Interview with Bart Rossel, Managing Director, Oystershell

01.10.2012

Tags: Oystershell

Oystershell was founded in 1979, however in 2002 the company was taken over by you and your team in a MBO. Can you tell our readers more about what motivated this decision and how you have transformed the company in the 10 years since?

Over time, it had become clear to us that the over-the-counter (OTC) market was increasingly becoming a marketing story and was moving towards a trend of consumerization. In addition to this, we noticed that typically OTC companies do not invest in research and development (R&D) as much as they claim to. That is, they started by outsourcing their non-strategic processes but they ended by outsourcing their strategic processes. Another course they tend to follow is to increase the amounts they invest in marketing and business development. To me, they are all fishing in the same pond for the same innovations.

When I acquired the company, I wanted to address this issue and follow the opposite path the traditionalists took. Instead of focusing on marketing and sales personnel, I took on board a number of R&D recruits. Of course, that was the period where food supplements, biocides, cosmetics and medical devices were popular in pharmacies and I viewed this as a major opportunity to innovate and offer these novelties under our customers brands. Undeniably, this was an immediate success since we were addressing a need that they had completely outsourced. In other words, for the last ten years, we have delivered to our clients exactly what they wanted which was a product with a guarantee to a fair marketing claim, good quality and image, no issues

with authorities and a rapid developmental process.

That said, since we welcomed Mr Jan Cassiman as our new CEO, we are now ready for the next phase in the future of the company where we intend to build a second pillar for Oystershell.

Oystershell has always focused on the design, research and development of innovative OTC products. However, can you provide our readers with a more detailed understanding of the products and services you offer?

A central principal for us in Oystershell is that we did not want to position ourselves as a consultancy company. Although we are a service provider, we provide a fully finished product. The first five years for us marked an opportunistic phase where we catered to the demands of our customers. However, since 2005 we have changed our approach to deliver products and services almost exclusively on the basis of our own ideas that we incubate. Specifically, we spot opportunities in medical devices or biocides for instance and try to strike a balance between good efficacy and an improved consumer experience.

In an industry as conservative as ours it is hardly possible to create leaping innovations in OTC's. Instead, what we do is to examine and consider older product categories that have lacked innovations for extended periods of time. A great example is biocide based lice treatments , a flat market prior to the advent of new suffocant treaments. Now, although we are unknown to many, we in fact have the world's second largest head lice product which we license to a number of companies. This effectively demonstrates how one can innovate in such a conservative market because if you look at the European market as a whole, our head lice product has overtaken complete businesses and has minimized the availability of insecticides in the market.

How would you describe the overall performance of Oystershell in terms of turnover and growth?

In this crisis year that is sweeping across Europe, it is the first time that we grow at a modest 5-7%. Prior to this, for the last ten years, we have grown at an impressive pace of 15-20%. I would attribute this fantastic performance simply to our focus on the content and substantiation of our products.

Looking ahead however, I think that we will have to seek alternative growth drivers since I expect the economic crisis to last for an extended period. And naturally, I think that innovation will again be the key to our continued success.

Oystershell discovers and develops a range of OTC products, from traditional medicines and medical devices to biocides, dietary supplements and cosmetics. In which of these product

segments is the company most competent and which have been your best performers in the last year or two? And how would you describe the prospects of your product pipeline?

Our biggest performers are in the fields of dermatology and insectology – the branch of medicines that Mr Cassiman aptly named which deal with the unappreciated presence of insects by humans, such as head lice and mosquito control. In addition to being a global leader in head lice products, we are also the market leaders in Europe in fungal nail products with Excilor.

On the other hand, our pipeline is certainly full of promising products. This is partly because we are expanding into new domains such as gastro and cough & cold products and we expect to achieve good results there as well.

Mrs. Hilde De Jonge told us that the key growth area for the OTC market lies in the capacity to switch certain prescription products to OTC. Do you agree with this statement?

I cannot say that I do agree with that statement because I believe that we have already passed this period and I cannot conceive of impactful prescription medications fit for delisting. I believe this is an old school argument. This is a traditional model where you had ‘ivory tower’ medicine, prescription and then the product is pushed along to exploit the final stages of its lifecycle. This was very much an 80’s and 90’s model and I do not think it is of any relevance today.

I think that what we have seen in the past few years, part of which I agree is in a grey area, is the influence of the disposable medical devices, traditional herbal drugs and new delivery forms of common substances. This is certainly something we see in the gastro, cough and cold fields and I expect to see more of this in dermatology as well. However, it should be noted that it is the definition of medical devices in Europe that allows for this expansion, as opposed to in the US for instance.

What other potential growth areas have you identified for Oystershell and how do you intend on seizing these opportunities?

What we have seen is that people today are spending less and less while saving more and what I have experienced through Oystershell is that the products that are medically relevant are performing better than the likes of cosmetics and other none essential products. On the other hand, more essential treatments such as those for head lice and burn treatments are far less sensitive to the crisis. Therefore, we will likely increase our attention towards segment that are less impervious to the effects of the crisis.

How would you rate the Belgian environment for R&D?

It is positively excellent and perhaps one of the best in the region. Certainly, a critical and contributing factor to this is the country's dense university network, abundance of skilled professionals and proximity to numerous and interesting capitals with many headquarters. In fact, I would say that Oystershell would not have been as successful if we had not enjoyed the great access to transportation networks in Belgium that links us to nearby cities.

Secondly, the Belgian fiscal incentives for R&D are also rather competitive; helping to attract a range of R&D based companies. Interestingly, these fiscal incentives were actually in line with the requirements of companies such as Janssen and GSK given the strong overall presence of the industry here. This represents the importance and presence of the pharmaceutical industry here as well as the government's willingness to foster a healthy and attractive environment for research based companies.

Oystershell catalogues itself as an extra source of new products to complement the growth of other companies' product portfolio. What are among your most notable partners and what qualities do you seek in the marketing partners that you license the rights to products to?

In my view, the best partners are those that avoid big committees and bureaucratic processes and who know exactly what they want. Also, a great partner does not get stuck in middle management mud. Put differently, an ideal partner would strike the right balance between the flexibility of a small company and the perseverance of larger companies.

To clarify, what I think makes Europe such an interesting but difficult market is its fragmented nature between its 27 competent authorities, for instance. This makes it possible for a well-organized family owned business in Europe, to do as good a job as a regional director of a multinational. In the US however, this is more difficult since it's a coast to coast market where scale and muscle power of large companies is far more important. Indeed, in certain product segment, it is very possible in Europe to have Novartis ranked first, followed by a relatively small local company and then Pfizer, for example. Naturally, this diversity represents a great advantage and opportunity for Oystershell.

Overall, we have had several discussions with some of the biggest players in the industry, however we are often frustrated in by their sluggish processes – and everyone knows that elephants can't dance.

Pharmaceutical product development generally doesn't leave much room for creativity; however, Oystershell has made this its core business. How were you able to create and maintain such a creative environment that stimulates innovation in OTC's among?

Bluntly, by creating a little bit of inspired chaos which is my role because I am excellent at doing that. Also, it is by fostering a philosophy of questioning everything – should we, would we, can we?

Moreover, I think an interesting fact about a small country is that we are raised in an environment where we have to explore opportunities abroad and therefore have to adapt and be flexible. Indeed, you will find this to be true for many captains of industry from small European countries such as Switzerland or the Netherlands since they lack a sizable domestic market and tend to transcend boarders of all types to seize new opportunities.

Looking through your website, it quickly becomes apparent that Oystershell actively seeks and engages in partnerships and collaborations with other commercial and academic research organizations. From your perspective, what is the importance of these alliances to your operations?

When you consider our cooperation with Omega Pharma, it becomes clear that their role is that of marketing. However, they require constant innovation which we can provide creating a mutually beneficial situation. For instance, we help them to identify certain line extensions because what we often see is that since the costs of launching new brands is so prohibitive, most marketing managers will attempt to stretch their existing brands. It’s a simple case of following the path of least resistance since the failure in new brands is very high. Therefore, when we have a solution for a certain category of products, we approach the market leaders and present them with our new technology and this undoubtedly lowers the risk of failure. Similarly, because we maintain such close contacts with our partners, we are able to develop a sense of familiarity where the marketer can outsource ideas without having to be apprehensive about it ending up in the wrong hands.

On the other hand, with respect to collaborations with academic institutions, it is amazing to see how much talent there is to be had and we are surely trying to take full advantage of this. Unfortunately, however, I feel that this pool of university employed talents could be exploited better by pharmaceutical companies as a whole

Looking into the horizon, what strategies have you devised to expand the business? For instance, are you seeking to broaden your scope of activities, penetrate new markets abroad or both?

The first thing we did towards pursuing a growth strategy is to bring on board Mr Jan Cassiman to replace myself as CEO since he is so talented in organizing new businesses and setting up new markets. Since then, I have also personally dedicated myself towards doing what I do best which is innovation, creativity, science and breaking open new markets; whereas Mr Cassiman will build a new pillar for Oystershell.

The overall idea of this strategy is to create more value by going a little further in the process and by also building brands. That is, our customers of course capture a lot more of the market value than we do because they are more advanced in the value chain, and the more advanced one is in the chain, the higher the risks and of course the higher the returns. Therefore, for the shareholders of Oystershell, it was a bold yet a logical next step to try to build more value in brands.

What is your long term vision for the European OTC sector?

I believe that in the future, we will basically begin to see an increasing amount of consumer behaviour. Moreover, I am not quite certain how long this fragmented European market will exist but I think it will take at least another ten years to change. I think that such a change will only come from increased harmonization and more European oversight in the market.Until then however, this means that we will remain with this patchy landscape composed of countries with a pharmaceutical monopoly or countries with retail attitudes for instance which all require different market strategies.

In conclusion, where would you like to take Oystershell in the following 2 to 3 years and what main goals would you like to achieve?

My personal agenda is to achieve things that I can be proud of in terms of consumer relevance. I strongly believe that profit is the by-product of consumer relevance. Profit is in fact the reward you receive from the market for something you did to support and comfort their lives. Hence, I believe that success, especially in our industry, can be obtained by aiming to address consumer relevance – both in terms of efficacy but also in ease of use and convenience.

Indeed, there have often been strategies to address this but they were not fully realized either because they were too difficult or they weren’t profitable enough compared to other projects. A very simple example of how much a little bit of extra consumer convenience could help is demonstrated by our zinc oxide diaper rash spray. Traditionally, consumers have found that it is rather difficult and messy to apply the cream, especially when applied by fathers. However, by making a simple adjustment in the form of delivery to this century old product, you are able to resolve a number of inconveniences and increase satisfaction. Moreover, sales representatives have but a few minutes to market and explain their products to pharmacists since they have so little time and obviously, the benefits of such a product are very easy to notice. It is fascinating to see how such a small adjustment to make a product more convenient can suddenly turn it into one of our most successful offerings.

See more interviews