Interview: René Bastl – Managing Director, Merck Czech Republic

The Czech Republic's regulatory framework is one of the best in the CEE in providing patients access to new medicines

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Merck Czech Republic's MD reveals his plan to double Merck operations within the next five years and talks about the impact of the recent acquisition of Sigma Aldrich on the Czech Republic.

You've assumed position as Managing Director Merck Czech Republic just over one year ago; what was the strategy you've implemented upon assuming position?

Within Merck Czech Republic I manage two roles. Firstly, I am the managing director for the whole affiliate with all its businesses, ensuring full compliance across all businesses as well as the right administration of all our businesses and moreover fulfil the legal role as head of the affiliate. My second role is the one as the General Manager of our Biopharma business (Rx products) within our healthcare business. Each role needs its specifically tailored approach and individual strategy.

As managing director my main strategic priority is to consolidate our businesses and create synergies in between all of them. We need to be recognized as one Merck by all of our patients and customers across the different types of businesses we serve. The focus on this thorough branding horizontally through all of our businesses will enable us to showcase our capabilities and excellence to our customers and show that we are here for patients, clients and country alike. Moreover, I ensure that all of our businesses are in full compliance with external and internal rules and regulations so as to ensure sustainability and credibility of all of our operations.

As general manager of our Biopharma part – the role I spend most time on – my goal is to ensure Merck becomes the trusted leader in each of our key segments, providing innovative and superior solutions to our patients as well as to drive the growth of our Biopharma by maximizing the opportunities I and my team identify within our currently rather mature portfolio. I say ‘currently rather mature’ as in the near future we expect some big product launches which is why another strategic priority is to prepare ourselves for these launches so as to successfully utilize these for maximum patient benefits. What’s more, we engage and network with all relevant stakeholders in the country – patient organizations, medical and scientific societies, non-profit organizations and more – in order to strengthen our position as preferred partner in the Czech Republic!

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Merck recently acquired of Sigma Aldrich, certainly as part of its global strategy Fit for 2018, to what extend does the acquisition impact your operations in the Czech Republic?

The acquisition of Sigma Aldrich enhances our life science business. It seemed to be a surprise to many of our stakeholders that we acquired the leading company in the life sciences industry, however, I am confident that strategically it was the right decision! We’re now positioned as an industry-leading life science company with a combined business able to leverage the proven innovation and operational excellence of both organizations providing our customers with enhanced, efficient and effective solutions. In the Czech Republic where Sigma Aldrich had larger, regional operations established, we benefit from quite a large extension of our affiliate. In the life science business, we’re now integrating 17 new Sigma Aldrich staff into our operations and our combined portfolio now consists of over 300,000 products and we can offer enhanced customer service, a simplified customer interface and a leading distribution platform services. Our local combined life science business will account for about 30 percent of our operations in the future.

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What is the split in terms of revenue generation between your different business units?

60 percent of our business is accounted for by our Rx Biopharma part, as aforementioned 30 percent comes from the life science business and 10 percent from our consumer health part.

What are the main revenue drivers?

Locally, in our Rx segment it’s definitely our leading interferon, the highly effective multiple sclerosis drug of Merck which is also the single biggest product in our portfolio in terms of revenue generation. Looking at the different therapeutic areas we cover, MS and general medicine are similarly large and accounting for 30 percent of our business each. However small, we also have oncology, endocrinology and fertility as therapeutic areas, especially the latter is the one I identify the largest potential for the future in. Number of couples who have a difficulties to have a babies a nature, physical way is increasing rapidly, it is definitely the segment where Merck would like to help to these couples to be happy.

The Czech regulatory framework imposes some challenges on innovative pharmaceutical companies, in particular through its dual referencing system which results in some of the lowest prices in Europe. How do you navigate through the regulatory framework?

It is true that in the Czech Republic we have a unique referencing system which results in some specific challenges. On the other hand, the Czech Republic’s regulatory framework is one of the best in the CEE in providing patients access to new medicines and especially the highly innovative biological treatments accessible have a high price. Therefore, the system must achieve savings somewhere in order to be able to maintain the high level of treatment availability. What’s more, the system is one of the most transparent in the region; the rules are clear and defined and nepotism is largely non-existent. The state institute for drug control (SUKL) and the major health insurance companies are really becoming a partners for the industry; unlike a decade ago, the different stakeholders now try to find solutions together. To be clear, the regulatory stakeholders are not offering special favors to specific industry players, but an equal dialogue within the legislative compliance is established. And the rules are that the maximum price and reimbursement will be reduced after its revision period in order to allow the system to introduce the newest pharmaceutical innovation to patients. Knowing that no budget is unlimited, I believe this thought process is more than fair. From my perspective, the wellbeing and life of patients is key to what we do and for the latter medical and product innovation is key!

You’ve mentioned that part of your strategy is partnering with patient societies and medical stakeholders. To what extend is the complimented by opportunities with governmental stakeholders though public-private-partnerships?

Public-private partnership is a difficult subject in the Czech Republic. For us it is of utmost significance to ensure that compliance requirements are met in everything we do, which is why we confine any public-private partnership on an individual basis to what is transparent and legal and

additionally take up a role within the innovative pharmaceutical association (AIFP). I perceive the work of the AIFP as critical and game changing; it was the work of the AIFP which changed the image of the domestic industry! Frankly speaking, I am delighted that the industry has combined its strengths under the banner of the AIFP; we gained bargaining power and align under one policy and one message.

“Living Innovation” – Merck’s old slogan, however, seeing the innovations brought to the market still credible. What innovation we can expect Merck to bring to the market next?

Merck’s excellent innovation capabilities are no secret and of course we will continue to deliver innovative treatments to patients in the Czech Republic. From a product perspective, we will further develop our oncology and immunology portfolio as well as introducing some new molecules in neurodegenerative diseases. We are also going to launch a new fertility technologies soon. Currently, we’re finishing some clinical trials and are already preparing to file a new, very innovative treatment in immune-oncology globally at the end of the year. Due to the specific market access rules and regulations in the Czech Republic, it will take about a year until we have these new products available for the Czech patients. The best case scenario will be us introducing the product at the beginning of 2018. In our other business we expect a lot of product and service launches in life science and consumer health business in near future. So we are entering very interesting times now, and we are very confident and excited about our future.

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Having all this in mind, where will you have led your affiliate in the next five years?

Within the next five years, I would like to double our business here in the Czech Republic –that is my very personal ambition, and I will do everything to make it happen!

What are the opportunities you identify that will let you double your business in five years?

We identify growth opportunities in all areas of our existing portfolio. In Biopharma part, the diabetes pandemic is still growing and patients increasingly need the basic treatment – metformin via our original metformin. Our Cardiovascular segment isn’t decreasing either, quite the contrary we witness more and more young patients in need! I don’t see too much uptake in MS, the segment as such is growing but we know that the treatment is becoming more and more centralized and therefore naturally has some limitations, here we have to be very innovative in

terms of new product and services. Of course, we also have great expectations in our fertility segment! The latter is definitely the growing opportunity for us. We have been market leader in this segment in recent past, helping more than 2000 babies being born annually through Merck products. I do believe that this segment will grow significantly in the Czech Republic as many factors are currently coming together potentially creating a boom of this segment in the short term future. As market leader we have to be creative, and we are launching a significant number of awareness campaigns surrounding the fertility segment! We have recently launched a campaign called “Men in Action”, which basically allows online sperm screening. It is known, that almost 50 percent of the in-fertility issue occurs within a couple, the issue is found on the men side of the equation – which the patient usually doesn’t want to hear. We created this campaign in which any men in any age can test themselves in an effort to increase awareness of the issue at large and also fight the social stigma attached to this type of issue.

Also in our Consumer Health segment we expect strong growth of our portfolio, mainly an importance and usage of vitamin D is increasing, and Merck vitamin D is helping not only to infants, but more and more to the adults to compensate the deficit of vitamin D.

What is the competitive edge of your affiliate here in the Czech Republic?

I personally believe that the most critical aspect for any operation is to have the right people at the right positions! We need the right people in product development, pricing, medical, supply, finance, promotion as well as be ready for digitalization or multichannel marketing and so on. Without the right people in all of these functions we cannot successfully operate. Only knowledgeable and skill-full employees can properly serve and fulfill the needs of our patients and customers. I am really proud and pleased in our affiliate we have the right people, which gives us the competitive edge. Our employees are also my core focus in my day to day operations! It is one of my personal goals to develop our talents – and we have a lot of talents – and have loyal and motivated staff that follow our vision, inspiration and together reach our common dreams. People are key for me.

How do you motivate and lead your people?

I’m trying to inspire and drive my people to be the best they can be, I try to be a good listener and equally competent in communicating my direction. I empower my employees so that they self-confidently find ways around barriers, of course with my assistance if necessary. I also try to put myself in the shoes of my employees, not only in the office but also in the field. I visit all my field staff at least twice a year and spend a whole day with them, I accompany them on customer visits in order to see their challenges and issue and assist and advise them wherever I can. We are one, strong team.

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