Interview with Rodrigo Castillo Claro, Business Manager Chile, IMS Health Chile

05.04.2012

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ed by two investment funds, how has this affected the operations of the company and what changes did it bring in the Chilean context?

So far, the acquisition has been beneficial for our Chilean operations. We expect bigger transformations to take place starting January 1st 2011, and I am convinced they will be very good for the company as a whole, as well as for the industry.

What have been the main milestones and achievements for IMS Health Chile since its establishment in the country?

We started as a small company producing a national audit report that we were delivering to our clients in the industry on a quarterly basis. After that we developed our software platform that allows us to manage the data we receive from our supply chains in a more user-friendly way. Later on, we developed the DDD product at the beginning of this decade and then after 2005-2006 we started to follow the industry trend of migrating from being only a data supplier of the industry into a more consulting and services company. In Chile we introduced our consulting services one and a half years ago by consolidating a consulting team made of very valuable professionals with backgrounds in the consulting and the pharmaceutical industry. Since we directed the focus on these services we have been growing a lot, so I consider we are on a very good path today.

Beyond the consulting services you mentioned, how has your portfolio of services developed in Chile? What is the relative importance of your consulting services for your total revenue?

In Chile we have between 12% and 14% of our revenue coming from consulting services but we are planning to grow in order to reach the worldwide goal of 25%. As for the rest of the services in our portfolio, we are currently developing market research services, portfolio analysis. The idea for our operations in general is to shift to more added-value services. We want to bring ideas from our offices in Europe and the US and apply them here, of course keeping in mind the specificities of the Chilean market. We are working on that right now and as a result we will have several new offerings to bring to the market in 2011.

How successful has IMS been in attracting local pharmaceutical companies who are in fact the market leaders of the Chilean industry? What other kinds of clients has the company been tapping in the Chilean context?

In my opinion, we have been very successful so far, and we managed to build long term relationships with the local pharmaceutical companies. I have been in the industry for the last 25 years, starting at IMS for 7 years, then moving to the industry where I worked for two local companies, and now coming back to IMS â?? so we know each other very well. In addition, we make no difference between the local and the multinational pharmaceutical companies; they are all very good customers for us.

In terms of IMS Healthâ??s supply of data in Chile, how would you rate the ease and quality of data collection in the country as compared to the US or Europe? What are the main challenges you face in this regard?

The quality of the data we have in Chile is spectacular considering that we receive a census of sales directly from the three main pharmacy chains, which account for more than 80% of the market in units and approximately 93% of the market in value. On another front, we work with the two main distributors that cover 95% of the market for purchases in independent pharmacies. When you add these two sources, at the end of the day, our position in Chile is remarkable from the point-of-view of data quality. We do have an issue with the prices because the pharmacy chains have confidential purchasing prices. In that regard we have an algorithm that estimates prices but it is not always 100% accurate. Nevertheless, for what concerns units and volume, our data is perfectly accurate.

In the Chilean context, what makes IMS the partner of choice for consulting services versus other well-established companies such as Baker & McKenzie or PWC for example?

The pharmaceutical market is a very particular one given that it is very different from any other industry. This is why having the right data is very valuable in providing the best service. Furthermore, it is the experience of the team that makes the difference. In IMS Health Chile we understood the importance of that and we have developed a whole new team with wide expertise in various fields, such as in the pharmaceutical industry, marketing, market research, product launching and so on. Having the competent people together with our first-class data gives us the capacity to offer the best solutions and services to all the companies in the market.

Given the objective view IMS Health has of the pharmaceutical industry in Chile, what would you say are the most important peculiarities of this market and what are the most important drivers and trends for the Chilean pharmaceutical industry today?

The Chilean pharmaceutical market is a particular market. On one hand it is a fully liberalized free market, with free prices and free margins, and without restrictions in terms of how far one pharmacy should be from another. On the other hand, the market is very concentrated, which for us is advantageous because we do not have to deal with a lot of clients, but it is also a disadvantage because the market is fragile and we have to be very attentive when dealing with each of the pharmacy chains.

Referring to the pharmaceutical companies, I think they suffered more in Chile up until 10-15 years ago, when there was no patent protection and the competition here was very strong. At this point in time, they have managed to learn how to compete and are in a better position â?? you can see now that products launched from local companies are not as successful as they were before. Additionally, there are drugs such as Lipitor or Nexium that have a very strong position in the market, which you would not have seen twenty years ago.

Another characteristic of the Chilean market is that R&D in the primary market segment has been heavily decreasing in the last decade giving more and more importance to specialized international products. As a consequence, multinationals are now consolidating and improving their market share and have future plans of getting their products into the AUGE program â??local government program that covers a high number of diseases by refunding the total medicine cost-, which would highly benefit them. They are complaining that the government chooses low cost products for AUGE, but we should not forget that Chile is still an emerging country so the governmentâ??s cost-cutting position in this matter has to be respected to a certain extent.

What do you think needs to be done to improve the image of the countryâ??s healthcare system and what are the priorities that should be addressed first?

Chile has an international property law in place and even though it might not be perfect, it exists. If we want to be a full member of the free trade agreements with the USA, Canada and Mexico some changes have to be made to provide a proper protection to all products commercialized here.

Do you foresee Chile will become a regional hub for clinical trials given the countryâ??s solid scientific community, strong GDP and HDI?

I think we have the potential of being a future clinical trials hub, but always involving multinational companies. As a country, Chile has a huge debt in R&D in general â?? not only in the pharmaceutical industry. That is why even today we are still exporting raw materials and importing more added-value products from those raw materials.

In your opinion, what is lacking for Chilean companies to leverage their full potential on a regional scale?

The principal reason why you do not see large Chilean pharmaceutical companies as regional plays is that they started operating later when compared to Argentinean or Brazilian companies. To give you a personal example, I worked for the Chilean company Andromaco where I was in charge of international relations and responsible for opening new markets. While at that company, we started our regional expansion in 1995-1996 while Argentinean companies had already been doing it since the 1970s. Due to this, I think the relatively small presence of Chilean companies is liked to a matter of time and money. Moreover, the Argentinean market is four times the size of the Chilean one, which allowed the Argentinean companies to enter large markets, such as Mexico, Colombia, Brazil while Chilean companies took smaller and less risky ones such as Bolivia, Peru and Ecuador. But we do have some examples of success in our pharmaceutical industry. Recalcine, for example, has a presence all over Latin America and has also acquired a vaccines company in the UK; Saval, and AndrÃ³maco are also examples of expansion into different countries of Latin America. In conclusion, Chilean companies do internationalize but slower and with a late start compared to other national companies in the region.

What does IMS do to attract and retain the best talent in Chile? Do you tend to recruit from within or outside the industry?

Chile is a small country and our idea in IMS Health is to work as a whole team globally. This means that if I need a consultant for a very complex project I will look for the resources in our office in Brazil or some other place in the region. Our principle office in Argentina takes care of Chile, Peru, Ecuador, Bolivia, Paraguay, and Uruguay so if we need some help we go to them. In general we do not recruit people from other consulting companies in the business, in my opinion it does not make much sense to do so. As a company we already have 1800 consultants in around the globe. With this talent pool we have all the resources, expertise and know-how to deal with a complex consulting implementation in any country. We value the global network that we have and we are proud of it. Finally, Latin America as a region has been growing heavily in the number of consultants, with Chile growing at a 50% rate.

Overall, where does IMS see the Chilean pharmaceutical industry is headed, say in the next 2 to 3 years, and what are the main opportunities for growth?

Our goal is to give the right and proper answer to any request, question or issue that a pharmaceutical company might have. We are not in the specialty market yet, but we are working to get there in one or two years. Another great initiative would be to have a patient database, of course an anonymous one, which can be very helpful in terms of knowing the level of loyalty for the current treatments they are receiving. This is because one important issue for companies is to succeed in keeping patients on their therapies for as much time as is needed.

What is your final message for our readers of Pharmaceutical Executive about the commitment of IMS Health to Chile?

As I was mentioning earlier, IMS is committed to give the proper and best answer to any requirement we receive from our customers. This is the main goal we have for our company in Chile in the future years and we are confident that this position will bring with it the growth we desire.

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