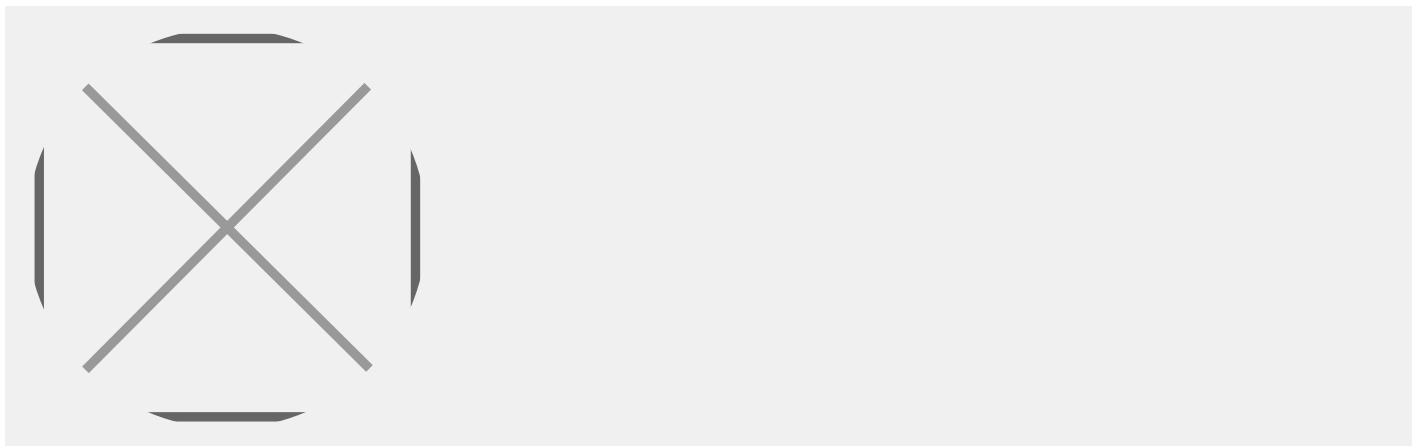


Interview with Frederic Dufour, General Manager, Biocodex Russia



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You have been at your current position for less than a year, and joined BIOCODEX after having managed the Russian affiliate of Yves Saint Laurent. You have a long history of working in the luxury goods industry, but no pharmaceutical management experience. How do you navigate the challenge of entering this brand new industry, and what do you believe you can bring to this position from your previous experiences?

I believe that BIOCODEX management recruited me because of my experience opening up a new affiliate in Russia and passing through all the major steps of registering a company together with its products. The process is more or less the same for the cosmetic field as it for medicines. Although medicines are of course a bit more complicated than cosmetics because of more required certificates, the two fields are aligned with the same ministry, The Ministry of Health, and call for similar sanitary-epidemiology tests on products as the first step.

I have the experience of opening a fully owned and operated affiliate in Russia and overseeing its legal and fiscal set up—which are difficult, but ultimately doable, tasks in this country. The fact that I like Russia of course also helps. When you live in Russia you really need to have a strong interest in the country and the culture. For these reasons, BIOCODEX recruited me for this position and this affiliate which is essentially a start-up.

Russia is quite an interesting market to be in particularly for a first time pharmaceutical manager. Can you tell us a bit about your experience learning this industry and your initial impressions of the Russian pharmaceutical market?

The market is very large and fast-moving with a high rate of growth—which surprised me from the very beginning. Of course Russia is growing in many industrial fields such as oil and gas, but there is still so much more room for growth in medicine. I was impressed by the size and the growth of the market, its needs, and the way it is organized. For example there are certainly more than 25,000 pharmacies in Russia—this is quite substantial! There are a lot of challenges in registering your medicines and delivering all over the country, which I find very exciting and interesting.

Changing my sector from cosmetics to pharmaceuticals carried with it an interest in the technicity of the product. When selling creams and perfumes you are selling “dream” products, but with pharmaceutical products you sell efficiency and safety, which is exciting. Proving the effectiveness of your product to the Ministry of Health and to customers was the main challenge for me coming from cosmetics to pharmaceuticals.

How difficult was it to learn this new business?

It is so technical that you need to be coached. We have five doctors within the company, including a general practitioner and a psychiatric doctor, who coach me and teach me the specificities of the products. Together we have grown the business over the past three months—which goes fast in this country.

Can you give us an idea of how you started, how many people work here, and where this business, which you have grown, stands today?

We recruited 20 people from April 2011, and we are growing turnover by more than 45% this year. I want to bring this company to around €50 million in turnover within three years. Growth is difficult to manage, mainly in the field and with medical representatives, but also regarding staff here. It is also quite an exciting challenge.

When at Yves Saint Laurent, you posted 100% sales growth from 2007-2010 and a 100% increase in net profit in 2008. Will we see the same performance here?

Yes, of course! this is the challenge and all big multinationals are looking for growth. Everyone is talking about the BRICs countries. Russia, especially in medicines and the cosmetic environment, isn't yet saturated. And it still has so many needs in terms of practices, pharmacists, and customers. The growth will still be huge.

Turning our attention to French integration within the Russian environment, business cooperation between the two countries is steadily growing. What do you believe are the main synergies between French businesses and the Russian environment? How well are the two business cultures integrated here and what is the case for BIOCODEX?

We are not the first European country to be well integrated in Russia at business level. Germany is perhaps better integrated than us because of historical relations between the two countries. But nonetheless, after the revolution many Russians emigrated to France, and many people here have a strong affection for France. I find it quite easy to discuss business with levels of administration here as a French man and as part of a French company, because our nations are on friendly terms.

Regarding technicalities of the business, we face exactly the same difficulties as Germans, Americans, and any other multinational companies. The Russian administration is heavy, complicated, and challenging, but equal amongst nationalities—which is good in my opinion because we are all treated the same way.

You have been at this company for three months. BIOCODEX describes its propensity for local specialization and adaptation to domestic public health policies as its greatest and most significant strength. This entails a strong understanding of local practices and a positive relationship with local stakeholders. How do you feel that this affiliate embodies BIOCODEX's global strategy?

As a new company we have marketing challenges that mean that we have to really study the products in our portfolio that we want to target the market with. As soon as we determine those products, we evaluate the potential target groups and key opinion leaders that we need in order to sell. We are also not only distributing BIOCODEX products, but we have partnership contracts with companies who want to distribute into Russia and who have the perfect branding strategy for the market. For example we are partners with ophthalmology leaders Thea Laboratories and we will soon distribute some Pierre Fabre OTC products. These contracts are part of our product development and should account for 30-40% of our turnover within one year. This also attests to the adaptability of our marketing mix to the needs of the market.

Why do you feel that you are a good choice for these distributing alliances?

Business is all about relations and we initiated relations with these companies because we knew each other before. We demonstrated to them that we have the sufficient resources and knowledge of regulatory affairs and accountancy to help them grow. We are a French laboratory and we are very flexible. We have a specific goal not to become too big of a multinational to the point where we become over-processed. When not distributing themselves, French laboratories like to work with other labs that are small, flexible, efficient, and very human oriented.

Do flexibility and efficiency come from being an independent company?

I think it comes from a management style. Our owners and president in France are entrepreneurs. We are a very profitable company and every affiliate has the spirit of flexibility, entrepreneurship,

and business development. Perhaps the big labs have lost some of those elements and that entrepreneurial spirit because they are concentrated on their processes and reports. The same could be said of cosmetic companies. Within BIOCODEX, we advertise and promote entrepreneurship as a specificity.

How would you describe your own management style?

Adaptable. There are many profiles of workers in Russia and you have to astutely delegate tasks being mindful that people here are very proud, competent, and know how to work. But there are some profiles that you need to coach and be very direct with. As with anyone in the world you should adapt your management style. That may be a bit tougher in Russia than in other countries because of complex relationship aspects.

When interviewing the French Chamber of Commerce in Russia, Mr. Pavel Chinsky raised the interesting point that in Europe the company name carries a heavy weight in terms of credibility and legitimacy, while here in Russia it is more about the name of the individual.

Yes, that is very true. Good profiles are very few on the market so it is hard to recruit top talent. You need to identify the specific people you want to recruit so it very much comes down to names.

If good help is hard to find, how do you find it?

The main difficulty was to recruit the management team. I arrived and recruited the marketing manager going through the full process of asking a headhunter to provide us with candidates. Human resources are key to success whether for a big or small company. Naturally, you pay for quality human resources here in Russia through higher salaries than in Europe. But with very few good profiles on the market you need to bring them into the company. There is no other way but to pay them good salaries, offer them a future with a growing company, and link them with the opportunity to train in France. There are many factors that we can play with.

As the team grows it is always important for them to identify with the company. How would you describe the corporate culture here?

The corporate culture here at BIOCODEX Russia is a bit different than BIOCODEX in France. Here in Russia, for example, we celebrate birthdays and congratulate each other on personal achievements. Do you ever do that in France? Very seldom. I think it is normal here in Russia and it may come from my previous managerial experience in this country. We operate much more on the human level here than in Europe nowadays. Once again we are working more on relationships than processes. The corporate culture at BIOCODEX Russia is to move fast, work hard, and be efficient. There is still a bit of a start-up culture here, which will likely last for another two years. The people here are highly motivated and they feel that they are creating something. We move fast and people are happy.

What will be the main growth drivers for reaching your €50 million target in two years?

First and foremost it will be our portfolio of medicines. We have one product that is mature on the market and two big growth relay. I am still not enough satisfied with the results so we need to work on them. Our partnership contracts will also drive a lot of growth.

The motivation is here as a start-up culture. How will you keep it alive once things settle down?

You have to be really present with your team. You have to follow them carefully and be on the field, which means I travel a lot. I hate staying in the office. I travel to the regions at least once a month to visit my territorial managers, health care authorities, opinion leaders and partners. It is also part of my training being new to this business. I am quite an energetic person and am confident that I can sustain this same energy for the next three years.

What is the geographic reach of this company as it stands today?

Today we cover central Russia through our Moscow office; the northeast via Saint Petersburg; Ural, Siberia; and Volga South. In total we cover 40% of the territory. With today's growth we have to focus on developing existing territories before expanding elsewhere. If you spread your energy and investment too thin, then you risk not succeeding. Focus is a term that this company has learned from me. I advocate focusing your energy and your work. Hopefully in two years we will have the whole territory covered.

What has been the best lesson you have learned through changing fields?

The main lesson is that I need to know the claims of the medicines, which required a lot of hard work. I have to perfectly know the products and their targets, which is perhaps less important when selling cosmetics.

What would be your final message to our readers on behalf of BIOCODEX Russia?

The competition should be worried!

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