

Interview: Michal Krejsta, General Manager & Chairman of the BoD, Omega Pharma, Czech Republic & Slovakia



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The GM of Omega Pharma Czech Republic

& Slovakia reveals why the company has to position itself as reliable partner rather than a mere supplier and reviews the 32 percent growth in net sales in 2015, highlighting the significance of market segmentation, re-focusing on core assets, and the role of his staff.

You were appointed general manager for Omega Pharma Czech Republic & Slovakia shortly before the acquisition by Perrigo â?? what was your mandate and what expectations were made of you?

The acquisition of Omega by Perrigo was actually two months after I was appointed general manager for Omegaâ??s Czech and Slovakian affiliate and took me by surprise, just as everyone else. Nonetheless, it didnâ??t change anything for me really. I joined Omega because of its broad distribution channeling, wide and well diversified product portfolio with many well-known brands with solid unique selling propositions, and its strong potential for profitable and sustainable growth. Gaining Perrigo as owner just amplified the aforementioned reasons for me. Business stayed as usual, we had a significant amount of portfolio development and business initiatives strengthening us and we focused on our daily operations, bearing fruits for us starting spring of 2015.

What was the strategy you implemented upon assuming the position as general manager?

Upon assuming the position as general manager of Omega Pharma in the Czech Republic & Slovakia, I completely overhauled the existing strategy, thus tailoring all business activities around the customers; as partners, not just as suppliers. We started by proper targeting and segmenting our customers and, through that, identifying and targeting our key customers and appropriate business customer-centric approach. Furthermore, we reviewed our complete portfolio separating the blockbusters and potential blockbusters with rare unique selling propositions, good margin profiles and nice category development. The second step was to use this information to construct a customer-centric business model, in which every function supports enhancing our reputation and the recommendations of customers. We also increased patient education by collaborating with selected physicians and nurses. Their involvement has allowed us to create an integrated patient-physician-pharmacy model.

It seems that your strategy worked! 32 percent growth in net sales in 2015 compared to the previous year – congratulations! What was the sales strategy behind this great success?

We simply followed current market trends, identified key drivers in the market and determined the customers' needs which we focused on. The Czech and Slovak pharmacy market is significantly monopolized, because approximately 30 percent of the pharmaceutical pharmacy market has been vertically integrated under large solid pharmacy chains such as Dr. Max and BENU. Another even bigger portion (50 percent) of the market has been horizontally integrated under some virtual pharmacy alliances such as Alphega, Moje Léčárna, CoPharm, Partner, Plus, and Vaše lékař. Some of the domestic players follow the latter example and form strategic alliances as well – all of that leads to a monopolistic distribution of purchasing power. We emphasized our efforts on these large chains and alliances as the sales potential of utilizing the three essential pillars of producers' distribution, visibility, and recommendations is tremendous. Doing so allowed us to utilize our portfolio to maximum profitability.

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You have already achieved 42 percent growth in Q1 2016 compared to the same time period in the previous year. I am assuming that this is substantially due to newly acquired products from Novartis & GSK. How did you ensure the smooth integration of the new products into your existing portfolio?

We changed the business model for the newly acquired products from GSK and Novartis, including the distribution model, re-negotiating the category management with our key customers to ensure they are in premium positioning in terms of visibility and furthermore focused on recommendation activities through detailing education, scientific conferences for professionals and trendy pharmacy marketing trainings.

This strategy positions you as partner rather than a supplier. Is this the key to success?

Absolutely! It is of utmost significance to establish ourselves as trustworthy partner with the best reputation in the market. To my understanding, it is much more reasonable to choose a partner approach benefiting both parties' businesses in order to grow together. This is also the way to ensure sustainable growth; the short term perspective is not to be neglected, but the sustainable solution definitely provides added value to your operations. Therefore, everything we do is based on long range considerations including one year business plans and also a three year forecast, which allows us to strategically review our activities and position ourselves as long-term, reliable and trustworthy partners to all our customers.

What is your current three year forecast?

In three yearsâ?? time we will still witness solid profitable growth! The fundament to this growth will be our existing brands which enjoy a genuine spotless reputation among our customers. Additionally, I hope that that we will launch and acquire even more products which will extend our portfolio alongside our unyielding innovation channel. I am confident that we will introduce new stock keeping units (SKUâ??s) in our future portfolio, thus ensuring sustainable profitability in line extension as well as in-organic way.

Where do the Czech operations stand in Omegaâ??s regional network?

Nowadays our Czech operations rank among the top leading branches in terms of annual growth and are among the highest in keeping a minimum staff turnover. When I joined as general manager, it wasnâ??t all about changing the sales strategy, part of my changes were also to focus on establishing a company culture and employer brand, with which my team could identify and desired to belong to. Every endeavor we engage in is based on integrity, respect and responsibility! Furthermore, I invested a lot of energy into establishing a beneficial talent management and a training academy for my employees and every member of our staff has set up individual development plans with career aspirations. Personally, I am also very pleased that the company has an above-average number of medical professionals, thanks to whom we better understand the needs of our customers and the patients themselves. All of the former adds together to not only being an employer, but building an employer brand. Upon assuming position as general manager, the company stood at approximately 50 percent staff turnover. Today, I am proud to have achieved a staff turnover close to zero and fixing more or less maternity leaves only. Obviously we built up together an attractive environment for both internal and external talents and became the champions of people management and company identity.

What do your employees mean to your operations?

I am convinced that the employees are the most significant asset of any company! We can buy whatever products, we can innovate products, however this will not drive the business. The real driver of a business are its people. This is also an emphasized in the recruitment process. We are the shark of the pharmaceutical sea and current, just as new employees, must have the drive and attitude for that. I will invest in my staff as much as possible in order to develop them, nonetheless, attitude and drive must come from within. Furthermore, I equip them with the newest market knowledge, newest methodologies and newest operational skills to go out there and shape the market, not just follow trends, which I believe is the largest benefit I can offer to my staff: Be the maker, not the follower!

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Many of our Interviewees highlight that the rules and regulations in the Czech Republic are, although transparent and predictable, some of the toughest in Europe. To what extent do you agree with this statement?

Absolutely â?? the Czech market is a highly regulated mature market. However, this is a positive situation. For the whole industry it should be clear that nothing is above the patients! Therefore, the safety of the patients is the highest good in our industry. As the rules and regulations are strict, however identical for everyone, I think the current regulatory framework is good and fair as it is.

How would you assess the competitive landscape in the Czech market?

I like to view the competition more like partners—we're a family to some extent, that doesn't mean we're not competing; quite the contrary, the competition is fierce! Nonetheless, I can see that everybody plays by the rules and is competing fairly. The market is simply not that big. If one starts to compete on an unfair basis, he may see results only once because our market is to some extent self-cleansing—also due to our sophisticated regulatory environment.

Your company is a board member of the industry association Ä?AFF, the Czech Association of Pharmaceutical Companies. What value does this bring to you and your customers?

The Association obliges us to comply with a code of ethics that in many ways goes beyond the obligations imposed by the existing laws and the requirements of the State Institute for Drug Control. To be specific, we paid a lot of attention to the Ä?AFF certification, because it guarantees our work is above standard and brings our company greater prestige. We also see it as our contribution to the cultivation of the professional environment and, at the same time, as a mission to protect the ethics of partnership with health care professionals.

The Ä?AFF certification has helped us to increase the level of our employees' expertise, especially in the areas of ethics and law, pharmacovigilance and pharmacology. Self-regulation is an integral part of our behavior and conduct on the market. The code of ethics defines, for example, the information about products, promotional materials, business representatives' activities as well as the rules for exhibitions, sponsoring conferences, organizing company seminars or grants. Its components also include relationships with health professionals, the manner of communicating with the public, business relationships with partners or the provision of discounts by pharmaceutical companies.

!and how do you differentiate yourself from your competition?

We are always one step ahead.

In a nutshell: why is Omega Pharma Czech Republic the shark in the pharmaceutical sea?

It is a mix of factors that makes us exactly that: our immense and rapid growth which proves our strategy to be correct, our brilliant employees which are possessed by the visibility of our success and always strive for more, our sophisticated distribution model which incentivizes sales and always emphasizes the special attractiveness of our brands in the pharmacies from the point of view of customers—as a business we are the most sophisticated in many aspects.

A leader is the one who confirms the latest victory, which is also the starting line for the next race—a quote from an earlier Interview you gave. Which is the current race to win?

Everybody can win one time. The real leader will confirm the win and refocus the attention on the next win to achieve. The metaphor of the race means that it is not about the individual success but about continuous improvement! Continuous improvement results in customer loyalty: the guarantee of sustainable success; for the latter the right staff is crucial and I am proud that I have the right staff!

I am sure such a great success is only achievable with the right and highly motivated staff. What makes your leadership so unique?

I consider myself to be a transparent leader in every single step, what I say I will do and I am confident that my staff recognizes that and this engages and empowers them! I am also an advocate of the belief, that every individual within our operations deserves respect. Also in case when someone has to leave our operations, I will make sure that this person is treated correctly and parts with us on good terms. In today's employment market a company can simply not allow

themselves to mistreat staff in any situation. I perceive all of my employees as partners and together we stay behind our company and behind our brands, all of us are part of â??something biggerâ?• and belong together. This philosophy allows us to achieve the greatness we achieveâ??together!

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