

Julio Gay-Ger - President & General Manager, Lilly China



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Julio Gay-Ger, an industry and Eli Lilly veteran, shares how he is leveraging on his 23 years of experience managing Lilly affiliates in LATAM to deliver on Lilly's objective to position China as the second-largest affiliate for the Group; the significance of their recent February 2019 launch of diabetes treatment Trulicity®, a weekly GLP-1 receptor agonist that is already the category leader in key markets like the US, Japan and Germany; and the bolder and smarter ways in which Lilly is conducting external partnerships in China.

Julio, you assumed the position as president and general manager of Lilly China in January 2018 after 23 years in Latin America, including most recently five years as President and General Manager of Lilly Brazil. Brazil and China are so-called 'pharmerging' markets. After a year of management, what are your impressions of the Chinese market? How applicable are your learnings from the Latin American (LATAM) markets?

In the past 23 years with Eli Lilly in Latin America, I have had the privilege to work across all the LATAM markets. To be honest, I never thought I would be in China. As an Argentinean, in my country, we joke that if you dig a hole through Earth from Argentina, you will arrive in China! As President and General Manager of Lilly China, I feel incredibly honoured to be here in such a different and dynamic market.

All emerging markets have instability and risks. In LATAM, the risks were more politically and economically driven. In China, there is a very strong political system and a very strong economy so when we speak about 'instability', it is not anything negative about politics or economics, but a result of the fast evolution of the market. Today, the Chinese pharmaceutical market is advancing very quickly in terms of accelerated market approvals, reimbursement, policies promoting innovation and so on. These are all very positive developments but create similar dynamics of uncertainty and risk.

Maturity of the organization is also a common concern in emerging markets. China, while the second-largest market in the world, is still not a mature market. Most of the multinational pharma affiliates here have only been fully present in China for a maximum of 30 years. This is a very short amount of time. As important as growing fast is growing with the right values and ethical behaviours. This is something Lilly as a global organization expects and prioritizes everywhere from Europe to LATAM to China and Asia.

Culturally, as well, both regions are not so different. Relationships matter a lot in both regions so it is important to invest in personal relationships with key stakeholders.

China is a very interesting market because you have the size of a mature market but very emerging market characteristics. However, the country and its people certainly aspire to become the best. What does this mean when it comes to people management?

The major change with people management in China has to do with the high turnover - an industry average of around 25 percent! We are in a high-growth and highly dynamic market, there are huge opportunities and huge momentum, and many companies are launching new products because they are receiving accelerated approvals. The local ecosystem is also advancing very quickly in terms of innovation, so local companies like our partners, Innovent Biologics and Chi-Med, are also launching their own products. This means that demand for talent is ferocious and people are very willing to move because they know that they can find another job very easily. It is very difficult to retain people.

In LATAM, it was the opposite. The economic and political uncertainties mean that people tend to stay longer with their current companies. They are more loyal and will think a few times before jumping ship.

This means that it is very important for a company like Lilly to invest in retaining and developing our employees. This is one of Lilly's priorities globally: we always say that we hire people for a career, not a job. In China, we put a very strong focus on this. We have to not only be competitive from a salary perspective but also from a development perspective, working with our employees to develop a career plan for them to grow and get to where they want to be. Otherwise, it is very difficult for an organization to be effective if it is losing many key personnel in a short period of time.

You yourself have been with Lilly for over two decades, and this is a great opportunity, especially considering Lilly's global CEO David Ricks himself led the Chinese affiliate during 2008 and 2009. What was the mandate that you received from him in January 2018?

Even today, 70 percent of the revenues of pharma MNCs in China are in off-patent originators (OPOs), even though their core business is innovation. But in the past few years, we have seen truly substantial reforms

I am very grateful for this great opportunity to lead the Chinese organization for Lilly. In 2017, our CEO Dave Ricks visited me in Brazil to offer me the position. Then, he told me, "one of my objectives, before I retire from Lilly, is to ensure that Lilly in China fulfils its potential. I want Lilly China to have become all that we can be in China."

Dave is of course very familiar with the Chinese market. In 2009, China reformed its national healthcare system and generated a lot of expectations. The National Reimbursement Drug List (NRDL) was updated in 2009 but not again until 2017. Ten years ago, the expectations of the industry for the Chinese market did not fully materialize. Even today, 70 percent of the revenues of pharma MNCs in China are in off-patent originators (OPOs), even though their core business is innovation. But in the past few years, we have seen truly substantial reforms. Taking the NRDL alone, it was updated once in 2017 and once again in 2018, and we expect another update to come in 2019. This is a very important political signal, and as an organization, we need to be ready to capture the opportunities in China.

This is the mandate I received: to set up the organization for future success. Lilly China is at an absolutely critical point where we can serve a lot of patients and bring a lot of innovation here in a very short period of time.

Under Dave's leadership, we have defined a long-term plan for Lilly in China to define opportunities for our entire global portfolio. Today, China is already the third-largest affiliate for Lilly globally, after the US (which is approximately half of Lilly's global business) and Japan. By 2030, we aspire to increase the size of our Chinese business five times over and to be at least the number two affiliate for Lilly globally.

This shows that Lilly has a strong willingness to make significant investments in China. At the same time, we recognize that in a very competitive environment and we are not the only company looking to launch innovative products in China. To contribute to our 2030 China objectives as well as the Chinese government's 'Healthy China 2030' national strategy, we need to have the right leadership and the right employees, who are all clear on and committed to our long-term vision: to launch more innovative medicines and to serve as many Chinese patients as we can. This is a great opportunity and also a great challenge, and I look forward to tackling this with my team here.

What are the fundamental building blocks for Lilly China's 2030 vision and success?

Success in China is not just about getting regulatory approvals. From the market perspective, the Chinese government has been very committed to improving healthcare access, quality and innovation. Firstly, they have improved regulatory approval so that companies can launch new and innovative products on the market. Secondly, they have improved the reimbursement process so that such products can be affordable for Chinese patients. Thirdly, they have improved the innovation ecosystem by strengthening regulations surrounding intellectual property and data protection. This brings great opportunity for the industry.

On Lilly's side, we have three critical priorities. The first is product launch, which means making products available for Chinese patients. This is why we are here, and we need to do it right. Regulatory approval is only the first step. Reimbursement is also very important to ensure that patients have access. We need to launch very differentiated products for the Chinese market; communicate their value to KOLs, physicians and regulators; and maximize the number of patients that can benefit from our products.

Success in China is not just about getting regulatory approvals.

The second is maintaining our external focus, which means remaining a partner of choice for government, medical and patient associations, and local companies. As an organization, we focus a lot on partnering and the ecosystem in China fits this focus perfectly. In terms of both in-licensing

and out-licensing, we have pursued opportunities with local companies, with very successful results, such as our collaborations with Innovent Biologics and Chi-Med. We want to continue to be close to government, medical and patient groups, and local companies.

The third is to drive execution within the organization. This means getting the right people on board and, bearing in mind that 25 percent industry average turnover, retaining them. We keep our objectives and strategy simple to communicate and simple to execute.

If we deliver on these three things, Lilly China will be in excellent shape.

Coming to your first priority of product launches, the most recent news is the National Medical Products Administration (NMPA) approval of Trulicity® in China. As one of the flagship products for Lilly globally, this is very exciting news. How will Trulicity® benefit Chinese patients?

This is a fantastic milestone for Lilly in China and reflects the hard work we have put into this product and the partnerships we have built with the regulatory entities and diabetes KOLs.

Trulicity® is a weekly GLP-1 receptor agonist injectable. Lilly has been a leader in the area of diabetes for nearly a century, starting with insulin in 1923. As you know, injectables are used only when patients stop responding to multiple oral medications. Before GLP-1, the injectable used to be insulin.

Trulicity® is the number one product for Lilly today and within Lilly's current portfolio, I truly believe it is the product that best embodies our dedication to patient-centricity because intrinsically, Trulicity® is designed to make things simpler for the patient. At the end of the day, a product only works if the patient is willing to take it. We have local research that shows that more than 72 percent of patients believe that the inconvenience of the injection method affects their adherence to treatment. Trulicity has been launched in the US since 2014 and we have studies showing that people stay on Trulicity® longer than a daily oral diabetes treatment.

This is because we have designed the molecule and the device with the patient in mind. The needle is hidden so patients do not see it, which helps with 'needle phobia'. It only takes 8 seconds to use with no mixing required. After that, your diabetes is controlled for a whole week. It is also a disposable product with very few side effects. The risk of hypoglycemia or other severe side effects is very low. In addition, the GLP-1 class tends to help patients lose weight, compared to insulin, which is associated with weight gain in patients. All this means that patients are more engaged,

they see results in their glucose levels, their diets, their bodies, and they stay on the treatment for longer. We have big hopes for this product in China, and we hope to bring all these benefits to Chinese patients.

How advanced is the GLP-1 category in the Chinese market and what are your expectations for Trulicity®'s performance in China?

We definitely want to launch Trulicity® as soon as possible. We hope to have Trulicity® listed on the NRDL but that will take time, so in the meantime, we hope to reach patients through the self-pay market as quickly as possible.

Lilly has had a very strong presence in diabetes in China and an effective commercial organization so we can definitely leverage all these relationships with local stakeholders to ensure that Chinese patients can access Trulicity® as quickly as possible, whether through self-pay or public channels.

GLP-1 market penetration in China is almost non-existent today with only one other product on the market, before Trulicity®'s approval. The overall diabetes market in China is around 80 percent orals, slightly less than 20 percent insulin, and the remaining, a negligible amount, in GLP-1. I think Trulicity® has huge potential in China. Firstly, healthcare practitioners in China are generally very well-informed and updated on global innovations so in general, the benefits of the GLP-1 category are well-established. We do have the opportunity to educate them on the characteristics and value of different GLP-1 products, as there are some differences between the available products.

Again, looking at the US as a reference point, by 2019, around five years after the 2014 launch of Trulicity®, around a third of new patients starting on injectables start on a GLP-1 product instead of insulin. That is the level of market preference in both doctors and patients. In China currently, patients have to start on insulin simply due to the lack of available options. Therefore, we expect the market potential of Trulicity® in China to be similar to what we are seeing in the US, and other key markets like Japan, Germany and South Korea, where Trulicity® has become the category leader.

Globally, Lilly has a highly innovative and broad portfolio across five therapeutic areas: diabetes, oncology, immunology, pain and CNS. Beyond Trulicity®, what can we expect from Lilly China in terms of more product launches?

Back in 2014, Lilly made a global commitment to launch 20 new molecules between 2014 and 2023, as well as the potential to launch 40 new indications. By the end of 2018, we had already launched 10 out of the 20 globally. But looking at those ten, China, only one has been launched, back in November 2017, an SGLT-2 inhibitor, Jardiance®, that we developed in partnership with Boehringer Ingelheim, a fantastic oral product.

The other 19 new molecules and 40 new indications are still to come. With the recent regulatory reforms, we believe that we will be able to launch them much quicker.

Diabetes has historically been the pillar of our company in China. Over the next decade, Lilly plans to expand further into this new category of incretins, where Trulicity® belongs, and we have a strong pipeline in next-generation incretins. China will continue to play a very important role here. In terms of manufacturing too, we have made an investment of USD 400 million in a state-of-the-art insulin manufacturing facility, which will be the best and most modern plant in the global Lilly network. It will start production in the next 12 months, and supply both the local market as well as export to European markets.

We also have a strong focus in oncology, supported by both our own products and our partnerships with Innovent Biologics and Chi-Med.

In immunology, we expect to launch a few products in the areas of rheumatoid arthritis, psoriatic arthritis, psoriasis and ulcerative colitis, all important disease areas in China. Two of them are already available in other markets while one is finishing clinical trials.

In pain, we have a very strong portfolio dealing with pain, with a strong focus on migraine from prevention to treatment of acute episodes. We also have a global alliance with Pfizer on Tanezumab®, which is a drug for severe pain like lower back pain or cancer pain.

The last, CNS, is an area in which Lilly has placed a very big bet for over 25 years now, focusing on neurodegenerative diseases like Alzheimer's and Parkinson's. This is a very tough area where diagnosis of these conditions has been available for a century but no one has managed to treat or slow down disease progression. So far, we have worked to offer palliative and symptomatic treatment, and we continue to invest in the hope of developing even more innovative solutions.

The second priority you mentioned was this external partnership strategy that Lilly has in China, and we see that Lilly has invested significantly in partnerships with local biotech companies. How can we expect Lilly's external partnership model to continue to

develop in China?

We are very proud of how we have transformed the way we invest in R&D in China. Our global CEO Dave Ricks has said that he expects, in the near future, to have 50 percent of our assets globally coming from external innovation and 50 percent coming from internal investments.

China is well-positioned to play a uniquely important role. You do not see many emerging markets with such a booming biotech ecosystem doing truly innovative work. For this reason, in 2017, Lilly decided to reorganize its global R&D activities. We will focus on external R&D in China instead of internal R&D. We see many opportunities to conduct R&D in different, smarter and bolder ways that truly leverage on the unique ecosystem in China.

[Lilly] is a company that started to bet on partnerships with local companies very early on

We have always been incredibly active in terms of investing in the local innovation ecosystem, beginning in 2007 with our venture fund, Lilly Asia Ventures, which still actively supports promising local companies today. In March 2018, we launched Lilly China Innovation and Partnerships (LCIP), an external partnership organization to support us in our many collaborations with early-pipeline assets. To accelerate their development, we have out-licensed them to a third-party to help us do the proof-of-concept, and then we bring them back for internal development.

When I spoke to local industry stakeholders in China last year, I asked them what they thought about Lilly in China. The overall feedback was that Lilly is in general a very well-known company with very good quality standards and a huge legacy in diabetes, but in addition to that, it is a company that started to bet on partnerships with local companies very early on, and certainly much earlier on than most other pharma multinationals.

We started early and we are still here. That certainly builds credibility. Our early successes with Chi-Med and more recently with Innovent Biologics are testament to our commitment to the local ecosystem, our ability to maintain these relationships, and our capacity to deliver results.

A final message from Lilly China?

Lilly is extremely committed to China and we have a long-term vision for the country. In terms of our product portfolio and launches, we want to catch up to other mature countries in our network so that we can deliver the best innovations to Chinese patients.

As important is our commitment to bring products and technologies from local Chinese biotechs out of China and into the world. Lilly has always been 'in China for China' but in a few years, we would like to proudly say that we are also 'in China for the world'.

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