Interview with Gerald Schrot, Managing Director, Biotest Austria

07.12.2012

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gerald-schrot-managing-director.jpg

What initially attracted you to Biotest back in 2001 and what do you think attracts industry professionals to Biotest today?

I started my pharmaceutical career at Behring in Austria, doing basic jobs such as visiting doctors as a representative, and I also worked as a product manager. During this time the company grew quickly and Vienna became the headquarters of Behring's Central European unit. A special marketing division was built within this unit for Eastern Europe, and I became the head of this division of Behring. I did this for five years, and then moved to Philadelphia for a year. At this time I already had some contacts at Biotest, and I then moved back to Austria when I was offered the position of general manager for Austria at Biotest.

The plasma derivative business is highly specialized, and the business is dependent on raw plasma material. The production process is very time-consuming as well; the process of converting raw plasma to the finished product takes one year. This can make matters difficult when you have a customer who wants a product immediately, making us very different from a generic company, for instance. While this can be frustrating, I have worked in plasma derivatives for many years, so I have always been familiar with the situation. I was attracted to Biotest because it was a fairly small company. This has allowed me to voice my ideas more openly, compared to a huge company like Behring where your voice is less influential. This greatly motivated me to take the position at Biotest. Another attraction was the old-fashioned style of the company; Biotest had divisions such as diagnostics, microbiology, and medical devices. It was an interesting mixture, and I was also

able to work on the overall company strategy. In terms of products, Biotest had always been a relatively small company, but the products have always been of extremely high quality. In many ways, Biotest is a leading company in terms of technology.

There are three major classes that you can isolate for plasma: coagulation, immunoglobulin, and human albumin, as well as some smaller proteins. Personally, I have always been fascinated by intravenous immunoglobulin; it is an interesting substance that has been successful on a huge number of diseases. This molecule can influence the immune system, and is an alternative to cortical steroids and similar substances. In this field, Biotest has always had a strong core competency and this was another strong motivation for me to come to Biotest.

What have been some of your major milestones and proudest achievements during your tenure at Biotest?

I am very proud of Biotest's work over the last ten years. The Austrian affiliate has been here since 1968, and since 2002 this affiliate has doubled in size simply on the back of current products by launching existing Biotest products now to Austria. This has been a team effort, and I am very proud of everyone who has contributed to this achievement. Essentially, Biotest opened up the retail market to realize this growth; in the past, the company focused on hospitals, and no one really recognized that the retail market could open up a lot of business. In the last ten years, there have been many changes in the market. I have been in the industry for eighteen years, and in those days you had to convince one person, usually the head of an intensive care unit, that a product was worth using for a number of reasons. Nowadays, medical communities have expanded, and that kind of decision no longer rests with one individual. Contrastingly, the retail market has the big regulator (Hauptverband) as the main hurdle to pass for obtaining reimbursement, which subsequently greatly increases a product's chance to be used by doctors.

In Vienna, there is a big purchasing community who asks for tenders every two years. In this period, only one company gets the commercial benefit. In Biotest's field, there are about five or six competitors. It is much more work if you have to convince single doctors, which requires more work, so we focus on having a broader base. Pricing is the only decision criteria, and the prices in some areas are so low that it is impossible to participate because for some products the production costs are ultimately higher than the market price. Additionally, when I came to Biotest, many products available for the local market had not been registered, so one of my first priorities was to register these products.

Research and development comprises roughly 10% of Biotest's annual turnover. How much will the Austrian affiliate become a greater priority?

R&D is of course very important for a company; without it, you cannot survive. That being said, Biotest's R&D is entirely centralized; that expenditure is covered by Biotest's German

headquarters. It is in my interest to always aim to have Austrian clinical centers that participate in clinical trials, but this affiliate does not cover R&D directly by its budget- this is a marketing and sales affiliate. R&D is an important step for pre-marketing activity, and it is Biotest Austria's strategy to lobby at HQ to have Austrian centers for clinical trials.

What strategic partnerships with local research institutes or spinoff companies might help to strengthen your positioning within Austria?

Likewise, we as a local affiliate do not have contracts with local companies, but there are existing contracts between headquarters and local researchers. It is really a company decision. Biotest Austria is in a good connecting position in that normally if someone is interested in a partnership, they may come to this affiliate and then we forward them to headquarters.

Dr. Schulz of Biotest Germany described how the United States and the emerging markets of Eastern Europe were the target regions for Biotest's growth. A number of individuals to whom we have spoken have stated that Austria serves as a hub for companies looking eastwards. As head of Biotest Austria, to what extent do you agree with this?

From a cultural and geographic point of view, Vienna serves as a solid gateway to the East. The education systems there are excellent in former Eastern European countries. Doctors in these parts work on a very high level. Centralizing talent in Vienna is good for Austria. With competence comes a network of talented individuals as well as capital, particularly in the financial world, where Austrian companies are very successful in former Soviet satellites. Austria is a small country with a history of diplomacy, and I believe that resonates with individuals when doing business in other parts of the continent.

In your previous position, you were in charge of Eastern European countries as well as the United States where face-to-face relations are extremely important. Working for a German company, have you had to be flexible in your management style?

Since I started, Biotest has been listed on the stock exchange, but while the majority stakeholder has always been the founder, it has been run as a family business. The founder of Biotest was still operative in the company, and it was a completely different world compared to dealing with CEOs in the United States, where the atmosphere is much more informal. This was a notable difference to me. I have always been used to informality, and this is generally forbidden in German companies.

Biotest Austria's history dates back to 1968. How does the legacy of this affiliate affect your responsibility?

This creates a great deal of responsibility, as Biotest Austria was the first affiliate within the group. I am fighting for our influence to be retained within the company, as the group is growing rapidly.

Biotest is expanding internationally, and I do not want to lose Austria's presence on the global stage. Austria's proportion of the business is shrinking yearly as bigger markets start to emerge. Therefore, maintaining Biotest's interest in Austria is a huge responsibility.

If we returned in four or five years, where would we find Biotest in Austria?

This depends on how the company's pipeline develops. There are some very promising projects which will hopefully come to fruition in the next few years, but it really depends on the performance of clinical trials. Biotest Austria's current portfolio has limitations, and the company is dependent on new products, some of which will hopefully come to the market. We also wish to expand our business in the field of coagulation as this is an area where we can improve.

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