

Interview: John Davison CEO, Zuellig Pharma



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In an exclusive interview, Zuellig Pharma CEO John Davison provides insight into the new Zuellig Health Solutions unit that is providing strategic, topline-focused services in order to support Pharma companies in the region. He highlights the challenges the industry faces in penetrating the market and how Zuellig Pharma is closing the gaps in distribution.

After a little over two years as CEO of Zuellig Pharma, could you provide us with an overview of your key priorities?

The company has a long heritage of successful developments in distribution services, but the challenge facing me when I joined Zuellig Pharma was to accelerate some of the value added services. Distribution is the foundation of the company and a service that our clients need. They need to have a route to market in order to supply their pharmaceuticals to patients. We support them in this process. I am not deprioritizing distribution, but my role is now to supplement our services. Distribution is seen as a cost center for most clients. It is something they have to do and they try to minimize the amount of economic resources they need to spend on it. Our customers and clients are now prioritizing finding support in driving topline growth and in hitting their targets. As a service provider we cannot rest on our distribution capabilities alone but instead need to step up to our clients’ growing needs in the region. In sum, my priority in joining the company a little over two years ago has been in responding to this need and answering the question as to what it is that we can provide to our clients that they do not currently have access to and that will accelerate their growth.

Could you elaborate on what these added services entail and their connection with the recent opening of Zuellig Health Solutions?

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With our expertise in distribution in the region, we realized that our evolving services are distinct from our distribution capabilities. Our services in third party administration for insurance programs, retail and channel activities and patient care are not services generally associated with a distribution company. These are highly strategic services that are driving topline. This is why we developed Zuellig Health Solutions. This unit is all about the solutions that we are bringing to the market that are more pertinent to unlocking value for our clients and that can support them in bringing better healthcare to consumers and patients. It is still fully owned and managed by Zuellig Pharma, but it brings an additional element to the known and reliable distribution services that we provide. We are also working closely with the Singapore EDB who has been very supportive in the effort.

What do you view as the most salient challenges the industry and your clients are currently facing in the region and how is Zuellig Pharma supporting them to overcome these obstacles?

Most clients in this industry in Asia face two major challenges and these are affordability and access to the market. These are major concerns that we hear in every conversation with our clients. At Zuellig Pharma we provide not only geographic access in reaching the most remote village on the last archipelago of the Philippines and Indonesia, but also we provide access in terms of affordability and in helping clients understand what they need to do to adjust their models to be successful in this region of the world. We have been operating in Asia Pacific for nearly 100 years now. I personally have been working here for 10 years of my life and we are in a good position to help US, European and even Asian companies to better understand how they need to operate differently in order to be successful in this part of the world.

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We also see that since developing innovative medicines is becoming costlier and complex, pharmaceutical companies are narrowing their focus. They are choosing to do this through outsourcing their mature off patent products through short-term contract sales agreements or long-term licensing agreements. Either way, Zuellig Pharma is very well positioned to help clients reach maximum growth for the less strategic aspects of their portfolio, allowing them to focus on the innovative pipeline coming through.

In general, emerging markets need a different approach than what may have been successful in the US and Europe. The affordability level and the scale of the populations and thus the socio-economic pyramid, are completely different in this region. Far-sighted companies understand this and are developing expertise that is sensitive to these challenges and capable of building different models. Companies that are not able to adapt will struggle in this market.

When I first joined Zuellig Pharma two years ago, I looked at the market data for the top 10 global pharmaceutical companies here and only one of them was increasing its share. This is already evolving with more innovations coming through and with companies taking a more aggressive approach in the market. The international companies are realizing that they face considerable competition with local companies, generics, and aggressive pricing structures from governments and they are reacting with more tailored strategies to the region.

What are some of the factors driving growth for the industry in the region?

The growth of oncology and "life style" diseases has presented a serious need that countries are grappling with in this part of the world. Just looking at diabetes, the number of patients diagnosed and coping with the disease is mushrooming in emerging markets more so than in the developed countries right now. Pharmaceutical companies are looking for ways to provide their medicines to these patients and defend these populations from the risks of these diseases. This is where we play a big role. Our integrated business model connects manufacturers with payors, practitioners, patients and consumers. We are not only getting clients' products into market, we are ensuring patients can access and adhere to these treatments through tailored financial and insurance solutions as well as patient support programs.

Communicable disease is also a major concern in this part of the world. Right now Zuellig Pharma is distributing many of the vaccines in markets in which we operate. Governments, healthcare providers, insurance agencies, doctors and the stakeholders of the healthcare sector are collaborating to vaccinate and protect the population. As a society we need to address the vaccine gap, whether in terms of developing new therapies for Zika and Dengue or in terms of managing the supply more appropriately. An alarming statistic from the WHO states that 1.5 million children under 5 die each year because they do not receive a vaccination. Simultaneously nearly half the supply of vaccines needs to be discarded each year because of mishandling or inefficiencies in the cold chain. At the same time most top vaccines companies face major product shortages. These statistics add up to a major healthcare challenge for society, and as an industry we need to step up and solve it. Steps are being taken. GSK, for example, has invested hundreds of millions of pounds in restructuring its global production of vaccines in order to meet demand.

What are some of the ways that Zuellig Pharma is improving efficiencies in terms of distribution needs in the region?

Zuellig Pharma has recently opened a state of the art distribution center in Vietnam considered by our insurer FM Global to be Platinum Grade, and therefore the most advanced in the industry in Asia. By partnering with the largest Pharma companies in Vietnam, we are able to drive a new strategy to access tier 2 and tier 3 cities in the country. This at a time when the new Pharma Law is coming into force, which will also help to accelerate the provision of healthcare to deeper levels of the Vietnamese population. I am very proud of the role our local GM has played as a Board member of Vietnam's Pharma Industry Association which has worked hard on this groundbreaking legislation.

We also see that technology is advancing in pharmaceuticals, especially in terms of biotech and biosimilars. Anything bio by definition means that it most likely needs a cold chain and referring to the increase in lifestyle diseases, insulin needs a cold chain with 2 to 8 degrees storage in transportation as well. Our cold chain exceeds international standards and we are continuously investing in new cold chain solutions.

These technological advances in the pharma landscape bring heightened quality and pharmacovigilance requirements and it is essential that the distribution industry is able to keep up with these changes. The EU's 2013 update to its good distribution practice guidelines, for example, has driven the adoption of more comprehensive regulatory requirements in countries across Asia. Regulators also require proof that all drugs and biological components have been distributed within the required temperature range making temperature monitors, sensors and track and trace systems essential across the supply chain. The investment required to meet these heightened requirements can be significant, and increasingly only distributors with the size and scale of Zuellig Pharma have the necessary resources and expertise.

What is the strategic importance of Singapore for Zuellig Pharma?

We used to be headquartered in Hong Kong for many years and the heritage of the company started in Manila in the Philippines. After divesting aspects of our China operations to Cardinal Health, we decided to locate closer to our primary clients being mostly multi-national pharmaceutical, which are increasingly located in Singapore. Although we have a very successful commercial office in Hong Kong, we see the benefits of Singapore in terms of accessing our clients and the region. The third reason is the openness of the Singaporean government and the EDB in supporting what we are building. The ecosystem is also more advanced and primed for the newer aged services that we are cultivating and providing.

In what ways does Zuellig differentiate itself from competitors in the market?

In comparison to many of our competitors, we are very focused on healthcare and as a result we are more authoritative and certainly larger scale in most of the markets that we operate in. Many other distributors are involved in several industries, which is definitely needed and necessary in the market, but that is not our business strategy. We understand healthcare in and out and I personally would not want to distribute any other category of products. Our focus is in the healthcare industry. In the next several years, I see our company continuing to service and support our clients and I also see us supporting our clients in the newer technology areas in biosimilars and biotech with our added value services.

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