programme, heart care programme, bone care programmes. In the future we seek to drive programmes of education to raise awareness among healthcare professionals. One recent initiative was to bring together cardiologists, nephrologists, endocrinologist among others for workshops to educate GPs. We also have overseas lecturers who are flown in for these meetings and we look to replicate these programmes in other countries. Malaysia is English-speaking therefore these specialists can easily travel to other countries in the region to spread their

experience.

In our interview with AMcham we were told about the steps taken by innovator companies to develop the grass-roots of the industry through collaborations with universities. What type of programmes do you have here?

I am proud to say that MSD has launched a programme especially for pharmacy students. Talent is a major problem for the industry and three years ago we launched an industrial pharmacy education programme whereby we cooperate with the university of Nottingham invite two students to work with the company where we run through our operations and let them spend a day with our distributors Zuellig. We go into universities to explain to students what is available in terms of their career development prospects. Beside this we have also actively involved in HIV awareness program for medical students in several key teaching universities tying in with NGOs, specialist treaters and medical schools.

MSD has a vision to put medicine and patient care before profits. How does this concept work in practice?

This vision is powerful for us. This quotation has impressed doctors who have visited MSD. It boils down to strong ethical compliance and doing things the right way. It should be clear that the company is not simply about selling drugs. These values are incorporated in our everyday activities and healthcare professionals appreciate the way that we work at MSD. This in turn leads to MSD being considered a trusted brand thanks to our consistent approach.

In order to be a leader in the cardiovascular sector, diabetes, hypertension and many other areas you have to behave like a leader and we have retained this business concept for the last ten years.

In 2009 Merck was known for its merger with Schering-Plough. In 2011 what will MSD be remembered for in Malaysia?

In a word MSD in Malaysia represents potential. This is a year when we will expand our areas of focus. MSD Malaysia has already established areas of weakness and has made plans to reinforce them. We aim to maintain and develop leadership in cardiovascular and metabolism, allergy and respiratory, muscular and skeletal, anti-infective, vaccines and women’s health.

One challenge we face now is how to get customers to recognise our leadership in women’s health. The merger with Schering-Plough was actually a merger of three companies including Organon and our women’s health sector comes from Organon. We need to get customers to recognise this aspect to our work.

You have a new CEO of MSD with the arrival of Mr. Frasier, what would be your message to him in terms of what Malaysia will represent and your personal ambitions?

Our biggest challenge and main ambition is to remain number one. Every company wants to go for this poll position. Being number one is not by accident and is due to strong leadership. We will therefore continue to drive leadership and capture market-share.

As the leading company, the other important part is develop the market further. We need to formulate strategies to open up the diabetes market and create awareness about the correct therapies. We also need to develop our business here in Malaysia as one company, no longer talking about Schering-Plough's products or Organon's products separately. Next year these companies will form one legal entity.

You are one of the rare characters in the industry who stays with their company for a long time. What is it that you appreciate about working for MSD?

I spent 11 years with Wellcome and then left in 1994 to join MSD. At that time MSD was the most admired company and that was what drove me to join it. 17 years later, I am happy with my choice. The joy has been in building an organisation from scratch and bringing the company from 16 million RM ($5 million) in revenues to over 365 million ($103 million) today and from 20 employees to over 300.

This evolution has not been without challenges indeed our integration with Schering Plough was a good example of a significant learning experience for me. As a long-standing country head the great thing has been to have a vision and see it realised.

Among the people who have worked with me some have left to join other companies. When they told their prospective employer that they worked for MSD the latter opened their eyes and listened. The credibility which the company has built up is a source of pride for me.

As head of the #1 company in Malaysia, what advice would you give to the younger generation in the pharmaceutical industry?

You have to prove yourself. If you build credibility and do things in the right way with results then you will earn respect.

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