

Interview: Karim Bendhaou, President, Merck North West Africa, Tunisia



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Karim Bendhaou, president of Merck North West Africa, discusses the region-specific strategies he has instigated, how a country like Tunisia would be well advised to focus its resources on e-health rather than production, and highlights the numerous initiatives that Merck has set up to develop healthcare access in Africa.

Where does Merck stand in the Tunisian pharmaceutical industry and in the region?

Merck Tunisia has been about the best performers within the global company for the past six years and currently stands as one of the top ten supplying companies in Tunisia by revenue. Worldwide, Merck is ranked at about the 27th place in 2017. This performance is the result of years of hard work to attract, train, and retain the most talented people.

Now Merck is a respected player in the Tunisian pharmaceutical industry and furthermore considered an excellent partner. Most companies we collaborate with trust the way we operate and are aware of the efforts that are being put into place to help local producers benefit from technology transfer.

Aside from Merck's historic ties with South Africa, our internationalization in Africa has only started recently. Nonetheless, the establishment of Merck affiliates in Tunisia, Algeria, Morocco, Nigeria, Ghana, Ethiopia, and Ivory Coast in the last eight years reflect the company's commitment to the continent. The Tunisian affiliate of Merck provides marketing, pharmacovigilance, supply chain and manufacturing support to our agents and affiliates in the countries under the supervision of Merck's regional headquarters in Tunisia.

Why was Tunisia selected for managing operations in the region?

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Most importantly, the legal framework and investment regulation code facilitated operations in the country. Indeed, in 2008 when the decision was made to establish the regional headquarters in Tunisia, the trade regulations were more favourable in Tunisia than they were in Morocco or Algeria. More specifically, Tunisia was the only country in North Africa that would allow us to rapidly shift resources and assets from one country to another.

However, the connections we expected to develop between Tunisia and the rest of Africa did not. Transportation in and out of Tunisia is still poor, therefore, regardless of how fast the customs clearance is, shipping products to Africa remains a challenge.

What is your approach to local production?

We have a contract manufacturing partner in Tunisia. Indeed, I firmly believe that having factories in each and every country a multinational company operates in does not make sense. The factories are smaller and economies of scale are affected. Moreover, investing in a certain area renders local inhabitants dependent on your activities. If factories are merged in the future because one realises the company would be more efficient by centralising the production, you create social turmoil in a region which could initially have developed itself without a factory.

My preferred method to open a factory is to collaborate with a local agent who gets the majority of the shares. This promotes risk sharing and technological transfers, which is a responsibility of multinational corporations. Merck's regional operations in North-Western Africa are extremely advanced in this regard. As a matter of fact, Merck has decided to transfer the production of multiple sclerosis and fertility cures, our two main biotechnology products, to an Algerian partner. This is a great opportunity for local people and a one-of-a-kind long-term investment in the region.

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The production of biotechnologies is much more complex than the production processes of chemical compounds. Indeed, the slightest change in the cell production environment could affect the drug's efficiency. Therefore, a company capable of producing these types of products engages in high-added-value activities. To help this transition and train the workers in these factories, Merck has developed a disposable bioreactor to help companies in emerging markets familiarise themselves with the production of biotechnologies.

What is the future of biotechnologies in Tunisia?

WHO standards are strict. Emerging market companies looking to invest in biotechnologies should make sure that they are capable of complying with WHO standards before any significant investment is made. Professional can train themselves to the production of biotechnologies using Merck's disposable Bioreactor. Unfortunately, the multinational companies in emerging markets are not yet able to produce enough clinical data to prove the effectiveness of the biochemicals they produce.

Having said that, I don't believe the future of the pharmaceutical industry resides in the production of drugs. Everything is shifting towards the digital world, and it is likely the value of our industry does so too. For example, in certain African countries such as Somalia, Kenya and Nigeria, most transactions are carried out via e-payment. In Rwanda, drones perform drug deliveries to hospitals. Tunisia should be focusing more on the digital transformation of its economy than anything else. Luckily Tunisia has a pool of human resources well versed in this area. Merck organised an e-

health meet up in May 2017, to discuss the potential of e-health entrepreneurship in Africa. The types of ideas and solutions presented particularly impressed me.

What can Merck do to drive digitalization for the benefit of the patient?

I have hired a digital officer to help Merck transition smoothly in this new era. She has been working with us since January 2017 and has since become familiarized with the pharmaceutical world, which she had never been exposed to before. As a result of her collaboration within the company, we are on the brink of creating a start-up incubator focused on e-health projects. One must remark that e-health is now the third most popular domain for start-ups according to Disrupt Africa, an African start-up portal. The incubator will provide funding, advice and logistics to e-H entrepreneurs.

Globally, Merck has shifted its focus toward biotechnologies in oncology and neurology. Which of your products are currently driving growth, and which ones do you expect to in the future?

All of our therapeutic areas — diabetes, hypertension, multiple sclerosis, reproductive health, oncology, and metabolic — are important without exception. Fertility-related products are likely to remain the leading line of products sold in Tunisia for Merck. Indeed, women have babies later in their 30s than before and therefore are more likely to use our products to become pregnant than they were in the past. Multiple sclerosis and oncology will be driving Merck's future growth in Tunisia, provided the country recovers financially.

How is your strategy different in Africa than in the rest of the World?

Our structural approach in Africa is unique in the sense that it is not based on political borders but rather on a rural-urban split. Indeed, the market conditions in a city of ten million inhabitants like Abidjan do not resemble the Ivory Coast's countryside. Therefore, managing the continent with multiple strategies within a country according to rural area and key cities makes more business sense than pursuing a single strategy inside a country as vast as the Democratic Republic of Congo.

Furthermore, urbanised populations are subject to different kinds of diseases than rural populations because their lifestyles have nothing in common. In fact someone living in Accra has more in common with someone from Lagos than with someone living in the north of Ghana. Non-communicable diseases are more prevalent amongst urbanised populations than rural ones because they are less active.

In key cities such as Kinshasa we focus on developing the market and capitalising on existing demand to increase our revenues while activities in the rural parts are closer to corporate social responsibility activities. More specifically, we have developed rural pharmacies and drone delivery services in the rural parts of Africa. For example, I pioneered a rural pharmacy project, which could be used as a point of care as well as a drug dispensary. My colleagues like to think that our business activities to find solutions in rural areas are akin those of a thinktank.

Which challenges are you confronted with in the region?

Unlike other countries in Africa, Tunisia is not confronted with an access problem; major improvements have been accomplished since the revolution. Nonetheless, many African patients face healthcare access problems. Pharmacies and points of care are distant from the patients and, as a result, many challenges arise. Firstly, patients do not get appropriate treatment for their sickness, which in turn can affect the economy. Secondly, those still willing to seek treatment have to do so at high personal costs. This renders counterfeit uncontrolled medication attractive to those patients posing a national health threat. I believe this problem will spread to all parts of the world in

the near future because drug counterfeiting is not punished as harshly as it should be.

Merck has implemented a number of initiatives to deter drug counterfeiting in addition to opening rural pharmacies in Africa. For example, patients purchasing Merck products were previously able to check the authentication code using their mobile phones. However, this solution did not last long as counterfeiters successfully cracked our algorithm for generating codes. In response we developed transportable laboratory briefcases that can be used to detect whether a drug is counterfeit or not.

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