

Interview: Jacopo Murzi - General Manager, Janssen

Romania



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The country manager of one of the foremost providers of sustainable and integrated healthcare solutions describes the sorts of local adaptations that need to be enacted when launching a product on the Romanian market. He also speaks extensively about the state of the local medical device market and its likely future potential.

Can you please outline the scope of JNJ's market offering in Romania?

Romania is a pretty specific market for us. If you analyze the JNJ portfolio on a global basis you would find that, in most markets, our revenue generation is split along the following lines: 40 percent will derive from our pharma business, 20 percent from the medical devices and 20 percent from consumer products which encompasses para-pharmacy such as baby shampoos and lotions. The Romanian market, by contrast, produces rather different outcomes. A full 85 percent of all our revenues stem from pharma (i.e. Janssen), 10 percent from consumer products and only 5 percent from medical devices. This explains why as the most senior representative of the company in Romania, I hold the title of administrator for JNJ and General Manager for Janssen.

This different picture for the Romanian market can be easily explained. The consumer products segment is still undergoing full development. It has great potential over the mid-to-long term horizon, but started somewhat later than equivalent markets within the region. Right now, purchasing power remains pretty low and that obviously has implications for current sales

potential. The medical devices' meanwhile is missing key planks of legislation that would make the business more interesting in terms of public tenders and valuation of the products. Again I sense a significant latent potential, but given that JNJ medical devices tend to be situated towards the more technologically advanced end of the spectrum, the moment cannot be yet considered ripe for widespread product launches.

If you break down our pharmaceuticals offering for the local market you will see that its very similar to the range of products offered back in 2008. That's because there's been very little modification to the reimbursement list since then. We have great products addressing needs in specialized areas such as HIV/AIDS which is a real burden for specific cohorts of patient, in hematology and oncology - especially for breast cancer and multiple melanoma. We also possess a strong legacy in therapies for schizophrenia. In essence, we maintain a strong footprint in the areas where Janssen has traditionally been dominant, dating right back to its origins as a Belgian company. We are fortunate in the sense that our product offerings have well aligned with Romania's shifting epidemiological profile thus enabling us to be one of the best performing pharma companies on the market over the past couple of years.

What specific adjustments to the legal framework could make the medical device segment more attractive to JNJ?

Well, market demand is vast in terms of the nexus between population size and unmet health needs. Meanwhile, JNJ possesses a portfolio of products at the top end of diabetes care and orthopedics which could clearly bring some solutions to the marketplace. The stumbling block, however, is that we are dealing with a country where public health sector decision and policy-making is currently formulated purely on the basis of upfront direct expenditure rather than longer-term indirect costs. Nor is there any kind of functional health technology assessment methodology yet in place. This essentially makes it very difficult to obtain a true evaluation of the value of our products.

In this kind of cost-driven market, the underlying economic and health benefits of our products remain unconsidered and there is little prospect of any kind of reimbursement. The moment that the different products are valued correctly then we should witness a boom in interest. JNJ for its part is waiting for that window of opportunity to arrive.

The gaps in what would otherwise be a flourishing device market are clear for all to see. Right now we have a scenario where patients are bringing their own medical devices into the surgeries because the hospitals cannot afford the most superior products on the market. In my mind this is

going to be a very important market in the future, but just needs a little more time to mature. You can say it's in its adolescent phase. Clear legislation on tenders is missing and the real pros and cons for each product need to be understood and factored into the healthcare system in a scientifically and socially rational manner. Once these final pieces of the jigsaw are in place it should properly take off. This will be of benefit to everyone because it will open the door to more emphasis to the types of preventative healthcare that save both lives and protect the public purse.

Innovation is in the DNA of Janssen so how do you deal with this sort of “frozen” market where it is challenging to introduce novel therapies?

We have to adapt to the Romanian context. We certainly cannot deploy the same approach that we might habitually use in Italy or the UK. We have to consider cost in relation to the needs out there and find the optimum solutions for a given set of circumstances. This might entail adopting different managed access schemes allowing pro bono treatments to some patients. To a certain extent, it also means getting the most out of our existing product range and being attentive to product lifecycle management.

With regard to facilitating the market access of novel therapies our room for maneuver is limited. What we can certainly do, however, is engage in constructive dialogue with the authorities with a view to proposing alternative access mechanisms that allow for a controllable budget on the side of the state. We have many exciting products we can't wait to introduce for countering all manner of illnesses (hepatitis C, prostate cancer, leukemia, psoriasis, and diabetes) so the possibility for product line diversification is enormous. We're just waiting for the kickoff moment to be able to present them to the authorities.

Whatever health indicator you look at – whether life expectancy, child mortality, or per capita expenditure on medicaments – you will come to the same conclusion that the Romanian health system is performing well below par. Facilitating the import of innovation is certainly something that can help alleviate this state of affairs, but constitutes just one part of a much more complex puzzle. The entire system needs an overhaul and the authorities would do well to look at other success stories across the CEE with Bulgaria, Hungary, Croatia and Poland all making significant advances in recent years.

Take the example of the claw-back contribution. Contrary to what you might think when hearing the complaints of our pharma companies, the claw-back is not unique to Romania. Successful attempts to contain costs via an analogous mechanism have been deployed in Hungary, Bulgaria and Poland. The difference in all those instances, however, is that the claw-back was

simultaneously used as a way to fund expensive novel therapies. Here in Romania, we are missing that side of the equation. It is being used solely as a device for meeting current budget requirements with no forward-looking perspective. There's no need to wholly reinvent the wheel, there are plenty of positive examples out there that could be embraced, replicated and adapted. We just need to draw the right lessons from what works and doesn't work elsewhere.

Looking at your career trajectory it would seem that, at heart, you are a marketer. What's more, having designed Janssen's marketing strategies in countries like Poland, you have a good sense of the state of affairs across rest of the CEE. What sort of market adaptations are required for launching and managing products in Romania?

In some respects, the Romania market works in a similar way to those in other CEE countries: many of the drugs have been genericized even if penetration is perhaps not quite as deep as elsewhere and there is a decent volume of reimbursed originator products dating from the period prior to 2008. The most startling peculiarity of the local market is that everything has been more or less frozen in place since that date. This produces some strange effects. Innovative pharma firms had to do all they could to defend their positions and market share. As you can imagine, with no outlet for introducing new molecules there has been little way to balance the effect of patent expiry and increased competition from branded generics. This has created a lot of tension and antagonism. In many markets the originators and generics complement each other and produce synergies, but because of these unique set of circumstances, both sides often find themselves pitted against each other in an aggressive manner.

Meanwhile some positive characteristics have been coming to the fore. Labor costs are relatively depressed, but the human capital is highly skilled so companies have genuine interest in investing more: whether in manufacturing plants, relocation of global support services or acquisition of local businesses. Already you can witness tendencies in this direction and with a little more market stability and predictability there would be a whole lot more.

Ensuring the accessibility of your products is also a rather complicated process in Romania with a wide assortment of wholesalers handling 90 percent of distribution. Direct distribution to hospitals constitutes as little as 10 percent. While most other markets control the cost of healthcare purchases via centralized procurement, this dimension remains pretty underdeveloped in Romania. At the same time the lack of transparency of data for product consumption makes it very difficult to determine how to better supply the market and enforce key performance indicators (KPIs).

How then do you go about ensuring that Janssen products are accessible across the market?

Our top priority is the satisfaction of our end customers. This means we want to avoid at all costs a scenario where patients cannot easily access our products locally. This is especially important for certain specific cohorts of patients such as HIV sufferers who require continuity in their treatments and where even brief interruptions could have a very adverse effect on quality of life. We are therefore attentive to maintaining a diversity of distribution channels, to carefully selecting the wholesalers that we choose to do business with and do our very best to estimate consumption trends in spite of the paucity of available data. As Romania is one of the countries registering the highest internet penetration and given the high level of local expertise in IT solutions, it also makes much sense to harness technology to help us better analyze the supply and distribution chain.

How do you evaluate your success to date and what will be the next steps looking forward?

I am proud of the headway that we have made so far. One of my initial priorities was to improve the image of Janssen on the local market. The reputation of pharmaceutical companies in Romania is poor for historical reasons if you think back to the transmission of infectious disease through sharing of needles during vaccination programmes of the 1980s or of a populist press quick to cast multinationals in the role of a societal villain. My feeling was that Janssen with its strong reputation for ethics and quality could go a long way to readdressing that popular image. All indications are now showing that Janssen products are highly regarded both by the local medical community and patients alike. We have scored other notable successes. For instance our human capital turnover is very low which demonstrates our employees are content.

Romania is fundamental for Janssen as a large market with a multitude of needs. What's more we see our portfolio of products as highly aligned, because after all Janssen's global strategy is to seek out precisely those transformational medical innovations that make the biggest difference within the shortest timeframe. That is exactly what the local market requires right now. We can envision making dramatic gains in our core areas of expertise such as HIV, hepatitis C and oncology.

There are other growth areas such as clinical research where we can potentially do even more. For Janssen, Romania is already the second country after Poland within the CEE for recruiting patient participation in clinical trials and we are maintaining many test centers for trying out drugs in our portfolio. Already we are locally strong across phase II and III trials and have noted an incredible willingness on the part of local physicians to gain exposure to new products and methodologies. It

is therefore an area where we see our investments benefiting the entire medical class of society.

In terms of broader outlook, we see Romania as a market where much of the low hanging fruit has already been picked so it's increasingly important to be creative in identifying the growth opportunities and pockets of profitability. Meanwhile we will continue to push hard for a policymaking environment that is inclusive and makes sense for all stakeholders.

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