

# Interview: Dr. Paolo Zambonardi CEO, Ferring Italy

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*Ferring Italy's CEO discusses the affiliate's successful management strategy, new products, new partnerships, and the potential of the Italian market.*

**When we last interviewed you in 2009, you were focused on: (1) reinforcing the local organization's structure, (2) successfully launching Firmagon, and (3) forging new partnerships in the IBD field. Please update us on the highlights of the past 7 years.**

I am proud to say that we fulfilled all three of those objectives. We successfully reinforced the structure of the local apparatus by reorganizing the local office into specific business units so as to respond better to shifts in local market needs. Reevaluating the structure of the local affiliate is actually something that we carry out periodically so as to ensure that our operating processes remain fit-for-purpose and optimized with respect to emerging market trends. Firmagon was launched to great acclaim and we made a lot of new headway in responding to IBD. All these actions moved the company from 43 million euros of sales to 60 million within just 7 years. This was achieved on the back of strong performance in our core areas of infertility, gastroenterology and pediatrics combined with some great results from Firmagon, the first breakthrough product for prostate cancer in 30 years, and also from a much acclaimed probiotic.

**How have your strategic priorities evolved over time?**

Our strategy is defined by the vision of the global management board and our main task is to implement that grand plan tactically by transforming it into some form of value: whether that constitutes knowledge, sales, growth, tangible or intangible assets. We try to maximize and put into operation what they define in terms of business development trajectory. Beyond that, we do enjoy a

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certain freedom relating to local products in the event that we spot an opportunity for new product launches especially when dealing with new frontier segments like food supplements and medical devices where it is substantially easier to secure the requisite approvals and authorizations. One of the hallmarks of the Ferring business model is that we enjoy sufficient flexibility to be able to propose new initiatives that intelligence on the ground suggests could be profitable. We can take the risk.

One such example, five years ago, relates to the case of a probiotic that we launched from the grassroots up and which subsequently came to be regarded as a local market leader for the IBD segment. From that product alone, we achieved 5-6 million euros in sales every year and managed to manufacture over half a million units per year. That, in itself, is a great success story. What makes it even more remarkable is that it is a probiotic that we have not been promoting to the pharmacies at a commercial level, but instead supplying purely through prescription. That, in many respects, represents a novel way of handling a product of this nature as we treated it more or less like we would a drug, by backing it up with clinical trials. The end result was that the active ingredient came to be highly regarded by physicians and the rest of the local medical community. We can also propose acquisitions if we encounter a small company, product or asset that possesses what we believe to be synergistic qualities to our existing portfolio.

**Ferring has been steadily transforming itself from a Europe-centric company to diversified global player with nearly €2 billion in revenues spread among operations in 60 countries. How strategically important is the Italian market to Ferring (given that recent emphasis has been on expanding Ferring's footprint across emerging markets and the US)?**

Europe is still the number one market for Ferring in terms of sales and profit, but no longer in terms of growth because it has already matured. Within the European sphere, Italy is one of the most strategic markets for the company. In the emerging markets of Latin America and Asia, and also in the United States, where Ferring has formerly not been present, we have been registering double digit growth year on year, so it is hardly surprising that geographic expansion has been a key pillar of the global management board's recent strategy. The success in those areas has been exponential. In the years to come, the new frontier will no doubt be Africa.

The big risk now for us is to ensure that the European markets, and Italy within that, remain relevant to the company as a whole. The maturity of our markets and the prevalence of stringent cost-containment policies certainly pose a threat to that relevance. It will surely not be long before we are, collectively as a region, surpassed in value and volume by the affiliates in China, India and the US.

**How can such a risk be averted?**

In the near future, in my view, there will be three different categories of market to play for. Firstly there are the biotechnologies (catering to therapeutic areas such as oncology and hepatitis C) where companies can expend billions on developing high risk, but potentially very lucrative therapies and this has very much become the new frontier and playground of the big pharma companies like BMS, Roche and Pfizer and where there are high barriers to entry. Secondly, there is the generics and biosimilars market that is, in many places, enjoying a heyday during the current economic climate of prudence and cost-control. Thirdly, there is the specialty health niche, which is a market of interest to neither big pharma nor genericists who, by nature, are heavily reliant on volume. This third area is surely the space most suited to companies like Ferring and an arena where we can continue to be innovative even in mature European markets.

Infertility is an excellent example of a niche market where Ferring can play to its strengths as an innovator whose therapies address unmet needs and have can deliver a high impact for patients. One option for developing the business would be to enlarge the number of niches because today we

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are active in fertility, IBD, urology, pediatrics and obstetrics. Why not perhaps expand into areas displaying similar characteristics?

**When Pharmaceutical Executive Magazine recently interviewed COO Michel Pettigrew, he spoke of plans to secure double-digit gains in revenues, of roughly 10 to 12%, year on year. How do you see Ferring's Italian activities as contributing to this grand scheme? Where do you see the main future growth drivers and potential diversifications?**

Firstly, placing an emphasis on lifecycle management can present one such opportunity. This can constitute new indications, new dosages and delivery mechanisms that can be harnessed to prolong the life of the brand. Secondly, enlarging Ferring's presence into new niches (such as orphan drugs where there is little risk of facing competition from generics firms) while remaining faithful and synergistic to our core competencies represents another attractive possibility. Thirdly, we can develop new products out of the drugs in our niche by expanding into the out-of-pocket market for services, food supplements, diagnostics and medical devices, by treating them more as we would drugs.

The food supplement market in Italy is a massive success and has been experiencing prolonged double-digit growth. Right now the main actors in this segment are SMEs with little expertise in pharmaceuticals. They produce, deliver and sell the product through sales presentations and commercial advertising campaigns. We can add value by increasing the level of knowledge surrounding these products by treating them as we did our much acclaimed probiotic line. By subjecting the out-of-pocket food supplement market to clinical trials and more robust scientific rigor, companies like Ferring could potentially come to dominate the market. What we have achieved with the probiotic can certainly be emulated and replicated to great effect.

**Over the past 2 years, Ferring has launched 3 new products globally (Cortiment for gastroenterology, Cervidil for inducing labor in pregnancy and your personalized 1st in class fertility product, Rekovelle). How does Ferring go about securing market access for products like this in Italy?**

For Cortiment, I am very pleased to say that we negotiated a good price last week that is the proof of the big value of the product. When you have robust data to back up the efficacy of your product, then it is certainly easier to obtain a fair price. Market access is linked to governance. Over the past couple of years we have experienced much needed stability in this respect, which is a very good sign. Having stability on the rules of the game for market access and reimbursement is a precondition of being able to plan your business development strategies. Even if the general terms are unfavorable to industry, but you can rely on them being in place for five years, then you can put into effect mitigation strategies to stabilize your revenues. The problem we have frequently come up against in the past has been a prevailing sense of uncertainty which used to play havoc with whatever strategy you would be trying to roll out. Global management boards would then get nervous and start diverting investments away from your market to alternative and comparatively more reliable countries. I applaud the fact that the state is, for the first time in many years, starting to approach healthcare expenditure more as an investment than a cost.

The business community meanwhile has to appreciate that AIFA has its hands tied and is having to make difficult choices that adversely affect patients because there is only a finite amount of money to go around. There is therefore an urgent need for all stakeholders to join forces and collaborate in identifying new models of healthcare that can be more sustainable over the long run.

The important thing, however, is that these sorts of issues are now being frankly discussed. That is the first step forward in the process of defining new public health models.

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## **In what ways could the state itself be more supportive to innovators?**

Where the state must do more to support innovative pharmaceutical companies is in shortening the time taken to reach approval for new drugs. Right now, once approval is secured from the EMA, it takes a further 6 to 9 months to get a decision of pricing at the national level before then going to the 21 different regions each with their own peculiarities and distinctive health systems. The end result is a loss of approximately 2 years patent and today that results in big damage to your profit margins but, first of all, it is a problem for the patients that cannot have innovating products for their diseases. In the past, when there was less competition to be faced down from generics, patent expiry was not so much of a big deal. Nowadays, the moment a patent reaches expiry you can expect a price decrease of 30 percent minimum.

A more enlightened healthcare approach should also take into account delivery systems as genuine innovation that deserves reimbursement. Just for example, right now, there are some longstanding products on the reimbursement list that need to be taken every 3 to 4 hours which forces the patient to wake up at intervals all night long. New systems have subsequently been created that would only need to be taken once a day, but that is not, in itself recognized as innovation despite the obvious added-value to the patient. This is illogical.

## **What are your broader expectations for the Italian market and for Ferring in Italy?**

I forecast a growing market overall in the sense that we have an ageing population and healthcare needs are proliferating. Biotechnologies and generics will continue to expand by default but, in the niche areas, growth will very much depend on the actions of the companies involved and their capacities to innovate and think outside the box. Ferring has to follow by making sure it takes the right train at the right station. My personal feeling is that the European affiliates need to think very carefully about who we are and what kinds of market segments we want to be competitive in over the coming years so that we insure that we retain our relevance globally.

Michel Pettigrew has demonstrated great skill in growing the company from a 400 million Euro to a 2.5 billion outfit in only 15 years. That feat was achieved primarily by developing the company laterally out into new high-growth geographies. Now the time has come for us to grow by adding depth to those mature markets where we have been present for a long time, but where there are a multitude of possibilities to earn back money and capitalize on existing assets through new innovation. Everything is still to play for.

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