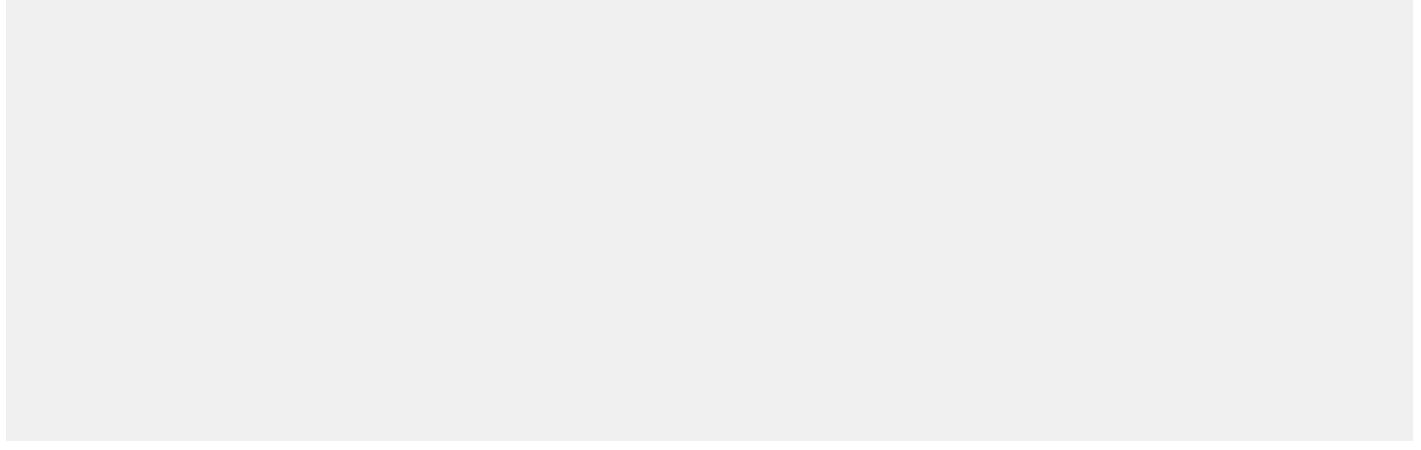


# Interview with Tomáš Nádvorník, General Manager Cegedim Czech Republic and Regional Director EE, Cegedim Czech Republic

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**Mr. Krýza, Mr. Nádvorník, between the two of you, you have over 21 years of experience at Cegedim, and have watched this company grow significantly through a series of mergers. What has been the historical development of the Czech affiliate?**

Tomáš Nádvorník: Cegedim was established in the Czech Republic in 1999. The company entered the market in parallel with the acquisition of Greenhouse, and later completed the acquisition of EXMARKET.

Our first three years were focused on breaking into the market from both sides: as Cegedim Relationship Management (CRM), and as Cegedim Strategic Data (CSD). Our main task was to build our database—which is absolutely the core and basis of our business activities. We do not offer any CRM products without it. Our database is known as One Key, and this name comes from the fact that all the relevant information is concentrated in a single code. The database department is one of our key departments and database validation is one of our chief concerns.

Jiří Krýza: We began to conduct ad hoc market research, primary market research, and syndicated studies dedicated exclusively to the pharmaceutical industry. This latter point is quite important: as Cegedim, our activities are geared solely towards the pharmaceutical and healthcare sector. This exclusive dedication has been the worldwide hallmark of our company since our establishment in 1969.

Tomáš Nádvorník: I believe that our start in the market, especially from the standpoint of CRM activities, was quite smooth. We do face local competition, but our systems are more sophisticated and fully dedicated to pharma sector. Hence, we were able to enter and open the market in this territory quite quickly.

CSD were able to establish them quite smoothly and quickly as well—especially because Mr. Krýza is a guru of market research in the Czech Republic, and has been working in the field for 21 years. After 9 years of experience at other companies, Mr. Krýza began to work for us, and we have been very lucky to have him.

**Over the past several years, you have both actively participated in a conference called “Risks in the activities of pharmaceutical companies” held by Androsa s.r.o. What do you find to be the greatest challenges in the Czech pharmaceutical market today and how can Cegedim help clients to address these challenges?**

Jiří Krýza: I believe that on one hand, the challenge is the territory itself. The Czech Republic is a small market, which nonetheless has many players, and many products. We see a huge trend towards generification, which is a considerable challenge particularly for innovators.

On the other hand, companies are challenged by the broader environment, and current macroeconomic parameters. These parameters are shaping the limitations dictated by government. For instance, we can consider the prospective law on the limitation of advertising, currently under discussion by the authorities. This is a serious challenge for all pharmaceutical players in this country.

Our CSD and CRM business units help clients navigate these challenges. Without our strong CRM systems, supported by a unique, brilliant database, it would be considerably more difficult for pharma companies to have the right orientation in the market. I believe that our offerings in this sense are a foundation for them. Furthermore, we are able to provide clients with accurate, precise, flexible, and reliable data, which are based both on our knowledge of the local market, and our international experiences. We are able to support clients from multiple standpoints.

Tomáš Nádvorník: We can describe our portfolio as a homogenous stream of services. From the CRM side, we offer the One Key database, with extensive information regarding physicians, nurses, healthcare facility administrators, pharmacies and pharmacists and professionals in the veterinary sector. Our CRM systems MI and Teams then help clients to better reach this audience. There are many strong CRM offerings on the market, but ours is tailored very specifically to the pharmaceutical and healthcare sector. For over 40 years, we have conducted R&D only in this area, refining and refining again—and this dedication shows in our products.

From the CSD side, we offer wholesaler data, sales results, and new data services such as market success aggregators, web authorization for physicians, etc.

We also offer support for physicians in terms of co-spending models, and we offer direct mailing.

**Ms. Jane Kidd, head of Janssen in the Czech Republic, told Focus Reports that she feels that the operational model for pharmaceutical representatives has not changed in 20 years. Do you share her view? What role can Cegedim's technologies play in advancing this model in the Czech Republic?**

Tomáš Nádvorník: I myself have worked as a pharmaceutical representative, and have also spent a number of years in sales positions at various major pharma companies. From these experiences, I would agree with Ms. Kidd—while there have of course been many changes in the industry; the content of the work is more or less the same. Success is based on sales ability, and the relationship that representatives can develop with physicians. This model worked, and it continues to work today. In fact, from my perspective, face-to-face visits are the best form of promotion. We can implement technologies in every aspect of the work, but the relationship between reps and doctors remains paramount.

The sector of general practitioners, nonetheless, is going to be increasingly abandoned—especially by today's major innovators. Big original companies are limiting their rep forces, and are in many cases increasingly discontinuing the face-to-face visit. They are replacing this approach with techniques like direct mailing or telemarketing activities. We have seen increasing success from telemarketing in other countries. Naturally, market research plays a very important role.

Jiří Krýza: Although the trend is toward decreasing face-to-face activity, I continue to believe that in the Czech Republic, this approach is vital. We often measure the efficacy of promotional channels, and, according to my experience, personal contact is still the most important aspect of pharma companies' work. Certainly, for some time to come, it will remain the most important aspect—particularly for generic companies.

Tomáš Nádvorník: Czech physicians still expect face-to-face visits. I am not talking about illegitimate activities or gift giving—they simply expect to meet pharma representatives at their practice. Physicians need to see the face behind the product!

And yet, we need to begin to think differently. As the amount of reps decreases, we must reach customers through supplementary avenues like direct mail or online promotion. Cegedim offers a broad range of such services, thanks to our R&D programs.

We especially see the reduction of sales forces in countries like Hungary. This is not only because of the financial crisis, but also because of political restrictions. We have seen that in Sweden and the UK, reps are allowed to realize three or four visits, per company, per physician, per year. And

these visits may not occur during working hours.

Jiří Krýza: As we began to discuss, the probability is quite high that similar restrictions will be applied in the Czech Republic.

Tomáš Nádvorník: New models, and new technologies, will be necessary. But all activities will continue to be based on the database. If, for instance, companies increasingly turn to telemarketing and direct mailing, we are prepared.

Jiří Krýza: We are also working on more advanced research methodologies. We conduct R&D not only in the CRM field, but also in our research capabilities. We are implementing advances like communication clouds.

We prefer to refer to our efforts as improving 'marketing' research, rather than improving 'market' research—because we are not simply collectors and providers of data. We are also consultants, and we can interpret data and offer suggestions to our clients regarding how they can read, understand, and utilize the information. We also watch the rumors behind the data, and try to adjust to realities rather than speculative results. We have to help our clients to make the right decisions.

Tomáš Nádvorník: Ultimately, the greatest commercial approach is a smart combination of face-to-face meetings coupled with Cegedim's newer services.

**Cegedim has reported a difficult first semester for 2012, noting that revenues were down 1.3% on a reported basis and 2.8% like-for-like over the first six months of 2011. The CRM and Strategic Data segment experienced negative growth that was even more pronounced: -7.4% on a reported basis. The company noted that in a difficult economic environment, many of its clients have adopted a wait-and-see position, which in turn affected Cegedim revenues. How would you appraise the growth and present financial position of the Czech affiliate? Do you share the challenges faced by the global group?**

Tomáš Nádvorník: Fortunately, in 2011 and 2012, we have been stable. Financially, we have oscillated around a similar level since 2010 with a small increase.

The first semester of this year was very strong for both business units. A quite realistic projection of figures for the next six months also looks very good. I expect positive results for the Czech Republic in the coming period.

**How is this affiliate able to outperform the Cegedim Group's global results, given that the Czech market is itself only growing at an annual rate of approximately 1%?**

Tomáš Nádvorník: The first reason is the strong execution of our initial establishment in the market. When you start badly, future growth is difficult; when you start well, then the business is in a good position. Our clients have had good experiences with us, and I am proud of the fact that we

continue to be perceived as leader in our market.

Furthermore, the financial crisis has not particularly affected the Czech market so much, especially in the pharmaceutical sector. Surely, the crisis is everywhere, but if we compare ourselves to Southern Europe, we have been quite lucky thus far.

We are also steadily releasing new services to the market, and garnering new clients every year. We currently serve approximately 35 clients in CRM solutions, each of them among the top 50 in the market; and in CSD, practically every pharmaceutical company in the Czech Republic uses our services.

Finally, we have excellent people at this affiliate. I am privileged to collaborate with people like Mr. Krýza. Our staff is very stable, and we have a turnover rate that is close to zero.

**In Poland, your colleague Anna Gajec left our readers with the following message: “Do not be afraid of the Polish market.” While companies do not seem to be afraid of the Czech market, many have questioned whether this market is actually attractive. What final message can you offer to our readers about operating in this country?**

Jiří Krýza: Our country is quite small in comparison to our neighbors. This is a fact. On the other hand, we have been relatively stable from a political and economic standpoint for many, many years. The pharmaceutical market, too, is stable. People are willing to work hard, and to stay in the country. For the future, there is potential for increased consumption—and there is the potential, as well, to produce something. For this reason, I am sure that our people will be able to thrive, and this is a very good reason to invest in this market.

Tomáš Nádvorník: Cegedim is a company that is truly prepared for any possibility, and is ready to contribute to the success of clients across the healthcare sector. This is a combination of the database, CRM products, business development, market research, and other services—like wholesaler sales data. This is the homogenous stream of our services. After 45 years of global operation, and 12 years in the Czech Republic, we know our clients and their needs very well.

In the coming years, Cegedim will complete our coverage of EE region, establishing a local subsidiary in Adriatic area. We want to cover all countries directly, not remotely. We believe that we can serve our clients well only with a direct presence—only with local key account managers, a local help desk in a local language, and a local database. Personal contact is our strength.

Jiří Krýza: We must retain our flexibility, and remain a client-oriented company. Our advantage, and our mission, has always been the development of our services, and our personalized approach to the business.

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