

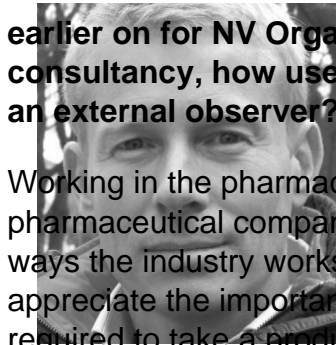
Interview with Jan-Willem Eleveld, Vice President, Consulting & Services, Asia Pacific, IMS Health Malaysia

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career in the pharmaceutical industry with Bristol Meyers Squibb and earlier on for NV Organon which you joined in 1998. In 2007 you left to join the world of consultancy, how useful was this insider knowledge to your work and what is it like now as an external observer?



Working in the pharmaceutical industry and consultancy are entirely different. WHEN working for a pharmaceutical company you can gain an experience of the intricacies of the market and the specific ways the industry works. Having a background in the pharmaceutical industry allows you to appreciate the importance of activities such as innovation and research as well as the timeframe required to take a product from discovery to the market.

In a service-based profession such as consulting it is possible to interact with many different companies which allows one to understand the differences and similarities between these different parties. Indeed, one stimulating aspect is that this type of work is that it involves communicating mainly with external rather than internal parties. It gives a broader picture of regional developments and how companies can best position themselves and make the most of the opportunities available to them. For me, the transition from the industry to consultancy has been very stimulating and I am enjoying the work that I do.

You oversaw the region over the entire financial crisis. Now that the worst is over, which are the clients who are most in demand of the services of IMS and how is IMS helping these organizations in this recovery period?

Clients from all sectors seek the services of IMS. IMS has a specific place in the consulting industry globally and in Asia because it is entirely focused on healthcare. IMS's consultants devote all of their time to this activity and they tend to either have an industry background or a healthcare consulting background. In addition IMS consultants have access to IMS data and on-the-ground capabilities which the company has in almost every country in the region. This is why clients across the board choose to work with the company.

Clients often engage IMS in determining growth strategies. They will have aspirations such as achieving a certain revenue in a particular market and IMS can advise them on how to achieve these goals. The second significant tranche of work carried out by IMS is called "commercial effectiveness". The company helps its clients in optimising the size of its fieldforce and identifying

the best business model for the company. We also advise on how to launch new brands into the market.

Finally in terms of the company's client base, most of IMS's clients are from the private sector rather than the public sector.

IMS's work is shared between data provision and consultancy. What is the balance of these activities?

The core of IMS's business is data and the services which feed off those data. The company aims to continuously expand on its data assets and services both across the region and globally. The management consultancy business tends to support companies which are often already clients of IMS's services and data.

There are other consultancy firms producing their own data as well as competitors in data provision such as Frost and Sullivan. How does IMS maintain its competitive edge?

One of the key advantages of IMS is that IMS is exclusively focused on the healthcare sector. IMS focus, experience and privileged access to data assets allows the company to interpret trends better. IMS is also well placed to assess the quality of information obtained and IMS has capabilities on the ground in nearly every market and is well connected with the local healthcare markets, so the company is privy to all the latest developments which we leverage in our consulting work.

What does Malaysia represent for IMS in terms of revenues and growth potential and how attractive is the country for the pharmaceutical industry?

IMS does not divide its revenues on a country by country basis. In general, Malaysia together with a number of other ASEAN countries is a continued high-growth environment and the same is true for IMS's performance. The company is certainly receiving increased demand for its services in Malaysia.

IMS has identified 17 emerging markets and placed these in three main categories. Firstly, China is in a category of its own due to its immense size and immense growth. The second tier is composed of countries such as India, Brazil and Russia which are also significant in size and growth. The third tier comprises of countries such as the Philippines, Thailand and Malaysia which are attractive in terms of the growth perspective, but are relatively small in terms of market size.

Population size and demographic shifts are largely structural factors. In addition to encouraging GDP growth are there any initiatives that the government can employ to entice MNCs to operate in Malaysia?

The main effort needs to be directed towards maintaining GDP growth. On the second level, the government needs to provide adequate infrastructure to ensure that everyone has access to healthcare. Sometimes this can be something as simple as building a road, a bridge, so that people in urgent need of medical attention can get to a hospital in time. Another example would be providing a healthcare reimbursement system. This would drive forward the pharmaceutical business. Even things like education and increasing literacy can enable growth as more people will be successfully diagnosed and treated thus increasing the demand for pharmaceuticals.

To put the Malaysian government in a regional context. Very small countries like Singapore can do a great deal to develop a high-end, high-tech pharmaceutical industry. Although Singapore does not have a substantial population it has done well to make it easy for companies to manufacture in Singapore and subsequently export around the region. This has mainly been achieved through tax incentives and providing good access to talent.

In China it is the other way around. Companies invest in China not only because they have access to scientists and cheaper resources but mainly because it provides access to an immense market. Thinking about Malaysia, the country falls in between these two types. If the country wants to distinguish itself it must look to a specific niche where the country can really excel.

How can companies in Malaysia and the Asia Pacific region work with government to create reimbursement schemes which are beneficial to all?

Most large pharmaceutical markets and where the majority of the population has good access to healthcare have some sort of payer system in place. Without this payer system individuals pay out-of-pocket and therefore make choices based on their income. This often might be sub-optimal choices because patients go for treatment too late or do not take the required preventative treatment. Having an effective payer system benefits the population as a whole however it tends to be more costly.

In terms of industry trends, MNCs are diversifying into innovative generics in order to offset the patent cliffs affecting big pharma. Is diversification the answer in the Asia Pacific region and how has IMS been able to help these companies adjust?

IMS tracks the performance of many products across the region. In Asia the patent cliff is not as steep as it is in other parts of the world. In the USA and in Europe patent expiry is synonymous with a significant drop in company revenues. These companies are therefore compelled to find growth through branded generics in emerging markets.

In emerging markets including Malaysia, increasing income per capita generates new potential consumers of pharmaceuticals. These consumers tend to first use generics because they are low cost. As consumers become older and richer they may then switch to branded generics over time. This is could be an attractive market segment for MNCs.

How do you explain the fact that the patent cliff is not as steep in Asia as in the rest of the world and is there a real need to move into branded generics if this is the case?

The reason the patent cliff is not as steep is thanks to the significant value that consumers ascribe to certain brands. There are concerns over the quality of some generic medications as well as worries that they could be purchasing counterfeits. Consumers are therefore prepared to pay a premium to avoid these worries.

In addition, governments in Asia Pacific often try to protect their own generics industry and so prices for generics are not dramatically reduced compared to the original branded product.

The choice of investing in branded generics is dependent on the individual business strategies of the companies. Companies such as Sanofi-Aventis have made a choice to ride the wave of volume growth in Asia. In order to tap this market of new consumers the best way is to sell generics or branded generics. Other companies such as Bristol Meyers Squibb have chosen another path, concentrating on their innovative pipeline and actually withdrawing from certain Asian markets declaring they would come back once they had new products available.

Another strategy used by the MNCs in the face of patent expiry has been megamergers between companies such as Pfizer and Wyeth, Merck and Schering Plough. Do you see this model of mergers and acquisitions continuing in the Asia Pacific region?

In Asia there are many companies seeking to tap into the region's growth and they are considering buying companies, brands and portfolios. The reason for this is that rather than investing in new facilities and starting from scratch it is often a faster strategy to acquire a local company and

grow at the same rate as the market. MNCs are very good at launching innovative drugs in the market but have limited experience in launching generics.

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