

Frost & Sullivan Malaysia - Rhenu Bhuller, Senior Vice President Healthcare



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Rhenu Bhuller provides insight into Malaysia's healthcare industry positioning in the Southeast Asian region and

the ability to provide affordable quality healthcare in a country that is naturally diverse as an important competitive advantage.

The pharmaceutical sector has been the fastest growing industry in Malaysia between 2000 and 2009, and has kept growing double digits since then. How would you explain such performance and is this rhythm sustainable?

Malaysia has the second highest healthcare expenditure per capita in the ASEAN region, and Singapore the first. The level of health awareness is growing amongst consumers, whom better understand the need for health checkups. Many private healthcare providers like BP Healthcare and KPJ have been promoting early diagnosis which is also a booster for the pharma industry. When consumers get diagnosed earlier, they start their treatment earlier and remain under treatment for longer which ultimately leads to more patient spending. Companies have also been changing and adapting new practices by implementing new technologies (SMS, phone apps and mobile health) to ensure that patients remain on compliance programs. This combination of early

diagnosis, compliance and awareness has triggered market growth over the last decade. Besides prescription drugs, an ever stronger area of growth, especially in the last years is health supplements.

Self-diagnosis is a new trend given this wide access to information and wide portfolio of products and prices. Self-diagnosis is less prevalent in Malaysia than in Europe for instance as patients here seek for prior medical advice. Therefore primary care still has bright days ahead.

Among Southeast Asia, how would you position Malaysia and why is today the country still overlooked? Where does the country need to invest to compete with consolidated hubs like Taiwan and Singapore?

While it is highly unfortunate for Malaysia to be overlooked it is indeed still the case. Even though Malaysia has great hospitals, equipment and manufacturing plants and is capable to compete on similar grounds with Singapore, the image around Malaysia as a tourism destination country is still too much present.

In Malaysia what needs to be changed is the culture and perhaps this is the most difficult to change. Malaysia has not been able to communicate well in the media on its industrial and competitive potential, whereas Singapore has branded itself very well. Many Malaysians have said and still say that Malaysia cannot be as good as Singapore.

Malaysia has an extremely affordable world class healthcare which Singapore cannot compete with from a cost perspective and yet Malaysia does not get the credit it deserves.

Also one issue is that Malaysia has started its service healthcare industry much later than other countries. Thailand for instance recognized the service industry as an early priority and this is why they are well recognized today for their healthcare services.

While Malaysia has even more attractive incentives than Singapore, companies still prefer to invest outside of Malaysia. Why is that the case?

Most companies have decided to set up their headquarters in Singapore many years ago and it would not be easy for them to change locations. In terms of connectivity and infrastructure, Singapore has positioned itself much better than others. They have managed to attract excellent talent and this has helped the country move forward.

One other area where Malaysia has not done well is regarding transparency of processes. While developed countries do well in this area we are not still enough developed and we need to build up

this capacity to become a high income nation by 2020.

In what other areas should Malaysia focus to build its competitive edge?

Malaysia needs to focus on its holistic health approach. Our ability to provide affordable quality healthcare in a country that is naturally diverse is an important competitive advantage. Also, Malaysia can differentiate itself through its manufacturing capabilities as historically we have been really good in this area and we have been able to transfer this knowledge into the pharma and generic industry. Today we still import our API's from China or India, so we won't be able to be as cheap as them though.

The Off-Take agreement has been implemented through the healthcare NKEA to develop pharmaceutical manufacturing in Malaysia. Why haven't we seen more foreign investors take advantage of this program?

This new agreement has not done wonders for the pharma industry yet, however it has boosted the medical device industry. Today, Malaysia probably provides the largest output of medical device manufacturing in all of Southeast Asia. While many aren't aware of this, Malaysia has the ability to position itself as the best Southeast Asian manufacturer and become a medical device hub.

What do you believe to be the key challenges for both local and multinational pharma companies in Malaysia?

Local companies want to expand their business outside of Malaysia because they believe that the local market is not big enough and that they cannot compete with MNC's. Since MNC's are marketing expensive branded drugs, winning tenders has been a challenge for them, mainly because of pricing. Overall the challenges for MNC's are similar here than they would be in Singapore or other Asian countries.

Local companies on the other hand have more challenges than MNC's. Not only they have to compete with each other, they also have to compete with global MNC's. Since local manufacturers sell cheaper drugs, they have much lower profit margins than MNC's.

These tighter margins and strong competitive landscape in Malaysia has pushed local manufacturers to look at exports in other countries, mainly Southeast Asia and other emerging markets like Africa. In this exporting quest, PEMANDU (Performance Management & Delivery Unit) and MIDA (Malaysian Investment Development Authority) have been playing a great role. One of the fundamental ideas they have been working on is on how to build a better image of Malaysian generic products in the global scene. Other countries like India or Korea have managed to do this

well.

The ASEAN Harmonization and TPPA will play a crucial role in the future to help generic manufacturers access other markets. How do you see these enforcements improve the situation for exports in the coming years?

Everyone is hoping to see full regulatory harmonization but this will not happen as there are still differences across Southeast Asia in terms of regulatory frameworks, language and rules. Many countries will not implement regulatory harmonization one hundred percent because they want to have some level of localization. What is most probable that will happen is improved processes, but most probably each country will maintain their own regulatory processes.

What opportunities do you see for innovators?

In terms of value innovators will keep growing as there are still opportunities in the rates of diagnosis for the treatment of for instance cholesterol or cancer. The issue however is that since the government is aiming to reduce significantly its financial burden on healthcare, it will maintain its focus on generics. Even if MNC's come up with highly advanced biologics, it is highly doubtful that the government will pay tens of thousands for this treatment for large patient groups. What the biosimilars will do is open up a different market in terms of people who needed biologics but could not afford them.

Do you believe that Malaysia today can be recognized as a manufacturing or clinical trial hub?

Malaysia is not a manufacturing hub yet but has the potential to become one. However, I don't believe that we are able to become a clinical trial hub because while we are ethnically diverse, the size of populations for each is not equal. While the Malaysian society is diverse with Chinese, Indians and Malaysians, the overall population is still too small to be relevant.

Frost & Sullivan is an important consultancy for the industry and the government (PEMANDU), assisting companies in driving growth, innovation and leadership. Could you share with us the company's main milestones in Malaysia?

We have been in Malaysia for 14 years mainly providing growth strategies to MNC's, local companies and the public sector. This was our fourth office in Asia after India, China and Singapore. Since then, we have managed to establish our presence in other Asia Pacific countries like Australia, Japan, Korea, Taiwan, Indonesia and Thailand so this was quite an accomplishment. In the last five years we have seen a shift in the sense that we have started to collaborate more with

local companies, helping them expand locally and globally. In a broader sense, we see ourselves working with Malaysia and Malaysian companies to improve its image and become more recognized worldwide. We also see ourselves as a catalyst, for example in disseminating information, to help consumers become more aware of their health and options available to them.

In Malaysia we still don't have a truly world class innovative company and we hope to see this soon. This would greatly help the country become more recognized internationally.

F&S has invested in a global innovation center in Iskandar. Why did you choose to invest there?

Iskandar can become the next area of growth for Malaysia. It has good initiatives, strategic location and is seeing foreign investment. In Healthcare, it has the potential to become a medical hub where new hospitals will see light as well as retirement homes. Many companies are also investing there in areas such as wellness, rehab and primary care. It will also possess a strong R&D center supported by Biotechcorp.

Iskandar in a way will be complementary to Singapore and we are seeing collaborations between both the region and Singapore to develop the area. We don't think that Iskandar will replace Singapore but they can both benefit from each other.

Finally on our side, this global innovation center in Iskandar will be one of our main growth platforms in the future. All the services that we offer globally will also be made available there. Our goal is to triple our size there within the next five years as it will support the business globally.

What shall be the future role of healthcare to transform Malaysia into a high income nation by 2020?

Since our current dual public private system is not sustainable we shall have to move towards more out of pocket systems where we will see the Government providing basic services to the lower income groups, and those in middle to higher income bearing more out of pocket payments.

Malaysia needs to increase the use of private healthcare insurance. This would be necessary to help manage not only the balance of public and private payments, but also insurance premiums as the load is spread. Malaysia also needs to focus on primary and preventive healthcare to reduce the financial burden. This health education needs to start earlier and be conducted yearly as well.

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