

MSD Korea â?? Don Hyun, President



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Don Hyun, president of MSD Korea, shares his vision to bring Korean pharmaceutical companies to the global stage and to bring a locally produced drug to blockbuster status in the coming years.

2014 represents MSDâ??s 20th anniversary in Korea. How did the affiliate commemorate the occasion?

In the current environment where most pharmaceutical companies are scaling down on expenses, we felt that it was important to be modest. We rented out a venue, and in the spirit of corporate social responsibility, we had an auction where employees bid for items donated by myself and my leadership team. We also put together a slideshow outlining the affiliateâ??s history.

What were some of the highlights of this history?

The most notable highlight was the continuity of first-in-class and best-in-class medicines that MSD brought to Korea. In the US, Merck was Fortune Magazineâ??s â??Most Admired Companyâ?• from 1987 to 1993 across all industries. This was due to Merck science making breakthrough discoveries and producing first-in-class drugs year after year during this time period. Cozaar, the first ARB hypertension drug, Fosamax for osteoporosis, Singulair for asthma, Gardasil for cervical cancer, or Januvia, an oral anti-diabetic, are all examples of a continuous momentum of first-in-class drugs brought to Korea.

Merck has also brought new energy to the local pharmaceutical industry. The quality of MSDâ??s drugs and leadership has attracted incredibly bright and young talent, which we have developed in line with Merckâ??s mission and standards. Customers still tell me today that Merckâ??s sales reps are different from others because of their in-depth knowledge of the science behind our high-quality products they are selling. Other companies have probably closed the gap but MSDâ??s legacy and reputation still exist.

Furthermore, Korea has traditionally been a very male-oriented society, although this is changing. MSD Korea was the first pharmaceutical company to hire a female sales rep, and now 45 percent of our 400+ sales force are women. Until recently, 70 percent of my leadership team consisted of women. The power and talent of women in the workforce is something that Merck really drew up into the industry.

How does Korea compare in terms of reimbursement processes for MSD?

Across all pharmaceutical companies, the pricing level for new drugs is at about 44 percent of the OECD average. That is one of the bigger reimbursement hurdles we face for new innovative drugs. After all the effort and cost between discovery and commercialization, such low pricing is not attractive and can sometimes be a barrier to access. We must overcome this.

Nevertheless, Korea is still an important market worldwide and has become a top priority country for MSD. What are the specific opportunities for growth for MSD Korea?

Despite all of the good lead indicators, cost containment measures that reduce value have slowed market growth down to less than three percent. However, MSD has grown faster than the market by having strong maintenance of its off-patent originals. In many developed markets, off-patent products lose all their promotion and resources. Contrastingly, if you continue to invest wisely in Korea, you can still maintain a good market share. There is a strong original brand affinity here. A good example of this is Cozaar, which went off patent at the end of 2008. MSD still enjoys about 40 percent of peak sales. That would not happen in many Western countries.

We also grow faster than the market due to our strong vaccine sales in the private market. Korea's National Immunization Program includes some vaccines, but there are also some important ones that are not included, such as those for cervical cancer and shingles. MSD has found a way to develop a private patient pay market that helps both physicians running their own clinics and consumers, bringing great value to their health.

Thirdly, partnerships are a cornerstone of this affiliate. MSD cannot reach all areas of Korea alone; our portfolio is not wide enough to do that. Local partners have that portfolio and reach, so it is very synergistic to engage in co-promotion relationships.

A different type of synergy is MSD's partnership with Samsung to develop biosimilars; how important will this relationship be in the coming years?

This will be very important. The biosimilar story with Samsung dates back to 2009. Both Samsung and MSD had and still have a global brand value that is top-notch. After much discussion, with MSD's expertise and Samsung's capital, we decided that the two powerhouses could work together. But at that time, MSD was just starting in biopharmaceuticals, and Samsung had not done much in healthcare. Nevertheless, Samsung came up with some in-licensed products and within a year and a half they had three promising molecules. By creating a global partnership, Samsung was able to carry out clinical valuation development and product registration, while MSD retained global commercialization rights. We are looking forward to the addition of those products towards the end of 2015.

Additionally, Samsung's highly respected corporate culture is vital in terms of what a company is able to do. As an example, Samsung founder Lee Byung-chul decided to pursue the semiconductor industry in the 1980s, an area where the company had no experience and everyone believed was destined to fail. Today, Samsung is the world leading chipmaker. This demonstrates that when a conglomerate like Samsung puts its mind to it based on government expectations, as it does today with pharmaceuticals, things happen very quickly. That is what we are experiencing now.

How else is this affiliate capitalizing on the local competencies of the Korean market?

We feel it is very important to help Korean pharmaceutical companies get onto the global stage. Our collaboration with Hanmi involves a global contract to export and commercialize the calcium channel blocker and angiotensin receptor blocker fixed dose combination (FDC) Cozaar XQ in 60 major markets around the world, through Merck channels. We are very proud of this; this combination drug is the first of its kind and is in line with government strategy. MSD also continues to explore more avenues and projects in that regard.

MSD has ramped up its R&D investment in recent years, with multi-million dollar investments in areas like cancer and Hepatitis C. To what extent is this affiliate involved with this research?

MSD Korea does not actively participate in the discovery or development of new molecules but we do have a large clinical trial presence here with a large clinical team that works with leading global trial centers. Merck Research Laboratories (MRL) has very high standards and has certainly recognized the development of Korean science; not too long ago only Phase III trials were allowed in Korea. About five years ago, Phase IIa trials were acknowledged by MRL, and more recently Phase I trials have been accepted here. This story demonstrates the improvement of Korean science, specifically clinical trials activity throughout a relatively short timeframe. As recently as the late 1990s, KFDA officials were skeptical about bringing a global clinical trial to Korea; fifteen years later, the country is a clinical trial hotspot.

What was the inspiration for the turnaround in mentality?

The government's focus in terms of leading or nurturing the pharmaceutical industry was part of the inspiration. For many years, the industry was very much generic-focused and there was not much ambition to get the Korean pharmaceutical industry on the global stage. The Korean government envisaged a future in which products were made locally, but this required bringing in expertise and science. Given Korea's strength in academics and importance of education in the country, this naturally flowed into the R&D area. Very influential centers like Seoul National University, Samsung Medical Center or Asan Medical Center frequently lobby for clinical trials to come to Korea.

How do you evaluate the importance of this subsidiary to the worldwide MSD organization?

The Korean affiliate is relatively small, 13th or 14th in market size, with a growth rate that has slowed down from double digits to single digits. As a top ten market, we bear a great responsibility that every other affiliate is expecting. Looking at our track record, we have grown faster than the market consistently for a number of years. We have consistently delivered on our promises, developed talent and exported it to other regions as well as headquarters. In 2013, we had 15 of our employees working in regional jobs or positions based in other countries. I recently announced that three of my leadership team are moving on to roles of increasing responsibility. Continuous development and export of talent is extremely important for this affiliate.

How do you think you will define success in the coming years?

Helping local Korean pharmaceutical companies arrive to the global stage will define our success. George Merck once said that profits are important but the patient is the first priority. If we get that right, profits will follow. In the same spirit, when you are doing business in Korea, helping the local market and companies is the paramount factor. When you do that, you create a very good support system indirectly, which helps you succeed and sustain that success for a long time. In line with the Government's vision, I would like to see Korean companies succeed on the global stage.

Looking at growth, where would you like to take this company in terms of its positioning within the Korean market?

In 2009, before Schering-Plough acquisition, MSD was ranked eighth in the market. After the acquisition, we moved to seventh. In November 2009, the two legacy company employees got together for the first time ever. I declared that day that in five years's time, by 2015, MSD would become the number one player in the market. We have slowly moved up the ranks to second place, and we are not too far from first place. It would be wonderful if we hit that goal sometime next year. I hope to sustain that by getting locally made products by local companies onto the global stage. We add value to the local industry, generating goodwill for MSD in a high priority market and leaving the footprint of MSD Korea in a strong position.

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