

Interview with Ali Akyildiz, General Manager, IMS Health Turkey

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Before we start with the interview I noticed that previously you were in charge of other regions aside from turkey. Is that still the case? If not why did IMS decide to separate Turkey from these regions ?

Every third or fourth year, according to the growth of each country and its potential, different zones are re-defined. The current regional structure is relatively new, as it is in place since 2011. Turkey is not separated from other regions. Now, geographically, we belong to South East Europe and the Middle East. These regions include Middle East, Greece, Turkey, Portugal, Spain and Italy. North Africa together with French West Africa are managed by our French colleagues.

Nonetheless, we continue as Turkey to be a functional hub for some areas, such as production, or electronic data processing (EDP). IMS Turkey is still responsible for data processing of many countries, including Middle East, North Africa, Greece, as well as some Balkan countries. According to this new structure, IMS Turkey is also a hub for management consulting. This group manages services for the whole region, from Portugal down to Middle East.

IMS has become a very strong partner for pharmaceutical companies around the world, and I guess it is the same in Turkey. Nevertheless talking about healthcare, there are probably as many systems as countries.

How does IMS adapt to the Turkish reality, and how different is your product offer from other IMS affiliates in more developed markets?

Before we started to set up the IMS organization in Turkey, for a long time, there has been an IMS existence in the country. IMS started to operate in Turkey though some other local companies in the late 60s. The first IMS report has been published in 1968. One company in the past collected several information everyday from doctors and pharmacists, in order to produce this first report.

The real switch came as we directly joined the market place end of 1990, in order to meet the growing and changing needs of the pharmaceutical industry. In Turkey, our entry has triggered a huge progress on the pharma side, and as technology also entered the country, distributors and wholesalers have started to use modern systems. In parallel, the total pharma market was growing. Also, there has been entrants in the market place, therefore there were a lot of requests from the pharma industry, who needed more services and more support from IMS as a "data provider" (today, IMS is also a consultant).

The first steps were to switch from a simple pharmacy panel "there were 350 simple pharmacies, from which IMS collected information and projected data to produce the first pharmaceutical index" to a wholesaler panel. The industry needed more complex and more elaborated information,

which also would include forecast.

The level of computerization was at the time mature, so that IMS could go to the wholesalers and make the necessary agreements, so we started to collect the data from them. That was the reason why IMS sent me to Turkey to settle up this organization and implement the right strategies to collect data from these numerous wholesalers and find the right model for this country.

There were more 350 wholesalers, beginning of 1991. It is a huge challenge to collect data from that many different wholesalers, who all naturally had very little market share. In the first year, we concentrated on three big wholesalers, including Selcuk, which is today one of the largest wholesalers, but which had only 13% market share at the time. We started with our new panel by working on the data collected from wholesalers controlling altogether around 18% market share, and the rest was projected. Gradually, we increased that figure.

The market development has helped us a lot, in that the pharmaceutical consumption and the economy both were growing from 1990 onwards, which resulted in a consolidation of the wholesaling market. Many wholesalers closed down because they could not compete against larger companies, while at the same time new wholesalers entered the market and got bigger. We soon reached up in the end 65 wholesalers, and therefore collected data from 90% of the market. We are now able to cover the entire retail market.

We increased the level of quality of our data, and consequently had more and more customers.

Pharma companies were thanks to us able to plan their market penetration. I remember that IMS's first report covered 46 sales territories, then 80, then 143, then 275, then 500; today we publish 100 bricks of data for the client. For some consultancy projects, we use a background of 2500 bricks. Those are very detailed information, from which the clients get more use out of it. They redefined their sales force structure according to IMS data.

Considering we do not have a good functional zip code structure in Turkey, IMS created this bricks structure. Today, everyone uses data according to this geographical code system.

Moreover, the pharma industry was being more and more demanding in terms of speed of the information. In the first years, IMS could only publish data in quarterly sequences, then on a monthly basis. Today, we publish both monthly and weekly data within 12 hours. For instance, today at 1pm, we publish yesterday's data coming from all parts of Turkey. IMS Turkey is the number one affiliate in terms of delivery of the information. In other countries, IMS offers daily data, but we call it "early insight", as they cannot cover the whole market. Our daily data covers here in Turkey 95% of the total market.

Omar Ehsan, Head of IMS Africa, was saying to focus Reports a few months back that IMS was focusing on the specialty market, such as oncology and diabetes, therapeutic areas which are getting a great of attention from IMS's clients.

To what extent is the focus on specialty care a global trend and a general expertise that IMS global has developed as opposed to a local reality, inherent to IMS turkey?

It is something new. For two years, for our clients, we have had oncology analyzers in our reports. Our consultancy arm works on specific areas, such as diabetes, but these are mostly ad hoc services, while for oncology we have an audit, called oncology analyzer, whereby we collect information from oncologists and produce reports for 9 tumour types in Turkey. For such specific areas, the needs of the pharma industry have increased, and we will continue to match their needs.

When analyzing the top ten therapies, Turkey is different from other emerging markets. Oncology seems to be the growth area. What are Turkey's fastest growing therapeutic areas and what special role that oncology will play in the development of Turkey's future healthcare market?

Looking at fastest growing therapeutic areas, Turkey seems to present some aspects of emerging markets and some aspects of more mature markets.

For instance, cardiovascular diseases, diabetes and cancer are growing areas, but on the other hand, looking at the top ten therapeutic areas by value in Turkey, there are mostly concentrated in the primary care. And they are still growing! Cephalosporin, antiulcerants, non-steroidal antirheumatics, non-narcotic analgesics, etc, are growing markets. At the same time, when you look at cancer products, like antineoplastics, they grew by 15% between 2007 and 2012.

In that sense, Turkey is a mix between emerging markets and mature markets

Around the world IMS is a privileged witness of the pharma sector, and one that provides incredibly useful data to pharma companies to back up their commercial strategies.

What according to you have been the major trends affecting the market in the past 5 years?

It is no longer easy to do business in Turkey, especially since 2007. Since 2005, we have had a continuous price cut and increased amount of discounts, which has made business difficult, coupled with the introduction of a reference pricing system, whereby prices in Turkey are aligned to the lowest prices in a basket of five European countries including Spain, France, Portugal, Italy, and Greece.

Another important trend I have witnessed is the increasing activity in terms of mergers and acquisitions in Turkey over the past five years. Today, Amgen took over 96% of Mustafa Nevzat, which further reduced the number of important local pharma players. The total market was growing since 2007, despite last year's decrease. The overall attractiveness of the Turkish pharma market makes Turkish companies attractive targets. In spite of the pressure on the prices, MNCs still express a strong interest in the local industry.

The market has a lot of potential; the population is growing and ageing; the economy is growing. After the shock, the current worldwide crisis did not hit Turkey to the same extent as other Mediterranean countries were hit. The prospects for further macro-economic growths are good.

A recent research issued by IESD and BCG basically says that Turkey has missed the train of global generic manufacturers, and is about to miss the train of biosimilars. The study also suggests that there is a difference between the Turkish market which offers plenty of potential, and the industry which is facing real uncertainty.

What in your view should the Turkish industry try and implement to see the light?

Most of the international companies are primarily interested in Turkey's domestic market. On the other hand, prospecting that Turkey will become a full member of the European community, MNCs are more and more using Turkey as a hub for their regional operations.

The industry needs support from the government, but right now it seems that the industry has reached its limits. The government knows that Turkey is a growing market, and they will open the doors to welcome more foreign players, parallel to the macro economic growth. The Turkish pharma industry will not be a booming industry on its own, it will grow along with Turkey's economic development and gradual opening to the world.

The main issue in Turkey is that 90% of the total pharmaceutical consumption is being paid by the social security institute (or SGK) i.e. by the State which is a comparable model to France or Germany to some extent. But in none of the emerging markets, you see this kind of percentage. 90% out of 11 billion dollars has to be financed somehow, and it is not an easy issue. On the other hand, for the long run, I believe that the Turkish government can no longer finance this system. So far, it was necessary that the largest part of the Turkish population had to be covered by an umbrella of social security, but this model seems to show its limits and is not sustainable. Turkey is not a Germany, Turkey is not a France, therefore the country needs another model to hope to continue to finance its health care. Some form of privatization or the introduction of a new insurance system seems today inevitable.

In 2006, the Turkish government operated the amalgamation of three different insurance systems under one, which we call today the SGK. Even at that time, bills were paid by the government. But

somehow, we reached the limits of the expenditures, therefore the government decided to cut the prices. They are looking for other measures to drop down the bill, but the pharma industry won't accept any further price cut, so for the long term, this system cannot continue as it is.

The pharma sector is bearing much of the burden of recent cost constraint, but Turkey remains attractive for investment due to its long term potential.

The idea would be to invest now to prepare tomorrow, so what do you say to those who are in a "wait and see" momentum and choose to hold back their investment? There are other stars in the world at the moment, like India, China, and Brazil, but for how long?

We often talked about Mexico and Turkey as fast followers, although Turkey no longer has a double digit growth. Countries like India and China will also be facing issues linked to the crisis or to their demographics. Once China and India have shown their limits, other growing markets will be on the radar screen of companies which want to grow, and Turkey is still one of them.

As long as there is no other growing area, Turkey is still there, and Turkey will be another star for the next ten years. According to the government and analysts, Turkey should be in the top ten economies of the world by 2023.

Every day is a lost day to enter the Turkish market.

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