İsmail Yormaz – VP & Regional Director South-East, Recordati



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İsmail Yormaz, Recordati's VP and regional director for south-east, highlights how the Milan-based company has become a shining example of a successful localization strategy, upcoming launches and investments, as well as some of the challenges that the firm is facing in Turkey, including the country's challenging pricing system.

Before getting into the details of Recordati in Turkey, your projects and the market, can you share how the company navigated the challenges thrown up by the COVID-19 pandemic?

Recordati managed this process better than expected. First, the Recordati culture, which is linked to Italian culture, is a flexible one which allowed us to create good communication channels and adapt to the home office scheme. The high responsibility of our teams provided the organization with the capacity to manage nearly all our operations in a very successful way, in some cases for over 13 months. Although we are Mediterranean, all our operations work like a Swiss clock. We realized that we had a good digital infrastructure to handle our workload without major problems and keep our competitiveness. Since Recordati is a sales-driven organization, our team had to maintain its presence by embracing digital technology.

Recordati's Turkish organization remains one of the most profitable for the group, how would you characterize its importance?

We are one of the top 10 countries for the Recordati group in terms of revenue. In Turkey, there are some issues that the country needs to correct, the exchange rate and overall economy for example, because they often detract from our many achievements. While the Turkish pharmaceutical market has recorded significant growth in the last 6 years, its place in the range of 6-7 billion dollars does not progress when evaluated in terms of dollars (according to IQVIA data). This is a purely macroeconomic exchange-related subject, but nonetheless a mistake that has impacted the industry.

As a company, we were very flexible during the pandemic, but I cannot say the same for the regulatory environment. I want to be optimistic that things will go back to normal soon but the regulatory process in Turkey was delayed in the last 15 months, a situation that will prevent many good projects and new launches from moving forward. In the last 15 months, we have managed to launch only one of our line extension products. We cannot forget that the world is very competitive, and the pandemic has highlighted the need to be fast and agile; it is a lesson that the Turkish regulatory environment has to learn. It is also something that applies to other areas within healthcare such as the pandemic response and vaccination.

Besides the regulatory bottlenecks, you have also talked about issues around pricing in the past. Can you explain how the Turkish pricing system works?

Pricing is currently the most important subject and challenge for the Turkish pharma market. First, pricing is reference-based, and the Turkish authorities have chosen a basket of countries that include Portugal, Spain, France, Italy and Greece. Greece, for example, takes the average of the lowest two countries which means that Turkey is effectively taking the lowest two European prices. Similarly, in France, changes to article 66 have made a significant price reduction which is automatically impacting the prices in Turkey.

Secondly, the Ministry of Health has implemented a special Euro exchange rate which is not related to the real exchange rate because, today, the rate is 10.3 Turkish Liras per Euro, but the official exchange rate is 60 percent of the previous year's average exchange rate. This becomes very challenging at a time where the currency fluctuates constantly; the Lira's depreciation means that the initial 60 percent can fall to 40-45 percent in real terms.

Thirdly, the reimbursement system also presents a complication. Around 90 percent of pharmaceuticals are covered by Social Security, but they employ discounts depending on their price level and whether they are original or generic. That means that they put additional discounts on top of the exchange rate. It is true that patients end up receiving some of the lowest prices in the region but the burden for pharmaceutical companies can become too big.

Do you foresee an upcoming shortage of products because of this? How can that pricing system become sustainable for multinational companies?

That is the big question for the Turkish market, a question that should read “sustainable… until when?” The Turkish authorities continue to be content with the current system because it has been sustained until today. The question the industry is asking itself is for how long this will be sustainable, and, frankly, I do not know. Today, the devaluation speed of the currency and the economic hurdles are making it hard for companies to thrive and compete.

Last year, for example, the total devaluation was approximately 26.4 percent and, due to the official exchange correction, the government neglected an additional 6.4 percent that should have been added to a price increase to keep up with the real devaluation. Still, a lot of companies are managing to survive which is why the question remains, sustainable… until when?

Have you had to discontinue some products because of the pricing challenges?

Recordati has a relatively strong financial situation, and we are always looking to profitability. However, we do have a couple of products with a negative margin, and I am still fighting for a better price. Additionally, I am negotiating to decrease the expenses of the products. Five years ago, it was not an issue, but a lot has changed since.

Every executive in the Turkish Pharmaceutical Industry might as well have a mathematics degree because all of them know the pricing, gross margin and calculations.

I do not think that the contribution of the pharmaceutical industry to public health is adequately understood in Turkey. We have very successful politicians and bureaucrats in the country, if we can work together on this issue, when we reach a fair pricing system, we will see that the patients benefit the most.

To what degree does it help that Recordati has managed to become one of the success stories of localization efforts, producing over 90 percent of the local demand inside the country?

We are an example because everybody knows that Recordati is never satisfied. To give an analogy, we are in a metal circle that is spinning faster and faster day by day and we are running faster than Usain Bolt to keep up. The upside for us is that, since we support the country's strategy and continue to invest, we can speak up.

It must be said that it is all because of our team, I am just someone that is never satisfied and who always asks for more. I like to think about the mottos of large American companies, things like "Ask for more", "Think global, act local", or "Just do it", because while they might sound simple, they work. When facing difficulties in any market, you have two choices: leave it, or live it.

We must mention that the global Recordati management has been very supportive all these years, listening and not prejudging; they understand the current challenges in Turkey and have continued to provide what we need.

Looking to the future, what are your priorities and strategy in the next five years?

COVID-19 has taught the industry two important lessons: the importance of innovation and accessibility. In less than 12 months, the industry has developed four or five vaccines which is a total success. Accessibility, on the other hand, remains the big challenge because the distribution of the vaccines has been uneven. Innovation is profitable, yes, but we also have to keep in mind the distribution of economic value in the coming years.

This is a great opportunity for the Turkish pharma industry to increase its geographical presence; I am sure that things will change significantly in the Turkish pharma environment in the next few years.

Recordati continues to grow in Turkey because we have a strong pipeline. We plan to launch five to six major projects in the next months. For example, this year Recordati made a licensing agreement with Tolmar to commercialize Eligard, an important uro-oncology product, which will now be delivered to the patients by Recordati. We will also introduce a CNS product most likely in the next year, and two rare disease products from the Recordati Rare Disease business. From a turnover point of view, we are in great shape and will continue expanding our presence in the country.

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