Interview: Martin Peithner – CEO, Austroplant and Dr. Peithner, Austria



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Martin Peithner, CEO of Dr. Peithner and Austroplant, two leading medical companies focusing on homeopathic and herbal medicines in Austria, discusses the evolution of the companies over the last five years. He documents the decision to increasingly focus on herbal medicine due to the slow growth of homeopathic market in the recent years. Additionally, Mr Peithner describes a relatively favourable environment for the phytotherapeutic field explaining that the exclusive role of Doctors and Pharmacies so far have helped build the credibility of this area of medicine. Lastly, he highlights orthopaedics, pediatrics and neurology are the growth drivers of tomorrow.

We met you in 2012, last time you described the scope of your operations, challenges in the phytotherapeutic market, and your relationship to Schwabe. Could you tell our readers how your operations have evolved since then?

Dr. Peithner KG and Austroplant are the leading providers of homeopathic and herbal medicines in Austria. Schwabe group, the global leader in herbal medicine, acquired our two Austrian brands in 2009. This did not change the nature of our operations in the sense we had already been collaborating for the past 60 years. Indeed, my grandfather had set up cooperation with Schwabe after WWII and a joint venture between our companies existing for more than 45 years before the 2009 acquisition. The main changes were in the internal structure of the organization, the way we report and communicate.

The total pharmaceutical market has been relatively stable these past five years, growing by a mere 2.2 percent. In fact the market is not even growing in units. This growth is only driven by the higher price people have to pay to purchase innovations on the market. Surprisingly, despite the ageing population, our segments of Alzheimer's and Dementia are not outperforming other categories in our product range. Business wise we were expecting something different. Currently more than 70% of the units in the dementia market are sold by Austroplant with the Ginkgo biloba extract EGb761® – in Cerebokan®, Tebofortan® being the only phytotherapeutic option in this market.

Many doctors complain about the fact there is not yet a solution to help cure these diseases, but only to slow down their development and the consequences they have on patient's lives.

What role does the Austrian market play for the Schwabe group?

Austria is the third largest phytotherapeutic market in Europe behind Germany and Switzerland in the Schwabe group. Therefore the Austrian affiliate is quite an important one in Europe. Furthermore, we hold responsibility for the Czech Republic, Hungary, and Slovakia markets.

The company has one manufacturing plant in Austria. Some of the products we manufacture are exported to European countries. To complement the portfolio with what we do not produce in Austria, we import some of our products from Germany.

Despite a strong clinical trial capacity in the Austrian Healthcare industry, the German Headquarter maintains the quasi-monopoly of research and clinical trials for our group. As a matter of fact we are only involved in two Austrian clinical trials at the moment.

How has the revenue split evolved since the last time we have met?

In 2012 the revenue was 60/40 in favor of herbal treatments. Since 2012 the split in favor of the herbal segment has increased. Now the herbal segment represents 75 percent of our annual revenues and the homeopathic lines have fallen to 25 percent. We have made the decision to commit more to herbal with regards to the less interesting opportunities in the homeopathic market and its slower growth rate. Indeed, the market's growth has been flat for the past 10 years. Though there has been a small improvement in the recent years, we're averaging 2.2 percent growth, which is not a high enough rate for us to concentrate our resources on.

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Which are the current growth drivers for the company and how do you see the future?

Our child care products, more specifically Kaloba drops, have been performing very well since we launched them in 2015. The market rate for these types of products is around six percent while our sales grew by 38 percent in 2016. I also see neurology and orthopaedics drive growth for our company in the future. We will be launching Lasea® in the near future, which is a product that is already successful in Germany.

What structures do you have in place to help pharmacists educate the consumers?

Our priority is to engage with stakeholders on the customer's side. We deal on a local basis with doctors, patients, and pharmacists. With regard to the customers, we publish online content, advertise directly to them, and organize events around the benefits of our products. The latter are more popular in the countryside as they do not get lost in the multitude of activities available in a city like Vienna.

We have a team of on-field employees who regularly meet with doctors, either on an individual basis, or events. We organize these activities help educate the doctors about the array of treatments available for many different indications which they might have prescribed a chemical for.

Lastly, we ensure our pharmacists are up to date with our innovations, know how to advise, and guide their clients through the specificities of our portfolio. As a result of these actions, we ensure the products we bring to the market are properly used and therefore attain desired results.

What is the consumer mentality around self-care and your therapeutic areas?

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The homeopathic market in Austria is not confronted to the same public skepticism as in other European markets. The main explanations I see for this are as follows. Homeopathic treatments are not considered an alternative field of medicine. Doctors are the only professionals that can prescribe homeopathic medicines. With regards to their level of education, this reinforces the idea that homeopathies medicines are a serious field of life science. Second, the media coverage and scientific publications are a lot more respectful of the work we do in clinical research and trials. As a result, almost 50 percent of the Austrian population declares they have used a homeopathic treatment in the last year. The purchasing category however, is mainly comprised of women between the age of 20 and 50 years. Indeed these are the people in Austria who are most likely to be in charge of the household's health expenses.

The retail market in fast-moving consumer goods has already experienced a dramatic digitalisation trend. OTC products are available online in many European countries. Ms. Nageler of IGEPHA has mentioned this trend in Europe but explained that the Austrian Market is not yet ready for this to happen. What structures not to be left behind?

In term of digital retail, Austria is not as advanced as its French, German or British counterparts. In fact, the government only gave the authorisation to certain pharmacies to sell OTC products online in late 2015. Eventually, 23 pharmacies only started selling their products online in late 2016. I think it is too early to have a clear idea of the future importance of the digital market in the field of OTC medicines.

Nonetheless, we have noticed the web is now part of our customer's purchasing journey. They are likely to be sensibiliser to innovations in our therapeutic areas online, to inform themselves about our products online and consider the purchase of multiple products online before committing to a physical one. For this reason, Dr. Peithner and Austroplant are now increasing their online presence especially in terms of direct to consumer advertising. I am still amazed by the amount of information one can get on his customer from their online journeys. It seems we are performing very well in terms of clicks, reach, amount of time spent in front of our content, but I still don't see it performing.

What does it feel like working for a company that was started by your father?

My grandfather had a pharmacy which I still own, my father started this company, I am the sixth generation pharmacists in this family and my 20-year-old son is also going to be a pharmacist. It is not something that I find scary though. I take pride in the accomplishments.

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