

Interview with Olga Avdoshina, COO, Merz Russia



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You worked for ten years at Schering-Plough—one of the largest pharmaceutical companies in the world. In February of last year, you joined Merz Pharma, a much smaller player. Some may view this as a step down. What attracted you to this organization?

First of all, the position itself was very interesting for me. The size of a company is not the most significant factor; the opportunities that a position offers are far more important. Realizing your ambitions, utilizing your knowledge, experiencing a novel environment in a new company, challenging yourself in a novel manner—these are the elements that are truly valuable, and the main reasons why I accepted this position.

I was also offered a significantly higher standing in Merz than I formerly had at Schering-Plough. Here, I have far more responsibility. At Schering, I was a national sales manager, and at Merz, I am Chief Operational Officer. I am responsible for the full scale of Merz operations in Russia. This is a challenge that I enjoy.

We operate in three segments. First, neurology: here, we are number one in our product class for Alzheimer's. Memantine is the best-in-class product all over the world. Our second direction is OTC. And our newest sphere of operation is in aesthetics. Aesthetic dermatology is a very interesting sphere, and is another reason why I joined this company. By training, I am a medical doctor, and I have a specialization in dermatology and cosmetology.

When I came to Merz, we had separate frameworks for marketing and sales. In the past financial year, we switched to business units. Now we have a structure of three integrated business units, which are charged with promoting our products in each of the aforementioned segments.

Merz, after more than 100 years of operation, is still an independent organization. What opportunities does this environment offer you as a manager?

As Merz is not a particularly large company, the decision-making process is far less complex. In large corporations, there are usually a range of rather inhibitive procedures, and even for simple decisions, you often need to wait for consensus amongst several levels of the business. For example, you may need to send to the U.S. for approval when seeking to add another five specialists to your field force in Russia. These kinds of barriers can cause you to lose time.

In Merz, it is far easier to make decisions. I believe that this is very important, because nowadays, when companies have similar budgets and similar resources, the competitive edge is often in timing. You may do an excellent job, but if you do it later than your competitor, you are lost.

Merz is developing very quickly in Russia, reporting double-digit growth for this affiliate in its last annual report. But out of 800 drugs produced by the company, only 30 are registered in Russia. What explains this relatively narrow portfolio?

We only promote the products that we believe will be profitable on this market!

You mentioned that this company has three main directions. As Merz continues to grow in this country, what therapeutic areas will drive your business?

This is a difficult question, because there are truly opportunities for each segment. If we look at the OTC market in Russia, we see that it has huge potential, because the out-of-pocket growth rate is booming as expenditure per capita increases year over year. Our sales could potentially double and triple in this segment, as we have excellent products to offer.

Neurology is also an increasingly lucrative market. Again, as the segment grows, there is much potential for our own presence to grow.

Aesthetics medicine has huge potential in Russia as well! I would relate this market to the hospital market at the turn of the century, because there is no structure in the aesthetic dermatology market.

All of our products in the aesthetics segment were formerly promoted by distribution companies, whose only advantage was in discounting. However, when I arrived, and developed a new team here, we started to promote aesthetic dermatology like we do medicines. First, this was a shock to the market; but now, medical doctors appreciate the fact that our approach to these products is the same approach we take to any pharmaceutical. I believe that this is the correct way to promote these kinds of products, because if you use them incorrectly, they could be harmful. We discuss side effects, and product benefits, with professionals—just as we do with neurology products.

Pierre Fabre takes a similar approach to the promotion of their dermo-cosmetics. When we spoke with Mr. Chistyakov, he mentioned that while the 2009 crisis did not have much of an effect on the prescription pharmaceutical segment, it had a significant adverse effect on the dermo-cosmetic segment, and the market has still not recovered to this day. What is the reality for aesthetic dermatology products?

Our portfolio is a bit different from Pierre Fabre's—they offer mainly topical creams, etc., and our products are a bit closer to traditional medicines. It is very difficult to evaluate the aesthetic dermatology market, because in Russia, there is no reliable statistical data from organizations such as the IMS or Pharmexpert regarding this segment. We can make forecasts, and we can make assumptions, but we cannot officially measure the growth rate.

However, I can say that this crisis was truly a recession, and I saw it in our sales and our market presence.

Have you managed to recover?

Yes! We doubled our sales in the last financial year.

For Merz, demographics show that the Mexican and Russian affiliates are growing in step with each other. When we interviewed Mr. Freudenberger in Mexico, he noted that Merz CNS products that are blockbusters worldwide are not selling at the same relative volumes in Latin America, because the CNS segment is not as developed there as it is in mature markets. What is the reality for Russia, and what is your strategy to grow this segment here as a key CNS player?

In Russia, matters are much the same. To improve the situation, we partner with a number of social organizations. I believe that this kind of collaboration is very important, because unfortunately, while the government is making a renewed effort in this sphere, there is still too little social support for patients with CNS disorders.

Our products help people increase and prolong their quality of life. I think that the more people know about our products, the more they can utilize their benefits. At Merz, we go beyond the products themselves: for example, we have a web portal here in Russia that talks about the problem of Alzheimer's in general; not about our products. As we are a market leader in Russia in this sphere, it is our duty to act a social partner in developing this field.

The problem itself is larger than Merz and in Russia, there are no statistics regarding rates of incidence, and etc. I think that only an increased measure of government programs can change the situation. We also need early diagnosis, and we need to catch these disorders when they are in the early stages—so that we can start treating patients as early as possible and prevent the complications that come along with the severe stages of these diseases.

While it will of course take the combined efforts of both industry and the authorities to truly make a difference, have you seen tangible results from your own programs?

We can see results on a number of fronts. If we consider commercial standing, we can note the fact that while our main competitor drug in Alzheimer's is reimbursed by the DLO, Merz is still the market leader. People pay out of pocket for our drug because they have well ascertained its benefits. We can also see that our efforts to promote not our drugs, but the problem at large, have paid off. People are becoming more aware of the nature of CNS disorders.

By last count of the Ministry of Health and Social Development, Merz currently controls approximately 0.37% of this market. Where will Merz be within five years—right around the time of the company's 20th anniversary in Russia?

Merz has been in Russia for 15 years. In the previous year, our sales were 15Mn EUR. At the close of this recent financial year, we made 40Mn EUR. This was tremendous growth! Our plan is now to reach 100Mn EUR within three years. If we anticipate 10% market growth per year, this means that when we reach our target, our market share will improve significantly as well.

Of course, there are no easy gains in life, but I believe that this target is realistic.

One of our previous interviewees recalled the words of Russian philosopher Nikolai Berdayev, who once likened Russia to a smart, beautiful woman trying on new dresses. Despite her beauty, she is frequently dissatisfied with what she sees in the mirror. Do you believe that this metaphor accurately reflects the business environment in this country?

I think yes it is very close. On one hand, we want to integrate successful international models into the Russian reality, but on the other hand, we have our local reality; sometimes, this creates dissonance.

If you take any new law, any new bill, any new program—you see that the idea is brilliant, but how to get there is unclear. Look, for example, at the Pharma 2020 initiative: it is a brilliant idea! But one of the initial steps is to shift Russian manufacturing to GMP standards by 2014. How will we possibly get there so quickly? How can we overcome this impasse?

Everything depends on people, and their attitudes. We need more professional people in government, to ensure that these programs become a reality. Officials should, first of all, understand the problem. From an attitudinal perspective, it is important that they are motivated and want very much to affect real change.

The same may be said for managers. How would you describe your own management style?

People management! As I said, everything depends on people. All pharmaceutical companies are very similar to each other, and the only difference is in the people that drive their operations. My goal is always to create a successful team, and to inspire and motivate this team. This is the most important thing a manager can do.

A manager should also have a very clear vision of the future. They should see not only today, but also where the company wants to be down the line.

What is your final message to the international readers of Pharmaceutical Executive?

The key differentiator of Merz is that we are a family company, and we act as a family. We actively foster this kind of atmosphere and this kind of attitude from our colleagues. Just as we want the best for our family, we want the best for this company. People work very, very hard here—and not because of the money, but because of our common affinity for Merz.

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