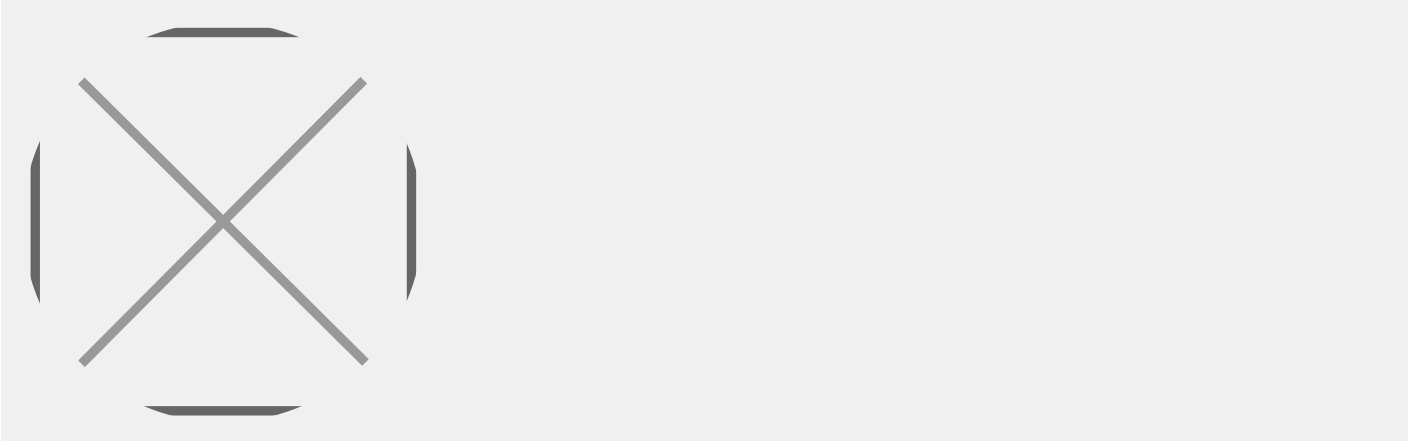
Interview with Michal Bartoš, Managing Director, Merck Czech Republic



20.07.2012

Tags: Merck Czech Republic

Mr. Bartoš, you are celebrating your 15th anniversary with Merck this year, and your international career has offered you the opportunity to work throughout Europe. Over these years, how have you seen the 344-year-old Merck evolve and strengthen as a company, and how is this strength reflected here in the Czech Republic?

When I joined Merck, the company was at the beginning of a transition from a mid-sized, low profile company with a limited geographic scope, toward an organization with the ambition to become a global player.
I am in a privileged position to be part of the exciting transformation of Merck.

In the Czech Republic, Merck was one of the first companies with its own legal entity, established in 1991. That gave us an advantage that my predecessors successfully built on.

Since its establishment, Merck CZ has invested in the development of its team, creating a unique company culture, driven by an ambition to grow and to deliver excellent results. Mutual respect and a strong sense of purpose are other important pillars of our local company culture.

Merck Czech Republic has also been fortunate enough to ‘export’ some of its talents. For example, the head of the international sales organization of Merck Millipore for Central Europe, Middle East and Africa as well as two colleagues previously with regional responsibility for the most important therapeutic area of Merck Serono grew up in our organization.

In all aspects, we at Merck Czech Republic always try to excel, be it in the market or within the Merck Group.

Merck is the first innovator company that we have had the pleasure to interview in this country. What is life like here for an innovative pharma company, considering the legislative changes regarding pricing, market access, and drug marketing?

Just recently, we obtained reimbursement for a new indication of our leading oncology product Erbitux. The Czech Republic was one of the last countries in Europe to obtain reimbursement, one and a half years after the EMA approval. This demonstrates that access to treatment is still a big issue.

The healthcare budget in the Czech Republic as a percentage of GDP has been stable for a decade. And if we look at the split between the different elements of the total health care budget, the share of pharmaceuticals is actually going down. Hence, in relative terms, there is less money in the system, in spite of the demographic pressure and the advances in science.

Prices that are among the lowest in Europe, generic competition, very tight budgets for specialized treatments (e.g. oncology or multiple sclerosis), lack of alignment between the different components of the system and the excessive time to market make my job pretty exciting.

What do you think it takes to be successful in a market where access is difficult and pricing is a challenge?

First of all, we need to understand and anticipate the decision-making mechanism. A pharma company or our association can try to change the system, but in the end, we need to be pragmatic and accept the rules.

In a country like ours, it is key to be perceived as a true partner by the Ministry of Health, the State Institute for Drug Control (SUKL), the insurance funds and other decision makers. I am convinced that being a reliable, trust¬worthy partner, who understands the needs of our vis-à-vis, gives us the highest chance of being successful in the long run.

Coming back to your question, what it takes to be successful, I guess it takes two things: Looking outside, we need to be an excellent partner for our customers and stakeholders. Looking inside, it is about leadership and motivation. We try to recruit the best talents, help them grow, empower them, trust them. And we have to make sure that the internal processes and back-office structures stay lean and business orientated.

We had a conversation recently with Mr. Brezovský of SUKL. Under his leadership, SUKL shall become more open to working closely with the industry. Do you see better times ahead with this new regime change?

Dr. Brezovský knows the health care system very well, understands perfectly what works and what doesn't, and is truly committed to make SUKL function better. You can still raise the questions of how intense is the inertia of the system and how much the new leadership of SUKL can change in the short term and going forward. But being an optimist, I am confident that Dr. Brezovský is truly seeking a better cooperation with all stakeholders, including the pharma industry and the insurance funds. This will eventually result in a better access to adequate treatment for Czech patients.

In Poland, Merck's country manager Mr. Bichta explained to Focus Reports that the high degree of generic penetration in the market, combined with budgetary restrictions, has led Merck to strongly diversify its activities. How has Merck attuned and diversified its local portfolio in the Czech Republic and how do you cope with generic competition?

Historically, generics have always been very strong in the Czech market and are actually growing faster than originators. On the other hand, brand loyalty remains an important factor. Companies that have been able to build strong brand equity — and here I include Merck — continue to perform well. Our two leading primary care products, Concor and Glucophage, have been competing with generics for many years, but we continue to retain a large market share.

Regarding our portfolio, the biggest part of our sales comes from Merck Serono, followed by Chemicals and Consumer Health. We are committed to grow faster than the market in all three areas, maintaining a balanced portfolio and being less vulnerable to changing market conditions.

Focus Reports found that biotech products were slow to reach the system in some markets, as education about their use and efficacy was lacking. What is the situation in the Czech Republic?

From the customers' point of view, the adoption of novel treatment options is very rapid. Czech teaching hospitals have always been involved in clinical trials, so that KOLs are familiar with new medicines before these reach the market. The hurdle is more on the regulatory side, in particular regarding pricing and reimbursement.

Merck R&D spending increased 8.6% to 1.5Bn EUR in 2011, mainly due to expensive late-stage clinical trials performed by Merck Serono. The Czech Republic has been called a very attractive clinical trial market. To what stage are you involved in clinical research here?

The Czech Republic is indeed very attractive for clinical development. Merck runs clinical trials here in our two main indication areas: oncology and multiple sclerosis. In both of these areas, Czech centers are considered excellent in terms of both quality and speed of patient recruitment. This is obviously recognized by our headquarters. And I am confident that our country will continue to play an important role in the development of Merck's future pipeline.

Merck aims to grow its sales to as much as 10.7Bn EUR by 2014. At the end of 2011, the company surpassed the 10Bn EUR milestone in total revenues for the first time in its history. What growth do you expect the Czech market to contribute to the global group over these coming 2-3 years?

The Czech pharma market has been growing by 1- 2% per year and we are by far growing faster than the market. Among the top 20 pharma companies, we are the second-fastest growing.

I am convinced that we will remain among the fastest growing companies in the Czech market, and one of Merck's fastest growing subsidiaries in Europe.

What do you think is allowing you to grow faster than the market?

It might sound simplistic: It's about people and about the mindset of an organization. Our team is passionate to understand the needs of all the stakeholders, from legislators to patients, and to generate value for all those who are directly or indirectly our customers. We will continue to grow, if we keep this passion alive.

Merck executives have commented in the past that the company seeks to be 'the best, not the biggest'. Can you tell us what your understanding of the 'Merck way' is, and how you implemented this concept as head of Merck Czech Republic?

Our ambition is to be a preferred partner for our customers, a reliable partner to regulators and payers, and an excellent employer for our employees. This will make us grow faster than the market.

For the Czech organization, the Merck way means to be passionate and ambitious, striving for excellent achievements, and keeping a balance between short-term results, the long-term interests of our owners, value creation for customers, and respectful dealing with employees and stakeholders.

You have held many different positions within Merck—regional roles in Darmstadt and Geneva, country management of Merck Italy, a global commercial responsibility for a business unit. What attracted you to come to the Czech Republic?

I am originally from Slovakia, which at that time was part of Czechoslovakia. Coming back home after 42 years to the country where I spent my childhood was a fantastic feeling. Moreover, after four years at the headquarters, I saw the opportunity to again lead a successful country organization, be closer to the customers, deliver excellent results and also enjoy the cultural richness of this wonderful country.

Do you think the Czech Republic is an attractive environment for pharmaceutical companies?

The country is in a good shape economically, has very well-educated health-care professionals, mature patients and an overall well-functioning health care system. Of course, market access conditions do not make our life easy, but this is true in other markets as well. Overall, I consider the Czech pharma market rather attractive.

What is your final message to our readers?

I think our success has much to do with the company culture and the mindset of our organization. Forward-looking, optimistic, and hard-working teams, people looking for solutions and not for problems –in my opinion that's the best answer to the market challenges. And, as already mentioned, being a trustworthy, reliable partner to all stakeholders is in my opinion key for long-term success.

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