Interview: Andreas Bosshard – General Manager, Mepha-Teva, Switzerland



The merged companies balance the spirit of the local brand with the strengths of an international company

22.09.2016

Tags: Generics, Switzerland, Teva, Innovation, Strategy, Pharma, Pharmaceuticals

Andreas Bosshard of Mepha-Teva in Switzerland describes Switzerland's unique generics market, the quality of the Mepha-Teva brand, innovations within generics, and the company's growth strategy within the Swiss market.

It has been five years since the merger of Teva and Mepha in Switzerland, and curiously the brand name Mepha remains in the Swiss activities. What is the rationale behind this?

Mepha has been known in Switzerland for over 60 years. It was a private local Swiss company that grew organically through the growth of generics. The Mepha trademark in Switzerland is extremely well known, not only to doctors and pharmacists, but also to patients. About 70 per cent of a given patient pool will recognize the brand name Mepha and the rainbow sign, as well as the connection with generics. Teva on the other hand was new to Switzerland and had a small presence. We sell Teva's original products under the Teva brand, but all the generics are sold under the Mepha brand within Switzerland.

Do you see this dual marketing plan prevailing in the future or will there be an eventual consolidation of the brands?

It is possible that one day we may have one brand. One brand is definitely easier; however, for the time being we do not have any plans of changing Mepha-Teva. In the Teva world there are other

countries that have a similar situation, depending on the strength of the brand in the local market.

The process of merging two companies together can present obstacles, but also lead to improvements in terms of skills and know-how. What skills do you see that the Mepha-Teva brand has acquired post-merger?

The Mepha-Teva merger presented advantages to both entities. Mepha was a very local brand with the advantage of being a strong part of the Swiss market. Mepha had strong relationships in Switzerland, which in a small market is crucial. It was also known as being a very personal company known for caring for patients and also known for being a part of Switzerland. Teva is a strong international powerhouse, which offers more than a local company could ever achieve in terms of product, pipeline, professionalism, and patent know-how. The merged companies balance the spirit of the local brand with the strengths of an international company.

Has striking this balance required hiring new people or changing business practices?

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We did not have a forced reorganization and the transition was more natural. The workforce has changed very little over the years, which is important in Switzerland because we value those personal relationships. This was also thanks to Teva because they had the know-how to create a successful take-over. Teva has practice with acquiring companies and they know how to implement a smooth transition.

Teva previously had a small footprint in Switzerland and must have sought your opinion on the Swiss market during the merger. What characteristics did you point out that make the Swiss market unique?

The Swiss market will not change Teva or Teva’s strategies, although the company appreciates the ambiguities. This is a special market that is unique because there is free choice for the patient, for the pharmacist, and for the doctor. Nobody is forced to take a generic, as for example in Holland, where there will be a generic on the medical list for the year and that list will change when there are new deals with different companies. In Switzerland, the patient chooses whether to take an original, or a generic and whether to take Mepha or another brand. There is only a ten percent co-payment so the patient does not necessarily feel the price difference either. Therefore we have to convince the customer through top quality, a good brand, and reliable services. Without these elements, a generic would not sell in Switzerland. On average, our prices are roughly 30 per cent cheaper than the originals, but it is not this aspect that changes the patient from one drug to

another.

Do you believe that this system of free choice will change, or is it too deeply embedded into the Swiss culture?

There is always an effort by certain interest groups to decrease prices. We have higher prices for generics than other countries in Europe, and one of the reasons for this is that we have to provide a full package range to the patient. The price surveyor of Switzerland has noted this price difference and says we need to lower the prices; although, if prices are lowered this will have an impact on the quality provision. We believe that this will not meet the high patients' expectations. I am also convinced that forcing people to take different generics is not the right method either. For example, patients that are old and sick may take several different drugs every day. Now imagine a scenario where several of these drugs are generics, and every year they change due to the different partnerships the government makes. This means that the color, the size, and the names of the drug will change. That is difficult for someone who has to keep track of their medicine regime. There is little research about the difficulties with switching, but it does not take a lot of imagination to see the struggle that elderly people face with changing constantly these drugs. Personally I believe in the current system, and the Swiss people believe in this system. If prices are lowered too much then the entire system would change, and it is not something that can be changed back easily.

With market penetration low, how do you see Mepha-Teva evolving? You are the market leader here, and you have to generate the demand, what is your strategy in doing this?

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We have three drivers for our future success. The first is in price decreases, which we view as negative. The second is a positive driver, and that is through growing the product offering. We launch between 20 and 30 new generics per year. The third driver is substitution, and this involves convincing and educating the doctors, the pharmacists and the patients to choose a generic and save a little money for the patient, a lot of money for the system, all without having any negative impact, and perhaps even a positive impact on the quality of the treatment. On these fronts we introduce new technology and machinery to launch products to market, and in terms of substitution we have an ad campaign and a pharmacy campaign that reminds the patients that they have free choice. We also train pharmacists and their employees so they know where and when substitution is possible. There are certain differences between generics and originals so this training is important.

You have products in many different categories, when launching these campaigns, where is Mepha-Teva's focus?

Our business model differs from originators because we do not focus on a certain category. We launch substitution campaigns that promote the concept that our company offers a full range of generics covering practical all indication areas. Our products can cater to 80 to 90 percent of the need of general practitioners.

Teva recently acquired Actavis, do you see this acquisition having an impact on Mepha-Teva Switzerland? How will this affect competition within the market?

Actavis makes up 10 to 12 percent of our business in Switzerland. They will be integrated into our business with some changes. There is strong competition within the market, with all the generic companies, but especially with Sandoz. We both keep each other on our toes, which is good and healthy for the sector.

Doctors in the United States are now giving much less time to pharmaceutical companies than they used to. From what you have said, it seems that there is still a great dialogue between stakeholders in Switzerland?

Absolutely, we maintain strong communication with both the practitioners and the pharmacies because both have the ability to substitute. We have about 50 employees that visit every specialty of doctors and there are very few that do not want to speak with us. It is also different because in Switzerland we see the doctors twice per year and for more time than other countries. Each time we speak, we have many new products that they are interested in hearing about.

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