

Interview with Karl Nikitsch, Menarini Austria

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Dr. Nikitsch, you started Menarini's Austrian operations almost 13 years ago. Would you say that Menarini's presence in Austria today reflects the vision you had for the company in Austria at its creation?

I would go beyond this statement and say that Menarini Austria is more today than we expected at the beginning. The subsidiary's good development has been supported by Menarini's excellent pipeline and significant initial investments.

I started alone the first couple of years, two representatives soon joined me, and the team grew up to 8 people, then 27 and finally 39 in only a few years time. A start up like this is a rare phenomenon in Austria. Pioneer spirit of all our employees was the main factor for success.

With an annual turnover of approximately 15 million Euros, we are ranked number 36 among the pharmaceutical companies in Austria. We have launched 10 products in this time, and we will have interesting launches in the near future. Menarini's speed of development is significantly faster than the average development of other companies in the market, and I believe this is partly due to the fact that Menarini is a family-owned business. Indeed, the culture and the philosophy of our company have played key roles in the subsidiary's development. For the first two years, we did not make any sales, but the family still maintained its level of investment because they were convinced that the Austrian affiliate would develop.

Austria is a difficult country, because of its reimbursement processes in the healthcare system. Even though we obtained the registration of our first product in 1996, the product entered the reimbursement system in 2002, after a very long time of tough negotiations.

Since 2004, there is a box system in place in Austria, and market access is still difficult for research based pharmaceutical companies. This also affects patient access to medicines. For instance, Menarini has a product called Ranolazine, used against chronic angina pectoris, which is a completely new therapeutic approach. Alas, this product is in the yellow box with very strong restrictions. Recently, a patient did not receive it, so he went to the sick fund and negotiated himself. He obtained a prescription for three months, and then again another for another three months, before another chief medical advisor refused to deliver him the drug, despite the patient stating that the medicine helps him significantly against the severe symptoms of angina pectoris. Unfortunately, the access to new products sometimes depends where you live.

Menarini is still a young company in Austria. What has been your strategy to get recognition in the market and what are the challenges and opportunities that come with this status?

The first reaction of the doctors in our start up phase was to ask if we were a generic company. We had to communicate well that we were a research-based company, but it took some time until physicians realized our portfolio and our approach to the business.

On the other hand, our young age holds some advantages. Starting from scratch means that I have been able to select the team I wanted. This team with a strong pioneer spirit built up a very competent image for the company, with a high grade of sympathy and trust.

Establishing strong relationships with physicians has been our key to success. We concentrate on high levels of scientific matters in our workshops, and we have a team of high level speakers- an approach that doctors appreciate very much.

At the end of last year, Menarini successfully acquired Invida to expand its presence in South East Asian emerging countries. The group is truly becoming international thanks to both an organic and external growth strategy, but Europe remains the main market for Menarini. One third of the revenue comes from the Italian operations, Menarini ranks in the top 15 pharmaceutical companies in Europe, and in the top 6 in Eastern and Central Europe. What is your strategy to perform in a similar way in Austria?

Well, we started from scratch, came soon into the top 50, and then to the top 36 ranking. We will have new launches to continue growing our market shares, also with co-marketing operations with Almirall. We have a great chance to enter the top 20- a realistic target for the next five to seven years.

We have focused on cardiology and pain so far, and we will now make launches for a new important indication: Chronic obstructive pulmonary disease (COPD), which is an excellent chance to improve our overall market positioning.

Menarini has this philosophy to develop step by step. We make a development, then consolidate our position; and only then will we move on to the next step. This might be a slower development process than big pharma, but it is a safer and steadier. Sometimes, the company also makes very important acquisitions, such as that of Ulagay which positioned Menarini third in the overall Turkish market.

What is the split of revenues between Menarini's different activities in Austria?

Menarini Diagnostic in Austria is run as a completely separate business, although both companies are located in the same area. Unfortunately our pharmaceutical portfolio includes non diabetes products. We are concentrating on cardiovascular system, especially Herpes Zoster, migraine, and angina pectoris. In the future we will have COPD.

Cardiovascular and hypertension are the most important areas for our revenue, with products such as Olmesartan and the Beta-blocker.

To what extent has Austria served as a basis or role model for Menarini's operations in the CEE region?

It is true to say that Austria is a good pilot market.

Although we have difficulties with the sick funds, the market shares of some products are relatively high compared to other, much bigger, European markets. In spite of the hurdles our company faces in terms of market access, such as new products instantly falling into the yellow box category with many restrictions; there are green lights once this difficult stage has passed. There are no bad

surprises that might happen in other countries, where companies need to renegotiate the presence of their product in the reimbursement system. This can be the case in Germany for instance.

In Austria, there is more visibility, transparency, and stability in the business environment once you are in the reimbursement system.

Menarini is the world's leading Italian pharmaceutical group. Is the proximity with Italy only geographical, or also cultural?

It is also cultural, and thanks to these cultural similarities between Italy and Austria, we benefit from very good personal relationships with our mother company, and from their very good understanding of our business environment.

This is very valuable when I need decisions to be made within 24 hours. They are able to support me in a very efficient manner because of personality and because they understand this environment. In addition, we receive also very efficient support from our German company Berlin-Chemie. Having good cooperation from them is critical, as for both Italy and Germany, the Austrian system is a bit outlandish, in the sense that there are written rules, and besides those, there are unofficial rules, and it is essential to know both in order to be successful.

What is left for you to achieve at Menarini Austria?

We have enjoyed fast and excellent growth over the past few years. Now, the time has come where we need to make strategic decisions in order to boost our development. It is almost like a second birth, or second funding of the company, to make sure we enter the Austrian COPD market successfully, which would bring us to another level.

When we started, we were a small team; but today we are 28 people in the field, and only 11 people here in the office, who work tremendously well considering we have soon 12 products on the market. It has been a great opportunity for my employees to get exposure to different functions of the business within the same company and to develop excellent knowledge in multiple areas. Even after 13 years, we have the spirit of pioneers. This is an excellent chance for the personal development of my employees.

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