

Interview: Piotr Steczniewski - CEO, Profarm PS, Poland



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Piotr Steczniewski, president of Profarm PS - a successful wholesale family business - since 2012, shares how the company has managed to thrive over the years through constant adaptation to the market and laws. He discusses how strict distribution regulations have been affecting the industry and ultimately advises the government to listen to the distribution community to implement more relevant regulations.

The wholesale industry in Poland is very dynamic. How has Profarm evolved over the years?

Profarm is a mainly a family-business that was established in 1989 by my father, a fourth-generation pharmacist, and two of his peers. Profarm has continuously needed to adapt to the shifting Polish market. We used to mainly focus on hospitals, however, over the past three years we have increasingly been shifting our business to pre-wholesaling, as well as providing services such as vehicle delivery rentals and warehouse storage. The reason behind such changes is due to the hospital market's shrinking margins, which now average around one percent.

Additionally, Profarm has constantly been adjusting to the rapidly evolving Polish wholesale law that regularly introduces new regulations instructed by the EU. Such requirements do not stand intrinsically strict, yet the Polish authorities are quite rigorous compared to other countries. With the latest implemented EU policy, many wholesalers did not manage to fulfil the requirements, with even many smaller players being forced to shut down. Profarm's inspection started late last year, and we have had to make some costly adjustments within our operations and warehouse.

What exactly are the services you are offering to your clients within the healthcare network?

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We seek and introduce products that are not yet present on the Polish market. We do not aim to compete with top three wholesalers in Poland, as their positioning on the market is extremely strong and they have an abundance of resources. Our place in the marketplace relies on finding our niche with new products. As mentioned earlier, we are shifting to providing warehouse and distribution services to other wholesalers who then distribute the products to pharmacies and we provide such services without purchasing the products beforehand. Furthermore, in cooperation with other companies, we offer, together with our partners, services related to marketing, registration process and market access.

We mainly import the products from Canada, the United States, Japan and India. The imported products from non-EU countries go through the Special Ministry of Health Permission, as such products are not registered in Poland. Those permissions and stamps requirements limit the imported quantity from there.

What is the positioning you are looking to take up as a partner of choice to help companies start their journey in Poland?

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Firstly, small to medium sized foreign companies reach out to us rather than to big wholesalers because we are easier to talk to, while still covering the entire Poland's market. At Profarm, they can directly discuss with a unique contact, whereas there is often a tedious process to follow within big companies. Secondly, companies prefer to partner with us because we can make fast decisions. We are indeed flexible, as we can adjust to the very specific customers 'requirements. Finally, and most importantly, we offer a high level of service to them.

The wholesale market in Poland is dominated by large companies such as Neuca and Pelion, while many international players globally, such as UPS and DHL, are struggling to enter the market. Why have local companies taken such a dominant place over the years?

Foreign investors and big foreign companies have waited for too long before making the move to acquire a polish wholesaler to further make it grow. Until the millennial, they were particularly reluctant to invest in a country with a poorly developed infrastructure they judged too costly for

products delivery. Meanwhile, locally small wholesalers started to partner together in form of joint-ventures. This is how Neuca or Pelion became large groups. Today, foreign investors desire to purchase those turned-big local companies in order to obtain thirty percent of the market yet entering with their own unknown name could show difficult to compete with other Polish companies.

This is probably the main reason why there are no foreign players in the polish distribution's landscape.

What steps can Poland take to reward the distribution of the wholesale network so it can become more sustainable in the long-term?

The wholesale market needs law stability. Too often, wholesalers are told to one day dramatically change the way they have been operating over the last ten years, sometimes in opposite ways, to fit the new law. If only the authorities could discuss with the wholesale industry and listen to them, to make more stable laws. It is also an issue for patients because the consequence of such drastic laws means the product's availability will be lower. In my opinion, the relationship between the government and the industry should be much stronger. The voice of the market should be further taken into consideration while preparing changes in any regulations.

As the president of Profarm, what would be your message considering distribution to the international government audience?

My message to them is: "Talk and listen to the industry!". They should use our extensive years of experience on the market, our knowledge and know-how, so they can help the industry create better regulations. In the end, they should learn to listen to the distribution community and take our considerations to save time and make relevant changes, because we know how the system works.

Where do you see the future trends of wholesaling and how does Profarm adapt to those changes moving forward?

This is a very tough question. If you would have asked me months ago, my answer would have been different from today. It is indeed very hard to predict what directions the entire distribution would go. I do believe though, that the direction Profarm is currently moving to, namely to find a niche of products and distribute them, is the right one. However, six months from now, the direction may change, because the market is so dynamic. In our case, a lot depends on the results of the inspection that has been undergoing since last March. Many other wholesalers are likewise

still waiting for the inspection to be finalized. It is therefore very challenging to move forward, since we may have to change tomorrow the way we have been operating for years.

Moving ahead, what would be your top priorities in your agenda - what do you look to achieve with the company?

My main priority is to finally fulfil the requirements of the new Good distribution practices (GDP) and get the certificate – because the process has been very time and money consuming. My second priority would be to increase our services' portfolio compared to wholesaling to hospitals. Thirdly, we are definitely aiming at importing more new products, rather than fighting with already existing products on the market. As you know, Poland is a very generic market, therefore price competition remains high, especially when wholesaling to hospitals that are understandably struggling to pay.

As an expert, what would be your advice to people you desire to start in this wholesale industry and succeed?

You need to think out of the box. It may sound like a cliché, but you really need to look for alternative options, especially when you are new on the market. Even though the law is strict, if you do think outside the box, you will always find a way to bring a new service the customer needs.

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