Interview: Erwin Klein – CEO, easypharm, Austria



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Dr. Erwin Klein, CEO and co-founder of easypharm, a generics and OTC company founded by Austrians for Austria, provides an overview of his exciting entrepreneurial experience and the challenges associated with establishing a new pharmaceutical company in Austria as well as his expert view on the current healthcare system. He also gives an insight into easypharm's acquisition of Frank two years ago, an Austrian pharmacy distributor of OTC products for local and international companies.

In 2008, you and your partner founded easypharm. Could you please introduce the company to the international readers and give insight into your vision?

For years I was working at large pharmaceutical companies in key positions gaining valuable knowledge and expertise along my journey – although – I always had in the back of my mind the dream of running my own business. In 2008, I took a leap of faith and founded easypharm with my partner Johannes Schwertner, with the vision of delivering Austria specific treatment needs that were lacking in the past.

The basis of our business at first was generics and we decided to target a niche market gap and focused on neurology and psychiatry based products. We understood that the hype around generics in 2009 was fading; therefore, we quickly diversified and started the OTC branch of easypharm, which was essential in gaining recognition in the pharmacy setting and expanding business reach, rather than only dealing directly with physicians.

Thus far it all has all been more successful than we ever first imagined and easypharm is well known across the industry. The response from medical professionals has been extremely positive and the hard work we did many years ago to ensure we only sell easy-to-use high quality products is paying off. Furthermore, we are eager to develop our own medical products and currently are working on a specific throat treatment combination, molecule for cold sores as well as food supplements, which we see as a missing piece of Austrian healthcare

All in all, it was not easy from the start. Lots of personal visits to pharmacies and doctors all across Austria, though all the long hours have resulted in a company to be proud of where we uniquely combine our medical and marketing experience.

How has the company grown since 2008?

The biggest challenge at first was building up high stock numbers and we invested nearly one million EUR (1.15 million USD) to kick start operations. Our approach was to construct a large portfolio quickly. This is not easy as each launch costs 100 thousand to 200 thousand EUR (115 thousand USD to 230 thousand USD) and you must buy the dossier, run the approval and pass the reimbursement stage. You must constantly push processes so it all doesn’t take more than two years otherwise cash flow becomes a concern. Retrospectively, it was all high risk and required a trusting mentality, but in the end this business model has allowed us to gain market brand recognition and larger market share.

Looking at the bigger picture, year on year we have grown. At first there was a lot of business planning involved and now we are reaping the benefits with 40 to 50 percent growth in recent years. Saying that, we have had to adapt constantly along the journey and only after year three did we have clear logic of what we wanted to achieve. The initial expansive portfolio looking back was the perfect move and now we are tailoring our approach and scaling back launches, with two products to be released next year.

What support is available to entrepreneurial companies in Austria?

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In Austria, generally it is a challenge to receive loans as there is a small investment scene in regard to venture capital. Investors ask for a 75 percent initial investment share to lower their risk, as many company struggle to reach the four and five-year mark. We wanted to build a long-term company; therefore, we held talks with the Austrian start-up service, AWS, who took up an 80 -20 share of the risk. Our argument with them was backed by our long-term company vision and past

experiences at global companies in the pharmaceutical industry.

Despite gaining funding, we still had to take on a lot of personal risk and dig deep in our pockets. This is why starting your own business is always a challenge. Nevertheless, it has been a thrilling time thus far and the most exciting thing I have ever done in my career. We are very grateful to now have a flourishing company that is moving forward.

How does easypharm navigate the challenges associated with releasing generics onto the Austrian market?

On one hand, everyone who has worked in the Austrian pharmaceutical industry understands the pros and cons associated with the current system. On the other hand, I have worked abroad for many years and Austria in comparison is considerably better than most. For example, in Italy overnight there was a 5 percent price cut on the entire market, a process that will never occur in the stable Austrian market, despite the last two years being particularly challenging.

From a generics perspective, products are competitively priced in Austria – although – we still lack transparency in many operations. Austria is far too structured and politically organized for a small country looking to find an identity in the pharmaceutical world. I believe many members of the healthcare community are in it for themselves, and fail to take step back and look at the bigger picture of finding valuable solutions for Austrian patients. As a pharmaceutical community, we must find a compromise between economic endeavours and overall market goals. Moreover, the reimbursement authorities must work in parallel with us to better promote and reward innovative products and generics entering the market.

In summary, the issues her are not dire and as a business man I understand there is always time to react and adapt to any changes being made. easypharm is pro-active in networking with the correct personnel, from CEO´s and key opinion leader to doctors and pharmacies, with the overriding goal to establish an environment and business model built on trust.

Despite these challenges easypharm has an extensive product range, how many products are currently in your portfolio?

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At present, we have 41 generic registrations and in the OTC market we have 15 products and are heavily growing with a projected two launches annually over the upcoming years. Two thirds of soon to be released products are registered drugs and the other third are food supplements. One of our most interesting and innovative products of easypharm we now market is easysleep, which

combines melatonin, Baldrian and Hop to perfectly combat issues associated with poor sleep.

Two years ago, easypharm excitingly acquired Frank, an Austrian pharmaceutical distribution company, how did this come about?

We saw this as a valuable opportunity as Frank is a pharmacy distributor with its main operations being the distribution of OTC products for Austrian and international companies that lack their own OTC sales force in Austria or only have minimal OTC products in the Austrian market. Frank allows these companies to market at a higher frequency and gives them a larger product distribution network across Austria. The range of companies is quite impressive dealing with renowned companies such as Bayer, Leo Pharma, Germania and Astellas, as well as pushing our own easypharm products.

Frank is growing rapidly and in the last two years we have expanded the sales force and implemented modern logic to our business approach. It is now the most well-known pharmacy distributor in Austria and we are open for all companies to come and partner with us to distribute their products throughout Austria.

What advice do you give to aspiring Austrian entrepreneurs that have the same dream you had all those year ago?

They should first ask themselves two key questions; does the market need what my company offers and what is my starting point in the market.

Any entrepreneur is in trouble if they do not have the product, or have no prior knowledge on how to acquire the product. You must first understand how the market works and gain experience in the field, especially in the harsh pharmaceutical ecosystem. This is exactly what my partner and I did for more than 20 years at large global companies like Novartis

Above all you must be willing to pull your socks up and work long hard hours going back to the basics of business and enjoy yourself along the way. Any business owner must be willing to wear many hats and engage themselves in all facets of their business. They must build their experience step by step, and most importantly be courageous in their decisions.

Great advice! What is the future for easypharm?

Double the sales!

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