Interview: Eric Ducournau – CEO, Pierre Fabre Dermo-Cosmétique, France



12.05.2016

Tags: Pharma, Pharmaceuticals Pierre Fabre, Eric Ducournau, Interview, Insight, Exclusive, Executive, Free, Skincare, Dermatology, Internationalization, Strategy

Eric Ducournau, CEO of Pierre Fabre Dermo-Cosmétique (PFDC), discusses the company's revolutionary lines of dermatologically tested skincare products and their niche adapted internationalization strategy that is focused on providing the highest-quality skincare products for all consumer and patient needs.

The Dermo-Cosmetics division of Pierre Fabre has represented about 55 percent of the company's total sales in the last three years. Can you give our readers a global view of the importance of the division for the group and the different activities that it represents?

My first objective after the transition and passing of Mr. Pierre Fabre was to further develop all our dermo-cosmetic brands beyond our flagship Eau Thermale Avène that currently represents 50 percent of PFDC turnover. Our number one goal is to create as many new formulas as possible to launch new lines and products worldwide. Previously, PFDC was mostly focused on expanding in Europe. We are now committed to developing our brands in all parts of the world. Each brand in our portfolio has its own DNA and is positioned to target a different type of consumer. Most of our brands are based on natural active ingredients: thermal spring water for Avène, Rhealba® Oat for A-Derma, plant extracts for Klorane and Elancyl, essential oils and plant extracts for René Furterer. Whatever the brand, our dermo-cosmetics products are developed, clinically tested and

manufactured according to the standards set out by the pharmaceutical industry. Other skincare companies focus only on mass marketing and do not invest as much time and effort in R&D and clinical trials. In a nutshell, we have truly become the experts in dermo-cosmetics.

Pierre Fabre is also a very well-known pharmaceutical company, how has this dual activity influenced the company's approach to Dermo-Cosmetics in terms of product development?

Mr. Pierre Fabre was a pharmacist. He worked in Castres for a decade before starting his company in the early 60s. Observing patients with skin disorders, he realized the need for products to help soothe patients' skin after medicines had been prescribed. His company was born from the core idea of developing dermo-cosmetic products in order to complement prescription products. Clinical trials are essential for our products and we test all our products before launching them on the market. This is a key point of differentiation from many other cosmetic companies. Our clinical trials not only last four to six months longer than the average dermo-cosmetic**s** line but we also dedicate 4.5 percent of our total revenue to R&D in PFDC. Performing clinical trials is an extremely important aspect we cherish in order to provide dermatologists with the best and safest products. We have very close relationships with dermatologists. We speak with them to understand what they would like to see in new products and how we can optimize our own products to provide a suitable response to the needs of their patients.

How is the Dermo-Cosmetics division of the group benefitting from the R&D being conducted in the pharma division?

It takes an average of 36 months before our dermo-cosmetic products are launched on the market. This is on average three times longer than a standard cosmetic product. The R&D process in PFDC is indeed inspired from the one followed by our colleagues in pharmaceuticals to develop drugs.

What are the other synergies existing between the different divisions?

We are actually creating a lot of synergies within Pierre Fabre between our prescription drugs, consumer health care and dermo-cosmetic activities. For example, PFDC markets OTC and oral care products that are developed by Pierre Fabre Consumer Health Care in several parts of the world. R&D is another field of synergies. PFDC is actually the only international cosmetic company to also market Rx dermatology products through the Pierre Fabre Dermatologie (PFD) brand. PFD will benefit from the support of the Pharmaceuticals R&D organization to develop its pipeline of innovations.

Pierre Fabre is recognized as a leader and expert in skincare dermo-cosmetics, well known in more than 130 countries worldwide. Among the ten lines of dermo-cosmetics products that you produce, Avène, A-Derma and Ducray are some of your most popular lines. What are PFDC brands synonymous with?

We have four different types of brands in our portfolio. As I have already mentioned, the first one is a dermatological Rx brand, Pierre Fabre Dermatologie (PFD), to treat all kinds of skin diseases, such as acne, mycosis, atopic dermatitis or alopecia. PFD has also developed, registered and launched worldwide the only available pediatric product for the treatment of severe infantile hemangiomas. The second type is made up of our purely dermo-cosmetic brands: Eau Thermale Avène, Ducray and A-Derma. These brands are not prescription products per se but are often recommended by dermatologists. The third one is family-oriented brands: Klorane and Elancyl focus on hair care and body care respectively. Klorane for example has become one of the most famous hair care lines in Hollywood, and Karl Lagerfeld himself has said in interviews that he was using the Klorane dry shampoo. The final type is premium cosmetics brands with two brands, namely René Furterer and Galénic. We are adding two local brands to this global offering: Darrow that is marketed only in Brazil and Glytone in the US.

What do you see as your key drivers for growth in the near future?

Our goal is to deliver a 40 to 50 percent increase in sales over the 2013–2018 period. By comparison, in the last five years we have achieved a 23 percent increase. In order to reach our target level of growth, we primarily need to invest in opening new subsidiaries abroad. This is a key area we are focusing on at the moment. We have recently opened subsidiaries in South Africa, South Korea, Chile, Australia, and Denmark among others. All our employees abroad are committed to building the credibility of our brands in their markets. Our priority is to establish a close relationship with all our heath care partners around the world to better understand their needs. Recently, we invited dermatologists working with our office in Hong Kong to our headquarters in Toulouse for the first time in 30 years.

Most dermo-cosmetic brands are mass-market brands that are sold through all sorts of drugstore channels. Our entry strategy is very different. PFDC does not launch all its brands in every store. We begin entering a country with what we know will be the hardest brand to launch and we invest our time and money into launching our products in specific stores or chains that we feel fit with the equity of our products. Our strategy is to distribute our brands through selective channels and stores to protect their high-quality reputation and credibility.

We invest heavily in research and development to provide the highest-quality products and adapt our products to all types of skins around the world. We have recently opened an Innovation Center in Tokyo to develop dermo-cosmetic products specifically adapted to Asian skin types.

We also have a partnership with Abbott in India to formulate drugs and skincare products that are developed specifically for Indian skin. Indian consumers are also not particularly keen on buying skincare products in large sizes. For this reason, we are working with Abbott to adapt our containers and products to fit smaller sizes.

What have been your main actions at the head of the division for the past three years?

As we are increasing our business abroad, our main priority has been to hire new talent. Since 2014 we have hired 1,400 new employees globally, not including China where we hire around 300 new beauty consultants every year. Outside of Europe, our brands are not that well known, so we are constantly working on developing awareness of them and this can only be done if we have the smartest and most qualified staff. Another key priority has been to increase the number of product launches. In 2014 we launched 40 new products, whereas last year we introduced a total of 150 new products.

What distinguishes PFDC from the others?

PFDC products provide quality and efficacy proven by clinical trials and each brand within our portfolio has its own DNA. A-Derma for example is meant for fragile skin, a weakened skin type that tears easily. It is a common problem for babies and the elderly, but also for anyone suffering from a skin condition. Avène is dedicated to sensitive skin, i.e. skin subject to daily stress, including the use of unsuitable skincare products, irritating procedures, medical treatments, climatic stress, etc. Both brands offer Sterile Cosmetics technology. This is a new generation of product that provides skincare for the most demanding skin types. Sterile Cosmetics guarantees preservative-free care, a unique manufacturing process in a sterile environment and the sterility of the product throughout its use thanks to a perfectly sealed dispensing system. We are the only company to offer this new generation of dermo-cosmetics, a guarantee of efficacy and absolute safety for consumers.

How do you plan on further developing your brands in markets outside of Europe?

At PDFC we are dedicated to providing high-quality products that meet the skincare needs of all consumers in the world. We are therefore working hard to develop our brands outside Europe and we forecast that by 2020, a third of our revenues will come from overseas. We are committed to positioning all our brands under the highest efficacy and safety standards. We have truly

revolutionary products in our portfolio, like the Avène Tolerance Zero line that uses Sterile Cosmetics technology. Just think that the spring water that is used and preserved inside the product has not seen the light of day until it is applied to the consumer's skin. These types of revolutionary techniques have taken years to optimize. They make Pierre Fabre products highly innovative and very different from the average brand or product on the market.

It is no secret that the passing of Mr. Pierre Fabre, founder of the company, created a complicated transition. He had expressed a list of wishes for the future of the company. How do you face realities while respecting those wishes?

Mr. Pierre Fabre actually prepared and planned his transition well in advance before his passing. Because he wanted to maintain the originality of the company "from health to beauty", because of tax inheritance laws in France, and because of his personal generosity, he decided to make his group the first French company detained by a Foundation of public interest. So, in 2010, Mr. Pierre Fabre decided to donate the majority of his shares to the Pierre Fabre Foundation. Upon his passing in July 2013, he made the Foundation his sole legatee. The Foundation now owns 86 percent of the capital of Pierre Fabre SA.

One of the most challenging tasks has been to maintain the sense of spirit that Mr. Pierre Fabre ingrained into the company while he was alive. Keeping this spirit untouched within the company has been one of the main tasks that leaders in the company have been working on.

You have spent most of your career in Pierre Fabre, but you are also a former board member of Boiron and of the LEEM. How do you see the future of pharmaceuticals in France, and the evolution of independent mid-cap pharma groups?

In order to reinvent and maintain a steady pace of new product launches, our industry needs to further foster innovation. For decades, the universal healthcare system has been instrumental in making France one of the most innovative and largest pharmaceutical markets in the world. As time has passed, the French universal healthcare system has finally become a barrier to innovation. In order to reinvent our industry, we need to stimulate innovation and this requires financial backing. A change in our system could therefore be beneficial to fostering innovation in France. Ultimately, innovation will come from private entrepreneurs who, like Mr. Pierre Fabre, will have the passion to create and innovate to the benefit of men and women around them.

Click here to read more articles and interviews from France, and to download the latest free pharma report on the country.

See more interviews