Interview: Cesar M. Rengifo – Senior Vice President & Area Director Emerging Markets West, GSK, Brazil

"Brazil is a very competitive market, where all companies invest significant resources to gain market shares."

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Cesar Rengifo, senior vice president and area director Emerging Markets West at GSK, the fastest growing multinational company in both Brazil and Latin America, discusses the perfect match between GSK's product portfolio and the region's healthcare needs as well as the opportunities it entails for the company and Latin America's healthcare systems. He also highlights GSK's long-standing history of success in partnering with the Brazilian government as well as the implementation of the company's new business model in the region.

Although some of the largest Latin American countries have recently faced serious economic and political challenges, can we say that Latin America is still a continent of opportunities for a multinational company like GSK?

Totally! First of all, Latin America makes up over nine percent of the global population, and the region's demographic profile has been rapidly transitioning over the past decade, which has been nurturing healthcare demand accordingly. Taking out outliers such as Venezuela, we can therefore draw a very positive perspective for the region, as Latin American governments have been constantly increasing public resources dedicated to healthcare over the past two decades, while people in the region are becoming more and more health conscious.

With regards to the economic and political turbulences that you just mentioned, I would highlight that countries across the region have always been through ups and downs, which therefore prompts our company to embrace a long-term approach in Latin America. Furthermore, we see that the growth of Latin America's pharmaceutical markets is not directly correlated to economic cycles. For example, despite the economic crisis that has hit Brazil in 2015 and 2016, the country's pharmaceutical market has continued to grow at a sustained pace, as medicines usually stand as an item of expenditures that households do not cut even during tough times.

Overall, the Latin American pharmaceutical market has been growing at a robust rate despite the recent turmoil affecting Brazil and Venezuela, while GSK has been growing at a double-digit rate in Latin America for the past two years and proudly stands as the fastest-growing multinational company in both Brazil and Latin America.

In August 2017, a few months after her appointment, GSK's CEO Emma Walmsley pointed out that "*one of her priorities was to be more competitive in GSK's emerging market business*". How have you been translating this vision into strategic priorities for Latin America?

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The main idea behind this statement is that we need to ensure our company continues to grow rapidly in emerging markets – and in a sustainable way. In this regard, we are working on refining a model that could enable GSK to render our products accessible to the majority of emerging markets' population in a profitable manner – and I believe we have been advancing at a rapid pace in this endeavor. On one hand, it is not realistic to see GSK embracing an NGO-type approach, while – on the other – we cannot content ourselves with replicating the pricing approach implemented in the US. In this regard, GSK's model has been to modulate product prices according to the countries' economic and social realities; this model has so far yielded very interesting penetration rates for our products, and we do not plan to question it in the coming years.

What do you see as GSK's competitive advantages in emerging markets, especially in Latin America?

One of GSK's competitive advantages in emerging markets in general and in Latin America specifically is our company's huge and diversified portfolio, whose four-fold focus is particularly adapted to the region's healthcare needs.

First, GSK proudly stands as the absolute leader in vaccines, which emerges as critical in Latin America, where some of the best national immunization programs (NIPs) in the world have been developed over the past few decades. Furthermore, the Pan American Health Organization (PAHO) has implemented massive, cross regional immunization campaigns for children, and the UN organization is now working on designing similar, region-wide programs for young adults and adults.

The second pillar of GSK's portfolio is HIV, an area where we have the most advanced molecules on the market. In this regard, Brazil has been recently incorporating some of GSK's innovative HIV products into the public system's reimbursement lists, which stands as fantastic news for Brazilian HIV patients. Furthermore, public stakeholders across the region have widely hailed GSK's next-generation HIV drug *dolutegravir* as the best option to treat the disease, and we expect this groundbreaking product to gradually establish itself as the backbone of HIV treatment in the region over the upcoming years. Overall, GSK firmly believes that our outstanding portfolio will allow us to become leader in the HIV area, including in emerging markets.

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Respiratory diseases stand as our third main therapeutic area, as well as the one targeted by most of our upcoming, innovative products that are about to reach the global market, with a strong focus on asthma and COPD. GSK has been the global leader in the asthma inhaler market since the company's invention of the familiar 'boot-shaped' inhaler in 1969, and recent and upcoming innovation will undoubtedly allow us to consolidate our leadership in this field.

Finally, we hold an unrivalled portfolio of classic and established brands which we have decided to keep in the company. In Latin America, these mature products – whose remarkable brand awareness has been honed through significant, long–term investments – are particularly strategic and continue to deliver very interesting results despite the entry of generics. In this product category, we are constantly adjusting our pricing and distribution models, which has allowed us to bear the comparison with domestic companies.

Finally, I want to highlight that GSK is a company that strives to align itself to the economic and social realities faced by the countries in which we operate in. This philosophy truly goes beyond our portfolio, as we have always been extremely flexible and accommodating in all our negotiations with governments across the region.

In a recent interview with Danie Du Plessis, SVP & head of worldwide medical affairs at GSK, he explained how the company has recently reconfigured its business model and

stopped sales force incentives based on prescriptions as well as payments to HCP for product promotion. How has been your experience in implementing this revolutionary approach in Latin America?

This new business model above all showcases that GSK has become the first company in the industry to take into account societal expectations with regards to the lack of transparency of pharmaceutical companies' historical modus operandi. That being said, to be a leader in change is always challenging. This radically new business model was definitely not easy to implement, especially when it comes to supporting new product launches in very competitive markets. As part of this new model, we only share science through our own people (and do not rely any longer on the voices of KOLs), which can reveal itself difficult in a vast country like Brazil. In turn, this new framework has prompted us to accelerating the development of digital promotion tools, which is extremely positive. We are still building up our capacities in this regard, but we are truly at the forefront of the industry for the development of these new promotion channels, which have been overlooked for too long in Latin America.

Overall, our objective is to ensure that physicians' decisions are only based on scientific evidences – and not as the result of marketing promotion. We operate in a free market where promotion and share of voice are allowed, but GSK rightly considered that we had to step up our internal code and blow a wind of change in the way that the pharmaceutical industry operates vis-à-vis external stakeholders. Finally, GSK has continued to be the fastest growing multinational pharmaceutical company in the region after the implementation of this new business model, which proves that our company's commitment to heightened transparency is paying off.

When it comes to a region like Latina America that displays such disparities in terms of healthcare access, what is the common market access vision that you strive to instill in your teams?

In Latin America, our market access approach mainly depends on the therapeutic area considered. In the case of vaccines, it is particularly easy to follow a regional approach, as PAHO organizes yearly tenders covering the needs of the entire region, and products are then distributed to all Latin American countries through a revolving fund.

In other product franchises, it is more difficult to follow a common market access policy, and the latter will therefore be adapted to each and every country. For example, it is impossible to follow similar pricing and access models in countries like Colombia and Mexico, as the first holds a universal health system that covers 99 percent of its 48 million-inhabitant population, while the

second is characterized by a mixed private-public healthcare system with high out-of-pocket spending.

Nevertheless, despite the variety of market access and pricing approaches used across the region, GSK's fundamental objective is the same in all countries: providing access to the largest number of people and patients possible in a sustainable way.

Although Latin America undoubtedly holds reputed R&D and clinical centers, the region still emerges as a flyweight in terms of global R&D investments vis-a-vis North America, Europe, and even Asia. In this context, how do you go about convincing your headquarters that it is crucial for GSK to bring R&D activities to the region?

The good news is that I do not need to convince them: GSK deeply believes in Latin America's R&D potential and we stand as one of the few multinational companies that has already taken concrete and successful steps in this regard. As a matter of fact, Argentina already is the fourth largest provider of clinical and patient data for the company and second in the number of trials. We are massively investing in clinical trials in the country, as we believe that it holds the right infrastructure and expertise to fully leverage these investments. In general, we hold different clinical trials centers scattered across the region, while Brazil, Mexico, and Argentina are truly at the core of our R&D approach in Latin America.

We however do not plan to limit our efforts to clinical trials, as our ambition is to bring more pre-clinical research activities to Latin America. In this regard, we have developed a comprehensive R&D program called "Trust in Science" through which GSK has been investing millions of US dollars in local, basic science research projects. "Trust in Science" has already been implemented in Argentina and Brazil, and we plan to launch it in Mexico in the upcoming months. As part of this program, GSK fully funds selected research programs and only keeps the first right of refusal on any products that could be developed out of these research programs. Actually, we are particularly proud to announce that 2018 we likely see the first project backed by GSK's Trust in Science coming to fruition and leading to a product registration.

You highlighted at several occasions GSK's commitment to operate as a transformative force across the entire ecosystem. As the area head for Emerging Market West, do you have personal project that is particularly close to your heart?

Latin America displays huge social and economic discrepancies; in this context, professionals from disadvantaged backgrounds typically hold fewer opportunities to develop themselves, because their educational background is sometime not particularly prestigious or because they do not hold

specific skills that are usually required to progress in the organization – such as speaking a good level of English, for example.

As you know, leading multinational companies have the tendency to focus their efforts on the elite. However, in Latin America, the best people sometimes did not have the opportunity to attend the best universities.

In this context, my personal objective is to ensure that we invest in new development channels, find innovative ways to bolster social mobility across our affiliate, and – ultimately – allow talented and committed employees to flourish – regardless of their social backgrounds.

Brazil makes up exactly fifty percent of the total sales of the region and the country definitely stands as a must-win in the global strategy of GSK. You have personally headed GSK's Brazilian operations between 2008 and 2015 and managed to establish GSK Brazil as the fastest growing multinational company in Brazil. As the country's economy is currently exiting a two-year recession, what are your expectations for the Brazilian affiliate over the next four years?

My successor Aleksey Kolchin has made a fantastic job in building up the platform developed during my tenure, and he is now truly creating his own success in the country. One aspect that is particularly crucial to GSK is to continuously strengthen the eye-catching relationship that we have forged with the Brazilian government.

For example, GSK Brazil has built over the past thirty year long a history of success with regards to Brazil's vaccines supply, and consolidating this legacy is one of our utmost priorities moving forward. We are now leveraging on this long-standing experience and plan to expand our collaboration with Brazil's stakeholders to the HIV area. Moving forward, we also aim at continuously increasing our R&D investment to the country, including both pre-clinical and clinical programs.

Given its perfectly adapted portfolio and the company's unique history of collaboration with the Brazilian public health system, it seems that GSK is on the right tracks to expand its eye-catching growth over the upcoming years. Nevertheless, what do you identify as the challenges that the Brazilian affiliate will have to overcome moving forward?

In 2016 and 2017, the growth of the Brazilian market was mainly driven by price increasing, as volumes plateaued. While the economy is now slowly recovering, market growth in terms of units

are set to soar again, but product prices will not increase that much, as inflation rate has recently reached a historically low level *[at around 3 percent in 2017 – Ed]* and public spending's increasing has been capped to inflation rate for the next twenty years, through a recently promulgated law *[all pharmaceutical prices in the Brazilian market are set by a public organization, CMED – Ed]*. These new dynamics will create a challenging situation for GSK and we will have to ensure we are extremely competitive in terms of volume growth. In the meantime, Brazil's distribution channel starts to consolidate, which requires developing even more sophisticated partnerships and negotiation approaches, as well as furnishing heightened investments in this part of our operations. In this regard, we will have to be extremely careful when it comes to refining our strategies and calibrating our portfolio's critical mass, while our affiliate's talent will be instrumental in terms of execution.

In this context, I see talent acquisition and retention as an additional challenge to overcome in the coming years, and we need to create the right environment for our people to continuously develop themselves – from very junior employees to the most senior executives.

Brazil is a very competitive market, where all companies invest significant resources to gain market shares. At the end of the day, fostering a winning culture in our affiliate will also emerge as a key differentiator and as a crucial success factor to continue outperforming the market and competitors in the coming years.

You have been working at GSK for over twenty years, what explains your loyalty to the company?

Without any doubt: the uncompromised coherence that GSK has demonstrated over the past two decades. GSK and its successive CEOs have always been extremely faithful to the company's historical mission and values, entrenching GSK's position as company that truly cares about people, both internally and externally. Our new CEO Emma Walmsley is no exception to this rule, and she moreover brings a winning spirit that is particularly exciting and aligned with my personal drivers.

I deeply believe that now is the perfect time to join GSK, and I fully recommend to any individuals aiming to work in the pharmaceutical company to choose GSK – a wonderful company that invests in the long-term development of its people.

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