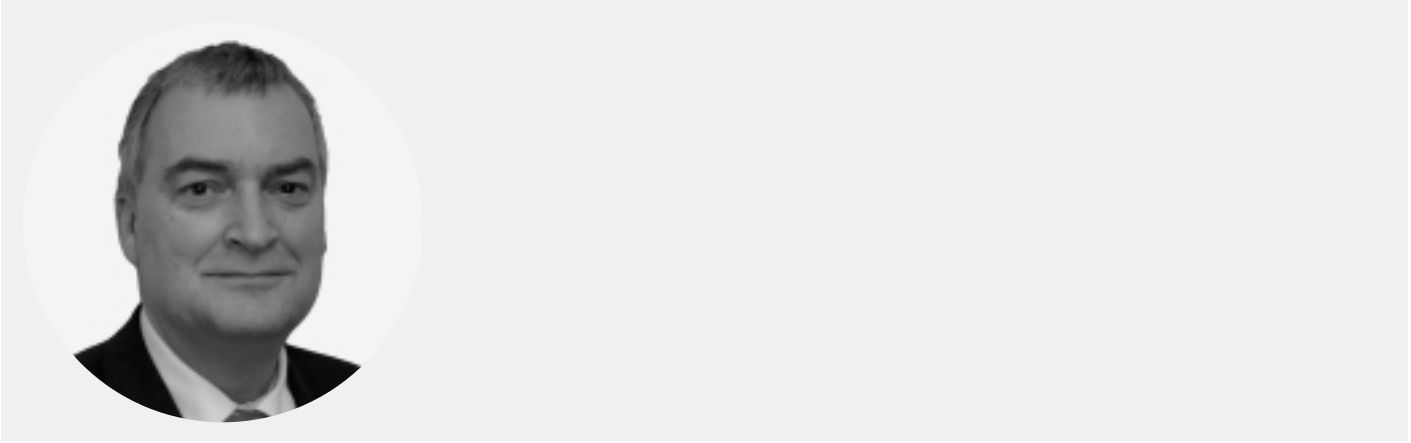
Interview: Leo De Haan – Managing Director Benelux, Aurobindo, The Netherlands



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Leo de Haan of Aurobindo discusses how to maintain a profitable business in times of rock-bottom generics prices in the Netherlands, the resulting second pillar of specialty products for the company and the growth ambitions for the affiliate over the next few years.

You have extensive experience in the generics industry and very recently joined Aurobindo as the General Manager for Benelux. What are your main strategic priorities for this affiliate?

Aurobindo's mission was to have a stronger foothold in Europe and in order to do this we decided to target eight specific markets. In April 2014 we became the number one Indian generic player in the European market. Aurobindo has a very ambitious goal in Europe: introducing as many new molecules as we can in the next few years. To fulfill this objective, we can rely on our vertical structure sustained by more than sixteen production facilities around the world. In the US, we have three production facilities that are FDA approved.

Aurobindo's is a two billion dollar company. 43% of our total sales come from the US and 22% from Europe. We are changing our focus, including increased attention on specialties, unique products and generics, although generic products still represent 85% of our volume in the Benelux region.

22% of Aurobindo’s revenues come from the European market. What is the significance of the Benelux region to Aurobindo?

The generics market in Europe was estimated to be worth 38 billion Euros in 2015. Aurobindo has a strong presence in France and Germany, and these two markets are contributing the largest amount of revenue to the company in Europe. The Netherlands and Belgium are also highly attractive markets considering that the generics industry is strong in these markets as well. Considering that the market penetration of generics is extremely high, especially in the Netherlands, we increasingly focus on specialty products in the Benelux region as well.

What is your strategy to ensure profitability considering that the price of generic medicine is at an all-time low in the Netherlands?

We have seen that the number of suppliers has significantly decreased in recent years due to acquisitions and mergers, which in turn has caused many companies to change their strategic direction in order to support an ever-changing market. We predict that in five to six years’ time some of the top 5 generic players will go for a reorientation of their core business and will focus more on brands. We are expending a lot of our resources at the moment to ensure that we are changing with the market. From a broader perspective, Aurobindo is also looking to expand into Eastern Europe, since we are not currently present in countries like Austria, Bulgaria, Poland and Hungary.

Dutch healthcare insurers mainly base their reimbursement decisions on a price-analysis; they are forced to switch labels every year. Do you feel that brand differences are not taken into account enough for generic products?

In the Netherlands the pharmaceutical market is dominated by four insurers, all of which use very different tender strategies. Some insurance companies choose to use closed-bidding, where companies do not know the winning bid of the product, while others just look at listed prices and the lowest option wins the tender. Others insurers use the average European price of the product in question and use that as a standard base for preference decisions. These systems cause every year a lot of label changes, a lot of annoyances in the pharmacies, out of stock situations, and irritations by patients. This is the other side of the coin.

Would it be in your interest for insurance companies to align their strategy, or does having different options work better in your favor?

Everything has been tried out in the past by insurers. Every system has pros and cons. Also wholesalers have their own additional tenders for the assortment of the rest. This is called the full label concept and covers about 50% of the total generic market and is only for players active in this segment. Most welcome would be the scenario that one of the full label players would step out.

Aurobindo recently announced a plan to launch more oncology-related products. Are you trying to focus on having a more specialized portfolio with higher-margin generic products?

Oncology-related products and biosimilars are an interesting market but as soon as there is more than one competitor offering the same product, it will also turn out in all respect in commodity goods. Nevertheless, talking about oncology treatments or any other in-patient treatments, if you compare the retail market to the hospital market, you will see that the retail market is much larger. IMS reports that 6% of sales are attributed to hospitals and 94% are attributed to extramural medicines in most of the European market. This is where we see the value for Aurobindo in the future: we will invest in providing more biotechnical and specialized products into the market, but our main focus will however remain on the retail market.

Cost-containment measures and affordability of quality products remain the main pillars of the Dutch healthcare system. Given the high penetration of generics products in the country, do you feel that the contribution of generics in fostering a sustainable healthcare system is recognized enough, both from public authorities and public opinion?

The contribution of the generic industry to providing life-changing treatment to all patients should probably be more frequently highlighted. The generics industry invests in products that are a necessity to human life, instead of focusing on providing new innovations. This is a focus area we should strive to improve even more, to perfect our generic products that have been on the market for decades.. Currently the generics industry comprises 65% of the pharmaceutical market in the Netherlands and every ninth generics product that is sold in a hospital or pharmacy is an Aurobindo product. The generics industry contributes a huge amount to the system and this is the reason why the system is able to maintain sustainability.

What are your ambitions for Aurobindo for the upcoming five years?

We originally started just a few years ago in the Benelux and with the acquisition of the Actavis business in April 2014 it really went fast. Currently we have 880 products on the market and a well-filled pipeline. Profitability is the key word. Not only for insurers but also for the industry. Affordable

high quality medicines available for everybody.

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