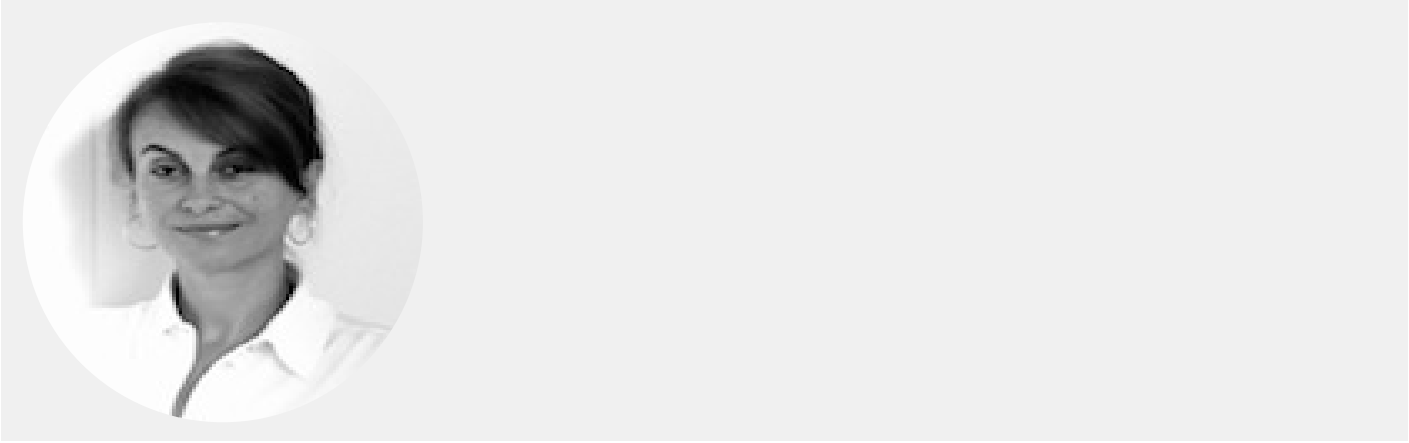
Interview: Doina Ionescu – General Manager, Merck Serono Romania



20.07.2015

Tags: Merck, Fertility, distribution

The country manager of a leading company for innovative and top-quality high-tech products in healthcare, life science and performance materials describes the initiatives she has been putting in place to optimise and streamline the business during a period of belt tightening and increased regulatory forces. Of particular note are the innovative measures she has been employing to render supply and delivery chains more efficient.

You've been managing director since 2006 overseeing the transition of Merck to a fully-fledged commercial entity in Romania and the diversification of the product portfolio from specialty chemicals to include innovative prescription pharmaceuticals and OTC consumer healthcare. What would you say have been the main successes achieved during your tenure in charge?

Looking back, we came a very long way indeed. There has been immense progress for a company that initially only possessed a liaison bureau. I recall initially attempting to manage a high volume of scattered distributors and having little means of coordination in terms of coverage. Nor was there a single and reliable communications channel for conveying messages direct to the associations and patients groups. We have sorted all of that out and are much better optimized today.

Nowadays, we deliver a comprehensive message coming from a wholly owned Merck subsidiary and that message is consistently and coherently transmitted to the market. We are keen to project two main facts: firstly that Merck is here to stay for the long haul, and secondly that our reason for being here is essentially down to our unwavering devotion to the Romanian patient.

Beyond the creativity of needing to navigate day-to-day market changes, we are firmly focused on the long term and it is this that defines our overarching strategy. There will be no knee-jerk reactions. We instead concentrate on sustainability and that provides the rationale for the sorts of product diversifications that you mentioned. Unlike many of our competitors, we are not fixated on the profits of today. Being one of the oldest pharmaceutical companies in the world we are much more conditioned to the long-term vision and can clearly see the bigger picture.

Since 2012, Merck has been implementing at the global level a transformation and growth program known as “Fit for 2018” to coincide with the 350th anniversary of the company. How has this initiative impacted the company’s operations in Romania? What has been the trickle down effect?

“Fit for 2018” is an internal efficiency drive within Merck that has been implemented more or less worldwide. Actually it’s a programme that didn’t apply directly to us in Romania because we’re a growing market. While other country offices were striving to become more efficient in terms of costs and more effective in terms of deliverables, our priority was expansion and to rise to the local market opportunities. Clearly the underlying profitability of the Romanian market, and our activities within it, helped us with our appeal to the global management board to employ more people, sell more products and set up a business model that is sustainable and long enduring.

At the same time, we are conscious of the need to maximize the output derived form the resources we have at our disposal and the valuable lessons accrued from Merck’s globally applicable optimization initiatives do get transmitted to us so that we can capture those learnings and feed them back into our business ecosystem. We have been continuously reviewing our own internal procedures and systems to identify efficiency gains. This is an ongoing process of improvement

What then is the strategic importance of the company’s Romanian activities in relation to the company’s regional and global operations?

Romania is the second largest market for Merck in Central and Eastern Europe after Poland. I personally believe it holds the highest growth potential because it comes from a much lower starting base. That means we have lots of work to do and great scope for really making a difference. Even small investments can go a really long way to improving livelihoods on the

ground.

From Merck’s management board’s perspective, clearly Romania is a focus area and strategic market. They want us to be present here in a big way and want us to implement all the strategic initiatives that make sense elsewhere. We seek to consistently deliver all the products and quality services that Merck brings to the rest of the world. We replicate and maintain exactly the same standards in how we go about our activities and that goes for both our interactions with patients and employees.

What then do you see as the main growth drivers in Romania? And how have you been modifying your product portfolio accordingly?

We enjoy a diversified product portfolio compared to many of our competitors on the local Romanian market. We have the biotech products with the biological entities and the classic portfolio.

Oncology is the winning horse in the biotech segment. Merck’s oncology business has actually been active in Romania since 2004, but it was only in 2013 that it was integrated into the subsidiary. Again we have come a long way in terms of the positioning vis-à-vis the hospitals and patients. We find we are making a real difference because consistently over the last two to three years we have presented clinical studies to the HCPs and data that assists them in decision making when it comes to patient treatment. We are also collaborating very closely with the patient associations in raising awareness about head and neck cancers.

Neurology is another important area where we have been working hard to support the patient associations and broader medical community. If you take multiple sclerosis, for instance, we have been coordinating directly with the hospitals to get as many patients as possible off waiting lists and included in the national programme. Naturally there are caps on enrollment and budget so we’ve been lending support, both in kind and commercially, to unblock those bottlenecks and ensure every patient that could benefit from our therapies can have unrestricted access to them.

Then there is fertility our portfolio too which is also strategically of high interest. What we are really hoping for here is that the national fertility programme will be restarted after a couple of years of suspension. There are noises that this might happen soon, but at the moment these are just rumors. Romania has a birthrate problem that we feel is not properly acknowledged – neither by society at large nor by the government. This is an area where we feel we could have much to contribute and were there are real improvements in terms of health outcomes to be realized.

Obviously we are always keen to engage in strategic planning, but you have to know that the unpredictability of the Romanian market and the policy positioning of the government make this a very imperfect science. The reality is that the big strategic breaks over here generally tend to happen almost by accident, because we are so exposed to the winds of swift policy change.

How mature is the consumer market for fertility treatments? What sorts of adaptations do you need to make when launching these sorts of products on the local market?

The urban population is much more aware than its rural counterpart. There are thus significant discrepancies in consumer preference and behavior according to regional location. Historically the rural population is Christian orthodox and socially conservative so not especially receptive to the idea of fertility treatment and so there has been a corresponding lack of uptake in fertility-related therapies.

One bottleneck is a general lack of awareness of what the market has to offer. Virtually all the other neighboring countries have a certain level of funding specifically ring-fenced for fertility, whereas in Romania we've had no national programme for two years. So there are policy inconsistencies that exacerbate the problem. On top of that, with so many doctors migrating, it's difficult to achieve a therapeutic area spirit in terms of referrals. With such a rapid turnover of medical personnel, the sort of relationships and networks that would usually glue together specialist medical practitioners are sometimes absent.

The irony is that we hear of patient export to Hungary, Greece and Turkey for these sorts of treatments where in many cases they could be getting these therapies at home much more affordably if only they'd inquired more. The perceptions are not always in line with the realities and sometimes patients mistakenly think a treatment isn't available on the local market when it really is. It is imperative that both the state and medical community do more to break down these information silos and raise awareness.

Specialist gynecologists and GPs have a lot of influence over Romanian patients irrespective of whether they are rural or urban. There is traditionally a high level of respect for their recommendations. The doctors are treated as gods and their prescriptions are taken as gospel. Merck sees this as a lever for enacting change, so we focus on education at the HCP level knowing that that knowledge will ultimately be well transmitted to end-patients. We are therefore highly active in delivering seminars, presentations and workshops to gynecologists and in maximizing opportunities for information exchange.

When we spoke to Michal Bichta, Managing Director, Merck Poland a few months ago he told us that “There is too much discussion on available budget, and too little on health outcomes and indirect costs”. Surely exactly the same could apply to the Romanian context?

There is a potential role for novel medicines to make some headway in making the system more sustainable and it is shortsighted to be focused just on the budgets as they are in the moment while not factoring in the financial benefits that having these products on the market would bring over a longer time span.

The reality is that the reimbursement list hasn’t properly been updated for many years and this makes the healthcare system not more but less sustainable. I recall reading a NICE report last year which recommended that Romania critically review what is already on the list, because there were a number of drugs for ailments such as hay fever that are fully reimbursed and this is surely not so essential when there are so many budgetary constraints. The upshot of the report was essentially that, in certain cases, the wrong products are on the list while there are other highly useful, innovative products that are entirely missing from it. The Romanian state therefore needs to adopt a scientific approach and exercise critical analysis to determine what can feasibly be placed on the list to secure maximal positive health outcomes for the patient.

If we take multiple sclerosis, for example, there are a lot of new drugs that came to the market recently. The Merck product, however, has actually been there for the past 15 years and the HCPs should not dismiss it out of hand just because it’s been around for a long time. On the contrary, the longevity of the product is actually testimonyto the fact that we are dealing with a safe, effective and reliable drug. The new innovations meanwhile are more expensive so should need to prove that they deliver real-value additions and fewer side effects. To determine these factors there has to be robust and scientifically supported critical analysis. These sorts of health technology assessments common to Western Europe haven’t really made it over to Romania yet, but this could very much represent the future of national healthcare provision. They could and should be embraced as swiftly as possible.

Maintaining operational efficiency must be critical in the face of rising cost pressures stemming from hikes in the claw-back mechanism and price controls. What steps are you taking to ensure that operational efficiency?

Bearing in mind Merck has historically always been willing to tolerate risk and assumed the mantle of trendsetter, we are forging ahead with what we view as our primary task which is about making

our products available to patients. The claw-back and price revisions are not really factors we can do anything about in isolation. Those are factors that need to be discussed at the association and industry-wide levels.

What we can do, however, is ensure that we maintain a very lean structure that maximizes our profit margins. We focus on the necessary positions to achieve the revenue stream and guarantee the service to the community that we have committed to. We believe in core competencies. Areas that we do not regard as core competencies are outsourced to specialist providers. Our dealings with those providers are also highly rationalized.

Logistics represents a case in point. Merck was the first pharma company on the local market to employ the British model and only pay a fee for a “pick, pack and deliver” service. In other words, we don’t use distributors and wholesalers if we can avoid it and if there is no clear value addition to the patient. That holds true for drugs supplied to the national programs where deliveries to the hospitals constitute clearly defined numbers and can be controlled. When we go down the retail channel, such as for our fertility portfolio, we partner with distributors to ensure our products are stocked in as many pharmacies as possible. That is an entirely different model where we have to be attentive to enhancing patient accessibility.

Tell us about the retail side and your relationships with the distributors.

There are obvious issues with the Romanian distribution segment in terms of unequal balance of power between different links in the chain and long payment timeframes. We deal with this complex environment by having clear contracts and a very strict credit control mechanism in place. Our financial exposure is limited because we use a spread of distributors and at the first sign of insolvency on the part of a distributor we take remedial steps.

What is your final message to our international readers about Merck in Romania?

Each single Merck employee is unique and we make sure we have the best quality employees to represent the company and assume the lead in disseminating Merck values. It’s from the quality of our people that we derive our real competitive advantage. It is not by accident that our employee turnover is amongst the lowest in the industry with only two or three employees moving on in the past seven years. In terms of products, we have reliable safe therapies and constitute solution providers that respond specifically to patient needs. Finally we are a reliable partner intent on being present in this market for many years to come, not a fair-weather friend. In short, we can be depended upon.

Click here to read more articles and interviews from Romania, and to download the latest free pharma report on the country.

See more interviews