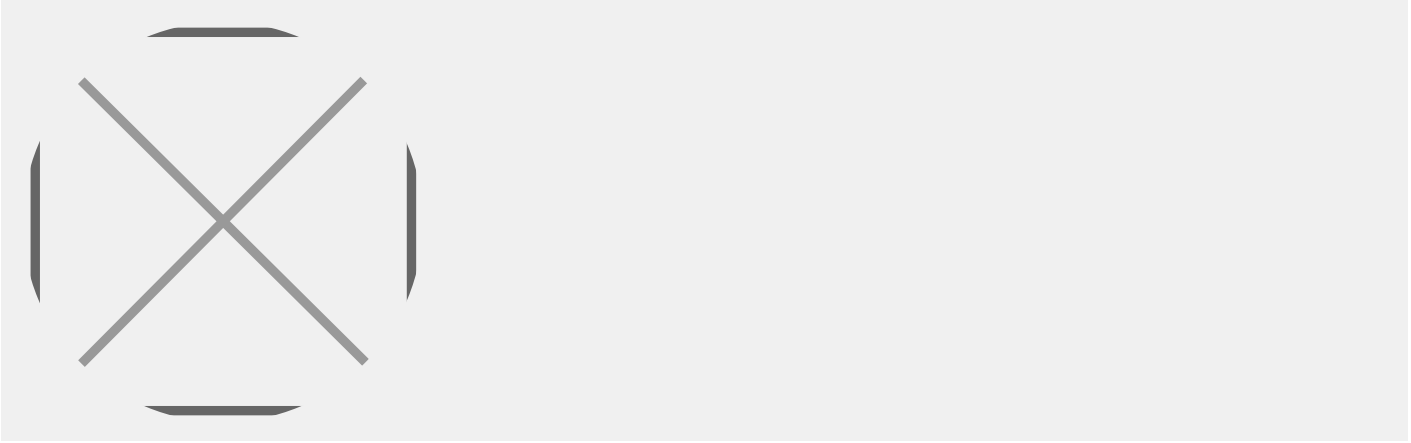
Interview with Nihal Aygun, CEO, Corena Turkey



19.07.2012

Tags: Corena Turkey

Mrs Aygun, could you please introduce yourself to our readers and give us an overview of CORENA?

I have an educational background in chemistry and a professional experience in several pharmaceutical companies, where I responsible for their trade activities. In 1998, I took on an entrepreneurial role and established CORENA as an export company, providing a range of locally manufactured healthcare products to the UN initiatives as well as US military bases. Then, in 2004, the government applied its initial drug price decreases, which not only had a positive effect on the government's healthcare expenditure, but on our overall business as well. Within a week of these price cuts, we began receiving an increasing amount of orders from established client networks.

Currently, CORENA delivers pharmaceutical products to 208 clients across 53 countries. Needless to say, we are always willing to expand the number of export destinations. In the meantime, however, we are expanding our field of operation. For instance, we have recently completed the R&D phase of certain dermatological disorders areas. We are investing heavily to begin production of these hybrid formulations as early as this year. Nonetheless, our export business will remain to be our primary activity and we will continue to focus on developing this. This is clearly demonstrated by the fact that over the past three years, we have been recognized for being among the top three Turkish exporters in the pharmaceutical field.

CORENA has only relatively recently been specialized in pharmaceutical distribution. How would you explain your remarkable success so far?

Following the price cuts and the ensuing sharp increase in drug related orders we received, I decided to fully devote our full attention to this business area. Hence, in 2007, we successfully obtained a pharmaceutical wholesale license, in line with European standards. This was crucial for our success since we distribute to many European countries, signalling our commitment to quality excellence to them and other clients across the world.

Our marketing policy is globally-oriented. Patient definition in Africa is no different from patient definition in Germany. We do not look at the matter within territorial limits but at health care world-wide.

Moreover, as a wholesaler, it was practically impossible for us to grow in the domestic market. This is because the wholesale market is highly saturated with two major players controlling over 70% of the market and approximately 500 others competing for the remaining 30%. Needless to say, this further anchored our dedication to the export market and the rest is history. So, we do not sell to Turkish hospitals, but to hospitals in the Kingdom of Saudi Arabia as a result.

What is geographical composition of your existing client portfolio?

The majority of our market is comprised of North and South America where we are providing comparative drugs for clinical trials. We are supplying drugs to European wholesalers that have organic relations with the clinical research organizations in America. In addition to this, we are utilizing our highly established and experienced European customers to supply the African markets as it is extremely difficult for us to do so directly because of stiff competition there.

Our second largest market is Central and Southern Asia, of which Japan is a major destination. Interestingly, if a product is not registered in Japan, then people are permitted to freely import that product for personal use, limited to a three month supply. This also applies to Georgia as well, which is another point of our export destinations. Of course, this has the benefit of making these sometimes vital drugs available where they are not, at comparatively lower prices than if they were sourced from Europe for example.

Where do you source your pharmaceutical products from for distribution?

We prefer to source our products directly from trusted and globally minded manufacturers, for instance GSK and Novartis. However, this is not always a viable option for us because some MNC’s (multinational companies) tend to block our purchases because of the issue of so-called parallel trade. In those cases, we turn to local distributors, such as Hedef Alliance or Selcuk Ecza.

Can you elaborate on the issue of parallel trade that you are facing?

We have been facing increasing challenges with respect to the sourcing of our products. We have been subject to an increasing amount of contentions with certain MNC’s over the issue of parallel

trade. As you may know, parallel trade relates to the trade of pharmaceutical products produced genuinely under protection of a patent, or copyright, placed into circulation in one market, and then imported by an intermediary into a second market by businesses like ours. The main driver of parallel trade is the significant price differences between countries. Although this practice is accepted in Europe, as it helps lower drug price levels and therefore availability, some MNC's have made certain efforts to limit our ability to source a wide range of products. In my view, it is improper for these companies to restrict the availability of required drugs for such reasons.

Ultimately, I find it rather contradictory that as we are obstructed from directly sourcing certain products for export by some MNC's, we have to turn to the dominant local distributors, who themselves have their own export departments while being the MNC's main clients.

What challenges have you faced in your field, both in the past and present?

I believe that the local export market is underdeveloped with respect to regulatory standards or requirements governing it. More precisely, it is the case that, in Turkey, any trading company can purchase pharmaceutical products from local wholesalers and export them since there are no regulatory requirements controlling these activities. Obviously, this can have a highly detrimental effect on the industry as a whole as well as end consumers as it increases the susceptibility of counterfeit products. In fact, we have approached the Ministry of Health several times about addressing this issue, however we have yet to see any progress.

In addition to this, over time we have come to realize that the drug price reductions were in fact a double edged sword. Although it did make the prices of existing drugs more competitive and attractive, there should be some level of balance. Prices must be balanced at a level that would be sustainable for governments while also attracting innovative products. With the absence of innovative drugs in the market comes along the future absence of generic products and ultimately industry as well. We feel that at this point the Ministry of Health has passed this threshold and there is a negative price pressure. A decrease in price levels of course stimulates the growth of exports, however, after a certain point, manufacturers will begin to limit the availability of drugs and this will have a detrimental effect.

How would you describe the global level of competition in terms of pharmaceutical exports and distributions, and what differentiates CORENA?

Globally, drug prices have been decreasing quite significantly. In some cases, I have seen prices of certain drug half over a very short period of time. No doubt, this illustrates that government, as main purchasers of drugs, have been taken advantage of for quite some time. Following this, the Turkish government had decided to follow the reference pricing strategy. In fact, this trend is also seen in European countries like Germany, Spain, Italy, Greece and Poland, among others.

Looking into the future, how do you intend to grow CORENA in the near future?

I believe that Turkey has a great amount of untapped potential in the field of clinical trials. Approximately 10 per million people in Turkey have been subject to clinical trials. This is in sharp contrast to the US or Europe, where the same ratio is at about 200 per million. We are hopeful that this market will continue to develop, for the benefit of all stakeholders.

What would your final message to our international readers be?

Parallel trader is a misunderstood practice in the pharmaceutical industry. We are actively making the supply of competitively priced and necessary drugs available to international markets for the benefit of all stakeholders from the government to end users. Moreover, I believe it is imperative that our niche becomes regulated to prevent any trader from engaging in pharmaceutical products trade activities. We follow GDP (good distributor practices) and I believe that this standard is upheld across the country.

Also, contrary to popular belief, further price cuts imposed by the government are only beneficial for the export industry to a certain point, after which it can become unfavourable. This is exemplified by the fact that, of the entire $12 billion pharmaceutical industry, export accounts for only $100 million.

Finally, the Ministry of Health should actively support MNC’s and develop its file registration process in order to increase new molecule registrations in Turkey. Not only is this in line with its ambitions, but also, as I mentioned, it is necessary for the continued growth of the generic molecule production, export activity and overall industry.
There is certainly much to be done to improve the Turkish pharmaceutical industry, however, looking back at the progress we had done so far, I am certain that this can and will be achieved.

See more interviews