Interview Part One: Teodoro Ferrer and Julien Bello, Co-founders, Generika, Philippines

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In part one of a two-part interview, Generika Philippines co-founders Teodoro Ferrer and Julien Bello discuss what led them to start the company, the changing mentality among the Filipino population regarding branded and unbranded generic medicines.

Teodoro and Julien, you started Generika together exactly one decade ago. What sparked the initial interest in setting up a retail chain of pharmacies?

Julien: When you would go to a pharmacy in the Philippines ten years ago, you would not be able to find or buy generic medicines. Prices were very high and generic medicines were simply not available. At that time, I was running a foundation in the Philippines, a non-governmental organization (NGO) that was being funded from France. I recall that the cost of the medicines the foundation needed to purchase was shockingly high. At that point, we recognized the opportunity to create a project of our own that would give access to quality affordable generic medicines to as many communities as possible. This project would primarily be a business enterprise but it would have a strong social side: this is Generika.

Teodoro: We indeed look at Generika not as just an enterprise for profit, but as a business advocacy. As a business, Generika is operated professionally and to be profitable so that it can expand and be sustainable for the long term. As an advocacy, Generika is organized to make

meaningful social impact on communities all over the country. Educating the people and giving them access to quality affordable medicines is the primary objective as this goes a long way in preserving their overall health with the least cost to their wallets. We also popularized the practice of giving various community services, which has encouraged other drugstores to do likewise so in total, many more people benefit. Finally, we collaborate with 'Philippine Business for Social Progress', Children's Hour, the Asian Development Bank (ADB), and other foundations and entities which share a similar sense of corporate social responsibility (CSR). The advantage over donation-dependent initiatives is that Generika is a sustainable for-profit business with the ability to grow. Yet, we are able to generate a sizeable social impact at the same time. That is why we are recognized as an inclusive business by ADB.

How has the retail landscape changed over these years?

Teodoro: The Generics Law was passed in 1988, after which the government has been trying to promote its acceptance and use, unfortunately with limited success. The government even set up Philippine International Trading Corporation (PITC) Pharma, to import and promote unbranded and branded generic medicines and make them available to the public via Botika ng Bayan, a government sponsored national retail distribution channel.

The acceptance of generic medicines, however, was not very strong even after many years. One reason was that quality levels were initially low and not always consistent. The product range could have been wider and there were problems of out of stock at the stores. Another reason was the continuous and still powerful influence of big pharma, which was able to maintain strong relationships with the doctors and many pharmacies. The perception of many remained the same: for quality medicines, one needs to turn to the originator product.

The start of Generika was certainly not easy. Ten years ago, our office/warehouse was in a two bedroom residential apartment.

Julien: Over these years, we have really seen the industry changing. Generic medicines have become mainstream. Ten years ago, they were nearly nonexistent, while you find generic drugstores everywhere now. Even drugstores that used to sell only branded products are now selling generic medicines.

Still today, however, the Filipinos have the perception that branded and unbranded generics are not of the same quality. This population is very sensitive to brands and even though unbranded generics are being accepted more widely than before, the industry trend is to go into the branded generics business. In that niche, a very strong player is Ritemed of United Laboratories (Unilab).

From the data we have, it seems that the branded generics segment is growing faster than the unbranded generics niche.

In terms of prices, the cost of medicine has gone down tremendously in the country. Generic medicines are already 50 to 70 percent cheaper than their branded counterparts, while prices are pushed down even more because of the competition in the market. This, together with the Cheaper Medicines Act (MDRP) of 2008, has been very beneficial to the patients.

Some argue that the MDRP was mainly beneficial to the middle to upper classes of society, rather than the lower classes. Would you agree?

Julien: The MDRP lowered the prices of branded medicines. Even when the prices of those molecules are being lowered, they are still much higher than those of generic medicines. The government actually sent the wrong signal, and should have focused more on promoting generic medicines in the first place. The government should focus on those who did not have access to medicines and educate them about generic medicines. Instead, MRDP has benefited primarily the middle and upper classes now purchasing branded products, which they were already buying before, at lower prices. By focusing the Law on branded products, the government somehow accredited the idea that they are still superior to their generic counterparts.

Do you foresee a time when the population, across all classes, will say 'unbranded generics are just as good'?

Julien: For branded generics, we definitely foresee such a scenario. For unbranded generics, however, such shift would still require more time. Both patients and doctors are brand loyal in the Philippines.

Teodoro: There has been a big change since the last decade. The multinational pharmaceutical companies with their portfolio of branded originator medicines feel threatened by the rise of generics, and a few of them have already launched their own portfolio of branded generics as a response. Generic medicines are being made available all around the world, and these companies have come to realize that they need to take drastic steps.

The Philippine retail landscape is dominated by Mercury Group. How do you see your relationship and positioning vis a vis them?

Teodoro: Mercury used to only carry branded products in its stores. Today, however, this has changed. You will now also find generic medicines at their outlets as many customers look for them. We believe that Generika is making significant inroads into the industry, which has been for

many years dominated by Mercury. As we add many more outlets as planned, our presence will be felt even more. We continue to build our brand and to strive to persuade all sectors, even those in the higher income brackets, that it is cost-beneficial for them to shift to the quality generic medicines that we carry. The therapeutic benefits will be the same for them. At the same time, they save up to 80 percent of the cost, which can be substantial especially for maintenance medicines taken every day. Generic medicines are already widely accepted and used in the USA and other developed countries. In the Philippines, the whole industry is evolving and moving in the same direction. With new programs like universal healthcare and new stakeholders like PhilHealth, we see an entirely different market appearing. PhilHealth will be providing a lot of funding, which will benefit a large number of Filipinos.

Are you profiting from this new wave?

Teodoro: Today, we find it so much easier to offer generic medicines to the general public. The acceptance level is much higher, and the resistance and skepticism levels have declined perceptibly. Yes, we are directly profiting from this new wave in the industry, and it shows in the growth of our sales and profits. Regarding Philihealth, soon to be launched is our merchant partnership agreement whereby we will give the millions of Philhealth members a discount on their purchases of generics from our stores. Philhealth is also planning to issue biometric cards. In addition, PhilHealth has announced a Universal Healthcare Program, which includes providing maintenance medicines for hypertension, diabetes and dyslipemia to the “poorest of the poor”. Philhealth will pay for the generic medicines. The coverage could reach millions of people who cannot afford the necessary medicines, and thus are in serious danger of getting very ill or even dying. Philhealth has chosen Generika to do pilot tests for the project. The tests have already started in Pateros, but the schedule for Capiz, and Palawan may be delayed due to the damages wrought by Typhoon Yolanda there. If the pilot tests are successful and the “poorest of the poor” program of Philhealth is launched nationally in the latter part of 2014, it can become a big thing for Generika.

Why was Generika chosen for this project?

Teodoro: While other drugstores were also invited, an important reason is the fact that we are fully computerized. Philhealth wants to be able to monitor dispensing of medicines per patient in accordance with the doctor’s prescription, do electronic transmission and early settlement of the bills. The health progress of the patient could eventually be done also. We also volunteered to develop additional web-based systems, which will be used for the PhilHealth Project. Also, unlike chain stores like Mercury and Watsons, we have really been pushing generic medicines.

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