Interview: Keith Lostaglio – Partner, Head of Health Practice (APAC), A.T. Kearney, Singapore



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According to A.T. Kearney Health Practice Partner Keith Lostaglio, Southeast Asia presents a significant growth opportunity to the pharma industry, and companies which develop effective digital platforms first will gain a significant competitive advantage in the coming years.

Singapore's unique economic role is rooted in openness and globalization. With that in mind, what do you believe current nationalist and populist political trends mean for Singapore?

There are a few things that will determine the answer to that, the biggest being the Trans-Pacific Partnership (TPP). The US president-elect has indicated his opposition to the TPP, however the prevailing opinion seems to be that he will push for some minor modifications, which will be sufficient to claim a political victory, and subsequently some form of the TPP will be passed.

When you look at the fundamentals, Singapore is still the same safe, proven, stable and well-connected economic hub as it has been for some years now. The government has done an excellent job in facilitating the location of regional distribution and manufacturing hubs in Singapore, streamlining processes for companies to import products to be re-kitted and re-labeled for distribution throughout the region. The tax and investment incentive environment facilitates this role and is of course quite competitive. Moreover, from a multinational perspective – pharma or otherwise – Singapore is still a gateway to very high potential growth markets like Indonesia,

Malaysia, and of course the vast middle classes of China and India. As such, Singapore is still an extraordinarily logical place to lead operations for either in Southeast Asia or Asia Pacific; it iss easy to sell to corporate boards, risk management teams, and families who need to relocate.

Considering the ‘regional’ market linked to Singapore, Southeast Asia for some firms and Asia Pacific for others, what would you highlight as the most interesting growth opportunities in the life science sector?

It is tough to strike the right balance to do things right in Southeast Asia and the rest of the Asia Pacific region. Everyone defines the region slightly different, manages it under different structures, and as such many businesses struggle to get balance right such that they can really develop opportunities effectively in this wide range of diverse markets.

That said, the closest and most connected markets to Singapore are the ASEAN markets of Southeast Asia, and from a healthcare perspective Indonesia, Malaysia and the Philippines are very high potential growth markets. We are expecting 15 to 20 percent year on year growth on medical procedures and pharma products as Indonesia roles out access to universal healthcare. Thailand has recently taken some positive steps that I hope will put things on a positive trajectory, and given some time Malaysia will carry out its planned healthcare reforms. Clearly much of the growth in pharma demand will be for generics and primary care products, but there are some specific areas like vaccines or antivirals which are quite attractive for several leading innovative companies.

How can Singapore best position itself to support the development of healthcare in the surrounding region, and serve as a gateway to expand into the surrounding countries?

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Singapore and the life science ecosystem here should take the lead in developing broad health enablement across the region, which in part will mean strengthening Singapore’s role as hub for R&D and innovation. In Southeast Asia you have huge diversity, ranging from truly developing healthcare markets in Laos and Cambodia for example, to a super complicated web of public, private, foreign and local medicine in Thailand. The first case is quite clear, as developing markets will benefit from the support of experienced and skilled capital from outside. Singapore is an extraordinarily logical place to centralize the types of functions.

For other, more complex cases like Thailand, or Indonesia with the logistical challenges of reaching all 16,000 islands, developing and implementing rational, relatively efficient systems and

broadening coverage beyond major cities will require the use of new technologies, new ways of thinking and creative solutions. There is absolutely no way a multinational life science company can reach and communicate with physicians, pharmacists and patients across more difficult to access portions of the region without an effective digital platform in place. There is a real need for innovation, and Singapore is in a position to actually create incubators and make the “Biopolis of Asia” more than just office space and a few manufacturing facilities, but a real innovative R&D cluster with the start-up ecosystem.

Certainly Singapore is already an R&D hotspot, and the government has done a good job at attracting R&D activities. However, much of the activity happening here could really be done anywhere in Europe or the US. Out of all of the efforts from multinationals to bring innovative activities to Asia, none have really been successful thus far – and that in part is due to their efforts to “bring” innovation, instead of develop or foster it locally. What would be very interesting to see would be more innovation in response to regional challenges and needs, for instance new formulation technologies for vaccines, reducing the need for cold-chain transport, which is significantly more challenging to maintain in Southeast Asia than many other geographies. If the pharma industry is able to support Singapore’s development as a real innovative pharma ecosystem, it will then be possible to expand outwards.

You mentioned that having an effective digital platform in place will be essential for pharma companies to effectively capture growth in southeast Asia – could you expand on that?

Broadly speaking, digital strategy is a key success factor for Asia Pacific and Southeast Asia specifically. Access to patients and physicians poses such a challenge that it will be essential to use digital platforms to engage physicians and pharmacists effectively. Moreover, there will be a massive need to engage with these healthcare providers. In Indonesia they are estimating that they will be short of 250 000 to 300 000 doctors if they are able to really establish full universal healthcare coverage. As such, you will see doctors having to care for patients outside of their area of expertise, meaning physicians with limited specialized training will have to treat patients with Alzheimer’s, complex cases of diabetes, or cardiology problems. They will very much need to be able to have access to reliable resources and frequent, detailed communication with experts, specialists, and medical educators.

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As a result, big pharma multinationals will have to develop solid digital capabilities within the next five years. Between now and then, the companies that get there first will gain a significant competitive advantage. With two or three years of a distinct advantage in a developing market, companies should be able to establish a significant edge in market share, which can in turn be sustained for some time with patient and physician loyalty.

As A.T. Kearney, this is very much one of our key focus areas – to get clients to seriously think about a comprehensive digital strategy and make the required investments to roll out their capabilities.

How would you assess pharma companies' progress towards develop effective digital capabilities?

Individual companies have had very interesting and effective initiatives and platforms for specific products and applications. Some of these have been driven by payers, who have pushed innovators to leverage real world data post launch for instance and thus prompted the development of specific apps and platforms to collect and analyze the data. What no one has done effectively is develop an end-to-end digital strategy for a given product from the time a clinical trial starts.

When you look beyond the individual product or company, the issues are similar in the sense that there is an absence of coherent ideas of how to engage with physicians, pharmacists, and patients using digital platforms. No government or large payers anywhere in the world have put in place a clear framework for how digital platforms should be used within their healthcare system, and provided the regulatory framework to allow doctors in need of specialized support to interact with someone who is legally allowed to give advice to complex questions.

What are some of the aspects that you feel they have handled well?

There are some very positive signs that things are moving in the right direction, at least in Southeast Asia. First, most of the companies I have spoken to have autonomy in Asia such that they can develop an effective digital strategy that fits the specific opportunities and challenges in the region. The leadership of these companies understands that the challenges for digital platforms in Asia are different than in Europe or the US. Many also regard the opportunities are bigger, and understand that local and regional organizations need the flexibility to develop an appropriate strategy as such.

Second, I would highlight Australia's aggressive efforts to roll out electronic patient records and databases, starting with diabetes, as a fantastic example for other countries the region.

Third, Singapore and Indonesia have both carried out successful roll-outs of e-catalogue systems for ordering hospital inventory, which demonstrates the capability to implement complex technological systems.

Fourthly, Singapore is re-thinking and enhancing their already excellent vocational training and apprenticeship system for nurses. They are using a lot of digital platforms in the training process, and it really is a very innovative approach, which may serve as a leading light for non-MD education and training at the global level.

Given these opportunities for growth in the Asia Pacific region and the challenges you have identified, how can A.T. Kearney support – and as such what are your priorities?

From A.T. Kearney's foundation in 1926 the company's core purpose was to provide pragmatic and practical solutions. Our goal is to bring our clients transformative ideas that are feasible and fit the local culture. Strategy without operational rigor usually does not work, and in depth operational analysis and optimization will have limited impact without a transformational and inspirational idea to guide it. A.T. Kearney's advantage is that we have 90 years of experience of trying to get this balance right, and today I work with colleagues who have in-depth experience in the industry and in operational capacities, to ensure our advice has the detail and rigor needed for our clients to implement it effectively in a complex market.

Given this background and identity, our firm has had a strong presence in the chemical industry, consumer sector, telecom and finance for many years. Given our expertise in the chemical and consumer sector area we ended up interacting with the pharma and healthcare industry quite regularly. This lead to A.T. Kearney's decision to build up its healthcare practices first in North America and EMEA. In Singapore, and the portion of Asia usually accessed via Singapore, the firm recognized a significant gap in the consulting industry as the big management consultancies and professional services firms actually have a relatively limited presence in Singapore.

Therefore, we decided to make healthcare a strategic focus for A.T. Kearney in Asia in 2012/13. Given this focus, we decided to bring in an experienced healthcare consultant to lead the expansion of the healthcare practice – and that person is actually myself, as I came over to A.T. Kearney from McKinsey at the very end of 2013.

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