

# Interview: Janis Meiksans - General Manager, TEVA

## Baltics

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*Janis Meiksans, general manager at TEVA Baltics, explains how the base of the company's success is what they call 'generic evangelism' and how from being a marketing and distribution organization in the region, they successfully managed to rank number one pharmaceutical company by sales.*

### **Janis, can you talk our international readers through Teva's relationship with the Baltics?**

Teva started its operations in the region through distribution agreements. Today, especially after Teva's acquisition of the Cephalon / Mepha company, we saw an exponential growth mainly due to Teva's bold inorganic moves. As far as the Baltic region is concerned, the real game changer was the acquisition of the production site in Vilnius, as Teva does not have many production sites of biologics in Europe apart from the German and the Lithuanian facilities. It puts us somewhat under the spotlight, given that we do not have a biologics production site either in the US or in Israel, Teva's headquarters.

In short, from being a distribution and marketing organization in the region we became one of the largest producers. This, in turn, had a positive impact on our relationship with the government: now we are considered to be the goodies! Our exports account for about USD 200 million, which, although by international standards is not an especially significant figure, it is meaningful

compared to the overall size of the Latvian economy. It is safe to say that we are the most profitable company in the Baltics and, as a result, the profit tax that we are currently paying in Lithuania is becoming a concern.

**Can you give us an overview of your headcount and where most people are distributed?**

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We have a bit less than 300 personnel spread across the Baltics. We decreased our headcount by 10 percent due to the global reorganization of the company. In addition to that, we cut the expenses dramatically in order to help our peers in the US who are dealing with fierce pricing pressure. Our employees working in marketing and sales are proportional to the market size, about 50 percent of them are in Lithuania and then 25 percent in Latvia and the remaining 25 percent in Estonia.

**We understand that there has been a repositioning to making Latvia the lead office in the Baltics. How do the three Teva branches collaborate with one other?**

If we look at Teva Baltics from a legal perspective, we have a limited liability company in Lithuania and two affiliates in Latvia and Estonia. Based on my experience, I believe that it is of vital importance where you put your talents, and, to this purpose, we decided that we were not going to have one single headquarter in the Baltics. Instead, we have an in-built flexibility which allows us to use are entire catchment area for sourcing talents whenever we have a vacancy for a specific role in one of the three affiliates.

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**In terms of functions, production is in Lithuania. What activities are carried out in the other affiliates and how are they distributed?**

At the moment, we have two business units – OTC and prescription medicines – as well as commercial operations in Latvia and Estonia. What is specific to this region is the pharmacy chains. They are the leading power, much more so than in Germany, France or any other mature European market because of their consolidation. In Estonia, for instance, the two major pharmacy chains control about 95 percent of the market. The management of the business of the pharmacy chains is, thus, the key success factor. To this purpose, we came up with a specific nuance to the function called ‘key account management’ which is a title that can be easily found in other big corporations.

**How would you describe the strategic importance of the Baltics activities relative to the rest of Teva's operations in Europe and globally?**

At Teva we are a part of a large CEE Cluster which is built of 8 markets and is an important region for Teva European business in terms of scale, population of patients and business efficiency. In smaller markets you have to think twice of how to get things done in an effective way which is a very valuable experience. This is why I am a strong advocate of the 'clusterization' of countries. One thing we are particularly good at in the Baltic region is sharing functions across borders, taking into consideration that we have three completely different national languages. This is for instance an issue when it comes to packaging as we need to decide whether providing packages in the three national languages and/or using a fourth common one. I think we can rightly be held as an example as we successfully managed to collaborate in small countries and find common ground. If these paths are followed, the single countries are winning, the clusters are winning, and the companies are ultimately winning, too.

**How do you contribute to the production of biosimilars and on the R&D side overall?**

Teva Baltics Vilnius plant manufactures high tech biological specialty products (in oncology), which generate significant added value to company and are distributed to over 50 countries including US, EU, Japan and emerging economy countries. Export of products exceeds 95% and Teva has invested >45 mln \$ into plant in the last 5 years due to the growing demand of its production.

**You are a strong advocate for clusterization, however we noticed that these are very different markets. There is a tendency in Western Europe to consider 'the Baltics' as a single monolithic block, but when you come here you find different cultures, languages and legislation. What do you perceive as the main differences between the three markets and how do you manage them?**

Lithuania, Latvia and Estonia are three different countries with different pharmaceutical markets. If we take the Baltics as a whole, Teva is the first pharmaceutical company by sales at the moment. If we look at country by country, in the OTC business in Latvia we are number one, in Lithuania number two and in Estonia we are number four. In the generic segment, instead, in Lithuania we are number one, in Latvia number two and in Estonia we are number five.

In terms of main differences, first and foremost the way the government manages healthcare is very different. The overall attitude, the financing and the organisation of healthcare changes radically from one country to the other. If you look at Estonia, which is in the best position from a governmental perspective, there is no willingness in developing a strong private healthcare system

as you can access public healthcare very easily.

This is, for instance, not the case in Latvia where basic public healthcare system is very limited and requires significant out-of-pocket payments. As a result, private healthcare is very developed. Lithuania is in between and to some extent it resembles the Polish healthcare system with very strong political influence, although the health minister is proactively working to move away from this system more and more.

**How optimistic are you about the healthcare financing to be increased to EUR 200 million in Latvia, which will partly go to raising salaries of doctors and the rest will be mainly channelled towards better access of innovative medicines?**

The base of our success is largely due to what we call 'generic evangelism', but you will be surprised by the lack of understanding of the importance of generic medicines out here. A EUR 200 million investment for a small economy is quite a change and I am positive people will greatly benefit from it. As a company, we are not chasing a share within this investment – we are fighting for access and affordability of medicines for patients which is ultimately our competitive advantage. I do not believe it will have a major impact.

**We hear from the various regulators and the ministers that they are looking for a closer collaboration with the industry. How do you describe your relationship with the authorities in Latvia?**

We are very active throughout all possible channels and we have had a high level of collaboration in Latvia and Lithuania. What we are struggling with at the moment is having engaging discussions with the medical professionals about the importance of generics for the sustainability of the whole system.

**Can you elaborate a little bit on the attitude of practitioners to generics as well as consumer preferences in the three countries?**

If you asked people on the street, the term itself might not ring a bell for a big proportion of them. On the other hand, some physicians are negative when it comes to generics, especially when they bump into a negative newspaper article, which very often are based on stereotyped or inaccurate information. I would like to believe that the Baltic society is pretty much in favor of generics, but we still have a lot of awareness raising and educating to do. Estonia is the country with highest uptake of generics, followed by Latvia and Lithuania.

**There is an ongoing debate on the sustainability of the healthcare system and substituting expensive drugs for cheaper generics is a great favor on the state purse. How receptive are authorities of the uptake of generics and are they taking measures to urge the physicians to prescribe cheap generics?**

Authorities have all the assets to understand the value in having a higher generic penetration. Our current health minister, Anda Čakša, she worked in the industry herself and thus she knows the dynamics very well. Ms Čakša, is a very coherent minister but there is still uncertainty as to how her ideas will be implemented. Generally speaking, we are still very far from understanding how to make healthcare sustainable – not just in the Baltics but globally.

**You have been in this position for six and half years. What would you say have been your milestones?**

I have been actively taking steps to gaining more and more market share.

When we started we were in the top ten and now we are the first pharmaceutical companies by sales.

**Where will we see Teva in five years' time?**

We will continue the process of clusterization. We will be working on a more united Europe and I do believe that Teva will play a significant role within it.

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