

Impressive growth

Thanks to a series of successful strategic moves under the guidance of managing director Paris Papaellinas, Cyprus Pharmaceutical Organization has managed to grow its business twentyfold over the past 30 years.

IMAGES JO MICHAELIDES

Cyprus Pharmaceutical Organization (CPO) has a long history of being a leading importer, distributor, and exclusive agent for a wide portfolio of products in the health, beauty, and personal care sectors. The business was founded in 1928 as a family-owned company, operating under the name C.A. Papaellinas & Co, and was succeeded by CPO in 1952. It has grown to become one of the strongest commercial entities in Cyprus and employs 350 staff. It also has a sister organisation in Greece, which has more than 100 employees.

Managing director, Paris Papaellinas, is the son of the founder, Costas A. Papaellinas and today, he co-owns the business with his brother Thanos. Paris's first official introduction to the company was after he had finished his studies abroad in Beirut, California, and France. "I worked for a year or two with my older brother who was the CEO of our business in Greece, and then I urgently returned to Cyprus because we had this great idea, back in 1980, to start a NIVEA local production factory in Cyprus," Paris recalls. "That was my first project and it ended up being a very good idea because, at that time, the import duties in Cyprus on cosmetics were 133 per cent. If you wanted to grow brands like NIVEA and Old Spice—which were the two product lines that we started producing locally—you had to have a local assembly and production so that you could avoid all the import duties.

"That factory went strongly for 23 years until Cyprus joined the European Union and import duties were abolished. So during that time, in the 90s, we obtained an export licence from the NIVEA headquarters to export some of our products to Middle Eastern countries like Lebanon, Israel, and the United Arab Emirates. That was my first taste of the professional business, back then."

From that day on, Paris has played an integral role in the company as it has prospered and grown exponentially in the past 30 years. CPO has transformed and broadened its approach from offering mostly pharmaceutical products to >>

COSTAS PAPAELLINAS ORGANIZATION
Cyprus Pharmaceutical Organization Ltd

Name Paris C. Papaellinas
Company Costas Papaellinas Organization Ltd
Position CEO
HQ Nicosia, Cyprus
Employees 350
Turnover €52 million



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having four pillars of operations: consumer goods, premium selective cosmetics, pharmaceutical, and medical and hospital goods.

“I believe the reason for our success is that we understand that Cyprus is a small market. The population is less than one million people, so in order to become big and profitable and create value we have had to be active in various business industries.

“This has been my predominant focus, especially during the last 15 years when through successful strategic moves—such as buying out related companies, gaining new agencies, and forging business alliances—we have transformed and diversified into a multi-brand company of different divisions.

“The first one is the consumer goods; FMCGs like NIVEA and Mega Disposables from Greece. The second is the selective, and premium cosmetics department with big names like Estée Lauder group, MAC, and Clarins. The third department is the pharmaceutical business, again with great names such as Boehringer, Bristol Myers, Gilead and more recently Pfizer. The fourth is the medical and hospital products and devices sector representing companies like B. Braun, Medtronic and Philips Medical Systems.

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“The first two departments provide the profits and growth in times of economic prosperity,” Paris notes. “The other two provide stability in times of economic slowdown, something that has happened a lot in the last 10 to 15 years.”

The unexpected economic collapse of Cyprus in 2013 was one such event that proved to be a challenge for CPO. Many companies were badly hit and although it was damaging for CPO to some extent, Paris says that the business was flexible enough to come out of it stronger than ever. This, he believes, was due to a number of reasons. Firstly, CPO always maintained a prudent financial position and was therefore able to stay true to its supply-chain obligations. “We haven’t delayed a single payment to our suppliers by even just one day, and that has really strengthened our great relationship with them,” he explains.

“I think that has been a big key to our success—the trust and ties that we have developed with our suppliers. We are a distributor and an agent and we deal mainly with multinational companies so the key word here is integrity. We need to be, and have always been, reliable and trustworthy. We have maintained high standards of honesty and business integrity and this is the only way to be able to develop longstanding relationships with them. As a

distribution company, we don’t produce anything of our own anymore. But, although we depend heavily on our suppliers for a constant flow of high-quality and innovative products, we invest heavily in their products as if they were our own. That is why we have these 50-, 60-, or even 70-year relationships with the majority of the big companies that we represent.

“The secret lies in knowing your industry, whatever industry you are in. You also need constant innovation stemming both from your suppliers, and from your own company. Basically, we have to offer innovative solutions to our suppliers and it has to be a two-way street. If you have all of this in your strategic direction then the supplier will recognise that you are a brand builder and trustworthy distributor. We have never lost the distribution of a big partner of ours, unless it was purchased by somebody else.”

Finally, Paris believes the third reason for CPO’s success is related to people. “One of the most important things that has played a part in helping us to come through these hard times is that we have always recognised the importance of our employees. After the 2013 economic collapse in Cyprus, unlike the majority of local companies, we did not revert to massive lay-offs in order to cut costs. We of course had to implement some cost-cutting measures but they were agreed to and accepted. I am very proud to say that in the worst year of the Cyprus economy [2014] we were elected as the employer of the year for being the best workplace. To me, this says a lot, because in that same year unemployment skyrocketed in Cyprus because so many of our competitors reverted to laying off staff.

“In addition, we have always supported our customers. Many businesses at the time of the crisis cut credit terms to >>

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“I am very proud to say that in the worst year of the Cyprus economy, in 2014, we were elected as the employer of the year for being the best workplace.”

- Paris Papaellinas

customers, reduced the quality of products, and dropped service levels. We managed to support our customers with flexible terms and we have continued with quality products. Rather than revert to cheaper products and cheaper agencies, we stuck with what we had. As a family company, our mission has always been to provide quality products and services in every type of business we operate in, whether that is mass market, cosmetics, pharmaceuticals, or medical and hospital products.”

Paris says that investing in the training and development of staff has also always been a key priority. He is proud of his team and offers them continuous education programs. “We place special emphasis on developing our people, especially our management team,” he says. “Our sales people as well as our brand/product managers are trained at the highest skill level when compared to our multinational partners. We are very focused on training our people to have an edge in this competitive environment.”

As he guides his employees to service CPO to the best of their ability, Paris says he always ensures he takes their opinions and ideas on board. “A good leader has to be a good listener. We employ about 350 people, so if you have your ears open you can actually hear, and learn, and get a lot of good ideas from your people.”

This approach has evidently served the business extremely well so far,

with huge growth reported over the past two-and-a-half decades. It also places it in a highly desirable position for the years to come. Paris says that the future of the industry as a whole looks positive, and that CPO will continue to play an important role in it across both Cyprus and Greece.

“I think, especially in the medical and hospital sector, that there is a very bright future indeed because there is constant innovation in products, processes, and devices to make the lives of our customers safer. In the pharmaceutical business it is more difficult because it is a political area and the margins are very compressed. However, if you represent big companies like we do then the future can only be bright. In the area of cosmetics, when the economy improves—and we expect that this will

happen in the next two years in Cyprus—then we are on good ground. Also, in the mass-market consumer business, things are a bit more difficult because there is a lot of parallel trading now, and this distorts and erodes our profit margins. We are having to fight with all of the parallel importers. Having said this, though, the answer to being successful in this sector lies in understanding our industry, being flexible, working closely with the big chains/retailers, and adapting to the new challenges.

“I don’t believe that a business leader can accurately anticipate what is going to happen five, 10, or 15 years from now. The business environment and the work itself is changing so rapidly that you have to be alert to ride the waves of change, and be flexible enough to quickly respond and adapt to them.” ■



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