Interview with Jean-Pierre Salama, CEO, Pharmacor

21.02.2012

Tags: Pharmacor

Pharmacor is one of the newest entities on the Australian pharmaceutical market. Would you please introduce the company to let Pharmaceutical Executive readers understand more about the Pharmacor story?

Pharmacare Laboratories established Pharmacor approximately one year ago, and decided to divest the company two months ago, realizing that they preferred to stick to their core business of OTCs and nutritionals. Two years ago, Meditech had already commenced registrations and filings with the TGA, and as such acquiring Pharmacor represented an opportunity to gain a valuable customer base and distribution network. It was perfect timing, and we sat down with the people from Pharmacare to negotiate a deal.

Was the initiative coming from Pharmacare’s side of things, or was it the Meditech side seeking out the transaction?

Pharmacare was not actively seeking purchasers, but I knew they were considering the divestment after having already made a large initial investment.

What have been the main highlights in the two months since the acquisition took place?

Highlights have included a large expansion in product range and filing 16 dossiers with the TGA. Pharmacor is looking to see the fruit from those filings in the near future, in addition to establishing a more thorough sales team Australiawide. From an outsider’s point of view, one might be perceived as courting risk in an ambitious way, getting into the Australian generics market at the

present time.

Can you explain the strategy behind this move?

The strategy falls into two parts. Anyone looking to enter the Australian market would need a niche portfolio. Of our 16 filings most fall into this category and are of the type that bigger companies such as Sigma or Alphapharm would disregard. Secondly, in the future Pharmacor's niche of products ensure the big players won't focus there. They won't look at molecules with a market size of $5-10 million per year, but rather at those with larger sales. Pharmacor's bread and butter will be in the small niche products where it's not worth it for the larger companies to focus.

In a way, does this limit Pharmacor's future growth by focusing on such a niche range of products that have a certain ceiling to them?

At the end of the day, there is a large number of niche products in the Australian market. There are 20 to 30 molecules turning over in the $2-6 million range, and that's exactly where Pharmacor wants to be.

Talking about the PBS reforms coming into effect next week, what impact do you expect these to have on Pharmacor?

The impact on most generics suppliers has already been felt, and most have already dropped prices – Pharmacor dropped pricing on July 1st in anticipation. The biggest effect of the August 1 price drops will be on the retail side of things, not just in the generic distributors' and manufacturers' side. The biggest change the industry will face is that such a large number of products have dropped in price to a point where they lie below the government subsidized price, which means pharmacies are free to price products as they like, whereas before every pharmacy would have the same priced simvastatin, for example. Where there was no competition on the retail front, in terms of pricing, the retailers would discount generics and not follow the government-recommended prices. This now means that everyone has to keep close attention to their bottom line and go for the most competitive offer. Previously, pharmacies and retailers were looking at the most convenient offer on the market, going with an Alphapharm which has a complete range, and sticking to them. Now, all pharmacies are being forced to play ball, and looking for more than just convenience. This will drive generics substitution, and that's where the growth is for generics companies. The fact that the boat's rocking now is perfect timing, and things are coming together well with reforms. Over the last 28 days, Pharmacor's new accounts indicate that people are rattled by the reforms and looking elsewhere for a change. It's interesting you mention new accounts, because conventional wisdom in the Australian market suggests that

pharmacists are a conservative lot, preferring to stick with established names.

How does Pharmacor, with such a new brand name, convince new customers to come on board?

That assessment was true and is true to some extent, but the change has shaken everyone, and if anyone is going to come into the market, now is the right time to seize the opportunity.

How does Pharmacor's innovative PEP program relate to attracting new pharmacies?

It's quite simple: if a pharmacist is a shareholder in the company, he or she will more incented to buy from it. 800 or so pharmacies have signed up to Pharmacor's PEP, and the company hopes these pharmacists will continue to buy going forward, hopefully looking in the future to a stock exchange listing. Currently, companies are taking a beating on the market, and conditions aren't right for a listing, with the industry out of favour, and it's the same situation around the world. For the time being, Pharmacor will wait until conditions improve and the customer base becomes solidified and the time is right. Since purchasing Pharmacor a few months ago, the company has had three unsolicited offers from India. We're not interested at the moment, and our current situation is fully self-funded, and we're looking to establish a company that is fully on its feet, to leverage our existing customer base and grow it.

Can you tell us how you are managing your people, as a new and small company in a competitive labour market?

At the moment, the focus is on growing the relatively small sales team inherited from the previous managers. Pharmacor likes to ensure every sales representative has a sense of ownership and responsibility, and pride in his or her territory, in addition to a great salary package and so forth. With a low level of unemployment it's difficult to find people, so it's important to offer not only the right package but the right climate to do business, and in doing that people are more than happy to join the team. At Pharmacor, people are noticed for their contributions – but likewise so is any slip-up or mistake. Pharmacor is looking to attract the type of people who take responsibility for both the good and bad.

What's your vision for Pharmacor? Where do you want to bring the company?

I want Pharmacor to be known as the most competitive generic provider with a range of products customers can't get anywhere else. Moving forward, we'd like to be seen as a value proposition to pharmacies who want to look after their bottom line.

What will be your management stile in growing the business?

I’m not a confrontational manager, but I set objectives and expect them to be achieved. I know the responsibility is mine to provide tools, but at the end of the day I can only provide tools; I can’t put everything together. I’m easygoing, and I should hope most people enjoy working with me. Going forward, we have a clear set of objectives and will be bringing people on board who understand that. Keep an eye out for Pharmacor.

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