Interview: Vijay Palamadai – Country Manager, Dr Reddy’s Romania

20.07.2015

Tags: Dr. Reddy's, India, Generics

One of the new generation of country managers in Romania describes the importance of brand consciousness in the local market. In a highly intriguing and insightful interview, he outlines his ambitious strategy to buck the trend and focus his team's energies on building brand loyalty and identity.

Tell us about the structural changes taking place in Dr Reddy’s Romania and the rationale behind your recent promotion to the position of country manager having previously been charged with heading up the affiliate’s marketing strategy?

Four years back, when I joined the local team, the function of marketing manager didn’t even exist. At that moment, the Romania pharmaceuticals market was in the midst of a transition and the clawback tax had just been introduced. Meanwhile our local portfolio was getting somewhat stagnant. In the absence of getting much from new launches, the local management wanted to bring in a specialist able to leverage existing assets to make them grow at a faster pace as well as to bring in a new product portfolio more in line with the evolving market realities. It was a great honor to be selected for that role.

A little creativity can go a long way to creating success in the Romanian marketplace and the importance of strong marketing has become more pronounced. Meanwhile market access has been getting increasingly challenging and the amount of time and energy needed to be expended liaising directly with the authorities has risen correspondingly. A consensual decision was therefore taken to elevate me to the role of country manager from which I can push forward a new very brand orientated strategy.

Please explain how the company's local strategy has evolved in recent years.

Four years ago when I first arrived, we placed a couple of bets in terms of our market strategy with mixed results. For example we, considered the cardiovascular segment as ripe for success and made significant investments in terms of field force and partnership building, but were unfortunately unable to make the headway that we had predicted. Recently we resolved to exit that particular domain. On the other hand, the launch and scale up of an OTC presence has been a roaring success. Partnerships have been established with Merck Consumer Health and AVVA RUS and we are in early discussions with what we soon hope to be able to announce as a third partner. Cumulatively our sales in OTC have gone from virtually nothing for the financial year of 2014 to pushing 15 percent of our revenues today.

The idea was not to build up an OTC portfolio from scale zero, but to secure existing assets, geography and infrastructure and to have a go at scaling that up and taking it forward. So far we are pursuing this avenue with Femibion and the indicators are looking good.

The new approach that we have adopted is to transform ourselves from being perceived as a generic company to a branded one. The Launchpad for doing this is our star product, Omez, which represents our lead brand constituting a full 60 percent of local revenues. This is therefore the brand that we have identified that we feel can drive our thinking forward. If we can create the right sort of connection with the patient so that he or she believes this product provides maximum relief from his or her affliction, then already we have generated a much more sustainable business than previously.

To date, stability has been the missing element in our Romanian operations. We could place a decent product on the market and have high expectations, but by the end of the year you could already have been subjected to a massive price correction. Suddenly the product you viewed as a significant revenue generator for which you've already invested heavily in building up an appropriate field force has dropped to a tenth of the level of its original profitability. We have seen so many examples of this scenario over recent years that we have decided to opt out of that game and instead to go down the branded approach.

What are the hallmarks of this branded approach?

Well we have identified certain therapeutic areas – gastroenterology, respiratory psychiatry and oncology – whereby we already possess the visibility of a pipeline and have complex generics coming through involving new technologies. They are also areas where there are only one or two serious players present in the market so as not to risk the competition dragging the price down to the point where neither the patient, manufacturer nor authorities benefit.

This was incidentally the problem we experienced in the cardio segment where manufacturers were coming in and crashing the price, so playing the market as a generics player when the prevailing infrastructure remained that of a branded market. That methodology only works if you are willing to walk away from the infrastructure you have built up, but we insist on a more ethical approach. We were simply not prepared to abandon our field-force. The single biggest responsibility of mine as a manager is my people. We care passionately about our human capital and see it as an asset to be nurtured, not something expendable.

In the same vein, we are not looking at zero-value assets, but acquiring brands that already have some awareness across the market. Searching for these brands actively, we inform potential partners that their brands look stagnant and present solutions on how to overcome that loss of momentum. We then demonstrate how we can speedily build a customized infrastructure appropriate to assist such brands.

This surely entails a significant shift in mindset…

It certainly does. Previously we were following the conventional approach of thinking of building up a portfolio. However we increasingly found the market demand challenging this thinking. This may be of some surprise to the pharmacists and distributors. They tend to think the market is leaning towards generics and that we are trying to swim against the tide. They will tell you that there is no point investing in a brand when others will launch generics at a discount and take away our business.

We feel very differently. We will invest in meeting doctors and convincing them that our brands will benefit their patients .

The reality is that this market might give the appearance of being a generics market but it isn’t in the proper sense. Generics penetration isn’t making anything like the sort of progress in Romania as it should be. These facts have been staring us in the face and up until very recently we have been choosing to ignore them. 2015 will, in this way, be a crucial year for the new strategy. It will be the year we dramatically change our behaviors and habits to reflect the realities of market demand.

When I see that 17 percent of our revenues came from OTC in April whereas it was under 3 percent at the end of last year, it adds to my conviction that we are on the right path in spite of the naysayers. Equally, the amount of commercial threat that Omez is under from its two nearest competitors in terms of pricing and placement is immense and yet the patients and doctors continue to believe in the quality of the brand and that signals to me that we are dealing very much with a brand-orientated market demand.

What steps are you taking to convert this thinking into hard action?

We are trying to bring in the right kind of people in terms of mind-set. In January, we created a new line of field managers who have slowly but surely been embracing the concept of Dr Reddy’s as a brand driven company. We have 10 months to change mentalities and set the action in motion.

Omez has become an organizational priority for us. It has transcended being just a marketing team priority. We can use it as a test case to piggyback on and demonstrate why it is important to believe in the power of brands. It’s a break-through project which we can harness to inspire the belief in the brand-orientated approach.

How strategically important are Dr Reddy’s Romanian activities in relation to the regional and worldwide business?

Dr Reddy’s divides its business across the following 4 regional lines: India, North America, emerging markets and Europe. Interestingly the Romanian operations are not considered part of the European portfolio despite historically being reliant on the European product pipeline. Instead we are considered one of Dr Reddy’s emerging markets. The management board believes the Romanian business will grow in a direction much more akin to the rapid growth markets of the developing world than mature European economies. Our trajectory is about homing in on specific therapeutic area segments, not about the big molecules coming of patent and market access.

The number of visits we receive from our global leadership is testament to the importance our management board place in our activities. My analysis is that Romania has always been part of the emerging markets and mid way in our development we started behaving as though it had become a generic market when, as soon as you scratch the surface, you swiftly realize that the brand is king and never lost its crown. That’s why we have reset our strategy and started approaching this market as brand-driven once more.

Where will we find you and Dr Reddy’s in five years’ time?

We are currently the 32nd largest company on the local pharmaceutical market. Within five years you can expect to find us inside the top ten of the generics players. Today we rank number 15 for the generics companies. I am also confident that we will have made the top 25 overall as well.

How do you evaluate your experience in Romania so far?

Romania has been an amazing school of learning. Strategic planning is at the heart of the Dr Reddy's philosophy, but it is difficult to apply this in a market that is so unpredictable and vulnerable to external surprises. On the other hand, I am exceedingly confident that we have now resolved upon an ambitious strategy that is going to be a winning formula over the long term.

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

See more interviews