Interview: Stefan Maron – Managing Director & General Manager Southeast Africa, Merck



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Merck's managing director for South Africa and general manager for Southeast Africa reveals why the company takes a long-term perspective when investing in African countries, helping to shape healthcare systems, working on CSR initiatives and public/private partnerships by partnering with governments, how the way of doing business on the continent is based on trust and why as a majority-owned family business, putting the patient first is at the heart of their DNA

You have been the managing director for South Africa as well as general manager for Southeast Africa for almost exactly one year now. What is your impression of the South African market?

The South African market is part mature and part developing. The private market is very developed and in many aspects comparable to the standards we see in Europe. At present both the public and private markets co-exist, but the authorities are attempting to merge them. The aim is to tackle the inequality that currently exists within the South African healthcare system, where there is first class healthcare for a small portion of the population but a much less developed system for the rest. The government is talking about creating a National Health Insurance (NHI) scheme and I see a lot of dynamics that are currently changing in the market to allow for such a system to emerge. One of the main challenges is to raise sufficient funds to cover 52 million South Africans and create a healthcare system that is much better than what many people are experiencing today. One of the key issues is what impact this will have on the part of the population that is today well covered,

while ensuring that we bring the quality of healthcare up to standard for the rest of the population. Increasing access to medicine is certainly a priority. Merck, like many other innovative companies, has been focusing largely on the private market and it will be important for us to adapt to any changes to the healthcare model.

Merck has been conducting business in South Africa for more than 100 years. What has been the key to success for the company?

Merck delivers drugs with value-added components that are of real importance to the patient. Ensuring that patients are well taken care of is what drives us as a company, it is what motivates us every day. We are a strong player in the diabetes field, a strongly growing non-communicable disease area, driven by lifestyle changes and varying levels of diagnosis. We are also strong in hypertension, as well as world market leader in infertility, the latter an important social issue in Africa at large. In the neurology franchise we have our multiple sclerosis drug, and provide a comprehensive support program. It is not sufficient just for a patient to have a prescription, they also require help in managing the disease. The services we provide alongside our product portfolio, make a real difference in meeting the needs of patients. We always look first at how we can help patients, increasing access to our products, and then the business side will take care of itself.

Merck is comprised of numerous divisions, with pharma representing around 2/3 (or two thirds) of the business. Where are the growth hotspots for the company in South Africa?

We are experiencing positive growth in all of our three business sectors. Our Merck Millipore business works on life science products, ranging from laboratory chemicals of very high quality, to micro-filters and water purifications systems, where we are a world market leader. It is a broad portfolio that we are intending to complement by the proposed worldwide acquisition of Sigma-Aldrich. This is a high growth area for Merck South Africa as it supports many industries, such as pharmaceutical and biotech research development, the food and beverage industry, as well as mining and laboratories in general. Our consumer healthcare business is also benefiting from the rising consciousness of health and wellbeing amongst the South African population.

Africa is fast becoming an important market for Merck, with the company adopting a strategy specifically for Africa. Can you talk us through the strategy?

Merck historically has been active on the continent opportunistically selling products across Africa. Our current African strategy was a conscious strategic decision made by the group’s executive board, in recognising that Africa has changed. Democracy has now developed a strong foothold, the business environment and infrastructure is improving and legislation is increasingly

enforceable. It was a strategic decision by the group to take a long-term perspective when investing in African countries, working on CR initiatives and public private partnerships, helping to shape healthcare systems by partnering with governments. We selected six countries where we wanted to build a presence: Mozambique, Angola, Kenya, Nigeria, Ghana and Ethiopia. We have established local offices, putting in our own people, each with its own general manager, ensuring we understand what is needed in these markets.

Back in 2012, Elcin Ergun, executive vice president and global head of commercial operations, was telling us of the importance of building partnerships in Sub-Saharan Africa. Why do you think partnerships are of such importance in this region?

The way of doing business in Sub-Saharan Africa is based on trust. We understand that a relationship based on trust is key if you are to be successful in this continent. The framework of the healthcare system is still developing in many countries, meaning you need to interact with people on the ground, to really understand how to approach these markets.

Merck is proud to have obtained level four on the B-BBEE (broad-based black economic empowerment) scoreboard. What message does this send about Merck's commitment to the country?

It demonstrates that we understand the issues in this country and the intention of the government. As a MNC affiliate it can be difficult to comply with all the B-BBEE regulations, but we believe it is the right thing to do. One of the key barriers for a company like ours is the ownership aspect of B-BBEE, as an affiliate that is 100 percent owned by Merck KGA in Germany. A few years back we divested our local production site to our local production partner, Nkunzi, with whom we continue to have a strategic partnership. Nkunzi is one of the few black-owned local pharmaceutical manufacturers in South Africa. Out of this partnership we have developed business opportunities in other countries. We are currently active in East-Africa and are looking at Angola.

In South Africa, Merck has been operating its own entity since the early 1970s. How have you established yourself as the partner of choice in pharma?

Merck stands for a commitment to high quality, ethical and compliant behaviour, and always putting our patients first. As a majority-owned family business, this is part of our DNA, and certainly helps to explain our success story in South Africa. The country will remain our biggest market in south-east Africa. Strategically it is very important to continue our success story in South Africa and through our work we are committed to improving the lives of patients. Merck helps creating life, improving life and pronging life.

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