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the market partner

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Letter from the Chief Executive Officer

Welcome to the latest edition of The Market Partner, which highlights what is new at Zuellig Pharma and in healthcare throughout Asia.

In this issue, our Feature Story looks at changes impacting healthcare in Hong Kong and how Zuellig Pharma is reshaping the industry through an innovative new suite of eSolutions, covering online ordering, tender management, redressing, product returns, merchandizing, and track & trace of deliveries.

OTC specialist Nicholas Hall & Company analyzes Vietnam’s OTC market, including the effects of rapid urbanization, the government’s efforts to support domestic pharmaceutical manufacturing, and the expected solid growth of this product category.

Meanwhile, a spotlight article summarizes a recent workshop co-organized by Zuellig Pharma Taiwan’s Patient Solutions team that looked at how integrated solutions could improve and complement the national diabetes care program.

In addition, I am delighted to bring you a selection of other news about Zuellig Pharma from around the region. This issue includes the celebration of the 30-year anniversary of subsidiary APL in Indonesia, a comprehensive cooperation agreement signed with Sanofi in Vietnam, and a successful employee donation campaign, organized by Zuellig Pharma Korea as part of their “Zuellig with Love” corporate social responsibility program.

I wish you all the best for a productive autumn!

John Davison
Chief Executive Officer
Zuellig Pharma
CEO speaks at UBS Asia healthcare summit

Zuellig Pharma CEO John Davison was invited to speak at the recent UBS Asia Healthcare CEO Summit in Singapore. The event brought together some 200 senior executives, investors and journalists at the Four Seasons Hotel to exchange views on trends and opportunities in the sector’s fast-changing landscape.

Mr. Davison spoke about the importance of compliance and quality, particularly in cold chain management of vaccines, noting that half the vaccines manufactured worldwide failed to reach their destination, leading to an estimated 1.5 million child deaths each year. Mr. Davison highlighted Zuellig Pharma’s strong pedigree in this area. He also elaborated on recent investments that the company had made in patient services and payor solutions as part of its strategy to connect key stakeholders in the healthcare market and help clients drive prescription adherence and top-line growth.

Strategic partnership with Sanofi in Vietnam

In June, Zuellig Pharma and Sanofi concluded a strategic partnership agreement in Vietnam, in cooperation with local partners Phytopharma and Sapharco. The partnership marks the beginning of expanded collaboration between the largest healthcare logistics provider and largest healthcare manufacturer in Vietnam. Both parties have a long history in the country and deep understanding of its healthcare market. They are thus well positioned to ensure patients’ access to safe, high-quality medicines at affordable prices.

Vietnam coverage expands

Zuellig Pharma Vietnam has launched a “Reach and Access” initiative to enable clients to accelerate growth and enhance the company’s service excellence. It will involve an estimated US$1 million annual investment in sales and delivery coverage. The new initiative provides clients with a 60% increase in pharmacy coverage, and patient access at city and district levels.

The company implemented the revised delivery schedule on July 1, dividing Vietnam into three zones. The key urban areas comprising Zone 1 are served daily. In the Tier 2 provinces within Zone 2, main cities are served daily and at district level twice per week. In Zone 3, main cities in Tier 3 provinces are served twice per week. The sales team has expanded to support the delivery network.

Lei Va increases storage capacity

Lei Va, a subsidiary of Zuellig Pharma Hong Kong in Macau, has undertaken a major expansion of its supply chain network by doubling air-conditioned storage capacity to support its existing and new clients and customers. The company moved to a new office and warehouse in December 2014.

Core values, mission and vision statements are highly visible to visitors at Lei Va’s new workplace.
Full logistics services start for Roche Korea

Zuellig Pharma Korea held a ceremony to mark the success of the Angel Money Donation Campaign at its main office in Yongsan-gu, Seoul, and to present a US$15,600 cheque to the Korea Childhood Leukemia Foundation.

The campaign, one of Zuellig Pharma Korea’s corporate social responsibility activities, was launched in 2011. During the program, employees made a voluntary monthly contribution from their salaries, with matching funds provided by the company. Donations have been collected for the past four years, with more than 90% of employees participating in the campaign.

The Korea Childhood Leukemia Foundation will use the donation to support treatment for children suffering from leukemia and rare incurable diseases and to provide information about the diseases to their families. The recipient organization was chosen by an internal survey.

Under Zuellig Pharma Korea’s corporate social responsibility theme of “Zuellig with Love”, employees have participated in a variety of programs, including a breast cancer prevention campaign, baking bread for low-income families and other voluntary services benefitting the local community.

Donations raised at Zuellig Pharma Korea

Licensing agreements reached with Boryung and EffRx

Kanarb licensing agreement signing ceremony.

It has been an active time for licensing opportunities at Zuellig Pharma, with two significant agreements completed recently.

The company signed an exclusive licensing agreement for 13 Asian countries with Korean pharmaceutical company Boryung for antihypertensive drug Kanarb. It is the largest licensing agreement for the product anywhere in the world. Zuellig Pharma will launch Kanarb across the region, with particular focus on Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. An additional agreement for Kanarb combination drugs (Diuretics, CCB, Rosuvastatin) is planned.

Established in 1963, Boryung Pharmaceutical is one of Korea’s leading pharmaceutical manufacturers. In 2014, sales reached 360 billion won (US$308 million) and the company has more than 1,000 employees. The signing ceremony was attended by leading members of the Korean healthcare industry.

Zuellig Pharma also signed an exclusive licensing agreement for 13 Asian countries with Swiss specialty pharmaceutical company EffRx Pharmaceuticals SA for the anti-osteoporosis product Binosto. The product is the first and only buffered solution for treatment of osteoporosis in post-menopausal women that reduces the risk of fractures and improves adherence to therapy.
30th anniversary celebrations in Indonesia

PT Anugerah Pharmindo Lestari (APL), Zuellig Pharma's subsidiary in Indonesia, celebrates its 30th anniversary this year. In 1985, Dr. W. Biantoro Wanandi started APL as a small company, which has since grown into one of the largest and most respected pharmaceutical distributors and healthcare services providers in Indonesia. The celebration, held on June 6, 2015, was attended by 700 employees and Dr. Wanandi. Employee creativity was on display in the Divisional Booth Competition and Anniversary Video Contest. The memorable evening gave staff a great opportunity to appreciate the company's history and achievements.

From left: Mr. Chris Eberle, APL President Director, Dr. W. Biantoro Wanandi, APL Commissioner, Ms. Lanny Anggraeni, Vice President Human Capital, Mr. Michael Wanandi, APL Director, Mr. Hendra Halim, CFO, Mr. Nyoman Sukertha, Vice President Sales.

Jakarta branch visits for APL senior management

APL senior executives Mr. Djagad Prakasa Dwialam, Chief Operating Officer, and Ms. Lanny Anggraeni, Vice President Human Capital, visited Jakarta Distribution Center on August 19 and APL's Jakarta branch on August 25 under the APL Branch Safari Program. This regular program provides a platform for employees and APL management to engage in direct interaction and communication. The program starts with an office/warehouse tour, followed by a business update, and ending with a Town Hall meeting. APL has 27 branches covering the Indonesian archipelago.

Management trainees gain all-round insight

In August, APL welcomed eight management trainees, who will undergo a comprehensive 18-month program. The training provides on-the-job experience in the areas of sales, operations, quality, finance, and human resources to equip participants with fundamental understanding of the business, and prepare them to be future APL leaders. Each is assigned a mentor and will work on a specific project at the end of the program.

Mr. Harry Istianto, Jakarta Distribution Center Manager, gives APL senior executives a tour.

Managers and supervisors at the Jakarta Distribution Center.

APL management trainees who joined the company in August.
Zuellig Pharma Taiwan teams up with Taisho Pharmaceutical

Zuellig Pharma Taiwan entered a commercialization agreement with Taisho Pharmaceutical. In May, the commercialization team held a nationwide sales meeting to launch Taisho Pharmaceutical’s Pabron Cold and Flu Granules. Pabron is a popular Japanese cold and flu remedy.

The product is expected to win consumer trust and acquire a significant market share in the competitive and fragmented cold remedy category in Taiwan, worth more than US$67 million annually.

“As the biggest Japanese cold and flu medication brand, we are proud to be represented by Asia’s best in distribution and promotion,” Mr. Kohei Doi, President of Taisho Pharmaceutical Taiwan, said. “We are very excited about this product. We plan to bring many more products into the Taiwan market and believe in having the right partner to work with,” he added.

Taisho's comprehensive line of OTC products includes cold remedy Pabron, gastrointestinal treatments Kampo Ichoyaku, laxative Colac, energy drink Lipovitan D, hair-regrowth treatment RiUP, and the Livita series of functional nutritional supplements.

YesChain promotes diabetes health management

YesChain, Zuellig Pharma’s community pharmacy chain in Taiwan, launched the YesChain Healthcare Volunteers Day in July to promote diabetes health management in long-stay medical and retirement centers. The team of volunteers was led by Ms. Kerry Lee, General Manager, and comprised members of YesChain’s management team, store pharmacists and managers, and nutritionists. Together they set out to introduce a holistic diabetes healthcare program of drug use, exercise, massage, bone density and body mass index (BMI) tests, and chronic disease management consultations.

YesChain is seeking to organize the Healthcare Volunteers Day annually at 35 centers located near its pharmacies to encourage healthy lifestyles and drug compliance. The initiative forms part of the company’s corporate social responsibility activities.

YesChain also plans to organize a 90-day Diabetes Care Volunteers Crusade in Q4 2015 to promote the launch of YesChain Diabetes Care Pharmacy Solutions. The chain expects to recruit 2,000 diabetes patients into the program.
Sporting chance for 70 local students in Thailand.

Zuellig Pharma Thailand organizes ‘Football for Kids’

In June, Zuellig Pharma Thailand organized a further “Zuellig Pharma Football for Kids” event, led by Mr. Kovit Ophascharoensuk, Vice-President Corporate Affairs, other members of the management team, and staff. The corporate social responsibility activity took place at the Z1 Sports Center at the Distribution Center in Bangsaothong, Samutprakarn. Seventy students from a local school participated, with training given by former Thai national football team coaches and Zuellig Pharma Thailand staff.

“Zuellig Pharma Football for Kids” has been organized for three consecutive years to give students of schools located near the Distribution Center the opportunity to learn about football from professionals and to promote Zuellig Pharma’s brand awareness among parents in the surrounding community. To date, 10 schools and over 700 students have participated in the program. Sports equipment is also provided to all participating schools.

Zuellig Pharma Specialty Solutions Group maintains a network of 17 clinical trial depots in 14 countries and territories across Asia-Pacific, offering integrated storage, distribution/returns, repackaging and a comparator drug-sourcing service.

A network of local and central depots enables sponsors to customize their clinical supply chain set-up for each study, taking into account start-up timelines, regulatory considerations, risk aspects, required shipment turnaround times, product quality, geographical focus with an aim to balance study objectives against cost.

The company continues to expand its footprint, with recent additions including a subsidiary and depot in Mumbai, India. It actively consults clients to find the best set-up for trials, leveraging its network, experts, and experience of over 1,000 successfully completed trials.
A workshop for key opinion leaders to discuss integrated solutions to enhance Taiwan’s Diabetes Care Program was organized in July by National Yang-Ming University Institute of Health and Welfare Policy, The Diabetes Association of the Republic of China, Taiwanese Association of Diabetes Educators, and Pharmaceutical Society of Taiwan. The event, sponsored by Zuellig Pharma’s Patient Solutions, sought to identify opportunities for the integration of quality-based and evidence-based patient care as a means of optimizing patient health outcomes, covering a broader patient pool, and decreasing government healthcare costs.

Workshop participants comprised providers, industry suppliers, and stakeholders, with the event concluding with a closed-door advisory discussion among selected key opinion leaders who hoped to, among other initiatives, formulate a feasible and scalable project relating to third-party engagement in collaboration with healthcare providers focused on diabetic care.

The key focus of the discussion was Zuellig Pharma’s introduction of an integrated solutions model to better address chronic-disease management for diabetes, complementing Taiwan’s public Diabetes Shared Care System. The system is part of its National Health Insurance (NHI), a mandatory single-payer scheme overseen by Taiwan’s Ministry of Health and Welfare. Now in its 20th year, the program insures more than 99% of the country’s population and provides a comprehensive range of benefits.

Although the Diabetes Shared Care System is largely successful, particularly in the broad care it covers and the level of support it offers chronic sufferers, several significant areas of opportunity remain. These include the difficulty of creating a standardized care protocol, the inability to cover individuals’ total care, and gaps in the provision of necessary regular treatment tests while still meeting reimbursement criteria. A direct result of these challenges is that only 40% of diabetes patients are currently enrolled in the Diabetes Shared Care System.

Another potential contributing factor to low enrollment is that patient education and follow-up care from healthcare professionals is reimbursed by the NHI program only if certain criteria are met. For example, there are limits on the number of times newly enrolled patients, even those who may require more intensive interventions, can receive services that are eligible for reimbursement. A chief complaint among patients and providers is that quality, individualized patient care requires manpower and resources that are constraining and inefficient for healthcare providers in terms of time, labor, and expense. Further complicating the issue is a lack of patient enrollment and education channels beyond qualified hospitals/clinics (pharmacies are excluded), as well as conflicts of interest among key stakeholders.

The solution proposed during the closed-door discussion was to introduce a neutral third-party charged with overseeing holistic programmatic integration and management. Not only would this potentially increase enrollment and iron out a complex reimbursement structure, it would allow for more streamlined navigation and diffusion of conflicts created by divergent interests of key industry players.

The workshop concluded with a commitment to map out a pilot, modeling a more integrated approach. This includes following up via in-depth interviews with select stakeholders, visits to government officials engaged in the bidding process, and extended data analysis and reporting.
People to Watch

The new Market Partner talents who are responding to the demands of our ever-expanding businesses

Hong Kong

Ms. Kevina Chan has been appointed Patient Solutions Manager at Zuellig Pharma Hong Kong. Kevina will focus on offering patient-centered services that address the needs of patients throughout their treatment journey and assist manufacturers, healthcare insurance companies, self-insuring corporations and other payers to realize optimum use of their brand. This new service is aligned with Zuellig Pharma’s objective to develop innovative solutions that expand beyond distribution. Prior to joining Zuellig Pharma, Kevina worked in business development and market analytics in the pharmaceutical sector.

Mr. Ryan Cruz has been appointed Head of Industrial Engineering and Continuous Improvement. Ryan will be responsible for overseeing development and implementation of the new Zuellig Operational Excellence (ZOE) Program. Prior to joining Zuellig Pharma, Ryan worked for DB Schenker, where he led the engineering and innovation teams and operations efficiency program. Ryan will work closely with the different teams in country operations, value realization, and quality and procurement to drive and support the delivery of best practices and productivity in the company’s operations. He has a Bachelor’s degree in Industrial Engineering combined with nearly 20 years of practical application in both manufacturing and logistics companies. Ryan reports to Mr. Darren Wedding, Senior Vice President Operations.

Mr. Billy Wong has become Distribution Center Senior Manager. Billy has over 15 years’ experience in the logistics industry, working for multinational companies such as Kerry Logistics, Hong Kong Disney and Li & Fung Group. In his role at Zuellig Pharma, he will review all aspects of operations, work closely with internal and external customers to provide logistics solutions, and improve the quality of service, cost control and inventory accuracy. He reports to Mr. Chapman Lam, Director of Operations.

Ms. Rita Ho has expanded her role to include wholesale dealer license deputy responsibilities and has a new title of Senior Client Service Manager. She continues to serve as Lead for the Client Service Team, seeking to enhance the quality service provided to clients. In addition, she has become one of the key members to ensure full compliance with regulatory requirements for the Distribution Center’s wholesale dealer license. She still reports to Mr. Chapman Lam, Director of Operations.

Mr. David Hui has been appointed Sales Force Effectiveness and Commercial Manager at PharmaLink in Hong Kong. David’s previous experience includes sales and marketing, strategic planning and commercial excellence in multinational healthcare and pharmaceutical companies such as Wyeth Nutrition, Johnson & Johnson Co., and Pfizer Corporation Hong Kong. In this post, he will work closely with sales managers to attain related sales operation and management standards. He will also plan and conduct sales force training aligned with ethical standards and the code of conduct. He reports to Mr. Daymond Lee, Director of PharmaLink.

Mr. Christopher Liu has taken up the role of Assistant Medical Sales Manager, leading the Contract Sales Organization team in the provision of exclusive services for clients. Chris joined the

Regional

Mr. Benjamin Belot has been appointed Corporate Projects Lead – North Asia. He will support the development and implementation of new strategic projects across multiple business units and help consolidate regional requests and reporting requirements. Benjamin holds a Master’s degree in Chemistry and Chemical Engineering, an INSEAD MBA, and has seven years’ experience in healthcare consulting and the pharmaceutical sector. Prior to joining Zuellig Pharma, Benjamin worked for Johnson & Johnson as a Business Intelligence Analyst, using data analytics to provide business and market access recommendations to the sales and marketing teams. Before this, he worked in healthcare consulting for five years, managing strategic projects for pharmaceutical, medical device and diagnostic companies. He was also involved in channel-based projects. He reports to Mr. Tom Vanmolkot, Senior Vice President North Asia.

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company in 2013 and his drive to boost employee coaching has shown strong leadership capabilities over the past two years. Prior to joining Zuellig Pharma, Chris worked for Lyreco, Stiefel Laboratory, and Roche. In this new role, Chris reports to Mr. Daymond Lee, Director of PharmaLink.

Korea

Zuellig Pharma Korea welcomes Mr. Hyo Seok Ha as Marketing Director. He will be responsible for developing marketing strategies and marketing programs for downstream business development. Prior to joining Zuellig Pharma, he worked at Boehringer Ingelheim Korea. He built his career in the marketing area, serving as product manager and marketing manager. He was involved in primary care brand marketing and gained insights into ethical sales as a sales manager. He holds an MBA from So-Gang University in Korea, with a focus on marketing, and reports to Ms. Sang-A Ryuu, Business Development and Commercial Excellence Executive Director.

Indonesia

Mr. Christian Eberle has become President Director of PT Anugerah Pharmindo Lestari (APL). Chris has over 20 years’ experience at Zuellig Pharma. He started his career as Distribution Manager at Zuellig Pharma Hong Kong before moving to become Assistant Vice President Operations at Metro Drug, Inc. in the Philippines. Chris was then appointed Vice President Operations at Zuellig Pharma Korea. His latest position was President & Chief Executive of Metro Drug, Inc. In his new role, Chris will drive the APL leadership team in refining and executing APL’s strategic plan and in securing its position as the preferred healthcare distributor in Indonesia. Chris reports to the APL Board of Commissioners.

Malaysia

Zuellig Pharma Malaysia is pleased to announce the promotion of Mr. Deric Seow to Senior Manager, Value Added Services. Deric will head the Value Added/Redressing Department, with responsibility for all key result areas. He joined Zuellig Pharma in 2012 as Inventory and Trade Returns Manager. He reports to Mr. Graham Simpson, Operations Director.

Mr. Rayhaan Dharmanilas Abdullah (Mr. Dharma) has also been promoted, taking up the role of Senior Manager, Operations Excellence. He joined Zuellig Pharma in 2013 as Warehouse and Business Process Manager. He will now head up the new Operational Excellence Department that will drive continuous improvement, process enhancements, value realization, and improve the functional excellence of operations personnel. He reports to Mr. Graham Simpson, Operations Director.

Ms. Rachel Yong has joined the company as Principal Services Manager. She holds an MBA from the University of Putra Malaysia and has seven years’ experience in hospital pharmacies, inventory planning, operations and warehouse operations. Her last role was chief pharmacist in a private hospital, coordinating pharmacy, medical services and operations. She reports to Ms. Sharon Chua, Associate Director, Principal Services Department.

Ms. Norulazami Abu Bakar (Ms. Norulazami) has been appointed Principal Services Manager. She obtained her Bachelor’s degree in Science from the University of Iowa, US. She has more than 20 years’ supply chain experience within global fast-moving consumer goods and multinationals in industries ranging from manufacturing to third-party logistics. She reports to Ms. Sharon Chua, Associate Director, Principal Services Department.

Specialty Solutions Group

Mr. Tan Chun Leng has been appointed Quality Manager at Zuellig Pharma Specialty Solutions Group. Chun Leng will be responsible for the company’s regulatory affairs and quality management system. In addition, Chun Leng will be the focal contact point for handling matters related to national and international regulatory bodies. Chun Leng holds a Bachelor’s degree in Electrical and Electronic Engineering from Nanyang Technological University. He has 14 years’ experience, spanning the semiconductor, electronic device, silicon wafer and light manufacturing industries. He reports to Ms. Chong Ai Lian, Associate Director, Quality.

Singapore

Mr. Wyman Loi has been promoted to Sales Manager at Zuellig Pharma Singapore. Since joining the company as an Associate Sales Manager in 2013, Wyman has shown strong leadership with regard to achieving targets with his team as well as building strong working relationships with both internal and external stakeholders. In his new role, Wyman will continue to engage with principals and manage key accounts in the pharmacy channel and to implement sales strategies to achieve the desired sales results, among other on-going responsibilities. He reports to Ms. Lee Lay Hoon, Business Unit Manager.

Mr Dave Lai has been appointed Head of Business Development for the Local Distribution Center, Commercialization and Regional Distribution Center. Since joining the company in 2010, Dave has proven his ability to independently manage the Business Development Department. With support from relevant internal stakeholders, Dave has helped the company win numerous new contracts as well as renew major contracts. In his expanded role, Dave will be responsible for building fresh business opportunities and developing strategic partnerships. He reports directly to Ms. Yvonne Cheah, Senior Director of Business and Client Development.

Mr. Taras Chan has taken up the position of Business Unit Manager for PharmaLink Commercialization, covering the ethical channel. Taras, who has previously worked at Pfizer and Novartis, will be responsible for managing the medical sales and marketing teams in driving growth of the designated pharmaceutical and OTC lines in the ethical channel. He will lead the unit in ensuring development and implementation of effective brand and channel strategies, and efficient execution of clients’ trade marketing activities. This will involve provision of prompt feedback on market and competitive intelligence to clients and promotion of relationships with existing and prospective customers. He reports to Ms. Louise Pang, General Manager of Commercialization.

Ms. Janet Teo has become Sales Manager at PharmaLink Commercialization. In this role, Janet will be responsible for medical sales,
client and key account management, leading a sales team to achieve sales and business targets for Merck Consumer Healthcare, Becton Dickinson and Abbott Diabetes across the ethical channel. Janet graduated from the National University of Singapore with a BSc in Microbiology. She joined the company with eight years’ experience in the pharmaceutical industry, covering sales, and product and key account management. She reports to Mr. Taras Chan, Business Unit Manager.

Taiwan

Zuellig Pharma Taiwan is pleased to announce that Ms. Jean Hsu has been appointed Business Development Director. Prior to joining Zuellig Pharma, Jean had gained over 12 years’ experience in consumer healthcare in Mainland China and Taiwan in both fast-moving consumer goods and OTC categories. She will bring her expertise to Zuellig Pharma Taiwan to help active promotion of services, to build higher brand awareness in the market and to develop new business opportunities. Jean reports to Mr. John Chou, Chief Executive.

Mr. David Huang has been appointed National Key Account Manager. David was previously a Business Development Manager in Tai Lung Taiwan. He has over 15 years’ experience in sales in the pharmacy and consumer channels. He reports to Mr. Benjamin Tan, Vice President, Value Innovation.

Thailand

Khun Parichut Sríchoo has joined Zuellig Pharma Thailand as Business Development Manager. Khun Parichut will be responsible for creating new business solutions and proposals for existing clients as well as generating new business opportunities. She comes on board with over 15 years’ experience, in Thailand and overseas. She has previously worked in sales operations and management, project management and business development, among other roles, at healthcare companies such as Siam Drug, McCormick Hospital, and DKSH. She reports to Mr Yves Hermes, Vice President Thailand/Indochina.

Khun Archawee Suwwannacheep has been appointed Finance Manager, responsible for general accounting, principal accounting, treasury, and purchasing. She has over 13 years’ experience in external audits, corporate accounting and tax compliance. She has worked with PricewaterhouseCoopers ABAS and in the corporate accounting field with Nokia and Microsoft. She currently reports to Khun Pucknalin Bulakul, Chief Operating Officer.

Khun Thanavit Wannavijit has joined the company as Logistic Manager – Outbound (Pharmaceutical), responsible for storage and replenishment, picking, packing and invoicing, nutrition, and other products. He has worked in process improvement, quality management, terminal and warehouse operations and management, and employee competency and engagement development for TNT Express, APM Terminals, and DHL Supply Chain. He reports to Khun Nuchree Phonpuntin, Vice President Logistics and Principal Services.

Khun Anongnat Luevong-Ophas has been appointed Principal Services Manager. She has previously spent 10 years in client handling and management, business process improvement, and project implementation for top logistics companies, such as Maersk/Damco Logistics. She reports to Khun Nuchree Phonpuntin, Vice President Logistics and Principal Services.

Khun Patcharee Chayrassamee has joined the company as Material Manager. In this post, she will be responsible for redressing (secondary packaging), inventory, and spoiled goods. Khun Patcharee has almost a decade’s experience in sales support, and warehouse and logistics operations, working in industries including medical products, freight forwarding, electronics, and automotive for companies such as NYK Logistics, Panasonic, and Ford. She reports directly to Khun Nuchree Phonpuntin, Vice President Logistics and Principal Services.

The scope of responsibilities held by Khun Laksaman Choosiri, Customer and Tender Manager, has expanded to cover collection. His new title is Tender and Collection Manager.

Khun Laksaman has spent more than two decades in information technology, warehousing, logistics and distribution, material planning, and purchasing in both commercial and manufacturing environments. He reports directly to Khun Kiengkrai Viaswan, Vice President Customer Management.

Khun Salsaya has been promoted to Customer Services Manager, with responsibility for the Customer Services Department and covering the Order Center, Customer Care Center, Customer Services and Support, CRC Operational Analysis, and Database and Order Management. She has worked at the company for over two years as Customer Services and Support Manager. Prior to that, she had 10 years’ experience in customer and quality retention, as well as customer service areas at DKSH and Loxley. Khun Salsaya reports to Khun Kiengkrai Viaswan, Vice President Customer Management.

Vietnam

Mr. Jeff Folland has been appointed Sales Director of Zuellig Pharma Vietnam. Jeff has 24 years’ commercial experience, with 14 of these years spent in the pharmaceutical industry. In his new role, Jeff will be responsible for leading the Sales and Business Support Teams in the wholesale, pharmacy and hospital channels, driving customer satisfaction and sales force effectiveness. He has previously led sales teams in Australia for GlaxoSmithKline, Eli Lilly, Sanofi-Aventis and Amgen. Jeff reports to Mr. Robert Kruit, Chief Executive, Zuellig Pharma Vietnam & Cambodia.

Ms. Pham Thị Hồng Vân has joined the company as Product Manager. Prior to working at Zuellig Pharma, Hồng Vân worked for Hoffman-La Roche Ltd. Representative Office for over five years. She reports to Ms. Martha Tolentino, Head of PharmaLink Vietnam.

Mr. Ho Tan Thanh has been appointed Area Sales Manager. Thanh previously worked for Mega Lifesciences Company Ltd. and ADC Company Ltd. Thanh reports to Mr. Le Van Quang, Business Unit Manager – BU6.
The Changing Hong Kong Healthcare Market

The graying of the city’s population and regulatory changes offer opportunities for innovation

With population growth and an aging demographic, the Hong Kong pharmaceutical market is forecast to grow to over US$2 billion by 2019.1 The aging of Hong Kong is due to a combination of factors, including longer life expectancy and a low birth rate.

The launch of innovative drugs will drive growth in the market.2 Hong Kong is the leading choice for manufacturers of home-based equipment, hygiene-sterilized supplies, less-invasive procedure equipment, orthopedic tools and devices, as well as devices and supplies for high health-risk diseases and injuries.3

Physician prescribed vs over-the-counter drugs
In a physician-dispensing market such as Hong Kong, retail pharmacists primarily focus on over-the-counter (OTC) drugs. The connection between drug prescribing and dispensing continues to be a lucrative source of income for physicians, clinics and hospitals.4 Separation between prescribing and dispensing is unlikely due to the powerful doctors’ lobby in the city.5

Public vs private healthcare debate
The current healthcare system cannot continue to support the weight of the rapidly changing age demographic. Projections forecast that people over 65 years old in Hong Kong will more than double from 13% to 30% of the population by 2041. The strain of this increase will necessitate a 6.5% annual increase in public healthcare spending just to maintain services.6 The delicate balance between private and public healthcare will have to change.

Despite some resistance to change, there are innovative healthcare funding adjustments underway. These include tax rebates and deductions for enrolling in private healthcare insurance; allowing people of any age and in any health to take out insurance; guaranteed renewal for all members; and limiting of premiums for high-risk groups.7

The government has set aside over US$1.6 billion to fund public hospital expansion and modernization, such as adding hospital beds and other treatment and diagnostic facilities. This will result in shorter waiting times for healthcare services, as well as additional mental health services.8

The Hospital Authority will enhance its healthcare services for elderly patients, providing barrier-free hospital facilities by 2016. Improvements will include a joint replacement center, as well as enhanced geriatric rehabilitation and palliative care services. The Elderly Health Care Voucher Scheme doubled to US$256 last year and the number of vouchers increased to 640,000 for a total expenditure of US$70 million.9

In 2014, the Hospital Authority launched pilot outpatient clinics in three districts to allow those with chronic diseases, such as hypertension or diabetes in a stable condition, to receive outpatient services from participating private doctors within their respective districts. The government plans to expand the program to the remaining 15 districts.10

Emerging trends in Hong Kong healthcare
Hong Kong’s health indicators rank among the best in the world. Like other developed countries and regions, the burden of the healthcare system has shifted
from communicable diseases to chronic diseases due to a more affluent lifestyle and medical advances. Recent data from the Department of Health’s Center for Health Protection concludes that over 28% of the population has a chronic illness such as hypertension (11%), diabetes (5%), high cholesterol (almost 4%), coronary heart disease (2%), asthma (1.1%), and stroke (0.6%). Over 36% of the population are considered obese and this trend continues to grow.

Cancer is by far the leading cause of death in the city, at 31%. Mortality rates from heart disease, cerebrovascular disease and chronic lower respiratory disease have all fallen in recent years. However, the infection rates of notifiable communicable diseases, such as HIV, continue to increase.15

As the population ages, so will the demand for equipment that facilitates the prevention, detection, and management of illness. Treatment for cardiopulmonary disease, diabetes and neurological disorders will see rapid growth.12

Hong Kong’s primary care system remains undeveloped. It will need to improve to address the needs of its aging population in disease prevention and management of chronic diseases.13

The high burden of non-communicable diseases presents strong revenue-earning opportunities for both pharmaceutical and medical devices firms, due to the need for increased diagnosis and treatment.14 The compound annual growth rate forecast from now until 2019 is 7.2%, reaching a total of US$2.2 billion.15

The operating environment for the pharmaceutical industry in Hong Kong is likely to remain stable until 2018. Though market growth has slowed to single digits, Hong Kong will remain an attractive market, in large part due to its proximity to Mainland China.16

Patented hi-tech drugs will continue to be imported and this sector is expected to grow.17 Hong Kong’s negative pharmaceutical trade balance is expected to widen over the next five years, with 7.2% imported and 3.9% exported by 2019. Cheap, off-patent drugs from Mainland China will increase this gap, highlighting Hong Kong’s need for less expensive pharmaceuticals.18

In contrast, pricing of generic drugs will continue to be forced down by the Hospital Authority’s volume purchasing and prescribing policies. Multinational generic drug-makers will dominate the generics market, as well as local firms with strict quality control. Eventually, generics from Mainland China will start to enter the market.19

Retail pharmacists will continue to push for a greater role in healthcare, such as patient counseling and medication management. The government is looking for ways to increase pharmacist training and development. The Hong Kong Academy of Pharmacy is encouraging quality certification and a patient-centered approach to combat the sale of counterfeits.20

Both cost and epidemiological considerations make Hong Kong an attractive base for clinical research and development and medical trials. According to data from Clinicaltrials.gov, Hong Kong hosted 82 clinical trials in 2013 and 91 in 2012. Of the 82 studies, there were 11 Phase I, 26 Phase II, 38 Phase III and seven Phase IV trials. However, Hong Kong is still considered a relatively small market with room for growth when compared to other markets such as Mainland China, Taiwan and South Korea.21

Overcoming the challenge of regulatory changes
In response to a series of product scandals in 2009, Hong Kong enacted regulatory changes that affect the pharmaceutical market. In accordance with the Pharmacy and Poison Regulations Chapter 138A, Regulation 5, section 22, which went into effect on February 6, 2015, dealers licensed for wholesale are required to obtain a written order from the purchaser before completion of a sale of Part I poisons, dangerous drugs or antibiotics. The regulation is part of an effort to avoid ambiguity or miscommunication that could lead to wrongful delivery. The written order facilitates tracing the source of the drug, minimizes errors upon delivery, and combats the illegal sale of drugs, which enhances public safety.22

The written order can be accepted in either paper or electronic format. Nevertheless, the impact of the mandatory requirement has been felt in the pharmaceutical field since most purchasers were used to ordering drugs via verbal orders. eZRx, one of ZPHK’s six eSolutions, provides an online ordering platform in full compliance with the written order ordinance.

Other regulatory changes in the pipeline include the Hong Kong Guide to GMP for Secondary Packaging, which will be implemented on October 1, 2015. The regulation states that secondary packaging can only be undertaken by licensed manufacturers, who comply with Good Manufacturing Practice requirements.
Zuellig Pharma eSolutions

As part of Zuellig Pharma’s on-going commitment to service quality, operational excellence and cutting-edge innovation, the company has developed a series of internet-based tools to facilitate operational efficiency across the supply chain, from order processing for purchasers to delivery of orders to customers. Zuellig Pharma’s eSolutions suite provides a unique and user-friendly solution for complete transparency in the order process, starting from when a customer places an order all the way to when they receive the product.

Zuellig Pharma Hong Kong is proud to introduce the following six new innovative eSolutions to improve communications, supply chain transparency and business efficiency and productivity: eZRx, eTender, eRedressing, eReturn, eMerchandising and ZIP Track & Trace.

The eSolutions platform improves communication both internally and externally, and increases productivity throughout the order fulfillment process. Zuellig Pharma’s eSolutions offers customers complete transparency so that they can clearly see where the order is and when it will be delivered. The innovative web-based eSolutions platform brings visibility to the entire order process cycle.

**eZRx**
Zuellig Pharma’s eZRx is an efficient internet-based, multi-functional B2B ordering platform. eZRx is fully compliant with the Hong Kong Department of Health’s written order ordinance. It is fully customizable and allows customers to make quick, easy, real-time order placements. Customers’ order history, bonus terms, deals and quantities ordered are all retrievable. Access to the order status is available at all times and multiple parties within a business can be connected to the order system.

The system provides real-time order confirmation for customers and full transparency. Invoice images can be captured for accuracy and reference while payment transactions sync to Zuellig Pharma’s ERP system. eZRx can also be developed into a marketing platform.

**eTender**
eTender offers users an effective digitalized tender management process with greater security, data centralization, workflow control, improved efficiency, real-time information availability and automated reminder alerts. It guides and monitors the entire tender management process to ensure full accountability and confidentiality.

The administration tool records tender information for two years, ensuring an up-to-date tender library that provides instant access to key tender information. This allows users to formulate a tender submission strategy. It is also customizable and offers greater security in tender document preparation, tender document clarification and contract follow-up.

To ensure a streamlined process, eTender tracks and traces tender status in real-time. By creating an archive document whenever a user makes a change, the system provides proof of document control. Each document contains multiple archived versions, providing full document history. eTender also includes user-only access and a matrix to define each user’s level of authorization.

The system improves work efficiency with a real-time to-do-list, which helps users identify tasks that need to be completed. Over the long term, eTender maximizes pricing strategy and provides comparative and pharmaceutical market trend analysis.

**Local capacity grows**
- Zuellig Pharma’s warehouse capacity in both Hong Kong and Macau has expanded. The main pharmaceutical warehouse in Macau has more than doubled. The main Hong Kong Distribution Center in Tsing Yi has increased by 70,000 square feet.
- An automated order fulfillment system is being installed at the Tsing Yi Distribution Center.
- A new patient solutions service has been launched in both Hong Kong and Macau, headed by Ms. Kevina Chan, Patient Solutions Manager.

**eRedressing**
This tool enables all parts of the redressing process to be tracked and traced. eRedressing provides stakeholders with real-time visibility of redressing job status. It also improves the efficiency of shop-floor job management and production planning to ensure supply chain continuity.

**eReturn**
eReturn is a highly efficient online tool that eliminates manual paperwork and allows goods to be returned accurately and quickly. The solution saves time and ensures accuracy by automating many steps, enabling sales representatives to spend more time in the field driving sales.

The web-based system improves transparency while reducing lead times and the time required to process returns. The 100% paperless system allows searches by customer, product and batch number. In addition, the status of any return and its history can be fully tracked and traced.

**eMerchandising**
eMerchandising is an innovative solution for chain outlets, providing a comprehensive marketing and promotional tool that replaces inefficient paper-
based systems with real-time online planning, synchronization of outlet promotions, and timely reporting.

The customizable system assists outlets in meeting a variety of needs, including wider product scans and channel extension. It offers quick and accurate solutions for common planogram issues, such as out of stock, side facing and empty boxes, as well as sub-optimal execution of display promotion programs and inefficient ad hoc promotions.

eMerchandising also provides execution and instant monitoring of key chain promotional programs to increase growth opportunities.

Z|P Track & Trace

Getting the right product to the right destination at the right time is the key to top service. Zueilig Pharma’s Z|P Track & Trace is a pioneering tracking tool that centralizes and standardizes communication between Zueilig Pharma Hong Kong’s delivery and customer service teams, ensuring optimum delivery to the end customer.

The Z|P Track & Trace handheld device can be used by all drivers and delivery personnel. It offers reliable, real-time visibility of customers’ order status, such as delivered, cancelled, rejected, returned or redelivered. It also facilitates communication through photographs. The system incorporates real-time notification for events such as damage or customer feedback, enabling the customer service team to react immediately.

The all-important last mile is effectively managed by notifying customers in advance of actual delivery to manage expectations for order delivery time.

Our promise

Zueilig Pharma’s commitment to collaboration, innovation and passion for excellence are the keys to building strong successful partnerships with our clients and customers. eSolutions is the future of healthcare supply chain management.

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Room to grow in Vietnam

Challenges are rising for multinationals as the Vietnamese government promotes local players but the outlook for OTC market growth appears bright

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Economy: urban-rural gap defines market

• Public healthcare expenditure rises
• Consumer spending power stronger

Vietnam is one of the poorest countries in the East and Southeast Asia region, but rapid urbanization, increasing public expenditure on healthcare, and rising consumer spending power provide significant growth potential. In 2013, 6% of GDP was spent on healthcare, according to the World Bank. This figure is expected to keep rising as government reforms seek to improve healthcare infrastructure and access to medicine.

One goal is to see 80% of the population covered by healthcare insurance by 2020. In 2015, industry analysts estimate per-capita health expenditure will reach US$116 compared with US$66 in 2008. The average annual income in Vietnam is approximately US$2,000. This is 14 times higher than in 1992. But the average monthly salary for workers in Hanoi and Ho Chi Minh City is much lower than geographically adjacent cities such as Manila, Bangkok and Singapore, according to the Japan External Trade Organization. As such, the National Wage Council agreed to increase the monthly minimum wage by 250,000-400,000 dong (US$11.69-US$18.70) from January 1, 2015.

The development gap between urban and rural areas also poses a challenge to the healthcare market. Vietnam's population is predominantly rural and only around 32% live in urban areas. But resources are highly concentrated in cities, resulting in 56% of the rural population being without healthcare access compared with 1% of urban dwellers, according to an April 2015 study by the International Labor Organization.

Local marketers: DHG leads the pack

• Government supports domestic marketers
• New law prompts increased focus on OTC

Looking at the top 10 OTC marketers in Vietnam, just three are domestic companies: DHG, Tradewind Asia and ICA. However, government support for local players could see them take a more prominent position in future. Following the “Vietnamese Use Vietnamese Goods” campaign, which aimed to encourage consumers to purchase local brands, the Ministry of Health announced a national strategy in December 2014 to develop the domestic pharmaceutical sector until 2020. One major objective is to see locally manufactured medicines account for 80% of total medicine consumption, up from the current 20%. The government will support the development of Vietnamese traditional medicines, with the Department of Health standardizing the materials used in such medicines.
In November 2013, the National Assembly also passed a new Law on Tendering (effective July 1, 2014) to create greater equality among local tender participants and increase access for small and medium-sized companies. One significant change concerns the way medicines are procured in the hospital channel. The new law explicitly provides preferential treatment for domestically produced drugs. This has had a profound impact on revenue generated in the hospital channel for many pharmaceutical companies, which have started to focus more attention on OTC business to recoup lost income.

Meanwhile, eight state-owned pharmaceutical companies are planning to go public in 2015 after the Ministry of Health urged companies to hasten equitization. The companies include Vinapharma, Central Pharmaceutical Company No.1, Central Pharmaceutical Company No.2 and Vietnam Medical Equipment.

No.1 OTC marketer DHG celebrated its 40th year in 2014. Almost all DHG’s sales are generated in Vietnam. The company has a strong local reputation and a broad distribution network, and believes this makes it an attractive partnering opportunity for enterprises looking to quickly gain scale and market share in Vietnam. However, DHG also faces challenges, namely the prestige that consumers associate with imported medicines, competition from low-cost generics, and increased competition from local players shifting focus to the OTC market in light of the new government tender rules on hospital medicines.

Overseas players: prominent despite challenges

- Distribution challenges hinder expansion
- Sanofi and Takeda among consumers’ preference for multinational products. Foreign companies also launch generics to suit low consumer spending power due to the difficulties they face in introducing patented/original medicines.

Overseas players dominate Vietnam’s OTC market, partly owing to consumers’ preference for multinational products. Foreign companies also launch generics to suit low consumer spending power and due to the difficulties they face in introducing patented/original medicines.

To be granted import rights or a distribution license, multinationals must work with a local distributor or be willing to establish a manufacturing plant in the country. With the government promoting a program for 80% of medicines purchased via the tendering process for hospitals to be domestically produced, multinationals have to develop strategic partnerships with the government or establish joint ventures with local players to accommodate these protective policies.

In addition, poor infrastructure in remote areas, regional differences and a fragmented distribution landscape lead to high compliance costs for multinationals wanting to expand distribution beyond a few major cities. In 2014, 90% of Vietnam’s pharmaceutical raw materials were imported, with China being the largest exporter. The heavy reliance on overseas supplies has led to medicine smuggling and counterfeiting issues.

In terms of multinational development, the country’s No.2 OTC marketer Sanofi – which has had a presence in Vietnam for more than 50 years – invested US$75 million in March 2013 to build its third manufacturing plant in the country. Scheduled to begin operation in late 2015, the facility will have the capacity to produce 90 million-150 million units of pharmaceutical and consumer healthcare products annually to meet growing demand in Vietnam and act as an export platform for ASEAN countries.

Asia-Pacific players have also been expanding their presence in Vietnam. In May 2014, Japan’s Rohto opened its second manufacturing plant in Binh Duong province. The US$15 million facility produces skincare products to meet the demands of local and overseas markets. In November 2014, Takeda announced its Thai subsidiary had been tasked with launching a business in Vietnam to capitalize on its fast-growing healthcare market.

Another key player is Mega Lifesciences, a Thai company which generates higher total sales in Vietnam than it does in its own domestic market. The company’s non-Rx portfolio mainly comprises vitamins, minerals & supplements. It reports that this is a growing category owing to increased consumer awareness of the importance of good health and well-being. Its key brands are Eugica (a cough and sore throat brand acquired from DHG in 2012), Enat vitamin E, Ferrovit iron supplement and Giloba ginkgo biloba supplement.

OTC overview

Vietnam’s OTC market grew by 8% to 7,221 billion dong (US$338 million) in 2014, driven by rising interest in health and well-being, increasing consumer spending power and more attention to personal appearance. These trends have had a particularly positive impact on vitamins, minerals & supplements, Vietnam’s largest OTC category. Additionally, the alterations made to the tendering process in the hospital channel have spurred many marketers to focus more attention on OTC products to offset lost Rx revenue.

Vitamins, minerals & supplements: advertising and promotion frequent

- Sanofi leads in multiple categories
- Pfizer launches established global brands

Growth of vitamins, minerals & supplements (+9%) outpaced other major categories, thanks to increasing consumer understanding of the importance of general well-being. This inspired marketers to introduce more products, including brands already established in other countries, such as Pfizer’s Centrum multivitamin and Caltrate calcium supplement. Multivitamins is the biggest vitamins, minerals & supplements category, owing to consumers’ preference for products with multiple benefits. No.1 brand Pharmaton (Boehringer Ingelheim) is positioned to fight fatigue in adults. Television advertisements for Pharmaton Fizzi Vitality effervescent tablets during the reporting period, showed a busy working father able to stay energetic while at work, during sports activities, and spending time with his children.

Products positioned for children also perform well. Unikids (DHG) is No.2 and the orange-flavored syrup is formulated with lysine and vitamins and minerals to boost appetite and nutrient absorption to aid growth and development. Colorful packaging and a brand website (dhgpharma.com.vn/unikids) feature cartoon mascot Astro Boy to appeal to children. Other presentations include Unikids IQ syrup (additional taurine + omega-3 for brain development) and Unikids Zinc soft candy. The latter was supported in August 2014 with a promotion that invited children to create paintings to win prizes.

Plussz (Tradewind Asia) is the No.3 multivitamin, but also has a presence in the vitamin C and calcium categories. In 2013, Plussz Max packaging was updated with a limited edition gold version, supported by a new Facebook page, Plussz Gold, and via television advertisements featuring animated packs parodying the song Gangnam Style. Mid-tier brand Environ-C (Unilab) is formulated with vitamin B and vitamin C complex and positioned for fatigue. A television commercial in 2014 showed the product helping professionals to stay energetic during long working hours. Berocca Performance (Bayer) has been supported by online promotions on Facebook and YouTube. These included interviews with experts and consumers explaining the benefits of using the product. The tagline is: “You 100 percent”.

Calcium (352 billion dong/US$16.5 million) is the largest OTC mineral category and set to
expand further following Pfizer’s rollout of Caltrate. Sanofi’s Calcium Corbiere is the leading brand. The 10ml syrup is positioned for middle-aged women to reduce the risk of osteoporosis while the 5ml version aims to assist children’s growth.

Probiotics & prebiotics is the fastest-growing sub-category (+19%). Sanofi also leads here, with Enterogermina accounting for over 80% of sales. The liquid vials are positioned to boost digestive health for all the family and were advertised on television in 2014. A new entry will come from BioGaia, which signed an exclusive agreement with local marketer VietPhap International in January 2015 to launch its BioGaia ProTectis Drops in the country later in the year. A version that also contains vitamin D will follow.

DHG, the major local marketer, offers several leading herbal & natural supplements and aims to expand the portion of its sales generated by health supplements from 8% to 15% within five years, Bloomberg reported. Its key brand Spivital is the No.1 herbal & natural brand. Several versions of the spirulina supplement are available: Spivital Kids (granules), female-oriented Spivital Mama (capsules) and family-oriented Spivital Nutri (capsules). Spivital Nutri has been supported with television commercials, with the tagline, “Nutrition for every day”, showing the capsules improving the well-being of a whole family. In April 2014, DHG launched an eye health supplement under the Eyelight brand called Eyelight Children. The capsules are formulated with bilberry and vitamin E, which are claimed to be essential nutrients to help prevent myopia in school children. A branded Facebook page supported the launch, while television commercials targeted parents, warning that myopia is increasingly common among children with intensive schoolwork.

**Analgesics: Hapacol is the leading brand**

- Systemics dominate
- Panadol event boosts brand awareness

Analgesics grew by 8% to 1,591 billion dong (US$74.4 million) in 2014, boosted by the systemics category, which accounts for 85% of total sales. Hapacol is the leading systemic brand with a category share of almost 50%, thanks in part to its strong brand portfolio that has a variety of presentations for adults, teens and children. Advertising and promotion have supported Hapacol 650mg caplets and Hapacol 250mg granules for children.

Panadol is No.2, followed by Efferalgan. GlaxoSmithKline aims to increase Panadol sales by expanding its rural focus through doctor recommendations, trials and increasing brand trust.

In 2012, the “Life Without Pain” campaign, run in partnership with the Vietnam Red Cross, reached out to 12,000 rural consumers in 12 provinces via events that offered free health checks and medicine samples. The initiative received a high level of media attention and generated significant impact on social media, helping to build the brand’s reputation.

The smaller topicals category is dominated by overseas players. Salonpas leads and has been supported by sustained advertising and promotion since Hisamitsu established a new manufacturing plant in Dong Nai in 2012. Television advertisements for the pain patches illustrated how Salonpas could relieve pain suffered by office workers, laborers and sports enthusiasts. Additional promotion included event sponsorship, such as the Da Nang International Marathon and concerts by Vietnamese folk singer Cam Ly in the second half of 2014. Formats including liniment and gel are also available. Other entries include Decontractyl (Sanofi) and Eagle Brand (Borden).

**Cough, cold & allergy: influenza drives growth**

- Mega supports Eugica with advertising and promotion
- Overseas brands lead most categories

Cough, cold & allergy (+7% to 1,188 billion dong/US$55.5 million) has grown well over the past few years owing to the prevalence of influenza, which breeds well in humid tropical climates. Growth is set to continue after Vietnam reported an outbreak of H1N1 in March 2015. The government and international NGOs have been working to improve access to medicines and educate the public on self-medicating for mild ailments, such as cough and cold symptoms.

Medicated brands form the majority of the category, though herbal product Eugica leads cough remedies and sore throat remedies and medicated confectionery. Mega Lifesciences acquired the brand from DHG Pharma in December 2012, with the latter continuing to manufacture it. Eugica enjoys comprehensive advertising and promotion support, including a brand website (eugica.vn) and a Facebook page. A television advertisement in 2015 focused on original Eugica capsules (though a shot of the entire range was shown at the end) and conveyed the message that Eugica can take good care of the whole family. Strepsils (RB) is the No.2 sore throat remedy.

Systemic cold & flu remedies (159 billion dong/US$7.4 million) is led by Decoigen (Unilab). Advertising and promotion focused on the adult capsules presentation, which claims it can quickly relieve cold & flu symptoms to enable professionals to perform well at work.

Allergy remedies (led by Sanofi’s Allegra) and the minor topical decongestants category (led by Otrivin, a Novartis brand now part of the joint venture with GlaxoSmithKline) benefit from increasing pollution levels in urban areas.

**Dermatologics: Menarini expands presence**

- Feminine intimate care largest and fastest-growing category
- Lactacyd boosted by advertising and promotion and line extensions

Dermatologicals grew by 9% in 2014, driven by acne remedies and feminine intimate care (the largest category), which both advanced by double digits. Multinationals lead in most categories, including general antifungals (Bayer’s Canesten) and feminine intimate care (Sanofi’s Lactacyd). Lactacyd has benefited from line extensions, such as Lactacyd Revitalize in 2013, and interactive
online campaigns, which helped contribute to the brand’s growth. Lactacyd Soft & Silky was rolled out in the second half of 2014 and contains lactic acid and lactoserum to help balance vaginal pH. A television advertisement supported the launch and showed women gaining in confidence from using the product.

Rohto is one of the leading marketers in acne remedies, fielding Acnes and Oxy, which are frequently promoted via discounts, consumer giveaways and celebrity endorsements. The former is positioned as a full skincare line for teenagers and young girls and was supported via outdoor product sampling in four cities, including Ho Chi Minh, in mid-2015. Oxy targets young men, with promotions featuring rappers and singers to build a fashionable image to appeal to the key demographic. Menarini Asia-Pacific is expanding its presence in Vietnam after it was granted exclusive rights to market and sell Kerasal Nail antifungal by Moberg Pharma in February 2014. Menarini’s wound care brand Dermatix Ultra was advertised on television in 2015 via commercials that highlight the product is made in the US and that link smooth, unblemished skin with confidence.

**Lifestyle OTCs: increasing pollution helps eye care sales**

- Eyelight enjoys strong promotion and broad portfolio
- Smoking control shows potential to expand

Lifestyle OTCs account for around 8% of sales. Eye care generates a significant proportion and benefits from increasing pollution in major cities and modern lifestyles that subject people to long working hours in front of computer screens. As such, young professionals and students are the main targets.

DHG and Rohto are the leading marketers. The former markets Eyelight, which enjoys strong promotion and a broad portfolio. Eyelight Vita drops (vitamin B1, B2 and nicotinamide) were supported in 2014 with an advertisement that targeted working professionals and showed it was developed by experts with advanced technology. Rohto-Eyedrops’ growth is partly thanks to Rohto’s long-standing presence in Vietnam and the activities that the company conducts, such as free eye checks and treatment programs and eye care education events for college students. The brand also has a broad portfolio that includes New V-Rohto, V-Rohto Cool and V-Rohto Lycee. In January 2014, Rohto voluntarily recalled Rohto Arctic, Rohto Ice, Rohto Hydra, Rohto Relief and Rohto Cool eye drops made in Vietnam and sold in the US, owing to a manufacturing review at the production facility in Vietnam involving sterility controls. The recall was a precautionary measure and there was no evidence that the products did not meet specifications.

Smoking control remains underdeveloped. Vietnam is one of the top 15 nations for the number of smokers, according to a May 2015 survey by the World Health Organization. With the government’s continuous efforts to control tobacco consumption and its plans to raise the tax on cigarettes, the category has the potential to develop.

**Gastrointestinals: multinational brands dominate**

- Antacids and liver & bile remedies are the largest categories
- Naturenz promoted as a Vietnamese traditional medicine

Gastrointestinals grew well (+7%) in 2014, driven by strong upturns for the top two categories: antacids and liver & bile remedies. This reflects the increasing digestive issues associated with urban lifestyles, such as long working hours and lack of exercise. Many sub-categories are dominated by multinational brands. Phosphalugel (Boehringer Ingelheim) is the No.1 antacid while Smecta (Ipsen) leads anti-diarrheals. Johnson & Johnson’s Motilium-M (domperidone) was supported with a television advertisement campaign in early 2014, which claimed the product is effective at relieving bloating.

Naturenz (DHG) is the only significant local brand, and accounts for around 70% of sales in liver & bile remedies. The herbal capsule is a key brand for DHG because it fits into the company’s plan to expand its herbal & natural products, as well as the government’s aim to promote Vietnamese traditional medicines. In August 2014, DHG held a press event to celebrate the results of clinical trials, which showed Naturenz was effective and safe for detoxifying the liver.

**Prospects**

Vietnam is expected to remain politically stable in the years to come, providing a promising economic environment for development of the healthcare sector. With increasing public health expenditure, rising investment from overseas players, higher living standards and stronger spending power among Vietnamese consumers, the country’s OTC market is likely to witness solid growth in the coming years. In addition, on-going healthcare policy reforms will drive industry modernization and improve its infrastructure.

However, the regulatory environment, such as Rx-to-OTC switch processes and schemes to encourage medicine innovation and reduce generics, remains unclear. The government’s intention to protect domestic players and promote local brands poses a challenge to multinationals. Vietnam has just started facing issues that are the result of an aging population, which means demand for healthcare services and products will become stronger in the future. Meanwhile, Vietnam’s National Parliament is set to approve a proposal to allow parents to have as many children as they like, according to domestic media reports. If approved, pediatric medicines and supplements could flourish. "

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*DB6 is an important strategic planning tool for OTC marketers. To find out how to subscribe to DB6 or receive a demo of the database, please contact celine.waller@nicholashall.com.*
How has the island nation created such a cost-effective and equitable healthcare system?

IMS Observer

Small as it is, Singapore holds a leading position globally in many aspects of its economic and social development, among them the creation of the world’s most cost-effective healthcare system for all its residents. From 2000 onward, government spending on healthcare in Singapore accounted for only 3%-4% of total GDP. According to Watson Wyatt’s analysis¹, Singapore’s healthcare system can be described as the most successful in terms of the efficiency of capital utilization and the outcomes of community health. This healthcare model is considered unique and extremely difficult to replicate in many other countries. Singaporean citizens essentially do not have to spend their own money (i.e. no out-of-pocket expenditure) if they go to hospital. Yet Singapore’s healthcare system is not the same as the UK’s National Health System (NHS) as Singapore is not a welfare state.

A low-cost, first-class healthcare system for all

Before meeting with success, Singapore faced many challenges and detours. While former Prime Minister Lee Kuan Yew modeled the healthcare system on Britain’s welfare-based healthcare system in the 1960s, the “free” system was built on the high taxes paid by Singapore employees. In the 1980s, Singapore underwent a turbulent civil rights movement in which citizens demanded high-quality medical care.

In 1985, the Singapore government restructured public hospitals as private companies wholly owned by the government to provide operational and managerial autonomy for hospitals and enable them to respond more promptly to patients’ needs. Besides annual government subvention or subsidy for the provision of subsidized medical services, these hospitals are subject to broad policy guidance through the Ministry of Health.
medical care. At the time, the government’s healthcare offering was limited. As a result, the country embarked on healthcare reform.

**First M – Medisave to fund the healthcare system**

One of the challenges was the lack of funding to support a welfare-based healthcare system in Singapore. In April 1984, Singapore introduced Medisave², a mandatory national medical savings scheme. The required savings ratio stood at 6%. However, the proportion of medical savings was changed from 1992 onward, being adjusted annually to account for increases in medical costs due to inflation and age.

Medisave is meant to supplement personal savings to help pay for medical and hospitalization fees. Every working person, including the self-employed, is required by law to contribute to his or her own Medisave Account. This contribution is automatically deducted from every working individual’s Central Provident Fund³ (CPF³). Medisave works like an ordinary bank savings account. The only difference is it can only be used to pay for hospitalization costs.

³ CPF works like a superannuation fund to help working Singaporean citizens and permanent residents save up for retirement, housing, healthcare, family protection and asset enhancement.

The creation and implementation of Medisave assisted the funding issue for Singapore’s healthcare system. However, the challenge of rising medical costs and long-term costs of serious medical illnesses remained.

**Second M – MediShield to pay for high medical expenses**

In July 1990, Singapore introduced MediShield² to help Singaporeans pay part of the expenses arising from hospitalization and certain outpatient treatments for serious illnesses not sufficiently covered by their Medisave Account.

MediShield is a low-cost basic medical insurance scheme whereby Singaporean citizens and permanent residents can utilize their Medisave to pay for MediShield premiums. These premiums are automatically deducted unless a person chooses to opt out of the program. Annual premiums for MediShield are the same for all insured members in the same age group, ranging from S$50 to S$1,190 (US$35-US$836). MediShield payouts are therefore similar for all insured members regardless of subsidy status.

³ CPF works like a superannuation fund to help working Singaporean citizens and permanent residents save up for retirement, housing, healthcare, family protection and asset enhancement.

**Third M – Medifund to help low-income sector**

In 1993, the Singapore government set up Medifund⁴, an endowment fund to help needy citizens pay their medical bills. Medifund serves as a safety net for those who cannot afford the subsidized bill charges, despite Medisave and MediShield coverage. This is to ensure that all citizens have access to quality healthcare regardless of financial status.

With such healthcare reforms in place, the government has been able to fulfill Singaporeans’ medical needs without allocating a large proportion of GDP to healthcare yet ensuring quality and affordable basic medical services for all.

^ CPF works like a superannuation fund to help working Singaporean citizens and permanent residents save up for retirement, housing, healthcare, family protection and asset enhancement.

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IMS Observer, Issue 5, IMS Health
Hong Kong’s economy expanded 2.1% year on year in Q1 2015, moderating from 2.5% in 2014. For 2015 as a whole, the economy is forecast to grow by 1%-3%. Labor market conditions remained tight. The unemployment rate was 3.2% for April-June 2015, close to the lowest level in 17 years. Consumer prices increased 3.7% year on year for January-June 2015, after increasing by 4.4% in 2014. Inflationary pressure is expected to be contained in the near term.

The Chinese government stopped issuing multi-entry Hong Kong visas to Shenzhen residents. The move is an attempt to ease growing anger in Hong Kong over shopping trips by mainlanders who take advantage of lower taxes. Shenzhen residents will now only be able to enter Hong Kong once a week, and stay no longer than a week. Mainland Chinese visitors make up about two-thirds of tourists in Hong Kong. Amid visibly slower growth in Mainland Chinese tourist arrivals and weaker tourist spending, the value of retail sales dropped 1.8% year on year in the first five months of 2015, after a decline of 0.2% in 2014.

The government has put forward new initiatives focused on people’s livelihood and economic growth in Hong Kong, including construction of rehab centers and a residential care home, establishment of a HK$1 billion (US$128 million) recycling fund and a HK$1.5 billion (US$193 million) increase in commitment for small and medium-sized enterprise funds. Housing is the most critical of all livelihood issues. The government is speeding up the development of public housing and public rental housing, targeting the completion of 77,100 public rental housing units within the next five years. Some 23,300 units are scheduled for completion by 2016.

In Q2, Taiwan’s economy grew 0.64% from a year ago, a sharp slowdown from 3.37% in the previous quarter. The official figure was the lowest in the past 12 quarters and much less than the Directorate-General of Budget, Accounting and Statistics’ previous growth forecast of 3.05%. The government is implementing stimulus plans aimed at expanding exports and promoting investment in the short term, and transforming the economic structure in the long term.

On the healthcare front, the Taiwan Healthcare+ portal was launched by the heads of the Executive Yuan and Legislative Yuan. Taiwan Healthcare+ is an online platform established by the Institute for Biotechnology and Medicine Industry and Ministry of Health and Welfare to integrate public, industrial and academic resources. It is the largest local online platform incorporating healthcare services, biotechnology and health technology industries, and will serve as a gateway to the international market for local enterprises in the biotechnology sector and for overseas partners seeking technology or medical team collaborations with Taiwan enterprises and institutions.

A group of traditional Chinese medicine practitioners has been urging the National Health Insurance Administration to include traditional Chinese medicine treatments for several major illnesses in the National Health Insurance Program. Officials initially considered including traditional Chinese medicine treatments when the national health insurance system was being developed, but later rejected the idea as regulations demanded that treatment be based on “scientific evidence” for inclusion. A trial
The Singapore economy posted 1.8% growth year on year in Q2 2015, lower than the 2.8% reported in Q1. Citing weaker-than-expected global economic performance in the first half of 2015, and downside risks in China and the Eurozone, the Ministry of Trade and Industry narrowed the GDP growth forecast for 2015 to 2%-2.5%, from an earlier forecast of 2%-4%. Signs of softening domestic demand have surfaced while international visitor arrival numbers to Singapore declined 4% January-May, compared with the same period the previous year. In addition, for seven consecutive months, the nation experienced negative headline inflation, largely attributed to lower car prices and rentals, higher government subsidies, including enhanced medical subsidies, and a decrease in global oil prices.

While industry sectors such as manufacturing saw sluggish performance, the healthcare sector maintained its momentum with new initiatives and schemes.

In addition to the traditional channels for patients to seek medical advice, the Wellness Bus program now gives patients the option of visiting a mobile clinic for health assessments, vaccinations and health literacy programs. The pilot project, championed by grassroots organizations and a local community health cooperative, is targeting “wellness buses” at the heartlands of Aljunied and Hougang, extending outreach directly to residents. The project aims to provide full health assessments for 800 seniors, immunizations for 2,000 seniors and to give health literacy talks to 10,000 seniors.

The national eldercare helpline, Singapore Silver Line, further underlines the need for more support services for the elderly and caregivers. Singapore Silver Line was officially launched in September 2014 by the Agency for Integrated Care, an entity set up by the Ministry of Health to oversee and coordinate efforts in care integration. The toll-free helpline is supported by call agents trained to identify and recommend care services, suitable financial assistance schemes, and respite care options for caregivers, among others. Since launch, the eldercare line has handled about 44,000 calls, or an average of 5,000 calls a month, and is likely to benefit more seniors in the future in light of Singapore’s aging population.

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**Fast Fact**
Launch of new schemes is contributing to more integrated healthcare for patients.

South Korea’s economy grew just 0.3% in April-June over Q1, according to central bank estimates. This was the slowest in two quarters, with consumption battered by an outbreak of Middle East Respiratory Syndrome (MERS) from May until July. Bank of Korea estimates showed private consumption fell by a seasonally adjusted 0.3% in Q2 after rising 0.6% in the January-March period. In July, the Bank of Korea lowered its growth forecast to 2.8% for 2015 from an earlier estimate of 3.1%, partly due to the impact of MERS on the economy. The disease killed at least 36 Koreans and kept shoppers and tourists at home, exacerbating the effects of an export slump.

Due to MERS, the number of patients visiting hospitals or pharmacies near hospitals decreased, causing a decline in the consumption of medicines and medical supplies. Pharmaceutical manufacturers, wholesalers, and pharmacists all experienced financial difficulties, with the Korean Research-based Pharmaceutical Industry Association (KRPIA) claiming total sales losses of around US$97 million for registered companies. It was also a critical time for wholesalers as pharmacies requested a delay in payment dates and orders from hospitals sharply decreased.

While the MERS outbreak officially ended in mid-July, related industries are still working hard to recover losses. Wholesalers had been finding the business environment difficult even before the MERS outbreak and a few companies may face bankruptcy in the near future. Pharmaceutical wholesalers also requested that the government postpone enforcement of the serial number obligation, due to be implemented in January 2016. The government requested the pharmaceutical distribution industry to track and report every pharmaceutical product through barcode scanning since January. However, given the preparations required to comply with this, implementation of the full system was delayed until January 2016. In reply to the industry’s request, the government said enforcement next January was unavoidable, but it would try to be flexible and reflect industry feedback in preparing the system.

Another cause of tension in the market was the prosecution of 24 people from the Korea Pharmaceutical Information Center (KPIC) and three companies on suspicion of illegally collecting and selling patients’ prescription and other personal data to pharmaceutical manufacturers. According to the prosecution, the IT company acquired patients’ prescription information without getting patients’ agreement, and sold it to the data service. KPIC allegedly distributed PM2000 (a pharmacy management software) to approximately 10,800 pharmacies, illegally obtained patients’ personal information for three years (2011-14) and sold the information received to the data service company as well. In total, 4.7 billion cases of personal data were leaked and 90% of the Korean population affected.

The government has now announced it will suspend the use of PM2000. This caused great concern among pharmacists as to the impact on customer loyalty as well as billing systems.

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**Fast Fact**
The pharmaceutical industry has sought to delay full implementation of the serial number obligation.

Malaysia has been clouded by political turmoil during the first half of 2015. The corruption allegations made against Prime Minister Najib Razak over the management of 1 Malaysia Development Berhad (1MDB), the nation’s sovereign wealth fund, a cabinet reshuffle that removed the Deputy Prime Minister, and the collapse of opposition alliance Pakatan Rakyat have led to a rise in civil discontent and lowered investor confidence in the business environment. In addition, inflation rose from 1% in January to 2.5% in June.
The 11th Malaysia Plan announced in Q2 2015, is the final five-year development plan seeking to transform Malaysia into a developed country by 2020. The government pledged in the plan to provide every Malaysian with equal access to quality healthcare services through four strategies: enhanced targeted healthcare support, particularly for underserved communities, through initiatives in mobile healthcare, mobile emergency services and ambulance services; improved system delivery through an eHealth initiative; increased access through new and revitalized facilities and healthcare personnel capacity-building; and intensified collaboration with the private sector and NGOs to increase health awareness. The government is targeting 2.3 hospital beds for every 1,000 people and a 1:400 patient to doctor ratio by 2020.

The Medical Device Authority extended its submission deadline for registration of medical devices from 1 July 2015 to 30 June 2016. The extension will allow manufacturers to freely sell medical devices in Malaysia, provided that registration applications are forwarded to the Authority by 30 June 2016.

Overall, the pharmaceutical industry saw marginal growth for the first half of 2015. The Pharmaceutical Association of Malaysia (PhAMA), which represents multinational companies, reported growth of 0.43% for year-to-date June 2015 compared with the previous corresponding period. PhAMA’s participating multinational companies recorded sales of RM1.86 billion (US$446.72 million). Ethical sales grew at 1.01% while OTC sales dipped by -2.76% due to poor consumer spending following implementation of the goods and services tax (GST).

In Brunei, a labor market survey, conducted by the Department of Economic Planning and Development, reported that the country had a work force of 203,600, with unemployment standing at 6.9% in 2014. More than 90% of all workers were wage employees, with an average monthly wage of BNS1,940 (US$1,382). Employment was heavily concentrated in the service sector, particularly public administration.

On the healthcare front, the Ministry of Health will continue to prioritize human resource development in skilled healthcare professional disciplines, citing a shortage of nurses and the need for more male nurses to attend to male patients. The Ministry conducted roadshows at education institutions and held career talks to attract more students and change the misconception that nursing is a female profession. Santiago Garcia sgarcia@zueilligpharma.com

Fast Fact
Brunei is prioritizing the development of more healthcare professionals.

Thailand
Draft constitution rejected

The National Reform Council, a body backed by Thailand’s military rulers, rejected the highly restrictive draft constitution in a vote in early September. The proposed constitution was strongly opposed by most of the country’s political parties. However, the outcome will also extend the junta-led government’s rule as the drafting process has to start again, holding up elections until at least 2017.

The bomb that ripped through central Bangkok, close to the popular Erawan Shrine on August 17, killed 20 people and will certainly impact tourism arrivals in Thailand. This will further damage the Thai economy, which was already in bad shape. Indices of consumer and business sentiment have dropped in recent months, after a brief surge following the May 2014 coup. The Bank of Thailand revised its projected GDP growth rate down to 3% from an earlier projection of 3.8%, due to poor exports, which are expected to decline by 1.5% for full-year 2015, and the worst drought in 10 years to hit rice farmers in Thailand’s central and northeast regions. As agriculture employs more than one-third of the Thai labor force, this will further impact consumer spending, already suffering from a high level of household debt.

The government is trying to mitigate these negative factors by an aggressive multi-year infrastructure program of US$92 billion. Yves Hermes yhermes@zueilligpharma.com

Fast Fact
A major infrastructure program aims to offset the downturn in consumer and business sentiment.

Philippines
Presidential race heats up

The Philippine economy as measured by real gross domestic product slowed to growth of 5.2% in Q1 2015 from 5.6% in Q1 2014, and down from 6.6% in Q4 2014, due to on-going sluggishness in government spending. Sectors affected include property construction along with business process outsourcing (BPO), a sector that previously enjoyed a good pace of growth. Growth in the real estate and business services sub-sector (which includes BPO) weakened to 6.4% from 8.5%.

On the political front, neophyte senator Grace Poe has overtaken Vice President Jejomar Binay as the Filipino electorate’s top presidential choice in the 2016 elections, based on a survey conducted by Pulse Asia in May and June. Senator Poe garnered a voter preference rating of 30% while Vice President Binay received 22%. The lawmaker’s rating rose by 16 percentage points from 14% in March while the Vice President’s declined by seven percentage points. President Aquino formally endorsed Secretary of the Interior and Local Government Manuel “Mar” Roxas as the Liberal Party’s presidential candidate.

In the pharmaceutical sector, the total market was valued at 140 billion pesos (US$3.2 billion) as of Q1 2015 MAT, growing at about +3.2%. The ethical market, representing about 74% or 103 billion pesos (US$2.2 billion), grew by +4.6% while the proprietary market saw -0.4% growth. Of the top 20 corporations, some local importers and suppliers grew at double-digit rates (47.6%) while the highest growth among multinationals was 11.84%.

The six largest chain accounts (Mercury, Rose, Watsons, South Star, St. Joseph and Negros Grace) ended Q2 2015 with combined growth of 3.5%. These chains opened a total of 91 branches during the first half of the year, bringing the total branch count to 2,158 doors. Mercury Drug led the expansion, opening 38 branches this year.

Non-traditional players also invested in the healthcare market. Ayala Corporation, a large local conglomerate that entered the hospital market through QualiMed, a joint venture with a local hospital chain, bought into rapidly increasing franchise drugstore chain Generika. In addition, large money remittance company M Lhuillier is partnering with Ambica, a fast-growing local pharmaceutical company.

Zuellig Pharma Philippines
Zuellig Pharma continued to provide support to clients through the...
The country’s economy struggled in the first half of 2015 faced with a weakening exchange rate, high inflation, delayed infrastructure spending, and tight monetary policy. Consumer buying power also fell significantly. The economy grew by about 4.7% in both Q1 and Q2, the slowest since 2009, and many economists say growth for the year will be below 5%. According to Indonesia’s central bank, the economy is expected to increase 4.89% (year on year) in 2015, down from 5% (year on year) in the preceding year. This would mark the fifth straight year of economic slowdown.

Annual inflation eased to 7.18% in August from 7.26% in July, according to Statistics Bureau data. Annual average inflation increased from 6.3% to 6.6%. The weakening of the rupiah against the US dollar meant that major retailers had to increase prices to offset ballooning production costs. But many producers did try to keep prices unchanged, given the decline in consumer purchasing power. Private consumption expanded by 4.97% (year-on-year), slowing from 5.01% growth in the preceding quarter.

Government spending rose by 2.28%, after registering 2.71% growth in Q1. President Joko Widodo took office last October, promising to boost Southeast Asia’s largest economy, but has been criticized for failing to revive growth. The President reshuffled his cabinet in August after perceived disappointment in light of the ongoing economic challenges. He installed six new ministers, with the aim of boosting investors’ confidence in Indonesian assets after the rupiah and stocks weakened.

The government extended a tax incentive for “pioneering” industries, those in sectors that have a multiplier effect on the Indonesian economy and provide employment opportunities for the local population. Examples are oil refining, infrastructure, maritime transport, telecommunications, downstream metal production and agriculture processing. The extension went into effect on August 16.

The government also set ambitious targets for investment by the public and private sectors. Forecasts indicate that actual expenditure will fall short of government targets over the next five years. As Indonesia’s economic growth continued to slow in the second quarter of 2015, the Indonesian Employers Association (Apindo) warned of increasing unemployment. Every 1% of GDP growth can generate between 200,000 and 300,000 new jobs in Indonesia.

A recent study by the University of Indonesia public health department predicted the Healthcare and Social Security Agency (BPJS Kesehatan) would have an accumulated deficit of 173 trillion rupiah (US$12.5 billion) by 2019 if the government continued with the current payment scheme for the universal healthcare program (JKN).

Only 0.9% of Indonesia’s GDP is spent on healthcare infrastructure. An increase in healthcare spending is needed for the country to successfully create a universal coverage program that meets the need for hospital beds and medical devices, affordable and low-cost medicines, and healthcare human resources.

The new national health insurance program is having an impact on the private sector. One of the largest private hospital operators, Mitra Keluarga, is looking to tighten its belt to maintain profitability amid slowing growth in patient numbers, as people opt for state-sponsored healthcare services. The company booked around 12% year-on-year top-line growth during Q1 2014, with growth decreasing to 9.83% year on year in Q1 2015.

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Fast Fact
Greater healthcare spending required to help the universal coverage program succeed.

The Vietnamese economy produced positive economic indicators for the first half of 2015. GDP grew at 6.28% while the consumer price index only increased by 0.86%, according to the General Statistics Office. The export sector rose impressively. On top of its labor-cost advantage, Vietnam’s policy to incentivize foreign direct investment (FDI) has encouraged exports from foreign-invested enterprises manufacturing in Vietnam. With year-on-year growth of +9.3% compared with the same period last year, exports reached around US$77.7 billion. However, imports also ascended to an estimated US$81.5 billion, an increase of 17.7% compared with the same period last year.

August brought the conclusion of the 2.5-year free trade agreement (FTA) negotiations between Vietnam and the EU. The legal fine print has yet to be put on paper, but the substance of the deal has been agreed and will be finalized after the summer break.

The agreement enhances EU exporters’ and investors’ access to the fast-growing Vietnamese market with the elimination of 99% of tariffs. Vietnam will liberalize 65% of its import duties on products from the EU and gradually reduce the remaining duties over a period of 10 years while EU duties will be removed over a seven-year period.

The FTA agreement is expected to bring significant changes to the pharmaceutical industry. Pharmaceuticals are the EU’s second major export item to Vietnam, constituting about 9% of total exports to the country. The FTA is expected to address the following areas: data protection and the possibility of patent extension if delays occur in market authorization; the right of foreign-invested companies to import and sell their medicines to distributors and wholesalers; enhanced access to bidding for foreign-invested enterprises on public contracts in key hospitals; and removal of the clinical trial requirement in the draft Pharmaceutical Law. The agreement is expected to widen Vietnamese patients’ access to innovative medicines as well as stimulate research and development. Both sides have agreed to strive for sustainable cooperation by addressing labor and environmental issues, trade facilitation, small and medium-sized enterprises, policy-making, democracy and human rights.

August also saw the release of Prime Minister’s Decision 31/2015/QD-TTG on tax exemption for gifts, which also applies to emergency drugs and medical devices in the case of large-scale injuries, natural disasters, or accidents. The gift must not exceed 10 million dong (US$445).

In June, Vietnam’s vaccine management system was certified...
as up to international standards by the World Health Organization. The country produces 10 out of the 12 vaccines in the national vaccination program and will now seek to take them into the Asian market. Despite this, the country will be short of certain fee-based vaccines up to the end of 2015, mostly the overseas-produced four-in-1, five-in-1, six-in-1 vaccines, and hepatitis A and chicken pox vaccines.

**Fast Fact**

The country’s vaccine management system has gained World Health Organization certification.

With 7.2% real GDP growth over the past 12 months, Cambodia has become the sixth fastest-growing country in the world based on a 20-year average. According to the World Bank, the regularity of this growth sets Cambodia apart from higher-ranked countries, such as Equatorial Guinea and Liberia, or from other fast-growing nations that rely on natural resources. The economic outlook remains promising, with recovery in the US helping to support real GDP growth and the bid to reach 7.5% in 2015. The pharmaceutical market is expected to grow by 10.1% in 2015 to US$252 million.

Sustained economic development has lifted Cambodia’s gross national income per capita toward the US$1,045 threshold for entry into lower-middle income status. Poverty continues to reduce, albeit at a slower pace than from 2004-2011, when growth was backed up by international rice prices and directly benefited the agricultural sector. Although inflation increased to 3.9%, price stability remains within acceptable levels fostering economic expansion and supporting poverty reduction.

The Investment Climate Assessment indicates that the key constraints for firms continue to be electricity costs and access, informal payments and uncompetitive practices.

The political situation has been of increasing concern for international observers, who claim that the CPP, Cambodia’s ruling party for the past 25 years, might misuse laws approved in July. In the country’s 2013 elections, the CPP suffered a significant drop in public support and it is feared that these new laws are intended to silence opponents before the next elections in 2018. Cambodia’s Senate recently approved a controversial law affecting NGOs. This gives Cambodian officials the power to close any group that endangers “peace, national unity or culture”. Some interpret this as a direct threat to NGOs that have complained about the lack of free and fair elections in the past, particularly during protests following 2013’s disputed election results. Unions, traditional supporters of the opposition, and social media, which played a pivotal role in the protests, are also concerned about laws to be debated in September.

The government is continuing its efforts against counterfeit drugs, which represent more than 10% of pharmaceutical drugs in Cambodia, according to World Health Organization estimates. In May, police responsible for investigating economic crimes seized more than 100,000 boxes of illicit medicines. This came a month after the Ministries of Health and Interior announced a joint strategy to curb illegal medical practices, including the use of fraudulent health products.

**Fast Fact**

Government continues efforts to crack down on the counterfeit drug trade.

The World Bank expects Bangladesh’s GDP growth to rise to 6.3% in the next fiscal year due to perceived political stability. Growth is expected to pick up in line with a recovery in exports and investment as tensions ease. Recovery in the US and Eurozone should boost garment exports while the opening of new markets and deeper penetration of existing markets for Bangladeshi labor should increase remittances. Sustaining political stability will be the most critical issue in realizing such growth.

The inflow of foreign direct investment (FDI) has failed to increase despite incentives offered to overseas investors. In 2014, FDI was down to US$1.52 billion, less than 1% of GDP compared with a worldwide average of 4.72%. Among the reasons identified by analysts are scarcity of land, infrastructure, gas and electricity; delays in service provision; uncertainty over policy durability; unclear dispute settlement; and unexpected delays in formulating rules and regulation under the Special Economic Zone law.

Bangladesh’s pharmaceutical sector manufactures about 8,000 generic drugs under 26,813 registered brands in different dosages and strength. The government controls the price of 209 generic drugs with specified dosage, along with imported medicines, and 42 active pharmaceutical ingredients (APIs) produced in the country. Among the 258 licensed pharmaceutical manufacturers, almost 95% of pharmaceutical business is controlled by 30 companies. The top 10 companies hold a 68.5% market share, according to IMS Health. Locally manufactured drugs meet 97% of the country’s demand. They are also exported to more than 80 world destinations, ranging from stringently regulated markets in Europe to mildly regulated countries, such as the Philippines, Vietnam, and Sri Lanka, and 49 least developed countries (LDCs) in Asia-Pacific and Africa.

The World Trade Organization (WTO)/TRIPS agreement allowed the pharmaceutical sector in LDCs, including Bangladesh, to enjoy a patent-free regime until 2016. In the latest development, WTO member states will have to legislate and enforce minimum standards to protect intellectual property, such as copyrights, patents, designs, and trademarks. Local pharmaceutical manufacturers will have to cease production, distribution and sales of medicines that come under this agreement.

TRIPS implementation has haunted the global pharmaceutical industry for years. However, by 2016, many of the world’s best-selling drugs, worth around US$255 billion in annual global sales, will have gone off-patent, according to London-based research firm Evaluate Pharma. Once the blockbusters lose patent protection, lower-priced generics are expected to decimate innovator company sales by as much as 90%. Leading pharmaceutical companies will have to look for new strategies instead of relying on traditional patent blockbuster models. Industry players will have to embrace the generic market model as an increasingly important part of the overall pharmaceutical lifecycle in conformity with LDC economies such as Bangladesh.

**Fast Fact**

Among the country’s 258 licensed pharmaceutical manufacturers, almost 95% of business is controlled by 30 companies.
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The Market Partner: company background

Serving the Asian healthcare markets since 1922, Zuellig Pharma is the region's leading healthcare services provider. Through a broad range of innovative tailored services, the company's objective is to help healthcare companies capture and realize the full market potential of the fast-growing dynamic healthcare markets in Asia.

The company provides targeted solutions aimed at meeting the constantly evolving needs of healthcare companies, from distribution of pharmaceuticals, medical devices and clinical trial materials, sales and marketing outsourcing, patient-centered programs, payor solutions (third party administration services) to a full range of retail pharmacy services.

With established networks and facilities across 13 Asian countries, and serving over 350,000 doctors, hospitals, pharmacies and clinics, Zuellig Pharma provides healthcare companies with critical market insight, enabling them to keep pace with market expansion, implement best practices, and reach new levels of growth and profitability.

Zip-online® is a sales and inventory information tool designed to give clients efficient information, market intelligence and business insight through online business intelligence tools and scheduled reporting.

AsiaRx

AsiaRx® is our online pharmaceutical and medical supply marketplace that helps hospitals, pharmacies, clinics and clients run their business via the internet. It is unique in its regional scope, multilingual capabilities, tight real-time integration with supplier systems, plus the absolute focus on the customers' perspective and business processes. Strong B2B integration enables rapid Client Price Approval and greater end-to-end transparency of order fulfillment.

PharmaLink, a division of Zuellig Pharma, has accumulated decades of experience in the provision of sales and marketing services to the pharmaceutical industry in Asia-Pacific. Backed by a highly experienced team of pharmaceutical professionals, we deliver business growth solutions to clients so they can focus on their core business.

Leveraging Zuellig Pharma's extensive network, our current coverage – the Philippines, Indonesia, Malaysia, Thailand, Hong Kong, Vietnam and Taiwan – is set to expand across the region. Service areas include contract sales, sales and marketing, agency, strategic market planning, consulting as well as regulatory services. With our extensive doctor database, and pharmaceutical market data and knowledge gathered over years of service, PharmaLink is your dedicated commercialization partner for the healthcare industry in the Asia-Pacific region.

The Specialty Solutions Group (SSG) is a pioneering regional consultancy and bio-logistic services division of Zuellig Pharma. Strategically based in Singapore, SSG leverages Zuellig Pharma's cutting-edge Regional Distribution Center and pan-Asia coverage to provide customized, added-value bio-logistics for pharmaceutical, clinical trial, medical device, diagnostic and other healthcare-related companies.

For more information about Zuellig Pharma, please visit www.zuelligpharma.com or write to help@zuelligpharma.com

PharmaKPO is a joint venture between Zuellig Pharma and the ADEC Group, a global provider of customized outsourcing solutions to Fortune 1000 companies. PharmaKPO provides a wide range of business process outsourcing (BPO) and knowledge process outsourcing (KPO) services to multinational pharmaceutical companies. Working with PharmaKPO offers companies the opportunity to maintain their focus on core competencies while simultaneously reducing operating costs and improving operational efficiencies. PharmaKPO also delivers strategic, knowledge-driven outsourcing solutions tailored to the specific needs of pharmaceutical industry clients.