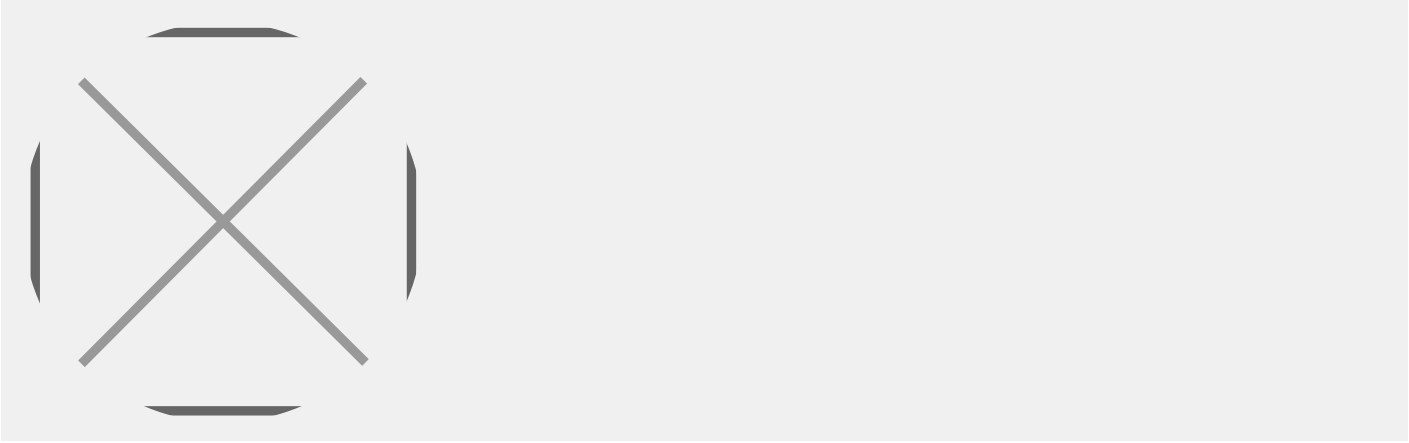
Interview with Maria Denisova, Senior Operations Manager, IMS Russia



26.04.2011

Tags: IMS Russia

You were the former director of RMBC, which was acquired in 2008 by the IMS. How important was this acquisition in terms of positioning the IMS on the Russian market?

For the IMS, in terms of strategic development, this was certainly a significant acquisition—because afterwards, the organization became the leading company in Russia in this segment.

The acquisition gave the IMS new life. In 2008, RMBC had a greater number of clients, and was better known in Russia, than the IMS. It had a particular background. IMS, on the other hand, in 2008 was only a data collection company in this market, and did not offer the full spectrum of services that it offers globally. The RMBC deal provided the IMS with established clients, and with local market experience. The clients, in turn, had the opportunity to gain access to global experience, and global expertise. In today's global market, while there are certainly local nuances, we see the general model of development repeating itself all over the world. Hence, IMS's experience with other markets is invaluable.

2008 was an excellent year, from a financial standpoint. The IMS was ready to finance the acquisition; at the same time, they felt that a critical level of demand had been reached, and that the market had matured to the point where the organization's consulting services could be utilized effectively.

As you mentioned, general models of market development seem to repeat themselves all over the world, albeit with local nuances. How does the IMS then tailor its global services to Russia?

The IMS has two directions: data analysis and consulting services. If we speak of statistical analysis—analysis of the size and structure of the local market—this is conducted in a similar fashion in each country…

…But in a market that is technologically underdeveloped, and has a dearth of electronic recordkeeping, can the IMS really gather data in the same way that it would in a mature market?

I will remind you that the IMS started 50 years ago, and first conducted its analyses by collecting paper records and surveying doctors. If we look 10 years back, RMBC also first collected paper records.

Today, the IMS does not receive a single physical document; we receive everything in digital form. Traditionally, the company has worked via extrapolation models. In developed markets, we now collect hard data from distributors, pharmaceutical chains, and etc.—all channels. We have no need for extrapolation models in those regions. In Russia, at a certain moment, we will too reach this point.

In my opinion, Russia is not specific in this sense; it is simply a matter of the level of development of a given market. As soon as the market will be ready, and as soon as, say, pharmaceutical chains will be interested in transparency, we which be able to collect information in much the same way that we do elsewhere.

But we are not yet at this stage. When do you believe it will come?

In our country, it is difficult to make prognoses. I believe that perhaps in 5 years, we will be at a point where the market will reach a technical capacity will allow us to collect data from all channels.

Transparency will also improve. Some sectors are already quite open—for example, the retail sector. The hospital sector, on the other hand, remains rather closed.

Can the IMS truly say that it provides reliable data, given remaining challenges to analysis here?

Today, we have several quality control mechanisms in place. Our relationship with our partners is open, and we follow up on the data that we receive from them. If we notice any significant aberrations, we can always call a given pharmacy and ask them to explain the results—was it a technical error, or are we truly seeing extraordinary growth, or was it perhaps a one-time sale? There can be many explanations, but the point is that we are always able to explain irregularities

and we are always able to ensure the validity of our data.

We also do not personalize our data. Because our model is based on extrapolation, we cannot personalize it. This, in our view, is another guarantee of validity.

Can you provide our readers with some specifics regarding the growth of this market?

According to our data, in 2010, the market grew by approximately 7% by volume. If we look at, say, 2008, growth amounted to 16% by volume. So growth has currently slowed. This is an effect of the economic crisis, and of the reform initiatives currently underway in the healthcare sector. Our prognosis is that in the coming years, growth will somewhat increase—perhaps it will reach 11%—but it will remain slower than we saw in past years.

What are the segments that are driving growth today?

The driver of this market has been, and likely will continue to be, the out-of-pocket segment, which consists of private prescription purchases and over-the-counter (OTC) purchases. Growth in this segment is, in turn, facilitated by the growing purchasing power of the Russian population, the country's recovery from the economic recession, and legislative reform. Doctor influence certainly plays a role, but not as much as in other countries.

Within the out-of-pocket segment, OTC drugs will likely take on a greater role, if the shift towards preventative drugs that is currently under discussion by the authorities comes to pass.

This relates to short-term perspective. In the long-term, the development and dynamics of the Russian Pharma market will be closely associated with insurance medicine and increasing government influence.

It seems that this market is already largely dominated by OTC medicines.

OTC is not necessarily much larger here than in other markets. The fact is that in many cases, we are not truly speaking about OTC drugs—we are speaking about prescription drugs that may be attained without a prescription. In fact, in Russia, you may have a prescription for one product, and in the pharmacy, they may advise and provide something quite different—with the exception, of course, of narcotics and psychotropic medications.

We have been speaking largely about one aspect of IMS business: data collection and analysis. Let us turn to your other operational area, which is to consult companies based on this data. As this segment of your business grows, do you believe that the IMS can begin to compete with Big Four companies like Ernst & Young and Deloitte?

I would not call it competition, because we occupy a different niche. It is out objective to occupy a leading position in consulting fields such as portfolio optimization and field force optimization. While

companies such as Ernst & Young engage more in management consulting, we focus on strategic consulting. We are more in the guise of a consulting firm such as McKenzie, and we compete with them.

On the other hand, we see the Big Four attempting to compete with you—in the field of market intelligence. They are releasing stand-alone data analysis products. Do you feel any pressure from them?

Today, I would say no, we do not feel any pressure. We are very confident in our knowledge, and in our data. Pure consulting companies do not have our expertise in this area—they need to borrow our data and interpret it!

What future do you see for your company on the Russian market over the coming five years? For example, as Russian companies mature, perhaps you will gain more local clients?

Russian companies already use our data! But you are right—as the local market develops, our business with local players will certainly grow.

In five years, I believe that IMS Russia will be a different company. Figures and statistics will remain our foundation, but the current trend in the IMS is that the organization evolves more in the direction of consulting, business intelligence, and technology development. When I say technology development, I do not mean in a technical sense, but in the sense of developing process technologies. This kind of technology will be in demand—the market intelligence and consulting spheres are coming together, as we can see.

We are living in an era of change, and in Russia this is very palpable. I think that in Russia, more than anywhere else, companies understand the need for change, and accept that new business models are necessary. If they see that there is a company that they can rely on, and that will take upon itself the responsibility for this kind of change—this will drive our business.

The prognoses that were made previously by the RMBC, and are now made by the IMS, are today the best in the Russian market. For example, at the beginning of 2009 we forecasted that market growth in 2010 would be less than 10%, which most probably would be the case based on data we have at the moment. This says a lot about the new IMS capabilities. I hope that in consulting, we can also occupy a position of such reliability.

What is your final message to the international readers of Pharmaceutical Executive regarding the Russian market?

May the market grow! We would like to see more stability, and less of the kind of reforms that destabilize the market. I do not mean that I am against reform in general—but reforms can come in

different shapes. For example, if we look at the new legislation on the Circulation of Medicines: on one hand, it provided price stability; but on the other hand, it had many negative consequences. It introduced many deficiencies in terms of clinical trials and medicine registration—and led to the erosion of growth in the past year. It has also caused some multinationals to doubt whether they should launch new products here. Further, if you visit CRO companies—for example, CPI—you will see to what extent clinical trials have diminished in our country. This is very negative.

But the difficult period is already past. Each company has figured out how to solve the problem.

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