

# Interview with Ilker Ozbay, General Manager, Daiichi Sankyo Turkey

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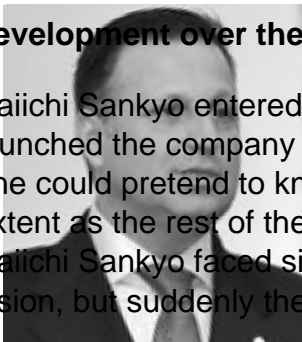
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**back for our readers on the main milestones in Daiichi Sankyo's development over the past few years in Turkey and how it positions itself in this market?**



Daiichi Sankyo entered the Turkish market four years ago. At the time, little did we know that we launched the company in the most challenging time for the pharmaceutical industry. Back then, no one could pretend to know what would happen in the following three to four years. To the same extent as the rest of the industry, and perhaps a bit more considering we were a new and late comer, Daiichi Sankyo faced significant challenges. We had our dreams, our motivations, a mission, and a vision, but suddenly the price cuts began, along with structural changes in the health system.

When we started operating in Turkey, the rebates we had to pay to the government were 11% for original products, whereas today it is 41%. Secondly, the price of the generic products were 80% of that of the originators from the reference country, whereas today it is 60%. Lastly, there was no GMP regulation, meaning that we could easily produce outside of Turkey and import the products; no difference was made with the local production.

We made our business plans according to the rebates of that year (11%), and considered they could go up to 20%, but never could we have imagined the rebates to at 41% four years later.

**What was your approach with regard to these challenges?**

We discussed with the German and Japanese headquarters on the very meaning of our presence in Turkey. Do we really want to be in this market as Daiichi Sankyo? Do we want to be here for at least 50 years or 100 years? The definite answer was "yes". Whatever it takes, we will be in this market for the long run as a constant player.

Following this decision, we took these health reforms as natural changes, and tried to adapt to the environment in the best possible way. In order to survive to these harsh market conditions, we needed new products. Indeed, with the application of the GMP certification rules, if you produce a product outside Turkey, the Turkish Minister of Health send inspectors to your production site, who approve it. As the Minister of Health has a limited number of inspectors, this whole process takes time. There are today 350 products in the waiting list, and with the current frequency of inspectors visiting the different sites, it is said that it will take five years to have all these products approved. If your product is a life saving product, then it is a priority for them, as opposed to old products, for which it can take several years before they are approved.

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As a result, we understood that two of our major products would not be in the market as expected. We had to decide either to wait for the sites to be inspected or to bring those products to local production. Although this process also takes at least one year, it was one of the most important decisions we have made.

Furthermore, we decided to acquire some products, which were not planned before. We acquired the cardiovascular portfolio of 4 products from Merck Serono, and also a product called Simdax from the Finnish company Orion. With these acquisitions, we were able to manage the planned budget, to survive, and also to be a better player in the CV arena. As a matter of fact, one of Daiichi Sankyo's is to be a major player in the CV market globally.

In the end, for a new company entering Turkey, we did an excellent job, and not only business wise, because in these four years, we also managed to give the company a good shape. In 2010, we were recognized and awarded by Aon Hewitt as Turkey's best employer across all industries. Since we launched the company, we also obtained the "Respect to Human Beings" award from Kariyer.net, Turkey's largest recruitment company and well known brand.

**Daiichi Sankyo's vision is to be perceived as a "Global Pharma Innovator", meaning that the good done in Japan must be brought to people around the world. In Turkey, considering market access has been an issue, to what extent have you implemented a different strategy than that of your counterparts?**

Daiichi Sankyo Turkey will only focus on innovative products. Daiichi Sankyo has in the cardiovascular arena some core products, such as Olmetec, Sevikar, Effient. Besides that, there are other products that the Turkish affiliate has acquired according to its needs. In Turkey, we have anti diabetes products and heart failures products for instance to complement our local portfolio, all of them being originators; we don't have any generic.

When a product comes to Europe, we have it marketed in Turkey two years later. That's one of our major challenges. When you have a product in Europe, you cannot have it at the same time in Turkey, considering you need to use the European application file to register your product in Turkey; the Minister of Health (MoH) takes Europe as a reference.

In the last four years, the FDA and the EAM approved 200 and 150 new molecules respectively, while only 48 were approved in Turkey. Nevertheless, even if this is threatening us business wise, the MoH is doing a very good job in terms of increasing access to medicines and hospitals. While most countries are running away from this system, Turkish citizens are under coverage of the social security umbrella, so they know that if they have a health problem, they can go to a hospital and be treated. Besides being a good system from the patient perspective, it is also very important for our industry, considering it supports our future growth.

Now, due to budget restrictions, the access to new molecules is somewhat limited. It is a dilemma: the state tries to give a good health service to the public, but on the other hand, they have budget restrictions. 5 to 10 years ago, the pharma market in Turkey was like heaven; today, it came back to a "normal" level, but if discounts continue to hit the industry, companies will either leave or compromise on quality of the products we offer to the market, and quality of the services we offer to the physicians. The country is facing this dilemma.

Every day, the market is increasing in units, despite the budget cuts, because the government is pushing people to go and visit doctors. When I was a medical doctor, people would come visit only when they had a serious health problem. Today, for any headache, they go to doctors because the service is good and free. As a result, unit sales are increasing, because doctors have to prescribe drugs after receiving the visit from patients, and spending is increasing accordingly.

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The Minister of Health wants to limit the spending by reducing the price of the drugs, although this is a sustainable solution. In the future, with more patient co-pays, or by putting some products out of the reimbursement list, we will manage to overcome this bottleneck.

**Emerging markets are given full attention at the moment by most of the pharma companies. Despite harsh market conditions, what is the importance of Turkey for the group?**

Five years ago, Turkey was more important for the group. At the time, the market was growing double digit. According to a 2008 IMS Health report, the Turkish pharmaceutical market was forecasted to enter the world's top ten ranking; today, we know that it cannot be better than 16th. Brazil, India, China are still growing at a higher rate.

Nevertheless, 16th is not so bad, the country is still attractive.

**In 2011, Daiichi Sankyo and its consolidated subsidiaries (the Group) posted consolidated net sales of ¥938.7 billion, a year-on-year fall of 3.0%, mainly due to a strong Yen. In Europe, on a local currency basis, sales of approximately EUR620 million were up 5.4% compared with the previous year. How has the Turkish affiliate performed over this period?**

Last year, the Turkish affiliate could not grow because one of the products was taken out of the market, due to the budget cuts which affected its profitability. In some of our products, for every buck was sold, we had to pay money out of our pocket.

But thanks to the growth of other products, our revenue remained the same as that of the previous year. Starting from 2012, our growth will be over 30% y.o.y., thanks to the introduction of two new products.

We also had back some of our products from Pfizer, including Olmesartan, the most used molecule in hypertension around the world, a ARB molecule, which had been given to Pfizer in 2005 before we launched our company here.

**What are the main partnerships Daiichi Sankyo has established with the industry in Turkey?**

We work actively with Zentiva and Pharmavision. We have licensed out a product to Santa Farma, which they are producing and selling in the Turkish market. With Eli Lilly, we have a co-promoting agreement for a product that we will hopefully launch in October this year. With Pfizer, we also have a co-promotion agreement for one of the products in our hypertension portfolio. Lastly, with Menarini, we have co-marketing agreements also in hypertension.

We are very flexible in co-promoting and co-marketing products, when comparing with some of my previous companies, Novartis, Janssen-Cilag.

**R&D investments and clinical trials are crucial to final drug development. How favourable is the environment for R&D in Turkey?**

In general terms, real investments are needed. I'm not talking about running clinical trials, or investing in small USD 10m R&D centres. Before we see real investments in the country, companies want to see a sustainable and trustable legal framework, as well as better patent protection.

On the other hand, R&D money is globally shifting to emerging economies. If Turkey is smart enough to change its R&D law, increase patent protection, and raise confidence among the pharma industry that their data will be protected, I am sure this money will also come to Turkey. Money

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always goes anywhere it finds profit and sustainability.

Today, in order to have a quicker way out of the crisis, Ireland is attracting a lot of foreign capital thanks to the incentives for companies to run R&D projects there. I hope the Irish model will inspire the Turkish authorities.

### **What are the most important elements of the Daiichi Sankyo's corporate culture and philosophy?**

Respect to human beings is a constant in the Japanese culture. We call it "do business by touching people". Here, we try to mix it with the Turkish culture.

As a General Manager, I do not have a personal assistant for example, as I do not want anyone to filter people who want to come and see me in my office. Everyone is easily accessible within the organization. A manager at Daiichi Sankyo is someone who has to both coach and help the others, rather than limiting his actions to giving directives.

At every company meeting, we organize an open discussion which generally last around two hours, where we do not use tables or chairs. We sit on the floors, until someone starts a topic, and the person addressed in this discussion has to answer openly.

Moreover, if someone comes to office with a problem, that person should also come with the solution. It is critical for people to feel part of the solution. The company makes employee satisfaction surveys every year, for which we get very high scores. If managers or employees have in mind a project, they know they can easily put it in place.

There are only 16 people in the office, and with this small number of people, we managed to sign important deals, make acquisitions of new products, change the production from Germany to Turkey, all this thanks to a high efficiency.

### **What are your personal ambitions to grow Daiichi Sankyo Turkey in the next few years?**

Daiichi Sankyo's top molecule is Olmesartan, which physicians use to treat hypertension. This molecule is only produced in Japan, US and Germany globally. There is a fourth country from which this molecule is produced: Turkey. It was one of my ambitions two years ago to have this drug produced from Turkey, and to use Turkey as a production back up for the European operations.

My next ambition is to see that our own portfolio, including oncology, will be launched in Turkey in a successful way, and will allow us to enter the top ten cardiology companies in Turkey in a five years time, and the top five within ten years.

Moreover, I want Turkey to be developed as the centre for operations in the Middle East and Central Asia, as these regions are covered by Tokyo at the moment.

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