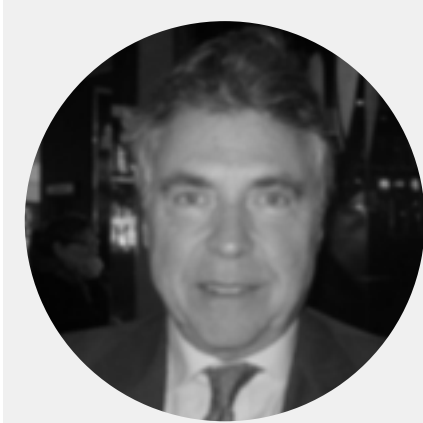


Interview: Patrick Choay - CEO, The Choay Group, France



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Patrick Choay discusses his first foray into the pharmaceutical business world, talks about the highlights of his long and interesting career, his balanced partnership strategy for the Choay Group and the importance of cultivating a business environment conducive to entrepreneurship.

What led you to launch your own group, Patrick Choay SA?

Firstly, up to 1986, my background is in Sciences Research, mainly at CNRS (French National Center for Scientific Research) where I did my two doctorates. I then undertook postdoctoral positions in the U.S. When I was UCSF, I worked with researchers who started bio-tech companies. I realized researchers can successfully becoming entrepreneurs

I therefore started a Company called Health Products Research which was based in New Jersey. One of the idea we had was an application of a hydrophilic polymer as a cervical dilator. To raise clinical data, I contacted C.C.D., a French company specialized in OB-GYN. When I came back to collect the data, the owner offered me to take over the Company, and that's how I left the U.S.A. and returned to France.

At that time, C.C.D. was not break even, marketing mainly product licensed from international companies.

I decided to start exploring my own ideas. Two ideas in particular stood out for me:

- At the time only vitamins and few minerals were being marketed. I launched the first micro nutritional formulation for women (pregnancy) followed by climacteric and PMS ones.
- The other niche area I saw a lot of potential in was single use disposable medical devices for OB-GYN application, in particular Assisted Reproduction Technologies. It was developed with Pr. R. Frydman.

To be autonomous and independent in these two areas, we acquired Prodimed, a medical devices factory and Creat, a pharmaceutical production plant.

Today, the group is composed of several brands including C.C.D., Bailly-Creat, Prodimed, PAB, Gomenol... In 2004, we reached consolidated revenues of 66 million euros and exported more than 50% of our production.

Tell us about your partnership strategy?

I have never had partnership per se, but rather sub-contractors agreements. As to date, we cannot produce liquid pharmaceutical formula, we do have to subcontract elements of our business. Mutually we manufacture dry pharmaceutical forms for third parties, this is also helpful for us to gain exposure to new technologies which broadens our knowledge of the field.

However, there are many reasons for us to maintain our own operations and facilities. The benefit is that it is extremely flexible. We can come up with an idea and explore it immediately.

Subcontracting generates inevitable delays and so additional costs.

We are conscious of retaining our specific know-how and expertise and we are protective of our niche areas, because they are the core of our business. We have a habit of acquiring failing companies, as we enjoy the challenge of turning them around into successful ventures. In addition, we have the capacity to self-finance these acquisitions. As the turnaround is very challenging, we work very hard in the first stage, but that is part of being an independent entrepreneur.

When you acquired Bailly-Creat, it was in liquidation. What opportunities did you see that prompted you to acquire it?

When we took over Creat in 1997, it is true that the Company had gone through some very difficult time due to shareholder issues. However, after three to four years, we managed a stable and a rather financially healthy company. All our companies are active in niche areas and they have a specialty focus. This is important for small or mid companies like us because it is extremely

difficult, if not impossible, to compete with Big Pharma unless we carve out a niche for ourselves. Bailly-Creat's niche is the manufacturing and the marketing of quality generics for emerging countries, predominantly francophone sub-Saharan Africa and Asia. For instance, we were and remain strong in some countries; just in Cambodia, we still reach EUR 2.5 million annual sales.

As we were one of the first to manufacture in France generic products intending to these countries, Bailly-Creat benefits from a brand awareness. The growing demand for our generics products reflects the good price quality ratio. In fact, initially, our products were not even considered generics, but had brand names, with "Crea" as prefixes or suffixes. Today, our prices remain between branded products and basic generics from manufacturers in Asian countries. Our slogan, "the specialist of generic medicine with French high quality" was selected to reflect this.

Another extremely attractive aspect of Bailly-Creat is its manufacturing facilities, which consist of a site in Vernouillet 7.800 sqm of manufacturing capacity including 1.600 sqm of clean room, and a plant in Bondoufle through the cosmetics company PAB that we acquired in 2010. As I have emphasized, independence is very important. At that point, we already had a site for the production of medical devices with Prodimed, and with the acquisition of Bailly-Creat, we obtained one for the production of pharmaceutical products, food supplements and cosmetics. This acquisition was important also for the maintenance of our quality and brand.

If you had to highlight three significant moments in your long and interesting career, what would those be?

Three moments in particular stand out for me.

The first is the decision to become an entrepreneur. I am a scientist by background; I had been in therapeutic chemistry research for years, but had no business experience. I didn't even know what a balance sheet was! It was extremely nerve-wracking for me to begin my first foray, C.C.D., into the business world.

The second was the moment my first company, CCD, was break even, a year after acquisition, due to internalizing of our logistics and launching successfully the first food supplement. I became more serene of my achievement at the time.

The last moment I would like to highlight would be when I realized I succeeded in integrating different companies, with different businesses: pharmaceuticals, cosmetics and medical devices.

What last few words would you like to share to our audience?

Small companies have to be promoted to attract entrepreneurs. Many people want to build their own companies, not simply to work for themselves but to have the feeling of creating something of their own, in their own ways.

More than anything else, I love the feeling I get when a product I developed is appreciated by practitioners. Throughout my career, I always stayed independent. Freedom has a cost, but ultimately I believe it is worth it.

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