



# Pharmacy on the screen. How the online service Liki24 conquered the Ukrainian market and started conquering Europe

Anton Avrynskyi, founder of the Liki24 e-commerce medicines service (Photo: Natalia Kravchuk / NV)

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**According to NV magazine, the domestic online medicines sales service Liki24 had quadrupled its turnover over the past year - up to USD 20 million, had attracted more than 600 thousand regular customers in Eastern Europe. The HB magazine says about it.**

“We are investing in changing consumer behaviour in the pharmaceutical market,” Anton Avrynskyi, a 37-year-old Kyiv Polytechnic Institute graduate and founder of the Liki24 e-commerce medicines service says.

His company was favourably met by consumers in Ukraine: the cash turnover of this business in 2020 alone quadrupled, reaching USD 20 million. The company is growing this year as well. And now Avrynskyi is conquering the markets of Poland, Romania and Hungary.

The domestic logistics service Rocket and the Ukrainian hairdressing salons network Haircut Express had the similar experience when choosing the economy of Cyprus and the Netherlands for their further development.

But Liki24 chose a different path: the company operates in a much more complex pharmaceutical market, where government regulation is much more strict.

The deteriorating demographic situation in Europe, COVID-19, an increase in the number of oncological and orphan diseases increase the aggregate demand for

pharmacy products. “I really like the idea of preventive medicine,” Avrynskyi interviews for NV. “Our mission is helping people not to get sick.”

The average monthly traffic of the Liki24 website reaches 3 million people.

“Liki24 is a niche marketplace performing a very important social function - medicines delivery,” Roman Nikitov, Head of ICU Ventures Foundation explains.

“This is a business that was extremely positively influenced by the new reality with lockdowns and which has greatly increased the demand for their product.”

“In the future, online medicine trade will definitely gradually replace the traditional one, but only after online traders are able to adapt their processes to the legislative restrictions inherent in this market,” Oleksandr Olshansky, a specialist in the field of Internet technologies and the founder of Olshansky and partners consulting company predicts.

Gradually becoming an e-commerce pharmaceuticals giant in Eastern Europe, Liki24 is planning a massive business expansion to include other medical fields and the cosmetics-personal care segment.

“Marketplace competition is especially strong,” Iryna Fedets, an expert of the Institute for Economic Research and Policy Consulting (IEIRPC) explains. “Here, pursuant to a wide range of products and good level of service, one major player like Amazon, OLX or Prom.ua can dominate over the rest.” The logic is simple: if consumers have the ability to buy everything on one website, they are unlikely to look for an alternative.

### **American idea**

For the first time, Avrynskyi seriously analysed the pharmaceutical market in 2012. Then his first daughter was born and he had to constantly go to the pharmacy for medicines, and he noticed their prices differed significantly depending on the location. After working for 15 years in the Ukrainian company IT Enterprise, Avrynskyi made financial savings and was looking for new ideas. In 2017, he quit his job and went with his family to the United States for several months to “reboot”.

“In America, I saw the speed of the e-pharmaceutical market development, it was a real trend,” the entrepreneur says. His Liki24 business idea finally emerged while attending a technology conference in New Orleans: a Kiev resident returned to Ukraine with a detailed plan of action.

The savings were enough to launch a business in 2017-2018 by hiring a team of developers and executors. At the same time, Avrynskyi had four partners.

“Liki24 solves the problem of five different stakeholders at the same time: manufacturers, distributors, retail chains, insurance companies and, above all, users,” Maksym Filipov, managing partner of the GR Capital venture fund emphasizes.

The Liki24 business started only in pharmaceuticals, but now the platform also offers cosmetics and household goods, in particular from chains such as Eva and Watsons.

The assortment consists of more than 70 thousand goods.

*“When it comes to price, we are always supporting the client,” Anton Avrynskyi, founder of Liki24*

Medicines predominate, because Liki24 partners with about 5 thousand pharmacies throughout Ukraine, but new directions of sales are also growing. Product prices are updated every 5-10 minutes, and digital algorithms help the client find the best price. The delivery service covers 25 thousand settlements.

“We are saving time and money for insurance companies [providing health insurance services],” Avrynskyi says. “And we help pharmaceutical companies to promote their products and gain access to the audience at the moment when they are looking for a medicine.” And if pharmacies pay companies a commission for services in the amount of about 2%, then insurance businesses prepay Liki24 services.

The pharmaceutical e-commerce has its advantages. Firstly, the average check is higher. Secondly, it is possible to minimize costs. “When it comes to price, we are on the client's side,” Avrynskyi emphasizes. “One of the market players compared us to Robin Hood, because we offer the best conditions for the buyer.”

Today, Liki24 is a team of 50 people and about 170 couriers, who work as IEs under the same principle as a taxi - the order is picked up by the one who is closer.

The company cooperates with Uber mail and Nova Poshta to deliver goods to the regions.

EXPANSION STRATEGIC THINKER: Taras Potichnyi headed the expansion of Liki24's business in new markets - in Poland, Romania and Hungary / Photo: Oleksandr Medvedev / NV

### **Competing for the European patient**

Back in August 2020, when the Ukrainian and global economies felt some relief between the waves of the COVID-19 pandemic, Liki24 started its business in Poland. It passed legal registration in Warsaw.

In addition, the company's office will soon appear in the Romanian capital - Bucharest, and a little later the same year, Avrynskyi's business shall be launched in Hungary.

The total volume of the pharmaceutical market of these three countries reaches EUR 16 billion. This is challenging for the company, because the Ukrainian pharmaceutical market is only EUR 3.4 billion.

To ensure profitability of the expansion, Avrynskyi in early August hired Taras Potichnyi, a former Bolt transport company top manager in Ukraine and a specialist of innovative business models, to lead the process.

“Our team analysed the markets of many European countries and primarily focused on those countries which have no such services,” Potichnyi explains. “This way our product will be new to them.”

The biggest challenge for Liki24's business development in Poland and Romania was finding people - technical workers, couriers. However, the staff required for full-fledged sales is already working. But, there are still vacancies in the company.

Investors helped determine the strategy for the international expansion of the company. These are such funds as Horizon Capital, TA Ventures, Genesis Investments and iClub. During 2019-2021, they invested more than USD 6 million in Avrynskyi's business. At the same time, the company was not actively looking for investments - venture capital funds themselves offered the financing required for further development.

“Poland, Hungary and Romania are not only geographically close to Ukraine - it is cheaper to start an online business there: salaries of IT specialists are lower than in Western Europe,” explains Fedets from IERPC (Institute for Economic Research and Policy Consulting). In addition, all three markets are not very concentrated, because the number of pharmacy chains and pharmaceutical sellers there is limited.

Liki24's goal is to reach a client audience of 10 million people. "We will not achieve it if we only operate in Ukraine," Avrynskyi says. For him, it is interesting to become one of the first Ukrainian B2C [consumer-oriented] businesses that will be able to gain a share in foreign markets.

Avrynskyi notes that the new markets of Liki24 are rather conservative in their pharmaceutical regulation, therefore it will not be easy to work there. Excellent medical treatment protocols, temperature regime and features of pharmaceutical logistics, the fight against counterfeiting, a different categorization of medicines with restrictions create the need for a different marketing of the company's services.

Olshansky also reminds of the regulatory risks of the EU market. "The pharmaceutical delivery market is very promising," he says. "The main obstacles are in the legislative field of both Ukraine and the country the company enters into."

However, Potichnyi, who is developing the expansion strategy, notes that European markets also have their own regulatory advantages. For example, the widespread practice of electronic prescriptions in the EU makes Liki24's business easier. The company gains access to such a prescription and automatically delivers the necessary medicines to the patient's home.

"It is extremely important to set up the service so that the new product does not raise any questions from the regulatory authorities, which is not an easy task," Potichnyi sums up, as the main coordinator the company's communications in the Polish, Romanian and Hungarian markets, as well as operational processes.

The massive development of telemedicine, delivery technologies and the general trend of digitalization create significant potential. "All this leads to significant, high-quality and rapid development of pharmaceutical commerce around the world, including Ukraine and Eastern Europe," Filipov from GR Capital explains.

Liki24 plans expand its geography of sales to 10 markets. To this end, the company plans to continue attracting investments. "The question, first of all, is to what extent investors will be willing to finance this expansion," Nikitov from ICU Ventures says. He adds that the company's business definitely has a growth potential - both in Ukraine and abroad.

### **Notebook with plans**

FINANCIAL RESOURCE: Roman Nikitov from ICU Ventures notes that Liki24 needs to attract new investments to scale in Europe / Photo: Roman Lisovskyi

Like any fast-growing business, Liki24 has ambitious plans. In the nearest future, the company will offer several new services. It has just launched a fast delivery service - in case of ordering, it will give the possibility to receive the necessary medicines at the specific address within 30 minutes.

The company would also like to be in the range of services offered to its users by the Privat24 mobile application. Negotiations with PrivatBank are ongoing, but the process is not easy due to the complex compliance procedure [compliance with legal requirements].

In addition, Liki24 is developing its own mobile application.

A promising direction for Avrynskyi's business development is the Lab24 project: a digital service helping to order medical analysis services. It provides for the selection of tests, payment, departure of a health care professional for the collection of biological material, its processing and provision of results.

In fact, a health care professional can take a biomaterial, which will be examined by different clinics in accordance with their specialities. Otherwise, the patient would have to visit several institutions.

For difficult cases, Lab24 has the opportunity to conduct research in Germany.

The flagship service is analysis with a set of markers to determine the most common diseases, including cancer. Doctors advise it about 1-2 times a year. “I once passed a similar analysis for UAH 8,000, and at Lab24 it costs UAH 2,400,” Avrynskyi says.

He generally considers cost advantages to be an effective marketing method.

And while pharmaceutical companies have become key players in the advertising market, Liki24 has chosen a different path.

“Perhaps we will come to the TV, but we are still far from attracting the entire audience that is on the Internet,” the entrepreneur admits. Liki24 has more than 600 thousand regular customers who learned about the service from organic Internet search or from contextual advertising. The company pays special attention to Google, where queries like “medicine price” should raise the Liki24 website high enough.

“You went to see the doctor, returned home, and a courier with medicines for a good price is already waiting,” Avrynskyi summarizes the secret of his company’s business success.

Experts believe in the prospective of such solutions. “Pharmaceutical e-commerce is part of the global trend of online commerce, which is growing insanely and will continue to grow, based on the simple market principle of greater efficiency, accessibility and convenience compared to classic offline models,” Nikitov from ICU Ventures assured.

IMPORT OPTION: Anton Avrynskyi brought the idea of the Liki24 business from the USA, where he saw how the sphere of medicines selling over the Internet works / Photo: Nataliia Kravchuk / NV

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