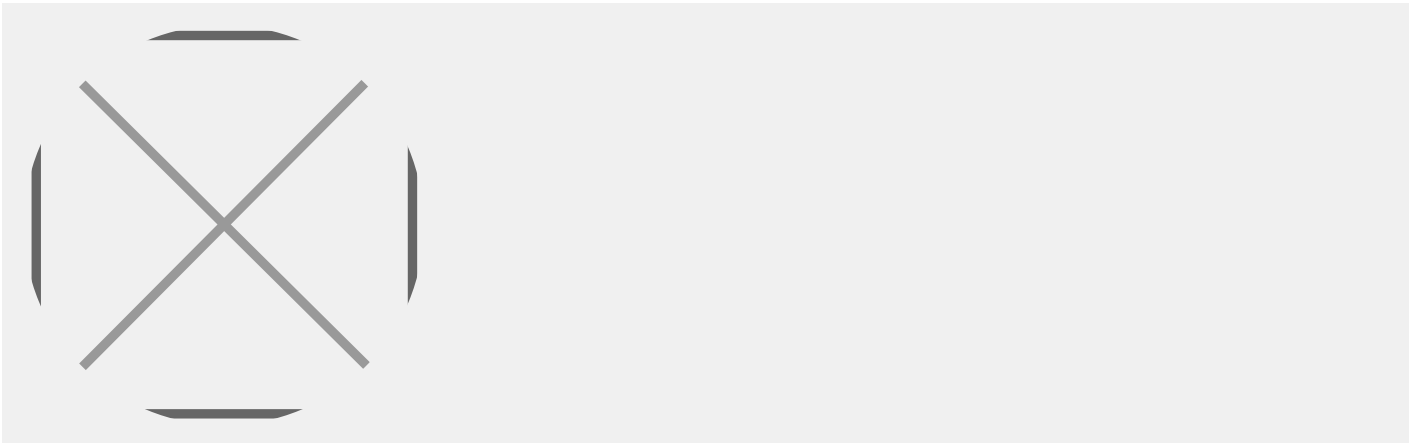


Interview with Cüneyt Balıkçioğlu, General Manager, Ferring Pharmaceuticals Turkey



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The company entered the Turkish market in 2005, and made important product launches in 2008. You have been General Manager of Ferring Turkey over those last 7 years. Can you come back on the positive and negative experiences for you during this time?

I believe that Ferring's start in 2005 was at a very opportune time, ahead of the looming global financial crisis. Then, the industry was undergoing a positive structural and regulatory shift; with the on-going discussions on the reference pricing system, the patent laws as well as the universal healthcare system during that time period. The industry as a whole was supporting and looking forward to these new systems that were being developed along with the authorities.

In fact, before Ferring's entry to the Turkish market, we already had some products available here through a local company. They were responsible for the marketing and distribution of some of our products; however we gradually took over these products and operations by 2008. Overall, it was a good but slow start for Ferring due to the bureaucratic hurdles that we had to overcome in taking over these products. At the time this was difficult to achieve, however now it is even more so.

In all irony, I was the first and only employee in the Turkish branch of Ferring, starting the 1st of April; April fool's day. Looking back it was a challenging but enjoyable beginning for me because I like to think that in a way, I helped built this company having even been responsible for purchasing the door knobs for our offices. As I mentioned, those times were not that difficult and we were on the right track, until the global crisis emerged in 2008. That was when the challenging times started with new healthcare structural changes came into play including the new institutional discount

systems and the resulting price pressures, among others. Simply put, this had an adverse effect on our growth ambitions and potential.

What is the Turkish affiliate's contribution to the company's results and to what extent have you been affected by these discounts?

We were not only negatively affected by the price discounts, but also by the fixed exchange rate that hasn't been adjusted for the last couple of years and reference pricing issues. Prior to these developments, our parent company was putting a lot of emphasis and positive outlooks on our Turkish branch as a result of the growth we had achieved since 2005. However, with the impact of the above mentioned developments, we were not able to live up to those expectations. In my opinion, I think that we could have achieved at least three times the success and contribution that we have now realized, had these changes not taken place. I find this both disappointing and frustrating.

Ferring is particularly strong in areas such as reproductive health, obstetrics and gynaecology, urology, gastroenterology and endocrinology. How tailored is Ferring's portfolio to the Turkish population and market needs, and what have been the most performing products here?

Ferring, as you have mentioned, is focused on these market segments, but I would add that it is also concentrated on a niche part of these segments. In Turkey, we are also concentrated on the niche areas as these products are highly sought after here.

More specifically, the three largest and best performing product areas include urology, female healthcare (mainly infertility) and gastroenterology. In fact, in our infertility line, we are offering one of the best and cost-effective alternatives which make those products that we offer highly recommended and pursued.

In addition, we are enthusiastic about especially with the approach of new products such as Firmagon. It's a new medication indicated for the treatment of advanced hormone-dependent prostate cancer, which we expect to allow us to be more active in the Uro-Oncology field.

Turkey has a young, large and ageing population, therefore it is a very attractive market for pharmaceutical companies, which have made it a highly competitive market. What are Ferring's main strengths to stand out and grow its market share?

Although there is no accurate measure, we are estimating that the population is growing by almost a million each year. In addition, the population is also becoming more elderly. Therefore, Turkey does represent a growing market with a large young as well as aging population and this does represent an opportunity for us when you consider the changes in the healthcare structure.

In line with our company's strategy, I think it is a clever strategy to be in the niche areas that we are focused on. This is because in the alternative segments, such as antibiotics or cardiovascular, there is a large degree of competitiveness and there is no miracle compound in the near future, making the sustainability of the companies from a price perspective very challenging. That is why I believe that Ferring's niche strategy is the correct one and we will extend and apply this policy in the Turkish market as well.

The biosimilar market is very small in Turkey, with very few products registered. As a biopharma company, how do you perceive this aspect of the market?

I would say that this presents a threat for us. Now with the cost containment policies of the government, I think this will make it more attractive for most of the companies to lower their prices. Also, so far, the presence of biosimilars was none existent in the market and it was protected for instance by innovative patents. However, now with the opening of biosimilars in Europe, I think that there will be a significant proliferation of biosimilars in the market in a very short time, mainly from countries like India and South Korea who are lined up and waiting in the queue.

Whereas many MNCs chose to establish manufacturing facilities in Turkey, Ferring produces from European countries, the US and China... but not from Turkey. What in your view are the historical and strategic factors that explain that, and are you pushing for the company to invest in the country to develop production?

When Ferring first entered the Turkish market, the company was already analysing the feasibility of purchasing a manufacturing plant here that could serve as a hub for perhaps the Middle East region. However, following all the developments then, including pricing regulations, we decided to take a step back and put these plans on hold. In addition to this, Turkey is a buyer's country. That is, following 2004, there was a sudden influx of companies into the Turkish market. This phenomenon drove up prices to unrealistic levels which further reduced the attractiveness to Ferring of establishing production facilities. Therefore, by 2008, we discontinued such plans for Turkey.

In other words, with the current market environment in Turkey, the profitability of the products is so low that Ferring is concentrating on other emerging markets around the globe, for instance in Brasil and China. Turkey was a part of those plans, but as I mentioned, given the low profitability, we have decided to focus our resources in areas that can provide a better return on our investment.

You have been General Manager of Ferring Turkey for over 7 years, which is much more than what GM usually spend at the head of affiliates... What explains your loyalty to this company?

What most attracts me to this company is probably Ferring's corporate culture. That is, they provide me with a certain degree of freedom in my decision making process. I also enjoy the excitement of growth as well as the interrelationships among people within the company.

Also, being a part of the Middle Eastern group, we have formed a very close business as well as personal relationship among each other and perhaps that too adds to my loyalty. This may seem somewhat emotional, but I think that some level of this is required to be devoted for so long.

How would you compare the Turkish workforce to that of other countries in the region? How difficult is it to attract and retain talent in this competitive industry?

The skills and qualifications of the Turkish workforce are indeed very high. However, I think that the 'attractability' of the pharmaceuticals market is the issue. Previously, the pharmaceuticals market was much more attractive compared to fast-moving consumer goods markets (FMCG), telecommunication or energy markets. However now, it has lost this attractiveness as a result of the cost containment policies.

Similarly, when you consider Middle Eastern qualifications where you have certain requirements for being a sales representative or in the sales or marketing department for instance, one should come from a certain discipline. This however is not the case in Turkey, they are not bound to a certain industry or discipline. Therefore, once you have attracted someone to the pharmaceuticals industry, that same person could relocate with relatively easy to another sector to obtain better compensation or benefits.

Furthermore, language is still a barrier in Turkey and people here expect higher compensation for additional language skills. Obviously this exacerbates the cost issue for us since we are an MNC where language is a must. Therefore, human resources represent the major cost for the companies but we are nonetheless able to manage it. However, if the price pressures continue to rise, then the issue of retaining our workforce will become very difficult to manage.

You have proved strong in restructuring operations, change management, and managing a business during a crisis, if we refer to the awards you have received throughout your career. So we have a snapshot of what kind of manager you are, but in your own words, how would you define your management style?

At risk of sounding cliché, I would say that my door is always open. I like to listen to people and gain their perspective of how we are conducting business and how the business is evolving and accordingly make my decisions. I never like to accept an outside decision, or a decision that is shaped solely by me. Of course, there are decisions that you should have to apply, but there are also decisions that you should be able to have some degree of discussion about.

Change management is of course challenging, but if you can let people understand why these changes are necessary, then this process can become a whole lot easier. Communication is therefore paramount, and I think that this along with the human aspect of my management style is what makes me so effective.

What are your ambitions to grow Ferring Turkey in the next few years?

Ferring as a whole has set itself a vision for 2019 where we intend to double our sales and double our profitability. Therefore, As Ferring Turkey, I would like to consider the circumstances such as structural changes and additional institutional discounts in order to be able to be in line with the 2019 vision. As an organization, Ferring has invested and believed in us and I want to be able to give that back.

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