József Béres – President & Ferenc Major – CEO, Béres Hungary



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József Béres, President of Béres and Ferenc Major, CEO, share their insights on the history of the company, its performance and approach to creating brand awareness, the importance of R&D in their internationalization strategy, and the long-term vision of the company.

Can you introduce yourselves and Béres?

József Béres (JB): I am a chemist by profession and worked for the Central Research Institute for Chemistry at the Hungarian Academy of Sciences until 1990. I joined Béres Company thereafter as Scientific Director, then Vice President in 2000, and since 2006 I have been the president of the company. My duties, amongst others, are to maintain the interest of the family while maintaining the ethical framework on which this company was founded.

Béres is a family-owned business, founded by my father in 1989 as one of the very first private share-holding companies in Hungary at the dawn of the political changeover and the transition to a market economy. He was an agricultural engineer who discovered a formulation in 1972 which birthed our flagship product: the Béres Drops. With the onset of political change, and finding that

there was a market gap, we decided to establish a company 30 years ago. The drops were positioned as a preventative product rather than for curing diseases. Today, Béres has a portfolio of nearly 150 products, which are in line with the original spirit of the company of preventing diseases.

Ferenc Major (FM): I am an economist, working all my life in the pharmaceutical industry including Hungarian and foreign-owned companies, locally and abroad. 25 years ago I joined Béres as Commercial and Marketing Director and it was the first time that I worked for an OTC company.

What is the uniqueness of the Béres Drops and the added value that the product brings to patients?

JB: The product was discovered in the second half of the twentieth century, but the health benefits and complex usage were only proven much later. Originally, my father was looking at diseases that affected potatoes, and the role of trace elements and the potential effects of their deficiencies were then discovered in the entire food chain. In attempting to fight these crop diseases, my father put together a composition of vital trace elements that helps in long-term diseases that affect the immunity and metabolism of organisms. In Hungary, the product family with this composition is the market leader among roborants.

Béres benefits from a near 100 per cent market recognition and brand awareness due to the drops. These drops are recommended for tiredness, low appetite, lower immune system activity, and maintaining health in general as well as for a healthier body in case of malignant diseases.

FM: The other advantage that Béres Drops has, is that it is a registered pharmaceutical product. Being a pharmaceutical drug, it has higher quality than other competitive products since it needs to comply with all safeguards of pharmaceutical standards. This was a milestone for the company. However, the product is composed of generic ingredients, which makes it vulnerable to fierce competition from other OTC products. Nevertheless, to safeguard it from the competition, we have launched our multivitamin brand, which is competitive in the market. Actival is currently the market leader in the multivitamin-multimineral segment in Hungary.

How important is R&D for the company?

JB: Before the drops were registered, the focus was on research in clinical studies to make it a medicine. The emphasis has been on the development of innovative products since. There is a dedicated team of approximately 30 people in Budapest that are working on R&D.

FM: R&D is very important. The company has a closed innovation strategy, which means that any added value in research and development, as well as manufacturing, is kept in-house. Béres has invested heavily in technologies.

What was the impact of the investment in the new Szolnok facility?

JB: We identified several bottlenecks in the production capacity and this facility allowed us to enlarge and increase the product range. There is also a new R&D section that was opened in the facility.

FM: This is an investment for the future, as we anticipate growth in different market segments. Furthermore, it will solidify our position in Hungary while being able to maintain a stable supply of our markets.

What is the marketing strategy to build brand awareness?

FM: This non-prescription self-medication market behaves largely like an FMCG market. It means you need to build up brand awareness and distribution, to permanently communicate, and to ensure customers' re-purchasing. On the latter, we have the highest success rate as the Béres brand is one of the most recognized one in Hungary. A major factor in this is that ultimate quality is linked to the Béres name.

What are the strengths and benefits of having operations in the country?

FM: We are a small organisation compared to global companies, and this allows for quick reaction time and adaptation when new regulations are imposed or new market and/or competition developments or challenges come up. By maintaining operations in Hungary, Béres can capitalize on this and solidify its presence. The successful marketing strategy is dependent on these capabilities.

JB: It allows Béres to be flexible and serve the market quickly if there are any abrupt changes. Furthermore, it creates jobs locally, which the company, the community, and the country all benefit from.

What were your targets for this year and how do you expect to finish the year?

JB: In 2019, Béres has met its targets and this has been the case for the last couple of years as well. The performance of the company has been consistent with no fluctuation, which allowed us to once again meet our turnover targets and profitability plans for Hungary and outside. In 2018, which is the last audited year, the company's turnover was HUF 12 billion (USD 40 million) and the profit was USD 5,5 million. Besides the core business of Béres, under the joined leadership of Béres, Egis, and Gedeon Richter, with a stake of 31 percent each, we partly own Hungaropharma—Hungary's biggest pharmaceutical wholesaler. This has strategic importance for the company considering the whole pharmaceutical value chain.

FM: In recent years, growth has become an increasingly important element in our strategy. As a whole, our markets are still developing, yet for the domestic market that expansion has been slowing down: it is no longer in the double digits. Currently, domestic growth is between four and five percent, yet we remain the market leader. In 2018-19, Béres grew to a bigger extent than the market. In certain segments, the company was the driving growth factor. The market development slowing down will conflict with the constant growth requirement of the company. Hence, export markets are the focus of our strategy moving forward. Even though they represent only 22% of the turnover of the company, certain CEE export markets are growing at a faster rate than the domestic one. The resources for export expansion are ensured by our EBITDA growth, as it is twice as much as the growth of the revenues.

What are the key strategic markets of Béres?

JB: The company has identified strategic export territories which are close to Hungary: Romania and Ukraine. Last year, in those countries we had similar successes as in Hungary as the same product portfolio is very marketable. The biggest success came from Romania, representing USD 4 million with double-digit growth. In the Western part of Europe the most important market for Béres is the United Kingdom, where we have a strong local partner marketing one of our products.

FM: Exports count for 22 per cent of the revenues, and five years ago that ratio was below 10 per cent. The company is relatively undercapitalized, which hinders Béres' ability to do a complete rollout across the globe. Hence, the company has two main focuses when it comes to its internationalization strategy. In historical markets such as Ukraine and Romania, a local presence is built up as it is necessary to succeed. As Béres cannot do a rollout on the international market, it utilizes, therefore, its innovations to find partners that have their brands in their other regions that are of interest. Béres sells them the licenses while contract manufacturing the recipe, and they take on the risks and the costs of marketing the product.

What makes Béres the partner of choice when entering these licensing agreements?

FM: In the case of the UK, it was the innovations that Béres provided which made it a decisive partner of choice. Additionally, the product in question was registered already in Europe under the MR procedure which was very appealing as well. Béres is supplying to a lot of countries but is not conducting local commercial or marketing activities.

This February the EU drug serialization regulation went into full effect. Did this new legislation have an impact on Béres' operations?

FM: Fortunately, this regulation so far has only concerned prescription drugs and not OTCs. Nevertheless, when investing in production capacities and technologies, we are investing in serialization hardware as well, as some EU markets that we are supplying OTC products, consider them as prescription drugs.

What role does Béres play in contributing to Hungary beyond launching products and selling pharmaceuticals?

JB: The company has a foundation through which it gives back to the Hungarian people. Annually, 100,000 units of Béres Drops are donated to various charities and societies going to the people in need. Béres also invests in the Hungarian culture by financing research, incentivizing education by offering scholarships throughout Hungary, and by creating jobs. Béres has made the conscious decision to open a winery in the Tokaj Wine Region, as this area is under-developed. It reinvigorates the economy and the activities of the region.

FM: Healthcare elements are increasingly expensive, and the burden of sickness has economic costs not only for the government but also for companies and individuals. Hence, prevention becomes more important and this what Béres caters for: providing quality products that aim to minimize these burdens and costs.

What is Béres' vision for the future?

JB: The aim is to remain an independent family-owned business and continue to provide competitive products. We have an eye on export markets, yet we need to remain cautious and achieve that goal organically. We believe that Béres Drops have the potential of helping more people. The long-term idea would be to distribute the drops to everyone in the world.

What is your final message on behalf of Béres?

JB: Béres as a small company is proud of having a successful record that spans over 30 years, thanks to the quality of the work that is delivered and ethical efforts of the company. Through partnerships and leveraging the industry's internationally evaluated tools, I hope that Béres will continue to prosper in the future.

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