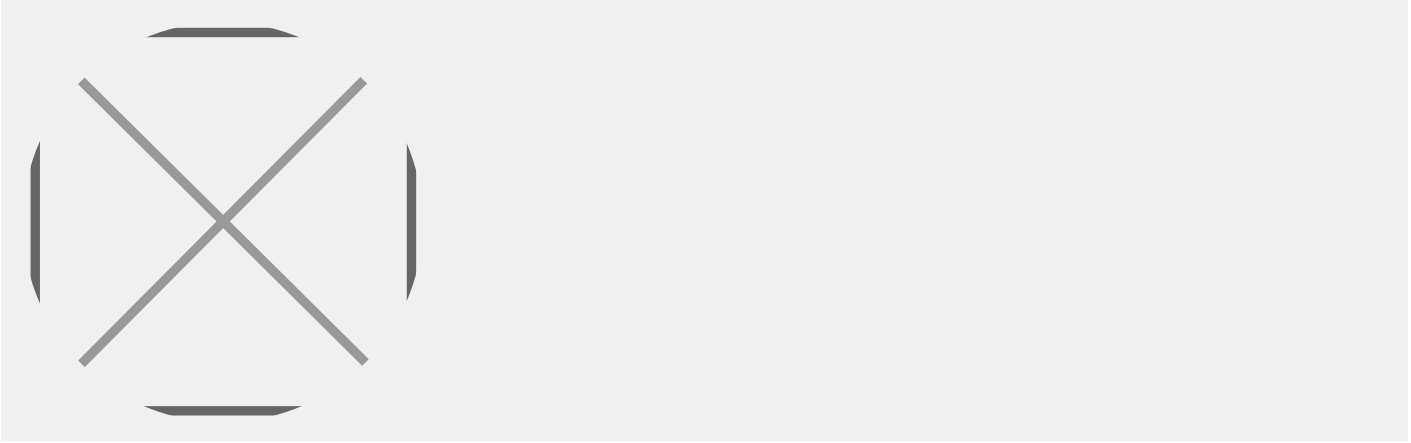
Interview with Eric NG President Director, Sanofi Group Indonesia



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Eric Ng received his degree at National University of Singapore. In his career he has worked for such companies as AstraZeneca before moving to Sanofi-Aventis China until his rise in rank to President Director of Sanofi in Indonesia. Today he talks about the stiff competition in Indonesia in the generics market and the company's strategy for growth in the region.

eric-ng.jpg

Sanofi's global CEO Chris Viehbacher recently named Indonesia as one of his focus markets. As an insider in this market, how would you define the opportunities that put Indonesia in the spotlight of one of the world's top MNCs?

I believe that the macro data on Indonesia is already well known. Indonesia for instance hosts the largest economy in Southeast Asia as well as the fourth largest population in the world. However, I also feel that the health care environment in Indonesia is going to change quite rapidly over the next few years. The change will be a positive development for the wellbeing of the people of Indonesia, for the pharmaceutical market and for the country in general.

The opportunities in Indonesia are obvious. Today, just about half of the Indonesian population has some sort of access to health care insurance. When you zoom into the situation however, you immediately see that the most advanced coverage is only provided for the civil servants through the ASKES program. Most of the MNCs primarily operate in this segment of the market, which at present only amounts to an estimated 20 to 30 million people.

Looking at various publications and IMS data, in the foreseeable three to five years the healthcare expenditure is expected to double in Indonesia. Today, only 2.7 per cent of the GDP is being spent on health care. A second growth driver is the universal healthcare coverage that is starting from 2014. More than for the poor people alone, we strongly believe that the overall access to medicines is going to increase in Indonesia.

Universal health care coverage sometimes sounds exciting, but it may not be an opportunity for everyone. This is because the plan targets a very basic package of healthcare based on low cost generics. However, we believe that the growing base of the population – which the government aims to cover in full by 2019 – will serve as a driving force to increase the overall access to medicines. We believe that the base of the aforementioned 20 to 30 million people – which most of the MNCs target today – will theoretically increase to roughly 120 million people already in 2014 alone. While we should not assume that our business will increase proportionally, for instance because of the price-volume effect, we do believe that Sanofi will have a much greater role to play in this country when such a large number of population requires access to medicines

Some of our brands are quite well established in Indonesia, be it for diabetes, cardiovascular or even cancer treatment. In each of these key areas, Sanofi is the leader. In terms of treatment– whether it is oral medication or insulin – we are the leader in diabetes, an area where we are already tracking about 20 per cent growth. In cardiovascular too, we provide medicines for all kinds of hypertension, thrombosis, and so forth. There will be a greater role for us to provide a wider range of innovative quality medicines to a broader range of people.

To cope with the price-volume effect and heavy competition from Indonesia's local generics manufacturers, there are other MNCs in Indonesia that try to provide a portfolio of products with both low-priced and high-end medicines. How does this apply to Sanofi?

At Sanofi we are adopting a tiered price-volume strategy for a large population based market such as Indonesia. For example, providing different types of insulins,to different population tiers is what is going to drive our diabetes growth here in Indonesia. Sanofi will not only provide lower priced insulins, such as the human-derived ones, but also the higher end ones, which carry a natural higher cost as they are synthetically manufactured.

Besides providing medicines, an important part of our strategy in Indonesia is to provide training and education, and this strategy is implemented via forming Public-Private-Partnerships. Last year, for instance, we launched a five year diabetes training program for Indonesian physicians together with the Ministry of Health, ASKES and the local Endocrinology Association (PERKENI). We see it as our role to increase the competency of doctors in the country. This program has already kicked off since September 2012 and will provide training for up to 500 internal medicine specialists and

5,000 general practitioners over the 5-year period. For this large-scale initiative, we have also partnered with the American Diabetes Association (ADA), which is at the forefront of fighting diabetes globally. It is important to understand what efforts go into such training and the fact that we have managed to establish a partnership with the Indonesian Ministry of Health and the local Endocrinology Association. It is about what we can give to these doctors at the end of the day, by elevating their skills and providing them with better competencies to diagnose, treat and manage diabetes..

Apart from this, we also provide diagnostics for diabetes, an area in which I aim to launch a range of new products in the coming years so that patients can self-manage their diseases. Sanofi is now the leader in so-called blood glucose monitoring machines. In Europe for instance, we have launched gadgets that measure and analyze blood sugar levels in connection with iPhones or Android phones.

Our strategy to enter into areas beyond medicines – such as education and diagnostics – is in line with the vision of our CEO to have a company that truly focuses on the needs of the patients. To follow our strategy of diversification, we focus on creating sustainable growth – not only for our company but also to benefit more people. This year, we have implemented a strategy to set up a consumer health care division here, which mainly includes OTC products, vitamins, supplements, and so on. Just like anywhere else, the Indonesians consume a lot of OTC products for issues such as cough and cold, stomach problems, and so on. We are excited about the vast and immense opportunity for consumer health in Indonesia. At a global level, Sanofi is already one of the leaders in the OTC arena. As from this year, I am happy to say that we will have this pillar of our global business also in Indonesia.

We believe that this entire market and the overall access to healthcare will be driven by the current healthcare reform in Indonesia. Already now, the market follows a steady CAGR of 13 percent which is expected to last until 2018. The growth of the Indonesian pharmaceutical market is unique because it has been on a steady double-digit growth and will continue to do so in the next 3-5 years.

What do you now see as your biggest challenge?

Having been here for two years and driving a strategy for growth, a first challenge is the changes related to the implementation of the universal healthcare plan. On the one hand, Indonesia is a promising market for the MNCs to operate in. But on the other hand, we need to try to understand what will happen with the 13 percent CAGR once the universal healthcare kicks in. Anyone outside of Indonesia can look at the numbers alone and get very ambitious. However, one also needs to understand that Indonesia’s local pharmaceutical companies have a very strong presence in this

market. For the entire pharmaceutical market – including prescription medicines, vaccines and consumer health – the top 10 companies in Indonesia are all local companies and they control 40 per cent of the market. Indonesia is a very unique market where the MNCs are coexisting with very large domestic companies, many of which – such as Kalbe Farma, Sanbe Farma, Dexa Medica, Soho Group – are really great companies. They are very entrepreneurial, very successful and well established. Now that the healthcare reform will be providing millions of Indonesians with more medicines, we should ask ourselves who will be the main players in this market. We already hear rumours of potential restrictions for MNCs, with regards to the bidding process for instance. While we will be growing for sure, it will not be a clear-cut growth path.

The role of Sanofi in Indonesia should also not stay limited to excelling in diabetes, hypertension, diversification and so forth. We also have a role to play in partnering with Indonesia's local pharmaceutical companies. At present, we already work together in terms of toll manufacturing, promotional agreements, etc. Going forward, cooperation could take various formats, ranging from R&D to geographical expansion. In China, Vietnam and so forth, we also partner with local companies, so why should we go at it alone in Indonesia?

R&D is not something most MNCs look for in Indonesia. Sanofi has already started cooperating with the Eijkman Institute in Jakarta on a research laboratory for dengue fever. Can you elaborate on this partnership?

This partnership is very special. The Eijkman Institute in Jakarta is one of the leading molecular biology institutes in this country. Dengue is a critical problem in Indonesia. In the two years I have been here, I got to know several people and co-workers that lost family members to this disease. At present, Sanofi sits in a very good position to potentially develop the first dengue vaccine in the world and for this reason, I value this partnership with the Eijkman Institute very highly. We are conducting our dengue trial in multiple countries including Indonesia. We provide this Institute with state of the art equipment and technology to do the research and studies. This is a win-win partnership wherein we also provide the necessary training to the local researchers. We have for instance sent some of them to the US for training. The initiative has been strongly welcomed by both the Eijkman Institute and Indonesia's Ministry of Health, and it really shows the commitment of Sanofi to create an environment where one can foster research.

You described the universal health care plan as your first challenge. What other challenges do you foresee in this market?

The next challenge is about developing and opening up the healthcare market through changes in the regulatory environment. There are a lot of barriers to investment for example, such as the Decree 1010 and the Negative Investment List, which limits the ownership of foreign pharmaceutical manufacturers in Indonesia. Whether it is good or bad, such regulations generally place a barrier for companies to come to a country. I do believe that Indonesia can gain from foreign investment in the pharmaceutical industry.

Do you feel that you are competing with other emerging markets within Sanofi? Vietnam, for instance, just received $75 million from the headquarters to invest in a manufacturing facility. Does this hurt, in a way?

I would not say that we are competing. Indonesia is definitely on the radar and on the priority list for investment within Sanofi. Over the last two years especially, we have received a tremendous amount of support from senior management. We already have a GMP-certified plant here that supports both local and export markets, so perhaps at the moment we do not need such additional investment. To drive our growth strategy, we need to invest in the expansion of our field force. As I mentioned already, our thinking here is driven by diversification in areas such as consumer healthcare. To run this new business, we will need new people, new processes, new systems, and so forth. Apart from that, we are looking at geographical expansion to reach outside of Java. As we will expand, we will start playing a bigger role in the so-called tier 2 and tier 3 cities.

In terms of diversification, we are also reaching out beyond consumer healthcare. Sanofi has a very strong footprint in vaccines, which I see as a significant strategic growth driver for our Indonesian operations. From a vaccines point of view, we already are the number one MNC in Indonesia. However, once again, there are regulatory challenges. Today, we can only operate in the private sector market as we cannot access the public sector. In the future, I also see ourselves bringing other parts of the global Sanofi franchise. At a global level, for instance, Sanofi is very strong in animal health. Once again, this can be considered as a very big market in Indonesia simply because of the sheer size and the level of food consumption of the population.

All in all, Indonesia is a very exciting market and as a manager I am very happy to be here together with my team of close to 800 people. We are very proud that back in 1956, we were the first Pharma MNC company to set foot in Indonesia with Hoescht, and today we are proud to be a leading MNC in Indonesia.,. We are committed to continue growing the business for Sanofi, and to meet the healthcare needs of the Indonesian people for the long term.

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