Interview: Sergio Liberatore – CEO, IMS Health Italy

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Sergio Liberatore discusses IMS Health Italy's evolution after the acquisition of Cegedim's CRM and strategic data businesses and how IMS is paving the way for pharma companies to become more patient-centric.

When we last interviewed you in 2009, you were busy reshaping the data-provision branch, strengthening the consultancy capabilities of the business and setting about penetrating new markets such as the medical devices niche. How has IMS health Italy evolved subsequently?

IMS Health started out in Italy essentially as a data company and then, over the course of the 2000s, we added additional components to our local value offering such as primary healthcare research capabilities and consultancy competencies. What was still missing, at that stage, was the technology aspect and advanced analytics and this is something that we have been busy rectifying over the past couple of years with the acquisition of Cegedim's CRM and strategic data businesses. Bringing in the mighty hardware of the Cegedim CRM opens a whole new dimension for us. We had already been working hard to digitalize many client activities, smarten up our technological processes and embrace multichannel strategies, and taking ownership of the CRM very much enabled us to turn our offering into a more complete and holistic package.

Today, IMS Health demonstrates prowess in three core areas: market intelligence, consultancy, and technology. Our abilities in each of these three domains are reinforced by our mastery of the other

two. This, in turn, has bolstered the service that we can deliver to client, whether in compilation and transmission of real world evidence, or in being able to offer counsel and guidance on market access. This is important because the needs of our clients are evolving too and we have to prove versatile and comprehensive enough to adapt accordingly.

For example, as the issue of market access has risen in prominence, we seek to provide support to clients at a very early stage. It used to be that a newcomer would appoint a commercial representative with sales expertise as general manager to oversee their market entry strategy, but as approval times have lengthened, we now notice an increasing number of firms searching instead for market access specialists. Cognizant of these trends, we are offering services that cover the pre-approval phase when a product is still at phase II development and can draw upon a variety of tools to accelerate the journey to securing reimbursement.

Just what kind of practical assistance can IMS Health provide on market access?

Firstly, we can support the preparation of the dossiers for submission to the national and regional authorities. Secondly, we can draw upon our in-depth knowledge of the regulatory environment and the respective stakeholders to guide the client through the process speedily and efficiently. Scrutiny today is more stringent than ever and often new market entrants can underestimate the extent of the preparedness needed to clear these hurdles. It’s an intricately complex process involving an ever-widening cast of actors and the potential pitfalls are numerous. Given our own familiarity with all aspects of the market, we can be of great service in helping clients navigate all of this. Having access to real world evidence, reliable data and the insider perspective is clearly highly advantageous when setting about formulating your business strategies and estimating your timelines for bringing a product to market.

To what extend is the Cegedim acquisition a game changer?

There was a degree of overlap between IMS and Cegedim in certain areas such as primary market research and health economics, but, for the most part, their capabilities were highly complementary and synergistic to what we had been doing. The merging of these competencies was entirely logical and made a great deal of sense. The Cegedim ‘One Key’ database of doctors is a fantastic tool that we used to have to rent so it is great to today have that in-house and fully integrated with our systems. Now that our requisite strengths have been combined under the same roof, we can truly present ourselves as the ultimate one-stop-shop to clients.

At the local level, the integration has been proceeding very smoothly and harmoniously. It is, of course, challenging to integrate 120 fresh personnel overnight, especially when they are coming

from a rather different corporate culture. The American and French mindsets do differ. There are also some logistical challenges to surmount, such as the fact that we are currently working out of three different offices until the moment that we can relocate to new premises. At the end of the day, however, the field in which we all operate is the same and therefore the mutual level of understanding is high. Ultimately Cegedim and IMS Health make a good match and we emerge stronger and emboldened as a result.

How strategically important are IMS Health's activities in Italy relative to the company's other regional and global operations?

We rank number three in absolute revenue for the information part of the business behind the Japanese and US offices. We also rank first place for the consumer health segment. In terms of overall revenue we are probably number four, though it's difficult to calculate after the Cegedim acquisition. There can be absolutely no doubt that we are strategically very significant for the company globally. The complexity of the Italian marketplace creates a lot of work for us. We're talking about a market with a territorial system of healthcare provision and large volumes of pharmacies, physicians and sales representatives. Having 240 wholesalers present in the local market constitutes a gold mine for a company like us. The entire marketplace is much more granulated than in many countries and that translates into a high demand for connecting up the dots, which happens to be our specialty.

We also benefit from a legacy of previous investments and actions. Over the years, we have built up a massive data source direct from the pharmacies which we can today draw upon and leverage. The depth and quality of that information is considerable: full data from 600 million prescriptions per year collected over decades. Meanwhile we also capture 80 percent of the hospital data.

IMS Health Italy is also distinctive in the way that it operates. We tend to be a leader and pioneer rather than a follower and often strive to run ahead of the curve. One example is the way in which we have been partnering with the Italian authorities and the regulator, AIFA, in the provision of data and analytics so as to inform policy making on public health. This is quite unique in the IMS world, but we consider it logical that our expertise in patient data be harnessed to support health technology assessment and public healthcare management.

We have also been overhauling the way we present data to our clients by embracing state-of-the art visualization tools and technology so that our content can be manipulated and transmitted in an interactive rather than purely static form. This is a development that you will likely see replicated across all IMS operations in the coming months, but we in Italy are proud to be one of the pioneers

in rolling out these novel approaches.

What do you identify as the main emerging trends underway in the Italian market?

The market is clearly now on an upward trajectory again. The year 2011 to 2012 marked a low point with growth contracting to minus one percent, but since then there has been a lot of reason for optimism. Our calculate overall market growth at 4 to 5 percent per annum for the timeframe 2014 to 2019 and that is partly fuelled by hospital spending. We've now seen to successive years of double-digit growth on the hospital side and that is the channel through which innovative medicine is being provided. The retail market is stable and growing at and more incremental place. The main drivers there are the commercial OTC and food supplement markets.

These developments are in turn informing the pharmaceutical companies' business strategies with many firms choosing to diversify their OTC capabilities as a revenue stabilizer. Comparatively the OTC market is not as large as in many other Western European mature economies, but the food supplements market stands out as the biggest in Europe. This quite a lucrative niche to be participating with the food supplements segment currently valued at some EUR 2.4 billion and growing at a rate of 7.7 percent each year. It is clear that, under the current context, pharmacies are also making their money not through reimbursement, but from the commercial wellbeing business and cosmetics.

The generics segment meanwhile continues to grow, but still lags comparatively with other mature European economies in terms of penetration and market value. There are logical reasons for this. First of all the patent cliff arrived 2-3 years later in Italy as the patent protection legislation was introduced later than in many other countries. Secondly, Italians remain very brand conscious and pharmacists are obliged by law to ask customers to choose between either the branded originator or a generic. The difference in price is then borne by the customer, but in many instances this is a price that consumers prove willing to pay.

The absence of a strong genericization policy is reflected by the strategic choices of many local firms. Recordati, Menarini, Zambon and Dompé have all opted to go down a path of ever-more complex innovation. That said, generics companies like Mylan and Doc have been performing very strongly in recent years. The latter now has built up a portfolio of over 300 products covering just about every therapeutic area.

In terms of the broader trends underway we see a variety changes occurring. Some players such as Dompé are transforming themselves entirely and transitioning from conventional pharma companies into specialized biotech outfits. Others are instead opting for diversification and moving

into food supplements and medical devices. Not long ago, some commentators were predicting that pharma firms would start entering the wider healthcare market and start running hospitals and providing insurances, but that has categorically not happened. In Italy they remain focused on the traditional distribution channels.

Do you foresee any changes to the distribution set-up in Italy?

Indeed. There will be new legislation coming into effect that will liberalize the ownership regulations for pharmacists. My expectation is that this will pave the way for much greater vertical integration with wholesalers. We can also expect to see the pharmacy landscape becoming much less granular as individual family-run businesses are subsumed into consolidated chains. The role and function of the pharmacies will likely change too as they broaden the scope and reach of their offering and become real collectors of health needs for the nation.

What are your priorities for the future development of IMS Health Italy?

Now that we have a comprehensive structure in place covering data, technology and consultancy services, my focus will be on boosting our capabilities on patient data flow and real world evidence as this is very much the direction that the market is headed with increased demand for patient-centric pathways. We want to be enablers to this new world of patient specific therapies and to be able to accompany the pharma companies as they embrace fresh ways to understand the patient journey and interact with their clients. Acquisition of the Cegedim CRM gives us added impetus in this endeavor and enables IMS Health to present itself as a technology business in the true sense rather than merely a data company. The task at hand for me in the Italian office is to ensure that we remain at the forefront of all these developments.

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