Interview: Xavier Valdez – General Manager for North Latin America, IMS Health – Mexico



31.07.2015

Tags: IMS, IMS Health, consultancy, regulation, access, pricing

IMS Health recently released its World Review 2015.

The new general manager of North Latin America shares the company's assessment on the performance of the Mexican pharmaceutical market for 2014, what trends are shaping the industry as well as the moderate, yet positive outlook for 2015.

How would you assess the performance of the Mexican pharmaceutical market for 2014?

At the end of 2014 the audited pharmaceutical market in Mexico was worth approximately USD 12 billion, reporting a growth of 2.4 percent over 2013. Growth was mainly driven by the institutional sector, which represents around 30 percent of the total market and in 2014 grew by 9.5 percent, mainly within the categories of generics and branded generics. The private retail segment, on the other hand, reported a decrease of 0.4 percent.

We think the main reason for this negative performance was the implementation of the tax reform at the beginning of the year, which negatively impacted disposable income of families. The consequences are especially remarkable in the OTC segment, a category mainly driven by impulse purchase, which slumped 6.6 percent. It is important to point out that what we have witnessed in the pharmaceutical market goes in line with the estimates of the Mexican Association of Supermarkets and Department Stores (ANTAD) for its members, which in 2014 reported a

contraction of 3 percent in overall consumer spending.

What are the reasons behind an above average performance of the public sector over the private market?

The institutional market came from a period of low modest increase in sales and we have seen a growth of purchases in terms of value, especially in high-specialty products valued USD 300 and above. However, we should not be overoptimistic. Public expenditure on health continues to be below OECD average, the government has announced budget cuts for 2015 due to falling oil prices and only few new drugs have been included in the national formulary over the past two years, meaning the areas of opportunity are still huge.

How do big multinational companies (MNCs) fare versus national drug manufacturers?

The majority of companies competing on the Mexican market are dealing with very mature product portfolios. We have noticed that if a company manages well its mature product portfolio it is more likely to achieve better results. National companies have shown a better management of their mature products, which combined with the launch of new drugs – mainly generics, branded generics and new formulations of existing products – has pushed growth by 4 percent, a very positive result considering the market of big pharma is shrinking. As a result, we have new domestic players entering the top 20 with very good sales performance.

What do you think is the main reason behind national drug manufacturers outperforming multinational companies?

In recent years most MNCs have moved towards high-specialty products, deciding to reduce their sales force and share of voice on mature brands in retail. National companies, on the contrary, went the opposite direction, putting more sales reps in the field. MNCs are now looking back at their mature products and are facing a much more competed market, where their old brands are seriously challenged by new players.

What segments and therapeutic areas are growing most?

The areas that are reporting the highest growth are oncology, central nervous system (CNS), pain management, musculoskeletal, gastro-intestinal and cardiometabolic, mainly due to the changing epidemiological profile of the Mexican population, which is moving towards a higher incidence of chronic diseases. Biologicals in the oncology, cardiovascular and diabetes segments are reporting higher growth rates than non-biologic drugs, with a 3.4 percent increase versus 2.1 for non-biologic products.

Pharmacy chains are capturing an increasing share of market. How are they reshaping the retail arena?

National pharmacy chains are taking over regional players and independent pharmacies, and they are increasingly sourcing directly from manufacturers, expanding their points of sale and segmenting them. An interesting trend we have been observing is that chains are tailoring the product offer of the location to the different types of consumers and specific sales drivers of the location. As a result, we see stores mainly focusing on dermatology, on generic products or on high-rotation OTC products, such as pharmacies located within airports.

Other retail players are paying the cost of this expansion: the share of supermarkets is stagnating, while the number of independent pharmacies is decreasing. Of the 36,000 pharmacies present on the Mexican territory, today 68 percent are independent and 11 percent are large pharmacy chains. However, in terms of sales chains already represent 43 percent of the market, while independent pharmacies only 20 percent.

What other trends are you witnessing within the pharmaceutical market?

We are observing that physicians are increasingly using their smart phone to consult medical information through apps and internet. It is an interesting trend, as it forces the pharma industry to explore new channels of communication and non-traditional promotional activities, such as email campaigns, improved and responsive websites and social media, among others.

What are your expectations for 2015?

Over the first five months of 2015 we have seen an accumulated growth of 5.5 percent, which is very promising. However, we prefer to be conservative. In May the country’s GDP growth was revised down to 2.6 percent from 3.5 percent in December 2014 and we expect further budget cuts from the government due to falling oil prices. This will impact private consumption, thus purchases of drugs, as consumers will be looking for cheaper options. Nevertheless, we expect the audited retail market to increase 2.1 percent and the institutional market 6-to-7 percent, with CNS, cardiometabolic, pain and musculoskeletal as the therapeutic areas experiencing the highest growth. All in all, a positive outlook for 2015.

What can we expect from IMS Health in Mexico for the coming years?

We want to remain the leading information and data provider to the pharmaceutical industry, but we strive to become a company more oriented towards technology. We recently acquired the French company CEGEDIM, whose product portfolio featuring cutting-edge tools such as CRM,

performance dashboards, physicians data, data warehousing and social media just to name a few, perfectly complements IMS’s data and consulting services to provide a 360 degree service to our clients.

Click here to read more articles and interviews from Mexico, and to download the latest free pharma report on the country.

See more interviews