# Interview: Eric Alvarez – Managing Director, Janssen Mexico



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*Eric Alvarez, managing director of Janssen Mexico, explains why it is important to distinguish between the public and private sector when discussing the latest developments in the pharmaceutical industry, and notes how the mindset within the government is beginning to change, seeing investing in healthcare as an investment in the future rather than a cost.*

**You were appointed managing director of Janssen Mexico in May 2010. What have been some of the most important changes you have witnessed in the pharmaceutical industry in Mexico since then?**

When discussing the latest developments in the pharmaceutical industry, I would distinguish between government and private sector. In the public sector, the government and the industry have had to face several challenges due to the constraints on level of spend on healthcare. In the private sector, we have seen several major developments over the last few years. The pharmacy chains have grown significantly, leading to a decrease in independent pharmacies, with the growth of medical consultations at the point of sale. We have seen generics continue to increase their market share, making up now eight out of every ten prescription at the pharmacies. In the distribution channel we have also witnessed some changes. We used to have four big players, currently there are only three. In such an environment Janssen has focused on ensuring that innovation succeeds for the benefit of all patients.

Such developments have benefited Janssen for the reason that our strategy is focused on innovative treatments covering unmet medical needs. Over the last four to five years we have transformed the company from a portfolio that was more focussed on primary care diseases, to a new emphasis on specialised innovative treatments. We focus on five therapeutic areas, namely infectious disease, oncology-hematology, cardiovascular and metabolic diseases, CNS and immunology. Such an approach has helped positioned Janssen from 13 to the 8 in the Mexican pharmaceutical rankings.

**Worldwide Janssen has been experiencing strong growth. How would you assess the performance in Mexico for 2014 as compared to the market?**

Since 2011 we have consistently grown faster than the market, which has been stagnating. We have gained market share, driven largely by innovative products. Over the last few years we have launched five new molecules in the areas of diabetes, hepatitis C, arthritis, gastroenterology and prostate cancer. It´s important to recognize that in the past years, under the leadership of Mikel Arriola, COFEPRIS has improved significantly the approval process of new products, but this is not enough to assure access to patients. We believe that once the regulatory agency approves an innovative product in our market, its needs to be available on the different government's institutions in order so the population can benefit from it. We also see as an opportunity, the need to increase access through different ways. Such as the coverage of insurance companies that nowadays represents only five percent of population, whereas in other countries it is over 25 percent.

**What do you see as being the main growth hotspots for the company in Mexico*?***

I see the most potential in the areas of immunology, oncology and diabetes. Similar to other countries, the population of Mexico is getting older, and as such chronic diseases are becoming increasingly present.

**How does the attitude of the Mexican government towards the healthcare sector compare to other countries in the region?**

I am optimistic that the Mexican government´s mind-set regarding spend in health is starting to change. In the past the government has tended to see investing in healthcare as a cost rather than an investment in the future. Now there is an understanding that investing in this area can be an engine for growth, helping to boost the overall economy. If one compares Mexico´s access to innovative treatments to other countries in the region, we are certainly below average.

In 2013 IMS conducted a study comparing us to nine other countries, such as the UK, Turkey, Argentina and Brazil. It highlighted how Mexico is behind when it comes to innovation and more importantly made clear the impact this has on the productivity of the population. The report played a large role in demonstrating to the authorities the importance of ensuring that as a country we promote innovative products, helping us to be more productive and consequently grow the economy. Traditionally when talking about engines of growth in the Mexican economy, we refer to the automotive business, which clearly it is an important one. The IMS report has emphasised the importance of the pharmaceutical sector and now the authorities and the pharmaceutical sector are working together to further improve the situation.

**Janssen is known globally as a leading innovator. Could you give us an overview of your R&D activities and relevant investments in Mexico?**

Last year, Janssen worldwide spent six billion dollars on R&D, almost 19 percent of our sales, one of the highest of any company. We over-invest in this area to ensure that we continue with a pipeline that is centred on innovative products for unmet medical needs. In Mexico, we consistently conduct clinical trials for stage two and three in the five therapeutic areas that as a company we focus on. As a pharmaceutical sector we are partnering with the government, in order to invest five billion dollars in R&D within the next years. Today we invest merely 200 million dollars per year. If you consider that the Mexican pharmaceutical market is worth over 10 billion dollars, companies on average are investing less than two percent in this area. We have smaller countries in the region today investing two to three times more than us. However, I am confident that we are going in the right direction and the government sees the benefits for the patients, the physicians, as well as the country in considering health as an important contributor to economic growth.

**When we met Tom Heyman, CEO of Janssen, he explained how “one of the key elements for J&J is its decentralized model because it understands that local companies have a better understanding of the local market’s needs.” How has Janssen Mexico adapted the global model and priorities to fit the local environment?**

This is a question we are constantly asking ourselves. There are certainly advantages to decentralization, but we should also remember that we are three companies in one, with consumer, medical devices and pharmaceuticals and in some cases we are stronger working together than separately. You have to choose when this is appropriate, as we do have numerous strategies that are tailor made to a sector or country, having us this flexibility is a competitive advantage.

**What is the strategic importance of Janssen Mexico to the company's regional and global operations?**

Globally, Latin America represents seven percent of the global pharmaceutical market, it is more or less the same share for Janssen. Mexico is our second biggest market in Latin America, and the country has been and will continue to be very strategic for Janssen within the region.

**What are the company's development plans for the next five years to ensure you keep your positioning in the market?**

We are now ranked as the eighth pharmaceutical company in Mexico, within the next five years we need to strive to be within the top five. Equally important, today we are the number one company, among the best places to work in the health sector according Top Company survey, but we are still not the number one overall. This is our aspiration, to become amongst the top five ranked pharmaceutical companies and the best company to work for in Mexico.

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