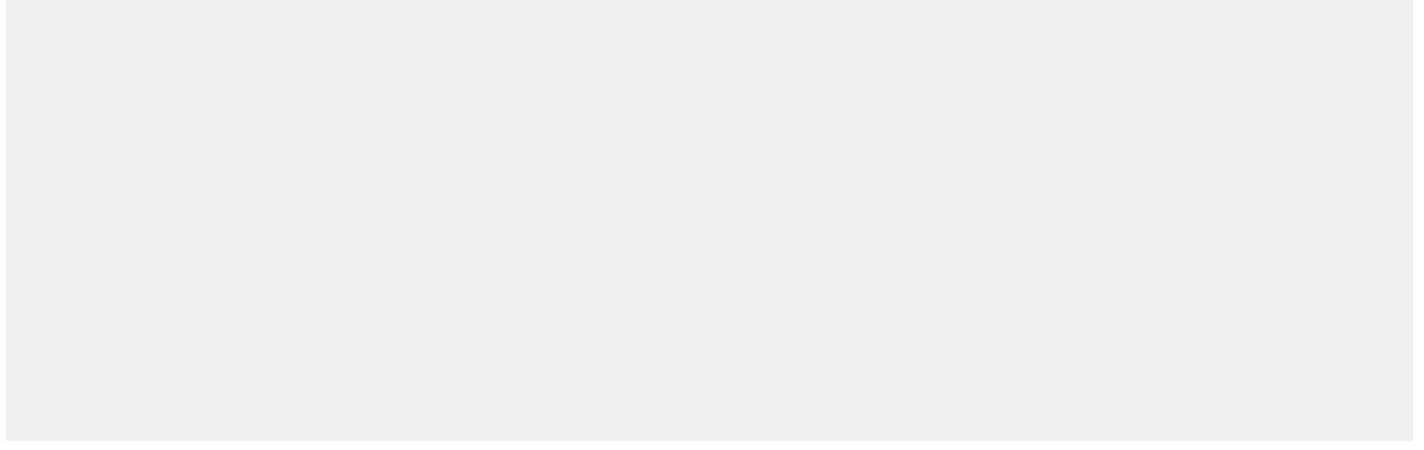


Interview with Jose Maria Ochave, Corporate Vice President Business Development Group, United Laboratories



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Unilab is one of the oldest pharmaceutical companies in the Philippines, having been established in 1945 as a small drugstore, and now is the leading company in the industry. What has been Unilab's role in shaping the pharma industry?

We have been the leading pharmaceutical company since 1950s.

When Unilab was founded the vision of the founder was to provide a quality alternative to the expensive medicines. Our DNA has always been providing a more affordable quality alternative to what the originators were offering. However, from time to time we partner with the originators, and we continue to seek partnerships with them, but mostly for products that are either patented or quite difficult to source - because it does not make sense to make a partnership if later on another generic company would come in and undercut the price.

The basic DNA of Unilab is to provide a more affordable quality option. Initially we were offering only medicines but we have expanded our mandate to include healthcare. We are not focusing on pharmaceuticals alone. We have started going into other businesses as well.

Being the leading Filipino pharma company we seriously take it as an obligation to make sure that we are able to contribute to the improvement of the Philippines healthcare situation. We do a lot of

social partnerships with government, with NGOs, and with other business groups in order to translate it into something concrete.

Being the biggest pharmaceutical company in the country, and one of the biggest companies in the Philippines, your role goes beyond the pharma industry. What has been your contribution to the country?

Even if we are one of the biggest Philippine companies, the focus has always been on healthcare – this is our competence. In situations of health emergencies, that is when we come in. For example during the avian flu, the swine flu and SARS we convened various companies, including San Miguel, PLDT, Ayala, and we started what we call the “Corporate Coalition Against...” (according to what the potential pandemic is).

We also act independently. During the time of the bird flu, oseltamivir was indicated as the best possible medicine, but the government had no stockpile of oseltamivir here. Roche was saying that there was a patent but we looked at the IP database and we found that there was no patent here. We immediately found a source of the APIs, we manufactured it here and then we donated the entire stockpile to the government. Almost all the oseltamivir stockpile of the government came from our donation.

In terms of the medicine policy, I think our proper role is as part of the private sector, in challenging the players and providing competition. From time to time we are asked to provide some advice to government as well.

We played a significant role in advocating for cheaper medicines. Because patents are something that people (even lawyers) do not fully understand here in the Philippines, we provided technical briefings on what patents are, why there is such a thing as frivolous patents, and why we are still paying a high price for medicines when in most countries as soon as the patent expires the price erosion is very rapid. We informed people that there are different types of patent, including molecular patents (a strong patent, which everyone should respect) and frivolous patents. It is opening everyone’s eyes that there is no such thing as a sacred patent, and that the patents are subject to challenges. That is the role that we are playing in terms of policy.

If we look at the results of the Cheaper Medicines Law, it seems that it negatively affected the industry and 2010 is the first year with negative growth. Has the number one company in the Philippines been able to better weather the situation?

No. That is why we are saying that our support for the Cheaper Medicines Law came out of our belief that, since the price of medicines were really high at that time, people deserved a more affordable option. It was not in our business interest, but through the years we have taken quite a number of positions that were against our business interest. Being a Filipino company we rise and fall with this country. Sometimes we would take positions that are against our business interest but in the long run we believe that what is good for the country is good for us as well.

Luckily, so far you have been more rising than falling and are the number one company with 20% market share in the pharmaceutical industry. What are the main factors that allowed you to be so successful and remain in the leadership position since the 50s?

The success factors change from time to time. Our strategy changes depending on the situation; sometimes we change the situation as well and sometimes we try to change the rules.

The first success factor is our people. For this reason, taking care of the workforce is essential. This also means choosing the right people and making sure that they stay with us. We are a company with no unions at all; we have an employees' council and we are known in the industry as one of the best employers, so people usually do not leave Unilab. We have very hardworking people.

The second factor is brand building. It is to the credit of our founder, Mr. J. Y. Campos, is that he started to build brands. If you look at the blockbusters, we have seven of the top ten brands and these brands have been there for decades.

The third factor is Unilab's focus on the quality.

Those are the top three reasons why we are where we are right now. Plus, it is a very conservative company. We do not overstretch ourselves; we do not go into other businesses needlessly. The failure of many companies is that they overstretch. Since we are a private company we can look at things on a long term basis rather than an end-of-the-year basis.

You mentioned that one of the success factors has been brand building. How do you build a brand in an out-of-pocket and prescription-driven market like the Philippines?

For the OTC, if people think that you have something which is good they will buy it, provided it is at the right price point. Also, Unilab has heritage brands; brands that were taken by the grandmothers and the mothers and now by the daughters. We also have to always refresh the brands, coming up with new concepts, new ideas, new positions.

For the prescription products brand building is different. When you enter as a generic company there are already established brands, the originators brands, that have been there for about ten years. How do you do the brand building? The value proposition is key and our brand is same quality but cheaper. If you look at the sales behavior of products when we enter you will see that we do not really cannibalize. We expand the market by creating new users.

About one third of the prescriptions are generics only. The law requires you to put the generics name and then the brand in the prescription, but the doctor will try to evaluate you on the basis of your socio-economic class. If you can afford the more expensive ones they will give you the originators, then next would be Unilab, while if there is somebody who cannot afford they would prescribe a commodity generics brand. The doctors always expect us to be at least 30% lower of the originators.

In the Philippines, consumers prefer either western brands or Filipino brands. Here you have the advantage of being a Filipino company with a long history, but how do you position yourself when you go abroad, in the Asian region?

If you look at our history in Asia the product brands were much more known than Unilab. We are not positioned as Unilab abroad. Our corporate branding came in only about three years ago. Prior to that people never knew about Unilab, it was always the product brand. Our brands are well known in the region, while the corporate name is not. But even if we do not use it, people know it is Unilab; we use the same logo.

We are a Filipino company here but in other countries we are not known as Unilab, we do not have a single international affiliation where the name Unilab is used, primarily because of IP reasons (because in those countries, somebody is already registered as Unilab or United Laboratories), so in different countries we use different names. Although we are known to be a Filipino company, the management of the affiliates is mostly local.

As a company that already has a strong foothold in the region, what are your expectations on the ASEAN harmonization?

The ASEAN harmonization is an opportunity for us, if implemented properly. However, the problem with the ASEAN harmonization is that each country is setting up its own technical barriers to trade. You have countries where it takes a long time to register or you have countries like Thailand where the bio-equivalence should be done on Thai subjects. Individually, countries are setting up their own barriers to protect their local industry. In the Philippines, we do not have those. This is the easiest country to do business in in the pharmaceutical industry. In one year you get the

registration and there is no requirement that you manufacture the product here.

We have manufacturing facilities in Thailand, Vietnam, China, and Indonesia, partly because in the past in those countries we would not have been allowed to market your products unless they were manufactured there or unless we had a partnership with a local company. Indonesia is going back to that rule now, which might be a good idea also for the Philippines, but I do not think we will ever do that.

Do you have plans to go beyond the Asian region?

As of now, no, our focus is the ASEAN and China, that is where we do business in. If we get into countries outside the region, it may be in a partnership with other local companies. We would not want to get into something we do not know or in a country where we are not familiar with the culture.

Since you do not plan to expand geographically, what would be your ambitions for the company for the next 5 years?

The ambition is to be a healthcare company, meaning going into various segments of healthcare, not only pharmaceuticals. That is where we are going.

But Unilab is not a purely business type of enterprise. The social element is very strong here. So we are also looking at what activities we can do in partnerships with other groups (other companies, NGOs, the government and the local government) to address the healthcare needs at the base of the pyramid. It is a social partnership, it has to be something sustainable where each partner brings something to the table. Even the beneficiaries should be bringing something to the table.

We are also getting ready for the expansion of the health insurance. Everybody is talking about health insurance from the funding standpoint, which is correct because funding is really a problem. But what we are looking at now is the service delivery. We are asking, "how do you make it efficient"? Our objective is to come up with a service that includes the doctors' presence, the diagnostics and also the medicines, in such a way that whatever Philhealth will provide, the entire service will be priced at that point. This will allow patients to have no or very minimal out-of-pocket expenses. We see it as part of our social obligation.

What would be your final message on behalf of Unilab for our readers in the Philippines, in Asia and on the international frame?

The Philippine pharmaceutical market is in a flux and we do not know what is going to happen next. I think everyone is trying to figure out how to respond to the changing environment, not only to the MDRP but also to more people suffering from more illnesses. It is a difficult market but it is a market that is worthwhile if you are able to provide the products and the services at a good quality and at the right price point.

I wish more companies would invest in the Philippines not in terms of hiring more medical representatives but in terms of manufacturing capabilities. At Unilab we are committed to continue manufacturing and investing in the Philippines. In fact we spent 1.5 billion pesos each for our two new facilities – if you look just at the pure economic side, it would have made better sense to locate in Vietnam but our founder wanted to have the new facilities here in the Philippines since we owe it to the Filipinos.

We are the only manufacturing company at the moment (together with Interphil and the small generic companies) because most of the multinationals have moved their manufacturing out of the Philippines. They have their own reasons, but perhaps they should have considered the Philippines not only as a market but as an area where they could manufacture and therefore provide employment and technology transfer as well. We have a good workforce and people can easily be trained in the Philippines.

I do not see it favorably that companies consider the Philippines only as a market. We would rather that the multinationals come in and bring in technology and employment through manufacturing rather than only the medical reps that they are hiring. Instead of Filipinos going out, we can provide some employment here, especially in the healthcare; something that I think will have a boom in the next 5 years. The Philippines can be a manufacturing hub for products in the region. I think this is also one of the countries in the pharmaceutical sector where IP is strongly respected. If you have good patents, they will be respected here.

We believe that the Philippines will continue to be a good place to invest and do business in, and we are committed to stay here and continue expanding our business in the Philippines and in the rest of ASEAN and China.

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