Interview: Taras Velgosh – Country Manager, Adamed Ukraine



"My main mission when I took over the helm of the Ukrainian affiliate was to rapidly increase the affiliate's profitability"

07.08.2017

Tags: Ukraine, Adamed, Pharma, Strategy, Innovation,

Taras Velgosh, Adamed's country manager in Ukraine, provides insights into the great results accomplished by the Ukrainian affiliate of this leading Polish pharmaceutical company despite the deep crisis that has recently affected the Ukrainian market. He also documents the innovative, service-oriented added value that he strives to bring into the local ecosystem in order to further strengthen Adamed's positioning in the Ukrainian market.

Could you explain how you became general manager of Adamed and highlight some of your main achievements over these past six years?

Prior to joining Adamed in 2011, I have worked for different Polish companies in pharmaceutical industry. In 2010, Adamed Group bought Polfa Pabianice, which holds more than 125 years of experience in the Polish market. At that time, I was working for another Polish company, which was selling products to Polfa Pabianice in Ukraine. In 2011, I met Adamed Group's management, who offered me to take the helm of the company's office in Ukraine. The Ukrainian affiliate actually was the first international office opened by Adamed Group, in 2005, which marked a significant milestone in the group's internationalization strategy.

Setting up an international affiliate always requires substantial investments, which often affects the organization's profitability in the short term. Nevertheless, more than five years after its establishment, Adamed's Ukrainian business was still low profitable, despite the local

pharmaceutical market being extremely dynamic at the time – with annual growth rates above the 20 percent mark. In this regard, my main mission when I took over the helm of the Ukrainian affiliate was to rapidly increase the affiliate's profitability. Considering the tremendous growth pace of the Ukrainian market, we were very ambitious and particularly optimistic. In order to rapidly break even and fully leverage the development potential of the local market, we decided to implement a broad market approach, which implied entering new, highly promising therapeutic areas – in addition to our historical market niches.

Nevertheless, in 2014, the Ukrainian Revolution broke out and abruptly swept away all our growth forecasts, forcing all international pharmaceutical companies to rapidly transform their strategies, while the value of the Ukrainian pharmaceutical market collapsed by more than 50 percent between 2014 and 2015. When such a deep crisis occurs, there is no margin for error and a company's ability to quickly adapt is absolutely critical. The situation in the Ukrainian market then forced us to abandon our affiliate's expansion ambitions, while the deep economic crisis that followed led us to concentrate our efforts on a single but critical objective: rapidly increasing our competitiveness in order to survive this crisis

These difficult times moreover emerged as a window for opportunities for domestic companies. The latter were able to leverage Ukraine's low production costs to more rapidly adapt their products' price ranges, while being relatively less exposed to currency changes than international companies which have to import their finished products onto the local market.

It is rather rare to see an international company further investing in a country which just went through such an intense geopolitical and economic crisis…

This is true; and this decision truly showcases Adamed's leading approach to the Ukrainian market and the company's remarkable commitment towards local patients. Even at the height of the crisis, our management never changed its vision and continuously stressed the strategic importance of Ukraine for the group's development. Adamed has already obtained impressive results on the Polish market, and the company will not be able to further develop itself without increasing its footprint in the group's key international markets, such as Ukraine.

[Featured_in]

A week ago, I met with Adamed's president, Małgorzata Adamkiewicz, who praised the great efforts of the Ukrainian teams during the crisis. Now that the Ukrainian market is back to growth, these efforts are actually paying off.

Considering that the stabilization of the Ukrainian pharmaceutical market is very recent, what has been your strategy to increase the affiliate's profitability?

Firstly, Adamed Group has been able to successfully introduce a substantial number of new products into the Ukrainian market over the past years. In the meantime, we conducted a diligent assessment of our portfolio and decided to get rid of products that were either non-profitable or not aligned with our affiliate's recently implemented focus on prescription drugs, a field where our sales force can directly work with doctors.

While many international companies have been restructuring their affiliates over the past few years, we have increased our sales force by 60 percent.

In terms of revenues, Adamed now stands as a top 100 pharmaceutical company in the Ukrainian market. Overall, our fundamental objective is to ensure that Adamed is as strong in Ukraine as it stands in the Polish market.

What do you identify as the key success factors to fulfill this ambitious objective?

Adamed's key to success in the Polish market has been to implement a development strategy that goes beyond the quality of our product portfolio and to look for innovative market approaches that no other companies have ever tried to carry out.

For instance, in Poland, Adamed has been a pioneer in the large-scale implementation of a Vendor Managed Inventory (VMI) system *[a streamlined approach to inventory management and order fulfillment, e.d.]*, which was already used in other business areas, such as the automotive industry, but not yet in the pharmaceutical fields.

In the grand scheme of things, we continuously strive to ask ourselves what is the added-value we can offer to our customers, as we consider that being a leader in change ultimately leads to gain market shares. In Poland, Adamed has managed to overcome larger competitors, which sometimes held a very comprehensive and competitive portfolio, by providing our increasing number of customers with a better service offering than these competitors.

How do you concretely go about offering this service-oriented added value to your customers and partners in Ukraine?

The VMI system I just mentioned stands as a perfect example. In 2016, we started testing this new system with one of our Ukrainian distributors, and –given its great outcomes – we came to the conclusion that this project should be implemented across the entire Ukrainian market. As part of

this process, Adamed is fully committed to embracing our partners' organizational processes and to improving them: our employees literally become part of our partner's organization during the time of the project, they learn all the subtleties of their processes, and work hand-in-hand with them to optimize them.

[related_story]

As part of this process, we can build a stronger relationship with our partners, while – on the other hand – they fully benefit from this process optimization, which allows them save resources and become more efficient. In Poland, most of our competitors directly pay distributors for their sales – an approach that Adamed has refused to follow, as we know that we can provide our partners with a more interesting added value, such as helping them to improve their own processes through the implementation of the VMI system or other services.

In Ukraine, we are particularly ambitious regarding the implementation of this system, as we want to expand it to pharmacy chains. When it comes to distributors, the Ukrainian market is already rather consolidated, as only four players make up around 90 percent of the market. On the other hand, the industry structure is radically different for pharmacies, as Ukraine still holds more than 20.000 points of sales and a very high number of points of sales per capita. Nevertheless, we see that this part of the value chain has also been rapidly consolidating over the past two years, as independent pharmacies are steadily replaced by thriving pharmacy chains. The latter are now looking to set up new standards and processes to further rationalize their activities and optimize their consolidation, as they still struggle to increase the profitability of their points of sales.

Such market consolidation has already happened in the Polish retail market, and what we are now trying to bring into the local ecosystem the expertise and experience forged by our company in Poland.

What are the main obstacles you face when implementing such a game-changing partnership approach in Ukraine?

Implementing such a new approach requires fostering a true mindset change, which is no easy task. When we started approaching our partners and offered them to jointly work on improving their processes, they first turned down our offer. For them, it was inconceivable to let a "stranger", be it a commercial partner, enter within their companies' walls and help them manage their business.

We however did not give up, as we knew from our experience in Poland that this approach could truly bring great outcomes to both parties. We ultimately found an ambitious partner, which accepted our offer and became the first company to implement this pioneering approach in Ukraine. Our teams started to regularly meet with our partners' employees to design process maps and identify the discrepancies that were hindering their processes. Building on this first assessment, they started designing strategies to make our partner's processes more efficient, avoid new problems, and work towards this updated system's implementation.

Again, we had to face resistance throughout the implementation process, but when our partners saw the first results and the positive impact that these changes could enact, they changed their mind and fully embraced our approach. Now, our partners' staff have become close friends to our own employees, they deeply value Adamed's commitment to fully understand their processes and our efforts to improve them. Our objective is to continuously expand this project with new partners and to prove that – in Ukraine too – money is not the only solution to all matters.

What are the main objectives that you want to achieve within the next five years?

A week ago, we held a strategic meeting at our company's headquarters and discussed Adamed's development for the next five years, including both our respective markets and globally. When it comes to such a volatile market as Ukraine, there is no consulting company that can predict where the pharmaceutical market will stand by 2023.

If the current dynamics continue, we believe that the value of the Ukrainian market could twofold, which would bring it to around USD five billion. If the market's value does double, our objective will then to triple our affiliate's sales within the same period of time.

In the meantime, we want to become a top 50 company in Ukraine, although I believe we hold the potential to target an even higher market position. More than our sales growth, I want to ensure Adamed in Ukrainian market is recognized as an innovative company – in a very comprehensive way, hence following the bright path that our company has already paved in Poland.

See more interviews