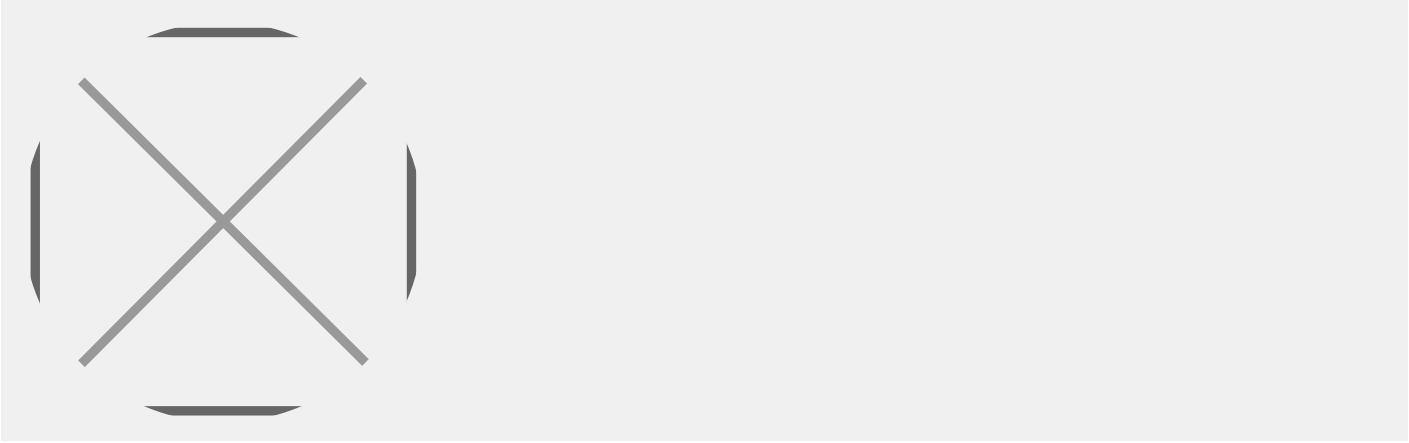
Interview with Tim Daveler, General Manager, MSD Mexico



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Tags: MSD Mexico

We read in an article by El Economista last year that you believe “there is no other company with such a diverse range of therapies as MSD and that makes you feel strong enough to continue growing in Mexico.” Can you please explain the thinking behind this statement, and what is it exactly that makes the Mexican market and MSD so compatible?

If you look at our portfolio, it is by far the most diverse portfolio of any company around at the moment. We have products in cardiovascular, diabetes, respiratory, asthma, pain, CNS, anesthesia, ophthalmic, dermatology, antibiotics, infectious diseases, HIV, we are in the hepatitis C market and recently expanded with a new innovative treatment, and we have a broad portfolio of products for women’s health and vaccines that prevent rotavirus and pneumococcal but also traditional diseases such as measles, mumps and rubella. We also have an HPV vaccine to prevent cervical cancer. Beyond that, we also have a broad portfolio of consumer healthcare products ranging from cough syrups to foot treatments. And we have a big animal health business. All in all it’s a broad and diverse approach.

In Mexico we also take things a step further from a localization perspective, since we have a unique development laboratory here in Mexico that is not commonly seen in other companies, especially not multi-national companies. This is the Mexican Product Development Laboratory (MPDL): this R&D Center is located in Xochimilco, Mexico City. We use this development laboratory to expand the lifecycle management for our products in order to meet the needs of Mexicans. Many of our products that are on the shelves in Mexico have come from our

development laboratory, and we try to manage as best we can what the customers need and what the patients need: ranging from fixed dose combinations to new formulations in order to improve our innovative medicines. Right now we have a portfolio of over 100 prescription products in Mexico, and with several hundred different presentations in order to meet the market needs here in Mexico.

At the moment, the Mexican government and the Ministry of Health are focusing on preventing certain fundamental disease areas including diabetes and cardiovascular. We are working very strongly not only from a research and development perspective on enhancing our diabetes portfolio, but also to provide additional services to prevent complications due to lifestyle and better treat patients beyond the medicinal side of the equation. MSD also has the biggest portfolio of cardiovascular medicines in the country ranging from anti-hypertensive medicine, cholesterol reducers and many others whether they are from our own research or products that we have licensed in with partnerships.

Another priority at the moment is in the area of hepatitis C, this disease is a silent killer and very much under-diagnosed and under-treated. We have had two hepatitis C drugs in our pipeline for years and we recently launched the first innovative hepatitis C drug for ten years in the Mexican market which actually saves lives as it cures most treated patients, in addition to replacing traditional therapies to which many patients do not respond. Finally, cervical cancer is another area that the government is focusing on; our HPV vaccine help prevent this in young women, but it also has the potential to protect young men. Last year we partnered with the Mexican government through Birmex which is a state manufacturer and distributor of vaccines. We have an agreement right now with Birmex to work with them on increasing access to our HPV Quadrivalent vaccine to the Mexican population.

Why was Mexico chosen to set up the Product Development Laboratory?

Our developmental laboratory not only makes products for Mexicans, it is starting to export and sell products in other parts of Latin America and emerging markets.

The Development Laboratory was first set up by Schering Plough around twelve years ago and it is located on our manufacturing site which provides the opportunity to produce not only for Mexico, but for Latin America; it was a good area to create a hub (product development and manufacturing in the same site). Resulting drugs can be launched here and exported.

You mentioned MSD's innovative new drug for hepatitis C that has just been approved for launch in Mexico. Estimates say that around 1,500,000 people in the country are infected with hepatitis C, and as you said it is an under diagnosed, under treated 'silent killer'. Can you tell us a little bit more about the new treatment, and what hopes you have for it in Mexico?

The drug is available in the United States, several countries in Europe, and now it is here in Mexico. It really will help improve the treatment paradigm for physicians involved in hepatitis C, so now patients can be diagnosed earlier and those patients who are not responding quickly enough to traditional treatments will benefit from this new innovative treatment that helps prevent the late stages of the disease. Where I see this drug in the future is as a cornerstone of a new treatment paradigm against the disease. If you go back several years ago, cholesterol was also a silent and very difficult condition to treat, and then statins came out which were a cornerstone in the treatment of the condition. Our hepatitis C drug is an innovative breakthrough that provides physicians improved treatment to better help their patients.

As you said, many diseases here in Mexico are not just under diagnosed but under treated. What specific programs and activities has MSD undertaken to change this?

For diabetes and hepatitis C, as an example, we are working with various institutes and foundations to partner with them and provide early diagnosis and support through patient education. From a commercial perspective we are also working on providing greater access to our medicines through different programs, and working closely with the government to provide broader access for all our innovative medicines and vaccines to patients. Access is a critical priority for our company and we are dedicated to achieve this goal in collaboration with the authorities.

We also have many initiatives that are beyond the public sector and specifically in the out-of-pocket market, which is around 70% of the market here in Mexico. Our focus is on the branded innovative drugs that we have invested billions on globally to bring to the market, and as mentioned earlier it’s important for us that patients have access to these drugs. We have an initiative called the Patient Access & Adherence Program (PAP), which is more than just giving discounts on our medicines, it’s about giving education and services to patients under the program. Patients have a card and they go into a pharmacy with a prescription from their physician and receive the education services included, plus the additional discount for their medicine. By doing this we aim to ensure that patients who need our medicine have access along with educational materials to ensure that they know how to prevent relapses, adhere to the medicine, and also take preventive measures against the disease, for example diabetes. Parallel to PAP, we also offer a program called ‘Sigue’, which means ‘follow’ in Spanish. The aim of this program is not so much about medication, but again, education. We give patients information that, from a nutritional and psychological perspective, helps them manage their condition.

It’s all about what services you can provide to patients and customers. The product is a component of those services that can help treat or prevent diseases, and I think the challenge in the future not only for our company, but for all companies, will be to come up with stronger and more focused services for customers to better meet their needs.

When we spoke other CEOs of multinational companies here in Mexico, they mentioned that they needed to start providing more innovative medicines to the government as well, because although Seguro Popular is covering 50 million people, around 80% of the medication provided is generic. How have you found working with the government in that sense?

I believe the government is focused not only on generics, but on innovation as well. They are very interested in enabling access to innovative drugs and to treat and prevent new diseases; there is no doubt in my mind about that. We work in partnership with the government, and the fact that generics meet some of the patients' therapeutic needs actually opens up the government budget to allow earlier access to innovative drugs that can really make a fundamental difference to peoples´ lives. So when we work with the government, we do it in a very open and transparent way in regards to which patients can use generics to meet their needs, and which would benefit and improve quality of life from access to innovation.

The point of sale in the Mexican pharmaceutical market is changing today, and when we spoke to the head of Farmacias del Ahorro, he told us pharmacies are now taking control of their distribution; starting their own line of Private Label medicines; incorporating physicians into their pharmacies; and that Walmart was their biggest competitor. How has the shift in that side of the industry affected MSD particularly?

There is a big shift to a lot more influence at the pharmacy point of sale. One of the most important things that we work on together across the industry is to ensure that it is the physician that decides which treatment the patient receives, so that when they prescribe a medicine, that same brand of medicine should be dispensed. Parallel to that, we also recognize that many patients come in without a prescription, so sometimes there is no dialogue between patients and doctors; if there is one present in that particular pharmacy, this dialogue may exist. We are working extensively on deploying people across these pharmacies and points of sales within the regulatory environment to provide education. The industry should recognize that we also need to educate and give services to dispensing areas to ensure patients are getting the right treatments and as per doctors' orders.

Talking about education, Corporate Social Responsibility at MSD is very important. Please can you tell us about some of the initiatives that you have now, and how they fit in with MSD's corporate philosophy in Mexico?

One of the key global programs for MSD, and one that we started in Mexico back in 1989 is the donation program for Mectizan which treats onchocercosis: 'River Blindness'. From 1995 to 2010 more than 4 million doses were distributed which represents over 2 million people treated during that period. It is a free donation program that will continue for as long as needed until we eliminate this disease globally; it is our goal as a company. Last year our CEO announced a new program

called ‘Merck for Mothers’, in which the company will invest $500 million USD over the next few years to go and work in countries to better educate pregnant women in order to avoid unnecessary fatalities. We are working very diligently to see what we can do to reduce and ultimately prevent the mortality rate for pregnant women.

You’ve worked for many years in other Latin American countries. How have you had to adapt your management style coming here to Mexico?

The culture in every country is different. Fundamental management principles in terms of my values and to what I try to aspire with the team in terms of setting visions and goals are the same; but the way and the how is different. I believe how you manage has to be adjusted to the environment you are in, to bring out the best of people, to get them and to rally behind you as a leader and ensure that everyone is aligned on the strategy and objectives. This is important in order to execute across the organization, to maximize the business and achieve a common goal.

You arrived here more than two and a half years ago in order to implement the merger here with Schering-Plough, and now you are the leader in the market. What motivates you to come to work every day?

We’ve just started! To achieve where we are today is something that everyone should be proud of. With the leadership comes a big target on your back, and to me it’s about taking things to the next level and achieving breakaway leadership which is what my team and I are constantly working on. In the company we are very clear and open with all of the staff as to where we want to go, and what our vision and business objectives are; not just for this year but in five years from now. This roadmap for the next five years is not a strategy map I just scribbled down- we worked on it with many different levels of the organization; it is an organizational strategy map requiring full alignment and engagement by all.

So where will MSD be in five years from now?

MSD in Mexico grew double digits last year and the focus of our business model is to continue to grow faster than the market every year. Certainly our focus will be on organic growth, but we are also going to be looking at opportunities aligned to our business strategy that are inorganic, and at different ways of commercializing our medicines and vaccines. We want, from a sales and marketing perspective, to breakaway and be the outright leader and in doing so to be seen as number one from our customers perspective, and also very importantly, from our employees perspective.

For me, it’s more than setting a business goal but getting people to feel proud about the company and making them feel like they are working for a number one company. When your people are engaged and focused with a commitment to achieve their set objectives, that impacts the

perspective of the customer, because they know they are receiving the services and products that they are asking for from us, more than from another company. I believe we have to start with engaging our people, this impacts our customers; if we get this right, then the business follows. This drives me to come to work every day, not just putting a number on a goal, but the ‘how to do it’ part. I am confident that it is our people that impact top-line growth, earnings per shareholder, and market performance.

What would you say are the key highlights of operating in the Mexican market?

I would say that Mexico is a market that is growing! It’s a market that has made several advances in the economic and pharmaceutical market environment including regulatory processes; one that has made progress in providing access to both innovative drugs, and generics. It’s a market with 114 million people, and now that the government is looking at expanding public healthcare this represents a huge opportunity for both multinationals and local companies to enable them to continue growing. Mexico is a market that represents not only strong stability, but great opportunities for growth if you do things the right way.

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