Paolo Carli – Head of MEAR – Middle East, Africa, Turkey, Russia and CIS, Merck



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Since we last met with Paolo Carli in 2013, he has been given greater responsibilities within Merck and is now Head of Middle East, Africa, Turkey, Russia, and CIS countries for the healthcare business. Paolo discusses the logic behind being assigned such a vast region to manage, Merck's strategy for both entering and thriving in new markets and the company's offering for equitable provision of medicines across Africa, among other interesting topics.

Your responsibilities span from the Middle East and Africa to Turkey and Russia, this is a vast area of coverage. What was the rationale behind grouping such a large territory and a very diverse set of markets together?

We are currently operating in 55 countries, and there are around 1000 people under our responsibility spread over this network. The scope of our region managed from the Dubai hub is currently larger than Latin America and Asia for the healthcare side of the business, excluding China.

When an organization is looking to geographically structure a region, certain trade-offs need to be understood. Firstly, understanding the characteristics of each market is crucial for the effective

grouping of regions. Therefore, we look at structuring markets with not necessarily identical but similar characteristics. Arguably, countries such as Turkey and Russia fall closer to emerging markets on the spectrum, in particular when comparing the healthcare systems of both countries to that of EU countries. Secondly, management bandwidth becomes crucial. What I mean by this, is that in a multinational company, a country cannot be left on its own; we have a global structure, global guidance, global mandates, and global steering as every multinational company does at some level. Therefore, the level of support given to a country needs to be comparable or prioritized in a way that ensures the correct amount of attention is being paid. Finally, leadership is essential. Selecting a team that has effective leadership characteristics in volatile markets is a key success factor.

When you put these three elements together, a decision is made based on market considerations, adequate level of support, and effective leadership. Merck made this decision three years ago and I believe that our region is perfectly poised to deliver on the given expectations.

As we are heading towards the end of the year, how has your portfolio been performing in 2019?

We continue to grow by double digits as a region, partially driven by the introduction of new medications to treat conditions such as cancer or multiple sclerosis (MS), as well as innovative technologies that make life easier for patients. Furthermore, we have doubled our sales every four years. To give you a clearer picture, I started in the Middle East & Egypt in 2013, and four years later we had doubled our sales volume. I took over Africa and Turkey in 2017 and today we are exactly on the 50 percent marker to be doubled by 2021. In every market where we are present, our strategy is to target products where we can be the industry leader and can make a difference for patients. In fertility, for example, we continue to be the market leader and the only company to offer recombinant versions of the three natural hormones needed to treat infertility as well as a complete and clinically proven portfolio of fertility treatment at every stage of the reproductive cycle. This explains why the key fertility centers are keen to partner with us. Same can be said for our multiple sclerosis, oncology, diabetes and cardiometabolic portfolio.

What was the impact on resources and recruitment when grouping Russia and CIS into the regions you manage?

It was an immediate ‘plug and play’. We actively absorbed the operations from a support point of view without increasing any resources. We’ve reshaped our strategy for both Russia and the CIS countries, and I am confident our market share will grow decisively the coming years. In particular, I believe we will see the most growth in specialty areas. Within the CIS countries, our priority is to gain a deeper understanding of the market dynamics and adapt our approach accordingly.

Many of the markets you cover used to be the industry hopefuls (Turkey, Russia, Algeria), however, they now appear to be burdened with more challenges than realistic development prospects. What are pharma companies such as Merck looking for, by remaining in these countries when they are not exactly receiving a warm “welcome” from authorities?

At Merck, we think long term while delivering on our quarterly objectives. Of course, long term strategy in certain markets is still a topic that certainly needs to be addressed. The data shows that those markets have great potential, but experience demonstrates this potential is also subject to high levels of volatility. The real question is whether a company is ready and capable to deal with this volatility. These are two very different questions, as being ready and willing to engage, does not imply one is capable.

The strategy for countries like Turkey and Russia is subject to change every six to twelve months, and if one is not able to handle this, then you shouldn’t be operating here.

Merck is a science and technology company and our strategy in this region is to be number one in the therapeutic areas that we specialize in. If we cannot be number one, we simply do not enter.

In this respect, I believe we can benefit from the volatility and come out on top of other companies. The fact that Merck is not a giant helps us, as with much larger companies, complexity can be over and above the accepted level of volatility. Here we are focused on specific areas where we can quite quickly adjust our portfolio, investment, and infrastructure in a very agile way.

Overall, operating in very limited therapeutic areas and in specialty care allows for both a limited sales force and for us to take careful steps when we decide to enter a market. Additionally, we are trying to create efficiencies both with the sales force effectiveness program and with digitalization. In the past six years, we have acquired the agility, the flexibility and the mindset to cope with the different levels of volatility which subsequently has allowed us to achieve the goals we had set ourselves. For example, in the past few years, despite many challenging situations in the Middle

East and despite currency de-valuations in Egypt and many other countries, which heavily impacted our turnover, we have still managed to double our overall sales in the region every 4 years.

It has been challenging in the region for all pharma companies, with the current issues in Iraq and Syria for example. What are you left with for growth in the region given the political turmoil unfolding in some areas?

We have set-up and developed local teams, therefore, as long as our drugs can enter the country, we are fully integrated. We are in the pharma business, which for me means ensuring we get our medications to patients. We do this by creating local infrastructure and in my experience when there is local infrastructure, teams who are citizens of that country feel empowered, safer, more motivated and the impact of the political turmoil is far more manageable. So, despite the unrest, we've still succeeded to keep supplying patients with our medication. This has certainly not been easy, but through hard work and unremitting commitment we've been able to make it happen.

We see Iraq as a growth market. While many companies may be pulling out, we feel we have a moral duty to continue to support the local healthcare professionals and their patients. We have also been extremely active in Yemen and in Syria and our teams have never stopped working even amid the war. In all these markets, we have managed not only to stay but also to continue growing.

Merck has made incredible progress going from 17th position in 2010 to a stable fourth place in 2018 ranking the world's 20 largest research-based pharmaceutical companies in how they address access to medicine. This is of course very important as you look after the African division for the group; a continent where scores of people do not have access to treatments. What is equitable in areas where there is no healthcare system or reimbursement, yet there are patients?

Looking at Africa as a market, where many patients cannot afford medicines, the logical reaction as a company is to move into corporate responsibility (CR). For example, we are donating billions of tablets to the World Health Organization to eradicate the neglected tropical disease schistosomiasis, one of the most prevalent parasitic diseases in sub-Saharan Africa. It affects almost 240 million people, mainly in communities without access to safe drinking water and with poor sanitation. So far, we have provided almost 900 million tablets in total, enough to treat nearly

360 million school-aged children. Furthermore, we run partnerships with local authorities on various topics. This ranges from the upscaling of their production facilities and providing them with the necessary knowledge on how to produce for themselves, to disease awareness campaigns and telemedicine projects to be able to reach patients even in the most remote areas. Moreover, our scope goes beyond disease curing and extends to prevention through providing tools and facilities to purify water. It is our mission to reach both the people who can and cannot afford medicines.

When it comes to conducting business in Africa, there are multiple components. Overall, you need to understand that you're dealing with an entire continent, not one harmonized country. This means that the context in which you operate, such as the legal framework, infrastructure, level of medical healthcare and so on, can truly differ from one country to another. Then firstly, there can be a need to reach a country with little to no infrastructure. Secondly, a company needs to distribute in a country, where distribution can be highly difficult to manage due to a lack of regulation or the complete opposite. In my opinion, as long as we can reach the market with a fair price that benefits both parties involved, we are fulfilling our mission to serve the country as best we can. For example, ensuring we have lower prices than Europe despite higher distribution costs. In conclusion, pharmaceutical companies are one piece of the chain that contribute towards reaching an equitable price, however, pharma alone cannot solve this problem.

It is the government's ambition to support the emergence of a local industry within the framework of vision 2021 and the industrial strategy 2030. How realistic is it to think there will be a manufacturing hub in Dubai or is there another position the country could take to integrate other parts of the value chain to further develop the industry?

There is a difference between the UAE as a hub and the UAE as a market. As a country, the government has created the optimal conditions to position the UAE as a hub for the region. Besides its undeniable international breadth, the UAE is the most stable, peaceful and predictable country in the region, with a tremendous access to talent that one couldn't find as easily elsewhere. Furthermore, it is the perfect place to live given the easy access to airports, modern infrastructure and high-quality medical care. Therefore, the country is uniquely positioned in comparison with neighboring nations to be the HUB.

The UAE has the strong potential to become an innovation hub. The ICT sector is rapidly growing, and digitalization requires a different amount of infrastructure, therefore, the UAE is placing its efforts in the correct areas. The U.S has the perfect combination of brains, investments, and

courage to innovate. Europe, to a certain extent, often does not have the courage. We believe the UAE is uniquely positioned to ride the new evolution of the industry, and when it comes to pharma, research is an area where UAE could establish itself further.

What are your key takeaways from supervising such diverse markets?

One needs to handle the complexity whilst also recognize there is no ‘one size fits all strategy’. If a company chooses to enter a market using one unified strategy and applies this to every single country, it will not be successful.

Secondly, in my experience, the more a company can engage the local people in their own country, the more success they will enjoy.

My third recommendation is to manage the volatility and build the capabilities of the organization. One needs to build their expertise and learning curve gradually, then at the right moment capitalize on it.

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