Interview with David Willis, Country General Manager , Sandoz Philippines Corporation

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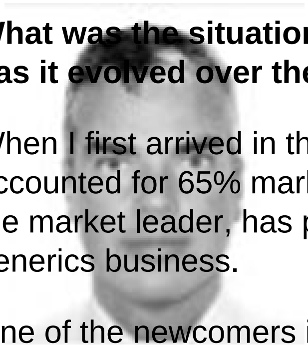
Sandoz Philippines Corporation



ackground as a management consultant in New Zealand and Australia. What was the situation of the generics market when you arrived in the Philippines and how has it evolved over the last three years?

When I first arrived in the Philippines, the generics market was dominated by Unilab, which accounted for 65% market share. In the last three years, new players came in and Unilab, while still the market leader, has partially lost its market share and now accounts for around 54% of the generics business.

One of the newcomers in the Philippine generics market is Getz Pharma, a Pakistani based company with a huge portfolio that relied on two or three products to drive its growth. Another fast-growing company in the generics market is OEP, formerly known as Elan Pharma. OEP has one or two products that have really grown, and a very good sales force that is driving sales.

Pascual is the other important local player. Their generics company, Pharex, has also grown substantially, and competes with RiteMed, the generics division of Unilab. RiteMed has been heavily advertising itself as a quality local manufacturer, and this strategy has helped them achieve a strong position because Filipinos are attracted either by Western multinationals or local players.

In the last three years, the generics landscape has shifted from being dominated by Unilab to one that is highly competitive, with more companies competing in the market.

When I arrived, Sandoz was experiencing negative growth due to many factors, including high drug prices. Since Sandoz was importing most of its products from Europe we were subject to entry tariffs, which contributed to the high prices of our products.

After three years, Sandoz is now the second fastest growing pharmaceutical company in the Philippines, not only in the generics market but also among the top 40 pharma companies (which comprise almost 90%of the total pharma market), as of 2010 MAT-June IMS data. Sandoz is one of the main drivers of the Novartis group growth.

Last year the Cheaper Medicines Act was implemented with the intent of decreasing the high price of the innovator brands. However, there has been a ripple effect through the industry. What have been the indirect effects on generics and Sandoz business?

The government saw that the price of drugs was very high in the Philippines and most of the population could not afford to buy medicines (since the Philippines is a patient-pays market). In the past, multinationals could raise drug prices if volumes were not increasing, and the government could not prevent them from doing so. To improve Filipinosâ?? access to medicines, Senator Mar Roxas, who advocates reducing the prices of medicines, filed a bill that would eventually become the Cheaper Medicines Act. One of the key stipulations of this law is the power of government to impose the MDRP or Maximum Drug Retail Price.

While the main target of the law was the multinationals, the industry as a whole was affected. Some multinational pharma companies even saw an increase in sales volume.

Sandoz was severely hit by the law. Due to the MDRP, we lost 25% of our revenues last year. With the MDRP, branded drugs and generics are sold at the same price level. This is why many patients shifted back to branded products.

Despite the loss in revenues, you still managed to post an 11% sales turnover growth in 2009 and you are the second fastest growing company in the Philippines. What do you think have been the factors that allowed you to grow in the last year despite the change in the environment?

We actually grew 40% so far this year! This was accomplished through a combination of an excellent marketing team and sales force. When we started launching new products, we also changed our sales and marketing approach: our reps are now in charge of a line of products that complement each other. For example, we have reps that are in charge of all our cardiovascular products.

We have also expanded our distribution network. In the last several years, there has been an expansion of retail drugstores specializing in generics, e.g. The Generics Pharmacy Drugstore. While our competitors chose initially to ignore this phenomenon, we decided to start supplying these retail drugstores. We are able to widen access to our medicines in this way.

Tapping this new distribution channel also allows us to reach villages and rural areas usually not covered by regular drugstores. We are able to widen access to affordable medicines, which is the Sandoz mission.

Now that the Philippines pharmaceutical market is experiencing a negative growth, how do you plan to sustain this double-digit expansion in the next years?

The best way to describe how Sandoz will do it is that we will try 10 things and if two of these succeed, then we hopefully will be successful. So far we have been very lucky: five of these 10 things have worked! When I arrived, the company was technically bankrupt. 65% of our staff had left and we had no identity or direction. In three years, things have turned around! The first thing we did when I arrived was to build a new, strong management team. Marketing our products in the right way was essential, and we will still focus on this aspect to continue growing.

We have launched new products, hired the best people and differentiated ourselves through our positioning: we offer quality products at the same price as that offered by other generics manufacturers. The key difference is that our products are manufactured by Sandoz. I think this strategic positioning will allow us to continue growing.

Innovators spend a lot of money educating doctors, including Novartis. Being Sandoz a generics company, why do you still need to educate doctors?

Sandoz is a separate legal entity from Novartis and we conduct our own promotion.

There are so many doctors in the Philippines (approximately 45,000). Many Filipino physicians do not even get sales calls, especially those in the provinces. Most of the marketing expenses of other companies are concentrated in the urban areas, mainly because of the physical configuration of the country, which is an archipelago. Travel to some rural areas might take up to two days. In the rural areas, most doctors have never seen a rep because the innovators did not see the potential to market in those areas. However, the smaller rural locations are the ones where generic medicines are needed more, and where the potential to really help patients lies.

We educate doctors to benefit patients. Our reps help enhance patient care by providing doctors with important information about Sandoz products, such as mechanism of action, proper dosing, efficacy and tolerability data.

Sandoz is proud to contribute in driving forward the Philippine generics market. With our local partners, we are implementing projects to educate local communities. We are currently working with local nurses to organize dialogs within local communities to discuss common diseases, such as TB, which is one of the biggest public health problems in Asia and in the Philippines.

You mentioned before that a number of new players entered the Philippine generics market in the last three years. What differentiates Sandoz from the other generic companies?

Teva is the biggest generics company in the world, but Sandoz has the biggest international footprint. We have one of the widest portfolios in the industry and this is very important in a country like the Philippines, where there is a real need for a wide range of generic medicines. In my opinion SanofiAventis is trying to do the same with its Winthrop brand.

They could be called an umbrella brand whereas Sandoz focuses on a range of branded generic products. These two different strategies have a different impact on the distribution channel. While umbrella range products are placed together in drugstores, Sandoz products are placed in their respective therapeutic areas. Other umbrella brands in the market are RiteMed and Pharex. One problem could be that there are only so many generics that a pharmacy can carry, and I think there may only be room for two umbrella brands to flourish in this market.

You have achieved very good results in the past three and half years as Country Manager of Sandoz Philippines. What other results would you like to achieve in the next there and half years?

We want to continue educating the doctors that high-quality and affordable Sandoz generic medicines are widely available in the Philippines. This will allow them to give their patients the benefit of having a global quality medicine at an economical price.

On a personal note, what advice would you like to give to an expatriate moving to the Philippines as a general manager of a pharmaceutical company?

The Philippines is an extremely exciting place to be. Asia is one of the few areas in the world experiencing growth in the generics. When you look at more mature markets, you can see that there is an increasing pressure in the healthcare systems in the US and in Europe. It is not so exciting to run a business in Europe or the US when the best you can hope for is to flat or negative growth. The Asian market may have a lot of ups and downs, achieving good governance can take time, finding talented and educated people to run the business can be a problem, and sometimes security is a concern. However, Asia is a growth market, and it is exciting to be here.

What would be your final message to the international readers of Pharmaceutical Executive about the Philippines and Sandoz?

There is a real need for multinationals and big generic companies to be in the Philippine market. The majority of the population need access to affordable, quality medicines. The only way to meet this need is to bring in competitors from the US or Europe. Competition brings down prices, and by doing so you improve the development of the country.

In a wider sense I feel I work for the generic industry. My personal mission is to help patients and Sandoz lets me fulfil this.

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