Interview with Luthfi Mardiansyah, President Director, Pfizer Indonesia

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Pfizer has been one of the earliest believers in the Indonesian market, establishing its presence since 1969. As the number one MNC in Indonesia, how would you assess the current landscape for global research based companies in Indonesia?

Although pharmaceutical products are shifting toward generics worldwide, what seems to be a clear trend in the Indonesian market is that despite blockbuster patent expiration and increasing competition from generics, Pfizer products still remain the preferred medicines for our patients. The main reason for this behavior naturally relies on the quality of our products and on the trust patients and doctors have regarding research-based companies. The patent cliff worldwide is forcing pharmaceutical companies to rethink their business model.

Given the outlook for Lipitor and other blockbuster patent expiration what is Pfizer's strategy to keep and increase its leading position?

In my previous experience running Capsugel in China, a subsidiary of Pfizer, despite the scenario is very different as China is a reimbursement market, regardless of the patent cliff we still managed to double the level of our sales and outperform the target assigned for the Chinese operation. The secret of this success was to increase the access to medication, to expand the population access to get healthcare services, which is the same business model I want to implement here in Indonesia. My vision is to be the one hundred million dollar company within the next two years.To achieve this goal several initiatives have been taken to reshape the company's strategy. Firstly, for some products such as Lipitor, we launched the e-card, an electronic card given to the patients

after they receive a prescription to use one of our products. With the e-card our patients can access a number of pharmacies in Indonesia and purchase our product at a discounted price. The adoption of the e-card brought Pfizer two benefits; on one hand we increased the patient pool by over 25,000 patients last year, and on the other hand we maintain and enhance customer loyalty. Therefore, we are already preparing to defend our products for the patents' expiration. Secondly, we are planning to introduce some of our products in Askes, to access the lower income citizens that have not yet been treated with Pfizer products. As an Indonesian I am striving to bring my contribution to the national healthcare system and even though being part of the Askes Program will not have a large impact on Pfizer revenues, it will provide the opportunity to people that have never used Pfizer products to have access to high quality medications.With sales growth slowing in the US and Europe, one of the main strategies announced by Pfizer is the intention to consolidate its position in developing countries.

Under this context, how important is the Indonesian operation for Pfizer worldwide?

Looking at the figures, even though the Indonesian population is four times larger than the Philippines, the overall level of sales registered in Indonesia is $70 million, which is smaller than the Philippines. Indonesia has 240 million people and many of them have not yet been able to access Pfizer's products. However, there are huge opportunities such as the oncology area where we are growing 50% year- on- year. Therefore, the potential I see for Pfizer Indonesia is very high and this is the reason why I set the goal of becoming the 100 million company within the next two years. At the present time my team is working hard to accomplish this target and as Pfizer Indonesia is growing 15% a year, I truly believe that by 2012 or maybe earlier we will gain a stronger weight in the radar of Pfizer worldwide.

As one of the MNCs that have facilities in Indonesia, how will the 10/10 decree impact Pfizer's strategy?

The 10/10 decree can be considered as a value add for Pfizer, as it may enhance our standing in the marketplace. It would also put Pfizer in a better position to help other MNCs which would like to produce their medicines using our facilities.However, since Pfizer is an active member of IPMG, we are trying to take a common position in front of the government and try to speak with a single voice. In my personal perspective, the 10/10 decree can represent a serious danger for the pharmaceutical industry as it can create incentives for other neighboring countries to adopt similar strategies. It is not efficient for research based companies to have facilities in every country and if pharmaceutical companies are forced to build redundant facilities, those costs will be transmitted to the consumer. The other option is to partner with local companies, but most of them don't have the necessary scale to manufacture at maximal efficiency. Thus if MNCs partner with local firms, it will also increase costs. In both cases, life saving medicines would become more expensive, which means fewer people would be able to afford them. Consequently, fewer people would get

treatment, which would weaken the Indonesian healthcare industry.

Considering Pfizer's strategy to reduce manufacturing plants from 46 to 41, what remain as the advantages of having a manufacturing plant in Indonesia?

We have very good internal costs and the medicines produced in Indonesia are very competitive. Our plants are able to deliver products with the highest quality standards in the industry and we have adopted the managerial best practices which will further contribute to cost reduction in the upcoming years. We are doing a very good job at manufacturing our products at very competitive prices, even if it is sometimes more efficient to import certain products. For instance, Lipitor is imported from Thailand. However, our competitive prices give us the opportunity to export to many countries in the region.

As Wyeth does not have a manufacturing plant in Indonesia, even if it on a very early stage, what will be the impact of the announced acquisition of Wyeth on the local operations?

At present time we still look at Wyeth as a competitor and I cannot really comment on that. What I can say is that Pfizer bought Wyeth not to be larger but to increase the patient pool. Considering your plan to achieve the 100 million dollar goal within two years, this plan will probably necessitate Pfizer to increase its workforce.

What are the key attractive features of Pfizer that attract and retain an adequately skilled workforce in a country where less than 6% of the population has a university degree?

The main strategy we adopt does not rely on increasing the workforce but to develop our people. Our main strategy today is to enlarge the accessibility to medication and, besides the e-card and the introduction of some of Pfizer products in the Askes. Our strategy is not focused on price but on having strong brand recognition among the doctors and the pharmacists, making sure that our products are known and accessible all across Indonesia. In this respect, we are trying to increase the awareness among the medical society and consumers of the benefit they can get by taking Pfizer products. We are organizing symposia and seminars as well as company campaigns where our workforce makes presentations to HR directors of local companies regarding various pharmacology studies. These educational and knowledge building initiatives analyze the economic impact of diseases. They also analyze the return on investment for corporations to raise awareness on medication for illnesses such as hypertension or smoking among others.

As the first Indonesian running Pfizer in the country, how would you like Pfizer to be perceived by the local population?

I would like people to look at Pfizer not only as an American company, but as a foreign company working for the local people, more local than the locals. As we believe in the capabilities of local people, our entire workforce is Indonesian. This is not because we do not want expatriates, but

because our employees are perfectly capable to run the operations and the advantage of speaking the local language is an asset that facilitates communication with all stakeholders involved in the industry.

Looking internally in Pfizer, how is your management style perceived by your employees?

I am very open to communication and to critics and my team can always find my door for any advice. On the other hand even though I am very open in evaluating the performance of staff, I do not expect to receive feedback on the decision I took in the interest of the company, because I have a clear vision of what I want to accomplish. In this respect, I am very clear in setting the strategy and the direction and I want the vision to be endorsed at least by senior management. I honestly believe our team is very solid; we are close like friends, though we also maintain professional relationships. Sometimes I actually receive phone calls or dinner invitations from my former employees and even from people I dismissed.

What is your final message to our international readers?

As a medical doctor I understand the importance of having access to medications that can improve the quality of our lives. For this reason it is crucial for policy makers to team up with the pharmaceutical industry along with the other stakeholders to define the healthcare policies for the country as a whole.

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