Interview with Sergio Liberatore, Managing Director, IMS Health Italy

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You have worked in other countries such as the UK and the US with very large and significant pharmaceutical industries. What would you say is particular about the Italian pharmaceutical market?

The Italian situation is changing a lot, at a different speed than in other countries. For years, Italians had the feeling that no changes could be successfully implemented in their country- and now Italy is on the verge of big changes, things are happening all of a sudden, at a much higher speed compared to other countries. National and local healthcare providers need to reduce healthcare costs, competition from generics is increasing and prices are eroding, innovation is no longer producing blockbusters and therefore stakeholders are evolving. Facing these changes, some pharma companies may have some issues in managing the new environment. The domestic industry developed during the last 20 years through co-marketing activities mainly applied to primary care blockbusters, like anti hypertensive and anti-cholesterol drugs. Over this period, most of the local companies adopted co-marketing as a new business model, reducing research investment to focus on marketing activities. This strategy has been profitable for years but nowadays, as most of the blockbusters' patents are expiring, the co-marketing model seems to be over. Consequently, the companies that set up large sales forces, relying on hundreds of representatives to be among the frontrunners, are less competitive than before.

As Italy has been left behind until now, will the local industry eventually catch up and manage to develop international players like the ones to be found in other European

countries?

It is high time to recover, as most of the local companies have disappeared from the market. The only survivors are the ones which also developed international activities and at the same time also developed their own research capability. They now have to change their business models to deal with new stakeholders and manage an environment that is shifting from primary care to highly specialistic sectors.Whereas 10 years ago there was still enough room in the market for all the players, now the competition is becoming tough and the companies that will survive are the ones that will be able to reinvent themselves.

There has always been a lot of criticism about the government not able to launch the adequate policies to encourage sustainable development of the industry. How would you rate the attractiveness of the business environment to encourage innovation?

In my opinion, Italian companies should have invested more in innovation through acquisitions of small biotech – this is what happened in countries such as Germany, Switzerland and Spain, which now have some very successful local champions, able to develop their own portfolio from research.Of course, Italy is a leader in API production worldwide but even the chemical industry is not as dynamic as it used to be, with many multinational companies delocalizing their production. On the other hand, some companies have a completely different approach, investing considerable amounts in new R&D centres in the country.

In this context, which growth drivers can boost the pharmaceutical sector again?

Aside from the co-marketing specificity, which explains why most of the domestic companies have been developing in the past 20 years without conducting R&D and developing their portfolio, the pharmaceutical sector is following the same trends as in other countries.Primary care is declining as generics are entering the market. This process is happening very late compared to the worldwide markets, due to patents extensions that companies used to be allowed to implement in Italy- but now that major patents have expired, generics are rapidly growing in volumes. The penetration is still relatively low (7-8% market share in value and 15-16% in volume) but these percentages do not include the copied drugs developed through co-marketing agreements that remain on the market and become generic once the generator’s patent has expired. Following this irreversible trend that created big problems for domestic companies, the primary care market is currently flat, but the hospital market is growing and oncology as well as specialties segments like anti-TNF are leading this trend.

Italy being of the largest pharmaceutical markets in the world and the 4th market in Europe, how important is the country for IMS?

IMS has been present in the country for more than 50 years. IMS' strategic shift to consultancy activities will enable Italy to remain one of the main growth drivers even in the midst of a more challenging context.Historically, IMS has always been a sophisticated data provider, not only addressing a national audience but also developing some specialized data and providing products adapted to each market. As Italy is a very complicated country, with at least 60 000 GPs spread in the territory and more than 15 000 privately owned pharmacies, the main product developed locally by IMS is the territory management system which provides very detailed and targeted information.Such products still represent a significant part of the company's turnover, but since 2004 we have been developing a strong platform on hospital data and oncology. Today we are well positioned to act as a partner in a range from market research to strategic consulting.

How receptive have your clients been to the development of this very new side of the business?

For years, IMS has been developing a very strong brand providing Pharma with gold standard pharmaceutical and healthcare market information. Our message is now that IMS has built on this legacy a strong capability on managing consultancy. Our unique position is founded on being specialized in the health sector and able to support clients with evidence based solutions, applying insight and capabilities to a extremely rich set of data assets and analytics. In today's complex healthcare marketplace, a growing number of clients are beginning to percieve IMS as a valuable partner in their decision making processes and thus turn to us for more in-depth insights into global market dynamics.

How has the process been in terms of transitioning the human resources who don't necessarily come from a consulting background?

Investing in the development of human resources has been fundamental in order to have staff ready and prepared to focus on client needs. Furthermore the company has had to hire qualified people, and very often attracted them from competitors.Now, the IMS Consulting division can count on qualified professionals with a strong knowledge of IMS's business models and data assets but also can rely on people who have accumulated a great deal of knowledge and expertise outside IMS.IMS Consulting division has expertise ranging from Commercial Effectiveness to Pricing & Market Access and Forecasting and Portfolio strategy.

On a more personal note you have significant experience in the industry working for companies such as Bristol Myers Squibb, Schering, and Bayer. What attracted you to join IMS?

After having developed an in-depth knowledge of the pharmaceutical industry, a number of skills, and extensive network, I felt the need to take advantage of these assets. Most of the times, being General Manager of a multinational affiliate is mainly about following the headquarters' instructions and dealing with a lot of bureaucracy, and does not leave enough room for empowerment and initiatives.But it is worth mentioning that in my case, while running Schering Italy, I had the chance to enjoy the company’s innovative model delegating many responsibilities to the country managers. Therefore, I could dedicate part of my time committing to other activities within Farmindustria, as well as supporting the Schering Foundation to enhance the levels of collaboration between different stakeholders.Working at IMS in the current changing environment, I am able to work with a wide range of stakeholders. And I think that even if the GPs are not the main key actors of the market anymore, primary care will survive in Italy because of the 60 000 doctors practising in the country. Interactions between doctors and companies are the most likely to change, with new emerging strategies such as e-detailing and governmental training.

You have been part of IMS for less than 1 year. Where do you want to take the Italian operations of IMS in five years from now?

As IMS consultancy activities have just started, the first priority will be to develop and reshape the data-providing branch to keep providing the most reliable data according to the new needs of our clients- which are looking less at territory management systems but more at market access approach and specialty development.At the same time, a lot of work will be done to develop the consulting business and become the pharmaceutical industry’s partner of choice in the field.IMS third main focus will be to enter new markets such as the medical devices sector.

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