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Tahsin Yüksel, general manager of Teva Turkey, analyzes the strategic importance of pharmaceutical branding in Turkey, shares the story of Teva's adaptation to the unique market needs, and offers his insight of what can be expected of the industry in the wake of the country's current economic hardships.

As an introduction to our readers, how has the Turkish generics market evolved over the last several years?

There are three main attributes that make the pharmaceutical industry in Turkey unique when compared to other markets. First, it is difficult to define Turkey as either a generic or original product market. Instead, it could be said that Turkey is a heavily branded market. Patients and even the doctors here are not overly concerned whether a product is original or generic. For example, some generic products are better recognized than the original because of stronger marketing activity. Due to this branded nature, promotion is very important in the market.

Second, the extensive coverage of the universal healthcare system in Turkey creates a highly regulated market. Drug reimbursement, price controls, and promotion are closely controlled by the government. These three factors define the environment and the industry business models are designed according to these parameters.

Third, in Turkey, the over-the-counter (OTC) pharmaceutical market does not properly exist. At this stage, there are similar products which can be bought without a prescription through a pharmacy. Even so, this is a special condition where OTC-like regulations are being put into practice, but there is a lack of concrete legislature. Therefore, the pharmaceutical market in Turkey is primarily defined by ethical pharmaceuticals which must be prescribed by a doctor.

With high brand loyalty in Turkey, what dynamics exist between the pharmaceutical companies and distribution stakeholders?

The value chain of the industry begins with the pharmaceutical companies then passes through doctors to pharmacies and finally finishes with the patient. The doctor is the king of the prescription – without communication to doctors, a company in Turkey will not succeed. In some INN driven markets, generic companies have less access to doctors, and in several cases at an institutional level – the influence of the company is greater than the influence of the doctor. Those companies operate at the institutional level of the value chain, like wholesalers, healthcare institutions, and the doctor has little influence on the final brand.

In Turkey, this sense is completely different. Doctors prescribe brands which must be dispensed at the pharmacy. Doctors and patients, especially chronic disease patients, are loyal to brands. Doctors want their prescriptions followed and patients want to see the same coloured box they always get at the pharmacy. To a certain extent, there is a level of substitution in the pharmacies – however, not more than 15 percent of the market can be substituted and these instances typically are for acute treatments, i.e. patient will use an antibiotic for one week, any brand of the same INN can be given in the pharmacy. Substitution may also happen if there is a co-payment for the patient. Patients may prefer a cheaper option and the prescription can be substituted.

What key challenges does the pharmaceutical industry face in a country known for having a comprehensive but rigid public healthcare system?

A major challenge faced by the industry is price. On average, the price of drugs in Turkey is drastically lower than that of Europe. The government uses a stringent pricing system which references the countries with the typically lowest prices in Europe. This method creates fewer resources that companies could use to reinvest in the market.

On top of lower revenue, the cost of branding in this market is high. The promotional expenditure in Turkey is often greater than in other emerging markets, while it is critical to have a substantial field sales force to access the prescribing doctors, which are the key points in the value chain. Pharmacies also have to be commercially incentivized because they can keep a high stock of certain products and favour one brand over another for out of pocket sales and substitutions. Overall, there is a dynamic environment in the market where players are trying to differentiate themselves against heavy competitive promotion.

How does the distribution of the population between urban and rural areas impact the strategy of how pharmaceutical companies implement branding strategies in Turkey?

The population distribution is not simple enough to segment the country into key potential areas. Although most of the population resides in urban areas, there is a sizeable percentage living in rural areas. These patients may have a better access to healthcare services because of the larger distribution of hospitals, health centres, and primary care physicians.

Therefore, the number of prescriptions being fulfilled in rural areas cannot be ignored. Depending on the different geographic ratios of diseases prevalence, the rural areas of the country hold a high value for certain prescription pharmaceuticals. Of course, speaking about chronic disease, its incidence stays relatively consistent everywhere.

Another factor to consider when structuring a geographic approach is the heavy competition in the major cities. For a small Turkish company with limited resources, the best option may be to focus on rural areas as a more strategic market. Many companies are mapping Anatolia and also targeting smaller cities to access the full potential of the country. It is a complicated process to make a territory alignment in Turkey, but pharmaceutical companies aim to have a presence throughout the country in line with geographical potentials.

Looking at what is happening overseas in the US and Europe, one key concern is the price erosion disrupting the generics markets. However, the Turkish market has historically been a low-price, high-cost ecosystem. Are there some lessons learned in Turkey that could be useful for these markets?

The operation here is kind of a learning laboratory for the Global knowledge and TEVA. We face pricing challenges, reimbursement difficulties, regulatory concerns, and good manufacturing

practice (GMP) issues. The more we learn from overcoming these difficulties, the more we can leverage to the common knowledge of Teva.

A dynamic market such as Turkey requires a steep learning curve and the most creative marketing and sales tools originate here. I have worked in Poland and Bulgaria where I was covering several additional markets. Out of all these, I have not seen the same creativity in promotion as I saw in Turkey. Turkey was one of the countries that introduced multichannel marketing before it was established worldwide. This was necessary to originate unique ways to differentiate ourselves in the market while complying with the regulatory and pricing environment. And also stay within the clear rules of Compliance.

What is the positioning of Teva Turkey in the market?

We are of course part of the Teva group but in a way, we differ from the global standard of the company. Teva is known as a generic company that pushes to be first on the market and a market leader. However, in Turkey the situation is different.

Normally, the entrance of Teva into a market is through a significant acquisition, but Teva did not enter the market by absorbing a large, domestic company in Turkey. This was mainly a timing issue: Teva - at that time - were putting their priority into the US and the entrance into Turkey occurred through the acquisition of its small, local distributor not a big one.

Teva in 2011 decided the generics market was already being dominated by local companies. We redirected the strategy in Turkey and hand-selected an innovative portfolio consisting of the gemstone products of Teva. The goal of this approach was to follow the rules of a branded market, invest in the highly valued products of Teva, and create a more efficient organization. This strategy adjustment transformed Turkey from a low performance to becoming one of the most profitable Teva subsidiaries over the past few years. Just last year we delivered approximately USD 85 million in revenue, almost tripling our sales in 5 years. Our mission in Turkey is to achieve the most value for our portfolio and be recognized as a strong brand with a sustainable and profitable business.

How does Teva determine the most appropriate products for the Turkish market?

Products selected for the Turkish portfolio are based on two main criteria. The products must be innovative, or an early generic. Portfolio selection became a master tool to drive the subsidiary into

a robust operation. The best advantage in Turkey does not simply mean having a massive global portfolio, but rather being able to sell products more efficiently.

Despite being one of the fastest growing emerging markets, Turkey is experiencing what some consider being an economic crisis. What is your prediction for how the healthcare industry in Turkey will be impacted?

In the past, Turkey experienced several economic difficulties. This seems to be a different kind and I believe Turkish Healthcare defiantly will again adapt and survive. From this experience, I can speak to the trends I expect to see emerge from the current conditions. There are four main stakeholders in the Turkish healthcare industry: the government, the pharmaceutical industry, the trade system, and the end consumers being doctors and patients. The question is how will each player react to the crisis.

The government will not ignore the healthcare system in this critical period. The system has seen a radical improvement in recent years which is being enjoyed by the public. This is an area which shouldn't cut back on and must be kept at an optimum base level to meet the demand. They will continue to control the prices; however, pharma companies cannot be allowed to fail as they are feeding the system through medication. The need for drugs cannot be ignored and price setting must be carefully adjusted to ensure pharma companies continue to supply products to the market; especially for life-saving chronic disease medicines. Collaboration between the government and pharma players is necessary to sustain the industry. The reimbursement mechanism is complicated and is in need of fine tuning - clear OTC laws should be established to ease the burden of healthcare expenditure. The government is trying to overstretch their regulations to the extreme limits. Ultimately, the pharma companies and the government will find the threshold where the industry can survive in the market at the lowest cost to Turkey.

The second stakeholders of the market, the pharma industry, will be facing challenges. All players will experience an impact on profits and will have to adopt a new financial and go to market models to survive in the market. In spite of these challenges, the ecosystem of Turkey is sustainable for business. Some multinationals operate in Turkey as a regional hub; operational costs are much cheaper here than in other countries. A minority of the smaller local companies will disappear and some multinationals may exit the market, but overall the industry will adapt to the new ecosystem and players will learn to work more efficiently.

The wholesalers will also be impacted to a certain extent, those with poor financial structure will be downsized and giants will become bigger ever. The impact, however, will be felt more at the pharmacy level. Most pharmacies in the country are privately owned. There are 25,000 pharmacies in Turkey and several pharmacies may disappear due to financial problems.

Finally, as long as doctors continue to find the products on the market, they will continue to prescribe them. Maybe they will all have concerns about the decreasing educational support due to limited resources of the pharma industry but will adapt. As long as the patients are getting their essential products they will not notice the impact on healthcare.

Pharmaceutical products will continue to increase by volume. Turkey will remain a competitive market as one of the biggest in Europe, one of the most promising markets in terms of population and its reimbursement size. Will also secure growth in local currency and will remain as one of the biggest markets.

What do these challenges mean for Teva's operations in Turkey specifically?

Teva will continue its business in Turkey. With the careful portfolio management, we certainly can maintain our business. Maybe less in value and percentages, but it will continue to be a sustainable business model. From past hardships, the organization is already shaped accordingly. For example, our efficiency scores are above the market standard, almost doubling local companies and more than average of multinationals. Moving forward, we have to focus more on efficiency issues. In the upcoming year, if we take advantage of our portfolio we can continue to grow, especially in specific therapeutic areas. If OTC regulations are introduced, this will be great news for us as Teva has a very competitive OTC portfolio.

Overall, we will continue to exist in the market, explore opportunities that will arise in this new environment. In a thunderstorm, you can choose to find shelter or build windmills. For example, if other companies choose to exit the market and want to drop back their portfolio, Teva is well known as an effective promotion company and could, therefore, emerge as the perfect licensing partner.

Speaking to our international readers, what message would you like to convey about the successful Turkish affiliate of Teva?

This is not just a story of Teva but a story of the Turkish people. The professionals here have made this business successful, profitable, and sustainable. From the beginning, there has been confidence in the individuals and the organization. When we first began recruiting the management team, it was difficult to find high calibre professionals. Now, we can recruit the best talent in the industry – not because of our financial package – but because of the expertise and reputation that Teva has gained in Turkey.

We owe this to the people who brought their experiences and dedication to the organization. In a bittersweet effect, we often are losing our mid-level managers to higher positions in other companies – however, we are proud of these advancements. Teva Turkey is like a school; developing professionals which build our reputation and attracts new talent. This healthy turn over keeps the organization fresh and young.

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