Interview: Karsten Schlemm – CEO, Merz Pharma Austria



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Karsten Schlemm MD, CEO of Merz Pharma Austria, a leading international German based aesthetic company, provides an in-depth look into the company´s transformation from pharmaceuticals to the aesthetics sector as well as their exciting new offerings for cosmetic patients. He also gives an insight into the growing weight and Austrians' mentality towards aesthetics and how Merz´s partner style relationship with physicians and consumers will allow it to become a world leader in aesthetics long term.

Merz at a global level has transformed its image in recent years moving heavily into aesthetic medicine. How has this trickled down to the Austrian level?

I have been working for Merz globally and at Merz Austria locally, in total for more than 20 years, so I have had a front row seat at the revolution and successful change in the last years. In the early 2000s, Merz, thanks to its excellent R&D capabilities, developed Memantine, the only drug to date, that treats severe Alzheimer's Disease (AD) patients. This blockbuster allowed investing in new business opportunities, like into a new Botulinum toxin in the neurologic and aesthetics areas to transform Merz into a world leading aesthetic company.

Memantine meanwhile has come off patent. In Austria, we decided to continue promoting, keep the Merz originator and release in addition a Merz generic on the market to maintain market share. The AD market in total is now decreasing, despite the fact of an aging population, because most

companies decrease their investments due to the generics price law. In the end, this leads to the patient losing out.

How has it gotten to the stage where the new generics law is a step back not a step forward?

The new 2016 law has worsened the situation, because as new generics enter the market, it drives even further down the prices, eliminating the margins needed to continue investing in indications like Alzheimer’s disease.

What we see is that the Austrian social security and government are focused on using the pharmaceutical industry as a way of saving funds, when other areas of the system are vastly more costly. In addition in Austria we use a European reference pricing, which takes the average prices from all over Europe, including the significantly cheaper eastern European countries. This leads to a vastly under-priced Austrian market compared to other parts of our society. Helpful for the short-term savings, but the strategy lacks a long-term vision as many companies will eventually turn their back on the Austrian market. We need to develop a structured system, which attracts further investment and allows companies to consider Austria a valuable partner in launching their products.

How has Merz evolved into the aesthetic market?

After the development of our AD blockbuster, Memantine, our R&D team developed an innovative form of botulinum toxin, to help meet the needs of patients with movement disorders. Other market forms of the toxin can potentially result in patients becoming resistant to its action. Our toxin does not create this situation, and thus far has been a real life-changing success. Furthermore, we realised this product could be transferred into other areas of medicine, and thus began our logical foray into cosmetic treatments.

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This focus on medical aesthetics as a global strategy has been hugely successful, also in world leading aesthetic markets like the US and Brazil. Merz has expanded its portfolio through strategic acquisitions and we now offer a range of aesthetic products such as derma fillers and skin lifting and tightening treatments. This year, we have launched Cellfina, in the US and Europe, a potential blockbuster, that treats cellulite via minimal invasive sub-incisions of the fine connective tissues in the affected region. This is a long-term solution of the condition and thus far surveys indicate 96 percent of patient have been satisfied two years after treatment.

The aesthetic industry year over year is growing rapidly, and Merz differentiates itself across the market through its long history in the healthcare space and establishing a portfolio that can literally treat patients from top to bottom. We are striving to be number one globally, not just in Austria, and are constantly searching for potential partners and acquisitions in aesthetics. Our chief concern is providing consumers with effective products in an ethical manner to help them look better, feel better and live better; we place patients above all else.

What is the strategic importance of Austria in Merz´s global operations?

We have to look at it from two aspects. On one hand, Austria is a small country in comparison to Germany or the US, so the market potential for growth is relative diminished. One the other hand, Austria is the second country Merz ever entered so we have a long history and offer the full portfolio, Furthermore, we are a small, but advanced market; therefore, we can be used as a test nation before operations are upscaled for the global market. Commercially, Austria still performs quite well with our severe AD product, Memantine, and in the meantime our aesthetics branch has rapidly grown to be our greatest revenue contributor.

What is the Austrian people’s mentality towards cosmetic treatments?

On one hand, an Austrian man or woman is exactly the same as an American or Brazilian, in that they want to look good and be as attractive as possible. On the other hand, people in other countries, like the US, are already more open and accepting of cosmetic procedures compared to Austria where it is still seen as a bit of a taboo subject.

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Our real challenge is to change this mindset and promote to the public how we can benefit their lives. Government regulations around cosmetic advertising have been an obstacle and we would like this to change. In the meantime, we have noticed our consumer demographic is becoming younger; therefore, also social media is an important avenue for us to get closer to the consumer.

As companies change their approach it brings its own obstacles when it comes to daily operations. How have you been able to ensure your workforce can keep up with all the changes that have occurred within Merz Austria?

It is a challenge and always a constant learning process to open new business areas. The combination of the high ethical and quality standards of ethical products combined with the consumer driven aesthetic market is a fascinating combination for our employees.

With our ethical approach we equally believe in educating medical physicians, running weekly training exercises, where doctors are taught by leading experts how to administer our products correctly. This, linked with our online teaching aids (e.g. Merz Institute), promotes safe and effective use of Merz products and ensures we always have happy and satisfied customers.

In Austria, who does you see as your main competition and what are your strategies to differentiate Merz?

We see that smaller, local companies cannot offer the same service or the diversity of portfolio – therefore – the main competition is coming directly from a few large global companies. Merz sees its interaction with physicians as a long term partnership, rather than a sale, with the number one concern being the patient's satisfaction – so much so – we have a 24-hour hotline open if physicians need questions answered about a Merz treatment. We endeavour to have a long-term relationship with our customers and create network that allows them to be confident in the entire process.

All in all, Merz has come a long way in just a short period of time and hopefully in the next five years we will be associated purely as the leading aesthetics company. We know with our vision as a patient centric company, we can ensure, that when the healthcare world thinks of aesthetics, they will automatically think Merz.

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