Interview: Alexei Kolchin – General Manager, GSK Brazil



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Alexei Kolchin, general manager of GSK Brazil, discusses adapting to Brazil, having previously held the equivalent role in Russia, the Brazilian affiliate's contribution to GSK's global growth, and its embrace of digitally disruptive technologies.

Before being appointed GM of GSK in Brazil, you were the GM for GSK Russia, so you have moved from one BRICS country to another. What are some the similarities between the two countries that rendered the transition easier and, on the other hand, what were the new specificities you had to adapt to when you came to Brazil?

Perhaps surprisingly, there were many similarities. Firstly, both countries have a mixed funding model, with most of the Brazilian healthcare expenditures being out-of-pocket spending. The proportions are also more or less the same: two-thirds from retail and one third non-retail.

However, the exact execution of payment schemes is slightly different. For example, Brazil has one of the best immunization schedules, which I am enormously pleased about, because, in a way, vaccination is the cheapest healthcare tool. The efficiency of vaccination is second only to washing your hands, and it is even more impactful in emerging markets where you have higher birth rates and low GDP per capita. Vaccination is a frontline measure done very sustainably in Brazil.

One of the great things about Brazil is that once they decide to do something, they do it very boldly and sustainably. Vaccinations are one of the biggest government-sponsored programs, and the Brazilian program is one of the best in the world. They are also building an excellent HIV treatment

program – this is the government's second biggest public healthcare commitment. WHO has recently recognised Brazil as a global example on HIV management.

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One tricky thing about Brazil – although it is fundamentally a good thing – is the constitution right that everyone has access to free healthcare and medicine. It shows how much the country values healthcare. The trickiness is in the fact that the government cannot afford free medicine for everyone, which is why Brazil has an issue with the judicialization of healthcare, with a few people taking the government to court in order to access certain treatments. However, the bottom line is that Brazilians do receive free medicine. The government spends about USD 1.2 billion annual, which is a sizeable number. What is required is better management to promote sustainability.

Finally, working in emerging markets means you will inevitably experience periods of volatility, which means the actual business will proceed differently from the plan. This means you need to navigate and balance your business to offset downsides with upsides. As I say to my team, on the very first minute of the New Year, we would have lost something. We need to focus on the positives and always work on the upsides – in Brazil as in Russia.

Personally, I feel great about working in Brazil because I can feel that the government really cares about its people's health.

The recent economic crisis has unfortunately forced the government to clamp down on public spending. Having mentioned Brazil's vaccines and HIV programs – two of the largest items within public expenditures – how has the economic crisis impacted them?

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The impact of the crisis boils down to volatility, which has impacted both government and retail segments. In the retail segment, part of the volatility and market dynamics is a combination of inflation and price increases, which is regulated here. We have recently had a record price increase, so we did experience growth in terms of value. Right now, however, inflation is going down sharply, so my expectation for the next year is to see only one to two percent price increase – which, quite frankly, has never happened before. Industry growth has typically always been driven by price increases.

The retail market is split into three different categories: generics, brands and branded generics. Taking generics as an example, previously, they have been growing more in value and less in volume, but now this has reversed, which means a loss in margin and a deceleration of growth. I

am curious to see how this will impact market dynamics. Will generics players switch to more aggressive pricing with more discounts? But at the same time, they still need to support their existing infrastructures. There will be big changes within the market and we all have to adapt to them.

Firstly, receiving payments will become more of a challenge. GSK is facing a dilemma here for instance, being legally obliged to supply medicines to some states currently unable to pay us in a timely manner. Another challenge is in the case of technology transfers – in which GSK has been very involved – which is affected by currency issues. For instance, the HIV program is denominated in USD while other tech transfers are in EUR. As the Brazilian currency has increased in value, the country's purchasing power has now increased, further affecting market dynamics.

What is positive is that the Brazilian government is continuing to invest more money in healthcare in spite of the crisis. This is hugely positive for the Brazilian people. Having said that, as a company, we cannot rely solely on that for growth. We need to constantly strive to become more efficient so that we can provide better prices, as the Brazilian government is known as a tough negotiator.

GSK as a company is performing really well globally, growing at 15 percent AER over the first six months this year. How has GSK Brazil contributed to this?

According to QuintilesIMS' data, we are one of the fastest-growing companies in Brazil, especially in the retail segment.

It boils down to productivity. You always have to think, how can we do more with less? Our affiliate budget is actually shrinking, so we need to adapt. We reshaped our organization last year to enable us to work more efficiently. For instance, we can now cover more doctors, visit them more frequently, and give away more samples.

We have also recently built a very significant presence in the digital arena. E-commerce is still to come but we are looking to strengthen the GSK voice and presence online. We have industrialized all channels, and now reach thousands of customers every week. In terms of views, around 20 to 50 percent of our mailings are viewed, which is ten times better than the European norms, which is usually less than 8 percent. We have industrialized our webinars, we do live transmissions from medical congresses, to connect thousands of our customers with physicians in the US and Europe. We are certainly one of the first-movers within this space in Brazil and it has given us a huge competitive advantage.

I strongly believe that this is an area the industry should not overlook. So much can be done through e-commerce yet much of the industry seems very removed from it. I tell my employees, do not be soft with technology. If you can cover more doctors, you will sell more. If you can reach out to your customers through more channels, you will win their loyalty because they perceive that you care about their needs.

Frankly speaking, this business is not about paying for testimonials. It is a psychological issue. I believe we are one of the best medical organizations in the world, and we want to share our science and our technology. What happens is that customers love our products and the value we bring so much, they act as ambassadors for us without expecting commercial compensation.

How are you innovating within the digital space whilst remaining compliant to legal and ethical standards?

I also believe in a technology called ‘revolution’. It is always possible to achieve what you want through creative thinking while always remaining fully compliant and ethical.

For instance, while we cannot promote products to patients – understandably –what we can do is promote an umbrella brand. Viiv, for example, is a 100 percent HIV-oriented healthcare company that is able to speak to patients directly to explain the science behind HIV. These efforts are labelled Viiv but people inevitably connect Viiv and the initiatives to our brand.

Similarly, GSK is a global leader in the respiratory field. We should be able to speak to patients about respiratory illnesses and share that expertise – as an umbrella company instead of specifically to promote our products. For instance, in the UK, when we conducted the Salford Lung Study, 40 percent of the patients scored below 15 in the asthma control test. A good score is 25 and above, so 15 is awful. The situation was unbelievably bad. Why should patients stay at this level if there are medicines available that could help them feel better? As a company, we can bring value by educating patients that there is a simple test available to test the efficacy of their asthma treatment.

We have started introducing some initiatives in Brazil and we will continue such efforts. The industry here still has this mentality that it is not legally possible, but we are not talking about promoting products. That is the role of doctors. Our role as industry is to educate physicians and patients on their health. Promoting the umbrella brand makes total sense for the benefit of the patients.

Another example is the videos we have created to discuss lupus as a disease, which we broadcasted on YouTube and Facebook. Even though lupus is a very rare disease, we received over 40,000 views, meaning that patients are interested in more information on this disease. It is our obligation as industry to help them – in the ethical, compliant way without compromising sustainability.

You have been here for 2 years now. I know that your time here is limited. What are the results you would like to achieve for GSK Brazil before moving away?

There are three elements. The first is people. I firmly believe that if you have a strong team, you can be confident that the business will do well. I have changed over 60 percent of my leadership team since joining. New blood is important to keep the business fresh and drive the business. We like to create this energy, not only by bringing people in, but by moving people around. I am very proud of the calibre of people I have within the company.

On a personal level, if you truly believe in something, then you can inspire people around you and get the train moving. People will always be excited about new opportunities! As a leader, you need to ‘put the coal in the fire’, so to speak, support the team, and raise positivity within the organization. Communication is key too. You need to share good results to energize your employees. It is very important to give people a reason to believe! Many leaders set objectives but forget to give their people reasons to believe in the organization.

The second is business design, which should facilitate productivity. It is clear that everyone is working with fewer resources while competition is intensifying. This is why you need to design the organization to become more productive. We are growing faster and faster but we are giving away more of the profit. It sounds like a paradox but this is how business should be run.

Sustainability would be our third objective. It’s all about sustainability.

I would say we have been very successful, because we continue to be one of the fastest-growing companies in Brazil, seeing 16 to 17 percent growth in value – even without including our vaccines business. This is amazing – and has been driven by increased productivity and efficiency.

Some within the industry has suggested that the ‘emerging markets fever’ is over, that these countries did not deliver and are not as strategically interesting for pharma like they were a few years ago. What is your view on Brazil as a strategic market for the company?

My personal belief is that this is not true. Firstly, there are so many unmet medical needs within emerging market. It may take a little longer but it is only a matter of time until the expected growth is seen. You have to consider the life cycle of the market as well. It will take time for the government here to be able to provide access to expensive drugs, but there are still plenty of opportunities in other sectors like primary care.

As mentioned, GSK is very committed to respiratory care and in this area, emerging markets will always be critically important because respiratory diseases are a huge primary care segment. Through Viiv, our HIV healthcare company, we also expect Brazil to remain as a hugely strategic market given the prevalence and importance of HIV in emerging markets.

At the same time, I fully expect to move GSK into more innovative medicines in Brazil as the market develops.

Nevertheless, in terms of the market life cycle, the investment stage has passed. GSK has invested significantly in emerging markets, so now we are in the productivity and efficiency stage. We cannot expect more budget from HQ, we need to find the gains ourselves.

A final message for our 150,000 audience globally?

Every day is a holiday in this country! Brazil is unbelievably beautiful, and Brazilians have a very positive nature. While I have not worked in many markets previously, I can tell that the country puts strong emphasis on healthcare in Brazil, and I really applaud them for continuing to invest in healthcare and its people even through the tough economic climate. Thus, I find it extremely rewarding to work in healthcare in Brazil.

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