# Interview with Richard Kwizda, COO Kwizda Holding

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**The company was founded in 1853 by Franz Johann Kwizda. Almost 160 years later, we are here with a very different company operating in a different context; but can we say that the company today reflects the early vision Mr Franz Johann Kwizda had at its creation?**

Indeed; Kwizda today is still a pharmaceutical company. Franz Johann Kwizda was a pharmacist himself, as well as the two generations that came after him. At this point, the company became more industrialized and the various industrial divisions were set up such as pharmaceuticals, logistics, and agrochemical. These all still exist today and have grown in size substantially. In most divisions Kwizda is positioned as number one or two in Austria. The industrial division is expanding beyond Austria, and the logistics division is mainly focused within Austria.

**What is the breakup of revenues between OTC and pharmaceutical distribution, and what is the importance of pharmaceuticals in your business model?**

Kwizda has a total turnover of roughly €900 million euros, 600 of which is within the logistics division. If we add another €50 million euros to this number in pharmaceutical sales, the rest are agrochemical sales. The company also has some other minor divisions like cosmetics and roof-topping which also contribute to annual revenue.

**What are the hot topics for you today, relevant to your operations?**

Kwizda is in its fifth generation, over a period of 150 years. We want to keep the company as a family company. However, as Austria is in the European Union, Austria is not Kwizda’s prime focus. It is too small a market, so we must expand. Thus Kwizda’s current aim is to enlarge the company’s

industrial operations beyond Austria and to find regional geography, perhaps expanding some of those units to a European dimension. The company's first focus is to expand to a regional focus of either Central and Eastern Europe, or Western or all of Europe, depending on the division. The pharmaceutical division is a prime focus for the business; Kwizda is strong in the OTC business where it is the number two player in Austria. This is one division that will be expanded into Europe. Some contracts have already been set up in Eastern Europe, and Kwizda is also looking very closely at partnerships in Western Europe.

**Historically, Vienna has been an excellent strategic location between Eastern and Western Europe, and has been developed by companies as a hub for their original operations. Is that still the case today in your view, and what role does Kwizda play in that picture?**

Generally, Vienna is still a hub for companies moving towards the East, although not as important as ten years ago because geography has changed and companies have moved even farther east. That being said, Vienna still serves as a strong headquarters for many businesses. For Kwizda, this is a very important point. Even with its pharma division Kwizda has businesses that are purely for Austria, such as the logistics division or branded sales, and Kwizda is a partner of choice for multinational companies (MNCs) to enlarge their sales capacity in Austria. These companies use Kwizda to launch or promote products in Austria. The other half of our pharma business is focused on OTC drugs where Kwizda has its own products with a strong position in Austria. The company has good products that are being expanded into different regions.

**Do you distribute only your own products in OTC?**

In distribution Kwizda does everything because it is the number two pharmaceutical distributor in Austria. The company distributes 60-70,000 different products in the country. In the pharmaceutical area Kwizda has its own products in OTC and has licenses in the Rx business to promote products in Austria. In former times, you had the contract with the company and you represented this company in Austria, but Kwizda distributed all of its own products. This has shifted over time, and now Kwizda is promoting one special product, and I need additional sales power in Austria. Kwizda is the best company to do this and it has done a great licensing deal for Austria. This is the Rx business but is linked to logistics. Kwizda has its own products and tools that can be expanded all over the world. Two thirds of the company's sales are in Austria, and in four years Kwizda will still have more sales in Austria than anywhere else. In ten years this will change; there will be more sales out of Austria than within.

**What is your assessment on the level of competition in the pharmaceutical distribution market in Austria? What makes Kwizda the ideal partner?**

This is very easy to answer as we have the second largest market share in the Austrian distribution market (21 percent) overall. Kwizda is the partner of choice for companies, and the only distributor that has a real specific pharmaceutical know-how.

**You mentioned the international development strategy of the company, particularly regarding operations around Western Europe; could you elaborate on this?**

That is correct, but those international sales offices are mostly in the agrochemical division. Kwizda does not yet have sales offices of its own in the pharmaceutical division. The company is not trying to open up sales offices but trying to strike deals where Kwizda has the product, its partners have the sales and marketing team, and Kwizda does a so-called promotional branding deal in which the company skips its own sales and marketing offices for the time being. This may become an option later on, but Kwizda is trying to expand with minimum risk which means the company is not setting up the first step of sales & marketing offices, but bringing its products to the market through partners.

**Mr. Spatz of Teva Ratiopharm told us that the OTC market represents high growth opportunities for him, with an expected annual growth of seven percent. What is the growth potential for Kwizda?**

This figure of seven percent is indeed the expectation, but is much higher than in the Rx business, where it is about half that rate. This is a trend not only in Austria but all over Europe because budgets are limited, so there is a lot of pressure. People escape to the OTC market because politicians support this trend. People who take more responsibility with their health tend to be more interested in OTC products. This growth trend in OTC is stronger and more sustainable.

**Looking at Kwizda's history, we see the word "acquisition" pop up a few times. Is that also part of your next strategy – to grow externally?**

That could be an option in the future, but for the time being Kwizda has strong products that will be brought to regional markets. M&A opportunities are only a long-term consideration.

**The pharmaceutical industry is one of the most active in terms of M&A. You mentioned that you want this business to stay within the family. How resistant are you to the idea of entry of foreign capital within the shareholding structure?**

Kwizda has a strong will to control its own destiny. We want to have 100 percent decision power. The company does not need capital or outside support to expand for any particular competence. We have what we need, and are happy with what we have.

**You seem like a fairly calm person; what challenges keep you motivated at work?**

What keeps us thinking is that Austria is a small country. Austria's population represents two percent of Europe's total population. Kwzida needs to tap into the opportunities Europe has to offer despite having a small home base. Kwizda can try to compete with German companies, who are much bigger and are based on a different scale, as well as having more opportunities. These companies are Kwizda's main competitors, both in the home and foreign markets, including French, Italian or Russian companies who have a larger home base. Kwizda needs to find niche markets to be successful. This is why the company focuses on a niche like OTC rather than generics, which is dominated by the multinationals. There is a lot going on in this market, and Kwizda will eventually consolidate in the future.

**What would be a recent example illustrating the direction in which Kwizda is heading?**

We have just struck a big deal with Omega Pharma, a big OTC company in which Kwizda is doing a co-branding for its biggest OTC product for 13 western European markets. In two years' time, Omega will bring those products into the UK, French, Spanish and Italian markets, meaning that we are not just speaking about potential for Kwizda: we are actually in the midst of a successful business process.

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