

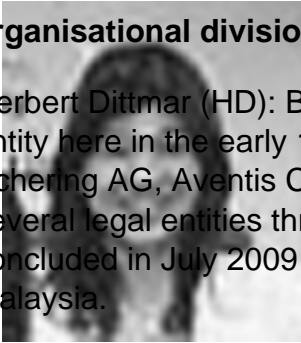
Interview with Catherine Wong, Country Manager, Bayer Co. Malaysia / Bayer Healthcare Malaysia

20.12.2010

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Can you provide an outline of Bayer's background in Malaysia and its current organisational division?



Herbert Dittmar (HD): Bayer has been in Malaysia for around fifty years. It established its first legal entity here in the early 1970s and then engaged in a number of acquisitions worldwide including Schering AG, Aventis CropScience and Roche amongst others. Bayer in Malaysia ended up with several legal entities through these acquisitions and this led to a consolidation process which only concluded in July 2009 when all operational units were placed in one legal entity, Bayer Co. Malaysia.

All the Bayer subgroups are represented in Malaysia including Bayer MaterialScience, Bayer CropScience and Bayer HealthCare. The total annual sales of the company in Malaysia amount to around 74 million Euros in 2009 and the company employs roughly two hundred and thirty people. However, both of these figures are growing. In addition, we have established two local corporate platforms: Corporate Services and Corporate HR and Communication. Obviously Bayer's trading relationship with Malaysia goes back much further than its legal entity. It was a certain trend of the mid-1970s for companies to establish themselves in Malaysia.

In July 2009 you mentioned you had the '1 Bayer joining forces for success' slogan. We cannot help noticing its similarity to the government's '1 Malaysia' slogan. Do you share with government an appetite for greater cohesion in Malaysia and how does this apply in your company?

HD: As you are aware there are three ethnic groups in Malaysia: around 60% are Malays, 24% are Chinese and roughly 7% are Indians. This presents a challenge for Malaysian society however this is one which throughout its history the country has managed well. There is still work to be done on integrating the ethnic groups but from my view PM Najib is working hard to address these issues very constructively.

As a company, we are definitely an equal opportunities employer and we maintain strong diversity within our workforce. Indeed it would be hard to find more diversity than our IT team for instance which consists of three people: one Malay, one Chinese and one Indian. Uniting an ethnically diverse workforce is something that I feel Bayer does very well.

You mention the Bumiputra legislation but what are some of the other challenges to operating in the Malaysian market?

HD: Malaysia does not have any specific challenge that you would not find in other countries. On the other hand the opportunities here are extensive. In terms of future markets, aside from Brazil and Russia, China and India are the two dominant ones and Chinese and Indians represent around 40% of the Malaysian population. Therefore in terms of connectivity with these emerging markets of the region Malaysia is a very significant country and Chinese investments in Malaysia are ever increasing. There are therefore many opportunities presented through this diversity.

However opportunities and challenges tend to go hand in hand and one of the key challenges is the existence of a brain drain in Malaysia. Educated Malaysians are often emigrating to Singapore, Australia as well as China and India. This problem needs to be and I understand is being addressed. We are also seeing a shortage of labour in the agricultural sector owing to the economic development of Malaysia. The aspiration to move from a mid-income to a high-income economy as well as the high educational standards in Malaysia mean that fewer people want to carry out work on agricultural plantations – agriculture representing Malaysia’s traditional comparative advantage.

However, as I said in my original point, Malaysia is not experiencing anything that has no precedent elsewhere. This challenge of human resources is not particular to Malaysia. In Germany, when the country was going through strong development in the 1950s, workers were brought in from Italy, Turkey and other countries.

The Chairman of the Board of Management of Bayer Schering Pharma AG, Mr. Andreas Fibig, has told Focus Reports that the emerging markets represented a key strength for Bayer. What makes Malaysia a good market to invest in?

Catherine Wong (CW): The Malaysian pharmaceutical market has been growing at a high rate even compared to the other countries in the region. In terms of the growth rate, the pharmaceuticals division of Bayer HealthCare is outperforming the market. This is one of the principal reasons that the company’s headquarters might consider the Malaysian market attractive. In addition, the market has huge potential because consumer and patient health awareness in certain health areas such as liver cancer and contraceptive use is still relatively low. Awareness programmes therefore represent a prime target for investment for the company. This type of programme is hugely beneficial not just for expanding the market but for improving the quality of life of Malaysians.

What is the performance like across the three divisions of Bayer in Malaysia?

HD: We are observing growth in all three subgroups. This is due to different reasons. To start with Agriculture, Malaysians have a love of food and they insist on high quality and hygienic standards. This therefore makes Malaysia a prime location for exports to the rest of the region. With a population of only 28 million the prime driver for growth in agriculture is therefore exports. In fact, according to recent figures from the IMF, over 80% of Malaysia’s GDP is driven by exports. Concerning chemicals, there is a strong electricals & electronics industry, solar industry and automotive industry – due to policies in the late 1970s Malaysia has today the highest car ownership per capita in Southeast Asia. The chemical industry and chemical additives are therefore in high demand.

To address the pharmaceutical industry, there is a high educational standard in Malaysia, quite open access for foreign specialists to enter the country and an increasing attractiveness of Malaysia as a destination for medical tourism. The challenge for the pharmaceutical industry is the market dependence on government hospitals, which represent 40% of the market and these hospitals are

strongly orientated towards generics. At the end of the day, there needs to be balance between the use of branded drugs and generics, as it would be a dangerous scenario if it is no longer viable for companies to bring innovative drugs to the Malaysian market, either because the population is not willing to pay for them out-of-pocket or because government support is directed towards generics.

Regarding the opportunity for medical tourism in the country, Bayer HealthCare recently unveiled Xarelto for post-op care. To what extent is BSP tailoring its portfolio to take advantage of increasing medical tourism in Malaysia?

CW: There has been a form of Economic Transformation Programme for several years, but now we are starting to observe the Malaysian government putting more resources into the healthcare New Key Economic Area (NKEA). Malaysia has a very competitive healthcare system with low costs relative to the high quality of medical professionals in the country. One measure that the government recently took to further assist the development of medical tourism was to deregulate advertising of hospitals abroad to allow hospitals to better publicise their services and attract foreign patients.

Regarding Xarelto, this drug is currently approved in Malaysia for the prevention of Deep Vein Thrombosis (DVT) after total hip and knee replacement surgery. As a convenient oral anticoagulant, Xarelto meets an unmet need in the market. A growth in medical tourism will increase the patient pool in the country, providing more demand for innovative therapies in an expanded healthcare market.

Bayer HealthCare has generated a high degree of brand loyalty with the primary care sector. These doctors trust our products in terms of both safety and efficacy. Bayer HealthCare continually seeks to create long-term partnerships with physicians and this relationship ensures the success of our products in the healthcare sector.

Bayer HealthCare has a wide portfolio from anti-infectives to diabetes drugs. What are the main growth drivers for the Bayer HealthCare?

CW: Bayer HealthCare has brought many innovative drugs to the Malaysian market, with growth predominantly coming from women's healthcare. We have YAZ, the only oral contraceptive pill that is also indicated for the treatment of moderate acne as well as the symptoms of premenstrual dysphoric disorder, a severe form of premenstrual syndrome. Aside from this the company also has the oral anti-cancer drug Nexavar that is already approved for the treatment of liver and kidney cancer. Cancer and women's health would therefore be the two major areas of growth for the company.

Further to our emphasis on both oncology and women's healthcare, Bayer HealthCare also has drugs for niche therapeutic areas. In terms of expanding the market, the numbers of Malaysians receiving diagnosis and then treatment is still fairly low. As such, we have, and will continue to invest in enhancing Malaysia's health awareness and improve the quality of life of patients. Indirectly, this will contribute toward sustaining and even increasing the company's growth in Malaysia.

Just recently there have been a number of articles published in the New Straits Times about the need to raise awareness of sexual health in Malaysia given the large number of unwanted pregnancies and abandoned babies in the country. What can Bayer HealthCare do to raise awareness about sexual health in Malaysia?

CW: We see awareness and education as key areas in which we, as a leader in women's healthcare, can help contribute toward addressing this social issue. To this end, Bayer HealthCare works with various authorities including the Ministry of Women, Family and Community Development and other non-government organizations (NGOs) with an interest in sexual health issues in various awareness and education outreach initiatives. A recent example is our Yes, I Can campaign that

sought to reach out to society on-ground as well as online, with accurate information on sexual health and contraceptive options, and sought to engage the creativity of Malaysians by inviting them to submit proposals on how they see the issue of unplanned pregnancies and abandoned babies in Malaysia can be addressed.

The oral contraceptive (OC) market has huge potential for growth. Just taking into account, the utilisation rate of contraception Malaysia is only at 3.4%. In Thailand, OC utilisation is around 20% and Australia is at 50-60%. Just looking at these figures we can clearly see the potential of the Malaysian market. Malaysia is still conservative in talking about sexual health and sex education has so far been insufficient. Women's health can be improved by improving education and Bayer HealthCare collaborates with government and various NGOs to this end.

Aside from awareness programmes, Bayer HealthCare is also committed to enhancing patients' quality of life with better access to medicine through patient assistance programmes. Two ongoing patient assistance programmes are: NexPAP for liver cancer patients who are prescribed treatment with sorafenib, which is run in partnership with the Malaysian Liver Foundation; and BATM for patients living with multiple sclerosis, which is run in tandem with Social Welfare Departments of key government hospitals.

To what extent does Bayer need to demonstrate to the Malaysian community that it is a trusted partner and how does this differ from Bayer's presence in its more mature markets?

HD: The difference between the two sets of markets is that in Europe for example, Bayer has been around for a long time and has a more established position. On the other hand, many of these emerging markets including China and India have only fairly recently opened up. Indeed, in several locations in Latin America Bayer is now celebrating one hundred years of presence there and the same is true in Japan.

Bayer has a considerable role to play in newer markets. Whenever Bayer enters a country it transfers technology and has so much to bring from its history and experience in other countries. Looking at Bayer overall, the company is fortunate to be focusing on areas which are of major concern worldwide from climate change, to accommodating population growth, to enhancing agricultural productivity to feed an increasing world population. Bayer's three subgroups are able to substantially contribute to addressing these megatrends.

Returning to the issue of unwanted pregnancies, there are 210 million pregnancies worldwide every year and 70 million of these are unwanted. This worrying figure clearly represents a huge social and economic stress on countries and families around the globe. Bayer contributes to overcoming climate change in various ways from making agriculture sustainable to insulating buildings to take just two examples. This is why Bayer is very heavily engaged in sustainability work and is widely recognized for its efforts by leading in several global sustainability indices.

Therefore when Bayer engages in discussions with governments it is our focus to gain the understanding that these vital activities from healthcare to sustainability are duly noted and what we can offer to finding long-term solutions.

Finally given that you have international experience. What will it take to put Malaysia on the international pharma map?

CW: In order for the country to become fully recognised on the pharma map, Malaysia has to recognise the importance of the pharma industry. Innovator companies such as Bayer HealthCare have an important role to play in bringing in new innovative medicine and making patients aware of the different types of treatment available. In addition to what has already been discussed, one key

strength of Malaysia is that it has an educated population. In fact, we are pleased to share that we have also “exported” some of our talents to Bayer HealthCare offices around the region.

HD: As I said earlier, the biggest challenge or the opportunity if managed correctly is the dominance of government hospitals. There needs to be a more competitive environment created. Government hospitals should be more focused on bringing in new products and technology rather than always focusing on cost-optimisation. The proportion of healthcare expenditure devoted to drugs is comparatively low as a proportion of the complete spend. Hospitals would therefore do well to take on more products from innovator companies to provide even higher levels of care for Malaysians.

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