Interview: Mark Stoffels – General Manager, Philips Healthcare Mexico



11.05.2015

Tags: medical devices, Philips, strategy, doing business, Mexico, healthcare, pharma, pharmaceutical, medtech, medical devices

Philips aims at becoming the leading provider of solutions across the full 'continuum of care'. The general manager of the healthcare division in Mexico explains how the company has made customer service, education, software and integrated solutions the strategic pillars to find innovative ways to deliver healthcare.

What are the most important trends you are witnessing in the Mexican healthcare systems and how is Philips adjusting to them?

At Philips we have come to realize two important trends. First of all – and this is true not only for Mexico— if you want to improve the healthcare system you need to be able to track outcomes and costs. It sounds pretty obvious, but most hospitals, especially in emerging markets, do not. Also, if you want to address the health system as a whole, it is not enough to just sell a CT or MRI scanner.

Globally Philips has always been a med-tech provider with paramount technology and R&D at the heart of all its new product developments. We have some of the best products in the world in radiology, for instance. However, they are of little use in countries where only a limited share of the population has access to this kind of technology. That is why in Mexico, Philips is implementing a global strategy intended to look at the full 'continuum of care', which does not only encompass diagnostics, hospitalization and treatment, but also healthy living, recovery and home care. Our

goal is to become the best provider of solutions across the complete ‘continuum of care’.

How does this translate into the company’ go-to-market strategy in Mexico?

The first pillar of our strategy is to invest heavily in customer service and education. Especially in med tech, customer service is a key differentiator. Even if you have the best products and technology in the world – which I think we have –, if you do not provide a solid follow-up to all customers’ needs, everything falls apart. Over the past two years we have made customer service a key priority and today we are the number one company in the med-tech segment in Mexico. On the other hand, we attach a great deal of importance education. We have come to realize that too often our paramount technology is not exploited to its maximum capacity. We have understood that if we do not train medical professionals and nurses, they will not be able to use the products correctly, thus not having the desired impact on patients. For this reason, in May 2014 we inaugurated in Mexico the Philips Healthcare Academy Center that we use for technical training and continuous education.

The second pillar of our strategy is Hospital Informatics. As mentioned earlier, if you cannot measure outcome and costs, you cannot improve healthcare. Data is the future and only organizations and hospitals able to track patients’ data will be able to improve outcomes and be successful. Back in 2010 Philips acquired Wheb Sistemas, a leading Brazilian provider of Hospital information systems. The solutions, including the hospital informatics system TASY, were soon integrated into Philips’ portfolio in Brazil. I was strategic marketing director for Latin America at that time, so very familiar with the new products. When I was appointed general manager here in Mexico, I wanted to offer the solutions here. Mexico was chosen as a pilot market after Brazil to test the system and identify in what markets we can launch it next.

The third pillar is Integrated Solutions. As it is the case worldwide also in Mexico we are witnessing a shift towards non-communicable diseases, with a relatively young but not particularly healthy population and high levels of overweight, especially among children. This represents a societal challenge in twenty years from now. Hence, we believe healthcare will be delivered in a very different way in the future. Today we have hospitals investing large amounts of resources in buying equipment, while we add to that the provision of maintenance services. In the future hospitals will pay for what they need, this may be a service, a scan or a patient outcome. Hospitals want to take care of patients, not of an MRI scanner. With this new model we take care of the technology, while they take care of patients and the investment shifts from capital to operational expenditure.

We have seen you recently invested in a partnership to establish the Swiss Hospital in Monterrey. What do you think about partnerships between the private industry and the government and how does Mexico compare to its big rival Brazil?

The technology partnership we have with Swiss Hospital is one of the first in Mexico and I believe it will not be the last. From a PPP point of view, I believe that the model still needs a degree of 'tropicalization' to be implemented successfully in Mexico. We have seen a rise of such partnerships worldwide and also in Mexico, but rather applied to infrastructure and construction projects, not so much in healthcare. However, today a new regulatory environment allows companies such as Philips to proactively approach the Mexican government to propose solutions. We are investing in the organization to be able to participate in these kind of projects in the future, as the required skills are completely different. Such a partnership is a long-term relationship and the risks you are taking as a company are very different from just providing equipment.

My impression is that the partnership model is a little bit more mature in Brazil. Philips, for example, closed its first long-term partnership with the State of Bahía, in the North of Brazil, to supply our technology to a number of hospitals. In Philips' home country, the Netherlands, a share of the healthcare business consists of long-term managed equipment services contracts, a model originated in the UK National Health System and now expanding all over the world. We are trying to bring such innovative models also to the Mexican market. Meanwhile we have entered a partnership with a local integrator that bundles services for the government on a payment-per-procedure modality. It is small scale, but it has been a successful collaboration so far.

What about the private healthcare market?

We are seeing a consolidation of hospitals becoming more competitive, as margins and profitability are crucial. The market is growing, because of the high share of population, which does not have access to care. Most existing hospital directors we speak to are positive when they talk about investments. In addition, you have a number of smaller hospitals and diagnostic imaging centers popping up across the country. The growth may have been flattened in the past couple of years due to the economic situation, but our ten-year long-term outlook is positive, simply because of the size of the population and the epidemiological profile of the country.

In 2014 Philips announced the next phase of its 'Accelerate!' transformation program, moving from a holding company structured around multiple divisions to two stand-alone operating companies – HealthTech and Lighting Solutions. What did this change imply for the healthcare business in Mexico?

Under the ‘Accelerate!’ program the company has decided to split the business into two parts: HealthTech, which encompasses the traditional healthcare med tech portfolio and what we today call the Personal Health portfolio and Lighting Solutions. The vision behind this split is that to be successful you need to focus. Both segments offer different opportunities, but also very different challenges. The same will be applied to Mexico’s operations.

The Philips healthcare business is organized around four strategic business groups: Imaging Systems, Patient Care & Clinical Informatics, Home Healthcare Solutions, and Healthcare Transformation Services. What segments are growing most and why?

We expect the Healthcare Transformation Services to be the segment driving most growth, as it is the unit involved in partnerships and integrated solutions. We have especially high expectations towards healthcare informatics, as these are increasingly crucial for hospitals to control outcomes and costs. We are also very optimistic about the other business segments, because the market is in its infancy and we have a population of 120 million, which only has limited access to healthcare.

What role does Mexico play in the region and to the group?

For Philips Latin America is extremely important and within Latin America Mexico is one of the key countries to invest in. We have a long-term plan approved by our board of management, which we are delivering upon consistently. You will always have economic distractions such as the fluctuation of the peso and cuts to budgets. Part of leadership is to keep the course and continue focusing on these millions of Mexicans, who still do not have access to healthcare and understand how we can help.

Where are we going to see Philips in the coming five years in Mexico?

Our ambition is to touch an increasing number of Mexican patients: we have already touched with our equipment 14 million people in 2014. We want to triple this number in the upcoming five years. Also, Philips will increasingly focus on offering solutions rather than products. And we are going to do so investing in service and education, software and integrated solutions – this on top of our technology portfolio, which is at the core of our business. Creativity and energy are needed to get Mexico’s healthcare system to the next level. The country needs innovation, entrepreneurial spirit and people daring to think in a different way about healthcare and to let go of the traditional models in which we provided healthcare in the past.

Today healthcare is the most exciting sector to be in because there is so much to be done, and given the large population and the need for healthcare services, Mexico is a perfect place to be.

Mexico will always be changing: the key to be successful is to have a long-term strategy. And this is what Philips is doing. We have a great plan and we will keep investing in the market.

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