

Maurer's Healthcare Insight (132)

News to Amuse and Abuse

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Loyal readers will recall my propensity to clip articles that either abuse or amuse the mind, put them in a desk drawer, and when it is about to overflow write an article to preserve the best in class and discard the rest. This process helps remind everyone to be discerning when reading any publication, including this piece.



Both the development and production of vaccines in Japan have been led by nonprofit research institutes heavily subsidized by the government. In other words, the key players do not know how to run a business, and prefer not to take any risks. There has been little or no research on new vaccines so the only game in town is flu vaccine produced in chicken eggs. Not to mention the lag in moving away from a live polio vaccine or

general use of a measles vaccine.

Chickens are no better protected since the government will not allow an avian flu vaccine to be used in commercial practice except in an emergency, and an emergency is never granted even when there are avian flu outbreaks and thousands of chickens must be culled (killed).

Converting Rice into Bread

This news has nothing to do with the drug industry but I thought it was a great example of life cycle strategy. Over the years consumption of rice has declined while bread sales increased. Seems as though there is a bakery on every corner and traditional rice shops are hard to find.

Last October Sanyo unveiled the world's first automatic bread maker that can produce a loaf of bread from grains of rice. At ¥50,000 a pop they planned to sell 60,000 units through March 2011 but quickly ran out of stock as consumers cleared the shelves of all the units available.

We may need to change the complementary phase "Best thing since sliced bread," to "Best thing since sliced rice."

The No. 1 Killer of Meetings

A report from the Harvard Business Review suggests that Power Point presentations result in one of two things: complete boredom or tune outs by everyone in the room except the speaker, or if they don't tune out they poke holes because it's the most interesting thing to do when someone is trying to prove there are no holes.

The "no Power Point rule" keeps the focus on solving problems together through discussions, arguments, and an exchange of ideas rather than one way presentations. The more unpredictable the meeting the more value for each participant. Sounds like we need to talk with each other instead of to each other.

Will Tie-Ups Change the Vaccine Mentality?

Takeda and Baxter, Eisai and Sanofi, Daiichi Sankyo and Kitasato, GlaxoSmithKline and the Chemo-Sero-Therapeutic Research Institute, all new collaborations to produce and market vaccines. Meanwhile a whole bunch of medical societies decided to form a consortium to deal with *Koroshō* on immunization practices.

The Point Card Soap Opera

Last fall certain drug store chains began to offer points, say one to three points for every ¥100 worth of prescription drugs purchased. The motive is the same as in a grocery store like National Azabu or many restaurants, i.e. entice customers to return. The points are exchanged for coupons that can be used to buy other items in the drugstore, but not prescription drugs.

The Japan Pharmaceutical Association (JPA) weighed in by condemning the practice as "... inappropriate for dispensing pharmacies that operate under the public insurance system." Please note the JPA's political base is primarily mom and pop dispensing pharmacies. JPA said it would confer with *Koroshō* to determine how to punish the point givers.

However, *Koroshō* deferred by claiming it was difficult to conclude points are discounts. They promised to carefully deal with each case. I assume they are being extremely careful because no action has been taken to stop the point systems. Chalk up a win for entrepreneurship and a loss for the bureaucrats who run the JPA.

And the Winner Is ...

The Oscar for the best soap opera is awarded to Mr Mitsuo Sawai, president of Sawai Pharmaceutical Company. No other nominee came close to Sawai in the balloting. Consider an outline of the story:

June 9, 2010. The Nikkei Business Daily interviews Mr Sawai who said, "Sawai has no plans to jump on the partnership bandwagon, the company is better off going it alone."

September 18, 2010. We learn that Sawai snapped up ¥6 billion of Kyorin shares via open market trades throughout the summer. Sawai also sent an acquisition proposal to Kyorin, seeking a reply by the end of September. The former wishes to turn the latter into a wholly owned unit via a tender offer. It was later confirmed the Sawai stake in Kyorin was 4.8%.

September 28, 2010. Investors learn that Kyorin's founding family has agreed not to sell their holdings for a certain period of time, meaning Sawai cannot acquire Kyorin.

September 29, 2010. Sawai decides to extend the response period for its proposed takeover of Kyorin beyond the end of September, in fact until the end of February, 2011.

October 2010 through February 2011. During this time Sawai tried to woo Kyorin into a friendly merger of equals, to suggest folding Sawai into Kyorin, and to publicly promote the synergies of the proposed marriage.

March 1, 2011. Sawai says it will withdraw its proposal to take over Kyorin and "... start from scratch regarding how it will handle its Kyorin holdings."

March 2, 2011. Mr Sawai attributes failure of the deal to, "... differences over our views of the future of generic drugs." The Nikkei reports that Sawai made the takeover move upon the strong recommendation of its financial advisor, RHJ International Japan, Inc. When all else fails, blame the foreigners.

As the soap opera ends Mr Sawai concludes by saying the failed takeover proposal "Placed a question mark over the pharma industry as a whole." We are left to wonder what he is trying to say.



Did You Know?

Ian Read, Pfizer's new CEO, earned more than US\$17 million last year, even though he didn't become CEO until December 5.

The drug Vicodin, a 40-year old addictive medicine that combines the narcotic hydrocodone with acetaminophen was the most popular medicine in the US last year. It was prescribed 128 million times.

Japan's population is declining at an increasing rate. In 2010 the number of deaths exceeded births by 123,000, a new record high. Children under age 15 accounted for 13.2% of the population, the lowest of 26 countries with a population of at least 40 million.

P. Reed Maurer loves to read, an appropriate desire given his name.