

Interview: Francis del Val, President & Managing Director, GSK, Philippines

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Francis del Val, President & Managing Director of GSK, Philippines, talks about his experience working in the pharmaceutical and healthcare sector in the Philippines, and discusses at length the company's (and industry's) largest challenge: Employee retention.

The growth of the pharmaceutical market, according to IMS Health data, is only set at three to four percent; however, what is your assessment of the real growth potential for MNCs in this context?

This disparity in growth rates describes the situation we face here today. GSK Philippines is one of the leading contributors of data to IMS Health in the country and we regularly interact with IMS Health. By our own observations in GSK Philippines, we have come to the conclusion that an important part of the market may not be audited sufficiently today. For its data collection, IMS uses the shipment data of the big MNCs as well as local pharmaceutical companies and leading distributors such as Zuellig. According to those records, the Philippine pharmaceutical market is indeed growing at roughly four percent now.

However, it is very difficult to get a complete picture of the market because it is so complex. In recent years, a number of new retail chains have shown rapid success, many of whom market low cost generic medicines throughout the Philippines. The sales data of chains like The Generics Pharmacy, which has roughly 1,600 outlets, and Generika, with over 450 outlets, are not publicly available. Ironically, it is becoming more apparent that this is where the majority of the growth in the market is coming from.

Apart from these rapidly expanding generic retail chains, local government units (LGUs) purchase medicines directly for their constituents. This is consistent with the government's push for universal healthcare. Clearly, another area of growth that may not be adequately covered by the current data audits.

Lastly, there are particular parts of the market that are growing faster than others. The vaccines market, for instance, is growing rapidly and offers many different opportunities. This is particularly interesting for a vaccine manufacturer like GSK.

You previously described the Philippine pharmaceutical market as "multidimensional". Why so?

There is a shift taking place. Achieving universal healthcare is not only about making quality affordable drugs available to the entire population, but also about making sure that there are the right healthcare facilities and medical practitioners in place. Especially when it comes to infrastructure, like hospitals, we see that the private sector is becoming more and more involved. The government is also investing heavily in upgrading its hospitals. These and various other factors are contributing to the growth acceleration in the hospital segment.

The pricing landscape has evolved considerably too. The Cheaper Medicines Act of 2008 (MDRP) slashed the prices of many innovative drugs up to 50 percent. MNC products also

face heavy competition from generics. Are you still optimistic?

There is no doubt that there have been a lot of challenges when it comes to pricing. It is however a very important fact that so far only 10 percent of the population that belongs to the economic-social classes A to upper C can well afford medicines. In other words, 90 percent, or roughly 90 million Filipino people, still struggle with access to medicines in the Philippines. As a pharmaceutical company, we have an important role to play in increasing access to our products. This requires a lot of adaptability.

It is worthy to note that increasing access to medicines is not only about pricing. A lot of it has to do with disease awareness, education and infrastructure support. As an organization, we have already undertaken significant efforts to support initiatives directed towards such purposes. On rotavirus vaccination as part of the expanded program of immunization for example, we have been working very closely with the Department of Health. It is GSK's mission to help people do more, feel better, live longer, and a lot of that starts with building awareness that people can take charge of their health.

How well represented is GSK in the different therapeutic classes in the Philippines?

At present, GSK is well represented in most therapeutic areas. In fact, GSK now participates in roughly 50 percent of all therapeutic areas covered. GSK particularly has strong franchises in vaccines, respiratory and anti-infectives. Even though there are a lot of antibiotic products present in the market on the anti-infective side, our value proposition lies in the long history of our brands: doctors and patients who have used these products over generations believe and trust our medicines/ brands because they have personally been touched by these treatments, and have gotten well.

There are a number of areas where we focus our efforts on, and respiratory has been one area where we have spent considerable energy more recently. We have been working with various pharmacy chains, for instance, to increase access to our products. Respiratory remains a key area of focus for GSK because we believe we can make a significant impact to the healthcare of Filipinos, particularly because of the presence of adverse contributors to respiratory health, such as heavy pollution and smoking.

GSK has certainly worked hard to be among those pharmaceutical companies with a rich pipeline of new products. Our research and development (R&D) remains a strong focus for the company globally and the medicines we discover will clearly benefit a lot of Filipino patients.

What are some of the bigger challenges you need to address within your organization?

Many people will probably identify the people factor as one of their challenges. For the pharmaceutical industry, this is particularly the case in the Philippines, as there are challenges with employee retention.

Our people work in an industry that grows less than the overall economy, while other sectors are growing much faster. Thus, the problem of human resources in GSK Philippines is not so much about losing talent to the competition, but about losing people to other industries.

What would keep them in an industry that is not growing as fast as the others?

It has to be more than just the job. What we do at GSK and what the pharmaceutical industry does, but is rarely credited for, is that it helps heal people. The medicines we make can help save lives, and all our employees have a responsibility to serve the people of the country. We all have a contract with society that goes beyond the monthly paycheck.

Saving lives and treating people, is especially important in the Philippines, where we see that health issues for one individual affect his surrounding family members more severely than in many other markets. The Filipino society is structured around families. Patients come from families where other members will make sacrifices for the well-being of the sick in order to provide for the necessary treatment. Thus, whenever a patient is sick, the impact is felt by the entire family.

This is the deeper understanding one needs to have when operating in the Philippine pharmaceutical and healthcare sector. It helps a lot that I am a Filipino and I can understand very well the context of the Filipino patient's daily life.

It is rare to see an MNC still manufacturing here. As a matter of fact, you are now the only

MNC still producing in the Philippines. What are your plans with this asset?

At present, we are indeed the only remaining MNC with manufacturing capacity in the Philippines. Our facility in Cainta is a mid-size manufacturing facility that has about 100 to 120 employees. It manufactures products for both our pharmaceutical and consumer divisions and goes back quite a while: we recently celebrated our 50 years of manufacturing in the Philippines. We are very proud of this manufacturing facility because it serves as a testimony to GSK's commitment to be a partner in Filipino nation building. It also shows that Philippine manufactured products can be world class. Our site exports to many neighboring countries and we certainly look forward to more of that in the future, on top of catering to the increasing demand in the local market.

Having such manufacturing capacity in the Philippines does set us apart from the other players. GSK aims to be an end-to-end solutions provider for Filipinos. We have clinical R&D operations, manufacturing, as well as marketing and sales operations for our pharmaceuticals, vaccine and consumer products. The medicines and vaccines that we sell touch the lives of many Filipino patients, and GSK is also a significant contributor in terms of providing employment and in the payment of taxes.

GSK Philippines acknowledges that it has an important responsibility to the Filipino patient. GSK's mission is to help more people "Do more, feel better, live longer". It is therefore our vision that GSK Philippines will be able to provide access to its medicines and vaccines to every Filipino. Increasing access to medicines and vaccines is at the heart of everything that we do here in GSK Philippines. There is a large part of the population whose healthcare still remains to be addressed. We need to play a role in reaching out to them.

The world should understand that the Philippines pharmaceutical industry can offer growth. It is an attractive market for anyone to invest in. For any market player, however, it is important to be able to focus on the needs of the Filipino patients to really make a difference. Our employees at GSK Philippines are passionate about providing access to all our medicines and vaccines to as many Filipinos as possible.

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