

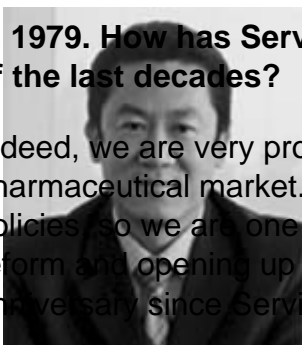
Interview with Pony Lu, General Manager, Servier China

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As one of the first pharmaceutical companies to establish a presence in China back in 1979. How has Servier's presence evolved alongside China's huge transformations of the last decades?



Indeed, we are very proud to be one of the pioneering foreign companies in China's pharmaceutical market. The year was 1979, just one year after China embarked on its reform policies, so we are one of the few foreign invested enterprises that have participated in China's reform and opening up from the very beginning. In fact, this year we are celebrating the 30 year anniversary since Servier established its presence in China.

Contrary to many foreign players that initially entered the country through their products, the contacts between Servier and China began from the public welfare cooperation side. In 1980, Servier founded the first Sino-France exchange program in China jointly with China Medical Association and Air France. This program has not only promoted academic exchange between Chinese and French medical experts in cardiology, endocrinology, neuropsychiatry, and other fields, but also made an active contribution to boost friendship between China and France. It was encouraged at the time by Mr. Deng Xiaoping himself, and is still in operation today.

Servier soon afterwards began supplying its products to Chinese patients, our first being Diamicon (diabetes) and Duxil (cerebrovascular diseases). To the company's satisfaction, these two drugs were very well accepted and won the confidence of physicians and patients, paving the way for Servier's further development on the Chinese market. Thereafter Servier has continuously introduced more patented drugs on the Chinese market. It also relocated the China head office from Honkong to Beijing in 1998, where we have built up a professional and highly motivated team.

In addition, in 2000 Servier established a new joint-venture in China with longtime partner Huajin. The new entity was named Servier Tianjin Pharmaceutical, and included an investment of over 130 million RMB in state-of-the-art GMP compliant manufacturing facilities which officially began production in 2004. Not content with only localizing production, Servier has also set up Servier (Beijing) Pharmaceutical Research and Development Co. since 2001 in order to participate in the group's scientific research activities and study the therapeutic possibilities of traditional Chinese substances.

China's pharmaceutical market has been growing strongly in recent years and is even expected to overtake the UK and enter the global top 5 very soon. How important is China's market in terms of revenues and growth for Servier from an Asian and global

perspective?

China's market has increasingly become of strategic importance for Servier as in the case for most multinationals and is already one of the company's top 5 international subsidiaries. Sales performance has seen progression at annual rates of around 35%. With coming launch of innovative drugs in cardiology, oncology, and neurology, we foresee even accelerated growths in the future.

But the importance of China for Servier goes well beyond its attractive market, as illustrated by our continuous investments in the country which have made this subsidiary the third largest in terms of headcount for the group. Moreover, Servier's expanding manufacturing facilities in China are not only allowing us to supply medicines to the domestic mainland market but also abroad. Indeed, since 2004 we have been exporting to locations such as Hong Kong, Thailand, Singapore, the Philippines, Vietnam, Myanmar and South Korea.

The government has recently announced further details of its healthcare reform plan which will spread service centers and insurance to cover for the first time hundreds of million Chinese in rural and inland areas. What are the main opportunities and challenges you see for Servier in this new context?

Without a doubt it is expected that the market will expand significantly over the next three years as the government reform plans are implemented. However, along with the expansion in coverage in terms of essential medicines we are likely to see even stronger price controls by the government in order to manage its healthcare spending. The patient pool in these new areas is indeed huge, but consists mainly of people with very low income levels, who therefore have little capacity to pay for drugs themselves.

In this context, pharmaceutical companies must realize these conditions and make a well-thought out decision of how to go into these markets. In the case of Servier, we are innovation-driven but also focused on a few specialty areas. As such, we currently believe that it would be a better strategy for us to further deepen our involvement with existing hospitals and concentrate on major cities. Given our specific characteristics, there are more opportunities for growth by focusing on quality rather than quantity. In this regard we will continue developing our cooperation with hospitals, raising our key competencies and capacities in China.

With aims to narrow the gap between itself and the most advanced countries, China is also looking to accelerate its transformation from a manufacturing-focused country to an innovation-based economy. What is your assessment of the current environment for innovation in China?

The trend is positive since the government has recently made it clear that innovation is a key priority for China's development in the coming years. As R&D is one of the core values of Servier, we believe that the situation is therefore beneficial to us and our colleagues in the innovation-based pharmaceutical sector. However, in order to fully appreciate and foster innovation, there is a need for more concrete mechanisms to evaluate its true value and translate this in the pricing policy.

This mechanism will allow for a better understanding of the value of innovation and quality, not only for foreign invested companies but also for the domestic players who are making efforts in these key aspects. Hopefully it will also have a positive influence on the whole pharmaceutical industry in China in terms of paying greater attention to quality and safety standards. We hope that this will lead to a constructive consensus that will benefit all the stakeholders in the pharmaceutical and healthcare sectors.

What is the importance of China for Servier's global R&D and clinical trials activities?

As one of the first international pharmaceutical group entering China, and a research-based firm, Servier is constantly introducing various global clinical trials to China. Focusing on cardiovascular, endocrinological and neuro-psychiatric domains (the major research fields of Servier Worldwide R&D Group), Servier has actively cooperated with local medical societies and aims to provide most up-to-date medical information to local medication providers. In particular in recent years, most international multicenter trials supported by Servier including PROGRESS, HYVET, and ADVANCE have involved China as a major country with total around 6400 Chinese patients registered.

Servier is somewhat of an exception in the global pharmaceutical industry, thanks to its enduring private ownership and particular corporate culture. How are these factors reflected in Servier's development in China?

I believe that Servier's unique ownership structure allows us to be more focused on the long term vis-à-vis other companies, in terms of our determination to carry out projects and investments that span many years. One great example of this is the France-China Medical Week program which has been held continuously every year since 1980, the longest lasting such initiative of its kind in China.

As elsewhere, all of Servier's actions in China are guided by our Founder Jacques Servier's three guiding principles:

Our chief principle, naturally, is to satisfy the needs of the physicians who prescribe our products and of the patients who benefit from them.

Just as importantly, we want our research to contribute to the progress of medicine. Research is to us is at least as vital as being an industry.

Our third principle is all the more crucial as it is too often overlooked: it is that every person working for us should find fulfillment through and in what they do.

After 15 years working for Servier you are now at the head of one of its most promising and dynamic subsidiaries. How do you feel about this great opportunity and the responsibilities?

My own story with Servier is an illustration of how this company gives high importance to the development of its people. I have been with the company for the last 15 years, throughout which I have continuously been provided with opportunities to grow and develop myself professionally. I left my native Taiwan in this process and now have the honor of leading Servier in one of the largest, fastest growing and most competitive markets in the world. It is very exciting to be contributing to the development of the Chinese pharmaceutical market, which is happening at an unprecedented rate and at a scale that will probably never be seen again. It feels like we are writing history.

What is your final message to the readers of Pharmaceutical Executive on behalf of Servier China?

Present since 1979 in the country, Servier is one of the pioneers in China's pharmaceutical sector, and more excitedly, the year of 2009 when is the 30th anniversary of Servier China to be celebrated will be memorable to every Servier staff.

With guided by the three principles, Servier China will constantly reinforce its involvement in the country's pharmaceutical development by means of the following key points:

To build up a powerful and efficient operational team through upgrading and standardizing the internal management system.

To provide various training opportunities and internal promotions to our staff in order to achieve a win-win development on both the enterprise and staff themselves.

To improve the quality of the country's medical service and the health condition of Chinese people via reinforcement of R&D investment and introduction of innovative drugs to China.

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