

Interview with Mauricio Rosas, Director Pharmaceutical Division, Merck Chile

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What have been Merck's major milestones and achievements for its pharmaceutical division since you took the reins?

I have been managing the Pharma division of Merck since 2006 and the biggest milestone since then has definitely been the acquisition of Serono. In Chile Serono was previously represented by a local distributor, so we took that business over and it has led to a considerable development of our operations in areas such as fertility and growth hormones. Moreover, we almost start selling Rebif – our drug for multiple sclerosis treatment – which is Merck Serono biggest-selling product worldwide. Former Serono products in Chile are still a small part of our business, but since the acquisition sales of that unit have been growing very fast.

Another important milestone in the last five years is the agreement we made with Bristol Myers Squibb in order to market their mature products using our internal sales force which is very much respected in the industry.

In addition, we are very proud to have one of our products – Glafornil – as the best selling product of the Chilean prescription drug market. We are very pleased with this achievement, especially when you consider that we have been selling this product for almost twenty years in Chile.

Given the fact that Merck has placed a great emphasis on emerging markets in the last few years, what is the relative importance of the Chilean operations for Merck within Latin America?

Within the region, Merck has managed to have the highest market share in Central America, being followed by Chile as the second highest market share. If we include the BMS products that we distribute, then Chile is actually the country with the highest market share for Merck in Latin America. Moreover, Chile represents 5% of the Latin American operations in terms of sales for the group, which is a very good figure taking into consideration that the Chilean pharmaceutical market in general is only 3% of the Latin American market.

How has your portfolio developed in Chile and what therapeutic areas is Merck favoring in the Chilean context?

Our portfolio in Chile has developed into five business units including all our products. The first one is the General Medicines business unit which consists of well known and traditional brands, mainly in women's health, pediatric care and general medicines. Then we have the Cardio-metabolic care business where we are leading with anti-diabetic products but also offer other products for cardiovascular care. For our oncology business unit we commercialize Erbitux, a monoclonal antibody for treatment of metastatic colorectal cancer and head and neck cancer. Under the biotech business unit, we have mainly former Serono products in the fertility and multiple sclerosis areas. Finally, our fifth business unit is comprised of OTC products which we call Consumer Healthcare products, where we enjoy the leading position in the multivitamin market with Bion3 – a global brand that combines vitamins, minerals and probiotics.

How has Merck positioned itself so that it remains competitive in the Chilean market?

Our two key success factors are the strong brands we have built throughout the years (we entered the Chilean market in 1939) and our unique sales force with a very positive image in the industry. Even though we are facing tough competition from generics and private labels, we are still top-of-mind for our clients. Our sales force is exceptional because it has managed to build strong relationships with the practitioners. From the corporate side, we have a very strict process for our sales force selection, which together with training activities and a competitive salary levels makes sure that our staff is well prepared and motivated. We generally recruit from the pharmaceutical industry and when we hire someone, most of the time we see a strong desire from the candidates to work for Merck as the best option to complete their career.

Do you plan to search for new partnerships similar to the one you currently have with Bristol Myers Squibb, and if so what makes Merck the partner of choice in Chile for this kind of partnership?

We currently have three partnership agreements: a local one with AstraZeneca for the distribution of their product Losec in the Chilean market which started six years ago; the before mentioned regional licensing partnership with BMS since 2008 and recently a co-marketing activity for Vildagliptin with Novartis. Merck Chile is open to similar agreements because we would like to be

seen as the best partners for promoting products. We are experts at leveraging our good image in the country and this makes us successful when commercializing other companies' products. Getting back to our partnership with AstraZeneca for the local market, this was the result of a close relationship we maintain due to the fact that several years ago we were sharing offices. With Losec we have already renewed the initial contract, which is a clear sign of their satisfaction with our management and distribution of their product.

Has Merck's portfolio been favored by the GES plan?

We have not been very active in the public sector; this is something we need to improve in order to be more competitive, especially because of the predominance of generics in the GES plan.

How will the new proposal by CENABAST to have pharmaceutical laboratories deliver their products directly to clients affect Merck's operations?

This is something we are evaluating now and we have been expecting an initiative like this to take place. I consider it is a very delicate issue and it is something that pharmaceutical companies and the government need to discuss thoroughly.

How have the particularities of the Chilean pharmaceutical market, such as the high concentration of distribution channels and the trend of self-medication affected Merck's operations in the country, either negatively or positively?

I consider that this is the way the market is, so it is something that we have to live with as a company operating in the Chilean context. It is a particularity of our country to have three distribution channels in general: we have three big retail stores, three main supermarkets and so on. Chile is a small country with a small market so it is kind of logical to have three big pharmacy chains. The way to deal with the concentration is through consolidating our brands and maintaining the preference the customers give to our products due to the high quality we offer.

Speaking particularly about the OTC market, our way to handle the negative consequences of the concentration of distribution channels is by introducing to the market very innovative unique products such as the Bion3 which is very difficult to copy even after seven years in the market. In addition, we work closely together with doctors and that is the reason why they choose our products for their prescriptions.

Does Merck conduct clinical trials in Chile? What can be done to expand the Chilean clinical trial market?

We are conducting several clinical trials in the country but they are managed centrally by our global structure. By doing it that way, Merck established a clear division between its commercial and scientific activities in the country. Ongoing clinical trials in Chile are in the therapeutic areas of oncology, multiple sclerosis, fertility and rheumatoid arthritis. Chile has indeed very good centers

and technology in order to become in the future a hub for clinical trials in the region.

What are the opportunities for the growth of biomedicine in Chile? Are you specifically fostering biotechnology research in the country?

The international focus of Merck is biotechnology and on the local level we are very active on that also. I think we have very good opportunities to offer new therapeutic options to consumers. It is also crucial to include biotech drugs in the public sector making them accessible for the whole population.

As a manager at Merck, how do you attract and retain the best talent in Chile? How would you describe your management style?

To start with, Merck is seen as a respected company providing good products and solutions to doctors and patients. Our sales force is, as mentioned before, trained and challenged and also given an adequate compensation. As for my management style, it is characterized by enthusiasm; innovation and trying to go forward with the business.

What is your vision for Merck in Chile for the next 3 to 5 years? Where would you like to take the company by then?

Merck is at a very good position today, and my goal is to grow faster than the market. If we could manage to grow double the average rate, then this is how we should grow. In the next years the market is expected to grow at 6% and we plan to maintain our growth rate at the actual level of 12%. Therefore we intend to keep our good track record of double-digit growth from the recent years. Merck in Chile has a leading position in the market for most of the products offered; as a result our challenge is to maintain our leadership and consolidate our market share. Our growth strategy is both based on organic growth –bringing new products to the market – and on increasing our commercial alliances with other companies.

What is your final message for our readers of Pharmaceutical Executive about the commitment of Merck to Chile?

Merck Chile is extremely committed to the country. This is why our headquarters consider Chile as a much respected market for our global operations. Our successes here show an excellent management and promotion of innovative products so we should be taken as an example by the whole group.

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