

# Interview with Rita Bobro, Managing Director, Merck Russia

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**Merck is one of the world's oldest pharmaceutical and chemicals company. What is the company's history here in Russia?**



The Russian subsidiary was actually incorporated over 100 years ago. Last year, we celebrated 110 years of company presence in this market! The Russian office was the third office that Merck opened abroad. Our first international offices were in London and New York, and Moscow followed—so already at that time, the company realized the great prospects of this country.

Of course, given such a long history, the company has gone through many phases. There were moments when Merck stopped working in Russia, and subsequently returned. In 2008, the headquarters took the strategic decision of significantly expand Merck's market share here, and our activity started to significantly increase.

**With such a long history, how do you explain Merck's absence from the list of the top 25 Russian pharma companies—when this list is a seeming who's who of your European colleagues?**

This is also due to our history. In 2007, Merck acquired Serono, and Serono had its own way of working. These cultures needed to be integrated as Merck Serono.

The last 15 years have also marked a period of difficulty and crisis for the Russian market. For some time, the company decided to take a more cautious strategy, and to out-license its products to local companies.

In 2008, when the merger was finalized, Merck took the decision to expand its biotech portfolio in Russia.

**Could you please comment on your Biotech portfolio?**

Merck-Serono Russia focuses on biotech products. That means that we work with products that make a difference in people's lives. Our two strategic directions are neurology, and fertility.

In the field of neurology, we focus on the commercialization of Rebif® (interferon beta-1a). Rebif® has a long history of proven use: we now have more than 4,000 patients treated in Russia with this medication. Rebif® is our base.

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If we speak of current turnover, Russia is not yet a significant market for Merck, as it is the case for large multinationals. But taking a prospective point of view—and again, this is true for many large companies—Russia is a major strategic market. We work in constant cooperation with headquarters and global teams.

**In Russia, there is largely a focus on generic drugs, and on legacy products—many international companies are still selling drugs that date back to Soviet times. How do you overcome marketing challenges in a region where both doctors and patients are still quite conservative?**

Simply, our products are breakthrough products. This is the key. If you bring a me-too product to the market, of course it is quite difficult to explain its benefits to conservative physicians, and to convince them to try a new treatment method.

For example, if you look at our fertility portfolio, Serono—now Merck—was the first company to bring to market the recombinant version of the human follicle stimulating hormone (GONAL-f®, follitropin alfa). In Russia, the first IVF baby was born with the help of Merck products. Merck-Serono is the leader in IVF and infertility treatment. We are continuously introducing new treatments in this region, and this year, we expect another drug to be registered: it is a combination of recombinant human luteinizing hormone (rhLH) and follicle stimulating hormone (rhFSH) called Pergoveris®. We expect this product to be launched by the beginning of 2012.

**Essential drugs—are registered with the Drug Reimbursement Program (DLO), which only represents 17.9% of the entire pharmaceutical market in Russia. Do you see evidence that the government is going to fulfill its promise to inject more funds into this sector, so that companies like Merck are able to reach more patients?**

Thanks to centralized and local procurement programs supporting patients' access to treatments, the number of patients treated, especially with severe and complex diseases, is increasing annually. Moreover, the Ministry of Health has declared plans to institute universal mandatory drug insurance by 2015. This system does not exist yet in our country, but the initiative has been announced. So overall, the market must grow as well.

**How can this market be properly developed as it grows? Many multinational players that we have spoken to have said that it is more important to provide professional education, and transfer competency and experience, than to actually commit to a physical research or production facility. What merit is there to this argument, and what is Merck's own strategy to aid in Russian development?**

As a citizen of this country, of course I am very much interested in developing Russia's expertise in the pharmaceutical field. I am a pharmacist by training, and when many of our politicians discuss the restoration of our pharma industry, I am quite surprised. I do not believe that we have something to restore! Instead, we need to build.

In my belief, in Soviet times we were not focused on the development of this industry. We imported many of our drugs from Hungary, from Bulgaria, and etc. Within the country, we produced only the basics. If now, the goal is to shift toward innovative products, we have a new and promising industry to build. Of course, here, the transfer of knowledge is very important. I believe that at this point of time, it is more important that constructing facilities.

Merck has already announced cooperation with a local producer and we are considering several common projects. Therefore we are transferring our expertise, and our competence to help them in the manufacturing processes.

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**So perhaps the government has the wrong idea: they are touting the restoration of the industry, when they should be discussing building anew. Do you feel that the government is open to dialogue with the industry, and open to discussing alternative viewpoints?**

I believe that the governmental underlying strategy is correct. I am speaking about the statements made by politicians, and their talk of "restoration"; this is different from government policy. Politicians' talks sometimes do not reflect government strategy.

We would be glad to have frequent open conversations with ministries. These ministries have different ways of interacting with the industry: If you look at the Ministry of Health, they seem to be very opposed to personal meetings with companies. But at the same time, last year, they became much more receptive to meeting with unified industry bodies. For example, they meet the AIPM on a regular basis. They accept the AIPM's advice, and they listen to the concerns that the industry is raising via the AIPM.

We had quite a number of cases, in recent memory, when these meetings produced positive outcomes. On the other hand, I believe that we need to be much more active in this respect. There are things that could be discussed, first of all, with respect to legislation and our regulation. For example, consider biosimilars—unfortunately, Russian legislation does not differentiate between generics and biosimilars. The same rules are applied for the registration of each, which is absolutely in opposition to the recommendations of agencies like the WHO. These are the kinds of areas where we still need to work.

I think that the relationship between the industry and the government may change. It depends on the development phase of the industry. Here, we are certainly in the cooperation phase. I think that the government and the industry should work together very closely. Because multinationals offers what the government may be looking for: a long history, reliable products, reliable technologies, expertise, trained staff, and an understanding of where the industry will go.

The best collaborative approach could be to institute clear rules, and to agree on what is necessary: we would like the government to tell us how we may be of service, and how they will in turn support us. This is the way to go.

If you talk to other GMs, they will all say that the Russian market is quite attractive, and strategically significant, and that they would like to stay here for the long term. They are ready to negotiate! Again, it is just a matter of setting the rules for these negotiations, and the rules for cooperation.

**This is indeed something we have heard from other managers: the strategy is there, and now is a moment to devise tactics. As someone that represents a multinational, and as someone that has worked in Russia for many years, what do you see for the future of this industry, and for the future of this country? When can we stop talking about the growth of Russia, and start talking about the competitiveness of Russia?**

I think that there is a long way to go. I believe we are witnessing the beginnings. But what is important is that we all understand that change is necessary. Last year brought many legislative changes. I am not saying that they are all positive, because these changes brought many tactical hurdles for business. But, we are heading in the right direction.

So in terms of implementation, there are many difficulties. But in general, the direction is correct because I believe that we are witnessing increased transparency in this market—something that did not exist before. A few days ago, Mr. Medvedev asked the Ministry of Health to work out the rules for the revision of the essential drug list. This is a sign that the industry is visible at the highest levels, and that the president himself wants increased transparency. The CEOs, the owners of

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companiesâ??they welcome this.

**And what is the direction of Merck within this environment? What are your main priorities and targets for development, and what are your hopes for this affiliate?**

I would like for our company to be one of the top 15 companies in the Russian pharmaceutical market, in the next five years. This is my priority. We are now working out the rapid-development strategy that will enable us to bring the company to this level.

**You said that the company philosophy is to be â??best pharma,â?• rather than â??big pharma.â?• What does this mean to you?**

it means that we must offer the best possible solutions for patients. We are in an ethical industry. I want to bring the best of what this company has, and to be the first to offer these solutions to patients. I want to maintain an atmosphere in the local affiliate wherein the staff feels responsible for their actions, and has the highest standards. This is our ultimate goal: to treat patients effectively.

Business is important, but we should not forget our social responsibility, especially in our local environment. These are the countries where we live, and, most probably, where our children will live. Every member of society should bring something positive, and then society in general co

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