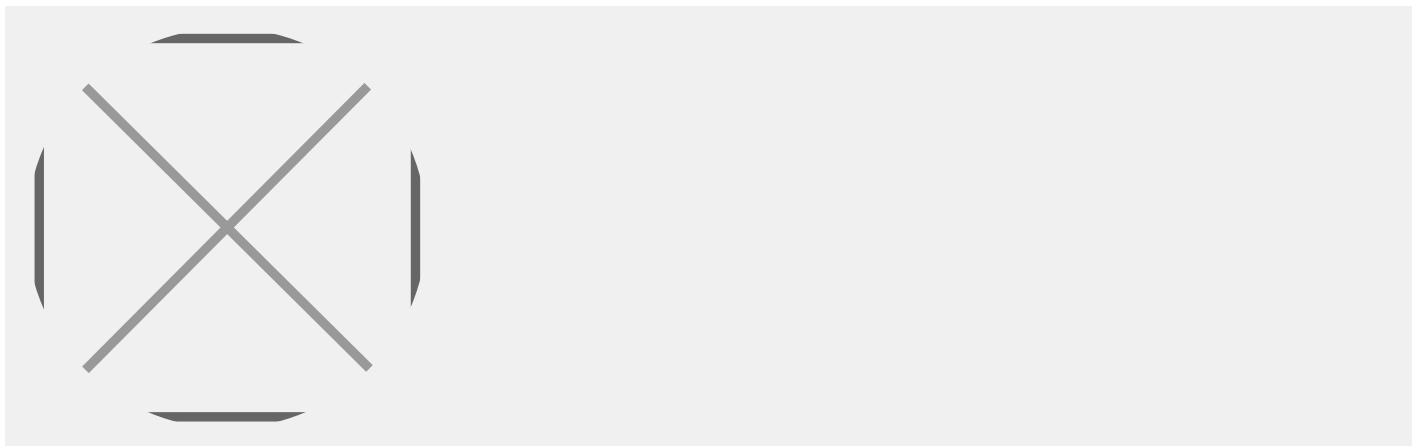


Interview with Eugene Zaika, Director, Nycomed Ukraine



12.08.2012

Tags: [Nycomed Ukraine](#)

Following Takeda's acquisition of Nycomed earlier this year, how has the transaction affected your operations in Ukraine and what synergies were generated by it?

Regarding the integration process, we are adapting our corporate cultures as quickly as possible. Luckily, I found out that both our cultures are very similar. It is a perfect match, which means that our people don't have to go through a difficult process to adapt to a new culture. The integration process in Ukraine, Russia and the whole CIS is going very smoothly so far.

As for the effects of the integration, I only see opportunities ahead. Takeda's portfolio provides Nycomed with access to a number of the best products in the world in which a lot of research has been invested. We are already well established in the CIS in cardiology, endocrinology, and diabetes because of our partnership with Merck, but the Takeda products provides us with even more opportunities. An additional advantage is that we don't have to adapt the sales force structure to gain more expertise in new therapeutic areas; basically we are already there. Moreover, from the portfolio point of view – this is very complementary combination, so far we have only one product overlapping with Takeda's medicines. One area in which we will have to develop our competence is in oncology. From geographical coverage point of view – it couldn't have been better! There are so few overlapping countries where both legacies are active. So basically now we are present in all developed and emerging markets!

As soon as we get approval authorization of the new products in the country, we will be able to launch them and provide access to modern therapies for patients. Overall, we are truly excited

about the new opportunities. Takeda's acquisition is the best that could happen to Nycomed Russia – CIS at this point.

As you mentioned earlier, the CIS and Russia are priorities for Nycomed and are expertise areas for the company. Now, with the merger, it represents 45 percent of the emerging markets. How has Nycomed been performing locally in terms of growth and market share?

Back in 2005 we were ranked number 21 in Ukraine, while today we are #5. We used to be a small and forgotten company, and today are very proud of the achievements made by our management team in Ukraine given the impressive turnaround of the company locally. Nycomed is still gaining market share in all its segments, even while we are no longer coming from a low base like we were in 2005. The market split in the country is 18% hospital, 82% retail, and in the retail segment we already ranked #4. As regards our market share, we are aiming to reach 3.4% share in retail, and 3.9% for hospital. In the end of 2011, we will most probably be close to 3.5% for the total market, having started from 1.1% in 2005.

In regards to Nycomed's growth, we have been constantly delivering double digit growth. To give you an idea of our success so far, among the top ten best selling brands in retail market, three of them are Nycomed's, including #1, #5 and #10. On the other hand, this success level also means that it is very difficult to push further, and our portfolio was about to run out of speed. This is why we are excited with the incoming Takeda products that will allow us to remain among the fastest growing foreign companies in terms of market share. We are looking to introduce these new products in two or three year's time. Nonetheless, our growth for this year is still impressive, with 27% growth in volume compared to last year.

Such growth figures are in line with Nycomed's reputation of being marketing experts, as was demonstrated by the nomination of 5 of your products for the Panacea awards this year. What is your recipe for such success?

The Panacea awards were indeed a great success this year, as was the localization of production of our leading brand in Ukraine. Localization is very much in line with both Nycomed's and Takeda's strategy. My direct boss, head of Russia and CIS region, Mr. Jostein Davidsen, has always stressed that to become truly successful and gain a strong foothold, the company needs to establish local production. In Russia, Nycomed is investing heavily in a state-of-the-art production facility – after which it became difficult to persuade management that Ukraine also needs and deserves local production facilities.

At first glance, when you consider the peculiarities and legal environment of Ukraine's pharmaceutical sector, it might seem very risky to consider direct investment. When reimbursement is introduced, however, these kinds of investments are essential to be well-positioned and ready to capture all the opportunities that the market has to offer. Healthcare reforms and reimbursement

will inevitably occur at some point, and we are preparing ourselves for when the moment arrives.

Setting up localized production makes a company more flexible in terms of logistics and distribution, and also allows us to bring value to the country. Nycomed does not plan to bring outdated technology and manufacturing to Ukraine, on the contrary: a possible production facility would be state-of-the-art and would even further increase our attractiveness as a partner.

Partnerships are at the core of Nycomed's strategy in emerging markets, and this is something that Takeda also values. Among Nycomed and Takeda's fourteen partners are General Electric, Biogen-IDEC and E.Merck KgA.

Furthermore, in the event that local manufacturers are officially preferred suppliers for government purchases, then we want to make sure that we can be a part of that. Unofficially such preference already exists, especially in the hospital market. Just take a look at the statistics of the past nine months: all local manufacturers are gaining market share, while all foreign manufactures have had their share decrease.

Of course, such partiality is unofficial given that as a WTO member, Ukraine is not allowed to establish barriers for foreign producers. Nevertheless, the reality is that all local and regional governors are pressured to buy local products for hospitals. During the crisis years, such government preference became official following a decree from the Cabinet of Ministers stating that foreign products were not allowed to be sold if there was a local generic substitute. This went on for 4 quarters, and was quite a challenge for Nycomed to deal with, but it was the right policy considering the severity of the crisis. Even some Western countries implemented similar restrictions on certain foreign products during that time.

Finally, local production will also grant us more opportunities due to the increased political influence that it will provide us. At the end of January, we have a project team meeting, and Mr. Davidsen wishes to raise this project to the attention of the management board. I am hoping that it will be approved as I am very much looking forward for this project. Ultimately, it represents a commitment to the country and a strong signal to government and Ministry of Health. We are here for the long term and we are ready to share our expertise and technology.

Considering the extensive list of partnered products that you market locally, what makes you the partner of choice today?

First and foremost, it is our successful track record that makes us the partner of choice. We have been successful with all partner products because it is in the mindset and culture of Nycomed to drive them forward. We never treat partner products differently from ours and neither does our sales force. On the contrary, we put our full power and passion behind these products to make sure they succeed. From a margin point of view, partner products are financially less attractive than our own products, but in the medium and long term they also benefit us in establishing our presence.

Just to give an idea of how quickly we have been able to grow our business in the last 7 years overall it has expanded 15 times during that period. In a market environment like Ukraine, you have to fight in every way you can and consider all possibilities. The barrier to enter the market used to be very low that is why you find plenty of generics in Ukraine. Some of these products are of questionable quality and are not properly regulated by legal authorities. This is why you have to fight with all legal means and I think our partners appreciate that we never give up. This is also the spirit and ambition that I want to transmit to my employees. For example, recently we participated in a big state tender where we had very little chance to beat the local competition, and my product manager was ready to give up. I told her that we should continue to fight, even though this was not a proprietary product. We have the best product of the best quality for the best price. We sent a strong message to the Ministry of Health transmitting this, and thankfully they listened to us and we won the tender, taking almost 40% of the order.

When we spoke to Mr. Davidsen in Russia, he mentioned the sub-prime health indicators in Ukraine and the many opportunities that this represents for Nycomed. How has this shaped your vision and strategy for your operations?

In Ukraine, we are focused on two therapeutic areas: neurology and cardiology. Stroke and myocardial infarction are, unfortunately, the leading causes of death in Ukraine, and 70% of our business comes from those therapeutic areas, giving us very strong growth potential.

We are less OTC dependent than Russia: 10% of turnover comes from OTC, meaning we are also less affected by the recent push by parliament to ban advertising in this sector. I am actually in favor of this ban, probably contrary to the opinion of any other executive. Some of the advertisements we see on television are just outrageous, and so far from the truth about the actual effects of the medicine. Currently there is no control on advertisement, and being a doctor, I believe there should be.

There are a lot of different opinions on the government's plans to improve the conditions in the pharmaceutical sector. What is your perspective, do the authorities truly understand the kind of reform that is needed to establish decent healthcare?

Three months back I would have been more positive, but I have seen some negative trends recently. Just one week ago, for example, a new regulatory procedure for registration of products was introduced. It includes a clause stating that even companies that produce their medicine in PIC/S countries have to provide an additional document for re-approval and recertification of products by the local pharmaceutical inspectorate. It seems that this is a new barrier that goes exactly contrary to the policies that should be implemented. The authorities are trying to decrease tensions – but I don't understand why they included this rule after all the efforts to make Ukraine a member of PIC/S.

Luckily, there are also some recent positive signs. Overall, I would say that the regulatory environment is very much aligned with the European one. For many years we have had no severe problems related to regulatory approval and we are always in line with the nine month registration term. As a matter of fact, the Ukrainian registration process is double the speed of that in Russia, where you it takes close to two years and local clinical studies are needed for approval.

Given all of these market peculiarities, what would be your advice to a newcomer to the Ukrainian market, given your success in understanding the market and performing so well?

I always tell foreign companies that a strong foothold requires either a Ukrainian manager or an expat with broad experience in Ukraine. A new expat would need a lot of time to understand the market and build up a network of contacts, which is essential in this country. Even a genius, without knowing the right people to assist him, would not succeed in Ukraine.

Another must is to work in close communication with the associations. Unfortunately, here we also see a Ukrainian weakness – we have three different associations representing foreign companies: AIPM, APRaD, and the Healthcare Committee of the European Business Association. There is a Ukrainian joke that says: if you have three Ukrainians in a discussion, then you should consider that there are two tsars. All foreign companies coming to Ukraine are confronted with the problem of having to choose one of three associations to be represented by. Every association has its specifics, but in the end this of course weakens our position vis-à-vis the government; we would have been much stronger if there was one instead of three associations.

A foreign company looking to enter the Ukrainian market has to have a passion for business and the mindset of a fighter. Competition in this market is very tough – even Russians who come here and see the number of companies ask us how we succeed in making it here. There are 600 companies in the market, of which 420 are active and providing 14,000 approved medicines. Entry restrictions are very low for generics and on top of that, the local industry is very strong – a heritage from the Soviet Union, when the pharmaceutical industry was located almost entirely in Ukraine. Nowadays, there are six local companies in the top 20, including the #1, Farmac, a company which is very advanced: they provide competitive packages and are very powerful in marketing.

If we come back three years from now, what changes would we find when visiting Nycomed ?

You would find the same great winning spirit and passion you see now. I think we will be even better established in our strategic areas, and we will have gained extra expertise in oncology, and be more established in gastroenterology. Since I am a very ambitious person, I would like to add that we will be among the top three companies in the market.

It is nice to compete with companies such as Sanofi, the #2-3 company today. We are not the same size as them, but with the Takeda push, I am confident that we can put up a good challenge. Furthermore, we might become a local player in three years – but for the moment these are just dreams.

What is your final message regarding the Ukrainian pharmaceutical market?

Ukraine is like a coin. On one side, there are a lot of negative elements that you read about in the media all the time. On the other side, this is a country with real potential; double digit growth for years and a large population. Despite the fact that we have lost twenty years due to lack of government focus on the healthcare sector, there is still hope that the next government will decide on a good direction for the country. We need drastic reforms though, and at some point in the future, Ukraine will become a real European economy. Once that happens, those companies that are established here will benefit greatly. Finally, I would like to say that until then we should not be afraid – with a winning mentality and passion you can be successful in Ukraine.

[See more interviews](#)