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21.06.2021

Tags: Singapore, DKSH, ASEAN, APAC, Digital, Data

Dr Varun Sethi outlines some of the most important trends in ASEAN healthcare today and how DKSH, as a historic business services provider, is adapting its offering to meet them.

Back in 2016, you told PharmaBoardroom that your ambition for the next 3-5 years was to expand DKSH's position as the leading market expansion services provider in the

region “by doing more of the same, but better.” How have you progressed towards this goal and where does DKSH Healthcare Southeast Asia stand today?

First and foremost, five years ago we lived in a very different world. Today’s reality has completely changed and has required a lot of adjustment. However, our Business Unit’s core mission – to provide quality healthcare for all – has remained the same. This builds on our core strategy of continuing to be a strong provider and driving excellence in the distribution space as well as providing commercial outsourcing solutions to every market in which DKSH Healthcare operates.

We have significantly accelerated our commercial outsourcing arm and now have a much wider marketing and sales offering. This has been further driven by our value-added services, which range from chronic care patient solutions at one end of the spectrum to access and affordability initiatives at the other. There is a pressing need in Asia Pacific both for solutions themselves and ensuring that patients can access them.

In addition to our traditional focus area of prescription pharmaceuticals, we now have a much-expanded position in medical devices as well as in over-the-counter (OTC) consumer healthcare products. In Singapore, we acquired local distribution player MedWorkz, foregrounding our expanded reach in medical devices.

DKSH Healthcare has also gone deeper in its regulatory affairs offerings. We have a very large regulatory field team aligned with all our markets. These experts help bring products that are new to Asia – whether from biotechs or Western small and medium-sized enterprises (SMEs) – and ensure that patients in Asia can access them.

Another key point is data and analytics. Today, we are sitting on a mountain of data that, with the right analytics, can enable good decision making regarding the reach and penetration of products and how access can be improved. Our analytics platform can accelerate that and provide vital information and services to our clients.

Finally, digitization is a buzzword in our industry today, but is still a crucial part of our output. We package our digitization services together, enhance usability and provide our clients with the information they need at their fingertips. The importance of this came to light in a big way during the pandemic, when many of our teams could not see healthcare professionals in their usual working environments, whether clinics, hospitals or even pharmacies. Our digital capacity and ability to go virtual therefore became a very powerful tool and one we have significantly accelerated, be it through video conferencing or otherwise.

In a nutshell, DKSH Healthcare has expanded significantly in many areas that I probably only touched upon at a surface level in 2016. We have become a much stronger organization as a whole and have made some very solid progress.

DKSH is a historic player in the region, how would you characterise the importance of Southeast Asia and the countries under your remit to the global group?

Our healthcare business has performed relatively well in what was a challenging 2020, with solid earnings broadly on a par with our results in 2019. Moreover, to provide shareholder return and value, we were able to strongly increase our free cash flow and continue to give back a strong dividend policy, which increased 2.6 percent versus 2019.

Globally, DKSH's healthcare business unit reported CHF 5.4 billion in net sales in 2020, of which Southeast Asia is a very significant component. Markets like Malaysia, Singapore, and Vietnam are mature businesses for the company and contribute strongly to both our top and bottom lines.

Perhaps more importantly, we have begun to make deeper inroads into markets where DKSH does not have a significant historic presence in healthcare, such as Indonesia and the Philippines. We first entered Indonesia in 2017 with the acquisition of Jakarta Stock Exchange-listed local firm PT Wicaksana, and we re-entered the Philippines at the end of 2019 on the back of a partnership with another local player. Indonesia represents an exciting opportunity for DKSH as home to the largest population base in ASEAN. Now, with a healthcare and consumer goods footprint on the ground in Indonesia, we have the potential to really accelerate our business there.

Although ASEAN markets experienced a variety of pandemic-related lockdowns and lower levels of demand due to a huge drop in medical tourism in Singapore, Malaysia and Thailand, our solid strategy enabled us to withstand this. DKSH's healthcare business is extremely resilient and the largest Business Unit within the overall group.

How far along the digitalisation journey was DKSH prior to the pandemic, and what will change moving forward?

Digitization has long been a key part of our strategy and how we engage with stakeholders, but the pandemic turbocharged our efforts. We saw a significant willingness on the part of physicians to engage a lot more, partly out of necessity. Additionally, because of the various restrictions that

were imposed, the physicians had slightly more free time and were, therefore, more amenable to video interactions. We were able to create a strong network of information exchange with these doctors.

Additionally, we were able to better position our digital platforms, including a more holistic utilization of our CRM tool. Engagement varied from market to market – Singapore and Malaysia were at the forefront of early adoption, whereas markets like Myanmar, Cambodia and Laos faced connectivity and socio-economic challenges – but overall, we are happy with how DKSH has been able to rapidly ramp up its digital footprint in ASEAN.

Given the diversity of the region you manage and the fact that ordinarily you would be travelling to different markets and interacting with local stakeholders, what have been the challenges of managing through 2020/2021?

The pandemic brought a screeching halt to any travel, but in fact, productivity significantly increased. Excessive travel often involves a lot of time unproductively spent. Although the diversity of our environment in Southeast Asia adds complexity, it also gives us an advantage.

We are sitting in a very heterogeneous region. At one extreme is Singapore, which is a mature market with the infrastructure in place to support fast adoption of new solutions in areas like digitization. There, we have implemented DKSH Connect, our online customer engagement platform, as well as a cloud-based patient solution program.

Somewhere in the middle are markets like Vietnam, which is a sizeable market where pharmacists and doctors have a high degree of digital savviness. Additionally, Vietnam was less impacted by the pandemic than certain other markets in my region, with freedom of movement maintained within its borders.

The Philippines on the other hand, saw an extremely strict lockdown that lasted months. Therefore, we saw a dichotomous impact of the pandemic on our operations in ASEAN. It was somewhat of a blessing in disguise that the Philippines and Indonesia are some of DKSH’s newer markets in the region, where we were only beginning to ramp up new programs, and a significant impact on our overall bottom line in the region was thereby mitigated.

What do you see as the key emerging healthcare trends in ASEAN that are influencing DKSH's approach?

Starting with Singapore, it has always been considered the bellwether of driving innovation in the region, which remains the case. In terms of new oncology and immunology products, Singapore is almost always willing to be a first mover, taking affordability and access into account, and is clearly a reference standard across Asia on speed to market. Therefore, we have continued to add new products to our Singapore portfolio via DKSH's commercial outsourcing arm, with some cutting-edge oncology products now coming on stream via our partnership with Eli Lilly as well as best-in-class breast cancer treatments.

Despite challenging headwinds, the past year has taught us to be more agile as an organization. For example, we have over 700 people on the ground in Vietnam and 200 in Malaysia, so pivoting to ensure that they remained productive and motivated in such uncertain times was paramount. DKSH has very clear metrics on salesforce performance, which we had to adjust given that, for example, our teams were not able to meet healthcare providers in person.

A broader theme across ASEAN is the increasing cost consciousness, especially in markets where there is a mix between a private and public payer system. In the short term, we foresee a lot of acute pain and challenges in getting new products onto formularies. Even in Malaysia, no new oncology products have been listed in the government formulary – which makes up 50 percent of the tender market – meaning that it all becomes out of pocket spend. Governments focus more and more on which branded products can enter public tenders. Although this trend was already ongoing pre-COVID, the pandemic has really accelerated it.

A similar situation can be seen in Indonesia, which has had its challenges since it decided to make healthcare available to everybody, including for prescription products. This has continued to add pressure to the cash conversion cycles for many pharmaceutical companies there. Additionally, companies are facing increased challenges in getting their products listed on the country's E-catalogues, which is important from an access perspective.

We have not seen any significant shifts in the market dynamics in the Philippines; the country is taking a median pricing policy like that of Thailand.

What progress have you seen in regulatory harmonisation in ASEAN in terms of taking the learnings and processes from the region's most developed markets and applying

them elsewhere?

Unfortunately, we have not seen much progress on this front. We anticipated that regulatory processes would be optimized, but this has not been the case. With that being said, in certain markets like Vietnam, it could still take between three to four years to register a product that would be registered in Singapore in 12 to 15 months. The same long timelines exist in markets like Myanmar and Cambodia.

There is therefore a lot more work to do on ASEAN harmonization, as the markets are very disparate with their own innate behaviours; a phrase I have been hearing since I first started working in Asia in 2012. At that time, I was managing Myanmar when the ASEAN harmonization directive came out with a target timeline of completion by 2018.

As DKSH has expanded from distributor to service provider and beyond, what do you see as the company's role in engaging in complex debates around pricing and access?

DKSH is both directly and indirectly involved in these debates. We are directly involved because we have many products that we are supporting commercially that require a dialogue on access. We have been quite actively involved in interfacing with a variety of stakeholders. This is done on a market-by-market basis; in some markets we are front and centre of trying to drive that dialogue on behalf of our clients. We have engaged in several dialogues, as part of Pharmaceutical Association of Malaysia (PhAMA) and to bring the counterargument that any kind of price reform would effectively be stifling innovation. Malaysia has already gone down that path. These reforms, therefore, create apprehension in the minds of multinationals.

Does DKSH distribute entire portfolios for its partners or only certain elements? And why do your clients choose to go through DKSH as opposed to distributing products themselves?

Looking at it holistically, it is our ability to drive a capillary distribution network across our markets. Our clients come to us for our ability to reach the magnitude of the end customers, whether they are public hospitals, private hospitals, clinics, pharmacies or localised retailers. Typically, DKSH takes on the full distribution business for most of its clients.

While this has historically been the paradigm, in recent times DKSH has begun to manage all new launches for individual companies. Indeed, we even have agreements in place for their pipeline products. This shows the trust that organizations are putting in DKSH, a trust that is not only present in Singapore, but in other markets across the region.

Our footprint really depends from market to market and from therapeutic area to therapeutic area. It could be based on products that we are already distributing that will then expand into commercial operations.

As a distributor, do you have to walk a fine line between making the client happy – if you do a bad job then you will be dropped – and doing too good of a job and encouraging your clients to enter the market themselves?

For example, an SME without an active footprint in Asia could use DKSH as a market entry platform to the region, outsourcing their end-to-end regulatory work, product registration, marketing authorization, commercial operations and distribution. Despite having built a business in the region from scratch, theoretically, this could be taken away from us.

However, although this sounds unfair, we are aware of the fact that there is always a tipping point where, strategically, a client might choose to enter a market. In those situations, commercial operations might transition over to the client, and the distribution and other value-added services will stay with DKSH. This is how we build long-term, sustainable relationships. DKSH has been present in Asia for over 150 years and is ingrained in the business fabric of the region. Our corporate governance and strong ethics, which are linked to being a listed Swiss company, drive who we are as an organization and what we are trying to create locally.

Having spent almost nine years with DKSH, what has been your proudest achievement and what are you most excited about moving forward?

DKSH has been a great launchpad for my career and a platform for learning. Over the years, I have grown with the organization, having started from a single market role to now running a cluster of markets. However, my proudest achievement has been building strong teams and leaving a legacy of a strong organization. In my view, you need to hire the best people to do a job; this sets up an organization for success. Grooming and developing talent as well as mentoring people is something that drives me. I am proud to see quite a few of my colleagues having grown and taken on bigger

roles within DKSH, as their careers have blossomed.

What are your priorities for the future of the firm in ASEAN and what are you most excited about?

DKSH is currently working on several different projects. Together with our Global Head of Business Unit Healthcare, Bijay Singh, I am looking at bringing in inorganic opportunities. We recently announced one such acquisition; that of Hahn Healthcare, an Australian market engagement company, which represents a foray into a completely new market from a healthcare perspective. Our Chairman and CEO have been vocal about the importance of this M&A push, which will continue as the market is ripe with opportunities. This also represents a great opportunity for me on a personal level to keep expanding my skill set and driving the DKSH Healthcare business to new heights.

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