HEALTHCARE & LIFE SCIENCES REVIEW

PHARMA BOARDROOM

SERBIA

FEBRUARY 2018

MARIJA KRSTIC
general manager, GSK Serbia & Montenegro

the reimbursement of our innovations, we decided to strengthen ourselves in hypertension, our field of expertise in Serbia. With a majority of patients not controlled, we launched new fixed-dose combinations in order to simplify the life of patients with products that are highly effective in reducing blood pressure and that provide greater comfort, as patients take fewer pills per day."

THE PRICE IS RIGHT

In addition to identifying which niches and therapeutic areas to pursue, some companies have embraced innovative pricing strategies in order to stay competitive in Serbia. Marija Krstic of GSK - which in 2016 ranked first globally in the Access to Medicine Index for the fifth consecutive year – describes how "Our top priority is to ensure access to innovative medicine to all patients in need. Bearing this in mind - and taking into consideration our country's budget constraints on one side and patients' unmet needs on the other - we invest our efforts in adjusting the prices of our medicines through our flexible pricing strategy." This strategy bore fruit when, "in 2016 four new GSK respiratory and HIV drugs were included in the drug reimbursement list ... in 2017, two more drugs - respiratory and HIV - were reimbursed by applying the same tailored-pricing strategy."

AstraZeneca - another British-headquartered company - has embraced the fact that Serbia is not yet part of the EU and therefore not subject to European pricing standards to alter its pricing structures for some of its key products facing loss of patent and the threat of being undercut by generic copies. Ksenija Purkovic gives the example of [asthma or chronic obstructive pulmonary disease (COPD) medication] Symbicort – the company's number one product both globally and in Serbia – noting that, "once the product lost exclusivity, AstraZeneca decided to go with a lower price to stay competitive on the market. This reflects the entrepreneurial element of our company, as we managed to benefit from the fact that we are not part of the EU." Furthermore, Purkovic points out that "we will not be impacted as much with the patent loss of [cardiovascular drug] Crestor in Serbia in comparison with Europe, because it was never reimbursed in our country. This because we could not match the generic copies prices, which are very low. Instead we have looked at discounting schemes to ensure the best deal for patients."

GREASING THE WHEELS: SERVICE PROVIDERS

The historical complexities, regulatory inertia and lack of funding in the Serbian pharma market – while making operations difficult for multinational affiliates – has also created opportunities for domestic operators able to utilize their local know-how. Amicus is one such example, the company created in 2013 specifically to fully replace multinationals' subsidiaries in those countries that the multinational chooses

NENAD MARKOVIC
company director, ADOC

GORAN DJURIC
managing director, EuroCons Group

not to enter - or to exit - across the Balkans. With a client list including both BMS and Amgen in Serbia, general manager Predrag Lukic summarizes, "our goal was to design a company that would be able to replace the hole left by MNCs and bridge MNC operations in the Balkans. We, therefore, needed to have a reliable sales and marketing team and to develop all functions of an MNCs – in such a way, we mirror their activities but on a more local scale. In essence, current trends dictate that there is a vast number of innovative companies and we look to provide what these innovative enterprises lack."

Another local agency with a big-ticket client book – theirs including Roche, AstraZeneca, Merck and MSD among others – is ADOC. The company's director, Nenad Markovic, explains that "as an agency, we work as a bridge for multinational companies who seek to access the Serbian market by using our sales and marketing expertise. For example, we are agents for Roche Diagnostics specifically in their diabetes care programme." ADOC's success in this field is succinctly summed up by Markovic: "We've managed to develop the business to become one of the market leaders in the areas of diabetes and diagnostics and have been doing so since 2004."

Another issue for multinationals operating in Serbia is that the engineering solutions they might require for their laboratories and manufacturing facilities have to be provided by international companies whose prices may not be commensurate with the size of the

Farmalogist: The Distributor of Choice

Distribution and wholesaling services are of crucial importance to pharma companies wherever they operate in the world, often with the expectation of international standards of service at locally appropriate price points.

Within Serbia, Farmalogist is one of the major distribution and wholesaling specialists fulfilling this need and already counts AstraZeneca, Boehringer Ingelheim, GSK and Sanofi among others as valued clients. However, such companies do not take the decision to partner with a local distributor lightly. "Companies seeking pre-wholesale, distribution or logistic services conduct comprehensive audits within their selection processes. Our facilities, operations and procedures – including our IT and warehouse management systems – are subject to comprehensive quality audits. Pfizer and Sandoz are good examples. After very comprehensive audits of quality systems, we were chosen as the logistic service provider for these companies in Serbia," asserts the company's managing director, Silvana Džudžević.

Džudžević notes that MNCs' business models are changing and, therefore, Farmalogist too must adapt to new realities. She explains that "Until recently, international pharma companies' main activities in Serbia were marketing their products, taking care of their registrations and market authorizations, and having their medical representative teams provide information to the healthcare sector about their product portfolio. However, a new trend is for these companies – as a reaction to the pricing situation and cost pressures – to begin to import their products and enhance their own distribution offering. They are looking for existing local partners, such as Farmalogist, who can provide logistic support and services and take on the management of distribution."

SILVANA DŽUDŽEVIĆ
—
managing director, Farmalogist

As a member of the European Association of Pharmaceutical Wholesalers (GIRP) since 2009, Farmalogist has been engaged with the pharma logistics trends of Europe's most advanced markets; the learnings from which it can then apply in Serbia. As Džudžević sees it, "[GIRP membership] has been a good opportunity for our employees to stay on top of all the trends occurring in other European markets. For instance, our colleagues in the distribution department can attend workshops on Good Distribution Practice (GDP) and share best practices. Our IT department also follows up all workshop guidelines that we receive from GIRP; meaning that we can better predict both the short- and long-term future of the market in Serbia."

BRANISLAV KOTLARIK

general manager for the Balkans, Ferring

domestic market. Enter EuroCons Group, whose managing director, Goran Djuric, explains the company's genesis: "I worked for Hemofarm for 11 years, and during this time I realized that companies similar to Hemofarm who required [engineering and construction] services had to work with foreign players who were usually from Austria, Germany or Italy. What characterized those service providers was European prices which were often too high for our market. So the idea was to establish a local player in the field that would price itself competitively."

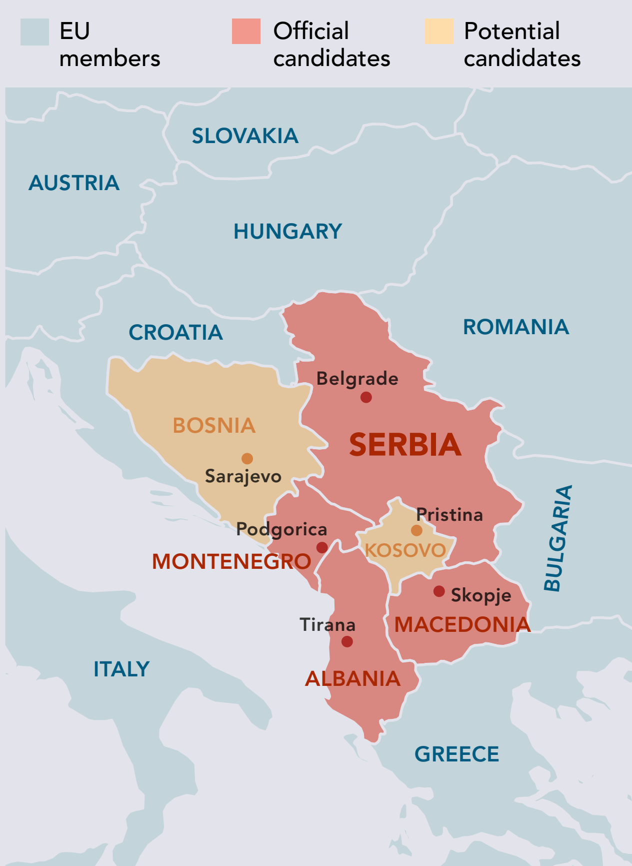
A REGIONAL HUB

With signs of progress economically, politically and in the regulatory sphere; where then does the future of Serbian healthcare and the life sciences lie? For some industry figures, the nation holds the potential to become a hub for the entire region. Logistically speaking, as the French Chamber's Sanja Ivanic elucidates, "Belgrade is the only metropolitan hub in the Balkans and it also sits on the Danube. Most companies look fondly at its central location in terms of working with clients in Serbia and the surrounding region – it's a regional hub with a European feel. In such a way, you have access to 700 million clients in Europe from a strong strategic position." AbbVie's Ljubiša Mitof-Višurski feels that "Serbia, with Belgrade as its capital, has vast potential to become the hub for the region and in some ways, it is already close to such achievement. Corporate taxation policies are particularly attractive for companies wishing to operate from Belgrade." However, Mitof-Višurski is quick to sound a note of caution: "Concerning legislation, laws, and bylaws, Serbia has to work towards simplifying the regulations and business models, so that external companies have easy access to the market and do not have to worry about too much bureaucracy."

Managing the entire Balkans region from Belgrade – the capital of the former Yugoslavia – is logical but not without difficulties. Mitof-Višurski highlights the fact that "Because this region comprises EU members, non-EU members, EU candidates, and countries that do not yet meet the EU criteria to be a candidate, there are specific dynamics and complexities to be considered here. From the aspect of the pharmaceutical business, this means that, as a regional director, I am managing portfolios with EU approved products, as well as non-EU approved products, which internally is a highly complex process." Mylan's Milos Davidovic – whose job covers Serbia, Slovenia, Montenegro and Macedonia – is also keen to emphasize regional differences and the folly of following a single strategy in each country. "I believe all four countries in the West Balkans have to have their own identity and must possess that unique spark. If you combine them and create an overly unified structure, you will lose the best of the country," he asserts.

Branislav Kotlarik, Ferring's general manager for the Balkans – whose remit includes Hungary, Romania and

BALKANS EU CANDIDATES



Source: The Econimist