

# Interview: Dr. Peter Olah - Country Manager, Berlin-Chemie / A. Menarini, Hungary

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26.05.2016

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*The country manager of Berlin-Chemie / A. Menarini Hungary, Dr. Peter Olah, explains the impact of a more targeted sales force in driving the company in the last three years, while highlighting his ambitions to push the affiliate into more specialty care. He also describes the most salient challenges currently facing pharmaceutical companies in Hungary and several characteristics that distinguish the market from others in the region.*

**Having just passed your three-year anniversary, Peter, how would you evaluate the company's performance under your leadership? Did you accomplish all the objectives you had initially set out to achieve?**

I stepped into the role of country manager in January 2013, at which point the annual turnover stood at EUR 19.5 million.

My first objective was to reorganize our marketing and sales structure—establishing new lines and appointing more qualified heads in few specific roles. By the end of 2013, we were able to develop a very strong marketing team. After the series of restructuring and budget reallocation, we've been able to grow our yearly revenues by roughly 36 percent or EUR seven million by 2015.

In that same timeframe, we were also able to launch several new products. Two products in particular have been performing quite well. One is in pulmonology, an innovative COPD drug called

Bretaris, which we launched in 2013. And this year we just launched the combination of this product, so we have an additional outlet in this portfolio.

We had two other launches in urology: one for ejaculation praecox called Priligy and one for erectile dysfunction (ED) called Spedra. Due to increasing generic competition, the ED product is only experiencing moderate levels of sales growth.

Aside from new products, we've also focused on building up our existing portfolio. Specifically, we restructured our sales force and created separate teams to target specific therapy areas such as pulmonology and urology, with the remaining dedicated to GPs. Alongside these changes, we've doubled the number of congresses attended and events hosted to complement all the additional field activity.

**You also inherited the reins shortly after the implementation of Széll Kálmán—a cost-containment plan that introduces significant budget cuts across multiple industries. How did you go about preparing the affiliate to adequately adapt to these changes?**

Given the circumstances in this country, companies need to be flexible, agile, and adapt quickly in order to succeed. Part of the reform entailed a 100 percent increase in the sales rep fee, now HUF 10 million (EUR 32,000) per person annually—by no means an immaterial amount on our P&L.

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Our portfolio is 50 percent GP-based, requiring a significant number of sales professionals to adequately cover the majority of 5400 GPs in this country, compared to the mere five or six-person sales team catering to the few hundred specialists. Although we had to bear the cost consequences, this also gave us more opportunity to fine-tune our sales focus, coverage, and frequency.

Overall, the changes forced us to utilize a greater degree of scrutiny on our spending and expenses, but ultimately allowed us to become more nimble and effective, and to secure market-leading positions in various therapy areas targeted at GPs.

Given that most of pharmaceutical products in Hungary now have little room for additional growth, I'm very excited about our future pipeline, with several products that place an increasing emphasis on specialist care—such as in diabetes, pulmonology, and potentially oncology.

**Relative to some of your peers in the market, how would you evaluate Berlin-Chemie's competitive position across its therapeutic areas?**

Our product Meforal is market leader in diabetes within the GP segment. And in terms of beta blockers, Nebilet is still the market leader in the nebivolol segment —though we're facing stiff competition from oncoming generics.

We just entered the COPD market two years ago, with many of our competitors also diversifying into this segment. We believe in our innovative products called Bretaris and Brimica in this particular field, but brand loyalty is quite pervasive in Hungary, leading to much slower market penetration rates.

We have strong position in pain therapy and we have fast growing innovative products for gout (Adenuric), hypertension (Lercaton), and allergy (Lendin). We retain a market leading position in urology with our OTC drug Prostatamol Uno, which is used to treat benign prostate hyperplasia.

Due to our dedicated and scientifically trained sales force with high professional knowledge and long lasting relationships with GPs and specialists, I can tell that we represent a very competitive power in any field we operate in.

**Based your experience and interactions, what consideration factors resonate with doctors the most when evaluating and prescribing new products?**

We're constantly emphasizing the value of our innovations and communicating the type of added benefits compared to existing treatments on the market. GPs in Hungary tend to participate in a lot of events, congresses, and educational seminars—but the type of therapies prescribed has been changing very slowly.

For example, we have an antidiabetic product whose indication was approved for treating also pre-diabetic patients. We have been promoting this new indication to GPs and specialists for more than six months, but we realized that doctors are very much overburdened, therefore they have limited time for a rather preventive indication. I think this phenomenon is mainly caused by the current healthcare system because in Hungary doctors are not motivated by the insurance fund to focus on prevention. Additionally, over 200 GP positions are empty in the country, leading to oversized patient pool for the rest.

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However, prevention should not be undervalued because people with pre-diabetes more often end up developing full blown diabetes at a later point in time, ultimately requiring much more time, effort, and strain on the country's healthcare system.

Reimbursement is very important in Hungary. During the last 50 years people got used to cheap products and this expectation still persists today. In order to meet this expectation, many healthcare practitioners have a tendency to prescribe cheaper medications. Therefore products without reimbursement, and in turn, higher prices can count on slower penetration despite of their scientific benefits.

Despite extensive marketing campaigns and advocacy efforts, deeply rooted habits are difficult to change. Many regions, especially with all the medical professionals migrating out of the country, don't even possess a practicing doctor. Because of this, in some regions, the only information source for doctors is the medical representatives; but due to the rep tax, companies have cut back their sales force staff, further limiting doctors to get up-to-date scientific information and hindering the widespread adoption of new therapies.

But, face-to-face interactions are still the primary channel we use to communicate with GPs. Though, we see that specialists and younger GPs are much more forthcoming to technology-based channels such as webcasts, news sites, or email.

**We've seen many policies and regulatory frameworks bring industry growth prospects to a standstill in recent years—especially for innovators. What do you believe to be the most pressing changes that need to occur in order to truly capitalize on Hungary's potential moving forward?**

The limited drug budget will still be the primary constraint moving forward. Next year's budget has already been submitted and the planned spending on drugs is lower than actual spending last year. The Association of Pharmaceutical Manufacturers (AIPM) and the four Hungarian trade associations are in continuous negotiations with the government to improve the situation.

The current "blind bidding" system offers preferential treatment for the lowest priced products—which are not always the best ones—creating a downward spiral both in cost and quality.

As a part of a widespread effort to diminish the country's mounting sovereign debt after the global financial crisis, the government implemented several supposedly temporary cost-cutting measures targeted at multiple industries—healthcare being one of them. In 2006, the annual sales rep fee was introduced as HUF 5 million per rep (USD 18,000) and the clawback tax on reimbursements was only 12 percent, and the reforms introduced in 2010 increased those figures up to HUF 10 million (USD 32,000) and 20 percent respectively.

But even though the economic indicators such as GDP have all improved, the pharma industry is still confronting the same legislative constraints. That's mainly due to the fact that healthcare, along with education, is simply not a priority at the moment for the government. This is also in part why there's been an exodus of healthcare practitioners, who have been avidly seeking other countries in hopes of higher wages and better working conditions.

Furthermore, the current "blind bidding" system offers preferential treatment for the lowest priced products—which are not always the best ones—creating a downward spiral both in cost and quality. When launching new products, we can only price them within a certain price threshold of existing products on the market or else we lose reimbursement. This often leads mother companies to withdraw their best products, even if most costly, from reimbursement in order to prevent other established markets against a price decrease or parallel export.

**From your perspective, how can the industry better collaborate with government stakeholders to create a more forthcoming operating environment?**

AIPM, the peak public affairs organization for innovative pharma companies, has actually shifted its strategy a little bit. Instead of constantly fighting for an increase in budget, their advocacy efforts have changed to focus more on depicting quality healthcare as a pivotal component for long-term economic growth—further emphasizing healthy people as a pre-requisite for enhancing productivity. Essentially, the underlying thought process is to initiate discussions based on common goals and mutual understanding, as opposed to positioning the industry's needs as one-sided demands. Health literacy, in particular, is one area where we believe our tax revenues should be channeled. Improving patients' understanding of preventative care, treatment options, and basic health financing can only serve to benefit both sides—implementing cost-savings and efficiencies across the entire system.

As it currently stands, the industry is subsidizing approximately 20 percent of the drug budget—much of it financed through our fees and taxes. On top of this, pharmaceutical companies are currently investing approximately HUF 90 billion (USD 300 million) in clinical trials. So, our commitment to Hungary has been self-evident, we can only hope to have that better recognized at some point down the line—not only for our sake, but more importantly the patients.

**Leveraging your extensive career in this industry and country, what defining qualities do you believe truly make the Hungarian pharmaceutical industry unique?**

Hungary is not a market for widespread growth or profitability. In order for companies to be successful here, they need to be adaptive, dynamic, and flexible. Change is perhaps the only

constant in this country; policies, procedures, and regulatory frameworks are altered almost on a regular basis now. These changes then require continual interpretation and adjustments in strategy.

The current government does not adequately recognize the value of healthcare, and more specifically, pharmaceutical companies. The government has a rather distorted perception that the pharma industry makes excessive profits and must be taxed accordingly. Because of this, now more than ever, all stakeholders across the pharmaceutical value chain need to band together as a collective in order to truly demonstrate the benefits that we bring to this nation and its citizens.

Companies coming to Hungary for the first time should prepare themselves for fast changing regulations and challenging market access. They should adopt the Hungarian mindset in order to assimilate into the business culture. Face-to-face interactions and relationship building are imperative for bolstering commercial prospects in the long run.

Aside from having different ethical requirements and interpretations of the law, Hungary's pharmaceutical industry is also extremely competitive. But despite the fact, there are still plenty of opportunities to develop a sustainable and thriving business.

**What priorities are at the top of your agenda as Country Manager moving forward the next three to five years?**

I see three factors which can contribute most to our future success. First, we will focus on streamlining our existing portfolio, specifically identifying the products with most growth prospects and targeting our resources to develop them further. Second, we'll also be launching new products in existing therapeutic segments to extend treatment depth and create more portfolio synergies. Third, due to the current rep tax system we cannot increase our staff unlimitedly, but we can increase their knowledge considerably. We plan to focus more on personal development via continuous trainings because I believe the companies that can win are those that have the highest-level professional staff both from a medical and business point view.

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