

# Interview with Henrik Secher, General Manager, Merck Sharp & Dohme Chile

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**What are the major milestones and achievements since your establishment in Chile in 1995?**

We have recently gone through a global merger with Schering Plough, which occurred exactly a year ago. With this in mind, the first milestone that I can mention is the integration of these two relatively big companies in Chile. We accomplished a lot in this regard, particularly in achieving a quick integration of the sales and marketing teams which after three or four months were already operating from the same offices. Overall we managed to organize the structure of the company very efficiently. Another important milestone in our recent history has been our company's role improving the health of Chileans. MSD has a purpose and mission that we live by and it is composed of four main goals: 1) we want to become by 2015 the most admired pharmaceutical company in Chile 2) in order to do so we must improve patient access to medicine 3) we would like to be an active partner with the Chilean community, not only in the medical field, but in other areas as well. 4) finally we want to be one of the most attractive places to work for.

Furthermore, we have achieved to launch several new products into the market. Even throughout the restructuring, we still maintained our growth and our market position, which was done with a motivated sales force and motivated people.

**Based on your previous experiences in several countries, while working for Organon and Schering Plough, what would you say are the main challenges for MSD in Chile today?**

I always like to consider things from a positive point of view. To begin with, MSD is a tremendous company with a fantastic track record both scientifically and ethically. We currently have numerous products in the pipeline for various therapeutic areas and this is something that we must take advantage of here in Chile. In order to do this we must improve our position in the market, which today is #2 amongst the global innovative companies present in the country. The Chilean market is lead by national and generics producers, who have 80% of volume sales. Some people would say that this is a major challenge for us, but rather, I like to think of it as an opportunity. The difference is that Chile has come through the full lifecycle that other countries are only in the middle of right now. If you go to Mexico or Colombia for example, you will find that they are currently experiencing difficulties with generics entrants and copies of pharmaceutical products. I wouldn't say that we have completely resolved these issues in Chile, but we have been dealing with them for a lot more time here and this means that we have greater chances to fight back and to leverage our position. Clearly this is still a challenge for us, but at the same time it is an opportunity for us to improve our position in the market.

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Other main challenges and opportunities lie in the public sector. About 40% of our sales today are to the government and public institutions. If you take into consideration Chile's overall economic situation, which is very positive, and you compare it to expenditures in the healthcare system, then you will notice that Chile has quite a low expenditure per capita and low access to healthcare and medicines. This represents a huge opportunity for us and the government has already begun to address the issue one therapeutic area at a time. The goal is to have broad access to all pharmaceuticals for Chileans and we have many products that fit well into the public scheme. We have dedicated staff that work in partnership with the government on this issue of market access and we believe there is a bright future in this regard because we have many opportunities to offer them.

**What synergies were generated by MSD's acquisition of Schering Plough in 2009 in the Chilean context? How did it affect your position within the Chilean market?**

If you look at the merger from the point of view of size, then the first thing to consider is that Schering Plough was about 50% larger than MSD in terms of sales and also a much larger organization. One of the greatest advantages of having the two companies together is that there is hardly any overlap of therapeutic areas, so we greatly benefitted from everything that was theirs. Furthermore, becoming the second largest pharmaceutical company also gives us a much stronger voice in the market and in the role we play within CIF. Having a bigger voice also gives us more advantages when working with the government to improve market access. One example I can think of is Chile's provision of modern treatments for HIV and it is one of two countries in the region that provides these kinds of products. This is in large part due to the work that MSD has done with the government.

**The Chilean pharmaceutical market is known for its highly competitive environment lead by generic manufacturers which produce very low-cost products. How has MSD positioned itself in the competitive Chilean market?**

Our fundamental base has always been and will be in innovative medicines. However, there are different ways in which you can introduce innovative products into the market to determine the level of access that the population will have to these products. For example, MSD has developed very aggressive patient programs that require patients to commit to the full duration of a treatment after which we then provide discounts to those products. In doing this, there is a great opportunity for more patients to enter the program and to have access to these essential treatments. This, however, is specific to the private market and cannot be used in the public sector.

In the public sector, we concentrate on negotiating with the government in order to meet their needs with the number of patients they have allocated to each therapeutic area. If this number involves a considerable amount of people then we are willing to discuss the terms of prices. On a global and local scale, MSD is developing a more aggressive and country-friendly approach to pricing.

**The distribution channels for pharmaceutical products are controlled mostly by the three major pharmacy chains in the country. How has this impacted the business activities of MSD?**

You will find that this phenomenon is the same all over the world outside of the most developed countries. Whether it is in Asia, Eastern Europe or the rest of Latin America, there is an issue with prescriptions being changed at the point of sale. This is especially true when the pharmacy has its own brand of products which of course creates a vertical integration of the market. It also happens with generics and similar products, but we are working closely with the pharmacy chains and the generics manufacturers to make sure that this does not happen. In Chile it certainly happens a lot less than in many other countries in the region.

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**During our meeting with Mr. Cousiño at CIF, he reported cases of patent violations in Chile. What is MSD's opinion on this debate? How has this affected your operations in Chile?**

Our position is the same as CIF. We find it difficult to understand how products that still hold valid patents can be registered in their similar or generic form. The authorities have in the past approved products from generic competitors that were still protected under the patent. It is their position that this is allowed because they perceive registration and commercialization as two independent things. The problem lies in that there is no link between these two aspects when in reality a copy of a patented product shouldn't even be allowed to be registered by the authorities.

We had violations in the past, but we don't have any pending at the moment. I know that CIF is working hard with the authorities to ensure that the legal obligations under Chile's free trade agreements are implemented and respected. At the end of the day the biggest concern is that these generic products cannot ensure bioequivalence, and this is something that the doctors understand and that patients should as well.

**There are indications that Chile's high GDP and HDI, as well as its qualified scientific community make it an ideal place to conduct clinical trials. How has MSD been exploiting this opportunity?**

I would be the first to agree with that. Chile has very educated doctors and researchers as well as a system that is trustworthy and reliable. This is a country that has a corruption index that is above that of the United States. This means that you can trust the authorities, including ethical committees, and you can rest assured that things will be done correctly. Additionally, Chile has a couple of private clinics that are among the best in all of Latin America. Working in Chile guarantees that you will be working with the best clinical and research talent.

Furthermore, the research that is going on at MSD in today is considerable. We have more than 30 people working in clinical studies, almost 100 investigation centers, around 1400 patients enrolled in 30 to 40 ongoing clinical trials. As a region, Latin America has demonstrated huge growth in clinical trials and this has definitely been the same for MSD in Chile where there are currently a group of ongoing global trials. This is part of our heritage and, of course, it will provide us with new opportunities in the future.

**What kind of private-public partnerships is MSD involved with in Chile and what fruits have these borne?**

This is definitely a point of interest for us, as well as for the other companies in the pharmaceutical association. We have already identified, in conjunction with the ISP, the key areas that require attention. Currently the ISP is too heavy and broad of an organization and needs to be streamlined so that it can provide more efficient services. President Piñera spoke about the need to reform and restructure this institution in his inauguration speech. We are happy that at least this has been identified as a priority by the new administration, which includes the new Director of ISP. I know that they have many internal issues to handle so the changes will be an ongoing process which we are very happy to support.

Another area where we work closely with the government is in providing access to new medicines and therapeutics areas. The first step to accomplish this is to provide medical education and data to public institutions so that they understand the kind of products that are available. Once we have done this then we can begin to discuss with them and influence the government's plans to open access to new products.

**How does MSD manage to attract and retain the best talent in Chile?**

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The first thing you have to make sure is that people feel comfortable in your organization. There are so many unknown denominators for people, such as processes, values and business models that people might not be aware of. At the same time it is important to make sure that people feel comfortable in their daily work. This can be done by bringing people together, communicating openly and to listen directly to their concerns.

In regards to talent management, you have to take a look at the entire organization and identify the brightest and most talented people within the company. We also conduct periodic reviews of our staff to identify the best talents, and this is taken into consideration when there are position openings. Beyond that, we make sure that we provide for our brightest people and that we create an appropriate environment for them to grow in the future. Because of the restructuring with the acquisition of Schering Plough, we had to focus on organizational issues this year, but I want 2011 to be more about developing our people.

**What is your vision for MSD in Chile for the next 3 to 5 years? Where would you like to take the company by then?**

Our vision is clearly to be the most admired pharmaceutical company in Chile by 2015. We also want to improve the access to healthcare of Chileans and we have been working very hard on this area. Also, we want to become the #1 global pharmaceutical company in the Chilean market by overtaking Pfizer that currently holds that position. This, we plan to achieve through a variety of opportunities that could provide us with organic growth, but we are also considering some possibilities for inorganic growth which MSD has also been doing on a global scale.

**What is your final message for our readers of Pharmaceutical Executive about the commitment of MSD to Chile?**

MSD is certainly committed to Chile and we are investing for the future. We are sure of our ambitions and the clinical environment shows that this is a place where we can lead. Beyond our high ambitions, we would like to provide Chileans with more and better medicines. If we manage to become the most admired company in 5 years that will be because we accomplished to help Chileans in their access to medical treatment, because we are a great place to work in and because we are involved with the community in areas that go beyond healthcare.

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