

Interview with Gerben Klein Nulent, Chariman of the Management Board, ACP Pharma

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The group has significantly invested in Poland. Are you today generally satisfied with the initial and follow up investments from Mediq in the country?

The group has been present in Poland for over ten years. From the beginning, Mediq NV looked for tenders in Poland, and bought a few companies in the like of Cefarm Rzeszow. Of course, the group is looking towards a return on these major investments and will increase its focus on the country. The group has not been satisfied with the results produced so far by the Polish affiliate, which explains the recent change of the management board.

Poland is a country with great opportunities for distributors as well as for any pharma related company. The group sees the market the way you see it, as a "sleeping giant". The growth percentage in Poland is something that I have not seen since long in the Netherlands, where Mediq is based.

Poland is a 38 million population country, which gives a population density of 120 inhabitants per square meter (sqm), rather low compared to the Netherlands, with 400 inhabitants per sqm. The reach of pharmacies must be therefore somehow different. What would you say are the main divergences?

In Poland, there are ca. 13,000 pharmacies for 38 million inhabitants, whereas in Holland, there are around 1,900 pharmacies for 17,000 inhabitants. The average pharmacy in Holland serves between 8,000 and 9,000 patients. In Poland, it is much less: around 3,000.

Looking only at the retail part of Mediq's business in both countries, the approach of the market is utterly different. While there is no copayment in Holland, Poland is one of the European countries with the highest copayment, which impacts the patients' behaviours. While the Dutch are more loyal to one pharmacy, the Poles often switch from one pharmacy to the other, walking around with their prescription and comparing the different prices. The Dutch pharmacy market is much less price driven, and the competition is on the quality of the service.

The Regulation of the market is also different. In 2012, Poland will go from a deregulated market to a market that will look much more like the Dutch one, due to a change of the pharmaceutical law, including the introduction of fixed prices for pharmacies and fixed margins for wholesalers. In Holland, it is the other way around: the market is over regulated, and the Ministry of Health (MOH) is pushing before the Parliament for a more liberal market and for more open negotiations between pharmacists or chains of pharmacies and insurance companies. The Dutch situation and the Polish

situation are both trying to tend towards a magic middle.

To what extent has your experience in the Netherlands then helped the Polish affiliate prepare for the new law?

The experience in Holland can be important to apprehend the Polish situation. Today, the group's priorities in Poland are to build a strong pharmacy brand, and increase the quality of services from pharmacists to patients. The group's pharmacies are branded with the Mediq brand: "Mediq Apteka". It is not only a name, but there is a service behind it.

The aim is also to extend the franchising model, including independent customers in the wholesale market. More and more, independent pharmacists will join their effort and work in group. This is a much safer behaviour to go for franchises.

Will the name ACP Pharma remain in the industry?

ACP Pharma is changing to Mediq. The brand Mediq started in 2005, with its first pharmacy in Holland. There are still companies which belong to the group and kept their original name, but the change is in process.

What impact do you expect from the change?

In Poland, brand awareness can be raised really quickly if it is done the right way. Of course, the company cannot live only from brand awareness and needs to perform in sales but the brand Mediq, with its international recognition, will help a lot improving the business in Poland.

The quality of services is also essential, as people should know what is behind the name. Today, even though Poland is a "price over service" pharmacy market, I expect the quality of the service to be a way for ACP Pharma to distinguish from its competitors.

The word Mediq reflects well the company's philosophy: a combination of traditional and medical approach, combined with the IQ from intelligence and the Q from quality, representing the innovative aspect of the company.

The pharmacy market is a highly fragmented market, where independent and individual pharmacies account for 79% of the total market. Do you see the weak presence of pharmacy chains, due to anti concentration rules, as a chance or an issue for ACP Pharma?

It is definitely a chance. Distributors' main brands are today built up through loyalty programmes. Although ACP Pharma's most important competitors use loyalty programmes as a brand name, it is not a real franchise. APC Pharma wants to go further with the franchising model, at the core of its development's strategy in Poland, offering more and more services to customers.

The idea is to use the professional knowledge of the pharmacists, and the technicians' assistance in the pharmacies to develop programmes in Diabetes for instance, or in chronic diseases.

Poland is a unique market for distribution in terms of its structure, where only a few are dominating local players share most of the market. How challenging is it for Mediq to grow in this environment?

ACP Pharma is the number two company in the retail market in terms of revenues behind Polska Grupa Farmaceutyczna S.A. (PGF). The company's market share is 2,4%. Again, the Mediq brand will without any doubt lead a higher market share in Poland, whether through its own pharmacies or through franchises, to reach a national coverage in the end.

What are the main challenges in building a national coverage?

Independent Pharmacists, customers, must choose us and stay loyal to us. To have them on board, Mediq must prove that their results could be better with a brand and with a franchise formula than they can do it on their own.

In the past, technicians in the pharmacies were always behind the desk, hidden in a way, and fearful to serve patients. To make sure this is not the future of the pharmacy service, Mediq makes a lot of efforts in the training of pharmacists, for them to better advice the patients, come to the front, say hello, treat them honestly, and sell them the right things.

Would you say that ACP Pharma's business model in Poland is an adapted version of the successful model applied in the Netherlands?

Whereas it seems obvious that my biggest task should be to bring the right elements from Holland to Poland, I think the mother company in the Netherlands can learn a lot from the Polish market. The Poles show a great attitude and an excellence at selling the right product and support clients with the right advice. Mediq strives to build a good relationship with the patients.

I was a pharmacist until 1995 and have always thought that for the last years of my career, I would come back in a small pharmacy. This is in my nature: I like to help people, and my experience as a pharmacist has greatly contributed to have a clever approach of the market. Although it has been an advantage, I might also have missed some things as a manager, because my education was not in finance or in law.

In an interview given in "List of 500 Portraits", your predecessor was describing his management style as humble and informal. How would you define your personal management style?

I mix styles. To make sure I have the right people at the right places, I need to be very strict and tough in my decisions. If someone does not fit to the company's culture and values, I do not hesitate. Once I know I have the right team on board, I act more as a coach or a father. I believe in the variation of styles to optimize the management.

When I started a pharmacy, I was 25. I was at that time very strict, as there were technicians and assistants with 40 or 45 years of age, working in the industry since 15 years. It was not easy for a young professional educated pharmacist to lead a structure, even a three-to-five employees' pharmacy. Managing skills are of course developed along the way, but they need to be somehow in your blood since the very beginning.

Often, pharmacies want to use their professional knowledge, and management comes second. I like to say that the right combination of care and trade is key to success.

As a foreigner, what are the challenges of operating in Poland?

I work on building trust with the local people. Of course, as I am Dutch, it takes time. We have currently a good managing board with four people, including two Poles and two Dutch.

Although this is improving, culture in the company is still not on the level that I wish. I like to work with the Polish people: they are eager to learn, work hard, and show true feelings for their company.

You mentioned the significance of building the right team. How do you manage to attract the best possible suitable talent for the company?

You need a feeling. I do not need two hours talking with you before I can tell, by looking in your eyes, if I need you, and you fit to the company and its culture. It is not a matter of education; it is rather a question of feelings between people.

Every one can make mistakes in the company, so it is important as a manager to be able to accept them. Nevertheless, most initiatives should be right.

If we were to come back in five years, what developments would have been done at ACP Pharma?

A strong position of the brand, a strong management team, a lot of trust between all employees, and a fun working environment. People work eight to ten hours a day in their job, so there should be some fun. I am also working towards an environment where everyone is connected. It is challenging to connect the equivalent of 200 small companies spread out everywhere in the country and 9 distribution centres, but this is my goal.

What would you like to say as a final message to the readers of Pharmaceutical Executive?

I want to build the strongest brand in the pharmacy world, recognized by patients, employees, and doctors.

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