Interview with Jason Humphries, President Director, Bristol-Myers Squibb

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The pharmaceutical industry in Asia is undergoing a period of specialization with R&D booming in places like Australia, Singapore and South Korea and manufacturing in places like China, India and now Vietnam – how does Indonesia fit into the overall picture?

Indonesia has a number of very strong fundamental, macroeconomic advantages including a population in excess of 200 million people, a GDP in excess of USD800million and recent a c growth rate of 6 percent, growing, average household incomes and an expanding middle class. These are very important elements that drive growth in the pharmaceutical industry. It is important to evaluate therapeutic categories individually when thinking about specialization. For example, there is phenomenal growth globally in oncology medications. However this is not necessarily the case in all emerging markets. New oncology products in China are emerging as a very successful segment, but this is not the case in Indonesia. While there is general growth in income, specialty medicines haven’t yet entered the realm of affordability. This is not the case in Over The Counter products and basic medications sold by local companies such as Kalbe, Sanbe and Dexa Medica are experiencing strong growth.

What categories and sectors are you looking to expand here in Indonesia?

The company is currently very strong in the OTC franchise, particularly anti-pain analgesic cream, Counterpain. BMS has a classic consumer brand with a heritage spanning decades in Indonesia and

its still growing strongly. BMS has premium priced brands, and as OTC medicines, purchasing decisions are based on trusting the brand and brand recognition. As in any market, the brand has tangible value that allows us to compete on more than just price. In other areas such as antibiotics and basic cardiovascular medicines, which have high levels of generic penetration, there is much more competition on price. However, generics in Indonesia are mostly branded which are priced above commodity levels. This means these drugs may not be priced to consumers as low as commodity generics in countries such as India.

What are you doing to take advantage of these opportunities in branding by expanding and strengthening the BMS brand?

The company participates in the full range of marketing media from TV advertising to in-store promotions to road shows and distributor campaigns that ensure widespread coverage. Indonesia has over 17,000 islands and thus setting up the right distribution strategy with the right partners is critical. BMS works very closely with its distributors across the archipelago.

What initiatives do you have that are tailored for the Indonesian market and different from standard operating procedures at BMS in the sophisticated markets?

BMS globally is moving to a specialized, biopharmaceutical model where new products are focused on leukemia, oncology, virology, and specialist cardiovascular. These are products that are very successful in a reimbursed setting, where patients and physicians are able to determine product value. Here we have a ‘mature portfolio,’ and it is a portfolio that is growing well. Indonesia has become a hub for South East Asian Over The Counter products. BMS has centralized manufacturing for our OTC brands in Indonesia, exporting to Singapore, Malaysia, Thailand and Hong Kong. Bristol-Myers-Squibb has three manufacturing facilities in Asia – China, Japan and here in Indonesia.

Why were these locations selected and more specifically why has Indonesia become a hub for the SE Asian region?

Facilities are located in these countries for a variety ofreasons. Operations began in China in the Eighties, when foreign companies were often in joint ventures and often required to have a manufacturing presence. BMS has a long and storied history in Indonesia. The company is listed on the Jakarta stock exchange and has been here in one guise or another for more than 40 years. Historically companies needed to have a manufacturing facility to establish a presence in a market such as Indonesia. BMS has continued to invest in the factory over the last number of years, as it has become a key market, along with Thailand and the Philippines, for over the counter products. The recent 10/10 decree requiring multinational firms to locally manufacture products for the

Indonesian market has made many international headlines.

What do you think will be the real impact of this policy and have you already started talking with potential partners?

For BMS’s business, the 10/10 decree is something of a red herring. If a company is earning tens of millions in sales in Indonesia and we already have invested in our manufacturing facility. There are much bigger issues and opportunities to consider to grow our business. It’s far more important to expand distribution to more consumers and be competitive with product offerings; backend costs have never been a driver of the pharmaceutical business. Growth and success in this industry is determined by value-add.There are a number of strategies that companies are using to tailor their marketing efforts in developing countries, including small pill sachets among others.

What kinds of innovative marketing and consumer targeting initiatives are you doing in Indonesia?

Unilever famously initiated single day sales of consumer staples products in India and Indonesia. They also developed low cost brands especially for these developing markets. BMS is not doing this in Indonesia currently., BMS is the market leader in its segment, so the current priority is to continue to expand the market and grow apace with overall industry growth. Once we’ve gained a loyal consumer, we aim to keep them satisfied for life. Thus the strategy encompasses trials, promotions in shopping areas, on the street promotion, and a contract force of promotion agents. The focus is about a brand experience. BMS has scaled back on TV advertising over the last couple of years and invested more in on-site promotion as we believe this is a much stronger brand experience.

What are you doing in Indonesia regarding consumer education campaigns?

When it comes to most OTC’s the focus is primarily on branding and enhancing the brand experience. For example, anti-pain drugs don’t require excessive educational campaigns, as customers are very aware of their own aches and pains. However, we engage in education for other consumer brands such as vitamin lines for children. We work with physicians and distribute in-store pharmacy education materials. This type of product requires more education as parents are buying for their children as a preventative measure. In the last 3-4 years BMS has launched a specialist brand for chronic Hepatitis B, called Baraclude. This was probably the most successful consumer brand launch in Asia. Outside the USA, Indonesia was the first launch market and it has one of the highest market shares in the world in Indonesia. We have worked very closely with infectious disease physicians, gastroenterologists, and hepatologists as well as educating patients. This is especially vital because if left untreated, those infected with Hepatitis B have a 30% chance

of going active and a 30% mortality rate from liver cancer or cirrhosis. This is an asymptomatic disease until the very late stages, and testing and measuring disease markers is complex and unintuitive for most patients. Thus it is impossible to promote the medicine without heavy investments in educational campaigns.Some of this success is due to working closely with Indonesian physicians at an early stage. They were incredibly supportive of the drug and they were proud that BMS chose to launch the product in Indonesia as the first Asian market. The clinical profile of Baraclude has also matured substantially as well. Typical antiviral medications experience high levels of resistance over time. However, less than 1% of patients develop resistance to Barriclude over 4-5 years. Thus the future for patients with a disease that was previously uncontrollable is now more positive, which is a big step forward in clinical practice for physicians and patients. Ethical standards can sometimes be a challenge in a market like Indonesia.

What are you doing to overcome these obstacles and remain committed to ethical standards?

BMS has one global standard that applies to every market of operation. As a US A multinational, the company is subject to FCPIA and SEC rules, and in Indonesia we are subject to Indonesian stock exchange rules for ethical business practices. BMS has personnel assigned to internal controls with a rigorous vetting procedure for all promotional and educational activities to ensure they meet both financial and ethical scrutiny. These internal processes are rather more stringent than industry guidelines. We have a zero tolerance for violation of our compliance codes. Attracting top talent in Indonesia can often be a bottleneck.

What do you do to attract and retain the very best that Indonesia has to offer?

Indonesian employees have been a great source of talent for Bristol-Myers-Squibb globally. We have taken a number of employees from marketing and finance functions into other markets as well as the regional office. We have been here for some time and have clearly defined processes and well-established training and development. We have people who are steeped the in BMS culture and way of doing business but can also operate in a tough emerging market like Indonesia. This combination of skills is a great asset for us across all emerging markets. BMS is known throughout the world for its commitment to corporate and social responsibility programs.

What are you doing in Indonesia in that regard?

It is difficult for one company to make a difference in a country the size of Indonesia. Under the umbrella of the American Chamber of Commerce, we are actively engaged in disaster relief planning in terms of the provision of basic medications. CSR is practiced across many industries, but the pharmaceutical industry can directly provide products for medical relief in disaster relief

programs. During the Aceh earthquake we made significant drug donations, particularly antibiotics. We are working under the American Chamber of Commerce because they have a well-organized program that involves a number of companies. It’s a case of two plus two equaling more than four.

What is your vision for BMS Indonesia over the next five years?

Bristol-Myers-Squibb in Indonesia is predominantly about Over-The-Counter brands and the continued growth and development of those brands. We believe that this is the best fit from our global portfolio with the economic and demographic macro-trends in the country.

What is your final message to all our colleagues here in Indonesia and in other countries regarding BMS in Indonesia?

We have chosen Indonesia to be the hub for consumer brands in South East Asia. We have invested heavily to make the country a global standard hub, and Indonesia will continue to be central to that strategy.

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