■ Enhancement of ZP’s commercialization division
■ Cost containment in Asia
■ OTC sales on the rise
■ Views from the region

the market partner

Issue 55  |  September 2012
The significance of Asia-Pacific for multinational pharmaceutical companies continues to grow as other regions slow in the face of challenging times in the global economy. Understanding the diverse market needs and regulatory systems that lie within Asia-Pacific through our long presence in this part of the world and leading healthcare distribution services, Zuellig Pharma has recently taken a significant step in its business development with the re-establishment of our commercialization division, PharmaLink.

As the Feature Story in this issue of The Market Partner shows, the purchase of Invida’s commercialization activities has placed Zuellig Pharma in an advantageous position to put our accumulated experience and up-to-date local know-how to work on behalf of principals in this critical area. Leveraging our on-the-ground experience and cross-regional presence, our new services open up fresh opportunities for partners to optimize their business while continuing to focus on core competencies. PharmaLink will provide clients with the ability to outsource traditional sales and marketing activities as well as regulatory services to complement their growth strategies in Asia.

With pharmaceutical expenditures accounting for 17% of all healthcare spending globally, cost containment among payers is becoming another key concern for the pharmaceutical sector. IMS reports. In Asia-Pacific, the issue is growing in importance as the population ages in many countries and the money required for new treatments escalates. The situation has resulted in regulatory changes and measures to hold down spending.

Our IMS article explores the changing strategic landscape in Asia-Pacific, examining trends and methods used for reining in costs. It also looks at why pharmaceutical companies should proactively try to participate in solution-building with healthcare stakeholders.

In the OTC sector, specialists Nicholas Hall and Company provide a global overview through their DB6 2012 database, in partnership with Nielsen in various countries. The analysis finds that emerging markets helped to keep OTC sales worldwide on the rise in 2011. In a more detailed look at different regional markets, Latin America is shown to be the fastest growing area. Meanwhile, Asia-Pacific (ex Japan) shows encouraging growth, with South Korea and Indonesia both enjoying solid results.

Indonesia also comes under the spotlight in the Economist Intelligence Unit’s article, which explores the country’s economic policy and recent trends toward protectionism. Political pressure as the 2014 elections move closer and the consequences of the legislature’s decision to vote against an increase in the price of subsidized fuel products are among the issues discussed.

Further news about Zuellig Pharma includes the rollout of the Retail Management Solutions initiative in Indonesia, with services including store redesign and category management strategies. We are also pleased to announce the launch of Zuellig Pharma Specialty Solutions Group’s clinical trials depot in Bangladesh.

Wishing you a successful autumn.

Roland Bruhin
CEO Healthcare Distribution
and Commercialization

Rolf Steffen
CEO Healthcare Services
and Investments
PT Anugerah Pharmindo Lestari (APL), Zuellig Pharma’s distribution company in Indonesia, has introduced an initiative to develop employee value propositions and convey a strong consistent message to potential recruits that APL Zuellig Pharma is a great place to work and an employer of first choice.

As recruitment is now becoming a two-way selection process, where potential employees also make a key decision as to whether to join a company or not, employer branding and how potential recruits feel about a company’s brand as an employer is becoming an important part of recruitment. It is also increasingly critical for business success or failure.

A Corporate Leadership Council study concluded that strong employer brands provided access to 20% more of the potential talent market than weak or unmanaged employer brands. Companies with a strong employer brand reputation were also able to attract candidates away from their current employers with a significantly lower increase in compensation than companies with a weak employer brand reputation. The APL initiative is being supported by the Regional Communications Team.

Several activities have been conducted in line with the move. APL staff members have spoken to students at leading universities in Indonesia and the company has participated in job exhibitions. Almost 10,000 visitors attended the job exhibition held in April 2012, with APL receiving more than 1,500 applications in two days. A web-based career site that enables job-seekers to get up-to-date information on vacancies and to apply online has also been created.

APL is set to continue these activities and strengthen cooperation with campuses and professional organizations to ensure a strong pool of talent for the company’s leadership pipeline and ongoing success in the future.

Macau move: Zuellig Pharma has entered into an agreement to acquire 100% of Lei Va, a well-established healthcare service provider in Macau. Both parties have been jointly managing the business since April 1, 2012, and this will continue until the transaction has been completed. The acquisition will enable Zuellig Pharma to extend its quality services directly to the Macau market.

APL builds employer brand

Retail Management Solutions rolled out in Indonesia

After a successful pilot in Q4, 2011, the Retail Management Solutions (RMS) initiative is now underway in Indonesia. On May 27, 2012, Apotek TBS became the eleventh retail pharmacy RMS store to be launched. At the opening ceremony, in which principals also participated, activities for the local community included an aerobics session, free medical check-up by a local doctor, blood tests and special promotions on consumer health brands.

RMS services provided to retail pharmacies by APL include store redesign and lay-out, space planning, category management and plan-o-grams. Category management strategies and plan-o-grams are based on analyses of sales data that APL obtains from each store. APL also helps outlets with training in retail concepts and the use of point-of-sales software as well as securing principal investments in in-store trade marketing and merchandising programs.

To date, all the stores that have partnered APL in the RMS initiative have enjoyed significant sales growth. All are reporting increases in consumer traffic and impulse-buying, resulting in a bigger “basket size” per customer.

A redesigned store interior improves the shopping experience for consumers.

A principal’s stall at a store opening.
The fourth annual Regional Clinical Trial Management Workshop brought together Zuellig Pharma Specialty Solutions Group’s (ZPSSG’s) clinical trial management community to share developing trends and ZPSSG successes in the clinical trial industry. A special focus of this year’s event was alignment and harmonization of clinical trial management services across the depot network and introduction of a new key account initiative. The event was held from April 26-29 in Bangkok where an enthusiastic crowd of 32 representatives from all ZPSSG depot countries gathered for focused discussions, training and team-building.

North Asia launch session
For the first time, the workshop kicked off with a North Asia-focused segment which placed emphasis on the booming clinical trial industry in that region, in particular China, Korea Taiwan and Japan. The group discussed the positive outlook for clinical trial activities in such locations and how ZPSSG is well positioned to support the needs of customers there. To our local depots’ credit, they have quickly reacted in recent years to the ever-changing regulatory landscape in addition to continually evaluating and implementing facility expansion. New and larger depots were put in place in China, Japan and Korea in 2011 while Taiwan and Hong Kong will undergo upgrades in 2012.

ZPSSG now has eight depots in North Asia and results have unfailingly impressed, with double-digit growth in the last financial year. The Group will continue to interact with its customers in these locations to design innovative and cost-effective supply chain solutions.

Quality management
Quality assurance is of utmost importance to the success of our clinical trial business. Quality management of ZPSSG’s clinical trial operations and processes has matured over the years, including notable achievements in the roll-out of regional quality assurance guidelines, creation of a comprehensive regional standard operating practices library and harmonization of process-oriented systems, such as training and record-keeping.

Mr. Seth Thompson, ZPSSG’s new Associate Director, Business Development (Clinical Reach), gave a presentation on “A Sponsor’s Perspective”, providing an overview of the drug development process and highlighting the qualities sought by sponsor organizations when partnering with clinical trial management logistics providers. In his talk, Mr. Thompson stressed the need for ZPSSG to continually take proactive steps to understand shifting industry expectations in order to keep the network of depots and service offerings relevant and competitive and staff knowledgeable.
At a separate session, Ms. Jocelyn Fajardo, Zuellig Pharma’s Regional Quality Assurance Manager, provided trending data from clinical trial audits across our depot network. In 2011, ZPSSG successfully participated in more than 20 principals’ clinical trial management quality assurance audits conducted at one of our 15 depots. By gathering, analyzing and sharing quality performance data, our depot quality assurance managers can better gauge the standard of excellence expected of them.

**Future service developments**

ZPSSG will be rolling out new service offerings across our network, further augmenting our industry-leading position as a one-stop logistics service provider for all clinical trial needs. The workshop provided an opportunity to lay the groundwork for our local depots to begin offering these service options.

Our Clinical Reach service suite will now also include lab kit building and biological specimen transportation services. Through these new services, ZPSSG will become involved earlier in the clinical trial lifecycle, allowing us to better understand the nature of the investigational agent and the direction of the clinical program.

Clients are assured of a complete Good Distribution Practice for Medical Devices (GDPMDS) and ISO13485-certified lab kit building service carried out in ZPSSG’s state-of-the-art facilities. This latest service will include medical device inventory management services to reduce inventory levels and reduce costs of obsolescence.

We are also excited to announce the addition of our biological specimen transportation service. This offers trend-setting provision providing international and local transportation to the client’s central or local lab facilities. ZPSSG’s existing facilities and capabilities allow us to provide packaging for lab specimens, including the required dry ice, directly during site pick-up. However, the true innovation lies in storage and consolidation services that will be performed through ZPSSG’s depot facilities, creating significant courier cost reduction.

ZPSSG is the only service provider in Asia able to support all of sponsors’ and contract research organizations’ clinical trial logistics needs through a single service company and under a single contractual agreement.

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The CTM workshop was successfully held in Bangkok.

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**CTM depot opens in Bangladesh**

In April 2012, ZPSSG commissioned its proprietary clinical trials depot in Bangladesh. The controlled ambient warehouse catering specifically to clinical trial logistics is a first-in-class facility of its kind in the country. The secure and access-controlled facility boasts 24-hour temperature monitoring, power generator backup systems and a comprehensive set of policies and procedures covering all clinical trial management operational processes to meet ZPSSG’s stringent regional quality standards.

Bangladesh’s development as a clinical research destination has been hampered by a lack of mature clinical trial regulations, trained clinical research professionals and facilities. “However, a number of innovator pharmaceutical companies, research institutes and contract research organizations are keen to explore possibilities and willing to make inroads into the vastly untapped pool of patients in the Bangladesh market,” Mr. Georg Schulz, ZPSSG General Manager (Clinical Reach), noted. “Many stakeholders we have spoken to believe Bangladesh has great potential to be one of the future clinical trial markets.”

Recognizing this potential, ZPSSG decided to put its facility and procedures in place. The new facility has already commenced shipments for its first study, which covers multiple sites in and around Dhaka. Plans are also in place to ramp up capacity when required and to include additional 2-8 degrees storage and handling areas to meet the future needs of principals.

With the addition of the Bangladesh depot, ZPSSG’s Asia Pacific network has a total of 15 depots in 13 countries as of May 2012.

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**Moving ahead**

We are pleased to announce that Mr. Seth Thompson has been appointed Associate Director, Business Development (Clinical Reach). His previous experience includes clinical supplies management, vendor management, quality management and auditing, as well as clinical trial operations and project management. Seth will be responsible for enhancing services to clients, developing strategic growth plans for key accounts and helping to develop market strategies. He reports to Mr. Georg Schulz, General Manager (Clinical Reach).

Ms. Cindy Chow has become Operations Manager and will oversee warehouse and production operations. Cindy will take the lead in driving best practice initiatives in order to achieve top operational performance. She reports to Mr. Giuseppe Leo, ZPSSG Chief Executive.
Corporate

We are pleased to announce the appointment of Mr. Alfred Lai to the position of Chief Financial Officer at Zuellig Pharma Asia Pacific. He will take up all Zuellig Pharma finance and accounting responsibilities. Alfred is a Fellow of the Association of Chartered Certified Accountants in the UK, an Associate of the Hong Kong Institute of Certified Public Accountants, and an Associate of the Institute of Chartered Accountants in Australia. Alfred is based at Head Office in Hong Kong and will report to Mr. Roland Bruhin, CEO Healthcare Distribution and Commercialization, and Mr. Rolf Steffen, CEO Healthcare Services and Investments.

Bangladesh

Mr. Ishtiak Ahmed Taher has joined Zuellig Pharma Bangladesh as Director of Human Resources and Support Services. In this role he will be responsible for human resources, quality, IT and procurement. Ishtiak brings over 20 years’ experience to the post after a 14-year career in the Navy, including four years with the Office of the President of Bangladesh. He has also held human resources leadership positions at Square Pharmaceuticals and Maersk Bangladesh. Ishtiak is a graduate of the Institute of Business Administration at Dhaka University, the country’s top business school. He reports to Mr. Robert Kruit, Managing Director.

Hong Kong & Macau

Mr. Ko Yun Hei has been appointed Logistics Service Manager, warehouse, at Zuellig Pharma Hong Kong. Prior to joining Zuellig Pharma, he worked as Operations Manager at Power Hub

People to Watch

The new Market Partner talents who are responding to the demands of our ever-expanding businesses

Limited and General Manager at Stand Rich Creation Ltd. He also worked at DKSH Hong Kong Ltd for 14 years, serving in a variety of roles related to operations. In addition, Mr. Sam Fu has been appointed Logistics Service Manager, redressing. He previously worked as Repackaging Manager at DKSH Hong Kong Ltd. Both report to Mr. Benny Tsoi, Distribution Center Manager.

Mr. Daymond Lee has become Deputy General Manager for Lei Va, Zuellig Pharma’s new acquisition in Macau. Daymond previously spent over 11 years at Pfizer in Hong Kong, where he worked as Business Unit Director – Primary Care. Daymond reports to Mr. Charles Tang, Chief Executive, Zuellig Pharma Hong Kong.

We are also pleased to welcome Ms. Sheona Ho as Finance Manager for Lei Va. She has worked as Senior Analyst at Melco Crown Entertainment Ltd and as Finance Manager at Behringer Macao Commercial Offshore Ltd. Sheona reports to Mr. Daymond Lee.

Indonesia

PT Anugerah Pharmindo Lestari is delighted to report that Mr. Ian D. Griffiths has become Chief Operating Officer. Ian is a senior business leader with 27 years’ fast-moving consumer goods experience across multiple disciplines and international markets. Prior to joining APL, Ian worked as Managing Director – Consumer Health for SOHO Group Indonesia where he was responsible for the development and execution of strategic business plans and annual operating plans as well as the achievement of sales and EBIT objectives. He reports to Mr. Santiago Garcia, President Director.

Mr. Hartanto Kusmanto has joined the company as Chief Financial Officer. Hartanto is a seasoned financial professional with more than 16 years of solid, relevant experience in various industries, including manufacturing and holding groups. He has worked as the chief financial officer for PT Rolimex Kimia Nusamas (Sinar Mas Group) and ICI/Henkel Group. Hartanto reports to Mr. Santiago Garcia, President Director.

We are also pleased to announce two promotions. Mr. Irwan Muliadi has been made National Sales Manager – General Trade. After joining the company as a management trainee in 2005, Irwan has successfully worked in various roles, including Principal Account Manager.

Mr. Catur Hendi has become National Sales Manager Bayer. Catur joined APL in 2001 as a sales executive and has performed strongly in different positions during his 11 years with the company. Both Irwan and Catur report to Mr. Gabriel Montadaro Wu, Vice President – Consumer Healthcare Division.

Malaysia

Zuellig Pharma Malaysia welcomes Mr. Lee Chiew Ho as Facilities Manager. Lee is a mechanical engineer by training and has been involved in plant and machinery
mababangloob have Mr. Edgar Mr. Rolly Bernardo Sales Director been promoted to Mr. Cesar Reyes report to Mr. Joseph of our customers. They teams in meeting the growing demands (Manny) Concio Cahoy and Mr. Manuel (Manny) Concio have been promoted to Vice President. Both will continue to provide leadership to their respective sales teams in meeting the growing demands of our principals and serving the needs of our customers. They report to Mr. Joseph Nathaniel Aguilar, Chief Operating Officer. Mr. Cesar Reyes has been promoted to Sales Director while Mr. Rolly Bernardo and Mr. Edgar Mababangloob have been appointed Group Sales Managers. These moves are aligned with the changes in the configuration of the sales divisions, emphasizing greater focus on the route-to-market strategy. Cesar and Edgar report to Mr. Manny Concio while Rolly reports to Mr. Danny Cahoy. Ms. Marlene Gallardo has become Assistant Vice President – Customer Accounts Management Group. Marlene has provided great leadership in the various roles she had assumed in past years. She reports to Mr. Joseph Nathaniel Aguilar, Chief Operating Officer.

Ms. Michelle (Mitch) Gragas has been promoted to National Sales Manager – Government and Industrial Accounts, one of the fastest growing segments of the healthcare industry, while Mr. Jenewel (Jing) Mondares has become National Sales Manager, Accounts Receivable. Jing started at Zuellig Pharma as an accounts receivable controller handling modern trade accounts in 2001 and has undertaken a number of different roles since then. Both report to Ms. Marlene Gallardo, Assistant Vice President – Customer Accounts Management Group.

Ms. Sheila Bautista has been made Director, Sucat Group Operations. This promotion highlights the strategic importance of the expanded scope of Sheila’s responsibilities in supporting growth objectives, including multi-site ortho-clinical diagnostic operations and clinical trials management. In addition, Mr. Garry Galvez has joined the company as Supply Chain Director. Garry has more than a decade of experience in supply chain management. Prior to joining Zuellig Pharma, he was Supply & Demand Enterprise Optimization Manager for a multinational oil company. Both Sheila and Garry report to Mr. Ashley Antonio, Vice President Distribution.

Mr. Leo Paul Maagma rejoins the Internal Audit section as Internal Audit Manager. Leo will report functionally to Zuellig Pharma Philippines Chief Executive Mr. Raymond Azurin and administratively to Mr. Nilo Badiola, Vice President and Chief Financial Officer.

Mr. Joseph B. Arelano has joined Metro Drug Inc (MDI) as Warehouse Manager. He brings with him over 20 years of experience in the field of supply chain operations, ranging from warehousing, logistics and overall supply chain management from work with Intel. Recently, he has been engaged in consulting for Dunlop Slazenger Philippines Inc., on warehouse automation projects and order management systems. He reports to Mr. Nestor Carl P. Riego, Vice President – Supply Chain.

Ms. Giovertin N. Rosales is MDI’s new Manager for Human Resources & Organizational Development. Giovertin has worked in human resources, training and organizational development in various industries, specializing in competency-based career development programs, employee engagement, succession planning, and human resources information systems. Prior to joining the company, she was working as a consultant for global companies. She reports to Ms. Debbie C. Ilagan, Vice President – Human Resources.

Mr. Sinforiano G. Rosario, Jr., has been appointed National Sales Manager for Pharma 2 at MDI. He has accumulated almost 23 years’ experience in sales and marketing for pharmaceutical and insurance companies, including United Laboratories, Sanofi-Synthelabo Philippines, BPI Insurance Group and Scigen Philippines. He reports to Mr. Freddie Madregallejo, Vice President for Sales and Customer Service.

Mr. Ha Minh Quang has joined Zuellig Pharma Vietnam as Credit Control & Collection Manager. He will be responsible for effective management of credit control and collection. Prior to joining Zuellig Pharma, Quang worked for five years as sales and credit controller for AkzoNobel Paints Vietnam. He reports to Mr. Ralf Hoffmann, Finance Manager.

Thailand

At Zuellig Pharma Thailand, Khun Chanchai Thamromdee has taken up the post of Vice-President Commercialization.

In this new position, Khun Chanchai will be responsible for our recently established commercialization business in Thailand, including sales and marketing services in the hospital channel. Khun Chanchai joins us from GlaxoSmithKline, where he has worked for the past 19 years in a variety of roles, including Vaccines Business Director and Strategic Planning and Public Affairs Director. He reports to Mr. Arthur Katsanos, Regional Director Commercialization, with a dotted line to Mr. Yves Hermes, Chief Executive, Zuellig Pharma Thailand.

Khun Yuth Metheewitud has become Vice-President Human Resources. Khun Yuth has worked in human resources for 21 years, including posts at several leading European and American companies in both local and regional roles. His last position was Vice President Human Resources & Administration at Hutchison CAT Wireless Multimedia. He reports to Mr. Yves Hermes, Chief Executive, Zuellig Pharma Thailand.

Vietnam

Zuellig Pharma Taiwan is pleased to announce that Mr. Johnson Hsu has been appointed National Sales Manager. Johnson has more than 15 years’ experience in sales and product management in the pharmaceutical and OTC areas. He reports to Mr. Arthur Lai, National Sales Director.
Despite strong growth and good prospects, signs that Indonesia is becoming more protectionist are raising fears about continued reform.

Since recovering from the 1997-98 Asian financial crisis, Indonesia has achieved stable GDP growth of 5%-6% a year. Progress by the government in cracking down on corruption and liberalization of the business environment have led to increased foreign investment and excitement about the prospects of one of Asia's most populous and resource-rich countries. But legislation aimed at addressing the shortcomings of the country's business environment and moving the economy on to a faster growth path will go forward in a stop-start manner, reflecting conflicting views on reform.

Indonesia has remained relatively untroubled by the problems that have affected the global economy in recent months. GDP growth of 6.5% in 2011 was the fastest in 15 years. The domestic focus of the economy - Indonesia is much less export-oriented than most of its neighbors - reduces its exposure to fluctuations in global trade. Last year, growth was balanced, with healthy contributions from household demand, investment and trade.

However, the outlook is less stable. There are signs that economic policy is becoming increasingly protectionist and nationalistic, a trend that is likely to become more apparent with the approach of the 2014 elections. In February 2012, President Susilo Bambang Yudhoyono, who has been at the helm since 2004, signed a law that requires all of the country's mines to be at least 51% owned by Indonesians by their tenth year of operation, an approach that will force foreign mining companies to divest some of their shares. In May, the Ministry of Finance imposed a 20% tax on exports of mineral ores ahead of a moratorium on all such shipments, which is due in 2014.

These measures reflect renewed opposition on the part of nationalistic politicians toward foreign firms operating in the natural resource sector. The February ruling reverses the terms of the 2009 mining law that granted foreigners the right to own mines in toto, though no new licenses have been issued since that legislation was passed.
foreign investors to divest at least 20% in any mine to local entities after five years.

The ruling could affect long-established operations, such as the Grasberg copper and gold mine operated in Papua by the local subsidiary of Freeport-McMoRan Copper & Gold, a US company, which is currently renegotiating its contract of work with the government. BHP Billiton (Australia), Vale (Brazil) and Eramet (France) are among other mining firms that may be affected.

The Indonesian Mining Association, an industry body, has warned that the new rules could deter investment and noted that many mines would not break even even after 10 years of operation owing to the capital-intensive nature of the sector.

The moratorium on the export of raw mineral products from 2014 is designed to encourage greater investment in processing and refining in Indonesia. However, the scale of the capital investments required and the risks to which they would leave companies exposed mean that the changes could result in further companies divesting assets. Meanwhile, the tax on exports of minerals is aimed at discouraging the front-loading of production and export of unprocessed ores ahead of the ban taking effect in 2014.

Political pressure

The erratic nature of economic reform in Indonesia reflects the political pressures that guide and constrict government action. Powerful political and business interests within the government have a strong interest in the divestment of foreign mining stakes, for instance, particularly those linked to the group of companies owned by the family of Aburizal Bakrie, the chairman of the Golkar party and its presumptive presidential candidate in 2014.

The government must also respond to popular pressure, which had been building in the wake of discussions on the contentious issue of cutting fuel subsidies. Before a crucial vote in March on whether to do so (which would have raised the price of subsidized fuel products by 33% from April 1) a week of violent protests culminated in thousands of demonstrators gathering outside the sprawling parliament complex. The police used tear gas and water cannons to disperse the protesters after they assailed the main gate.

The government had proposed an amendment to the budget law that would have allowed an adjustment to the fuel price each time the price of oil rose by 5% above the benchmark set in the state budget (a margin that has already been exceeded and would have triggered immediate price increases). In the event, legislators voted instead to allow adjustments to fuel prices if oil costs exceed the budget assumption by 15% on average over a six-month period. Oil prices were at the time around 10% above the budget assumption. Although the price of crude oil (dated Brent Blend) has fallen by around 15% from the highs of close to US$130/barrel reached in early March, the average price so far this year is still well above US$100/barrel, making it the longest period on record during which prices have remained above that level.

Subsidies are a highly sensitive issue in Indonesia. Fuel price increases triggered the rioting that led to the downfall of the country’s long-time dictator, Soeharto, in 1998, and in 2002 the then president, Megawati Soekarnoputri, backed down from planned rises owing to public protests. Mr Yudhoyono was forced to raise prices twice in 2005 during his first term in office but the collapse in oil prices that accompanied the 2008-09 global financial crisis allowed him to cut fuel prices back by 25% in early 2009, helping to shore up his popularity ahead of the 2009 presidential election in which he won his second term in office.

Fiscal fallout

The decision by the legislature to vote against a rise in the price of subsidized fuel products will increase pressure on public finances. According to the revised budget for 2012, the fiscal deficit is expected to reach the equivalent of 2.2% of GDP, compared with a shortfall of 1.5% previously.

Finance minister Agus Martowardojo said that the decision to allow some flexibiity over subsidized fuel prices was essential to the country’s fiscal stability. However, the decision still delays any action to address the rising burden of subsidies. In the meantime, funds for the subsidy will have to be found through savings in other areas of expenditure. The increases in energy prices would have saved an estimated 60 trillion rupiah (US$6.7 billion) in subsidy costs this year. Those funds will now be drawn away from other spending priorities, such as investment in infrastructure.
Prior to the decision to abandon the fuel price increases, the legislature had also decided to postpone indefinitely a proposed 10% rise in the basic electricity tariff, which would have resulted in additional savings of 8.9 trillion rupiah from the electricity subsidy this year. Without the cuts, fuel subsidies are now projected to absorb at least 137.4 trillion rupiah in 2012, up from the previous assumption of 123.6 trillion rupiah, while the electricity subsidy is expected to amount to 65 trillion rupiah, up from 45 trillion rupiah. A further 23 trillion rupiah have been set aside as a reserve to cover fuel and electricity subsidies.

The scale of subsidy spending is considerable. The total 225.4 trillion rupiah allocated to energy subsidies this year is equivalent to approximately one-fifth of central government expenditure. By contrast, central government spending on education is projected to account for only around one-tenth of total expenditure.

Benefits from fuel and electricity subsidies accrue largely to wealthy households, which own cars and have homes connected to the national electricity grid. In a report released in March, the Asian Development Bank found that the richest 50% of households accrue largely to wealthy households, which own cars and have homes connected to the national electricity grid. In a report released in March, the Asian Development Bank found that the richest 50% of households own 40% of subsidized fuel and the richest 50% of households use 84% of subsidized fuel.

**Outlook**

There are some policy-related positives. Parliament has approved legislation aimed at making it easier for the state to acquire land for development purposes. The law, approved in December 2011, sets rules for resolving disputes and agreeing compensation, and should remove one of the major obstacles to a number of much-needed infrastructure projects. It also seems likely that the anti-corruption drive will continue, even if Indonesia’s Anti-Corruption Commission (KPK) will continue to face constant opposition. Several other long-awaited changes, including reform of Indonesia’s labor laws, may not prove politically feasible.

In macroeconomic terms, the outlook is still for robust growth. Indonesia was affected less severely by the 2008-09 global financial crisis than many neighboring economies, largely because exports account for a relatively small proportion of its GDP. For the same reason, Indonesia should cope better than most of its neighbors with the expected slowdown in global growth in 2012, though we still expect Indonesia’s real GDP growth to slow, to 5.9%, from 6.5% in 2011. The economy will then expand by 6.5% in 2013 and continue to grow at around this pace in 2014-16.

Private consumption will remain a major engine of economic growth, expanding by 5.2% a year on average in 2012-16. After years of banking and corporate sector restructuring following the 1997-98 Asian financial crisis, the conditions finally appear to exist for sustained growth in gross fixed investment, which we expect to expand by 9.3% a year on average in 2012-16, supported by stronger domestic demand and increased inflows of foreign investment. Exports of goods and services grew at double-digit rates for the second year in a row in 2011, largely thanks to healthy Chinese demand for Indonesia’s commodities, but growth will slow to 7.1% in 2012. Exports will then expand at an average annual rate of 9% in 2013-16. Growth in imports of goods and services will average 9.4% a year during the next five years.

Nevertheless, Indonesia remains vulnerable to a wider slump in the global economy, which is still a possibility despite an easing of the euro crisis. Falling demand for exports and lower commodity prices would have an impact on major coal and palm oil-producing regions on Indonesia’s outer islands, as well as manufacturing centers on Java. Trade would also be impeded by any restrictions on the availability of trade finance while falling remittances from overseas would hit the incomes of households dependent on funds from migrant labor. Capital flight stemming from financial market volatility also presents a risk.
The global OTC growth rate continued to grow in 2011, according to Nicholas Hall’s DB6 2012

Global overview: emerging markets are star performers
Global OTC sales grew by 4.5% in 2011, up from 3.8% in 2010, as revealed by Nicholas Hall’s OTC database DB6 2012 – in partnership with Nielsen in certain countries.

As developed markets continued to post low growth, emerging markets once again performed best with Brazil, Russia, China and India producing standout results. In terms of switch brands launched in 2011, Allegra fexofenadine allergy remedy (Chattem/Sanofi) made the biggest impact with US sales totaling US$282 million from its launch in March to the end of the year.

Johnson & Johnson remained the world’s No.1 OTC marketer despite posting a double-digit decline for the second consecutive year. The company continued to be affected by recalls in the US and the suspension of manufacturing at its Fort Washington plant. Novartis rose to second place, marginally ahead of Bayer. GlaxoSmithKline – which dropped to fourth place – will fall further in 2012 having recently divested non-core OTCs to Prestige Brands and Omega Pharma. No.5 marketer Sanofi achieved the strongest organic growth among the top 20, driven by the US switch of Allegra and strong performances elsewhere. Takeda entered the Top 10 thanks to its acquisition of Nycomed. Meanwhile, Procter & Gamble and Teva’s new consumer health joint venture, PGT, debuted in 12th place, one rank ahead of Procter & Gamble, which now comprises North American OTCs only.

Asia-Pacific: encouraging performance, except in Japan
OTC sales in Asia-Pacific grew by 5% to US$36.7 billion. Excluding the US$10.8 billion Japanese market (-0.7%), growth was 7.5%. East & Southeast Asia (+7.7%) accounted for 57% of regional sales, while the Indian subcontinent recorded the strongest growth (+10.9%).

China is the No.1 OTC market in Asia-Pacific and 8.4% growth was recorded, despite competition from low-priced medicines on the essential drugs list and growing popularity of store brands. In urban areas, sales were driven by the affluent middle classes while expanded distribution by numerous marketers helped growth in rural locations. Switch approvals continued in 2011, including Sanofi’s Essentielle, which is set to launch later in 2012. It will compete in the fastest-growing gastrointestinals category, liver and bile remedies, which thrives owing to the high incidence of hepatitis B.

Increasing disposable income has benefited sales of Lifestyle OTCs. Smoking control grew but it remains relatively small as marketers are holding back on launches and advertising and promotion as they do not believe consumers currently have the right mindset to quit.

Japan, the region’s No.2, has largely recovered from the March 2011 tsunami and earthquake, aside from the worst-hit areas. But other factors, including a lack of pharmacists and an overcrowded market, continue to result in sluggish sales. Sales of Class I OTCs (high-risk, pharmacist-only new switches) continued to suffer due to a lack of stores with pharmacists and poor consumer understanding of the class-based OTC retailing system. One exception is Daiichi Sankyo’s Loxonin S.

The loxoprofen switch brand, launched in January 2011, was the main reason behind the 5.5% growth of systemic analgesics. Meanwhile, allergy remedies

Source: All data in this report is at manufacturers’ selling price (MSP) from Nicholas Hall’s DB6 2012, in partnership with Nielsen in certain countries.
Cough, cold & allergy was the strongest category, with allergy remedies enlivened by the switch of Allegra in March 2011. Systemic cold & flu sales fell by 2.5% as recalls of Johnson & Johnson’s leading entries, Tylenol and Sudafed, devastated the topline. Antacids & antiflatulents declined as leading proton pump inhibitors, including Prilosec OTC (Procter & Gamble) and Prevacid (Novartis), suffered owing to competition from private labels and new rivals such as Zegerid OTC (MSD). Multivitamins produced moderate growth as a result of the dynamism of formats such as gummies, and specialized formulations including eye care vitamins.

In Canada, sales of analogues (+5.1%) were boosted by a strong topicals category resulting from the meteoric rise of Novartis’ Voltaren Emulgel since it gained unscheduled status in April 2010. Cough, cold & allergy was the best-performing category as systemic cold & flu remedies benefited from a more severe cold and flu season. The shining light in dermatologicals was vaginal yeast infection antifungals, boosted by the performance of newly switched oral fluconazole brand Canesoral (Bayer).

**Europe: Central & Eastern Europe markets grow again as economic issues hinder West**

European OTC sales increased by 2.8%, driven by the emerging markets of Central & Eastern Europe (+6.7%). In Western Europe, which accounts for 72% of the region’s US$31 billion OTC sales, growth of 1.4% exceeded the flat performance of 2010. However, tough economic conditions continued to take their toll.

Germany – Europe’s No.1 OTC market – grew by 0.6%, an improvement on declines in previous years. Falling sales of vitamins, minerals & supplements and a flat performance by cough, cold & allergy were offset slightly by growth for analogues and dermatologicals. Generics and branded generics (retailing at significant discounts) are a major bar to OTC growth, enjoying strong on-shelf presence and pharmacist recommendations.

In France, a flat performance in 2011 was an improvement on the downturn of 2010 (caused primarily by cuts to the reimbursement rate). Further cuts (from 35% to 30%) in May 2011 hit certain acne remedies, allergy remedies and antifungals, and, in October 2011, the government de-reimbursed 80 medicines deemed to have “insufficient medical benefit.” These included some mouthwashes, antiseptics, calcium products, herbal joint health supplements and hemorrhoid preparations.

In May 2011, cough remedies – already suffering from the ban on mucolytics for use in children aged
less than two years – were hit by the reverse-switch of 23 SKUs containing pholcodine. In addition, allergy remedies dived following the reverse-switch of mequitazine in September 2011. Topical analgesics (+8.8%) benefited from the switch in 2010 of diclofenac 4% and heparin. Meanwhile, self-selection continues to expand.

Italy was the strongest performer in Western Europe, with sales up 6%, driven partly by volume increases (+2%) but mostly price rises. Vitamins, minerals & supplements performed best, with most major categories growing. Topical analgesics were held back by ketoprofen brands, which were reverse-switched in Italy and several other European countries in 2011. Antacids growth was helped by new product development and expansion of proton pump inhibitors, notably the launch of Novartis’ Pantoloc Control in 2010 (under license from Nycomed), and the switch of omeprazole in mid-2011.

Spain’s OTC market was flat in 2011, with volume down (-3%). As the country’s economic woes continued, cash-strapped consumers shifted from purchasing OTCs to reimbursed Rx products to save money. In addition, the government has instructed pharmacists to prescribe low-cost entries rather than more expensive semi-ethicals. Wide-scale reimbursement cuts are expected in 2012 to reduce state healthcare expenditure, with antidiarrheal, expectorants and artificial tears identified by ANEFP, the Spanish National Association of Pharmaceutical Specialities Advertising, as suitable categories. In 2011, systemic analgesics were worst hit by economic issues while cough remedies were boosted by a flurry of natural launches. The switch of the morning-after pill in late 2009 caused the nascent emergency hormonal contraception category to flourish from a small base.

Flat value sales in the UK reflected modest growth in several categories, offset by a stagnant performance by analgesics and plummeting cough, cold & allergy sales. The latter was caused by restrictions on certain ingredients in children aged less than 12 years. However, allergy remedies grew, helped by the driest spring conditions in the UK for 40 years in 2011. Smoking control sales rose following strong mass market sales and innovative launches, notably Nicorette QuickMist (McNeil / Johnson & Johnson), the world’s first stop smoking mouth spray.

Growth of Russia’s OTC market in 2011 slowed to 6.9% in value sales, and 2% in volume (compared to the double-digit highs of pre-2010) as price increases eased in the wake of 2010 regulations fixing the cost of essential drugs. Analgesics grew, though the reverse-switch of codeine in June 2012 will impact systemics in future. Advertising and promotion helped cough, cold & allergy to grow while antifungals were boosted by consumers turning to branded remedies for the first time.

OTC sales in Poland picked up (+5.6%), driven by dermatologicals, vitamins, minerals & supplements, and gastrointestinals. Mass market sales are growing but pharmacy remains the key channel. Multivitamins were boosted by heart health formulas and pediatrics, while the aging population aided growth of herbal & natural joint health supplements. Hemorrhoid preparations grew well in the wake of launch activity, notably systemic Procto-Hemolan Control (Aflofarm) in late 2010. Future sales will be impacted by the Reimbursement Act – implemented on January 1, 2012 – to fix prices for reimbursed medicines and ban promotional activities/discounts relating to such medicines in pharmacies. This is likely to lead to declining sales of reimbursed medicines, but OTCs may benefit as they remain freely priced and advertiseable.

Latin America: fastest-growing region

Latin America is the world’s fastest-growing region in terms of OTC value sales, up by 12.5% in 2011. Growth of 15.8% in Brazil was driven by increased disposable income among social classes C and D. Meanwhile, the decision by regulatory agency ANVISA to put most OTCs behind the counter gave pharmacists greater opportunities to recommend cheap generics and similar brands, which are supported by commission paid to pharmacy staff. However, the behind-the-counter ruling has already been overturned in São Paulo and there is a strong possibility that other areas will follow suit.

Analgesics grew by 14.5%, driven by consumer-oriented marketing to stave off competition from generics, launches and line extensions. Cough, cold & allergy sales were strong, thanks to the absence of generics in the systemic cold & flu category, while advertising and promotion and the launch of Reckitt Benckiser’s Strepsils boosted sore throat remedies (+17.1%). The strong performance of the smoking control category is set to continue following the introduction of a federal law in December 2011 banning smoking in all enclosed public places and tobacco advertising at point of sales, plus a tax hike on tobacco.

Mexico experienced another year of solid OTC growth (+5.5%). However, sales were impacted by the economic climate and increasing competition, which has led to a drop in prices. Meanwhile, OTC association AFAMELA is campaigning for more switches – including medicines that treat high blood pressure and cholesterol – to meet the demands of the aging population. Genomma strengthened its leadership of Mexico’s OTC market and one area in which the company thrived was dermatologicals – Mexico’s fastest-growing OTC category (+9.3%) – where it fields several key brands. A 25% increase in flu cases during the 2011-12 winter season in Mexico City boosted systemic cold & flu remedies.

In Venezuela, rapid OTC sales growth (+20.9%) was driven by inflation. Dermatologicals performed best boosted by feminine intimate care. Cough, cold & allergy grew by 23% with the nascent allergy remedies category performing particularly well despite some brands being kept behind the counter owing to their pseudoephedrine formulation.
The Asia-Pacific pharmaceutical market is complex and varies significantly from country to country. While the regulatory process is demanding and the cost of entry is high and time-consuming, the region is becoming highly significant for sales globally, with annual growth in many markets consistently achieving double digits. Many companies are also facing competing internal challenges of balancing time and resources between focused, patented, high-growth products and other brands that still make up a sizeable part of a company's revenue and profit but do not all have patent protection.

Thus, companies are seeking alternative solutions in Asia-Pacific and many are deciding to outsource what were traditionally in-house services in order to better focus their resources and improve productivity and profitability. These services can include marketing planning, product management, registration and sales.

The decision to "outsource" sales force coverage offers several key advantages. It provides a way to maintain prescriber relationships, increase call coverage and frequency, and deliver a consistent, ongoing message. In addition, the realignment of sales and marketing strategy involved in outsourcing allows for a focus on building brand loyalty, with specialists in sales and marketing teams directing attention to primary care prescribers, increasing brand volume and protecting against generic penetration.

However, outsourcing is a major decision for most companies, especially if they have not previously considered such a move. A reliable, trustworthy partner such as PharmaLink, with a history of success in managing product portfolios in Asia-Pacific, is therefore essential.

PharmaLink: acquisition and history
The 2011 sale of Zuellig Pharma's minority interest in Invida, a drug commercial solutions joint venture formed in 2005, to Italy-based Menarini, created the opportunity for Zuellig Pharma to negotiate and finalize the acquisition of "contract sales organization" (CSO) commercial activities and the PharmaLink trade mark from Menarini.

Prior to June 2005, PharmaLink was a division of Zuellig Pharma and had established its position throughout Asia-Pacific as the trusted pharmaceutical and healthcare sales and marketing partner for research-based pharmaceutical companies.

As the marketing and sales division of Zuellig Pharma, PharmaLink offered a full range of solutions vital to penetrating the ever-changing healthcare markets of Asia-Pacific. PharmaLink provided a pan-regional approach with a dedicated focus on providing creative marketing solutions. The objective was to drive full commercialization of every portfolio for principals.

The acquisition of the contract sales organization business from Menarini and transition to PharmaLink involves many of the original PharmaLink principals who started their commercial sales and marketing outsourcing partnership with Zuellig Pharma. The response from such principals has been very positive with regard to their renewed association with Zuellig Pharma.

Likewise, Zuellig Pharma views this as an excellent opportunity to add significant value to the range of activities that will benefit partnerships with existing and new principals. PharmaLink will commence operations in the Philippines, Thailand, Malaysia, Indonesia and Hong Kong.

Benefits to principals include the opportunity to drive productivity for company portfolios through strong sales and marketing solutions, Asia-Pacific expertise and knowledge, along with channel management structure and sales flow of products through Zuellig Pharma.

Active partnership
A successful partnership is based on a clear understanding of a company's strategy in outsourcing sales and marketing responsibility. Is the decision based on cost reduction or the need for increased share of voice to maintain market share? To prevent the rate of decline for mature products or increase sales volume? Or as a safeguard against generics?

Such understanding along with recognition of responsibilities, effective communication and key performance indicators between both parties are critical for outsourcing success.

It is therefore imperative that there are dedicated personnel on both sides to ensure that regular communication takes place through performance reviews of various sales force metrics, achievement of agreed sales and marketing targets, promotional activities and support. Quality support in terms of training in product knowledge, disease management and sales skills are paramount to sales force ownership of the challenge.
An effective agreement on reward and recognition also influences ownership and enhances the motivation of the sales force to increase performance.

Figure 1 highlights what can be achieved by outsourcing sales force call coverage and a dedicated sales force focusing on the product, prescribers and a consistent sales message.

**Results-oriented services**
PharmaLink will initially offer two business models for principals:

**Contract Sales Organization (CSO)**
This flexible option drives sales and sharpens customer focus. PharmaLink offers either an exclusive or syndicated full-time sales force to carry out all marketing requirements. Multi-line sales force opportunities, flexi-time representatives for niche product lines, and a task force approach to growing a business in specific markets are just some of the numerous methods that PharmaLink has devised in its ongoing endeavor to provide results-oriented services.

These services are supported by a state-of-the-art Electronic Territory Management System along with a comprehensive doctor database for most therapeutic areas in ASEAN markets.

Outsourcing to PharmaLink’s sales force enhances the focus on sales, resulting in the protection of volume and profitability of mature products. Through alignment of a principal’s philosophy, strategy and tactical plans with PharmaLink’s outsourcing model, a partnership with PharmaLink can limit the decline of mature products and bring a host of additional benefits:
- Implementation of strategy and tactics that actively drives market growth.
- Strong sustainable partnerships built to protect principals’ volume and profitability in the short, medium and long term.
- A shared risk outsourcing model based on service, maintenance of volume and success agreements.
- Outsourcing also implemented as a training and development platform, maintaining full occupancy of sales force structure.
- Reduction in local human resources management issues that can complicate sales force employment and management.
- A cost-effective way of maintaining customer relationships and protecting brand value.
- With increased generic competition, outsourcing coverage of primary care prescribers allows a company to focus on maintaining brand loyalty with specialist groups.
- Under a full contract sales organization model, the marketing directions, decisions and support are the responsibility of the principal.

**Contract Sales and Marketing Organization (CSMO)**
All the benefits of a contract sales organization model, with the added advantage of marketing personnel employed by PharmaLink and marketing direction under the approval of the principal. This model allows for more effective customer channel management and the execution of disease management programs and the following product lifecycle management:
- Product pre-launch: research key prescriber targets to maximize product launch.
- Product launch: increase share of voice to maximize product launches and coverage of primary care prescribers, allowing the principal to focus on specialist prescribers.
- Managing mature products: maximize share of voice and product focus to prevent decline in sales and market share.
- Co-promotion: protect the value of products against generic competition.
- Co-marketing: create a dual branding strategy to prevent erosion of product value from generics.

**Further opportunities**
In addition, PharmaLink provides the following services:

**Registration**
PharmaLink offers full registration services allowing clients to direct their resources to primary and focus strategies. The registration group is experienced in operating in ASEAN markets. Registration in this region can be a challenge and for companies with limited resources or looking for market entry, working with a reliable and trusted partner with the resources of Zuellig Pharma and PharmaLink can provide a great deal of security.

**Marketing**
A complete portfolio of marketing services is available to clients who require additional support in such activities. Although these services are provided independently, they can be incorporated in a more comprehensive package to support existing or new products. Services include:
- Market and product strategy consulting and plan development.
- Product management.
- Market research and analysis – this service is also available at pharmacy and trade levels.
- Pre-launch assessment and strategy development.
- Key opinion leader review and profiling.
PharmaLink can also offer tailor-made solutions to assist our clients in their marketing planning and execution.

**Agency**

Entering Asian markets can be difficult for many companies, especially as every country has different registration requirements and healthcare models. For example, ASEAN countries require significantly different marketing and sales approaches. They include markets that are primary, secondary and tertiary care-driven and those that are strongly primary care-driven. It is critical to take the correct approach and ensure that all points along the value chain are addressed to maximize the return for each marketed product. The ability to work with a partner that has the largest footprint in Asia and years of accumulated experience and knowledge of the pharmaceutical market in Asia-Pacific takes away the significant risks involved in market entry in this important growth area.

**Bright future**

As the Asia-Pacific pharmaceutical marketing specialist providing a complete marketing solution, PharmaLink is an ideal partner for pharmaceutical companies who want to expand to the Asia-Pacific market, but require additional regional expertise and resources. By combining best-in-class pharmaceutical marketing expertise with high-quality in-field marketing teams to execute principals' strategies, PharmaLink can provide a leading outsourcing sales and marketing partnership and services.

“Acquiring PharmaLink further broadens Zuellig Pharma's service offering,” Mr. Roland Bruhin, Zuellig Pharma CEO Healthcare Distribution and Commercialization, said. “And ensures we can continue to work effectively with principals by continuing to add value.”

To discuss potential outsourcing opportunities with PharmaLink further, please contact our management team. Regional: Mr. Arthur Katsanos, akatsanos@zuelligpharma.com; Mrs. Martha Tolentino, mtolentino@zuelligpharma.com; Philippines: Mr. Tito Tolentino, TTolentino@zuelligpharma.com; Thailand: Khun Chanchai Thamromdee, ChanchaiT@zuelligpharma.com; Malaysia & Singapore: Mr. Kelvin Ng, gcng@zuelligpharma.com; Indonesia: Mr. Kelvin Ng, gcng@zuelligpharma.com; Hong Kong: Mr. Patrick Lee, swplee@zuelligpharma.com; Vietnam: Mr. Hai Binh Nguyen, hbnguyen@zuelligpharma.com; Taiwan: Mr. Arthur Lai, alai@zuelligpharma.com.

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**Who can benefit and how**

PharmaLink strives to be the ideal healthcare marketing partner in Asia-Pacific, providing a comprehensive range of marketing services and support solutions to pharmaceutical companies seeking to protect their product volume, increase product growth or expand into Asia-Pacific. Among the many companies who can benefit from PharmaLink services are:

- Pharmaceutical companies who have not yet entered the Asia-Pacific market and are looking for a reliable, trustworthy partner with strong know-how in different countries in the region.
- Companies who have existing products in the market and would like to expand into additional markets, but lack local knowledge and expertise.
- Established global pharmaceutical companies who require additional resources to manage their portfolio of patented and off-patent products.

As the complete marketing solution provider in Asia-Pacific, PharmaLink can:

- Leverage its marketing skills and experience to develop strategies, market entry, market selection, product selection, launch, support and ongoing sales development.
- Utilize local market understanding to manage legal and technical matters, including product registration and compliance requirements.
- Offer complete coverage of the Asia-Pacific healthcare market together with Zuellig Pharma.
- Extend to principals the transparency and professional service they receive from Zuellig Pharma.

PharmaLink combines best-in-class pharmaceutical marketing expertise with high quality in-field marketing teams to execute plans, providing a full marketing partner service.

- Strong, collective marketing experience, with key personnel having played significant roles in principal organizations in Asia-Pacific.
- Brings together a complete range of marketing services over multiple markets to add significant value for principals.

PharmaLink creates value for principals through:

- Sole focus on the Asia-Pacific healthcare market.
- Market understanding and experience of Asia-Pacific.
- Marketing expertise, experience and infrastructure oriented around pharmaceutical products, trade channels and consumers.
- Among the few contract marketing specialists that focus on providing a complete marketing service.

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**Quarterly business review meetings detailing all achievements and performance against agreed key performance indicators and targets.**
In the United States, they call it “gold carding” and it is already in play among a handful of healthcare payers who are offering providers the opportunity to forego prior authorization in exchange for conformance to oncology prescribing guidelines.

In Italy, France, Germany, the United Kingdom, and elsewhere, government agencies are rewarding innovative, high-value products via improved pricing opportunities. However, they are requiring pharmaceutical companies to demonstrate both the absolute therapeutic benefit of the product as well as the therapeutic benefit relative to existing standards of care.

Meanwhile, pay-for-performance schemes are hitting their stride. In Italy, for example, the emphasis has been on payment for response. The United Kingdom has negotiated a number of arrangements that tie final payments to actual outcomes, as well as dose-capping, in which the pharmaceutical manufacturer covers the costs of drug beyond the expected treatment duration.

It is all part of an effort to curb the rising costs of healthcare as aging populations put new pressure on national systems and the cost of new treatments continues to rise. The phenomenon is not limited to developed markets, as recent developments throughout Asia-Pacific make clear. In countries as diverse as China, Australia, and Thailand, a range of regulatory changes and cost-containment measures are rapidly emerging.

China, for example, announced a raft of healthcare expansion improvements and regulatory reforms in 2009, all of which are continually being augmented as implementation progresses. In Australia, cost containment reached a turning point in 2011 amid widespread criticism when the Pharmaceutical Benefits Scheme deferred reimbursement listing for seven new drug launches and required all new reimbursement listing requests to be reviewed by the cabinet for approval. In Thailand, cost containment is now so deeply embedded within the healthcare system that various stakeholders, ranging from the Prime Minister, Comptroller General’s Department, Government Purchasing Organization and Ministry of Public Health, are all now involved in the process.

“National health systems are caught in a complex conundrum,” said Mr. Marc Benoff, Vice President of Pricing and Market Access, IMS Consulting Group. “They are motivated by a desire to improve the lives of patients through quality service and treatment options, on the one hand. On the other, they are challenged by escalating needs, expectations, and costs, as healthcare expenditures as a percentage of GDP continue to soar.”

Given that pharmaceutical expenditures account for 17% of all healthcare spending globally, pharmaceutical companies must not simply be aware of the problem. They must actively assert themselves as part of the solution. To achieve that end, manufacturers need to understand what is shaping national healthcare strategies. How, for example, are various markets viewing the more than 6,000 active products (at time of writing) in the global pharmaceutical pipeline? What lessons are the markets leveraging from early cost-containment experiences? And what, in the end, are pharmaceutical companies supposed to do about it?

“The environment is complicated and the risks are many,” Mr. Benoff said. “Today’s healthcare
landscape is shaped as much by scientific ingenuity as it is by the ability of pharmaceutical companies to effectively navigate, on a country-by-country basis, everything from reference pricing and spending caps to generic substitution and clinical value assessments.”

Asian markets: trends and tools
China, Australia, and Thailand are not the only countries where a new era of cost containment is taking root. Throughout both mature markets (including Japan, Australia, South Korea, Taiwan and Singapore) and less mature markets (Thailand, China, the Philippines, Malaysia, Vietnam, and Indonesia), pricing reforms and legislation aimed at making healthcare more affordable have been put forward. (Figure 1)

Countries intent on containing costs have many tools at their disposal. Prescribing and volume controls are an early line of worldwide defense. But budget controls, price management, and the promotion of innovation have lately emerged as a primary force. As one might expect, the less mature markets are mostly focused on price-oriented controls, such as mandatory price cuts and international price referencing. On the other hand, the more mature markets tend to take a more diverse approach, relying on price controls, drug volume controls, budget controls, as well as game-changing approaches that reward and promote true innovation.

Each tool comes with its own set of benefits and hazards, Mr. Benoff said. “We have seen Health Technology Assessments (HTAs) incentivize industry to invest in new and increasingly effective treatments so that research and development can remain focused on true clinical improvements,” he said. “At the same time, HTAs are resource intensive, demanding significant funding, tapping new technical skills, and requiring the input of government, clinical, and industry stakeholders. It’s a trade-off, and compromises must be made.”

Conversely, price cuts are easy to implement and relatively straightforward, requiring little time and investment. Yet they too have their downside, often negatively impacting the entire healthcare industry. Such a scenario has recently emerged in the Philippines following the 2008 introduction of the Cheaper Medicines Act and the announcement of maximum retail prices.

“We have been keeping a careful eye on the Philippines,” said Ms. Miemie Strydom, a consultant with IMS Consulting Group Asia-Pacific. “The pervasive price-cutting there has not just negatively impacted sales for local and multinational pharmaceutical companies and severely affected sales for small and/or non-chain pharmacies. The price cuts have also affected the health of the people themselves. We found that the volume of sales of cheaper generic alternatives did not significantly rise and that patients – particularly poorer patients or those requiring specialist care – simply could not access the medications they needed, despite the major price reductions. Beyond that, the Cheaper Medicines Act discouraged foreign investment and resulted in the withdrawal of small, local multinational companies from the market.”

An analysis of cost-containment trends in ASEAN suggests that history favors a less complex set of tools, relative to European Union or even other Asia-Pacific markets. (Figure 2)

“It is abundantly clear that cost containment can only be effective when introduced through a...
systematic and coordinated effort,” Ms. Strydom pointed out. “A number of national health systems, including Thailand, China, Japan, and Taiwan, have recently put forward a variety of capping provisions in an effort to keep spending down.”

Taiwan, Japan, and Thailand have introduced a diagnosis-related group type of reimbursement rates to cap the spend on patients and treatment, and talk of introducing the same sort of measures has arisen in Indonesia. At the hospital level, China and Taiwan are capping expensive drug use to limit the number of prescriptions written and filled for such drugs. Thailand has also instituted capping programs for nine diseases considered to have above-average branded drug use.

Sometimes spending caps are levied as part of an overall cost-effectiveness program or they may be used to limit the amount of spend on the treatment of each or all patients in a therapeutic area. In Europe, we have seen these evolve to even include payback schemes as part of the cost-saving initiative. Overspend in the public health system can also subject manufacturers to payback schemes.

Generic substitution, another popular cost-containment tool, helped grow global generic drug spending to US$234 billion in 2010 (27% of total global pharmaceutical spend), up from US$124 billion in 2005 (20% of total global pharmaceutical spend). By 2015, generic spending is expected to grow to between US$400-US$430 billion, constituting 39% of total global pharmaceutical spend. At its most aggressive, generic substitution targets are set by pharmacy associations and payers, leaving patients who seek the brand to pay for the privilege out of pocket. In many places, pharmacists are legally required to inform patients of the availability of lower-cost substitutions.

Therefore, it is no surprise that across many developed markets, generics growth significantly outperforms overall pharmaceutical market growth, a trend that is expected to continue. In fact, branded generics manufacturers stand to gain the greatest boost in sales as the region grows, given strong market affiliation and patient trust in high-quality generics manufactured by well-established, local generic players. (Figure 4)

Other cost-containment tools that have gained in popularity in developed countries, such as clinical recommendations designed to help manage both the quality and costs of care and pay-for-performance schemes that actually tie payments to results have not yet found fertile ground within developing countries. “Such complex measures have a far harder time gaining a foothold in the developing countries,” Ms. Strydom said. (Figure 5) “It’s not just the complexity of these initiatives that limits their introduction but the fact that these countries have to first address basic needs and infrastructure pressures before they can implement more sophisticated schemes.”

**What does it mean for multinationals?**

Multinational pharmaceutical companies seeking to set down or strengthen roots in Asia-Pacific markets are clearly in need of guide posts. “Our clients have questions,” Mr. Benoff said. “They want to know what is working right now and what will work five years from now. What resources can they put into place? What trends will become fixed and most pressing?”

The answer, according to Ms. Strydom, is complex. “We are advising our clients to prepare for greater shifts toward more systematic and integrated cost-containment approaches, ranging from prescribing control and budget restrictions to price management and innovation,” she said.

“Multinational pharmaceutical companies cannot just sit on the sidelines and wait for the forces to play out,” Mr. Benoff explained. “There are very real opportunities to step in and work with payers to help shape long-term development
It is imperative that multinational pharmaceutical companies at work in developing nations share what they have learned from their experiences in developed countries.

By a lack of internal know-how. “We just do not have the technical expertise to implement this overnight and even if we did, which disease areas and patients should take priority?” she asked. “Right now, the best we can do to is to make quality treatment a priority. Only then can we shift our focus to compliance and the standardization of clinical care.”

There are great openings to build bridges in this environment and to offer the technical expertise that regulators and health officials are seeking. “Multinational companies with a strong local presence have the chance to make a real difference – to strengthen the health of a country as well as their own position within it,” Mr. Benoff said. “We have seen companies step in and work with payers in ways that shape the future of healthcare strategies. We have watched real partnerships emerge between manufacturers and healthcare authorities, partnerships that include risk-sharing agreements, price/volume agreements, and pay-for-performance schemes.”

There are also very real opportunities for multinational pharmaceutical companies to align their local and regional strategies with national healthcare strategies by streamlining their businesses, expanding their generics and branded generics presence, and adapting their commercial models to better serve key accounts.

Finally, it is imperative that multinational pharmaceutical companies at work in developing nations share what they have learned from their experiences in developed countries. “The companies that are getting ahead have found ways to bring their knowledge to ASEAN countries,” Mr. Benoff noted. Among them are companies that have invested in specialty training for nurses requiring IV infusion treatments in oncology and rheumatoid arthritis care environments; businesses that bring partnering solutions to governments in need; and enterprises that take an active role in industry organizations, forging ties with peer companies to help create the right kind of changes.

“Everyone benefits when real solutions are put forth, and it is incumbent upon these pharmaceutical companies to see themselves not just as organizations with products to sell, but as organizations with important lessons to share.”

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Figure 5

Measures most used in ASEAN are the less complex tools which are also easier to implement

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Most cost-containment tools used are at the relatively low complexity end of the scale

This is an edited version of an article from IMS Asia-Pacific Insight, Issue 2. © 2012 IMS Health Incorporated or its affiliates. For more information, contact: Anthony Morton-Small, Senior Principal, IMS Consulting Group, Asia Pacific at AMortonSmall@imsconsultinggroup.com. Asia Pacific Regional Office, tel: (65) 6227 3006; email: info.sg@sg imshealth.com.
A round-up of reports from our offices around the region outlining the news and events that are shaping their businesses and redefining the healthcare industry

Hong Kong’s economy grew at its slowest pace since the global financial crisis as the euro-zone debt crisis hurt exports and confidence. Q1 2012 GDP rose just 0.4% year on year compared with the 3% expansion recorded in Q4 2011. Full-year growth was 5% in 2011 but the government expects the economy to weaken to 1%-3% for 2012, the lowest since 2009.

Slower growth adds to the challenges facing the new Chief Executive Leung Chun-ying, who took office on July 1 after pledging to aid low-income earners, increase housing supply and address “deep-rooted conflicts” in society. Public discontent is rising after surging property prices made Hong Kong the world’s most expensive place to own a home while median monthly household income has remained unchanged at US$2,578 since 1997.

Hong Kong’s inflation reached 5.3% in 2011, dropping to 4.9% in March 2012. Prices are expected to gradually recede due to a decline in global food prices and the economic slowdown. Inflation is forecast to be around 4% in 2012.

The unemployment rate for the three-month period ending March 2012 stayed the same as the previous period at 3.4%. The government expects the rate to rise in coming months as employers remain cautious about hiring due to uncertainties surrounding the euro-zone crisis and slow economic growth in the US.

The Hong Kong Minimum Wage Commission launched an eight-week public consultation in April inviting views on the statutory minimum wage rate. Some feel the current minimum has room to rise since Hong Kong maintained its low unemployment rate after the minimum wage law was introduced last year. Trade unions are calling on the new Chief Executive to raise the minimum and standardize working hours to a maximum of 44 per week. If a higher minimum wage is adopted, some employers will have to raise prices to offset increased labor costs.

The Chief Executive wants all public hospital obstetric services to be reserved for local pregnant mothers in 2013. Hong Kong may also bar pregnant Mainland Chinese women without Hong Kong husbands from giving birth in public hospitals next year in a move to ensure sufficient medical services for local people and to curb the influx of mainlanders seeking Hong Kong residency for their babies. In 2010, around one-third, or 32,653 babies, were born to Mainland Chinese women, up from 620 babies in 2001. The government has already stopped issuing permits to non-resident pregnant women to...
and Whanin) reached 46.2 billion won, Kun Dang (CKD), CKD Bio, JW, Hyundai, companies (Dong-A, Yuhan, Chong profit of seven major pharmaceutical com, the combined Q1 operating 81.9 billion won. For ease of use, both to see the biggest decline in sales at in the domestic market, is projected Daewoong Pharma, the No. 2 player a 55.4 billion won loss this year while Dong-A Pharma, is projected to face largest pharmaceutical company, drug firms' bottom lines. Korea's government's policy of cutting by financial institutions, the consecutive month. from March, decreasing for the third slowing consumer price growth in An official from Statistics Korea cited and the decline in global oil prices. The Ministry of Strategy and Finance 2.6% to 668.5 billion won. Drug inventory control in the market ahead of the April price cut was one of the major reasons. The authorities claim that Korea's expenditure on drugs is higher than OECD peers and many firms have reaped the benefits from the state health insurance program to secure additional profits. The new program is expected to save National Health Insurance offers 1.2 trillion won. Meanwhile, members of the public who have previously bought drugs at high prices are due to save 500 billion won. The outgoing National Assembly passed the contentious bill aimed at permitting the sale of certain drugs at 24-hour convenience stores during its last plenary session. This should make it easier for people to buy medicines without going to pharmacies. The law applies to non-prescription drugs which are classified as over-the-counter products. Such products are sold in general stores in many other countries. About 20 medicines will be sold at convenience stores from November 2012. Zuellig Pharma Korea is pleased to welcome JW Shinyak as a new principal. Christophe Piganiol cpiganiol@zuelligpharma.com Fast Fact The National Assembly has passed the bill allowing certain medicines to be sold at convenience stores.

Taiwan’s economy is expected to bottom out before the end of Q2 2012 and to recover along with the global economy as long as a looming rise in electricity rates and fuel prices does not hurt export competitiveness. The government has already scaled back a plan to increase power tariffs in the face of strong public opposition, and will carry them out in stages over several months to reduce the impact on broader prices. The electricity price rise was delayed until June, with a second rise in December and a third at an unspecified date.

The hikes, plus an earlier rise in gasoline prices, have threatened to push up inflation in Taiwan, a sensitive subject for the stability-minded central bank. But the government said the revised plan would enable it to keep inflation within 2%. The government raised its inflation forecast for 2012 to 1.94% from the previous expectation of 1.46%.

On the political front, Taiwan’s newly re-elected President Ma Ying-jeou is the target of a spectacular case of buyer remorse by voters. In the five months since he won a slim but clear victory in January’s election with 51.6% of the vote, his popularity has crashed to only 20%. Some polls put his public support as low as 15%.

The sharp swing in public opinion is a reaction to several harsh shifts in policy announced by the Ma administration since the election in an effort to reinvigorate the faltering economy. These include plans to introduce a capital gains tax on stock market profits, an “energy reform” program that proposes the cold turkey removal of subsidies for electricity and gasoline, and the lifting of a ban on imported United States beef despite public concern over the health risks of the leanness-enhancing drug ractopamine.

Expenditure projections by the Bureau of National Health Insurance (BNHI) see pharmaceuticals at NT$40.78 billion (US$4.47 billion) for 2012, up 4.2% compared with last year; healthcare at NT$809.12 billion (US$25.69 billion) up 3.3%; and medical devices at NT$51.14 billion (US$1.62 billion) up 3.9%.

In view of the increasingly grim environment for nursing practitioners and to reflect the contribution of nursing personnel to care, BNHI allocated NT$2 billion for recruitment of nursing personnel for 2012. Outcomes of this program are expected to be evaluated bi-annually.

The Department of Health is set to complete amendments for the second-generation National Health Insurance program by the end of June 2012. However, the Executive Yuan has decided to hold off implementation to January 1, 2013. The Department of Health is expected to use the extra preparatory period to reinforce operational planning for implementation and prepare a full-scale communication and publicity strategy.

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Malaysia & Brunei Medical tourism rockets in Malaysia

Bank Negara, the central bank, retained its 2012 economic growth forecasts of 4%-5%, though external risks such as the euro-zone debt crisis persist. Malaysia’s GDP grew at a slower pace of 4.7% in Q1 2012 compared with 5.1% last year and 5.2% in Q4 2011. Despite public concerns that the 1Care system may lead to a monopoly on medical prescriptions, the Health Ministry recently announced that the blueprint for 1Care for 1Malaysia healthcare scheme will be ready in 2014. The ministry has also begun a nationwide tour to educate and
engages the public on the current healthcare system and its budgeting. Malaysia experienced staggering growth in medical tourism last year, generating RM511.2 million (US$167.06 million), a jump of 35% from 2010. In total, 583,296 foreign patients from more than 20 countries sought medical treatment in Malaysia in 2011. Indonesians topped the list of foreign patients, with 335,150 visitors contributing some RM325.3 million (US$106.31 million). Other top spending healthcare travelers came from India (US$8.38 million), Australia (US$4.09 million) and Japan (US$3.63 million). The cosmetic surgery sector is one of the most sought-after medical specializations by foreign patients in Malaysia, along with orthopedics and cardiology.

The Medical Device Act will require all medical devices in the country to be registered with the Medical Devices Authority, due to be set up in early Q3. Manufacturers, importers, distributors and local authorized representatives will be given a two-year grace period to register their products before the Act is enforced in 2014. Overall, the Malaysian healthcare market saw a slow increase in growth in the first three months of the year compared with Q1 2011. The Pharmaceutical Association of Malaysia (PhAMA) Turnover Survey Total reported sales for year-to-date March 2012 for participating multinational members at RM917 million (US$300 million), with overall market growth of 0.86%. Similarly, ethical sales saw small growth at 0.28%. Zuellig Pharma Malaysia principals posted overall growth of 4.4% while ethical sales increased by 1.9% for the same period.

Malaysia’s Competition Act 2010 came into force in January 2012. The Act is expected to boost investor confidence as it creates a level playing field for industry players while simultaneously encouraging healthy competition in the local business environment. The Act’s investigation and enforcement authority, the Malaysian Competition Commission, is finalizing guidelines that would, among others, help consumers understand how to make complaints. This is expected to be out by mid-year.

Brunel’s Ministry of Health recently introduced a six-in-one vaccine aimed at making the immunization of newborns to six-month-old infants more convenient. The vaccine combines diphtheria, tetanus, acellular pertussis and haemophilus influenzae B (Hib), hepatitis and polio together in one injection. The six-in-one injection has been in Brunei for the past four years but was previously only administered by private medical institutions.

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**Fast Fact**
Legislation in Malaysia alters regulatory environment for business and healthcare sectors.

Vietnam’s economic growth is expected to reach around 5.7% this year before increasing to 6.3% in 2013. According to the World Bank’s East Asia and Pacific Economic Update, the economy has started to stabilize. However, the significant tightening of macroeconomic policies along with an uncertain global economic environment is having a dampening effect.

As a consequence, GDP growth for Q1 2012 only reached 4%, a drop from Q1 2011 which recorded 5.57%. The slowdown was felt across a broad range of sectors. Housing and construction saw the largest decline as high lending rates hurt demand. In other industries, activity slowed significantly due to limited access to capital, with thousands of businesses shutting down or suspending operations due to high funding costs. However, inflation eased to 10.5% year on year in April from 14.1% in March, despite a 5% electricity hike in December and a 10% fuel price rise in March. A monthly report from HSBC expected headline inflation to fall to single-digit level by May. Inflation peaked at 23% in August 2011. Stability for the dong also looks more likely compared with Q4 2011, with a sharp improvement in the balance of payments and rise in foreign exchange.

Restructuring of the banking sector continues at a slow pace. The merger of five to eight ailing commercial banks planned for Q1 2012 did not take place, with the central bank changing the timeframe to the first half of the year to avoid disturbing the financial markets and to ensure the interests of depositors.

Vietnam’s aim of holding foreign direct investment (FDI) steady in 2012 may be difficult to achieve. According to data from the Ministry of Planning and Investment’s Foreign Investment Agency, FDI commitments to Vietnam in the first four months of 2012 declined 31.5% and FDI disbursement dropped 0.3% from a year earlier, a stark contrast to global trends. FDI in Indonesia rose by a massive 30% to US$5.7 billion in Q1 and 91% in Thailand.

With plenty of options in neighboring countries, Vietnam has to put greater efforts into beautifying its business climate by continually improving its legislation system, infrastructure network and human resources. To tackle current problems, policymakers have designed an economic restructuring plan. The main goals are improving efficiency of social resources; maintaining firm macroeconomic stability and low inflation; achieving even development in different regions; improving development levels in economic sectors and the overall economy; and building a more dynamic, competitive economic profile with potential for high growth.

Turning to healthcare, the pharmaceutical market witnessed a slowdown in Q1 2012. The pharmaceutical sector reported growth of 12%, a considerable decrease from the previous quarter, which recorded growth of 23%.

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**Fast Fact**
The government has designed an economic restructuring plan to improve the business environment.

Singapore has emerged as the most competitive city in Asia, ahead of Hong Kong and Tokyo, thanks to its first-rate infrastructure, sound economy, and clean environment, according to the Economist Intelligence Unit.

Besides topping the charts for competitiveness, Singapore claimed pole position in both the World Bank’s Logistics Performance Index and the World Economic Forum’s Enabling Trade Index. These rankings clearly reflect Singapore’s impressive logistics capabilities and how the Lion City has come to feature at the center of most firms’ distribution strategies.

Turning to Singapore’s recent economic developments, the country registered modest growth of 1.6% on a year-on-year basis in Q1 2012, which is still within the government’s growth forecast of 1%-3%. However, there is a pervasive mood of caution in the market as the euro-zone sovereign debt crisis remains unresolved.

Consumer price index inflation for all items rose to 5.4% in the
early part of 2012. While the usual suspects, private road transport and accommodation costs, were again the main inflation drivers, healthcare and other domestic services saw higher-than-normal price increases. Healthcare inflation hit 3.9% largely due to the rise in the cost of medical treatment. Inflation is expected to remain elevated over the next few months before easing over the remaining half of the year.

On the healthcare front, the Ministry of Health has unveiled its Healthcare 2020 roadmap, showing the path Singapore will take to tackle its growing and rapidly aging population. Focusing on three key goals – affordability, good quality, and accessibility – it sets out the extra infrastructure and manpower needed, and signals a change in healthcare delivery with patients increasingly being treated in the community rather than in hospitals.

The increase in community hospitals will allow more stable patients to receive the appropriate level of care in a less costly setting while relieving general hospitals and allowing them to focus on the acutely ill. Besides the expansion of healthcare capacity, the country also expects to see more tie-ups between the government and private healthcare providers to meet the growing demands of the silver population.

In terms of medical accomplishments, Singapore has clinched another clinical milestone as the first in Asia to perform a new minimally invasive procedure to fix faulty heart valves. The valve-in-valve procedure means another alternative for patients who have had conventional open-heart surgery before and are deemed high risk for another similar operation. Besides heart valve repairs, new procedures have been introduced into ophthalmic surgeries, in which cataract operations go bladeless with the aid of a computerized laser, resulting in precision, safety, and better results. Such novel techniques and groundbreaking medical technologies exemplify Singapore’s sustained reputation as Asia’s leading medical hub.

**Fast Fact**
The government has set out its Healthcare 2020 roadmap to tackle the aging population.

A mid-June cabinet reshuffle saw economist Muhammad Chatib Basri become head of the country’s investment promotion agency, providing a fillip for those concerned about recent moves toward economic nationalism.

Basri will seek to maintain Indonesia’s position as Southeast Asia’s top performing economy, with Asia being seen as the main region for growth, according to The Straits Times. The new minister has prior experience in various senior government roles and was previously vice-chairman of the National Economic Committee.

Uncertainties globally, triggered by the euro-zone crisis, have put the rupiah under pressure. However, analysts have suggested that, should another global downturn occur, the country is in a stronger position to handle this than in 2008.

Nafsiah Mboi has been named as the new Health Minister, replacing Endang Rahayu Sedyaningish, who died of cancer in early May. A pediatrician by training, Nafsiah has worked at the health ministry and most recently as head of the National AIDS Commission. Her age – at over 70 – has made some query her appointment as a minister, according to an article in the Jakarta Globe. However, in announcing the appointment, President Susilo Bambang Yudhoyono noted her commitment and ongoing efforts to improve people’s health, which made her an appropriate choice.

In May, Deputy Health Minister Ali Ghufron Mukti told a World Health Assembly plenary session in Geneva that 145.3 million people in Indonesia were covered by health insurance schemes as of 2011, the Jakarta Post reported. This represents 63% of the population. The government-funded health insurance scheme, Jamkesmas, currently covers 76.4 million people and would reach 86.4 million by 2013. Other schemes include private insurance, schemes for professional workers and local government provision.

Universal health coverage was one of three topics Ali discussed at the session, along with pandemic preparedness and polio vaccines. Indonesia’s potential for non-conventional healthcare development was recently noted by a senior health official, who said that over 9,000 plant species in the country had possible applications as medicine but few were yet developed as herbal medicines. Some 80% of the population already use traditional medicine but few were yet developed as herbal medicines. Some 80% of the population already use traditional medicines, he said in a Jakarta Post article in April.

Further promotion of such medicines would include integration of traditional and herbal-based medications into existing healthcare services. To date, 12 hospitals in Indonesia have developed alternative, complementary and traditional services, including three in Jakarta.

**Fast Fact**
Some 63% of the country’s population were covered by health insurance schemes by 2011.
Zuellig Pharma Philippines
Zuellig Pharma continues to come up with strategic programs to offer to principals through its value-added services. Retail management solutions have expanded with additional drugstore enrollments and implementations. Growth of our mass vaccination program is also ongoing with more institutions and principals engaging this service. Trade marketing, benchmarking and market research services continue to satisfy current principals and attract new ones.

Internally, an integrated business planning concept was rolled out. Built around four key processes – demand and sales review, customer and channel review, sales and operations planning and the integrated business planning operations committee review – this pilot implementation hopes to foster alignment between principals’ plans and Zuellig Pharma’s capability to execute those plans along the value chain. Key outputs include a signed-off demand forecast supporting operations committee review – this pilot implementation hopes to foster alignment between principals’ plans and Zuellig Pharma’s capability to execute those plans along the value chain. Key outputs include a signed-off demand forecast and a clear execution plan for Zuellig Pharma’s trade sales team.

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Fast Fact
The country’s pharmaceutical market grew by 6% in Q1 2012.

Thailand
Rebuilding efforts boost domestic consumption

The long-expected return of the 111 members of the disbanded Thai Rak Thai Party, who were banned from political activity for five years, may generate a reshuffle in Prime Minister Yingluck Shinawatra’s cabinet. The return to power of these experienced politicians is expected to strengthen the current government and will possibly help the push for ex-Prime Minister Thaksin Shinawatra, Yingluck’s brother, to come back to Thailand. This is a clear objective for the ruling Pheu Thai Party, which may jeopardize the delicate truce that Prime Minister Yingluck has maintained with the army and the elite since she came to power.

The Thai economy continues its recovery from a mediocre year in 2011 when massive floods slashed growth to zero. Domestic consumption has benefited from rebuilding efforts. However, one key factor to watch is the evolution of the trade deficit as export growth is held back by the slump in global demand this year and imports grow in line with local demand recovery. Analysts’ expectations for GDP growth in 2012 range from 4.5%-6.0%.

A major challenge for the government is to maintain a proper balance between growth through economic stimulation and inflation. Government policies such as a 40% hike in the minimum wage from April 1, 2012, and an expensive price support scheme for rice producers are likely to push inflation up and it may reach 3.5%-4% for full-year 2012. The Yingluck government has therefore decided to freeze some energy and transport prices. Thailand’s unemployment rate, already low, dropped further to 0.7% in Q1 2012, with operations fully resumed at 72% of the flooded plants.

On the healthcare front, the smuggling of pseudoephedrine-based cold medicines by several hospitals has led the Thai Food and Drug Administration to enforce a new regulation which lists pseudoephedrine-based medicines as Type 2 controlled substances. Pseudoephedrine may be used for the production of methamphetamine tablets.

As a result of the regulation, drugstores and clinics all over Thailand have been forbidden to sell pseudoephedrine-based drugs since May 3, leading to a massive returns process. Meanwhile, hospitals must comply with strict controls over registration, dispensing and inventory-holding if they opt to dispense those drugs in the future.

However, the smuggling of pseudoephedrine-based cold tablets actually extends much wider, as Thai authorities have found evidence of hundreds of millions of tablets imported illegally from China and South Korea.

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Bangladesh
GDP growth track continues

Bangladesh continues on its path of high GDP growth, high inflation and contractionary monetary policy in an environment of relative political stability and poor infrastructure. Real GDP growth for 2011 was reported at 6.7% by the Bangladesh Bank, with a 2012 target of 7% and IMF’s expectation adjusted downward from 6.1% to 5.9%. The production index shows strongest growth in the garments and the chemical/petro/rubber sectors.

Net foreign aid stood 18% lower over the July-January period compared with a year ago, though December and January showed a healthy increase. One of the key issues delaying the inflow of foreign aid is red tape surrounding government approval of aid budgets, a requirement for any NGO in Bangladesh.

Foreign remittances for January-February were up 20.2% while exports for the same period were +8.5% compared with the previous year. Imports grew at 9.8% in January. Inflation, based on a 12-month point-to-point basis stood at 11.59% in January. In the second half of February, the taka appreciated against the US dollar, reaching 81.7. This was down from 84.4 at the end of January, but it still remains far from the January 2011 level of 71 (approx).

In April 2012, Bangladesh Bank approved licensing of nine new commercial banks (six to indigenous sponsors, three to non-resident Bangladeshis). This is the first issue of new licenses since 2001. Capital infusion, including foreign exchange, will have a positive effect on the balance of payments and enhance the capacity to meet corporate credit needs. As 45% of the population still do not use banks, strong growth may be expected in the sector.

April 2012 also brought the signing of a memorandum of understanding by Malaysia and Bangladesh for collaboration in the construction of the Padma Multipurpose Bridge. The bridge will be Bangladesh’s largest and is expected to deliver a strong stimulus to the economy by easing access to the south-western region. Financing is still to be completed, as the World Bank has cancelled its funding due to corruption-related issues.

On the political front, the first three months of 2012 proved stable. However, in April five days of hartals (disruptive protests) were organized following the disappearance of a leader of the BNP opposition party.

Bird flu continues to take its toll on the poultry industry, with occasional human infections as well. In April, a small outbreak of swine flu occurred in one of the northern districts, with at least 14 people testing positive.

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Fast Fact
Licenses for nine commercial banks were approved in April, the first since 2001.
The Market Partner: company background

Zuellig Pharma Asia Pacific

With a history of more than 60 years in Asia, Zuellig Pharma has forged a reputation as the leading provider of distribution solutions for the pharmaceutical industry in the region. Our cutting-edge services cover end-to-end supply chain management, including inventory management, warehousing, distribution and customer order management, among others. Taking advantage of our extensive expertise, pioneering technological innovations and state-of-the-art facilities allows manufacturers to focus on their own core expertise. A scalable infrastructure supports the marketing drives of our principals and our collection services reduce country risks for individual principals.

We provide the largest direct account coverage in all healthcare channels in Asia Pacific, employing over 1,000 sales representatives to support the activities of our principals in the trade channel. Advanced information technology tools, such as zip-online, an innovative sales and inventory tool, give principals full transparency for all transactions.

Our world-class facilities operate in strict accordance with rigorous quality management standards, setting industry benchmarks of excellence. We continuously refine and implement the latest technological advances in our on-going drive to offer the best services to our principals and clients.

zip-online

zip-online® is our regional principal information platform offering timely sales and inventory information, best practices in analysis and reporting, and diverse forms of benchmarking.

AsiaRx

AsiaRx® is our exclusive regional Internet-based pharmaceutical marketplace that connects customers and principals in innovative ways. For principals, it is a new connection to customer behavior, integrated with other channels and offering complete supply chain information. For customers, it saves them time and money, and gives them the control necessary to run their businesses better.

Pharma Industries

Pharma Industries has a long-established history in providing contract manufacturing services to the Asian pharmaceutical healthcare industry through its operations in Thailand and the Philippines. With a client base of over 50 multinational companies, and over 1,200 formulations currently in production, the Philippines plant of Pharma Industries is the largest, most advanced contract manufacturing facility in Asia. The group’s Thai operations are certified to the same top GMP standards, providing manufacturing services to over 30 research-based companies from around the globe.

PharmaKPO

PharmaKPO is a joint venture between Zuellig Pharma and the ADEC Group, a global provider of customized outsourcing solutions to Fortune 1000 companies. PharmaKPO provides a wide range of business process outsourcing (BPO) and knowledge process outsourcing (KPO) services to multinational pharmaceutical companies. Working with PharmaKPO offers companies the opportunity to maintain their focus on core competencies while simultaneously reducing operating costs and improving operational efficiencies. PharmaKPO also delivers strategic, knowledge-driven outsourcing solutions tailored to the specific needs of pharmaceutical industry clients.

PharmaLink

PharmaLink, a division of Zuellig Pharma, has accumulated decades of experience in the provision of sales and marketing services to the pharmaceutical industry in Asia-Pacific. Backed by a highly experienced team of pharmaceutical professionals, we deliver business growth solutions to clients so they can focus on their core business. Leveraging Zuellig Pharma’s extensive network, our current coverage – the Philippines, Indonesia, Malaysia, Thailand, Hong Kong, Vietnam and Taiwan – is set to expand across the region. Service areas include contract sales, contract sales and marketing, agency, strategic market planning, consulting as well as regulatory services. With our extensive doctor database, and pharmaceutical market data and knowledge gathered over years of service, PharmaLink is your dedicated commercialization partner for the healthcare industry in Asia-Pacific. To find out more about PharmaLink, please visit www.pharmalink.com.

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