

Interview with Pierre Boyer, Servier Czech Republic

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in October of 2011, having spent the preceding three years as GM for Servier Slovakia. What are the principal differences you found between these two markets?

The first difference is of course the size of the market—the Czech Republic has a market value of approximately 2Bn Euros, while the Slovak market is approximately half of this size. Nonetheless, the drug consumption per capita is comparable.

The drug agency in Slovakia controls the registration of drugs, but they do not act on pricing and reimbursement. In the Czech market, however, the drug agency—SUKL—oversees not only registration, but also price and reimbursement. Additionally, I see that there are more procedures in the Czech Republic than in Slovakia.

The market is more conservative in the Czech Republic. For instance, in Slovakia, doctors are more willing than their Czech counterparts to change their prescription habits and prescribe novel drugs.

Generics are significantly impacting business in both markets—this aspect is more or less the same. The markets also both have room for improvement in terms of transparency.

Servier is currently consolidating its business in Euros, and one issue we face is the fact that the Czech crown is not currently performing very well. We are losing some portion of our business due to the exchange rate. This was not the case in Slovakia, because Slovakia has been part of the Euro zone since Jan. 2009, and hence we have greater visibility there and it is easier for us to evaluate our potential bottom line at the end of a given financial term.

Another important point is that opinion leaders have influence over decision-makers in Slovakia. When decisions are being made regarding the introduction of innovation, there is a level of collaboration among the Ministry of Health, the drug agency, and scientific societies. In the Czech Republic, experts do provide advice in given therapeutic areas, and their level of influence in general is moderate.

Finally, the market is more organized in the Czech Republic. Sometimes this is a good thing, and sometimes not. In any case, as I mentioned, the level of transparency has been improved but it must continue.

Newly appointed managers often think much about their first 100 days, and thereafter their first year. As you approach the end of your first year, can you describe in what shape you

initially found Servier's Czech operations, and your subsequent first steps as manager?

From the moment I arrived, I have had to contend with the generic competition that Servier is facing in the market. Our market share had already started to decrease prior to my appointment, and by the time I arrived, the impact was quite strong. My first goal was to return the business to positive growth despite the generic challenge.

I also found an issue with something I had not faced in Slovakia, which was parallel trade. In Slovakia, there was little import/export activity because of the small size of the market. In the larger Czech market, drug prices are some of the lowest in Europe, and, as I mentioned, the environment is more organized. Hence, export operations have been a reality for the last two or three years—and for some products exportation was representing, at the level of retailing market, more than 30% of the sales. This issue was dramatic for the patient because they didn't have access to the drug due to the fact that some pharmacies prioritized exportation over local consumption. Some companies have accepted this as an immovable fact, and other companies have not. At Servier, we have chosen not to accept this state of affairs, and we have expended much effort to prioritize local market and Czech patients.

Interestingly, Servier has also been challenged in this market by importation. Although the prices here are very low, we have one product in our portfolio that is commonly imported from Spain. This issue has had a substantial impact on our business.

Hence, my three principal challenges were generic competition, parallel trade and the exchange rate. I tried to develop clear priorities and act on what I could.

In terms of generic competition, when you lose market share in the beginning, it becomes quite difficult to restore your position. You can almost never recover those initial losses. Hence, for the first of our products that became subject to competition, we were not able to return to our targeted sales volume. However, subsequently, we anticipated what we would face in the market, and for the second product that became subject to competition under my tenure, we were able to take steps to retain market share: i.e., we tried to be competitive on co-payment to avoid the switch at the pharmacy level, and we were increasing our Share of Voice at the doctor level. In general, these are the strategies we apply when we face this kind of competition.

Concerning importation: this was more about appealing to our headquarters in Paris, and asking them to take internal measures, prioritizing access to the drug for local patients. We ourselves cannot act on it from Prague. Having discussed the problem with top management, we have seen great improvement, and the import volume was slowing down step by step. We expect that the flow will halt altogether within a short period of time which will help us to recover a positive trend with this brand.

Concerning exchange rate, we of course cannot do anything. Instead, I have asked my team to be more focused on their daily business. We try to give our medical reps the right tools to succeed, and emphasize our priority therapeutic area, which is cardiovascular. We are a clear leader in this field. We also have innovations on the market in osteoporosis and psychiatry. We must accelerate the development of our innovative products to offset our losses to generic competition.

In our conversation with Dr. Petr Divis, country manager of AstraZeneca CZ, he commented that AstraZeneca was decreasing its use of face-to-face doctor visits, in favor of alternative techniques such as digital platforms and teleconferencing. In your opinion, does the face-to-face visit remain the best marketing channel for pharmaceutical players, or is the business changing?

It depends on your business model. Moreover, a new law has been proposed in the Czech Republic that will limit medical reps' access to doctors. This type of legislation has already been implemented in Slovakia, Slovenia and Hungary, and we have hence had experience with it. At the end of the day, you must adapt, and change the way you communicate. This is why some companies have developed novel kinds of media, in an attempt to contact the doctor without personal visits from medical reps. Sometimes this could be perceived as a good opportunity to decrease your sales force when you want to optimize your costs.

With this said, for Servier, our strategy today continues to emphasize doctor visitation. We feel that we cannot replace this personal touch. If the proposed law will be implemented, we will surely adapt, but we currently do not wish to change our communication approach. Our medical reps will continue to visit doctors, provide them with scientific information, and establish relationships. We see this as paramount to our success and it is something the doctor requests as well. Doctors are used to learning new information from rep visits.

If the law is passed, we will have limited access to doctors, and hence we will have to develop alternative media. But I continue to believe in medical reps, and I continue to believe in direct contact. Doctors need to be informed on novelty, and they must be in touch with the pharmaceutical industry not only through a screen or a phone, but through personal interaction.

While Servier is strongly associated with the French market, 90% of its medicines are today prescribed internationally, and this figure continues to grow. What is the role of the Czech Republic for the group?

I believe that for Servier, the CEE region as a whole is strategically very important, and has been for quite a while. We established our affiliate in the Czech Republic in 1994, just as we did in many neighboring countries. At the beginning, we managed both Slovakia and the Czech Republic from Prague, but we created an independent affiliate in Slovakia in 2001. We were one of the first international companies to enter Romania, Hungary, Poland, Russia, and Ukraine. Majority of our subsidiaries in this region is either in the top five or top ten in their respective markets. One of the reasons for our success in the region is that from the outset, we recruited the right talents, and managed to retain them. For instance, among my Czech management team, five out of six people have been with the company for over 12 years.

Our turnover rate for personnel at the field level in Slovakia was 2%, and despite a very difficult environment thanks to our team spirit, we managed to develop our position from seventh in the market to second in the market in a period of 3 years.

People in Servier share the spirit and values of this company, they are very loyal, and they want to continue to perform. They see that if they remain with the company, there is much room for learning and for career growth. It is one of the key principles of our organization to recruit the right people from the beginning, and develop them. If we develop our people, then we develop our sales.

Doctors, too, appreciate seeing the same faces over the years. As I mentioned, Czech doctors are quite conservative, so it is quite important for our affiliate to retain a stable sales force.

Servier is facing difficult reputational challenges in its home market due to the controversy surrounding the diabetes drug Mediator. How does the company ensure that it continues to enjoy a strong reputation in the Czech Republic?

We never registered this product in the Czech Republic, so the difficulties in France have not extended to the Czech market. I would add that from a reputational standpoint, Mediator did not damage our image in the CEE. Thankfully, we have been able to concentrate our energies on

business growth rather than public relations.

Of course, the Mediator case is not a good story for our company, and I believe that it does not reflect our goals or our spirit. Our president is fighting to restore our reputation we believe that many elements of the case have been misrepresented.

Prior to the interview, you mentioned the Servier has oscillated around the same market position for the last four-five years. Are you satisfied with your share of the market?

From experience, I can say that when you are in the top five or top ten in a market, you can continue to do your job and develop your sales, and although I would not say that nobody cares, you are nonetheless not very visible. Sometimes, when you are too visible, you are subject to a lot of attacks from competitors and insurance companies, and it is much more difficult to conduct operations. It is better to retain your position within the top five or top ten, and to spend time on developing strategic products, rather than protecting your business against external attacks.

My goal in Slovakia was to improve our positioning, and I saw that as we became more visible, our difficulties increased. In the Czech Republic, my challenge is to simply maintain our current market share. As a top five player, we are very satisfied with where we are.

Today, as I mentioned, we are a leader in cardiovascular field. In the Czech Republic, there are two million people with hypertension—twenty percent of the population. Servier already reaches half a million of these patients yearly with our hypertension products. Our leadership in cardiovascular field is something that we wish to consolidate.

Apart from this, a key factor of success for us will be the development of innovations. Here, I see challenges, because market access for innovation is very difficult in this country. Nonetheless, we must overcome the barriers and continue to bring novel products to the Czech patients. Our ambition is to perform better than the market in each area where Servier drugs are present. We wish to be within the top five in every product niche.

Many companies are integrating generics and innovation under a single umbrella, which is also the case with Servier and Egis. What is your appraisal of this model?

Dr. Servier's position is clearly to incorporate generics into the company's strategy. It is why, if we look at the businesses in our different affiliates, there is only fair competition between Servier's original products and Egis products.

With this said, I believe that there is space for generics—for quality generics—on the market. But the government cannot facilitate only the introduction of generic on Czech market. There is a short track to get generics registered and reimbursed, while for innovation, we must invest a lot of capital into R&D, we have limited market access, reimbursement levels are low, doctor access is restricted, and we can sell only a limited number of boxes. At the same time, the timelines are very long: the drug discovery process and the market access process take quite some time. When all is said and done, we have just five years to take full benefit from our innovation.

Do you believe that the Czech market disproportionately favors generics over original products?

Today, the market is certainly in favor of generics. The Czech market is growing at a rate of 2% in the hospital and retailing sector, and it is growing because generics are growing. We see an increasingly elderly population in this country, so an additional influx of drugs is required to maintain quality of life for a longer period. If we look at current market trends, original companies are

suffering, and generic companies are growing. I believe that the number of units is becoming more and more important and the price of the drug is growing less important.

We understand the efforts done by authorities in favor of generic introduction for cost saving purpose but the patients must profit from these savings and also a part of the savings must be reinvested in favor of introduction of innovative drugs.

Government pricing and reimbursement decisions should recognize and reward the added therapeutic value of new medicines in treating disease as well as improving the quality of life. It should also be recognized that most therapeutic progress is made step-by-step and the sum of incremental progress often leads to significant therapeutic progress.

In this sense, I would like to see more opportunities for originator companies.

Are you concerned about your future in the Czech Republic, as an innovator?

I believe our future is promising. For one thing, I expect that market access procedures will improve.

Furthermore, our portfolio is quite balanced. As I mentioned, even if we are losing business on one side due to generic competitors, we are able to develop our sales for other products that have not yet lost exclusivity. This allows us to stabilize our turnover. We look forward, as well, to the continued launch of new products.

In 1998 Servier in the Czech Republic established a research center for clinical research: the International Centre for Therapeutic Research, or ICTR. How does this investment represent a win-win scenario for both Servier and the country?

The association of originator companies in this market—the AIFP—recently addressed the benefits of innovator companies' clinical efforts in the country in a report that we presented to the Ministry of Health. The report showed a quite high level of investment that we are committing to this country.

For Servier, it is important to invest in clinical research locally in order to maintain a good reputation with our customers. Since the opening of the center in 1998, we have conducted more than 50 clinical trials—approximately four per year. We have reached more than 6000 patients in the cardiovascular field, in diabetology, in depression, and oncology. Our reputation at the level of hospitals and opinion leaders is very good, because we are investing a lot into domestic clinical research and involving many centers in the development of our drugs, giving them better knowledge. I believe it is highly important to maintain a good reputation amongst doctors, because doctors are for us the key player within the pharmaceutical business. The business is changing, and pharmacies and wholesalers are gaining more influence—but the doctor remains at the center of patients' need.

The Servier group globally invests 25% of our turnover back into R&D, which is a unique figure. We are an independent company, as we have been from the time the organization was founded by Dr. Servier. If we are not able to succeed in R&D, we will not be able to move forward as an independent. Today, as a foundation, all of the company's profits are invested into R&D.

When I worked at AstraZeneca, the main stakeholder was the shareholder. We had to communicate every two-three months with our investors. This completely changes the spirit of your business: when you have to constantly communicate with shareholders about turnover, expenses, and pipeline, the main focus is to demonstrate that the company is growing, that it has a future, and that people should continue to invest in it. At Servier, we are able to take a very long-term view. If we

lose sales, we surely must restore our position, but, on the other hand, it is not necessary to take measures like decreasing the number of employees or decreasing expenses. We never stop investing in our future, and we are not forced to make cuts in order to please shareholders. We are able to focus on doing our job the best we can in providing to the doctor the right treatment to cure his patient.

When Focus Reports interviewed Jacques Servier, he said that were he a younger man, he is not sure that he would again enter the pharmaceutical industry—he believes that ideas take too long to become outcomes, and that this is —not a motivating factor.— What attracts you to this often-difficult job?

I enjoy the challenge. Today, the situation in the Czech Republic is not ideal for innovative companies. I enjoy identifying the barriers to our development, and finding solutions. I enjoy motivating my team to move forward. I enjoy developing clear strategies and tactics, communicating them to my management team, cascading this to middle management, and moving to implementation. Then, usually within six months, we can see a change in our business.

I try to simplify the picture, and focus on two or three specific challenges at a time—challenges that we can feasibly, and rapidly, address. Implementation is important; you can have a stellar strategy, but if you do not implement it properly, you cannot succeed. Furthermore, if you do not share your vision with your team, they will be limited in implementation. Your sales force must be convinced that the direction of the company is the right one.

At some companies, sales are more important; at others, marketing. For me, sales, marketing and training together are important. Servier traditionally takes a very scientific approach to marketing, and this is one of our main differentiators. If we can add a bit of sales skill on top of that, we are in a very strong position.

Sir Winston Churchill said, —A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty.— As an optimist person, I strongly believe that there is a great future for original companies in Czech Republic and in CCE area.

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