

Interview: Guilherme Maradei - Managing Director, Brazil; General Manager Biopharma, Merck



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Guilherme Maradei, managing director of Merck Brazil and general manager Biopharma, documents the eye-catching growth that the Brazilian affiliate has been experiencing over the past two years and provides insights into the outstanding footprint of the company in Brazil as well as its remarkable ambitions and achievements when it comes to innovative partnerships with both public and private stakeholders.

Looking at your career path, you worked for almost seven years at McKinsey in Brazil and the US before taking over strategic positions at regional and global levels at Pfizer for around six years. What motivated you to look for country manager positions in Brazil, first at Valeant and now at Merck?

I wanted to be as close as possible to the business operations, where I felt I could generate most value by identifying and capturing opportunities directly in a market. Being in the headquarters gave me a lot of visibility as to how global decisions are made and how to steer the company's longer-term trajectory, but I was always fascinated by the idea of leading a team to actually improve performance and generate new value in the near term. This has been the key driver. Brazil was a natural choice as I am originally from this country and know the local healthcare landscape well enough to maximize our organization's impact on this market, but I have had experience in other markets as well, including the US, South Africa, Australia and other countries in Latin America.

2015-16 has been a very busy period for Merck, with a new global CEO, new directives in terms of group offerings, a hastening of R&D, and the development of three new divisions: healthcare, life science, and performance materials. At the Brazilian level, what would you highlight as your main achievements over the period?

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Merck Brazil has been growing consistently faster than the market over the last couple of years, and we hold leadership positions in almost all therapeutic areas that we cover. As a matter of fact, we are growing this year above 20 percent in volume, whereas the market in general has been increasing volume just slightly above four percent. This performance is mainly credited to the success that we continue having in our primary care and general medicines areas, whose primary focus is on diabetes, thyroids and cardiovascular areas. For instance, in type II diabetes, we proudly hold the highest prescribed brand across the entire industry, Glifage XR®, which has further grown 25 percent in volume year to date (August 2017). We also lead in areas such as hypothyroidism with our family of products that include Euthyox® and its generic version levothyroxine.

Although primary care makes up around 60 percent of our sales, we have also fostered a real performance turnaround in our specialty care area. We have had remarkable results in the oncology field with Erbitux®, which is the gold standard to treat head and neck cancer as well as metastatic colorectal cancer. Sales have grown over 50 percent in the last two years, as a result of our focus on better conveying to oncologists the product's scientific differentiation and significant patient survival improvements when the right groups of patients are treated with Erbitux®. Besides oncology, we have achieved and maintained leadership in the growth hormone arena with our brand Saizen, and also stand out as the undisputed leader in drugs for human fertility, which make Merck a true point of reference for fertility clinics in Brazil.

In the neurology area, we have recently established an important partnership with the Ministry of Health for the technology transfer [*called Productive Development Partnerships (PDP) in Brazil, e.d.*] of Rebif®, which is used to treat Multiple Sclerosis (MS). Through this PDP – the first ever signed by Merck in Brazil – Merck's global team has been supporting the transfer of knowledge for the production of interferon beta-1a to a Brazilian public laboratory chosen by the government, with the objective of ensuring they hold the technical expertise to produce the drug within the quality standards specified by Merck after they initiate this production in the future, within a few years. In this regard, this PDP stands as a great step forward in improving and broadening Brazilian patients' access to a life-changing product such as Rebif®, while also strengthening Brazil's industrial capacity in the biologic field.

Given the persisting importance of the primary care business in Brazil, are you not afraid of seeing a growing discrepancy emerging between the Brazilian operations and the global focus of Merck on specialty care?

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At Merck, we say we have a 'double mission'. On one hand, we will bring to market the innovative therapies that we are developing in specialty care areas such as oncology and neurology & immunology. For example, we hold great expectations regarding Merck's ground-breaking Bavencio® [*the first and only FDA-approved anti-PD-L1 immunotherapy for patients with metastatic Merkel cell carcinoma (mMCC), e.d.*]. In Brazil, Bavencio® has already been submitted for approval to ANVISA for the treatment of mMCC, a field in which Merck has conducted the largest clinical studies to date. We also hope to get Bavencio® approved in an increasing number of indications and therefore follow the way paved in the US market, where Bavencio® was recently approved for bladder cancer as well. Furthermore, we have also initiated the registration process of Mavenclad®, the first oral short-course treatment for highly active relapsing multiple sclerosis (RMS). Mavenclad® indisputably stands as having the most convenient dosing regimen for patients who live with MS - it only requires a ten-day period treatment per year in the first two years, and then the patient can go another two years without treatment. For this reason, we believe Mavenclad® is the treatment alternative that is closest to the cure for patients with MS.

In parallel, the other pillar of our double mission is to continue strengthening our core businesses, including the primary care sector, through products that are particularly affordable and prevent chronic diseases from advancing to life-altering complications - such as member amputation in the case of diabetes when not treated in early stages. In this regard, we recently restructured the team that focuses on the commercialization of our branded and generic portfolios in primary care. The changes we have made recently have proven extremely successful so far, as sales of our generics have grown over 50 percent so far this year.

To support this growth, we have invested in our production plant for primary care products located in Rio de Janeiro, which is one of Merck's largest manufacturing assets in the world, with over 95 percent of its production aimed at the Brazilian market. This plant operates at full capacity and - after several years of investments worth over USD 50 million - we have just opened new production lines in March of 2017. We are already planning another expansion for 2019, which demonstrates how fast our primary care sales continue growing in Brazil.

Looking forward, the country's private market is set to benefit from Brazil's exit from a two-year recession, as - according to the Brazilian economist Ricardo Amorim - over 35 million people should join Brazil's middle class in the coming years. How do you go about developing innovative access schemes in the private market?

Building innovative access solutions in the private market actually stands as one of the promising development opportunities that we want to increasingly explore moving forward. We have already managed to successfully include several products in the formularies of private health insurances, but we definitely have room for further improvement in this area. This aspect is evermore critical for us as around 80 percent of our sales come from the private sector, which is higher than for most other multinationals, for which sales tend to be more evenly balanced between the private and institutional markets. To continue increasing access to our products, we work with payers on pharmacoeconomic studies and demonstrate that when patients are treated with our products at the right time and in the recommended doses, payers save on their overall expenditure, as they will be able to reduce or avoid inpatient care costs and minimize the cases of complications that tend to be significantly more expensive to treat.

For leading multinational companies like Merck, the strategic importance of the Brazilian market also entails a heightened responsibility towards the local ecosystem. How would you define this heightened responsibility when it comes to Merck Brazil?

We are an integral part of the overall Brazilian healthcare system, which is exemplified by our company's long-term commitment to this country and our tireless efforts to develop structural partnerships with private and public stakeholders. To fulfill this overarching objective, we can rely on Merck's global resources, expertise, and scientific discoveries, while we operate and see ourselves as a local company. In this regard, we have been consistently looking at bolstering new public-private partnerships in Brazil because we believe that private companies have a crucial role to play in building a more outcome-oriented model of healthcare in the country.

Besides the aforementioned PDPs for Merck's Rebif®, our company's commitment to the Farmácia Popular program is another example that illustrates how we concretely contribute to shift the healthcare paradigm in Brazil and broaden the access to life-changing treatments. Farmácia Popular is one of the best access programs ever implemented in Brazil, focused on specific chronic diseases such as diabetes and hypertension. Through this program, patients receive highly-needed treatments at the early stage of the disease progression, which is particularly crucial from therapeutic and cost-effectiveness standpoints. Farmácia Popular was initially set up in 2004, but it was only in 2011 that specific diseases were identified as strategic and related products started to

be provided free of charge to patients (or with a 90 percent discount in some cases). As a result, since 2011 Brazil has seen a decrease of over 10% in the number of inpatients with diabetes complications (from 75.2 inpatients per 100,000 inhabitants in 2011 to 65.5 in 2016), despite a 42% growth in the prevalence of this disease (in 2011, 12.5 million patients had been diagnosed with diabetes, compared to 17.7 million patients in 2016).

Despite these significant benefits, these products' reimbursement prices have never been increased since they were first set up in 2004 (in fact they have been reduced by 40 percent, on average). This means that Merck and other pharmaceutical companies providing products as part of this great program, as well as pharmacy chains involved in their distribution, have been increasingly subsidizing the population's access to drugs under Farmácia Popular – to the benefit of Brazilian patients. For reference, the cumulated inflation in the period from 2005 to 2016 amounts to 88 percent, while salaries have increased by 114 percent, and yet the products under Farmácia Popular now cost 40% less to the Government. We believe Farmácia Popular indisputably has been a huge success in terms of access, as it allowed millions of Brazilians patients to access high quality and life changing treatments – this is precisely why Merck has remained committed to Farmácia Popular throughout the years, and this commitment also illustrates what we see as our contribution and responsibility toward the local ecosystem.

During your time at Pfizer, you worked directly with the company's Chairman and CEO, Ian Read, who actually used to be Pfizer's country manager in Brazil. This example showcases how Brazil can be seen as a launchpad in the career of brilliant executives. Since you took over as the head of Merck in Brazil, which critical skills have you honed that you will be able to leverage when moving across the organization?

Like a few other emerging markets, Brazil is very large and diverse, but also extremely complex and volatile, which means that the dynamics in the private and public markets can change abruptly. In this regard, operating at the executive level in this country requires constantly monitoring external trends and being extremely agile to adapt a large-scale organization to ever-changing trends. As a result, I always keep a close eye on our affiliate's numbers, the performance of the industry through various indicators as well as other market data, and this probably comes from my background as a consultant and as an engineer. I believe this approach works well to anticipate changes in the environment, define and implement actions that help ensure our business is best positioned for growth at any given scenario.

To give a sense of Brazil's economic volatility, the country experienced significant growth cycles over the last twenty years, but in 2015 and 2016 we faced an unprecedented crisis. GDP

contracted by 3.8 percent in 2015 and by 3.6 in 2016, which was unprecedented in the country's modern history. So operating in Brazil during these years required finding ways to continue growing the business – even during a recession period – like we did by growing our generics sales by over 70% in the last two years. This experience is very valuable when leading businesses anywhere globally, as business leaders have to continuously look for growth drivers that will allow the company to outperform the market regardless of economic context. In this context, my approach to navigate these economic cycles is to never lose track of our long-term vision and the inherent potential of the business after an economic downturn period is over.

Furthermore, I believe the most successful global executives of the future must have an in-depth understanding of high-growth, strategic emerging markets – just like experience in developed markets has been important in the last decades. As countries like Brazil have gained importance in multinationals' growth plans, holding on-the-ground experience in this country is a valuable asset when it comes to shaping the global strategy of a multinational company.

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