Interview: Radu Pavel – Managing Partner, Ecofarmacia – Romania



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The founder of the group explains how the pharmacy chain has become a regional trailblazer by redefining the concept of 'neighborhood pharmacy' along the principles of being cheap, near and well-stocked.

What was your vision behind starting Ecofarmacia?

I am a medically trained doctor and I started off my career in France where I worked as a paediatrician. There I learned many positive things about the healthcare industry and the business world. One of my friend's there was producing antibiotic products for children and in Romania there were not many child friendly products which gave me the idea to respond to this market gap in tandem with my business provider in 1994. In two years we had become the second provider of antibiotics in Romania with a turnover of 12 million USD.

In 2001 we sold the business and in 2009 with the financial crisis in full flow my business associates and I launched Ecofarmacia as a low cost pharmacy chain. The market was difficult at the time and we struggled because our policy was to keep prices low, sell large volumes and collect a small margin. We started with three pharmacies in Transylvania and have since grown to 30 outlets and have ended the last quarter with 15 million Euros. We decided on setting up shop in Transylvania because it is not as saturated as other regions, such as Bucharest and since I am from there I know the region well and I understand the clientele. Transylvanians tend to stick to a

regimen and are quite disciplined which enable us to retain our clients more easily.

Being that Romania has a saturation of pharmacies, what challenges does this present for your company?

There are too many pharmacies, around one pharmacy for every 3 thousand people. This is due to lobbying from large chain store pharmacies and a lot of small family run shops in the past. It is no longer scalable to open a pharmacy and now the legal frameworks impede the opening of new outlets. There has been some consolidation occurring in recent years from larger chains buying out the smaller pharmacies, but Romania still has around 8 thousand pharmacies whereas the country really only requires around 5 to 6 thousand. Another challenge that results from too many pharmacies is having descent well trained employees because there are too many options for pharmacists to work at. This also encourages extreme price competition because the customer has a lot of options.

What does Ecofarmacia do to differentiate itself from its competition?

It is very hard to differentiate yourself in this industry from your competitors, but you can allow for promotions and send out newsletters to encourage shopping at our pharmacy. When we started our chain of pharmacies our low cost outlet-type model became the necessity in the industry because of the recession, but today it is more about services that differentiates us from our competitors.

To increase our services we reach out to the best pharmacists and offer great training. We also increased our drug availability by stocking our warehouses with the right amount of products. When we founded our pharmacies we did not have our own warehouses but overtime we started having direct contracts with large Romanian distributors so we never run out of stock and always have all our products readily available. This gives our company a level of comfort in providing for our clients that many other companies do not have. Additionally, we have been able to capitalize on some savings from distributors that drug producer otherwise would not offer us.

The recent policy shifts has decreased the turnaround period from 360 days to 120 days for pharmaceutical purchasers to pay distributors. How has this policy shift positively or negatively affected your business?

The policy shift tends to benefit large pharmaceutical companies, but typically distributors are understanding of pharmacy chains and give us the leeway to pay within a reasonable time frame, otherwise we would have cash flow problems. At first the policy shift was difficult but still creates

some issues to pay on time because the social insurance does not pay us on time and this creates an issue to pay the large pharmaceutical companies. For a larger company like ours is easier, but I imagine it is more difficult for small pharmacies.

What recent growth have you seen in the over the counter drug segment with regards to turnover and value?

In Romania 35 percent of sales is prescription and 45 percent is over the counter (OTC). This segment is growing in units but not in value because Romanians prefer to always purchase the least expensive things. In Romania you cannot market the most expensive innovative drugs because Romanians generally earn a lot less than other European nations that inhibits the average citizen from having purchasing power.

What aspirations do you have for the future of Ecofarmacia?

We plan to remain in Transylvania and continue to grow in the region and compete against large pharmaceutical chains and focus on our client base. At this time we are content with the model we have and ultimately our clients are happy and we hope to continue gaining new customers and understand client needs.

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