Interview with Rolf E. Hoenger, General Manager, Productos Roche S.A.

29.07.2012

Tags: Productos Roche S.A.

What has been the evolution of Roche’s operations in Colombia’s over the course of its proud 52-year history here?

As with almost all pharmaceutical companies with commercial operations in Latin America, we began our business here in Colombia with a production plant. The plant has closed since 1997 as our business here evolved and its former facilities were converted into commercial offices that oversee marketing and sales. Our core business now is oncology with the institutional market constituting close to 80% of our total business. In that regard, the primary care business that is reflected in IMS rankings is only a very small part of what we do. Depending on market exchange rates we sell close to $250 million per year, of course with some big fluctuations last year. At close to $250 million in turnover we are one of the leading players here in Colombia along with Pfizer-Wyeth and Merck Schering-Plough.

Our principal role is to satisfy the needs of the patient. We are very fortunate with the pipeline of drugs that we sell and the match that they have with customers here. We are in the fortunate situation that in a market like Colombia’s almost everyone can have access through the system. I think this is a major factor that has allowed the company to grow by over 20% over the past three to five years. A top priority is to maintain that position. If you look at the secrets of Roche I would say that we try very much to be dedicated to the patients. We do quite a lot of work with patients through outreach programs and patient education to clarify any questions the patient might have

about the disease and treatments and ensure that they get proper information about healthcare because, as can be the case with institutions, the doctors have very little time to explain detailed information to them. Our outreach in that respect is nothing prescription related. Rather, it is much more about ensuring access to proper information.

I consider getting the right people on board and in the right position among the “basics”. We have done a lot of work over the past few years to make sure we have the right people who are as well trained as possible. We have invested in and created a training department to equip the whole fleet force with skills and this investment in our people should really make a difference in the next couple of years.

What has allowed Roche to perform so strongly as an innovative player in Colombia?

55% of our business is oncology. In oncology you have drugs that can either save lives, or make a huge difference in quality of life. These products are unique biologicals so you don’t have the competition from generics. Of course this is an excellent opportunity here. The Law 100 really provided a good opportunity through the beginning of the “tutela” mecanism. Through the “tutelas” drugs were made available to every oncology patient. Success has hinged on the combination of the change of environment thru the Law 100 and having the right drugs on the market which people can access. Those were the basic pillars. But again, I really believe that it depends a lot on the people you have. If you have the right people who are very committed on board then a company becomes one of the best places to work for. That is why year in and year out over the past six years Roche has consistently been on the list of the Top 25 places to work in Colombia. This is the “secret.” Nothing else.

What constitutes the other 45% of the mix that drives Roche’s product line?

Rheumatoid arthritis is a big market for us. Other important business areas are hepatitis and transplants in specialty care. There are also smaller, “specialized” diseases like cystic fibrosis. The local companies are competition, but not so much in the specialized business. We are in a very different situation here than most of my regional colleagues in Latin America. The generics – the copies of the specialized drugs – have a very low penetration.

Competition breeds innovation and with a lack of competition in this specialized market do you think that Colombia as a country is poorly positioned for long term growth in the specialized medicines given the scarcity of competition?

Local competition is one thing. But so far, access to drugs is such an important driver that this is really where the focus goes. Imagine if you have 60-70% of the population dependent on pharmaceutical drugs, all of whom have legitimate access to them. This is excellent. Not so many other countries have that type of access. I think this is the main reason for growth. You have to make the best use of the health system.

No conversation these days in this industry can escape the topic of the Social Emergency. In your professional opinion can you dissect the origins of this complex situation and shed some light on developments that might come out of it?

The decision that was taken through the Law 100 was to not limit access to drugs, as is the case in other countries, for example, where access is denied if you do not have social security. This has obviously created a demand, since the patients are there. You then have a system that allowed the players in the market to do whatever they wanted with the markups because they had no controls. This obviously has generated the situation we have seen where some of our old drugs are reimbursed with no relationship to their original price. There are cases where beauty surgeries were reimbursed. The whole system went into collapse for allowing too much, especially if you think about why the government should pay for beauty surgeries. It doesn't make sense. There are certain inefficiencies in the system which of course created these high mark ups. I am sure this is one of the reasons why the system will ultimately be bankrupted.

Another factor is that you have to be aware that when you have relatively few people who pay into the contributory system and so many who are subsidized, then of course there is an imbalance. In this respect, you will find many people in Colombia thinking that the decree to impose more taxes on alcohol and gambling is positive. Why should one part of the population get one thing, but the other part not? It makes sense. But the question is: where is the balance? How far do taxes have to rise in order to finance the system?

Last year, during the worst of the global economic crisis you said that "the crisis will not so strongly affect the health sector because it is the third largest consumer after food and education." Do you see linkages between the fallout from the global economic crisis and the current health crisis?

Yes, in one sense, of course. When there is more unemployment there are less people to pay into the system. But the imbalance persists because there are probably plenty of people who have jobs but still don't pay through the system because they work in the informal sector. I think this is an inefficiency of the system which is difficult to regulate. In this respect, yes, the economic crisis had a huge impact. Political problems with Venezuela have also had a big impact because it killed many

jobs.

On the other hand, the pharmaceutical market was still growing. All the companies in AFIDRO were still growing by 11-12%, which was among the best in the pharmaceutical industry throughout the entire world. You cannot call 12% growth a crisis. This is what I mean when I say that the economic crisis did not affect us much here in Colombia.

Looking at Roche's pipeline a major drug that impacted the Colombian market last year during the H1N1 outbreak was Tamiflu. How did Roche balance its role as an innovator of a unique, profitable drug with being a provider for the social good?

A very good decision taken by Roche was to price the medicine much lower in the developing world than in Europe of the U.S. It was already sold at a subsidized price, which is not necessarily the best business from a profit perspective. For us it was a weekend's worth of work to get the product here when the crisis hit, around May 2009. It was very good for the relationship with the government and the Health Ministry because we could show them that we were very fast to react and have the product when they needed it here. Since the price for the developing world was absolutely public there was not much discussion about it.

What are some of the main strides that Roche is taking in the area of Corporate Social Responsibility (CSR) which has become such a vital issue in the health sector?

Social responsibility has several factors. There is the environmental factor in which a company enforces green standards which many companies practice, including Roche. Then there is the work we do with patients such as early detection campaigns for breast cancer for example. Thirdly, there is the charity branch which Roche is active in through its support of a local children's chemotherapy shelter. This is really charity because Roche doesn't sell drugs to children with cancer. A lot of our CSR also goes into looking at how we support patients' associations. There are challenges with productivity in the public health system because doctors have to see many patients in the short span of a day. That of course has an impact on how the patient is treated and gets information. I think the pharmaceutical industry has a lot to do in order to fix the inherent inefficiencies in the system. In Colombia patient associations are very well developed.

You are of Swiss-German origin working here in Latin America. What are some of the commonalities you see between the European identity of Roche and the local identity of the Colombian subsidiary?

I think that in the end, managerial issues are pretty similar. What you have to do is create the team that is really committed. As I mentioned before you concentrate first on your people and getting them highly educated, which is a common theme around the world, as well as to get them as highly motivated as possible through the environment that you create. I believe that is where innovation comes from. If you give people freedom to act and avoid bureaucracy they will then come up with the solutions to really prevail in the market. I am sure that this is a global commonality, not just particular to Colombia.

If you look at marketing, doctors today go to the same congresses and have access to the same information. In Latin America it is much more difficult, however, for doctors to attend international congresses because it is more expensive. Institutions don't pay for it so there is much less money for continuous education of doctors. That is a main difference between Europe and Latin America. It creates a demand and a need to bring world class education through speakers and events here. I think doctors are very grateful for that because not everyone has the opportunity to access international medical congresses and the most important international health educational journals to update them with the latest innovations in science and medical products and procedures.

Another main difference is that there are not that many medical professionals in Latin America who can speak English, which creates a barrier for medical information. That creates a lot of work in translation and in bringing Spanish speakers here to share the latest developments in medicine. This is a big barrier. If you look at the medical profession the level of English penetration is not that deep. For even those who can read English, medical journals are not cheap. Responsibility therefore falls on us as a pharmaceutical industry to plug up this information gap. This is really the difference I see between Europe and here. In Europe if a doctor wants a journal he subscribes to it easily. That is not so much the case here.

What are some personal ambitions that you have for Roche during your time here?

I think we still have a strong possibility to grow year-on-year over 20%. Last year we grew 25%. Our goal is to double the market. Based again on the science of the drugs that we have, oncology and rheumatology will be the drivers over the next two to three years. Then we will have diabetes coming up which of course is a great market for our products. One of the tasks I hope to accomplish is to export people from this office here to the rest of the world. Colombia has very talented people who I believe we should be utilized throughout the entire global corporation. Talent development is definitely a top priority. If you asked me three weeks ago a lot of this would have seemed an easy task. But we really don't know what will come out of the emergency crisis. Anything from price controls to reference pricing (cheapest prices that exist) can happen. If

international guidelines of treatment ultimately get applied, then this is an excellent opportunity for innovative drugs. If not, then generics will eat you up like in all the other Latin American markets.

Are you applying an English speaking culture with this export goal in mind?

Yes, there is English training for all of our executives here. I think as well that we have talent here that can be developed for an international career.

What advice would you give to a foreign CEO, such as yourself, who comes to work in Colombia tomorrow?

The first thing would be to put your feet on the ground get out, and look around as it is the case with all markets. I think that here in the office you get everything filtered. So you really need to get out and have contact with the clients in order to understand what is going on. The other piece advice is to work on relationships. This is Latin America after all. Try to get to know the right people who a well connected network.

What would be your final message to convey to the readers of Pharmaceutical Executive about Roche Colombia?

It has been a tremendous opportunity for us here in Colombia. Colombia has had a very stable environment over the past few years which has allowed the company to grow. The regulatory environment has been stable which has allowed our clinical trials division to flourish and grow very fast. I really think that Colombia has a worse reputation than reality.

If you look at the market, with 48 million inhabitants, the market is strong. Looking at our size – $200 million in pharmaceuticals alone, not counting diagnostics, this is a world market that is growing much bigger.

See more interviews