

Interview: Philippe M ea - General Manager, Servier

Turkey



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Turkey is a key market in the region for Servier, says general manager Philippe M ea, largely due to the country's relatively strong and stable vision for the healthcare industry. The success of single pill combinations will be a milestone for Servier's business model.

You arrived in Turkey eight months ago, and have worked with Servier for 13 years now in countries across Europe and Asia. What is your first impression of the Turkish market?

My first impression is that it is a good mix of European and Asian cultures. Turkey is a pharmerging market and still has many similarities with other pharmerging markets. On top of its market potential there is a strong price control system. This pressure on price requires a constant awareness and evaluation of strategy, operating models, and the future business model. As this puts such huge pressure on profits, we are constantly reconsidering what we are doing and what should be done next.

There are also major differences; one of the differences comes from the number of talented people in the industry. The pharma industry is one of the three star industries in the country, meaning that the people who we have in the pharma business are highly skilled people and well educated, which is not usually the case in pharmerging market countries. Of course, the Mediterranean influence

means that personal relationships and face-to-face meetings are extremely important for business, both internally and externally. In my experience, another thing that makes Turkey so interesting is the co-existing company profile which is enriching the interest of the market: the family culture and the multinational culture. Neither of the two is better than the other; it's a pure mix here. Family run businesses are just as successful as the public multinational corporations.

The third one is the willingness of the authorities to clarify the regulation which can give better visibility for the direction to follow.

What are some of the key events or changes over the last few years, particularly in terms of challenges and assets that you inherited from your predecessor?

During the implementation of price control system, my predecessors did not have signals to properly assess the impact on our product prices. Now we have the clear assessment of the impact. By having this clear vision, the challenge is to build a new business model to protect our profitability and our future.

What are some of these high impact strategies that you have or are introducing to help make up for the high cost of sales?

The high cost sales pushing us to improve our efficiency. In the context of high volume and low margin we have constantly reviewing our profitability. In one hand we have to recognize the power of working, in other hand we have to reconsider what could be improved. We always keep in mind that; we have to be very selective in our promotional strategy and we have to adjust our resources accordingly. It is the same with all other companies who are facing the price decrease in this market as well.

What are some of the minor signals that you see in the Turkish market that might lead to major trends?

Turkey is quite unique within the pharmerging market countries, in the sense that it is somewhat more predictable than other countries. This does not mean that it is easier here; it means that Turkish authorities are quite consistent in terms of vision and what they want to implement. Based on what I have seen in the year, Turkey is quite realistic in terms of their timelines and expectations. For example, Turkey was quite late in pushing for local production, but they are now quite clear in what needs to be done, and they have been relatively moderate with their expected timeline giving.

The SGK and MOH have been discussing a variety of alternative reimbursement models with the industry; do you think these have the potential to solve the current market access issues?

Market access is a key issue here and starts from a very positive point. Now, due to the price system that the Turkish authorities have implemented, there is limited access for patients to many innovative products, and many products are not registered in Turkey because pharma companies do not find the prices acceptable. Now the authorities are facing a trend where the Turkish Pharmacists Association is importing more and more unregistered products under a special access program.

Of course, every action to improve this situation is positive thing, but the types of changes and models that are being discussed today won't solve these problems unless the global pharmaceutical budget is increased substantially.

Looking at your portfolio and pipeline, where will Servier Turkey find growth in the coming years?

There are two parts to this, the first being how to be more successful with the current market trends, meaning high volumes and better profitability. Servier is continuing to invest a lot in this market with new products being launched in cardiology, mainly in single-pill combinations. These are the combinations of the most efficient and effective drugs, which will hopefully motivate adoption.

Second part, to reinforce our leadership in diabetes, Servier is planning to launch a very innovative treatment which will start a new era in Type 2 Diabetes. This small, matchstick sized mini-pump placed sub-dermally would become the world's first and only GLP-1 agonist application and it will be given once or twice in a year.

On the other hand, Servier's pipeline is currently geared towards high value oncology products. From now on Servier is strongly investing in R&D in oncology area and regularly signing new partnerships with key players in this field around the world.

These products will eventually make their way to Turkey, and should be available for Turkish patients in the near future.

Turkey lies at the crossroads of civilizations and is an important hub for Central Asia and the Middle East; how important is it for Servier to further diversify operations across the region?

Even if there are some questions marks in Turkey about politics, if you analyze the political situation over the last 12 years, it has been quite stable. We are here as an economic partner; not for politics. We are interested in finding a win-win approach that could potentially succeed in Turkey. When speaking about the region, Turkey is a key country due to the fact that there is immense potential here. It is quite big in terms of growing population, it is considered as a stable country—mainly because we are clear about where they want to go—and there is a willingness to be stronger in the pharmaceutical field. I believe that Turkey will remain a priority for Servier in terms of investments.

Servier was ranked 21st in Turkey as of Nov 2014. What will it take for you to break into the top 20?

The team has been very successful up until now. In volume, we are the third country within Servier, behind Russian and China. These people want to prolong their success so even if we have been hit strongly by price decreases, and even if today our average price is only 1/3 of the average price in Servier, the team has a willingness to prolong the success and to continue this within Servier and within the market. This requires effort, but we have the talent internally to be successful. Because of the pressure on prices, we have to be more efficient and really consider what we are doing well while remaining open-minded to continual improvement in the field. Last but not least, I consider that we have a good portfolio and we are signing good partnerships in order to prolong our success here locally. With the combination of market opportunity, talent within our team, and our portfolio, we can continue to be among the top twenty.

Looking forward three to five years from now, what is the vision for Servier Turkey?

What would you like to have accomplished by 2018?

I remain very optimistic despite Turkey being a very challenging market. The regulations are very tough here and we have to remain open-minded and focused on improvement. We are not afraid of challenge and we know that if we have the right people, we will continue to succeed.

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