Interview: Iain Barton – Managing Director, Imperial Health Sciences (IHS), South Africa

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Iain Barton reveals how the acquisition of RTT Medical by IHS in 2013 has allowed Imperial to become the biggest pharma supply chain and general logistics services player on the African continent; why with a two tier integration they can be the single partner of choice in sub-Saharan Africa for a pharmaceutical company; and how their Unjani Clinics initiative, a nurse practitioner-owned franchise model for community healthcare, is helping to empower black women and provide affordable and accessible healthcare service in rural areas. Barton is managing director of IHS.

In 2013 Imperial Holdings announced the acquisition of RTT Medical in a deal worth R500 million Rand (38 million USD). How has the business changed since it was acquired by Imperial Holdings and how has this deal allowed you to take the business to the next level?

We have the same building, the same staff, the same systems and the same clients, all we did was change owner. We changed owner because we were looking for someone who had the appetite, the ambition and the ammunition to build a pan-African healthcare distribution network. We have three distinct client sectors in our business: governments, donors and commercial pharma. We aim to provide these three different communities with four different services. First comes the sourcing-of-product: we have a successful procurement and wholesaling business based out of the Netherlands, called Imres; second is what we call the get-you-there, the logistics service model; third is the sell-your-product, where we have bought a range of wholesalers and distributors across

the markets in which we are active; fourth is the build-your-brand, in other words sales force management, marketing and brand activation. The final area of service is one that Imperial has provided very successfully in the fast moving consumer goods sector, and we are now extending this into the health sector.

Imperial is the 12th largest company on the Johannesburg stock exchange by market cap, a USD 10 billion per year revenue business with 53 thousand employees. Its logistics business, when viewed by revenue, is the 20th largest logistics business in the world. It is a South African-owned and listed business, but it is a player on a grand scale. We are by some distance the biggest player on the African continent, in terms of pharmaceutical supply chain and general logistics services. We have spent around USD 250 million in acquisitions and building infrastructure to put such a network together, but we have not completed our acquisition activities. We are planning acquisitions in East Africa, French-speaking Africa and we also have a strategy in development for Ethiopia. We are also looking at smaller acquisitions in Namibia, Zambia and Mozambique.

Such acquisitions will provide us with two tier integration across all the major markets in sub-Saharan Africa. For the next five years our focus will be on upselling that network into our existing client base. We are building a logistics and training integrated model because companies have different needs in different markets. For a company such as GSK, everything that they move, anywhere on the continent, in both pharma and consumer, runs through our network. With two tier integration we are able to answer whatever needs a company might have, we can be the single partner of choice in sub-Saharan Africa for a pharmaceutical company.

Can you tell us more about the development of your African expansion strategy?

Our three regional hubs remain Southern Africa, East Africa and West Africa. In each of the major markets we have bought a local distributor. Within our business in Nigeria we have more than 50 percent of the innovative market share. We are by some distance the biggest pharmaceutical distributor in Nigeria, servicing seven and a half thousand outlets across the country. We also bought a logistics business in Nigeria, given the size of the locally manufactured generics market. In Ghana we have a bigger logistics service business and a smaller wholesaler. In Kenya we are about to own the biggest pharmaceutical distribution centre outside of South Africa. We have built a 10 thousand square metre, 19 metre high, GDP grade logistics centre in Nairobi, a USD 35 million investment.

Imperial Health Sciences (IHS) services the full spectrum of the healthcare market including medical practitioners, hospitals, clinics, state, pharmacies, health shops,

wholesalers and retailers. What are the key focus areas for the company in South Africa?

We drive numerous models of market access for South Africa, each with different service requirements but all facing the same manufacturers. IHS creates the required versatility for the manufacturers in two very different sectors. The fastest growing market in South Africa, by volume, is the public health sector. Ten years ago the state was an add-on that some of our clients looked to when they had one or two products that were on tender. Today we have 26 consultants working full-time with the National Department of Health on the re-engineering of the public health supply chain model. We have also been aggressively selling into generics these last few years. Given that we are helping to build the future distribution model for the state, we decided also to target the manufacturers that will dominate that market. Today Mylan is our biggest client. The volume of products that we move for Mylan is enormous, particularly in the ARVs space. Today the country has over 2 million people on ARVs, and of the 2 million doses that get delivered every month, 60 percent of them come out our premises. We also run the buffer-stock system for the National Department of Health, funded by the Global Fund. We have a focused, well positioned public health strategy in the South African market.

How are you raising awareness of the importance of compliance within the supply chain industry?

I chair the logistics association and we try to encourage wholesalers to raise their game. As the margins within this industry have become thinner, it has become increasingly difficult. The best way to fight counterfeits in African markets is to maximize availability and minimize the price of medicines. You do not eradicate fake and counterfeit medicine through regulation. Maximize the availability and minimize the cost of quality products, and the patients will vote with their feet.

Imperial Logistics was a founding member of the Public Health Enhancement Fund, an initiative uniting stakeholders across the South African healthcare community. What was it about this initiative that first attracted your attention?

We have been involved in public health outside of South Africa since 2004, with the US government and then with the Global Fund. We look to support growth and sustainable business models within the public sector. Anything that looks to build a channel of communication between the public and private sectors in health will have our full support.

By starting a nurse-owned primary healthcare network, what has been the impact of the Unjani Clinics Initiative in contributing to the transformation of South Africa’s

healthcare system?

If we do not put accessible points of care at community level, people will not be able to utilize the services. If we do not provide women role models in communities, as entrepreneurs, business owners, and health educators, we will not be able to change the social structure that exists in these emerging communities. Every piece of research conducted demonstrates that the best way to improve basic health indicators is the education and empowerment of young women. Unjani is a nurse practitioner-owned franchise model for community healthcare. The nurse owns her own business. We provide the framework and the structure, the treatment guidelines, the central procurement and monitoring and evaluation; and then place nurses into their own business, and train them on how to run it successfully. Imperial has adopted Unjani as its corporate social investment program, investing 37 million Rand into the development of the clinic model and the deployment of the first 25 clinics. The Unjani Clinics are providing an affordable and accessible healthcare service in rural areas, as well as empowering black women by creating entrepreneurial opportunities for professional nurses. Of the nurse applications that we receive, more than 50 percent of them had left nursing, but we are providing them with a route back into the profession.

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