Fabian Bieletzki – General Manager, Kirsch Pharma China



Speed is the largest [cultural] difference I have witnessed. A Chinese customer who buys a product is used to getting an answer immediately

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Kirsch Pharma is a raw materials provider to the pharmaceutical, nutritional, biotechnology, veterinary and cosmetic industries. The business in China was established in 1997, importing high-quality raw materials from Germany. Kirsch China's Fabian Bieletzki introduces the affiliate's current areas of focus, the cultural differences between Europe and China and how they affect business transactions, and the challenge of talent acquisition in China.

Could you introduce Kirsch to our international audience?

We are fully owned by Heinz-Jürgen Kirsch, who founded the company in 1980. Kirsch is currently a global supplier of raw materials. We started primarily with excipients and some APIs. Around 20 years ago, we also entered the supply of raw materials to the infant formula industry and have become one of the key players to the big multinationals but also local producers around the globe. Roughly 50 percent of turnover comes from that sector. Due to the melamine scandal in 2008, major reform took place concerning the quality of production. It is in large part due to this reform that the Chinese market became more quality-aware of their raw materials which made China a booming market for Kirsch.

The biotech industry is also a booming area for us and is one of the most favoured sectors for the Chinese government at the moment. Concerning our pharmaceutical arm, we are registering three

excipients and are working on a fourth with the CFDA (China Food and Drug Administration). We primarily deliver mineral salts to these industries; however, we are registering several excipients to gain more of a foothold on the market. We have also recently opened our second GMP factory in Germany, which is a forward integration for us. Up to this point, we have solely been working with raw materials. However, this new factory will enable us to produce finished dosages as OEM for our customers. All of our raw materials come from our two GMP facilities in Germany, while we have our sales and technical teams around the world. We have currently registered branches in countries including South Africa, Spain, France, Singapore, China, and Australia. Furthermore, within Kirsch, we have around 180 SKUs (stock keeping unit), and we also have OEM factories that manufacture for us.

The plans for founding the subsidiary were for the expansion of products and services, what is the strategy to unveil this in China?

As I mentioned previously, 50 percent of group turnover is in infant formula. For China, that number is much higher. In China, our focus is on infant formula and FSMG (clinical nutrition) but also the pharmaceutical and biotechnology industries. As a company, we are very well established and understand what our strengths are. However, we also have certain demands from customers. Finally, we bring a full range of solutions for many of our customers, in both infant formula and the pharmaceutical sector.

What cultural differences have you experienced from working in China vs European markets?

Speed is the largest difference I have witnessed. A Chinese customer who buys a product is used to getting an answer immediately. However, in Germany, with all of the processes, validation and so on, it can take far longer. The ways of working in European markets such as Germany tend to be much slower than in China. I see this as a problem across all industries, and many European companies face this issue when they come to China as well. This is also due to Europe being more stable. China is growing at such a rate that a company has to be extremely competitive and quick to respond.

How important is quality to the Chinese market?

That depends on the company. If you look at smaller local companies, they are typically under immense pricing pressures. These companies tend to be far more price-driven rather than quality-driven. When we look at larger companies, the focus tends to shift toward quality rather than price factors. This is regardless of whether a product is imported or locally sourced.

What challenges do you face with importing your products into China?

Some challenges would be the protection law with the GB standard for food applications (infant formula). Following this, the products need to be registered with the CFDA. However, I do not see these as, particularly big challenges because everyone needs to go through the process. As soon as the rule becomes the same for all companies, I no longer see this as a problem but rather as an advantage for companies which deliver quality but also for the customer which can be assured that they will buy good material due to high entry barriers.

As a supplier of raw materials to the pharmaceutical industry, how has the business been affected by recent regulatory changes in China?

It has been very positive for us because both regulators and the Chinese government are getting stricter and more quality-driven. This has two outcomes: First of all, the China market is becoming far more limited. More factories are closing, thus there is less raw material on the market. The suppliers who stay in the market tend to work on a very professional level, which is beneficial as these are the companies we either want to be in business with or are in competition with. If there are many companies with questionable production facilities, they may be able to produce cheap materials, but they are also potential risks to customers. The regulatory changes have largely been a brilliant development.

How does Kirsch Pharma differentiate yourself from your competitors?

We do not have a standard product or a technical data sheet (TDS). We provide customized solutions for all of our customers. Kirsch works differently from many traders or other raw materials producers. Most companies will show their customers a TDS and ask, according to these specifications, do you want to buy my product?

On the contrary, when a customer comes to Kirsch, I will always ask what they need and why they need it. We have an extensive knowledge base with a large technical department. We sit down with customers and define what it is they need and what will be the best solution for them. This makes us very flexible and able to operate even on a small-scale. Furthermore, we can work on a highly flexible and customized basis with our customers, even on a small- to medium-size scale. We like to think that every time a company has a problem or complications arise, we at Kirsch are there to help.

In addition, due to the market growing at such a fast rate we do not have major issues with other competitors. Of course, there is competition, but the market is big enough for everyone at the moment. For example, in Europe, it is very different as companies are competing with each other for their market shares. However, in China, the market is growing at such a high speed that there are new developments constantly and new products being introduced. Last year, our business grew in the triple digits. Moreover, we foresee high double-digit growth over the next five years.

With a high demand for talent in the pharmaceutical and life sciences industry, it can be difficult to find top talent who understand the business and furthermore, can carry your objectives forward. How do you handle recruiting talent and encouraging them to stay?

This question is at the heart of every company employing people in China. We offer a competitive pay scale. Moreover, we are expanding the brand in China but are not a large multinational yet. However, the pay is not the definitive reason for many people who come to work for us, we look for a very niche type of individual. As an international company we require all of our employees to speak English, therefore, we seek people who can deal in a foreign manner while simultaneously being able to sell in the local market. All of this is done through our network, headhunting agencies, and direct advertisement. We try and carry out an open and flexible working culture, i.e. our employees enjoy immense freedom in the way they work, and we offer travel opportunities to one of our sister locations amongst other perks!

Having a varied work history from fashion to auto parts, how would you describe your leadership style?

I like to enable people. When I look to hire, I look for people who can do the job better than I can. I am also very happy to give people the freedom to excel at what they do. The best results you get

from people is when you give them the freedom to create their own workspace. For example, one of our managers came to me and asked how much she could spend on a hotel. I said you tell me, you are a manger so go make a proposal and we can work from there. Since then I have not needed to have another discussion on the subject. Furthermore, I have found that people will go to reasonable hotels which I would say are often below the budget, simply because they have the freedom to choose themselves.

What are your aspirations over the next five years with Kirsch?

We are currently the smallest affiliate and I aim for us to be the biggest within the next five years. Furthermore, we are looking to further penetrate the Chinese market, become one of the key partners to the biotechnology companies and work with at least eight out of the ten infant formula producers.

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