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Japanese ophthalmology specialist Santen first established a China affiliate in 2005 and has grown very successfully in the past 14 years. GM of Santen Pharmaceutical (China) Co., Ltd.

(hereafter, Santen China) Takayuki Yamada gives his first impressions of the Chinese market since his arrival in April 2019, Santen's commitment to serving patients in China, key collaborations including their JV with local company Chongqing Kerui, and Santen's commitment to growing and investing in China so that Santen China can become the top affiliate for Santen globally.

Takayuki, having spent nearly six years with Santen mainly in European markets and at HQ in Japan before arriving in China in April 2019, what are your first impressions of the China market?

Before I arrived, I thought of China having a unified policy within the country, as in Japan. However, metaphorically speaking, I soon realized that in terms of the healthcare market, China is actually very similar to Europe, where the healthcare budget management deeply depends on each province. In Europe, while the European Medicines Authority (EMA) oversees drug approvals, pricing and reimbursement differ based on the national processes and regulations of the European Union (EU) member countries. Similarly, in China, the different provinces also have their own pricing and reimbursement systems under the strong provision of the China government policies, which companies have to navigate. Of course, the overall regulatory regime in China is completely different from Europe. In addition, in certain aspects like Health Technology Assessment (HTA) and health expenditure management, China is still catching up to Europe. From the industry side, there are functions such as medical affairs which are catching up rapidly to Europe. Therefore, in general, I see opportunities to leverage my understanding of European markets in China, as well as my connections with other Santen leaders at HQ.

China has been a very important market for Santen for many years. I have also had the privilege of speaking to other Santen executives that understand the China market well, including our current President and COO Shigeo Taniuchi, who actually worked in the Chinese affiliate in the past. Consequently, my adaptation to the market and the Santen China business over the past few months has been smooth.

Where does Santen stand in China today, and what was your assigned mandate?

Santen is a Japan-based global specialized player focused on ophthalmology, with a commitment to the development of unique scientific knowledge and organizational capabilities to contribute to the well-being of patients.

I am very proud to share that our organization has been quite successful within the ophthalmology market in China. This is a testament to the efforts of the organization here for more than 14 years.

My mission is to continue building on this success while further expanding our business here. Today, Santen China is the second-largest affiliate for the group globally, after Japan business. Our ambition is to position Santen China as the largest affiliate, surpassing even the Japan market. To achieve this, we need to expand our presence here while evolving the organizational capability.

Santen's footprint in China dates back for decades. We continue to grow rapidly here and we see enormous potential in the China market. We see many areas where we can bring our expertise in support of the local ecosystem. For instance, the glaucoma segment in China is very underdeveloped compared to mature markets. There are many reasons for this, including a shortage of doctors and under-diagnosis. As a company specialized in ophthalmology, we can contribute more by supporting academic societies and medical associations, so that patients in China can receive better quality of care. Hopefully, these activities will help stimulate the glaucoma segment and bring new business opportunities for Santen.

How have the recent regulatory changes affected Santen's business here?

In general, we really appreciate that the government is accelerating the regulatory processes to bring new and innovative products to market quicker. They have also implemented new policies to support faster clinical development. All of these are positive moves for the market and brings benefit for the patients. In response, we want to accelerate our own operations on the clinical and regulatory side. We see strong opportunities to increase our investment in China on the R&D and clinical fronts.

However, there are several initiatives concerning price pressure for off patented products such as 4+7 policy. As the policy implementation progresses, we are preparing ourselves to adapt according to the requirements and trends of the market.

How well does Santen's current portfolio meet the needs of the China market?

We currently occupy a significant share of the market, and patients and doctors really appreciate our products. Our biggest growth drivers currently are anti-infectives and dry eye ophthalmic solutions. We are happy to know that our products serve the needs of the patients in various ways.

As mentioned, glaucoma is an important part of Santen's global portfolio and we are confident that this segment will grow in China as well. We have already launched a glaucoma product, Tapros®, in 2016.

Moving forward, we have some very exciting products in our pipeline that we look forward to launching in the China market as well.

In addition to our own portfolio, Santen has a very open approach to partnerships and collaborations. We are always on the lookout for new commercial opportunities, particularly if we have an established presence in the relevant markets like China. Very often, other companies approach

us to see if we can help them commercialize their products. As a strong market player in China, we have a lot to offer them, and our main focus is to bring products that will benefit patients in China.

Another example of Santen's partnership strategy is your JV with Chongqing Kerui, established in March 2016. How does this fit in Santen China's growth strategy?

Our partnership with Chongqing Kerui is progressing well and we are very happy with the collaboration. We started this JV because Santen's presence in China is mainly focused on top-tier hospitals in larger cities. However, as you know, China is a very large market and the hospital network extends to community hospitals and clinics serving the grassroots population, especially in more rural areas. These are areas where we have not been able to reach as well as the top-tier hospitals.

Our JV with Chongqing Kerui is intended to serve this important part of the market, where affordability is a critical part of the equation. This is why we are building a new manufacturing facility through this JV, which will maintain our quality standards while producing products catering to the specific needs of this market segment. This is important because we want to be able to meet the different needs within the China market.

We already have a manufacturing site in China in Suzhou, which is one of our four global manufacturing sites, producing high-quality products with GMP-certified production capabilities. This allows us to bring the necessary capabilities and expertise to our new production plant while adapting to the specific needs of the JV. It is important to find a good balance between quality and price without sacrificing Santen's commitment to quality manufacturing standards and compliance.

China is an important part of Santen's global manufacturing network. What about on the R&D side?

Globally, Santen has placed our global R&D operation mainly in the US, Europe and Japan. However, through our philosophy of "network product development", key markets in Asia and other emerging regions also play an important role in our R&D activities, particularly for late-stage clinical development.

In China, we have already been working to increase our clinical activities. I see many areas where we can still improve, including the evolution of our R&D capabilities. We currently have a team in Beijing running clinical trials, including bridging trials and post-approval trials. However, in the near future, our ambition is to start including China in global clinical trials. This will entail a significant increase in our R&D and clinical capabilities in China but we are very willing to make that investment.

Looking at the China organization, what is remarkable is that you have around 800 employees here which is more than the size of Santen's entire EMEA organization! How do you find managing an affiliate of this size?

The environment here is certainly very dynamic. The majority of our employees here are sales reps, and the challenges there are talent retention and recruitment. This is a never-ending cycle for

the industry here, I believe. However, at Santen, we believe that as long as the organization has a clear vision and concise strategy, with a concrete direction for progress, which our people understand fully – they will be committed to Santen and the Santen organization will be a healthy and productive one. This is what has always worked for us.

In addition, we have an extremely capable team leading the China organization and I think we have a strong and robust management system in place here. For instance, I have noticed that the China organization operates in accordance to clear procedures and processes. This may seem more rigid compared to the more flexible management style in European affiliates, which gives leaders more independence, but the discipline it imposes can also support the organization’s growth and functioning.

On a more personal note, most of the foreign China GMs we have interviewed have commented on the importance of China experience to a global industry career. How do you see this?

I absolutely agree. Throughout my career, I have worked in many different markets including Japan, various countries in Europe and now China. Not many people have the opportunity to experience this diversity. Exposure to different markets and cultures definitely supports career development because you gain experience in managing different organizations as well as a better understanding of global dynamics. China is such an exciting and dynamic market with a lot of complexity so GMs can definitely learn a lot from being here.

For Santen in particular, the company is still relatively young within the global arena and there are regions where we have yet to establish a direct commercial presence, including the US and South America. These are also interesting opportunities for industry executives.

A final message from Santen China?

Santen is continually looking at how we can bring more value to patients – encapsulated in our slogan – “A Clear Vision for Life”. There are many patients requiring better prevention, diagnosis and treatment in China and we want to use our science and knowledge to deliver better outcomes for them. Therefore, we are very committed to growing and investing in China for the long-term.

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