

Interview with Zolt Szepesházi, General Manager Hungary & Balcans, IMS Health Hungary

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ame when it comes to pharma and healthcare information worldwide. Can you please elaborate on the particularities that set the Hungarian pharmaceutical market apart from the other markets in the region?

I believe none of the countries of the region is having a good time these days. Globally, pharma is faced with multiple difficulties and unfavorable strategic trends that we must respond to. On top of this, the CEE region is particularly vulnerable because of the weaker economic conditions.

In Hungary, as well as anywhere else we notice that the government is struggling to keep the healthcare expenses and pharma budget in balance, while, at the same time, it is also a challenge for the pharmaceutical companies to find a new business model that is successful in all the other industry pressures.

If you look at Hungary in particular, most if not all of the pharma market indicators although not the worst in Europe but are closer to the bottom than to the average. However we are on the top in the pure number of restrictive measures that the decision makers have implemented, all directing towards the same aim: keeping the fiscal balance by reducing drug spend, increasing generic competition, minimizing drug prices, or limiting access to expensive innovative medicine. And the overall effect of the individual measures are quite devastating.

I acknowledge, and I believe most of the industry players also admit, that in short term there is no other way. Political decisions have defined the budgetary limitations, and there is no way around these limits.

However, there are many things that could be done to make the situation more acceptable and tolerable for the industry. One example is the silo mentality in keeping the drug budget in control. Many innovative companies would gladly bring in new therapies offering higher healthcare savings through shorter hospitalization time, less costly side-effects, etc., and these savings are not considered at face value (or not considered at all) when making the reimbursement decision.

IMS East Europe President Elisabeth Beck was saying that no matter how well established an MNC is in the market, it will easily reallocate resources if growth opportunities change. Is today's climate in Hungary one of threat?

We have had a set of measures that came into legislation at the end of 2006 which immediately affected the market as early as 2007. As a result, retail market growth rate was reaching double digit negatives, but gradually came back to a steady single-digit positive growth by 2008. The changes in

2007 were quite overwhelming and dramatic but did not cause manufacturers to fundamentally change their strategy. They were cutting sales forces, making some difficult operational and portfolio decisions, some operational aspects but the neither the overall strategy of the local businesses nor the approach of headquarters towards Hungary changed in fundamentals.

This is the big difference between now and then, because now most companies are really forced to completely re-think how they are doing business in Hungary.

Nevertheless, I do not think that any international company would leave Hungary because of the measures. Reallocating resources â?? yes. Innovative companies may decide not to bring some of their key new product to the Hungarian market, or significantly divest from their Hungarian operations. Local manufacturers will move their focus from local market to exports where they can grow more. But for the whole industry, the biggest issue is unpredictability which seems to have become a permanent factor.

How long do you think it will take for the market to be back on growth?

When we were looking at the numbers in 2007, it took a year and a half for the growth to go from deep negatives back to single-digit positives. For the last twelve months we are looking at 3.4% growth and out of this, the volume growth was 1.4%. In volume and value terms, the Hungarian pharma industry did grow, but we must admit that 3.4% is not very attractive. And this number is not yet reflecting the effect of some of the measures such as the effects of the blind tendering that came into effect last month. For 2012, and also up to 2015, we forecast very low, 0.7%-1.7% annual growth rates.

As you said, there have been very unique measures since 2006 such as the sales rep fee which has been quite unseen in any other market. What does this mean for your portfolio? Does it mean that you have to adapt the services that you offer to the market?

Certainly yes. Although we do not sell medicine, we are promptly feeling the effects of each and every legislative change through the way our clients are responding and are adjusting their strategies and business focus. And I believe that IMS has a key role to play here: supporting our clients in finding the right responses and the right strategies in this fast changing environment. Manufacturers now will have to make fundamental changes to their business, and it is a very hard task as they have to move on directions they never tried before.

In the current environment, we see the traditional sales approach falling apart, partly because sales reps have become almost prohibitively expensive, partly because other measures are weakening the role of doctors and eliminating the effectiveness of the current sales practices. Plans for the implementation of INN subscription for example has just been in the news, this may further change the way companies do their sales and marketing, depending on the way of implementation.

As a result Companies are looking for new innovative sales channels, seeking new commercial models, and IMS has developed a strong competency in supporting them in these areas.

In many product areas companies are refocusing from doctors to pharmacies and patients. Therefore, IMS also have to refocus and be ready to provide them with information and insight from pharmacies and patients. Therefore we continuously develop new data assets, and new areas of expertise. We have a quite significant pharmacy panel. In 2007-2008, we introduced Pharmatrend, our pharmacy sellout data service. Its relevance is that companies can monitor what patients actually buy in the pharmacies. We can also measure pharmacy substitution which is very important in certain therapy areas. In Hungary, the pharmacist has the right to substitute within certain boundaries, so it is very important to be able to measure this aspect.

Currently we are working on another new data service. Quite uniquely in Hungary, we will be able to collect patient level information. We will be able to analyze how patients behave over time, and what their drug taking habits are. We see that this type of data is becoming increasingly important.

Another relevance of patient-level information is the possibility to measure patient compliance (or rather persistence) to certain therapies. This is becoming important as compliance is likely to be involved as a factor on reimbursement decisions.

Companies are increasingly involved in patient compliance programs, which helps them enhance the revenue from their existing products. IMS again will be ready to measure the success of these compliance programs.

Our consulting portfolio is also changing. A few years ago we did a lot of "simple" doctor targeting, and we see that the expectations are changing here, reflecting the companies' efforts to find new commercial models. On one hand key decision makers are identified and key account management models are being developed, also, there is a stronger focus on behavioral targeting of doctors, beside that pharmacy targeting, and overall better understanding of what is happening in the pharmacy is gaining increasing importance.

Also, another point what pharma companies must consider is "what is my portfolio?", "I know that I am going to lose a lot of money because of the new legislation but how am I going to fill the gap?", "can I license-in some products?", "can I bring new products from my global portfolio to Hungary? If so, what are my priorities? How can I use my resources to the best way to make it happen in the shortest possible time?" Also now that reimbursement is increasingly difficult to obtain, many companies are considering taking out products from reimbursement and trying to build a strategy on the market which keeps the product on the market without reimbursement. We notice that the whole market dynamics are changing, and we need to be ready with capabilities for advanced analytics, modeling of different scenarios, risks and and potential outcomes, performing short and longer term forecasting "altogether, provide our clients with advanced decision support. Indeed, one of the effects of the changes is that pharma companies are not only reducing their sales force, but also their analytical capabilities. As a result, they do not always have the sufficient resources to do best-in-class analysis and reporting. Now they can outsource these tasks to IMS and we can readily and routinely do things that they would not have the resources or time to do themselves.

Has the current situation made companies approach IMS more?

There is certainly an increasing interest in our capabilities in this area. It was not the case in the past, but now, when I talk about it with companies, they are always interested.

To come back to collecting patient needs data, you said it was quite unique. Do you think that, in this sense, IMS Hungary can set an example for IMS branches worldwide?

I am not saying it is unique within IMS. There are several countries in which IMS provides this service but it will be definitely very new to IMS Hungary and we believe that this will be very helpful for our clients.

After talking to Denisa Timkova last Wednesday, we were quite surprised to hear that Cegedim no longer includes strategic data in its portfolio. What makes it important for IMS to keep this activity?

It is a difficult call to make investment decisions in a volatile environment like we have in Hungary. No question about it, all of our competitors are quite keen to find the right focus areas in this fast-

changing industry. We believe our key differentiator is that we can combine our existing data assets with insight, analytics and consulting, but other firms may and will have different winning strategies.

As the leading expert in terms of local market knowledge, it is even more important to have the right people, even better than the innovator labs? How do you go about attracting and retaining these people in Hungary?

We ourselves have to be the "innovator lab" on the global level IMS is a key thought leader in industry strategy, and it is my strong goal in Hungary to enable IMS to be the thought leader in the industry. I also think this is not only a business strategy but also a responsibility. As a global player in the industry, being there and being available when critical decisions have to be made and supported through critical analytics is crucial.

I believe this mission of IMS is a very attractive playground for those key talents and experts.

Being a global company, we have to understand that we cannot keep full range of expertise in each and every country. But we are successfully operating as an international team of experts, making sure that our clients will have access to world class expertise when needed. The key to success is to combine global best-in-class expertise with knowledge of the local industry and having an efficient local analytical power.

It is also very enjoyable for local talents to work in an environment where global thought leaders of a certain topic are just one phone call away. Working for IMS for three years now it is a fantastic everyday experience for me personally too.

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