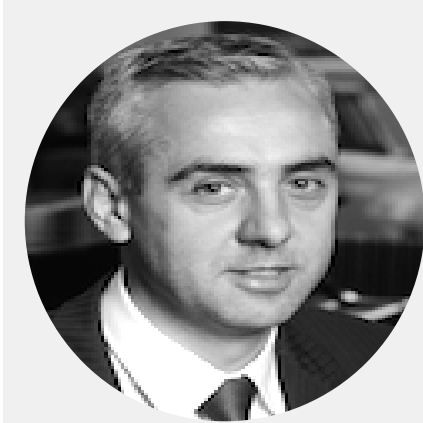


Interview: Adrian Grecu - General Manager, Mylan Romania



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Tags: [Mylan](#), [Abbott](#), [Abbvie](#), [M&A](#), [strategy](#)

The general manager of one of the world's largest API manufacturers recalls the recent acquisition of Abbott by Mylan and the processes which he has undertaken to set his entity off along a new path. He also elaborates on the brand consciousness of the Romanian consumer and how that affects business strategies in the pharmaceutical sector.

Maybe you can start by telling us about last month's acquisition of Abbott by Mylan.

Historically Abbot was a patented drugs company where we were selling originals. At the time of the Mylan acquisition our entire portfolio became off-patent and in all segments we had generic competition. We were coming from the patented world, but moving towards the generic one, but still with the mind-set of an innovator. For us the primary focus in terms of customers has always been the doctors. Now we have been acquired by a company that is coming from the other end of the spectrum, which will require a change of mind-set in our approach to the market.

We all understood that changes would be required, even since I took over the role as country manager, we started to shift our resources from being focused on the doctors, to strengthening our relationship with the pharmacists and the distributors. With Mylan, I believe we will be pushed even further in this direction.

How difficult has the integration from Abbott to Mylan in Romania been?

The integration process for us locally has been relatively straightforward given that Mylan did not have any presence in the country prior to the acquisition. The disadvantage we have is that we have nobody already present in the company to challenge us to think in a different way, we are lacking fresh input. On the other hand, I am fortunate that not absolutely everyone is an Abbot veteran and that we possess a multitude diverse perspectives across our workforce. Over the last three years we have seen the winds of change and have done our utmost to ensure we possess a diverse and versatile organisation. My marketing manager comes from a consumer goods background, last year we hired a national sales manager from Ranbaxy and my new group product manager recently arrived from Egis – a very active Hungarian generics player. In other words, I have been preparing my team for this evolution, but still it is not sufficient because even after one year in position you become slightly “Abbot-ized.” That is, of course completely natural when you have a strong corporate identity that everyone embraces.

Every company has its own corporate identity, its own philosophy. How do you see the shift, with Abbot having a very well defined approach, to the Mylan ethos?

Abbot from a public opinion perspective has been perceived as a stable, conservative company, without necessarily achieving high growth, taking a long-term approach. Mylan is a younger company, although it has now been around for 54 years. What I have noticed already is that both companies have very similar values, with an emphasis on integrity, innovation and a customer orientation. From the external perspective, in terms of how we look at the market, I believe there will be considerable changes, something which we will have to adapt to, starting with me. There will be a push to be more focused on commercial expansion, with a slightly more aggressive approach, and perhaps sacrificing some short-term gains in terms of the bottom line.

Abbott adopted what I consider a very traditional American approach aimed at fostering sustainable growth and in the last 12 years I have become very familiar with this approach. Mylan being very ambitious as a company, looks for rapid growth so is likely to embrace a different approach in which the strategy is much more orientated towards extending our activity on the market side. Our approach at Abbot has been very focused, sticking to what we know how to do well, but without achieving tremendous growth in terms of sales.

It is very important when looking at the Romanian rankings to remember that increased sales does not necessarily mean increased profits. Many generic companies offer considerable discounts which could cut around 10 to 20 percent of the market size.

What will such changes mean in terms of the product portfolio and the range of therapeutic areas?

I see both companies as complimentary and this is one of the reasons that Mylan chose to acquire Abbot. It is well known that Mylan is particularly strong in HIV, with around 40 percent of the world's populations being treated with one of their products. The vision of the company is to serve the seven billion on this planet, when you consider Abbott with its very focused approach, we will no longer look to a limited segment of the population, but set our sights much higher. The key is to make our portfolio available in as many countries as possible and this will be the next step. Mylan is a vertically integrated company, with good control of the whole supply chain from the active ingredient to the finished product and this is of considerable benefit because it allows us to ensure the quality of the finished product and how efficiently it is made, two key differentiators when looking at the generic market. We are planning to leverage these strengths and combined with our local history as Abbott of having a pool of customers with a particular reputation amongst doctors and specialists, I believe we can have a successful future.

How do you see your future product portfolio matching the epidemiological transition of the country and of the patient?

My view is that if we want to serve seven billion people, then we have to be present in almost all therapeutic areas. There is also a real push from the Romanian authorities to encourage the use of generic products, which is far behind the level of the USA, and I do not believe it will ever make such a breakthrough because something that distinguishes our population is that we are very much brand orientated. Brands matter for the Romanians. It does not always come down to the price. We are often willing to pay a premium for a product that we trust.

How does one explain that rationale in terms of consumer preferences?

It may be connected to our history as a communist country, where we did not have quality products on the market. After the revolution in 1990 there was a joke that went "I am never too poor not to buy a German car" because even if you opted for a second, third or fourth hand one you would still consider it superior to a new Romanian brand one. There are plenty of examples of a generic drugs that are considerably cheaper, by as much as 30 percent, and yet people more often than not opt for the originator. Nevertheless there is obviously an affordability threshold above which, no matter how strong the brand may be, the consumer will prove not willing to pay.

What I know for sure is brand matters and the figures bear that out with generics not making the same level of penetration as in other markets across the CEE. At the end of the day, brands that

have been well built so that the nation trusts them are able to charge 30% more and they will still find a ready supply of buyers.

You have everything to play for in building a brand that is not known here. Does this excite you?

Oh it certainly does. Romanians are a brand conscious people, so if you manage a brand correctly then the sky is the limit. Remember Romanians don't talk about trainers or photocopies they talk about Addidas and Xerox. The brand is fixed in the consciousness. That is great news for brand managers and pioneers alike.

At the product level, Nurofen is a strong brand example and is the seventh or eighth most sold pharmaceutical product and is completely out of pocket. It's a nice example of a consistent long-term approach to brand building where there is continuity from the pharmacy to the consumer. That is a lesson for us all to learn.

You background is on the financial side. That could be an advantage in a market where there are a lot of financial distortions. How do you navigate this complex web of distortions?

The market would certainly shape up rather differently if we didn't have the claw-back which is tantamount to 25 percent today. Having a financial background is a strength that matters, but must be kept in proportion to the other functions such as marketing sales and scientific knowledge. In this volatile market it does help though to know how your actions can translate into bottom-line profits. Some actors are concentrating more on the OTC market to escape the claw-back, while others are orientating themselves more towards exports.

At Mylan, we know that the OTC segment is a missing piece. It is incontestable that those players that possess such a portfolio have performed better overall. Despite the need to factor in the extent of discounts being awarded, the OTC market certainly looks on the face of it to be pretty comfortable.

There is no single magic formula to navigating the Romanian market. Seemingly opposing strategies can both work in different instances. The crucial factor is to understand your respective strengths in certain segments. At Mylan, we have some clear ideas for optimising our performance. Number one will be to start developing a pharmacy team that will enable us to get closer to the customer level. Monitoring what others are doing in terms of commercial offers will also be important. Then we have to be equally attentive to the distributors by strengthening and forging

partnerships with the strongest acts. It's really about joining the dots and ensuring that all parts of our operations flow seamlessly.

What are your strategic plans for Mylan in Romania looking forward?

My new management are wide open to new opportunities. We have manufacturing in Poland and if there is a solid business case for putting in place local manufacturing or buying an OTC company then they are willing to stump up the money. This is a great place to be. They want us to free up our minds and be willing to do things we haven't done to date in Romania. We can even undertake different activities to what Mylan traditionally does elsewhere.

The task at hand for my team and me is to adopt blue-sky thinking and analyse the market and its opportunities correctly. It's very easy to take the people out of communism but very difficult to take the communism out of the people. The same applies to us and Abbott. We have to shift gears to a new paradigm.

What is your final message to our international readers about the Romanian market?

The biggest issue with the Romanian market is it doesn't have a long-term healthcare plan or vision. It's not about the ministry needing to have all the right answers but we need a vision that goes beyond the political parties. They need to view themselves as temporary stewards who need to keep on maturing the healthcare system and moving it forwards.

The flurry of legislative change we have been witnessing poses real challenges for a manager. We can't forecast for the next 6 months let alone the next 6 years. Last year everyone was very negative and the market actually ended up being pretty good. If we had been able to forecast that beforehand then we may have invested even more. The instability makes us less efficient than we would otherwise be.

Romania is an important market that will grow and people are ambitious so all the key ingredients are in place except continuity and coherence. The politicians have been discussing private insurance for the last five years but we have not seen it yet because each health minister comes in with his own agenda and dismantles what has gone on beforehand. If only there was a clear strategy that all political actors could agree upon and pursue, then we could really see the market blossom.

All in all, this is certainly not a market for the fainthearted. There are sure successes to be had, but incoming entrepreneurs should be prepared for the volatility and expect the unexpected. Each day must be taken as it is.

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