Interview with Florent Darchez, Managing Director, Servier Indonesia

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florent-darchez-managing-director.jpg adapt to the Indonesian business mindset.

My adaptation to Indonesia has been relatively smooth thanks to my past experience in different Asian countries including Indonesia itself. More than ten years ago, I had the opportunity to come to Indonesia, where I started my career. Once you are young, you are more flexible and more willing to learn and adapt to other cultural mindsets; therefore, it was relatively easy to settle in the local culture.Later on, I had the chance to work very closely with people from Thailand, Sri Lanka, Indian, Bangladesh and other countries of the region. With them I learned how to adjust with many different cultures and understandings at the same time, giving me the right criteria to learn how to play in such a culturally diverse environment.

Based on your wide regional experience, what role do you thing Indonesia will play in the Asian Pharmaceutical Industry in the near future?

When compared to players like India, China, South Korea and Japan, Indonesia could play a role, but probably a less prominent. The main reasons for this are some confusion in the national policies towards the sector. Thanks to restrictive measures but also cleaver marketing strategies, the local companies managed to gain an important share of the national market. However, those policies didn’t always benefit the country as a whole because the local players are only present in the generics market. If the government keeps penalizing the more innovative multinationals that are willing to enter the local market it could simply deprive the local population of the access to more efficient medicines; not bringing any gain to the local industry and penalizing the population and

doctors with restrictions to important medicines. Countries like Malaysia or Vietnam are finding the right balance between supporting the local industry and promoting high quality ethical drugs to their population.

How has this hostile environment impacted Servier?

Ten years ago Servier had a very different profile in Indonesia. However, the company – and the multinationals as a whole found difficulties with those institutional transformations. From 1997 to 2008 the market share from multinational companies in the local pharmaceutical market dropped from around 70% to only 30% now.As a result, Servier has been downsized and optimize its operations in Indonesia. The company had to rethink the way it promotes its products in the country and rather the way it would launch new products. It also invested considerably to increase professionalism of its employees, emphasizing on the return and profitability of every new investment. Servier had to re-scale its operations to a smaller level, but now the company starts to be ready to get back to its growth path in a much more tailored and sustainable way.

And what was the exact impact of the 10/10 decree on the company?

The 10/10 decree is for us nothing more then the continuation of the restriction policies towards the international companies, even though the national government energetically denies it. The law seems clear: if you don’t manufacture locally, you can’t import or register your products. The only options left are to leave the country; to partner with a local company; or to establish itself directly here.Partner with a local company means that foreign companies need to hand their registration files to local manufacturers that run their own generic brands. Naturally, this is a risk many companies can’t bare. This could make them reconsider new investments and new drug releases in the country, not creating any clear benefit for the local population, losing access to important medicines or knowledge. Interestingly, this doesn’t affect upper class, who can very easily fly to Singapore to get the latest treatment.

How is Servier adapting its product portfolio to the Indonesian Market?

Servier Group has a very innovative product portfolio worldwide. These products are pure innovations with new mechanisms of action bringing better efficacy and safety for the patient. Regarding developed markets, these products are our growth boosters and represent part of our future. However, in Asia most of the countries is have no universal coverage. Therefore, our strategy in Indonesia is to provide our ethical products to doctors and institutions that search for more innovative products supported with highly ethical promotion. This is Servier’s strategy for its mature products and the company will be even more selective for the new drugs that will be soon released. In Indonesia, the main strategy for a company like Servier is to micro target and grow in its own niche.

What is your strategy to overcome the local shortage of skilled workforce?

The quality of the workforce is another important issue in Indonesia. This is partly due to a history of poor investments in education by the government but also by the Pharma industry, with very few locals speaking English. In Servier, we try to overcome this bottleneck by investing in the quality and professionalism of our employees. Clearly our aim is to grow in efficiency, and this can’t happen without the entire support of our local expertise.The company is trying hard to allocate the right people in the right positions and to properly develop their potential. For that, we need a close management and a strong sense of leadership, going back to the basics of the business and rebuild a corporation internationally known by its dynamism and excellence in innovation.

And what are your expectations for the next five to ten years?

Our aim is to grow two to two times above the market average; for the next three years. Servier Indonesia is planning to grow based on the increase of efficiency. Servier is known around the world for its fast and dynamic growth. We are determined to make Servier Indonesia a great example of that. Indonesia is a challenging market, but it is in challenging situations where we find the brightest solutions and the brightest people.

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