

Interview: UÄ?ur BingÄ?lî â?? Managing Director, Ibrahim Etem Menarini â?? Turkey



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Menariniâ??s Turkish subsidiary, Ibrahim Etem Menarini, has adapted to the current pharmaceutical market and is positioned to grow in several segments including their new OTC business, but is constrained by their current capacity which has minimal excess in some specific lines of production. UÄ?ur BingÄ?lî, the new managing director discusses his stabilizing role since his arrival, and his cautious investment approach due to the lack of clarity and consistency in government policies, despite a strong need to invest.

How can Turkey attract and promote innovative medicine while maintaining a sustainable budgetary approach?

The Turkish healthcare market is very regulated, as is a single payer market with a very strong ministry of health and social security bodies that manages both the regulatory bodies and operates the majority of healthcare institutions. After the dramatic reforms started in 2003 under former Minister Recep AkdaÄ?, the government realized that the system and the reform process would not be sustainable if the government did not carefully target investments and cut costs where possible. Investing in innovative products and ensuring market access should be a priority, because research shows that innovative medical products have played an important role in increasing life expectancy, but the government must find an effective balance between promoting innovative medicine while supporting local manufacturers of generic products.

Today, the government has set some aggressive goals for the healthcare industry to reach by the 100th anniversary of the Turkish Republic in 2023, and the industry associations are trying to align with these goals. The government would like Turkey to become one of the major players in the global pharmaceutical industry, and has accordingly set objectives for increasing local manufacturing, particularly of innovative products, exports, and investments in R&D, with the current five year plan aiming to satisfy 60 percent of local pharmaceutical demand with locally produced products. There are various incentives to encourage investment in local manufacturing and R&D, but at the same time the global budget and low prices are preventing growth in the pharmaceutical

market and limiting companies' ability to invest; mixed signals to the industry. Given this situation, most companies including Ibrahim Etem Menarini are being cautious and waiting to see what the future will hold, and if the signals become clearer. Also, everyone in the sector should be asking why there isn't more investment given the incentives offered.

Since you joined Ibrahim Etem Menarini, what have been your top priorities?

Until 2009, Ibrahim Etem Menarini had strong results using this model, but as the health transformation began to put heavy pressure on pharmaceutical prices, the company along with the rest of the industry stopped growing. The industry as a whole downsized by 44 percent in the last 5 years, and our company had to reduce our sales force and manufacturing staff by 30 percent to adjust to the new market condition.

Since I joined Ibrahim Etem Menarini last year, my priority has been to stabilize the business following a period of poor performance in a declining market. To do this we implemented several measures in marketing, our commercialization process, portfolio allocation, and by filling our pipeline with more original products to build up our growth potential for the coming years. The stabilizing period is now over, the market returned to growth last year in TL terms, and so far in 2015 our growth has been at a rate above market growth, which is an indicator of a healthy organization.

How has your portfolio been adapted to best fit the needs of Turkish patients and the Turkish market at present?

Given the current characteristics of and trends in the Turkish market, I believe that companies need a balance between original products and locally manufactured generics to succeed. Menarini has had very strong cardiovascular portfolio in hypertension since the acquisition in 2001, and this has always played a strong role in our portfolio, making up about 30 percent of the portfolio in the early years. Today the balance is about 50-50, and I do not plan on changing it significantly.

Menarini's former president, Dr. Aleotti, set the goal of having affiliate in every country in Europe before he passed in 2010. What role does Turkey play for Menarini globally?

We would like to be a source for Menarini affiliates in the region, and we do export a small number of products to countries like Azerbaijan, Afghanistan, Kosovo and Somalia. We are being supported by Menarini headquarters for exports and are trying to add one country per quarter with new products to our exports, and have in fact increased the total export level threefold last year. However, the base for these export values was very small so the growth not very significant, and due to our very high utilization rate of our facilities we do not have the capacity to become a true manufacturing hub. In the longer run however, I want to believe that Turkey can be a good source of pharmaceutical products for our neighboring countries due to our know how and experience in pharmaceutical manufacturing.

Having a very high level of utilization, one of the highest in Turkey, also means that we are constrained in terms of developing domestic business as well, as we have very minimal excess capacity to use for new products or to contract out as a toll manufacturer. However, this is of course a positive situation to be in in terms of efficiency, and given the low average utilization rate across the industry, we are proud to be working two or even three shifts for some production lines. Currently we are in a phase of analysis and decision, and are looking at the different options before us. We want to make a substantial move, the right move that will let us approach the future in a better way so we can grow profitably.

Where will you look in your portfolio to find growth in the coming years?

The slim market growth is coming from new products. All companies should consider acting like a launch machine, launching high quality new and improved products in therapeutic areas with relatively few existing products. So, while sustaining and further developing our current portfolio, we will try to improve it by expanding into new, relatively underserved areas with competitive new products. In line with this strategy, we recently made the decision to expand into OTC and established an OTC organization earlier this year as we have seen that there is a growing philosophy of personal healthcare in Turkey. We are being careful not to be too aggressive in this area, as OTC is fairly risky in the sense that several companies have tried to enter this market and not all have succeeded. As such, we are testing the waters of different OTC areas with a variety of products, and will soon make a strategic decision on which areas to further develop. We are using the Menarini name for these products, as it is a well-known and established company with a reputation of quality and innovation, and we started some initiatives to develop local manufacturing for some of these products.

What is your personal ambition for Ibrahim Etem Menarini?

I believe that this company has huge potential as we have a diverse portfolio with strong original product segments and competitive generics. The extensive level of coverage in Turkey means, along with our businesses in OTC and animal health, make this a very robust subsidiary for Menarini that has growth opportunities in every direction. My ambition is to improve the businesses performance by growing in each and every segment of our business, and for this to be sustainable and profitable growth.

What are your impressions both Menarini and your subsidiary?

Before I joined Ibrahim Etem Menarini, I worked with MSD for 25 years, where the business culture was very different and management was much more centralized. This company, Ibrahim Etem Menarini is 88 percent owned by Menarini, but it operates as a local company. We also have a very good relationship with our parent company because both companies have a similar culture; where Menarini has 125 years of history in Italy with a strong and deep pharmaceutical culture, Ibrahim Etem Menarini has a similar culture and 110 years of history in Turkey, as Ibrahim Etem Ulagay. In fact, our company was the first pharmaceutical manufacturing company in Turkey, and we have a strong history of serving Turkish people with high quality products, especially antibiotics.

In 2001, Menarini acquired Ibrahim Etem Ulagay to expand into Turkey, and this was one of Menarini's first expansions abroad; today over 75 percent of Menarini's revenue comes from the 100 countries that they operate in outside of Italy. Their investment in Turkey performed very well, with Menarini sales on the Turkish market expanding significantly from 2001 to 2009, and our large sales force spreading our products across the country, giving Menarini far more comprehensive coverage than most multinationals. This is the way Menarini operates in Italy, and this is how Ibrahim Etem operated in Turkey prior to the acquisition, but such a generalized strategy has disadvantages as well as advantages. Since our portfolio is very diversified across therapeutic areas, just as we have a mix of originals and generics in our portfolio, we cover as much territory as possible to be able to reach family practitioners as well as specific specialists, which sets us apart from many other companies.

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