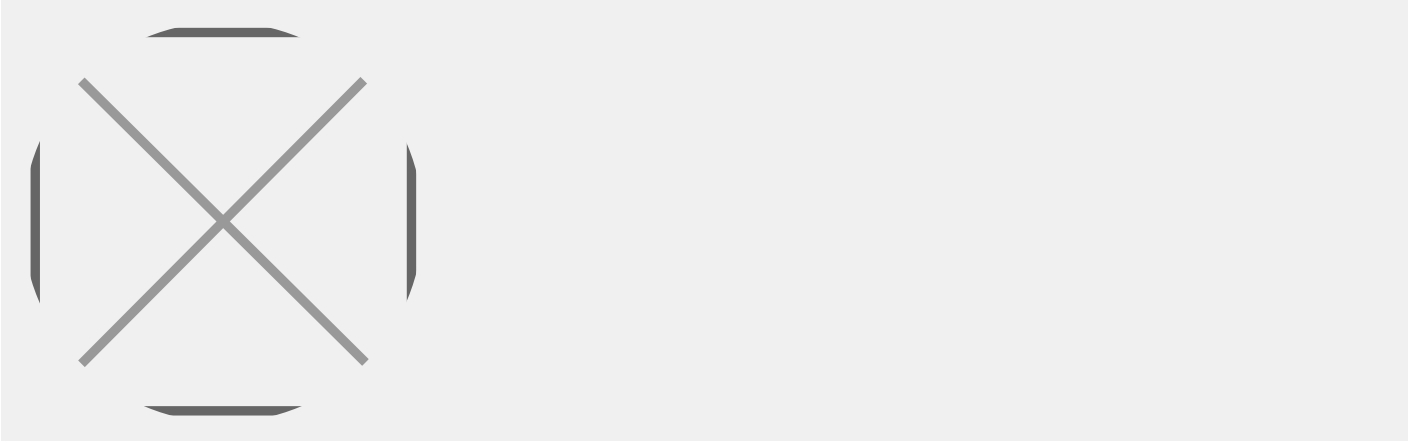
Interview with Bulent Denkdemir, General Manager, Hedef Alliance Turkey



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You are among the youngest GM's of the top 200 companies in Turkey. What factors would you attribute to the rapid advancement of your career?

I would say that there are several underlying factors that led to my rapid advancement.

One factor influenced my choice of industry relates to my upbringing. My mother is a pharmacist by profession. I was therefore exposed to an environment in which there were many discussions and activities related to pharmacies and healthcare in general. In that sense I was familiar with the industry and felt ready to pursue a career in this sector. I was also able to develop throughout my studies the analytical and managerial skills required for this role.

This culminated when I met Hedef's chairman, Mr Ethem Sancak, during my MBA studies in the early 2000's at Sabanc? University. There, we established a strong professional friendship in which I held him in high regard. As this developed, he approached me, informing me that he was looking to professionalize his company, Hedef Alliance, and offered me the role of Operations and Business Development Director. I was happy to accept this new responsibility at the start of 2002. I maintained that position for three years, after which I was able to quickly climb through the ranks. In 2005, local shareholders had decided forego daily operations management of the company in favour of handing over these responsibilities to a team of professionals. I was included in this team and In 2005 I was promoted to Deputy General Manager. I held that post for a year, after which I assumed the position I hold today, as General Manager of Hedef Alliance.

It is interesting to note that, in Turkey, to a certain degree ones career development is not solely defined by ones professional background. I believe that there is also an emotional aspect to this, which is reflected in the mutual affiliation I shared with Mr Sancak.

In summary, I believe that attributes including hard work, correct business and personal alignments, as well as, an element of destiny, chance and emotions led me to where I am today.

How have you performed over the last two years?

Hedef has been performing exceptionally over the past few years. This is in contrast to the stagnation of value growth being experienced in the pharmaceutical sector, for the time being. This is a result of the decreasing healthcare budget and price cuts. Yet, despite these harsh conditions, we have been able to maintain strong growth figures. One strong growth area that has helped us achieve these results is in the beauty products segment, which currently represents about 10% of our business. In recent years, this sector has been gaining in popularity for our 17,000 pharmacist customers. In fact, in terms of efficiency and profitability in the Turkish wholesaler's business, Hedef Alliance is leading the way.

What is the level of competition in the distribution sector in Turkey and what differentiates you from the others?

Hedef Alliance fully intends to view Turkey as its primary market to invest in for the long term. Over the time, we have established strategic distribution points covering the entire country. In addition to this, our sales force is a critical and a major success factor in our success. Whereas in most countries sales activity tends to be managed electronically, we follow traditional management techniques because, in Turkey, the human factor is paramount. Indeed, we count over 1,000 sales representatives in Turkey to cover the entire geographic area that is very strong in establishing personal relationships with the pharmacists. In addition to this, owing to Alliance Boots partnership and stake in our company, we benefit from an access to a significant working capital and expertise.

Therefore, I would highlight the Hedef Alliance's people, infrastructure and geographical coverage, as well as, enduring vision as our competitive advantage.

Mr. Ethem Sancak, Chairman of Hedef Alliance noted recently that "in order to set strategies for turning Turkey into an exporting country, all related ministries and representatives of the sector should join forces". What role is Hedef playing in achieving this goal?

Prior to 2009, the market was expanding at an impressive rate, with double digit figures, for a period of ten years. At that time, the Turkish pharmaceutical market was ranked 12th globally in terms of the size. More recently, the market is continuing to grow in terms of volume. On the other hand, if you consider it in terms of value, then the market has in fact decelerated and as a result of governmental budget constraints and drug price cuts.

I believe that what Mr. Sancak was referring to is that there is a dire need to improve communication between the industry and the authorities in order to help and attain the common goal; market growth and development. I think the issue here is that the government's actions are overly short term oriented. The pharmaceutical sector is an exceptionally strategic one, in terms of social wellbeing and economic significance. Owing to its strategic strengths, Turkey has the potential to become an R&D, production, and export hub for EMEA and beyond.

Mr. Sancak intends to create a platform that can facilitate efficient communications between the manufacturers, the distributors, and the government. The idea behind his statement is that the Turkish pharmaceutical sector can gain superiority through the unification of its various participants.

Being a pharmaceuticals distributor, Hedef already acts as a commercial bridge between all participants in the industry. Now, we are leveraging this position to bridge the communication divide between the pharmaceutical stakeholders. Mr. Sancak has an excellent reputation within the industry and is therefore in an ideal position to link these parties together through both formal and informal dialogues.

Today, Hedef is 80% owned by the health and beauty giant, Alliance Boots, the rest by Sancak's family. To what extent has this helped you maintain and further build on an existing client portfolio and further strengthen commercial collaborations?

Our partnership has certainly helped us in terms of expanding our reach with respect to international investments. It has allowed us to look at other countries for our future development. Indeed, Hedef Alliance aims to establish a presence in Africa, East European and nearby Asian countries. With the extensive international experience and reputation of Alliance Boots at our backing, market entry has been easier. As a result, we have entered the Egyptian market in 2003 by acquiring 50% shares of U.C.P., the market leader in pharmaceutical distribution. Then in 2007, we entered the North African market by acquiring 30% shares of Hydrapharm. Hydrapharm is also the leader in its respective pharmaceuticals distribution market. To date, both market entry strategies are regarded as being highly successful and they continue to be the leaders in their corresponding wholesale markets.

In Turkey, Alliance Boots has so far contributed its knowledge of best practices and new processes and facilitated market enlargement for Hedef Alliance. Of course, there is a mutual benefit from this partnership, considering that Hedef has accumulated a strong local and regional experience and leadership.

Relating to these investments in Egypt and Algeria, to what extent is Hedef's accumulated know-how transferrable to those markets, vise-versa, given Turkey's unique business culture and customs?

Turkey is indeed a very dynamic market with quick and often frequent changes in regulations and standards. However, given the nature of the wholesale business, I do not consider that these markets are far detached from each other in terms of business culture and know-how. Irrespective of the geographic location, our operations remains a purely wholesale business.

As I noted earlier, we did not establish those businesses from the ground up. Instead, we took a share in our leading local partners after careful consideration. We examined important factors including the alignment of business cultures. In Egypt for instance, the business is managed by a prominent and well respected Egyptian business family. Although we have placed a small number of professionals to share our know-how and help align our business customs and standards, it is not our intention to reform their underlying business practices as they are already successful.

This creates a mutually beneficial business relationship. On the one hand, they benefit from the access to our systems, software, experience, and ideas. On the other hand, they apply their own management style. I like to think of this as a management style by pulling them into the desired direction, rather than by pushing.

For Hedef, is there still potential in the Turkish pharmaceuticals distributers market for inorganic growth through acquisitions; or is Hedef perusing a local organic growth strategy? What is the source of future growth?

Hedef Alliance fully intends to remain in the wholesale business. Unlike others, we do not intend to establish any pharmacy chains.

At this point in time, we have identified two sources of growth for Hedef. First, we are looking towards regional countries to serve as potential areas for investments and expansion.Second, I strongly believe that Turkey will return to a state of growth. The country’s GDP growth is expected to be maintained at impressive rates over the next few years, although only at single digit rates, and this will inexorably impact our growth.

Also, as I highlighted earlier, the ‘non-pharma’, or beauty, market is rapidly growing in Turkish pharmacies. Recently, we have observed a shift of beauty product sales points from supermarkets to pharmacies. This represents an area where we have identified strong growth opportunities. In fact, this market is expected to grow by 20% a year! Needless to say, we would like to increase our presence in this market segment. Whereas beauty products perhaps represented less than 1% of our revenue in 2000, it is currently about 10% and could easily reach 25% over the next five years.

Overall, Hedef today counts 10,000 employees with sales of approximately USD 3 billion. Over the next three years, our objective is to grow Hedef’s business to a USD 5 billion company with up to 15,000 employees.

In line with the company's values, Hedef engages in a fair amount of CSR initiatives as well as various cultural and educational projects. Among these, what are the ones you are most proud of?

Hedef Alliance is aware of its responsibilities towards its country and the society, it is a part of. Accordingly, it contributes to social responsibility projects in areas such as health, arts &culture and education.

Some of Hedef's most important investments have been directed to education. Hedef Alliance has sponsored 2,000 educational scholarships in total; 300 under the Hedef umbrella, and 1700 through Mr Sancak's family initiative. The company is also highly involved with local associations through miscellaneous projects related to education.

Also, our chairman expresses a strong interest in archaeology and the history of our country in general. Hedef Alliance is the main sponsor of the excavation studies in Siirt-Türbe Mounds at the Il?su Dam that have ultimately shed light on the early social and political history of Eastern and South-eastern Anatolia. Another contribution of Hedef Alliance is the excavation studies in Çatalhöyük, a Neolithic site of first discovered in the late 1950s.

Thirdly, Hedef participates in ad hoc projects, creating exceptional budgets for exceptional events. For instance, when catastrophes strike in different areas of the world, Hedef provides aid to the affected populations by offering free medicines in the affected areas. Hedef has already supplied medicines support in different around the globe including recently earthquake afflicted Turkey, Pakistan and Japan.

In essence, Hedef Alliance has been advancing CSR initiatives by investing in the past through archaeological studies, in the present through ad hoc aid projects and in the future by sponsoring educational programs for tomorrow's leaders.

What would your final message to the readers of Pharmaceutical Executive?

My family has its roots in the pharmacy business and I now find myself on the reciprocal side, in wholesale. Ultimately, I am happy to be involved in and contributing to people's health and wellbeing. Unfortunately, however, I think that the industry in general is ill perceived by today's society and unduly criticized. Nevertheless, whether the company is making profit or losses, we are always investing in improving patients' lives. This gives me a sense of achievement and pride in my efforts.

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