

Interview: Janis Biezbardis – Chairman and Owner, Farmeko, Latvia



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Janis Biezbardis, chairman and owner of Latvian pharmaceutical wholesaler Farmeko, discusses the evolution of the company’s product portfolio, the receptiveness of the Latvian state to homegrown companies, and Farmeko’s international reach.

Could you please start by telling us about the origins of your company?

Our company was founded 17 years ago as an importer and distributor. We started with some retail of pharmacy products and, out of that, we subsequently added distribution of medical devices in the diabetes segment from the American company Abbott and insulin pumps from a Korean entity called SOOIL. Today wholesale represents the lion’s share of our business. A lot of our work revolves around introducing these products to medical practitioners because we find ourselves having to face down some strong competition from Roche and Bayer.

How has this product portfolio been evolving over time?

We have a new Diabtcare product called Libris, which we are still waiting to see delivered up to our market. We hope market access is coming soon, but since our market is small the decision actually depends on external factors. Unfortunately there are some complications from a geopolitical perspective because Abbott wants to be launching this particular product simultaneously in the Baltics and Russia and the registration in Russia is stalled right now as a result of the on-going fallout relating to the Ukrainian crisis. These sorts of hurdles are hazards of the trade when you are an importer in a small, marginal market of limited significance on the grand scale. The partners that

you work with may be sluggish to launch their latest generation products in your territorial area, not because they don't have confidence in your work, but simply because they have greater priorities elsewhere in more lucrative markets so you end up finding ourselves at the back of the queue.

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What was the initial attraction in going into the medical devices niche?

The initial inspiration 14 years ago was to tap into a medical care market that was just starting to develop. There was an epidemiological shift underway with the onset of lifestyle diseases so we were seeing dramatic growth and entrepreneurs like myself decided to seize the opportunity that was opening up. Nowadays, however, the market is much more mature and conventional and correspondingly there is a much broader range of competition. This means we have been compelled to diversify into other business areas.

Such as Farmeko's foray into para-pharmacy?

Precisely. A decade ago we also set off in an entirely new business direction by going into the production of para-pharmacy products: namely sanitary pads for adults, infants and pets. Sanaset and Sanapet are the big brands. It was actually rather difficult to get this venture off the ground because unfortunately the start-up coincided with the financial crisis of 2008, which destabilised the Latvian economy in a pretty dramatic way. We enjoyed some initial success exporting to the Russian market, but that was ultimately disrupted by the political environment and sanctions in the wake of the outbreak of conflict in the Ukraine. Now we have turned our attention elsewhere and have significantly diversified our export channels.

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In the retail business, we worked with pharmacies and noted strong demand growth in the sanitary pads niche. Moreover the bulk of the market share consisted of imports from Sweden and Poland and we were confident that we could undercut that on price by producing locally. It was really a case of noticing a gap and having the guts to respond to that. We were sure we could be competitive on price while attaining similar levels of quality. At the same time, we realised right from the start that the Latvian market, of itself, was going to be too small and that at some stage we were going to have to spread our wings and start establishing a footing in the export market.

How supportive is the Latvian state given that you are, after all, a homegrown manufacturer that contributes to the local economy and society?

The Latvian investment board and development agency was an immense help in the early days by giving us grant money and access to networks when we were still only a fledgling business fighting for survival. This is because they play an active role in promoting indigenous, homegrown manufacturing especially when it involves value-added production. For the past two years we have had a second production line, which enables us to be in the game in export markets such as the other Baltic states, Slovakia and the Czech Republic. As I mentioned before, we pivoted away from Russia and are now doing pretty well in our local backyard.

What was the rationale behind choosing a market like Slovakia as one of your first export destinations?

Distributors in small markets such as Slovakia like doing business with SMEs such as us because heavyweight producers have big bargaining power and insist on many conditions. At the same time we are expanding into Germany, Austria and Slovenia. We have also been doing a healthy export

business to Iceland supermarkets in the United Kingdom, but we fear adverse impacts resulting from the Brexit process. Already we have witnessed a price decline for low value added products and the exchange rate is also volatile and unstable.

And what will likely be the next steps in expanding your geographical reach? Which markets will you be targeting especially?

We will probably orientate more towards continental Europe and have already entered into important negotiations with a large group called Indas from Spain. This could be for as much as 35 percent of our production, which would be quite a game changer in terms of raising our business to the next level. We would need to make some bespoke adaptations to fit the client's exact needs and then would be starting supply in March or April. This helps us to spread our risk and hedge our bets having learned from getting caught out with Russia. It should provide for a more secure and sustainable footing going forward.

How do the different Baltic markets compare in terms of ease of doing business and local specificities?

Estonia is easier to enter than Lithuania because price levels are a bit higher and they were quicker to introduce the euro currency. We do our distribution through Tamro. Lithuania, however, maintains close links with Poland because of historic cultural ties so there is always a tendency, on their part, to import from there. The entry barriers are also more difficult. The fact that the market is slightly bigger tends to attract in a proliferation of players so the competition tends to be more intense. Everyone wants to have skin in the game. Lithuania is also more conservative in mentality given the strong catholic influence. This is played out when it comes to the local style of doing business. There's wariness towards newcomers and a tendency to stick with tried and tested suppliers rather than to shop around for the best deal. We perceive a strong loyalty towards existing relationships so, if you are a latecomer to the party, you have a hard task on your hands dislodging your competitors. Conversely once you have managed to establish a relationship, then it will most likely prove enduring so long as you manage to fulfil your side of the commitment. The secret to success is all about having sufficient flexibility in your business organisation so as to be able to adapt to the local conditions.

What do you see as Farmeko's outlook looking forwards?

We want to overcome our competitors and establish ourselves as the leader in our local market in areas like the sale of babies' sanitary pads to the hypermarket chains. We are already pretty dominant when it comes to hospital supply. We are the cheapest and have already secured rolling 3-year tenders with some of the major public hospitals. We go into 2018 with great confidence.

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