

# Interview: Gilles Renacco - General Manager, Servier Turkey

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*Gilles Renacco, the recently appointed general manager of Servier Turkey, provides insights into the successful localization process pioneered by Servier in the country, where 98 percent of the company's products are nowadays locally manufactured. He also highlights the strategic importance of the country for the Servier Group, his key priorities moving forward, as well as the expectations of multinational companies when evaluating the opportunity to further invest in Turkey.*

**Over the past 13 years, you have honed an extensive international experience in senior executive positions at Servier in Central and Eastern Europe as well as in Latin America. What are some of Turkey's key specificities that have caught your attention over your first ten months in the country?**

With a population of over 80 million inhabitants, Turkey is a large and rather centralized country benefiting from many assets. Furthermore, I have been pleasantly surprised by the level of organization of its health care system, as well as by the size and dynamism of its pharmaceutical market.

The Turkish economy has proven itself being particularly dynamic over the past eighteen months [Turkey even outperformed China and India in 2017 and Q1 2018 with a GDP growth of 7.4 percent - Ed.], but it has been facing a few difficulties more recently, as highlighted by the Turkish Lira's fall [which reached a record low at 1 EUR= 5,7 TRY on July 13 - Ed.] and the sudden rise of the

inflation rate which reached a 14-year high in June 2018. In the meantime, Foreign Direct Investments peaked in 2007 and have been decreasing since then. In this regard, one will have to carefully monitor the evolution of the Turkish economy over the next quarters as well as the reforms that the government may enact in the coming weeks.

Following the referendum of April 2017 and the snap presidential and legislative elections of July 2018, Turkey adopted an executive presidential system. As we speak, we are just a few days after the appointment of President Erdoğan's new cabinet, so we must see how things will evolve from political, economic and healthcare standpoints. In this regard, recent declarations somewhat hinted that substantial changes may happen on the healthcare side.

**You were General Manager of Servier Argentina between 2015 and 2017, what kind of transferable skills have you developed in Argentina that could be relevant in Turkey?**

Turkey undoubtedly stands as a less versatile country than Argentina. Looking backwards over the last decade, its economic fundamentals are especially much more stable and stronger.

However, both Argentina and Turkey are currently marked by a relatively high level of unpredictability, and the pace at which things evolve in these two countries can be impressive. In this context, it is extremely difficult to anticipate changes, and companies' capacity-to-adapt and priority management thereby emerge as crucial skills. These aspects concern all strategic decisions that a pharmaceutical executive is led to make, from market access strategy to promotion investments, as well as recruitments or organization fine-tuning.

**On the pharma side, would you consider Turkey a typical *pharmerging* market?**

The Turkish pharmaceutical market holds both features: some are definitely those of a developed and mature market, while others are closer to emerging countries' features.

A remarkable specificity of Turkey's pharmaceutical and healthcare sectors vis-à-vis typical *pharmaemerging* markets relates to the country's comprehensive reimbursement system, which was set up as part of the first Health Transformation Program (HTP) [2003-2013]. Today, this reimbursement system widely covers medicines spending, regardless of the patient's decision to attend a public or a private hospital. This marks a tremendous difference with most *pharmaemerging* markets, where reimbursement systems are typically less advanced and comprehensive.

Marketwise, Turkey however shares with other *pharmaemerging* countries the specificity to hold a dense, generic-oriented domestic industry, which has gained a strong presence in the market Top 20. Last but not least, Turkey's remaining market access hurdles throughout drugs approval, pricing, and reimbursement processes are also rather typical of a *pharmaemerging* market.

**How would you rate Turkey's level of market access, especially when it comes to innovative products?**

Once a product's price has been approved by the Turkish Medicines and Medical Devices Agency (TITCK) and the product is included within the Social Security's (SGK) reimbursement list, pharmaceutical companies can expect a wide access of their medicines for healthcare professionals and patients, even for innovative products.

[Featured\_in]

However, successfully navigating this process is no bed of roses. First of all, it remains particularly complex and lengthy: as a matter of fact, from GMP certification procedure, prioritization status fixing, registration until pricing and reimbursement approval, the whole process can take up to five years overall... This is a major burden for pharmaceutical companies, especially for foreign, innovative ones.

The second hurdle is well known: Turkey imposes among the lowest prices in the world for medicines. When adding to these low prices the negative impact of the current degraded exchange rate TRY-EUR, the situation gets even more complex for the pharmaceutical industry.

Only ten months into my mandate in Turkey, my feeling moreover is that reimbursement decisions are mainly based on a budget impact evaluation, while the innovative industry has been calling for years for a more comprehensive healthcare technology assessment to be enforced. Ideally, the latter should also combine medical and potential economic savings brought by a new medicine in a more holistic manner. In this regard, I hope that the changes recently announced in terms of Healthcare Technology Assessment will go to this positive direction.

**In April 2018, Servier has entered into a definitive agreement with Shire to acquire its Oncology business for \$2.4 billion, including in-market products Oncaspar® (pegaspargase) for acute lymphoblastic leukemia and rights outside the United States to Onivyde® (irinotecan liposome injection) for pancreatic cancer. Given the market access barriers you identified, do you envision launching these products in Turkey?**

About this acquisition, Servier's project to acquire Shire's oncology branch remains subject to the approvals of certain merger control authorities and local requirements. Until closing of the transaction, Servier and Shire will continue to operate as independent companies in the oncology space.

Concerning Turkey, both Shire medicines are not yet locally registered. However, the Turkish Pharmacists Association (TPA) can import them from abroad, on an individual patient basis. This special access program allows the TPA to buy products directly from foreign distributors before 'reselling' them to the SGK. While requiring the approval of a dedicated scientific committee, this program aims to maintain access for Turkish patients to innovative treatments, even for products that foreign companies have not yet registered in Turkey.

However, benefiting from this access program emerges as a lengthy endeavor, requiring time that

patients with serious health conditions typically do not have.

Therefore, once the transfer of activities with Shire will be operated, our local challenge will be to pursue the registration processes of Shire medicines. We are currently going through the same process for another oncology drug, Lonsurf® (trifluridine-tipiracil hydrochloride), for treating metastatic colorectal cancer.

**Servier has built extremely strong footprints in emerging countries, especially in the BRICS. As a matter of fact, China already stands as the company's first international market, while Servier's Russian operations post revenues above the USD 250-million mark. What is the importance of Turkey within the global operations of Servier in 2018?**

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It makes no doubt that Turkey is a priority for the Servier Group. Although the TRY-EUR exchange rate has been particularly unfavorable to us during this fiscal year 2018, Turkey is proudly standing around the Top 10 Group's subsidiary (in turnover).

The Turkish affiliate is moreover expected to be one of Top Three fastest growing affiliates of the group (in turnover) in 2018, with a targeted 23 percent growth in value and a double-digit objective in volume. With regards to volume, Turkey is already the third country within Servier Group, behind Russia and China.

Looking at Servier's forecasts for the next five years, Turkey is set to be among the Top Five affiliates in terms of turnover growth. Last but not least, after several challenging years, the net profitability of the Turkish affiliate now stands above the Group's average.

However, beyond all these local figures, what makes the uniqueness of the Servier Group is its international governance. The Company is a Foundation, totally independent from external investors, shareholders or stock exchange markets. We finance by ourselves our own development, with a long term vision. Thus, all the profits generated by our activities, in Turkey and elsewhere, are reinvested in Research and Development activities, for the therapeutic progress and the direct benefits of the patients.

**One of the key changes that happened in Turkey over the past two years was the enforcement of localization policies. Servier however announced as early as 2016 that it decided to localize the manufacturing of its product related to the Turkish market. How has this plan been put into motion over the past two years, and what's the importance of Servier production in the country?**

Servier ilaç was indeed among the first movers in this regard because my predecessor and our local Turkish team swiftly identified the potential positive outcomes that localization would usher in for the affiliate, the Group at large and Turkish authorities. This was clearly no easy task, but Servier's HQ realized that this model would enable to meet our company's quality standards while

displaying an improved cost efficiency.

Today, 98 percent of Servier products sold in Turkey are locally manufactured. Our main partner is Abdi Ibrahim, Turkey's largest domestic company, with which Servier holds a close and long-standing relationship. In parallel, we identified another interesting partner, the young and dynamic Ilko Ilac, which manufactures some of our cardiology products.

In the short term, it will be difficult to ensure 100 percent of Servier products are locally manufactured, because the technologies required for the remaining two percent of our products is not yet totally mature in Turkey. Once it will be the case, we will most likely start locally manufacturing these products too.

On top of this, by localizing its production, Servier is therefore perfectly aligned with the government's Vision 2023, which aims to tremendously increase the share of locally manufactured products in the Turkish market. We are then confident that this "win-win" collaborative project will also ease our negotiations with regards to market access process of our medicines.

### **Which assessment would you make of the success of this localization process?**

Considering both the overall process and its outcomes, Servier ilaç's production localization has been a true success story – for the country, the company, and the Turkish government.

To replicate and expand this win-win relationship moving forward, more predictability and stability are however required to convince multinational companies' top management to further invest in Turkey. This applies to registration timelines, price levels, reimbursement negotiations, as well as to the control of parallel exports, which has been a growing problem in Turkey.

One should remember that there is a global competition between multinationals companies' affiliates when it comes to attracting investments – whether it relates to R&D, manufacturing or headcount within a country. As a result, we must ensure Turkey appears as the best investment destination possible in the eyes of multinational companies' top management. In this context, beyond financial figures, visibility, predictability, mutual trust and long lasting partnerships between health authorities and pharmaceutical companies are key.

As examples, it is always difficult for country managers of Turkish affiliates to present to their management the very low prices in force in the country or to explain the decision of Turkish authorities to delist selected imported products because the latter were not localized in due time. This has a negative impact on the perceived image and attractiveness of Turkey for these decision makers.

### **What is your Vision 2023 for Servier in Turkey?**

Servier has a very strong footprint in primary care, especially in diabetes and cardiology with leading medicines in hypertension, coronary diseases, heart failure and chronic venous insufficiency. Some of Servier's products are leaders in their categories, and well recognized by the

medical community, which moreover values our company's long-standing presence in Turkey. Turkey still displays huge needs in these chronic diseases, which should entitle us to allow many more patients to benefit from our medicines. Strengthening our leadership in primary care therefore stands as a first and foremost objective in the mid-term.

Moving forward, oncology is as a strategic priority for the Group; about half of our R&D budget will be allocated to this therapeutic domain. Once we will have more visibility on the advancement of our oncology portfolio, a strategic priority for Servier Turkey will be to anticipate the development of our specialty franchise, which will imply hiring external specialists and developing our own people to the requirements of this area.

In the meantime, we want to include Turkey into Servier's "beyond-the-pill" and patients support initiatives, a domain where our company has been investing over the past years. Although these initiatives are trending in the pharmaceutical industry, we aim to do it "the Servier's Way", by leveraging our distinctive scientific expertise and long-lasting view on return on investment. A dedicated international entity, "We Health by Servier", the e-health department of the Group, has been created for this purpose with several projects ongoing.

As part of them, we plan to partner with Turkish clinics and hospitals for launching Servier's "smart" T-shirt Cardioskin, which functions as a portable and wearable electrocardiogram allowing Turkish patients to have their cardiac parameters to be monitored on a continuous basis.

Last but not least, I want us to keep on developing our Turkish team members, both individually and collectively, while ensuring that the expertise honed among the affiliate benefits to the Group at large through international mobility programs.

### **Any final message?**

Despite persistent market access hurdles, there is no doubt that Turkey's pharmaceutical market holds a tremendous growth potential both in terms of value and volume. The country moreover holds talented and experienced professionals across the entire value chain, which should enable pharma companies to fully unlock this potential.

Moving forward, one can hope that even more stability and visibility will be brought to the Turkish ecosystem, while regulatory and market access processes will be further streamlined.

Finally, I am convinced that Turkish stakeholders will embrace the holistic added value of innovative medicines for the whole healthcare system, to the benefit of Turkish patients, medical community and health authorities.

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