Interview with Jacek Barlinski, Country Manager, Nycomed Poland

15.07.2012

Tags: Nycomed Poland

As we are just starting 2011, could you share with us the results of Nycomed Poland in 2010?

In 2010, the affiliate has not been as successful as the previous year, but still managed to grow by 3,3% according to IMS data, which is in line with the market. This growth rate was lower than expected to be honest, due to a limited market growth. The under-performance of the affiliate is also linked to the company's over-the-counter (OTC) portfolio, which was slow in 2010, although it performed well in 2009. The performance of Nycomed's OTC segment has been mainly driven by the market under-performance, driven itself by the low number of flu infections – where related products are the vast majority of Nycomed Poland's portfolio. Given this context, Nycomed could not do too much against the market.

The other area where the company expected to grow was through its innovative products. However, some like pantoprazole facing a generic competition, Nycomed is slowly loosing market shares, although a rather soft landing. According to IMS, Nycomed maintained it's sale in this segment, but based on our internal books, it slightly declined. On the other hand we can be quite satisfied with performance of Nycomed's respiratory product, ciclesonid.

Loss of exclusivity (LOE) is a challenge for Nycomed in most major markets: Emmanuel de Rivoire mentioned the impact of the loss of Pantoprazole for Nycomed in France, Melissa Thomas talked about the loss of Protium in the United Kingdom (UK). What is the level of intellectual property (IP) in Poland?

From a legal point of view, at this moment, the innovative pharmaceutical industry cannot complain. Generally speaking, the Polish legislation follows the European Union (EU) directives. The patent situation in Poland was previously not well established, therefore some of Nycomed's products were not protected in Poland. Again, pantaprozole is a good example. Pantaprozoles still one of the major products of the affiliate's portfolio, despite the aggressive approach from generic companies and distribution channels.

Since there was no strong IP in Poland until 2004, do you see this as an opportunity for the affiliate to grow in importance for the group?

Indeed, whereas the increasing importance of generics is a major issue for my colleagues in other EU countries, it has always been a constance here in Poland.

Each country has a different regulation. Poland is a "branded generic" market, where if you have a strong brand, which is the case for Nycomed, it is necessary to have enough flexibilty in the pricing strategy. The company has to bear in mind that it cannot go too low in terms of pricing because of the potential risk of parallel export.

The company maintained prices at a level that was acceptable for patients. Nycomed Poland was able to maintain a pantoprazole business, avoiding a drastic decline like it had been the case in other countries where there is non-branded generic market.

It is not an era of growth, but an era of product defence.

With the release of Daxas®, to what extent is the respiratory business going to be one of your major focuses in the next years?

On one side, there are the still unmet needs. I do not like to say that Polish patients are not treated properly, but the rate of diagnosis especially in chronic obstructive pulmonary disease (COPD) is low.

On the other side, the attitude from the authorities, not accepting that this area has to grow, prevents me from saying it will be next 2-3 years' growth driver. Nycomed's products are not the only ones concerned by this. Companies producing the "combis" – the combination of inhaled corticosteroid (ICS) and long-acting beta-2 agonist (LABA), obtained reimbursement after perhaps eight or ten years. The product Spiriva® for COPD treatment from Boehringer Ingelheim obtained reimbursement after several years also. Coming to Daxas®, to be honest, Nycomed Poland just received a negative respond from the Polish authorities, based on extremely weak arguments. I did not expect to get easily reimbursement, considering that I know the country and the Polish authorities, but I was surprised by the quality of argumentation against it.

Is the market regulation and legislation the main hurdle for growth in Poland?

Although the access to innovation is easier in some areas, generally speaking, the attitude of the Polish government is not in favour of innovative medicines. I can remember a number of discussions about the pharmaceutical industry where the innovation has always been questioned. The Polish government often uses the arguments of the necessity to protect local generic companies or to protect the budget, where the authorities never claim the right for the people to have access to modern medicines.

There is a new Reimbursement Act due for the 1.1.2012. As a Polish citizen, how do you evaluate the market situation? How does Nycomed adapt to change in Poland?

The pharma environment is going to change as it is under constant re-evaluation, and there is no question whether the Polish pharmaceutical market requires improvement of regulation. There is also no doubt that the government has to be in a position where it must predict how much will be spent on reimbursement.

Nevertheless, the new regulation that is under preparation is not written for such purpose. It is clearly written against the pharma industry and against the potential benefit of patients. The only purpose of this paper is to cut healthcare expenditures. Even though I agree that a new direction is needed, I am strongly against the way it is prepared, and how it is intended to be introduced without listening to what the industry or the patients have to say.

How is Nycomed preparing itself? The company does consider different scenarios, but in the end there are not many indications about the outcome, as I cannot understand the majority of the statements mostly due to the fact that there is no dialogue at all between the industry and the authorities.

For instance, the number of organisations were asked to send their comments, which INFARMA did on behalf of the innovative industry. The file was exhaustive, well prepared, and was submitted to the Ministry of Health (MOH) on time. Only a couple of days later, the MOH sent all regulation proposals to the Parliament, and I do not believe that any one under the MOH had actually the time to read the requested documents. They did the necessary job from a legal point of view, but overlooked the content of the file the several organisations submitted to the MOH.

Whereas only a few major companies chose to capitalize on the country's comparative advantages for manufacturing such as Nycomed, a lot more operate in research and development (R&D) activities in Poland. How do see the level of R&D in the country?

For the moment, Nycomed does not carry out any research in Poland directly. It is a corporate decision to use the contract houses established locally to run clinical trials. Within this context, Nycomed runs clinical trials in Poland for different products through contract organisations. This strategy makes sense considering it gives flexibility to the group: with a fluctuating number of trials,

Nycomed has less fixed costs such as monitoring.

Given the strong positioning of Nycomed Poland could you tell us about the importance of the activities in Lyszkowice?

The facility is relatively new. Many years ago, Nycomed bought Polfa Lyskowice, a very old fashion factory located in a small town. Ten years ago, it has been decided to build a new factory from scratch. Nicely equipped, this factory continues to produce some goods that Polfa Lyszkowice used to have. The facility has become a centre of excellence for OTC products for Nycomed's global manufacturing operations. The vast majority of Nycomed's production in OTC has been transferred to Poland and is supplying today the global market. The manufacturing centre also produces prescription products also through contract manufacturing.

The factory is growing, as new lines are being developed, as well as contributing to the level of employment. In this dynamic situation, the strategic importance of the factory in Lyszkowice for both the local market and export markets is increasing.

In brief, Nycomed in 2004 had a utilization of the factory reaching 30% of the whole capacity where today, it is above 70%.

Poland is perceived as a good place for manufacturing. Nevertheless, government authorities should bear in mind that if Poland is still today a low cost country, Russia is even lower, and so is for example Bulgaria. It will not be a competitive advantage for a long time, even Poland is also a country with a high skilled workforce. If such an unfriendly environment for the pharma industry is maintained, it will have consequences. Yet, a few of my colleagues in other countries perceive Poland as an 'only one advantage' country: its large population market. Considering how the regulation in Poland is changing, not only in the pharma industry but generally speaking, the attractiveness of the country will not necessarily stay for ever.

Looking at the heads of MNCs that we have interviewed so far, about half of them are Polish natives and the other half are expatriates. Can you please give our international readers a few tangible reasons why to take a Polish CEO could eventually be more beneficial?

Companies have different philosophies. The most important is to have a very good manager. I believe that local managers understand better the market, have longer perspectives and are more beneficial for polish affiliates. However, I agree that some foreigners also contributed to enhancing the industry. One of the advantages of having a foreigner manager at the head of the affiliate is that the middle management's development within the company is faster. Managers at a middle level are in my view the ones truly running the company, rather than the General Managers (GM) who come three or four years and leave after a short stay to another country. In some cases, foreign country managers are skilful and are an added value for the company. In some other cases they

come to Poland not experienced and are here to learn from this market, lessons that will serve their personal career development and not the country.

The language must be taken into consideration. I have been working with many foreign managers, and only one was able after 18 months to speak Polish so well that he could speak to the workers in their own language.

Worldwide, Nycomed ranks 28th among global pharmaceutical companies. What would be a decent and what would be an ambitious ranking for Nycomed Poland, let us say in five year from now?

In Poland Nycomed ranks 22nd We hopes to enter the top fifteen pharmaceutical companies in Poland, but this very much depends on the evolution of market access for innovative products, and on the way the company develops its OTC portfolio. There are a few affiliates worldwide with a strong OTC portfolio, as it is not a strategic direction for Nycomed to be a strong OTC player on the international scene. For Nycomed Poland, the contribution of OTC products to the growth is roughly forty percent, but I expect this figure to grow.

In terms of further developing Nycomed's activities in Poland, the affiliate has been looking for potential acquisitions. However this is also decided at corporate level where we encounter some competition between affiliates. To give an example: Nycomed had certain plans for 2010 but the group preferred to invest in an acquisition in China instead of Poland.

Considering pharma is a human resource intensive industry, people are the key assets to succeed. What is Nycomed's strategy in Poland to attract and retain the best people?

The company is growing in terms of number of employees, close to 600 in Poland, especially due to its production site. In the light of the financial centre that Nycomed opened recently in Lodz, the affiliate does not have any difficulty in recruiting people. The employment is growing carefully of course and fluctuation is low. The company is stable in this respect, which shows that people want to stay within the company once they are there. Nycomed also runs numerous training programs for the employees – all have access to English lessons for example as well as programs to better convey the company's values, as well as incentives to develop themselves to fit to the company's strategy.

We spoke about the company as a whole, but considering your seven years' experience at Nycomed, what would you highlight of the pluses of the company that made you stay this long?

Considering Nycomed is only my third employer, although in the meantime they changed their names several times, you will have noticed that I am not a jumper. I like to say that the culture of the company is close to real life and matches my personal values.

The portfolio is interesting, as it is a quite unique situation to have all at once food supplements, OTC products, generic products, innovative products already facing generics, innovative patented products in the market, and innovative products in development. It is a very interesting spectrum that brings managers to observe how the market behaves in hospitals, in pharmacies etc.

What would be your final message on behalf of Nycomed Poland?

Although it will be a frustrating market over the next few years, on the long term, Poland will be an attractive place to be. We see increasing patients' awareness of their rights to access modern medicines and equipment. In this context, this market has to grow. In contrast with Western countries, people are used to paying in Poland, for services and for drugs. There is therefore a major space for private insurance to grow and I strongly believe this will change the market in a positive way.

Poland is also very interesting in respect to the very tough competition that animates the market. Although the industry usually does not like competition, it is challenging and above all it benefits to the customers in the end.

See more interviews