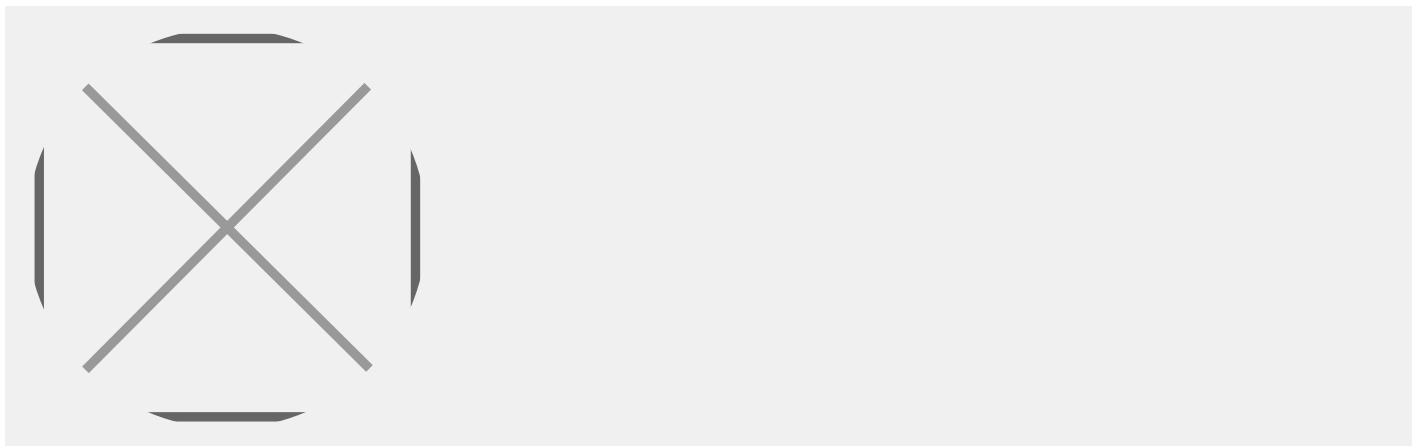


Interview with Andras Gizur, Chief Representative, Gedeon Richter



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Since establishing Gedeon Richter's operations here 16 years ago, you've been involved in the full array of the pharmaceutical spectrum, from R&D, sourcing API, sales and marketing of finished products, and joint ventures with local companies. To begin, would you introduce the company's China operations to our readers?

First off, Gedeon Richter takes its name from the pharmacist who established the company in Budapest, Hungary, in 1901. Since then, Gedeon Richter has grown to become one of the biggest pharmaceutical companies in Central and Eastern Europe. Our main markets are the CIS countries, Russia and Eastern Europe, however, we have recently extended our sales network to cover Western Europe as well. We can call ourselves a multinational company, with 11,000 employees worldwide – only 5,000 of whom work in Hungary. In fact, this international focus is necessary because Hungary is a small country, and as a result Gedeon Richter is very export-oriented, with almost 90% of our sales originating from foreign countries. Total sales amount to approximately €1.1bn Euro, which make the company medium-sized on a worldwide scale. We are not a generic company, and in recent years we have developed a “specialty pharma” focus in two therapeutic areas, gynaecology and CNS. Following the 2010 acquisition of the Swiss company Preglem, an R&D-based company focused on gynaecology, Gedeon Richter now has original R&D in both our specialty therapeutic areas. Furthermore, the biotechnological facilities, among them a new plant in Hungary, will help the company expand its product portfolio with products offering high added value.

Here in China, Gedeon Richter established its first representative office in 1996 in Beijing, and 11

years later moved to Shanghai. In China, the company focuses on two major activities. The first is the marketing and sales of our finished dosage products, and the second is sourcing for the purchase of API and intermediates. As an international company, we have manufacturing subsidiaries not only in Hungary but in Poland, Russia, Romania, and India, with all for finished products, with the exception of India which is only for raw materials. Our China operations are responsible also for supplying materials to those factories in addition to headquarters.

Both of these focuses are very important. Sales, naturally, are very important, and sourcing is important not only because of the value, but because some materials, though sourced in small quantities, are simply not available to buy from anywhere else but China or India. In Europe in the US, production has stopped for lower-level chemical materials, but you still need them. It's not a question of price advantage, but of a monopoly situation, which is not ideal, but is the reality.

In the last 10 or 15 years, Gedeon Richter focused on Rx, which was the strong point because of our long term experience and the fact that most of our products are Rx. However, our strongest therapeutic area consists of gynaecological products which account for some 35-37% of global sales – and in China, these products are mainly OTC. This focus on OTC was one of the main reasons we established the new JV GRmidas Pharmaceuticals, and we have also opened a new business line to further develop primarily the gynaecological and women's healthcare business line as well. Earlier we were not present with this portfolio in China, but it's an area we want to develop in the coming years.

Until today, how has this development proceeded, adapting a portfolio with proven success elsewhere to the Chinese reality?

Every step is difficult, but we're on the right track. Presently we only have one product, Postinor, the emergency contraceptive known in the United States as Plan B. Recently, we have established very good relationships with national as well as smaller, local pharmacy chains. If you want to be successful in China, you have to think and work long-term, and work a lot, and hopefully step by step we'll be able to develop this business line as well.

Is a therapeutic area like gynaecology harder for foreign companies to break into?

Is there a stigma or sensitivity as well?

There must have been some important drivers for the necessity of setting up a JV.

It's right that few foreign companies have entered this area, especially oral contraception, which as a method is not well accepted nor promoted in China. We are also kind of pioneers in this space, though there are other MNCs as well. In China, Gedeon Richter's focus is bringing in so-called niche products. The generic market is not ours. We haven't registered so many products, and we've been selective to choose only those for which we can see a very clear potential and market. For example, in Vietnam Gedeon Richter has its own sales and marketing network and far more registered products. In China, we have chosen to enter those niche markets where we can – and

while we may never be alone, we can at least achieve a market-leading position.

Because Gedeon Richter has a successful 16 years behind us in China, the challenge is to develop more and step forward, with the main task now to put the new OTC company on-track.

How transferable are Gedeon Richter's established Rx competencies to OTC?

The connections and experiences in Rx are not transferable, because everything from the distributors and market participants to the style and structure of business is totally different. On the other hand, we're very familiar with the Chinese circumstances, and good at working together with our local Chinese colleagues to understand and adapt to the market to be flexible enough to be able to break in. Of course, it also helps that we have good products! In China, there are many generics available, but we can be unique in this regard with European imports, which helps to distinguish us and make us unique.

What keeps you up late, checking your Blackberry or working on weekends?

What are the biggest challenges for you in China?

We always need more new and exciting products. Business Development is one territory we need to develop, either through in-licensing from Europe or the US. There are some on-going negotiations, but they are for the future, especially because of long registration times. Although OTC products tend not to require as long a wait as Rx, registration and regulatory work remains extremely slow, and registering new products in China is a headache in terms of time and expenses. After registration to get the reimbursement status and the real market access is also a long story for each product.

You mention the potential for in-licensing, but there's no shortage of companies looking to partner – why choose Gedeon Richter?

Firstly, Gedeon Richter is a small to medium-sized company in China, so if we license in one product, we can really focus on it. We're not a big MNC, yet we have excellent people – that's one of our strongest points – and a huge experience in the market. I've been working together with our Chinese colleagues for 12-13 years, not only on a management level, but also with mid-level supervisors and regional managers. We trust and understand each other, and that's a key point of our success in China.

If we were to come back in five years, what would you expect to have achieved, and how are you going to get there?

In Rx, Gedeon Richter wants to continue our already successful business while adding a few products. With GRmidas, our new OTC company, we will be one of the only players at our level which can offer full service for both Rx and OTC lines. In fact, it's a misconception that there are many companies at our level. There are big MNCs and locals, but there are few foreign companies

our size.

You are among the most-experienced expatriates we have met so far. Are there any pieces of advice you'd like to share with more junior managers?

If you really want to be here, you will definitely face many problems in the beginning. But don't run away! If you work consistently, have your target, and work toward it in the long-term, success will come. You must have patience to achieve your goals. Everybody thinks China is big, and it's therefore very easy to make a successful business – but that's not true, because it's very complicated, everybody's here, and the competition includes all the big MNCs plus the local companies, which are good and getting better. Plus at the provincial level, governments protect their own industry, which makes it difficult to compete on a regional level as well. Beside the professional background and the continuous support and trust of your mother company, you have to have local, talented, ambitious people who work together with you. Alone, it's impossible. Gedeon Richter in China only has two foreigners. Myself, and Mr. Reto Rietmann, who is our partner's GM and the chairman of our JV GRmidas Pharmaceuticals. The rest are very talented, hard-working Chinese people. A foreigner alone, and especially a newcomer, cannot really do anything. Overall, there are difficulties, but if you persevere, in the long-term the results will come.

As a final message to Pharmaceutical Executive readers, what do they need to know about Gedeon Richter here in China?

Gedeon Richter has a great experience in the Chinese market with very professional staff, and we can offer our services both in Rx and OTC – which is quite unique in China. In fact, with a successful history over the last 16 years, Gedeon Richter is the only company from our part of the world in such a position

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