

Expanding Into Asia-Pacific

Life sciences opportunities and strategies for success



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About the L.E.K. APAC Life Sciences Centre of Excellence

The APAC Life Sciences Centre of Excellence is an initiative developed by L.E.K. and supported by Singapore’s Economic Development Board to drive thought leadership and innovation to elevate the APAC life sciences ecosystem.

The Centre is an important part of L.E.K.’s broader Healthcare Insights Center and is dedicated to advancing insights and cutting-edge thinking on topics of greatest relevance to life sciences leaders in the APAC region. The Centre leverages L.E.K.’s deep industry knowledge and proprietary tools, as well as Singapore’s strong research ecosystem, to produce materials on a broad range of life sciences and healthcare topics. These range from the future of drug discovery and development to healthcare transformation and digitization.

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Introduction

Home to more than 60% of the global population, the Asia-Pacific (APAC) region presents an immense commercial opportunity for biopharma, medical device, and healthcare companies. For these life sciences enterprises, APAC also offers highly attractive market entry prospects. Regional healthcare expenditure in APAC is projected to grow by 7% annually to US\$2.4 trillion by 2022, outpacing growth in the U.S. and Europe¹.

Companies with established beachheads in APAC typically prioritized Japan and China, due to their sheer market size. However, several other APAC countries with advanced reimbursement systems or improving healthcare infrastructure have also emerged as lucrative markets. These include countries such as Taiwan, Korea, Australia, Singapore, Indonesia, and Thailand. With APAC's diverse mix of developed and

"pharmergent" markets, life science companies need to apply strategic focus in APAC and develop tailored approaches aligned to local market needs.

This report seeks to inform life sciences companies about APAC's market potential and about how to enter and succeed in such a diverse region. Drawing on analysis of industry data, a recent L.E.K. Consulting biopharma internationalization survey, the experience of senior executives in life sciences companies and the expertise of the L.E.K. life sciences team, it presents case studies on life sciences companies that have successfully cracked APAC market entry². We highlight key life sciences opportunities in the APAC markets and review strategic considerations for successful market development.



Healthcare expenditure in **Asia-Pacific** is projected to grow by **7% annually** to **US\$2.4 trillion** by 2022.

Life sciences opportunities in APAC

The Asia Pacific region (APAC) is the new Life Sciences frontier. It already accounts for a major share of the global market size and is producing remarkable growth in multiple life sciences sectors.

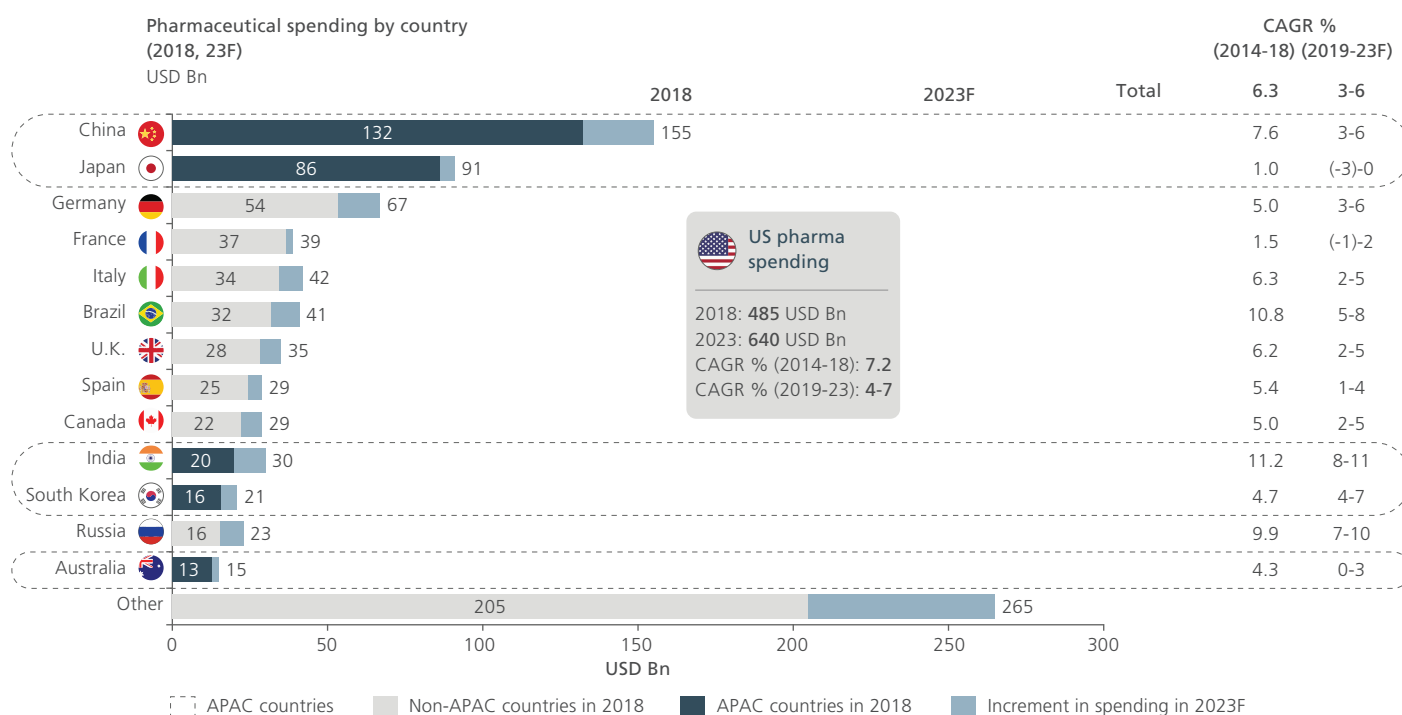
- **Pharma:** APAC accounts for 30% of all global pharmaceutical spending, a figure that will increase as the region's healthcare burden rises, especially for chronic disease treatment. Within APAC, China and Japan are the two powerhouse economies and prescription markets, together accounting for one-fifth of global pharma spending. China alone will add US\$23 billion to the global prescription market in the next five years (see Figure 1). APAC's middle class is rising and pharma demand is booming across the region. Only in some mature markets will growth soften as access reaches high levels and price growth is contained by a combination of competition and government policy.
- **Healthtech:** APAC's healthtech ecosystem momentum continues to build. The deal value in H1 2019 was US\$2.5 billion, versus US\$4.2 billion invested in the U.S. in the same period. This performance followed a record-breaking 2018 for APAC healthtech investment making the region the second-largest healthtech investment destination globally. APAC's healthtech investment growth rate dwarfs that of the U.S., up 43.9% versus 17.8% CAGR (2014-18)³.

- **Medical devices:** The region's medical device market is booming and access is improving. The penetration of medical devices in Asia is still relatively low and the heterogeneity of the markets enables medical device companies to adopt varied market entry strategies and segmentation. APAC market size for medical devices is forecast to reach US\$89 billion in 2020, exhibiting a high growth rate of 29% between 2016 and 2020⁴.

Key opportunities in specific disease areas

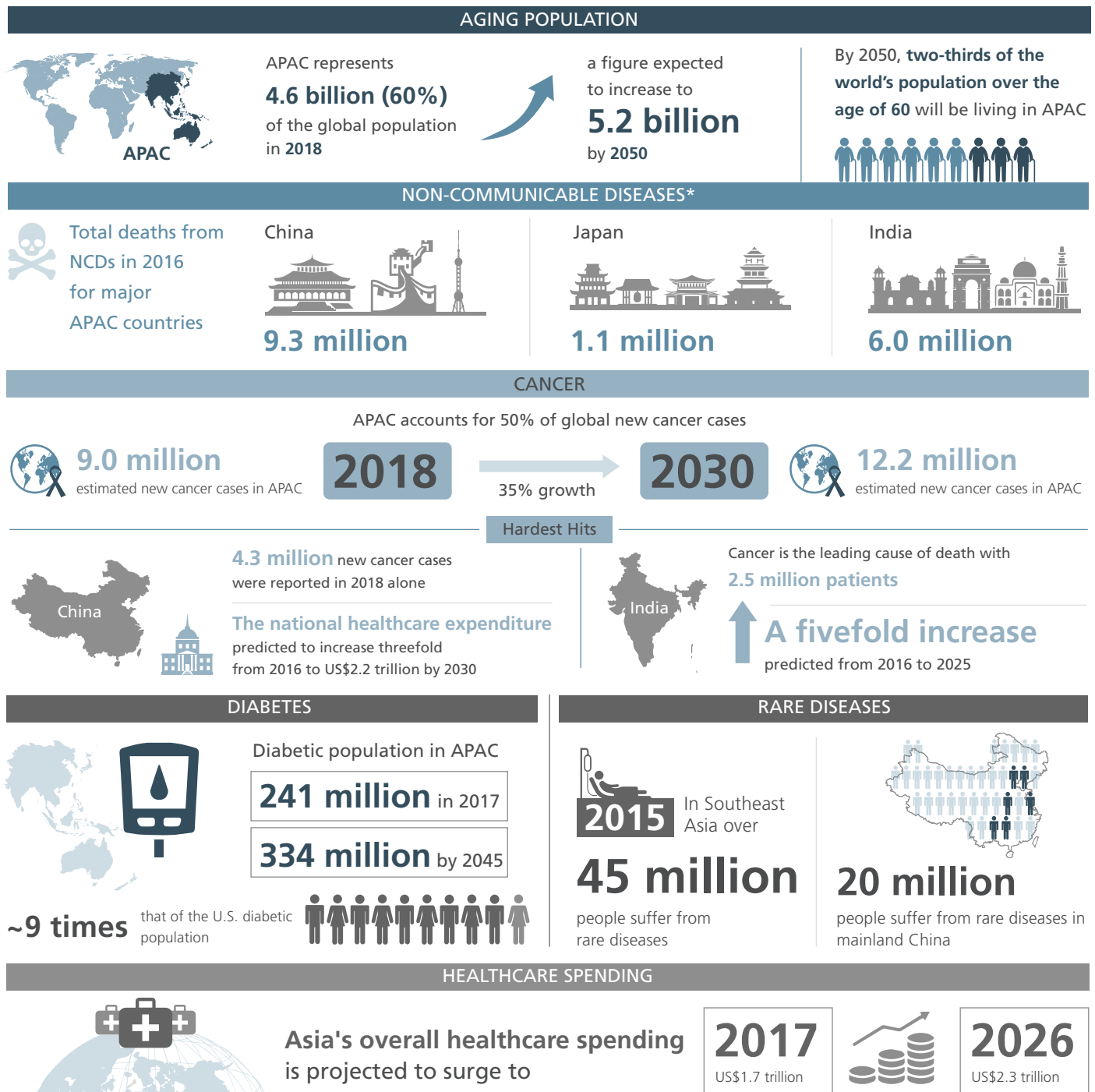
APAC has a high disease burden for non-communicable diseases, such as cancer, diabetes, and rare diseases (see Figure 2). The unmet needs of an increasing number of patients with these diseases present opportunities for life sciences companies looking to enter the APAC market. Based on World Health Organization predictions, the cancer treatment market in Asia will surpass US\$150 billion by 2020, a 40% increase from the US\$107 billion spent in 2015. Largely to blame are the five-fold increase in the cancer patient base in India from 2016 to 2025 and the nearly 4 million people in China diagnosed with cancer each year⁵. For other chronic diseases, such as dementia, 60% of global cases are concentrated in low- and middle-income countries, many of which are in Asia.

Figure 1
Pharmaceutical spending by country (2018, 23F)



Source: L.E.K. analysis of IQVIA data

Figure 2
Rising disease burdens in APAC



Note: *The four main NCDs are cardiovascular diseases, cancers, diabetes and chronic lung diseases.

Sources: L.E.K. research and analysis, WHO, United Nations Population Fund, GLOBOCAN, MIMS, International Diabetes Federation, Alzheimer's Disease International, South China Morning Post, Shafie et al. (2016), Singapore Business Review

Asia-Pacific: The new market priority

For international biopharmas, Asia-Pacific is the next region for expansion, after the U.S. and Europe. After setting their strategy for their home markets, U.S.-based principals typically prioritize Western European markets and vice versa (see Figure 3), which is unsurprising given the relative sizes of the markets. Nonetheless, investment in APAC may be approaching a tipping point. In an L.E.K. survey of international biopharmas, 85% of the surveyed companies indicated interest in APAC expansion².

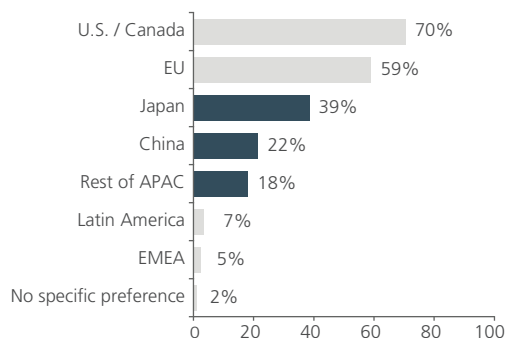
International biopharmas are expanding into China, Japan and the rest of APAC due to the region's rapid growth and rising

healthcare spending. Of the surveyed companies, 39%, reported that Japan is a high priority; 22% and 18%, respectively, indicated the same for China and the rest of APAC.

The region is complex (see Figure 4), mainly due to the evident economic and regulatory heterogeneity. Multiple independent factors influence the potential for growth. Differing demographics and market maturities, differing regulators and market access regimes, varying levels of generics / IP protection and biosimilar adoption, wide variation in the direction of healthcare reforms and cost containment, and significant out-of-pocket or private contributions to finance healthcare, all contribute to a complex healthcare landscape.

Figure 3
Priority life sciences markets

Market prioritization
% of total respondents



Note: Survey respondents listed "markets prioritized ahead of China".

Source: 2018 L.E.K. biopharma survey

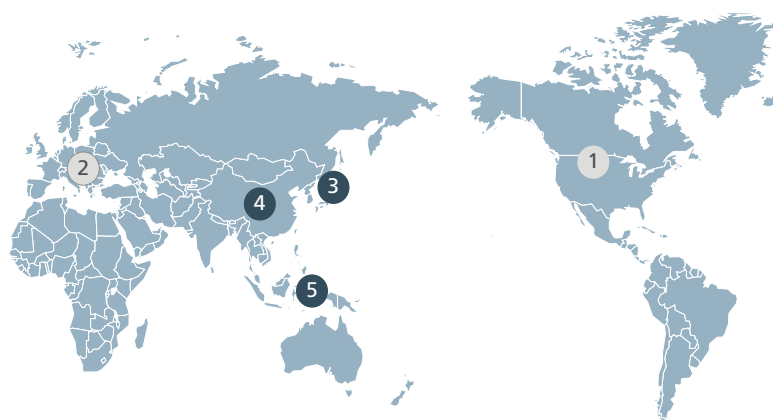
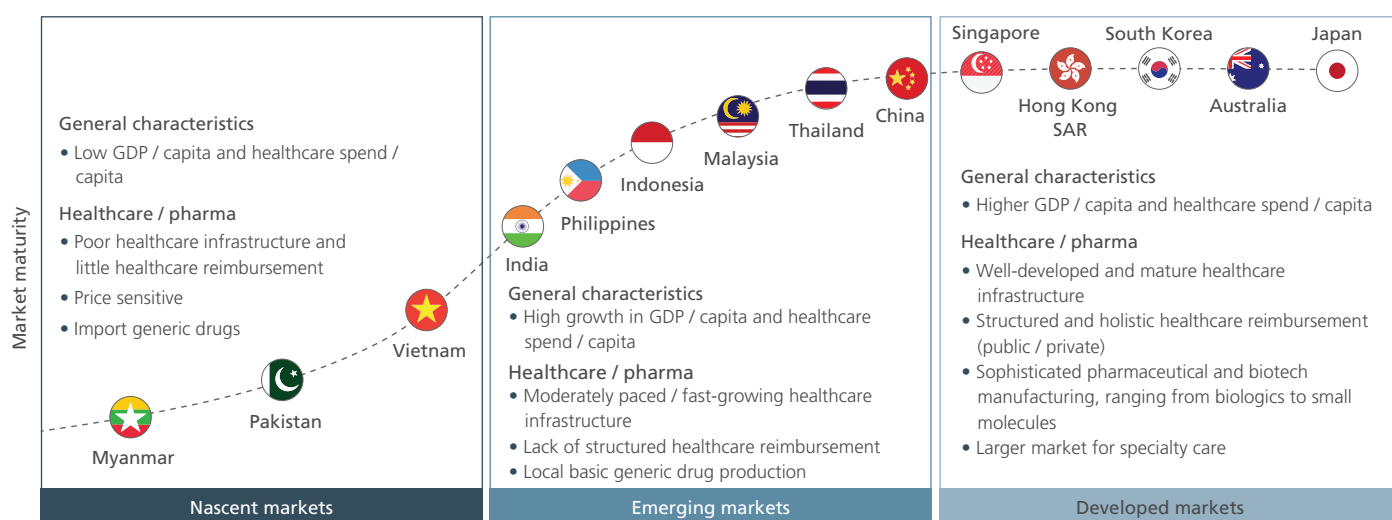


Figure 4
Market features of selected APAC markets



Source: L.E.K. analysis based on IQVIA and IMF

APAC market highlights

China and Japan are the two most important biopharma clusters in Asia, followed by South Korea, India, Australia and Singapore⁶. Under Prime Minister Shinzo Abe's reforms, Japan has identified regenerative medicine as a biopharma specialty, with plans to grow the segment to ¥26 trillion (US\$231 billion) by 2020 — by cutting red tape to create one of the world's fastest approval processes. Japan is also developing "National Strategic Special Zones" for cardiac, neurologic, and ophthalmic treatments. Japan leads the region in biotech and pharma patents and is second in R&D spending, behind China⁷. Meanwhile, China has nurtured an ecosystem to incubate drug discovery and cultivate startups. It has galvanized indigenous innovation in biotech, including through the dedicated investment of US\$9 billion by 2030 to encourage precision medicine research. Pharmaceutical R&D spending by Chinese firms more than doubled in six years, from US\$4 billion in 2011 to US\$8.9 billion in 2017⁸.

Japan

Advantages and opportunities

Japan is an attractive market for foreign life sciences companies. Besides its relatively large market size, Japan offers strong intellectual property protection, high compliance, transparent systems and favorable government policies. Expenditure per head on healthcare is high by Asian standards. In particular, the Japanese government is trying to attract international companies working in regenerative medicine, diabetes, dementia, and pharmacogenomics. Companies working in precision medicine will also find market openings by leveraging the Japan Revitalization Strategy and the country's Healthcare Policy Strategy. These initiatives support the use of precision medicine in cancer, infectious disease, and pharmacogenomics.

Market potential by segment

Global players may want to consider Japan's medical devices market. While the government is seeking to limit pharmaceutical prices, it also wants to promote technological innovation to keep its aging population healthy and economically productive. More caution is required for pharma, as new entrants will be joining a shrinking market.

- The medical devices market will remain strong, reaching an estimated US\$42.2 billion in 2028 and posting a 10-year CAGR of 4.4%⁹. Japan's universal health coverage imposes few restrictions on the use of medical equipment and hospitals and clinics are well furnished with medical equipment such as computerized tomography scanners and MRI scanners. However, the government's proposed move from the current biennial price revision to an annual price revision may cause downward pressure on reimbursement prices.

- The world's third-largest pharma market is expected to shrink in coming years as government reforms seek to reduce drug prices and increase generics penetration.

Entry options

New entrants can tap into the Japanese market in several ways. Examples include the following:

- Many life science companies, especially in biotech, choose to partner with local companies, including through co-promotion.
- Larger companies, such as Pfizer, Novartis and Gilead, prefer to establish their own subsidiary.
- Other companies may establish a subsidiary via acquisition. Examples include MSD, which acquired Banyu Pharmaceutical, and Abbott, which obtained full ownership of Hokuriku Seiyaku.

China

Advantages and opportunities

China's market has a huge, increasingly affluent and aging urban population with a concomitant desire for quality healthcare. The elderly population above 65 years old is growing at more than 3% annually to reach 330 million in 2050, which is around one-third of China's population and roughly the total population of the U.S. Increasingly well-informed patients are also demanding latest-generation treatments.

- China is building a vigorous life sciences ecosystem, offering better IP protection and improving regulations to expedite market access for medical innovation.
- The medium-term growth potential for the China market is enormous with pharmaceutical sales per head, at an estimated US\$80 in 2018, only around 6% of the level in the U.S.¹⁰.

Market potential by segment

Global players will find both the pharma and medical devices markets attractive due to China's market size, the increased focus on biopharma innovation and a long-term growth runway¹¹.

- Policies encouraging biopharma innovation have significantly ramped up over the past decade in China, leading to strong industry growth. The State Council has stated the objective of encouraging drug innovation in China, spurring pharmaceutical R&D by Chinese firms to double in six years to US\$8.9 billion in 2017. Furthermore, the National Medical Products Administration (NMPA, formerly the Chinese Food and Drug Administration) embraced international

regulatory standards by joining the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) and put into place regulatory support for innovation. Since 2016, NMPA has granted expedited review for over 400 drugs, shortening drug approval times to improve availability for innovative products.

- China's phenomenal pharma market growth will balance much earlier reimbursement for high value and innovative therapies with procurement reforms to drive more price-based competition for generics and off-patent brands.
- The medical device market is one of the fastest-growing industries in China. Having previously maintained double-digit growth for over a decade, in 2018, the medical devices market reached US\$78.8 billion, an increase of 22% over 2017¹².

Entry options

Biopharmas should have a dedicated China strategy that delivers both innovation and value at an accessible price, taking into account the growing market but also strong local competition.

- Local competition will often compete through affordable products at a lower price point. In China, oncology drugs PD-1 and PD-L1 antibodies are offered at a much lower price than US-developed drugs.
- Partnering with Chinese companies is a common approach for international biopharmas not yet ready to enter China on their own. In the 2018 L.E.K. Consulting biopharma internationalization survey, 75% of the respondents indicated a preference to enter China with a partner². Examples include Bioatla's co-exclusive license for BA3071 with BeiGene, and Incyte's collaboration with Innovent to develop and commercialize 3 clinical-stage candidates in China.
- A new entry model has also emerged in China, in which companies use available capital to establish financing partnerships. For example, Denmark's Ascendis Pharma has set up a joint venture (JV) with Vivo Capital to develop its endocrinology rare disease therapies in Greater China. Vivo Capital led an investor syndicate to invest US\$40 million and has received 50 percent of the ownership in the JV Visen Pharmaceuticals.

The rest of Asia

Advantages and opportunities

The rest of APAC comprises diverse countries that can be roughly segmented into developed markets and emerging

markets, each of which offers very different opportunity sets for market entry.

- The developed markets (e.g., Australia, Hong Kong, Singapore, South Korea, and Taiwan) offer advanced healthcare systems with reimbursement and supportive policy and regulation enabling easy establishment of local or regional presence.
- The emerging markets also includes countries with large populations that offer universal healthcare (e.g., India, Indonesia, Thailand, and Vietnam). The growing middle classes in these markets want quality healthcare overall and need to address high disease burdens in specific diseases (e.g., non-communicable diseases).

Market potential by segment

The region attracts significant investment in biopharma, medical devices, and digital health. Different countries have strengths in different segments.

- Australia sees around US\$800 million in investment each year in pharma, biotech and medical companies due to its strong clinical trial ecosystem¹³.
- In Singapore, nearly US\$3 billion in public research funding has been committed to the health and biomedical sciences domain from 2016 to 2020, underpinning steady growth of multinational corporation (MNC) regional hubs and a proliferation of start-ups¹⁴.
- India, Singapore and South Korea have strengths in digital health innovation, resulting in 2018 healthtech deal values of US\$514 million, US\$107 million and US\$50 million respectively, according to Galen Growth Asia.

Entry options

In the region's developed markets, global players in biopharma should offer products that will benefit from the expanding reimbursement coverage. For example, in South Korea, "Moon Jae-In Care" will expand reimbursement coverage to include about 480 drugs not currently reimbursed. In emerging markets, biopharmas should offer products that address accessibility and affordability gaps in underserved populations. Players with high-priced novel therapies may want to take a longer view on market entry. The transition to universal healthcare may be a long time coming for some countries with limited budgets. Companies with specialized offerings may still want to consider specific countries if there is a significant commercial base able to afford out-of-pocket costs.

Strategic considerations for accelerating commercial success in APAC

Commercially successful APAC market entry is no mean feat. Having evaluated the opportunity, life sciences companies should consider where to focus in the region's fragmented market, which market entry models and local partners are appropriate and what is the right promotion and organizational strategy. L.E.K. briefly reviews the following strategic issues:

- Selecting APAC markets for prioritized entry
- Identifying appropriate market entry models and local partners
- Optimizing commercial presence and resources
- Developing an effective organization strategy

Selecting APAC markets for prioritized entry

Life sciences companies should identify which APAC markets to prioritize according to their addressable and accessible market size, as well as their competitive situation and fit with the company's product portfolio. To decide which APAC markets to enter, industry players should think of the APAC region as comprising several distinct groups:

- Japan is a large market with reimbursement coverage and mature healthcare infrastructure, which are enticing factors that have attracted many life sciences companies to enter directly
- China is a large market which is rapidly evolving, with separate strategies needed for innovative and generic products. For innovative products, some companies have chosen to out-license to a local partner, though increasingly more life science startups look to enter on their own with some local financing support
- Australia, South Korea, and Taiwan are compact, standardized markets with reimbursement. These are relatively easy markets to enter, which could often be done with a local or regional partner
- India, Hong Kong and Singapore are markets with bifurcated public and private segments. In these markets, companies may choose to just tackle the private market if public pricing is not of interest
- Other Southeast Asia countries, such as Philippines, Vietnam and Indonesia, are rolling out universal healthcare coverage and may become increasingly appealing markets. Branded generics and novel therapies are attractive areas for expansion

Biogen's APAC market prioritization

Biogen is a U.S. multinational biotechnology company based in Cambridge, Massachusetts, specializing in the discovery, development, and delivery of therapies for the treatment of neurological diseases. Key products include Avonex for multiple sclerosis (MS) and Spinraza for spinal muscular atrophy (SMA).

Phased entry into APAC markets

Priority markets — Japan and Australia were prioritized due to their favorable reimbursement mechanisms, particularly for specialty drugs in rare diseases. An early entrant, Biogen obtained reimbursement for Avonex in the early 2000s.

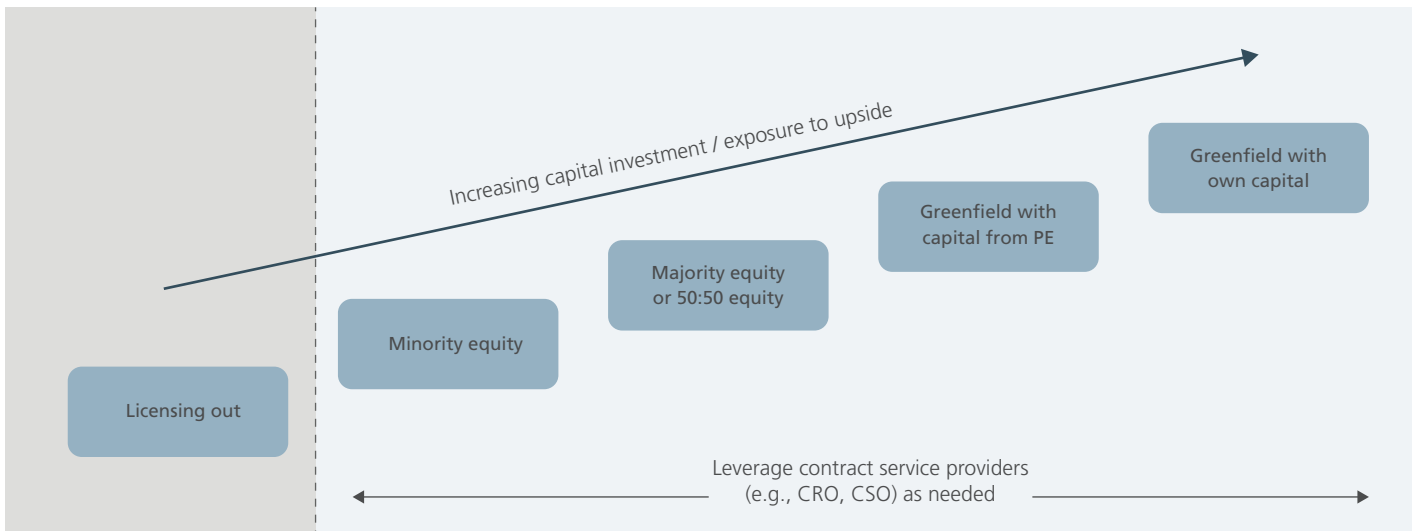
Second priority markets — China was challenging at first due to fierce local competition for talent and the evolving regulatory landscape. However, Biogen's efforts paid off. The National List of Rare Diseases, introduced in 2018, included SMA and was the driving force for the National Medical Products Administration (NMPA) to approve Spinraza in a priority review process. Hong Kong also offered easier market entry due to favorable market access for rare diseases, where Biogen obtained reimbursement for select patient groups.

Other APAC markets — Partners may be required for entry. Biogen first did a joint venture with South Korea's Samsung Biologics, and eventually entered the market in 2017 for direct sales of Spinraza and obtained reimbursement through negotiations. India has huge market potential but was shifted to lower priority due to concerns about the insufficient intellectual property protection, limited affordability for high-cost specialty drugs and a lack of suitable healthcare infrastructure.

Escape the "America first" mindset

Although early-stage biotechs in the U.S. will always consider the U.S. market first, there are outstanding opportunities in APAC. U.S. biotech companies in early-stage research and market development typically lack talent experienced in APAC markets — and most of these people are from big pharma. Companies should purposefully equip their teams with people who have APAC knowledge and experience, and should embrace the opportunities to "get out of the American brain". Besides Biogen, successful U.S. biotechs with the guts to take on APAC include Amicus (new products and recent product approval), Incyte, and Alnylam. Such companies typically use partners to reduce their risk (via out-licensing, or co-marketing, for example), but they will need a champion to accurately evaluate the pros and cons of APAC market entry.

Figure 5
Range of APAC market entry models and partnering constructs



Source: L.E.K. analysis

Identifying appropriate market entry model and local partners

For life science companies entering APAC markets, there are several possible options (see Figure 5). Life science companies may want to consider several different models of entry based on the selected APAC markets, rather than a one-size-fits-all approach. Different business models and partner constructs will apply depending on the nature of the market and the assessment of market opportunity. Companies with novel drug therapies often choose to out-license their products to partners with existing operations in markets such as India and Southeast Asia. More risk-averse mid-sized companies lacking the capital to acquire targets or establish a JV, may prefer out-licensing. This least risky market entry sacrifices control and upside potential. Many biopharmas strike joint ventures, in which case partner selection is critical. Others prefer to invest directly, either with internal capital or PE capital. The services of contract service providers can be leveraged across all entry options other than out-licensing.

To drive their commercial success, life sciences companies should also consider different types of local partners and thus leverage local resources. Local governments aiming to drive life sciences innovation in the country, such as Singapore, may provide support for companies to set up quickly and hit the ground running. In some countries such as Japan, distributors may be a marketing partner for biopharma companies due to their established

relationships with hospitals, serving functions broader than a mere service provider. For digital health companies, insurers seeking to offer more value to their consumers may also be attractive partners to launch in multiple markets. An example is UK digital health solution provider Medix, which has partnered with pan-Asian life insurance group AIA to launch in more than 6 APAC markets.

Verily's local adaptation

Hyegi Chung is leading regional strategy and partnerships for Southeast Asia at Verily, an Alphabet company. Verily develops tools and platforms for disease prevention. In the U.S., the company employs over 800 full-time employees in its offices in San Francisco, Cambridge (Massachusetts), and Boulder (Colorado).

Local problem statements and solutions

In APAC, the environment and markets are highly fragmented and incoming companies need to tailor their offerings to solve localized problem statements.

Mosquito suppression is a constant battle in Southeast Asia where mosquito-borne diseases is a public health concern. Verily's Debug Project is focused on reducing the impact of the *Aedes aegypti* mosquito (which can spread dengue,

chikungunya, and Zika) using the sterile insect technique and has a partnership with the National Environment Agency (NEA) to support their ongoing Project *Wolbachia*. The Debug team includes mosquito biologists, automation specialists, and software engineers that develop new technologies with the goal of dramatically reducing populations of disease-spreading mosquitoes. With its APAC expansion, the Debug team has had to consider new ecologies, mosquito behavior, and human environments such as Singapore's dense urban environment and high-rise residential buildings and is seeing strong results in the NEA-led Project *Wolbachia*. In Oct 2019, NEA announced a 90% reduction in *Aedes aegypti* mosquitoes in specific study sites for their most recent phase.

Local partners

In addition to the NEA, Verily works with the Singapore Economic Development Board (EDB) to evaluate commercial risk as well. In the next phase of Verily's regional expansion, Ms. Chung sees a continuing role for the EDB in prioritizing markets and finding regional partners to navigate unfamiliar market landscapes and to help its engineers integrate the platforms into local ecosystems. These partners understand local problem statements, have channels to deploy technology in their home markets and bring an understanding of the market potential and the regulatory environment.

Local talent for agility

With much localization and adaptation work to be done, there is a need for Singapore-based talent who understand the norms and culture in the region and can provide valuable local insight. For instance, in healthcare programs that focus on improving diabetes, physicians in the U.S. may recommend specific diets, such as low-sugar, low saturated fat, low sodium for their patients. This may be significantly more limiting for someone with a typical Asian diet. Thus, to adapt to APAC, it is important to build a local team to apply relevant insights on specific Asian populations to product design that maximizes utility for local communities.

Optimizing commercial presence and resources

For commercial success in APAC, life sciences companies need a strong, cost-efficient promotion model aligned with the market entry segment and the channel strategy. There are four core promotion models. The choice of which to use will depend on the nature of the product, the territory, the target customer base, and the size and experience of the principal in the region.



Direct promotion model

Best suited to MNCs in large markets, or companies with highly specialized products and very concentrated sales points



Distributor promotion model

Best suited to smaller life sciences companies, especially in geographically complex markets such as Indonesia



Contract sales model

Best suited to life sciences companies looking to supplement an existing team, with the need for flexibility to respond to sales volatility



Medical support-driven model

Best suited to life sciences companies with specialty products and a highly concentrated base of prescribers



Digital promotion model

Complementary to efforts in other promotion models, and especially suited to digitally receptive markets such as China

A hybrid model using both direct and indirect marketing and promotion teams to serve top and mid-tier customers may be optimal as companies expand, balancing the cost and their commercial presence. A company may also use more than one model, even in one market.

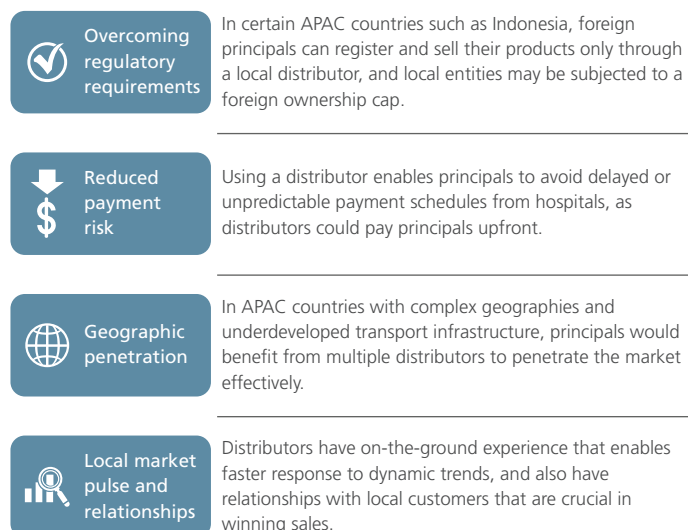
Direct promotion model

A direct market engagement team provides greater control over the company's brand and quality of products and services. Ultimately, this should result in higher value, stickier customer relationships. This model is ideal for MNCs in large markets, or companies with highly specialized products and very concentrated sales points. For example, Medtronic uses dedicated sales teams in Japan, Korea and India. Companies deploying this model need to constantly up-skill their sales representatives as new products are launched and as new technologies to connect with customers emerge. The role of sales representatives in APAC may also differ from the role of reps in the U.S. In Japan, they are called Medical Representatives (MRs). As well as promoting products, MRs have extensive drug knowledge because they are required to provide detailed clinical information and collect information about adverse events.

Distributor promotion model

In smaller biopharma markets, such as India and Southeast Asia, distributors may be the more cost-effective option. They can support

Figure 6
How distributors could add value



Source: L.E.K. analysis

smaller life sciences companies serving local populations and can help established companies penetrate lower-tier customer segments where the lower productivity of field agents can be a profitability challenge. Local sales and distribution partners are critical when government tenders favor local companies, or when markets are geographically complex to access, such as in Indonesia (see Figure 6). In some developed markets such as Japan, distributors play an especially important role. They distribute most pharma products and have strong relationships with key opinion leaders and purchasers.

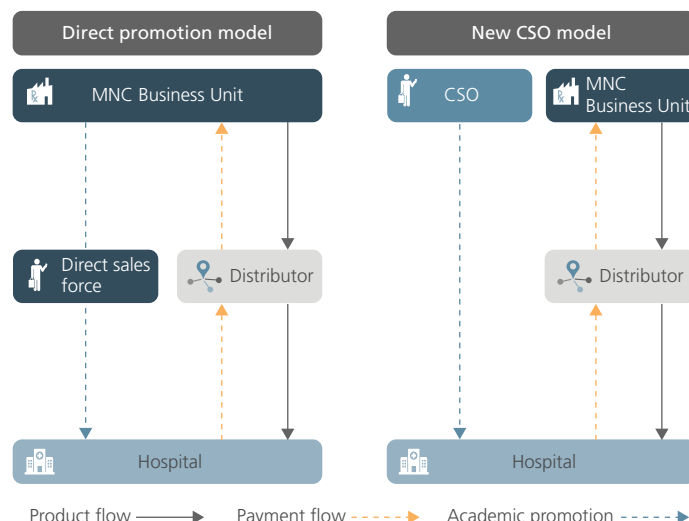
The choice of distributor is of course crucial. Biopharma and medical device principals carefully consider their experience in the appropriate medical field, their local network and their customer relationships within the assigned territory. For medical devices, especially with capital equipment, principals usually want to outsource after-sales service to the distributor, in which case a track record in similar products is essential.

Contract sales model

In APAC, large MNCs are using contract sales organizations (CSO) for select off-patent, genericized and / or long-tail products (see Figure 7). In countries facing increasing pricing pressure, such as China, MNCs have adopted this model to reduce costs.

The CSO model brings several benefits for biopharmas, depending on the prevailing business conditions. CSOs offer cost efficiencies through the use of flexible sales representative contracts. The CSO sales model also provides agility — to quickly

Figure 7
Shift from direct promotion model to CSO model



Source: L.E.K. analysis

upscale or downscale the sales force. CSOs can deploy sales representatives in the field, especially in lower-tier markets, more quickly than through internal resources. Challenges and risks include some loss of control over the allocation of marketing efforts and the management of revenues initiated by each partner. If the CSO lacks academic promotion experience, it may also struggle to match previous sales force execution or expansion rollout.

Medical support-driven model

For life sciences companies with specialty products and a highly concentrated base of prescribing physicians, educating the physicians and driving awareness are key. For these companies, setting up a medical affairs team based out of a central location will build the relationships with the relevant medical specialists in various APAC countries. The number of medical liaisons required will depend on the number of medical specialists in the country, their concentration across the country, and whether fluency in the local language is necessary.

Digital promotion model

On top of the more traditional marketing and promotion models, life sciences companies should develop digital marketing strategies that complement face-to-face sales team interaction. Some Asian markets are more receptive to digital sales than others. The optimal digital methods differ significantly between countries, and strategy must be tailored accordingly.

In China, digital usage among medical professionals, including doctors, is high. 94% of healthcare professionals in China use digital health apps, compared to an average of 78% in 15 countries including the U.S. and selected APAC countries¹⁵. Companies can deploy digital solutions to optimize their sales strategy. For example, Roche Diagnostics has implemented an Internet of Things (IoT) solution that remotely monitors and manages its *in vitro* diagnostics (IVD) devices across hospitals in China. This enables Roche Diagnostics to provide customers with seamless services for maintenance and troubleshooting based on operational data collected, as well as to tailor recommendations for a suitable IVD product based on customer needs¹⁶.

In comparison, in Korea and Japan, doctors are more traditional and are less likely to use digital platforms for professional purposes, even as healthcare institutions are deploying such digital platforms and services to optimize clinical and operational effectiveness.

Life sciences companies should discern the unmet needs of medical practitioners and design specific platforms or platform features that cater to these needs, providing a seamless experience with customized content in a variety of formats (e.g., podcasts, patient materials). For example, Santen in Japan has an 'E-concierge' service with a dedicated remote company rep to customize content based on doctors' needs. The preferred on-demand and tailored information for doctors and patients can be assessed using data analytics.

Developing an effective organizational strategy for the region

To maximize commercial success in APAC, life sciences companies need to decide whether an APAC regional headquarters (RHQ) is required and put in place the right team.

Deciding on a regional hub

Large companies with expansive regional strategies will immediately see the value of a regional hub. An EIU survey found that 93% of pharmas believe that investing in an Asian headquarters is important for their company's success over the next five years¹⁷. For smaller companies, a regional structure may be considered useful to coordinate local regulatory and payer relationships across several markets.

An RHQ can coordinate APAC commercial activities and formulate solutions responsive to APAC's fragmented markets. The choice for an RHQ location may depend on the size of the organization and its portfolios; opportunity can also play a part in the decision. Japan and China, due to their substantial markets and strategic

importance, are more likely to have an in-country team that reports directly to corporate HQ. They are rarely the choice for a regional headquarters due to language requirements. If the RHQ choice includes usual suspects Singapore and Hong Kong SAR, most companies will compare the tax regime, talent availability, political stability and ease of operations (e.g., air connections). Some prefer Hong Kong SAR for its proximity and inherent knowledge of Mainland China (if the portfolio fits the needs of China's patients). Singapore, on the other hand, promises easy access to Southeast Asia's markets due to its ethnic mix, and familiarity with their languages and business cultures. Life sciences companies can set up 'base camp' in an RHQ and minimize the physical presence needed in neighboring markets.

Key considerations for an RHQ location include:

- Geographic proximity and ease of access to neighboring, prioritized markets
"Singapore is our base to reach out to Southeast Asia, as it is geographically well connected to other APAC countries."
— Tom Berkovits, Senior Director of Market Development (Asia Pacific), Illumina
- Favorable business environment with a strong legal / regulatory framework and a stable political climate
- Access to a regional talent pool
"In Singapore, we can find regional talents who know the APAC markets and the ways of doing business in these markets." — Simranjit Singh, CEO, Guardant Health AMEA
- Similar business culture to global headquarters
"One of the advantages of choosing Singapore is access to people working in life science MNCs. These talents also often have multi-cultural backgrounds that enable them to work well in teams." — Tom Berkovits, Senior Director of Market Development (Asia Pacific), Illumina
- RHQ tax incentives, such as a concessionary income tax rate for a fixed number of years

Many MNCs, such as Johnson & Johnson, Becton Dickinson, and Thermo Fisher Scientific, already have established RHQs in Singapore. Singapore also hosts a significant number of smaller and mid-sized players due to increased biomanufacturing and clinical research activity in the country. The current political turmoil notwithstanding, Hong Kong SAR also meets most criteria for an RHQ, but it may lose out to Singapore due to Hong Kong SAR's less conducive RHQ tax regime.

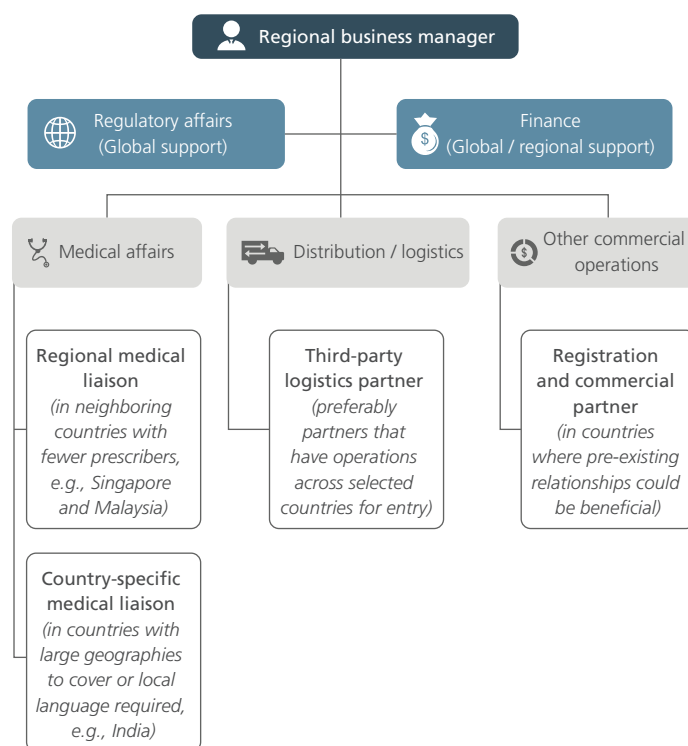
Building the team

There are several key decisions life science companies need to make to create the right team for APAC. Companies need to decide on which roles are required, at which geographical level should these roles be situated, and how to recruit the talent needed.

Life sciences companies typically need to fill roles in five key functions: regulatory affairs, market engagement, sales, logistics, and financial management. For medical device companies, post-sales service is a critical additional function. In APAC, logistics is typically outsourced to the distributor. For other roles, companies may choose to keep them in-house depending on company resources and the market context. For example, the German medical device company Arthrex has in-house roles for the customer-facing functions of market engagement, sales and service in markets with larger value or concentrated centers. For Arthrex, these include China, Thailand, and Malaysia. In markets with large geographies or in markets with a strong focus on local relationships, such as Vietnam and Indonesia, Arthrex chose to outsource most of the customer-facing roles to its distributors.

Companies need to decide if the roles should be based in-country or at a regional level. This question should include several considerations, including the market opportunity size, the complexity of the market and likely workload requirements. For example, specialty pharma companies using a medical support-driven promotion model could have a lean regional commercial team but an in-country medical affairs team for closer market engagement (see Figure 8). A regional manager can oversee commercial activities across countries, liaise with distribution partners and engage key payers to support market access activities. A global regulatory affairs team could support product registration filing, while a global or perhaps regional finance manager could support financial reporting. The medical affairs team needs dedicated in-country medical science liaisons (MSLs) in large complex markets such as India, and regional MSLs for countries with limited prescribers, such as Singapore and Malaysia.

Figure 8
Example of medical support-driven model
with regional and in-country roles



Source: L.E.K. analysis

For life sciences companies to succeed in this region, hiring and retaining the right talent is crucial. Companies need professionals that understand APAC markets and are able to drive meaningful relationships with stakeholders and partners. Competition for qualified and experienced talent is fierce. Even established companies such as J&J must innovate and adapt their HR policies to attract and motivate a larger millennial workforce in APAC compared to other regions¹⁸. With an eye to their strategic objectives, life sciences companies should actively build an APAC talent pipeline.

Conclusion

APAC is attracting significant investment from large life sciences MNCs. The evolving healthcare landscape in the region's developed and developing markets presents opportunities and challenges in equal measure for smaller and mid-sized life science companies. Navigating the region's disparate markets requires strategic focus and commitment; there is no 'standard' or 'default' model that fits 99% of cases. Market entrants that formulate a clear APAC strategy can reap handsome rewards. Smaller and mid-sized life sciences companies need only to start thinking beyond the U.S. / EU axis, and consider how best to leverage local resources and partners to drive success in APAC. Key questions for life sciences companies considering APAC market entry, including some that are addressed in this report, are:

- How important is APAC within your global priorities?
- What is the market potential for your portfolio in APAC?
- What is the long-term opportunity cost of inaction?
- Which APAC markets deserve focus?
- What is the right entry strategy for APAC's fast-moving business environment?
- How should APAC be organized?
- What resources are in place to support APAC initiatives at this point?
- How can you get started with minimal resources and risk?

Endnotes

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