

Interview with Marko Dolzan, President, Polfa Lodz

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You were the CEO for three different companies and the founder of Sensilab and then you acquired Polfa Lodz. Could you relate to our readers the development of your career in Poland and the role of your companies in the pharma industry in the region?

My home country is Yugoslavia which disappeared from the map in 1991 and this was the year that I moved to Poland. At the beginning of my professional career I was working for Lek Ljubljana, Slovenia. During my posting in Slovenia I was working in production, quality control, foreign trade and I was also made the head of production. At that time Lek began to grow significantly in other markets as well. My managers therefore asked me to move to Poland, to Lek's representative office.

I moved with my family to Poland where Lek soon opened its representative office in Warsaw. From this point on I set about building the branch as a legal entity with its own factory in 1991. In fact, Lek was the first foreign pharmaceutical company to build its own plant and sell in Poland for the local currency, zloty. I consider this a brave move for the company. This was a time when Slovenian pharmaceutical companies lost more than 70% of their home market. There were also huge changes being introduced in Poland.

Pre-1991 Yugoslavia was a bridge between East and West and Yugoslavian companies were mainly selling licensee products in Poland. Lek was selling the products of MSD as well as products from Swiss, French, German and Italian companies. However, soon many of these companies decided to set up in Poland alone and no longer needed bridge companies and therefore the opening up of the

Polish market was the main challenge for Yugoslavian companies. Lek and KrKa Slovenia were the only Yugoslavian companies to remain present in the Polish market. The other companies together with Pliva, Galenika, Zdravlja, Alkaloid disappeared from the Polish market.

Until 1991 business between Yugoslavia and Poland was based on the compensation principle. Yugoslavian companies exported products and in return had to buy raw materials from Poland which were then sold either in Yugoslavia or in foreign markets. The challenge in 1991 was therefore to find a way of compensating for the loss of licensee business with Yugoslavian products. There were very few non-generic products so exports needed to be based on generics and companies needed to make a transition from the compensation business where prices were kept unrealistically high to the cash business.

1990-1 was therefore a tough period and Lek's sales were only around US\$10 million. In addition, from 1992-3 there was the armed fall out in Yugoslavia. However, when I left Lek in 2003 sales were hitting around €105 million. Lek was acquired by Novartis in 2002 and merged with Sandoz with Lek. Subsequently, following the acquisition, sales have risen to more than €250 million.

Lek was introducing its own generics and licensee companies had taught Lek how to market products. Indeed Slovenian companies started marketing in Poland with perhaps one sales representative in 1990 to a few hundred sales representatives in 2000. Regulatory frameworks were not as stringent as they are today and it was easier to register generic products. Slovenian companies were very strong in intellectual property issues and in chemistry and developed copies as well as synthesising original products. Lek's business model was therefore to give licenses to Polish companies for its own products, introducing simple generics at the very beginning moving on to more complicated generics with time.

Lek entered with Amoxiclav (a combination of amoxicillin and clavulanic acid) and Amlopin (Amlodipine) but then Adamed released their own generic which was significantly lower in price. This was the model: to have licensee partners in Poland, to sell from Polish companies in the Polish currency and to broaden the portfolio as much as possible in generics and to produce as soon as possible some OTC products with Lek's own brand.

Why did you decide to leave Lek and create your own company?

I was always looking to create external growth at Lek and the company tried to takeover Polfa Krakow but then Pliva came back to the market and was willing to offer more than Lek was. In 2001 I was permitted to acquire a small company in Lodz called Argon S.A. This formed two operations under Lek in Poland. Then Lek was acquired by Novartis and we merged with Sandoz. A couple of

years later Novartis acquired Hexal Eon labs globally and I was not retained during this integration.

Although, Lek was bigger than Hexal, Hexal had a Polish country head. My managers tried to offer me a different position within the company but I decided to leave at this point. I then started two companies: Sensilab in Poland and Farmicom in Slovenia. These companies grew developing the production and the marketing of dietary supplements. Farmicom in Slovenia represented Sensilab outside of Poland and both companies offered strong expertise in consulting.

The other people who created Farmicom and Sensilab are all from Lek. One was the head of operations in the former Yugoslavian markets, another was the head of sourcing and purchasing in Sandoz. My son was head of the OTC business in Lek. As a group we were seeking new opportunities and new targets for acquisition. Farmicom and Sensilab started to introduce the products of companies not present in South-Eastern European markets. The markets of South East Europe are large and there are significant opportunities in Slovenia, Serbia, Macedonia, Montenegro, Bosnia, and Albania. Presently we have ambitions in other markets as well.

In July 2008 the group acquired 100% of Polfa Lodz, rescuing the company and raising the capital significantly. Polfa Lodz had existed since 1933 and began by producing Finish products and has continued to produce many calcium products. Aside from calcium production, Polfa Lodz was in danger of disappearing. The best calcium product is calcium lacto gluconate which can only be registered as a medical product and not a dietary supplement. Our competition took the name and although we won the subsequent legal case they launched calcium lactate which is much cheaper. This presented a huge challenge to Polfa Lodz.

Presently Polfa Lodz grows thanks to new dietary supplements as well as a few OTC products. The two biggest products are Metafen and Ascalcin. Metafen is Ibuprofen and Paracetamol and is patented until 2021. Ascalcin is the combination of calcium lacto gluconate, vitamin C, salicylic acid and it is the calcium which adds value to the product. There are a number of partners interested in these products and we have licensed them out to other companies. We will grow to having 30% exports by 2015. Sales have grown from €5million in 2008 to close to €13million last year. In terms of market share Polfa lodz is one of the fastest growing company on Polish OTC market.

How does Polfa Lodz position itself in the pharmaceutical market today?

Today Polfa Lodz is positioned as a specialist OTC and dietary supplement company. The company is known for its calcium products but it has an innovative scientific approach and the company would like to differ from the competition not just in the products it provides but in terms of technology. In this field, Polfa Lodz has realised that it must move the plant from this location to a

new location. Building began in March this year which is close to its present location enabling current employees to continue working for the company. We have ambitions to grow externally and we are seeking new opportunities and 30% of our sales will derive from exports.

You now have a strong brand name. Do you see this helping to build relations with the medical community?

Polfa Lodz is aware of its strengths. Following the acquisition the two companies, Sensilab and Polfa Lodz were merged. Sensilab is now just a brand name under Polfa Lodz. At the moment the company is not strong in promotion among doctors. Although we have started to promote certain products with doctors including one very innovative dietary supplement (Debutir) which targets gastro-enterological problems. We are also well known in a select number of pharmacies. Polfa Lodz has 32 pharmaceutical representatives and only six of these work in hospitals; manpower is clearly oriented towards pharmacists. However, we are now starting to be recognised by doctors as well.

Michal Bichta of Merk said fighting with the past remained the most difficult task. What is the secret to succeeding here in Poland?

If you asked this question to a Polish consumer they would put in first place the price and the value. I would add that the brand and the company's tradition are two other very important elements. There might also be another factor. I am a Slav from a Slavic country, Yugoslavia. Language and national character are important elements in doing business in the Slavic world. If you took the top 10 companies they would be Lek, Krka, Zentiva and Polish companies. The reason that Teva or Stada are not growing as fast in the market could be in this cultural dissimilarity. When a Polish pharmacist travels to France he must know the language or he is lost. In Slovenia he can manage with his own language. Language is therefore a factor.

You recently attended a fair in Switzerland so you are evidently looking at the international context. How do you intend to make a success abroad?

Export is an increasing factor in our business strategy although our priority lies in selling to Eastern European rather than Western countries. The key to our success will be innovation in our products. Polfa Lodz is one of the rare companies to have water-soluble Q10 in various dietary supplements. The company has differentiated its products to include calcium products, medical devices, OTC, dietary supplements and so on. The company is also looking at the sale of products with added-value. In this field Polfa Lodz is looking at value-added products and commodity products. With commodity products in the Polish market we can use the Polfa Lodz brand. Consequently, we plan

to conclude 50% sales with private businesses both in Poland and abroad.

If we came back in 5 years what will Polfa Lodz have achieved by then?

Polfa Lodz will be much better recognised in Poland with a bigger market share in all segments from OTC, dietary supplements, medical devices, cosmetics to new segments. We want to place Polfa Lodz in the medical line with Sensilab more present in wellbeing sector. In terms of export, the company seeks to firstly develop sales and presence in South-Eastern Europe. The company also seeks to be present in other markets indeed one of Polfa Lodz's shareholders is from Shanghai and the company has plans to enter this market in the near future. Polfa Lodz is therefore aiming to create a global portfolio.

Parallel to the basic business of production, development, marketing and sales, the company also have a few projects supported by the European Union and is seeking the highest standards in manufacture. Two projects have already been concluded and the company is introducing three innovative technologies, again supported by the European Union. The company has sought to introduce ISO standards and in December 2010 the company was audited and attained the highest GMP certification.

Do you have a final message for the readers of Pharmaceutical Executive?

Although politicians perceive problems in terms of the budget deficit and are pessimistic about the future, business people in Poland including myself are much more optimistic. 2010 was a difficult year with lack of flu season, weather problems including floods. However Polfa Lodz grew significantly in this situation. If the situation is normal the Polfa Lodz will grow even faster this year.

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