Barış Özyurtlu – General Manager, Berko Pharmaceuticals, Turkey



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Barış Özyurtlu, general manager of Berko Pharmaceuticals, one of the fastest growing companies in Turkey, provides insights into the company's innovative vision and proprietary technologies, such as its spoon-shaped product presentation. The latter has already caught the attention of several partners in the US and Canada and should further propel Berko's ambitious OTC-focused export strategy in the coming years.

Whether it relates to sales volume or sales turnover, Berko Pharmaceuticals has proudly emerged as one of the fastest growing Turkish companies over the past years. To start off, could you introduce the company?

The Turkey-based Berko Pharmaceuticals was founded in 1984 by Mr. Berat Beran, a pharmacist by trade and chairman of the board of our company, after he identified a great market opportunity: in the early 80s, physiological saline drops were not available in Turkey and the then-utilized presentation form was particularly inconvenient for both the pharmacists and the patients. This observation inspired Mr. Beran to create "Berkofiz" saline drops, Berko's first ever product, which remained for a long time the only physiological saline drops marketed in a self-dropper bottle in Turkey. This product set the basis for Berko's enduring innovation philosophy, in which we consider that our relatively small size should not prevent us from being pioneers within the Turkish

pharmaceutical industry. Building on this first success, Mr. Berat expanded the company's scope of activity to zinc-based medicines and supplements, thereby becoming the first company in Turkey to introduce this element into the pharmaceutical area.

Since these beginnings marked by a true commitment to innovation, we have grown tremendously, and Berko today gathers together 600 employees. This includes a sales force of over 300 representatives. Our portfolio comprises more than 100 registered products and our teams are actively promoting around 65 brands. Roughly 60 percent of our portfolio is made up of OTC products, and we essentially concentrate our efforts on a limited number of therapeutic areas, namely dermatology, paediatrics, gynaecology, physical therapy, orthopaedics, family practice, internal medicine and otorhinolaryngology.

After 30 years on the Turkish market, we have undoubtedly forged for ourselves a reputable and respected name, as proven by the ever-increasing success of our products. As a matter of fact, we have been doing extremely well recently, and Berko has been one of the fastest growing domestic companies over the past five years, boasting an impressive a CAGR of 24 percent. We currently rank 24th among Turkish companies when expressed in units sold and stand as a top 45 company in terms of sales turnover. Moving forward, our target for 2019 is to grow 30 percent sales-wise and become a Top Ten Turkish local manufacturing pharmaceutical company within the next five years.

Having yourself worked as an independent pharmacist, what do you see as the main success factors to follow in Turkey's OTC market?

In contrast to many countries around the world, advertising – including TV ads – for OTC products is strictly regulated in Turkey, which prevents us from using this channel to promote our products. However, well-designed commercial support does matter to be successful and Berko actually boasts one of the best Sales per Reps ratios in the entire Turkish industry!

In the meantime, Turkish pharmacists are extremely demanding regarding the quality of the products, and they pay the utmost attention to the reputation of the products' manufacturers. Last but not least, it is crucial to offer differentiated products targeting unmet needs in order to stand out in the highly competitive Turkish OTC market – even more as price pressure in the Rx field is pushing many pharma companies to concentrate their efforts on the OTC segment. In addition to myself, our company's founder and chairman is a pharmacist by trade, and the number of pharmacists working with us is increased year by year which helps us to better understand the needs of our customers and tailor our R&D and portfolio strategies accordingly.

I should add that we also hold our own manufacturing facility, which increases our organizational flexibility and provides us with a better control of our products' quality and manufacturing costs.

A specificity of the Turkish ecosystem is that there is currently no dedicated OTC regulation in place. Nevertheless, the government is currently aiming to address this shortcoming – what do you see as the priority areas to be tackled in this long-awaited OTC regulation?

Given that around 60 percent of our portfolio can be considered OTC products, we would largely benefit from the implementation of a dedicated regulatory framework. So far, responsibilities are shared between the Ministry of Agriculture and Forestry and the Ministry of Health – and this situation hinders the development of several product categories. For example, food supplements and herbal products are regulated by the Ministry of Agriculture and Forestry. Moving forward, all OTC products should be the responsibility of the Ministry of Health in the future, after an OTC Regulation published.

Another key pillar of Berko's strategy relates to the development of the company's exports. Could you share your priorities with regards to international development?

Due to Turkey's turbulent economy, exports have gained a critical importance in the strategies of almost all Turkish companies – and Berko is no exception to this trend.

While we started from a very small basis three years ago, we want to ensure our exports make up around 30 percent of our revenues in the near future. We initiated our international foray with Turkey's neighbouring countries, including the Balkans, Southeast Asia, CIS, and the Middle East, and we are about to enter African countries.

In the meantime, we did not shy away from entering the most advanced healthcare ecosystems, either. We completed US FDA registration in 2016 and today we are providing our US and Canadian customers with our flagship fish oil, Zincomega. We pride ourselves on being one the very few Turkey-based companies to already export products to North America. More importantly, we are delighted to highlight that it is our proprietary presentation form – Berko's 5 ml single-use PET/PE spoon – that caught the attention of these partners, rather than our business development efforts.

This unique spoon-shaped presentation form required six years of in-house development to meet requirements in terms of product stability and it is particularly adapted to the needs of children and elderly patients. Moving forward, we are ready to transform any of our international partners' products into single-use spoons or other reservoir capped syrup presentation forms. Such manufacturing technologies are not widely available around the world, and we do believe we are the only company in the world that has mastered the large-scale production of high-quality, single-use spoon-shaped products.

What makes you believe you can turn Berko Pharmaceuticals into a competitive contract manufacturing organization for single-use spoon form products?

In addition to the fact we are the only company in the world that holds this technology, we do believe that being a Turkey-based company actually emerges as a great competitive advantage when it comes to establishing ourselves as the manufacturing partner of international companies.

If one looks at the global manufacturing landscape, Europe-based manufacturers typically boast the highest certifications, but those services come at a very high cost. On the other hand, East Asian companies are extremely price-competitive, but many of those companies recently struggled to uphold required quality standards. In this context, Turkey-based Berko offers high-quality products meeting European standards and a unique presentation form at a very competitive price – not to mention that our manufacturing site straddling Europe and Asia is ideally located from a logistics standpoint.

Another great news for our potential strategic partners is that we just completed the phase III expansion of our manufacturing site, which allowed us to double our existing capacity with an additional indoor area 11,500 m^2 facility. This extra facility provides us with enough capacity to meet any new demand that may arise in the coming years.

Zincomega, Berko's flagship fish oil and its spoon-shaped presentation form, was indeed developed in-house. Overall, what is Berko's R&D strategy and what are the collaboration partnerships you envision moving forward?

This product perfectly exemplifies Berko's strategy: we are not interested in me-too generics products. We concentrate our efforts on molecules, combinations, and dosage forms that are not yet available in Turkey. So far, all of our innovative products were developed internally, but we are

now ready to build strategic partnerships with international companies and co-develop or in-license new products and technologies that could meet the needs of the Turkish market. As a matter of fact, we've already started discussing promising strategic partnerships with several companies.

As per biological investments, we are monitoring with interest the development of this sector in Turkey. However, we cannot afford to pursue this development avenue by ourselves, as the required investments are too substantial. As result, we would be particularly keen to build strategic partnerships with companies that can help us bring new technologies that have not yet been introduced to Turkey.

Since the set up of Turkey's Tenth Development Plan (2014-2018), the government has established the pharmaceutical industry as a priority sector for the country's economy. What should be its main areas of focus to ensure this crucial sector continues to flourish in the coming years?

Following the successful implementation of universal health care in Turkey, the government – through the social security institution SGK – controls over 95 percent of the overall market value. Given its huge significance, registration and reimbursement timelines must be as predictable and as short as possible, so companies can better plan and optimize their operations. SGK has been taking very important and constructive steps which are very critical for us. Considering what they have accomplished so far, we believe their future work will also be on behalf of our good.

In the same vein, the government's pricing policy holds strategic importance, and one must ensure the latter allows domestic companies to re-invest their profits into value adding activities: R&D and exports. In this regard, one may regret that government support is so far essentially limited to R&D endeavours and there must be some developments for strategic export support, despite the fact that developing an international presence also requires high marketing investments.

Reducing Turkey's trade deficit is a priority of the government and we believe that the pharmaceutical sector has a great role to play in fulfilling this objective; however, we need dedicated support to accelerate the penetration of Turkish products or Turkey-made technology into international markets.

Any final message?

We invite all companies to invest in Turkey and to envision Berko as a strategic partner that can help them access game-changing products. We are ready to consider any strategic partnerships opportunities, whether it relates to R&D projects or cross-border commercial developments. Despite the current economic turbulence, no serious pharma player in the world should overlook Turkey, a strategic top 20 pharmaceutical market with domestic companies boasting long-standing manufacturing expertise. In the grand scheme of things, I am confident these assets will contribute to cement Turkey’s position as a pharma hub of regional and global relevance in the coming years.

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