Interview: Ozgur Tomruk – Managing Director, Global Surgery, J&J Medical, Turkey



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Ozgur Tomruk, J&J's Managing Director for Global Surgery talks about Turkey's importance for the company, the priorities they have set, J&J's commitment to quality and his ambition for the company's future in Turkey.

As an introduction for our readers, Ozgur, can you please give an overview of where J&J Turkey stands today, and describe what strategic priorities you are focusing on now as MD of Global Surgery.

The medical device sector at J&J has three separate management areas. We have Global Surgery, which is led by me. We have Global Orthopaedics, which is going to be merging with Surgery in the next few months. Finally we have VisionCare. Therefore, my comments only reflect the perspective of Global Surgery.

In Turkey, we have identified our relationship with the government and health economics as a strategic priority. This is a country where a single decision-making body can have a huge impact on the access given to our technologies by patients and surgeons. So building the skillset necessary to demonstrate to these bodies the benefits of our technologies, and specifically to show that they are not just a cost but that new technologies can have both quality-of-life advantages and also generate indirect cost savings, is very important to us.

The procedures we are focusing on are bariatric surgery to treat obesity, as there is a large and increasing need for that, oncologic surgery as there is a big increase in the number of cancer cases in Turkey, and finally we also focus on certain cardiovascular procedures.

Back in 2012, the Global Surgery Group was generating approximately $11 billion in sales, 60 percent of which were generated outside the in US—particularly in fast-growing emerging markets. How does Turkey fit in within the context?

We are one of the fastest growing markets in J&J. Within Europe we have been the fastest-growing market for the last two years. There are a number of reasons for this. First, the markets which we are in, for instance obesity, are growing very fast and we have also been able to increase our market share.

For medical devices, Turkey is a large volume – low price market, and this is the biggest challenge we face because we have a central decision-making body (SGK) which has enormous decision-making power, which allows them to negotiate heavily on prices. There is also no mechanism in place to adjust our prices for inflation or devaluation, which leads to relatively low prices. So there is growth, but we have issues of sustaining ourselves here in terms of profitability.

That is a common issue across the industry today, and we will touch upon it further later in the interview. For now, how significant is the Turkish affiliate to the company's global portfolio?

From a growth perspective I think it's important, we contributed quite a bit to the overall growth of the EMEA region last year, but in terms of absolute size we are still quite small. We have double digit growth so we are optimistic about the future.

Could you elaborate on J&J Turkey's history in Turkey? How long have you been operating here, and how have you evolved over the years?

It was not that long ago that J&J first started out here. When we first came to Turkey we operated via country-wide distributors. There was a small office here, with a few people in each Surgery area who would support the distributor. The legal entity was set up in 2006, and we have around one hundred people on staff at the moment. Most of that is sales force, but the shared service functions are also on our payroll. Within MedTech, Surgery is the largest division in Turkey.

Alex Gorsky, Chairman and CEO of J&J has said we're now at the tipping point in which MedTech is helping healthcare become more efficient and effective—creating tremendous opportunities for J&J as a healthcare tech innovator. In this context, what

opportunities are available in the Turkish MedTech industry?

I would say obesity is a very important one, because it is an exploding epidemic. We see that in many cases, after the surgery the patients stop their diabetes medication. They don't need it anymore, and they stop with other types of medication as well. Many patients are much healthier post-operation than they were before. On average, we see that morbid obesity takes around 12 years off your life, so in that sense it is probably one of the most important areas where we are helping the healthcare sector. You make an investment once, and then you help the reimbursement system by preventing lifetime costs which can be really significant.

There are other areas like that as well. We have a treatment area in electrophysiology where we are treating VT patients who are on medication and have a very poor quality of life. After our treatment, they stop medication and have a far better quality of life. Another area where we can help is in minimal invasive surgery. With minimal invasive surgery patients can leave the hospital sooner after the operation, they have less pain, need less medication and have far less chance of infection, so again there is an example of benefits to both the patient and society. Even for something that may be considered simple such as sutures, we have a group of products which we call plus sutures which result in far less chance of infection as they are coated in an antibiotic.

These are all examples of MedTech helping to reduce complications or cut short lifetime medication, which drastically improves both efficiency in the healthcare system and quality of life for the patient.

In terms of the major growth drivers in your portfolio right now, would you say those are also related to obesity or do they lie mainly in other areas?

The company globally focusses on obesity, oncology and cardiovascular procedures, which is more or less the same as here with us.

In terms of you customer segments, how is that allocated between public vs private hospitals?

In our General Surgery group ,our approach is geared towards two segments: open and minimal-invasive surgery, so our teams are focused on that, however within those segments we do have private-accounts teams which specially target the private hospitals.

Would you say there has been a shift in the type of demand you are seeing from your customers?

Cost is becoming more and more of an issue, because the hospitals are under the same pressure as we are, which is that their cost base is increasing but without a corresponding increase in prices. Even private hospitals, which used to be less cost-sensitive are having to focus more on prices.

As General Manager, how are you mitigating these pressures while still maintaining the quality that J&J is known for?

At the end, we truly believe that we have the best products in the market. As I said health economics is becoming much more important now, we need to now justify the higher price that we are charging. Our products result in fewer infections and fewer complications which can mitigate the higher price.

Consider for example bypass surgery, a very expensive surgery but a very important piece of equipment in the procedure in terms of material is the suture. So a suture which generally costs less than $20 may be the most important piece of equipment which the surgeon uses. If some purchaser makes a decision based only on cost which results in severe consequences for the patient, that would be bad for us, bad for the surgeon and bad for the patient. That is why we really try to partner with the surgeons in order to educate them about the specifications and use of our products. We see a shift here, in the past the surgeon always made the decision. Now both in public and private hospitals it is increasingly purchasers, who may or may not be doctors, who are becoming more important in the decision-making process. Because of this we need to have the surgeons having sufficient knowledge of the products they use.

I imagine that must be quite a challenge, especially as the legal entity was only established in 2006 and part of justifying the high premium is branding. You are branded as a high-quality producer. Has establishing that here been a challenge for you?

Not really, because even before the legal entity was established our products were already in the market and they are synonymous with quality. So we don’t have to go to anyone and tell them what our brands are about, because they already know it.

As you mentioned before, the Turkish Medical Device industry is relatively underdeveloped, especially when compared to Pharmaceuticals. We have seen that especially in our recent interviews with Beckman Coulter, Sysmex and Meditera, who have all advocated stronger quality control mechanisms and stricter regulatory governance within the industry. How can stakeholders best streamline their approach to improve patient outcomes with regards to medical devices?

Whenever I go to the ministry of health or the SGK I see that they are aware of this. They are aware that there are low quality products being sold on the Turkish market which are not sold on the European markets. They are aware of it and they are working on measures to prevent this from happening. The problem is that the CE mark, which is not in fact a quality mark, is being considered as one. So anyone with a CE mark can bring their products to the market here. I know SGK wants to have certain quality measures for reimbursement, but this takes time to develop and I do not believe they have a solution yet.

What I see in Europe is that there it is self-regulation. In Europe hospital administrators and surgeons just don't buy these products, they know they cannot use these products on patients in good conscience. In Turkey, if they have a CE mark, if they have registered, then a tender administrator finds it hard to reject these products because quality is not a factor in most tenders. Especially for sutures we see this problem, and then we hear surgeons complaining that the sutures break.

A crucial step in the sustainable development of the industry, especially here in Turkey is educating consumers. Medtronic highlighted this with the opening of their new training facility. To this end, as a leading innovator, how has J&J gone about its own initiatives in educating healthcare professionals on more innovative techniques and solutions?

We have a number of programmes ourselves. There is a facility in Hamburg, Germany which we use a lot, and in the last few years a new state-of-the-art training facility has been opened at Acibadem University so we partner with them.

Our philosophy in the past was that we would partner with medical associations to deliver our training, but in the last few years we have shifted to give the trainings ourselves especially with regards to minimal-invasive surgery.

We really do our part in educating our surgeons on minimal invasive technologies. Acibadem University has an excellent facility and we partner with the leading surgeons in Turkey to act as instructors on our courses. The result is that we have had surgeons who said that they now felt much more confident in their ability to perform Laparoscopic surgery and who are very pleased with the outcomes of the programs that we do there.

Do you have any plans to expand your programs here, maybe to open your own training facility way down the road or do you intend to continue acting through partnerships?

Creating our own facility is really prohibitive in terms of cost. As far as I know our competitor is not using that facility just for Turkey, it is intended as a hub for the region. It is very difficult to justify building such a centre for a single country.

We do intend to do more training ourselves though, and to continue at Acibadem University. The typical approach in the past was to support congresses, and have the training done there. But in our case we really need to provide hands-on training. A surgeon cannot go back and do a certain type of surgery with only theory, they need to actually get hands-on themselves before performing on patients.

In the healthcare industry, the MedTech industry has the second-highest R&D to revenue ratio, approximately 10% of annual turnover. Can you elaborate on some of the initiatives J&J is pursuing to preserve its competitive place in the marketplace?

Globally, I'm sure you have heard of our partnership with Google, to develop robotic surgery, and I think J&J is really on the forefront here. We have a very strong pipeline of products in almost all areas of surgery.

To what degree does the Turkish government's 10th development plan, which aims to fulfil 20% of demand for medical devices through domestic production, align with J&J Turkey's own localization strategies?

Some of our technologies are rather difficult to manufacture, because of that the company selects certain sites and does the production of those products there globally. So it would require substantial incentives to move production to Turkey. When our equipment fails someone may die and that is why we need state of the art quality systems in manufacturing which are very expensive to create. Ideally we would create this infrastructure at a single location somewhere in the world, and then export it to wherever it's needed. It is difficult to justify this investment to manufacture for a single country.

But we believe that there are other things which we provide to the country. As I said we provide significant savings opportunities, and we always try to be a good partner for the government. Last year for example, the prices for many of our products were sharply reduced. Many of our competitors pulled a number of their products off the market. In light of this we had several meetings and conversations with SGK and we said that even though in some cases we may not make much profit, or even any profit, we have a Credo at J&J and our first responsibility is to the patient. So we kept many of those products on the market. We understand what they are trying to achieve, they are trying to deliver healthcare to a very large population with limited resources and

we try to support them to the best of our ability.

We pushed ourselves to achieve this, and now we are quite worried as the exchange rate has changed quite drastically since then. So we will see whether we can stay in the market with these prices.

I believe that localization should be viewed more broadly. It is not only about manufacturing. As J&J we provide employment and development opportunities for a highly educated, skilled workforce. We bring best-in-class technologies to the Turkish market and ensure that the Turkish patients and surgeons have access to these technologies. We provide very valuable training to our doctors. We do our best to be a good partner to SGK. In summary, we contribute to Turkey in a major way.

As a final question, you joined J&J two years ago, what is your personal goal, your ambition for J&J as the head of J&J Surgery?

My father is a surgeon, and growing up I wanted to be one myself. However I realized that I was not skilled enough to become a great surgeon, I did not have the hands for it. I am glad I ended up here though, because this gives me a chance to deliver what we truly believe to be the highest quality products in the world to people like my father, who can use them to save lives. That is our goal, to deliver the highest quality products and use them to touch as many lives as possible by becoming the leader in the MedTech field.

That is the vision we set, and that is the vision we communicated to our team. We would like to be considered the leader of the MedTech sector by all our stakeholders. For example the government should see us as the leader, surgeons should want to use our products and prospective employees should want to come work for us because they see us as the leader of our industry. If we can achieve that then we will have done a good job.

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