

# Interview: Enrique Hausermann - CEO, EuroGenerici (EG), Italy

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*Enrique Hausermann, CEO of EG, the Stada Group's Italian affiliate for its generics business, discusses the progress the company has made since 2009, the promising areas for growth he sees emerging and the market environment for generics companies in Italy today.*

**When we last spoke in 2009, you told us how the independence Stada granted its affiliate allowed you to be flexible and adapt to changing market needs. In your sales and marketing approach especially, how has this evolved further since 2008?**

Indeed, we are still quite independent, especially in our implementation of marketing strategies. This means that we can search for opportunities specific to the Italian market locally, while also receiving aid in the form of new marketing strategies and new products from the group in Germany. This flexibility in what we launch and sell gives us an immediate advantage by allowing us to tailor our strategies to the market as we see it in the country.

Being a generics company in Europe, this flexibility is crucial as rules, regulations and the market itself are completely different from country to country. We must have our own country-specific targets and strategies. The main target for every company is of course to achieve a certain turnover and profit, but how we reach this is left largely to us as an affiliate, and this autonomy has allowed us to do well in Italy.

**In 2009 you predicted that the generics market would slow down, and that brands would become the group's crucial growth driver in Italy. How is Stada present in the branded market in Italy today?**

We are present in the form of two companies in the country, both part of the Stada group: EG S.p.A. for generics, and Crinos S.p.A. for branded pharmaceuticals. Crinos, for a number of reasons, has decided to out-license the marketing of many of its products to reliable third parties. So the two companies act as complementary entities in Italy. In fact, Crinos was an old Italian company originally, which was acquired by the Stada Group in 2002.

**Italy is Stada's second-best-performing affiliate, after Russia, representing almost 9% of the Group's global turnover in 2015 with sales growing by 7%. How are you positioning the company to keep this momentum in the organization?**

One advantage we have is that we are operating in the form of two companies here, each with their own specialties and a well-established history in the market, in Crinos' case dating back to well before the acquisition by Stada. As EG we were also one of the very first companies to enter the generics field, which gave us a better position in the market. Today EG represents around 15% of the generics market in terms of value.

**How does EG work to launch new molecules immediately after patent expiries?**

The first step we take is to register the drug far in advance of the date on which its patent expires. For this it is important to have an efficient development unit, and it is crucial to monitor the registration procedures closely for any changes which could influence your progress. This is certainly a key to success, and I would certainly agree that it is mandatory to have the product in-house the moment the patent expires.

Another strategy we have used is to begin taking orders from pharmacies before the release of the product, to be delivered on the date of expiry. In this way we can begin establishing our presence in the market for that drug even before the patent expires, and have a head start on day one.

**Besides day-one launch, a strong distribution network is also crucial to fulfill the increasingly short order times of pharmacists. How have you adapted to this requirement at EG?**

This is another disadvantage which newcomers to the market face. As an established player, we have built up our own network, as have the other major companies in the generics market, over the course of many years. I can say with confidence that today we have a near-perfect distribution

network set up. EG has two major warehouses in the North and the South of the country, in order to more efficiently distribute our products to wholesalers and pharmacies. Our commitment to improve our delivery times means that today we can supply our products to pharmacies within 48 hours at most.

**How is your customer-base split between wholesalers and pharmacies today?**

The majority of the Italian wholesalers are our clients, certainly around ninety percent of the total number. For pharmacies we have around nine thousand individual customers, however these are certainly not homogeneous in their value or purchasing behavior.

In terms of volume wholesalers still represent our largest customer segment, around fifty-five percent, with the remainder of our sales destined for pharmacies. Currently we are working to increase the percentage of direct sales to pharmacies however, as we see opportunity there for a larger presence.

**One of your goals has been to strengthen EG's image in Italy, as brand recognition for the company's products has not been as strong as it could be given your long history in the country. In 2015, would you say you have been successful in this?**

Yes, to an extent. We have improved the strength of our image in the market, but perhaps not quite as much as we would have liked. Image can be difficult for generics companies in Italy, as the majority of the companies themselves are not well known.

**As an established generics company in Italy, where do you see your growth drivers emerging over the next few years?**

For us growth will come from the launch of new products, the so called organic growth is still improving our business. Indeed, products launched in 2000 are still growing and this is thanks to the trust which doctors and patients have in our medicines. IMS is estimating a growth of around twelve percent over the course of the next three years. We are estimating a significantly higher growth for EG through product launches and by actively differentiating our portfolio, for example by moving into the OTC market with own brands.

A promising area we see are looking into is the respiratory tract products. These are interesting because they currently have very high prices. A complicating feature here though is that the regulations state that these products cannot be directly substituted as the delivery device is different. That makes it a challenging market, but one which will prove very important and promising for us.

In the future, we also intend to launch biosimilars. This is an area which is much more technically difficult to get into however, and that has created some barriers to entry, but as a result the competition is also very different. This is certainly a segment in which we will become active in in the near future, with the first launch scheduled to take place roughly two-and-a-half to three years from now.

**Having witnessed the birth and evolution of the generics market in Italy, how would you characterize the market environment for generics companies here today?**

In Italy the top five generics companies control eighty-five percent of the market, so it is certainly not a fragmented market. The competition is very fierce, and this makes it an unfriendly environment for newcomers. I would say that this is the same for all of the mature European markets however.

Currently generics are competing with generics in Italy, and this is not healthy for our performance. It must be acknowledged however that slow progress is being made towards shifting from a strategy centered around sales to pharmacies, back to doctors, and this will have a positive effect.

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