Interview: Francisco Velez, Director General, toLife, Portugal



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Fransisco Velez, Founder and Director General of toLife, discusses the challenges facing generics companies in Portugal today, and his ambitions to further grow his company over the years to come.

What was the inspiration for creating toLife?

I worked at Janssen Cilag for more than 20 years in various roles, including the establishment of the company's subsidiary in Budapest from scratch, which was a real challenge given that there were no products there. After four years in Hungary with a €40 million turnover and training a workforce of 50 employees in the multinational culture, I came back to Portugal in an executive role for another six years. At that point, the generics business was starting in Portugal. In response, I created a study to see the impact of generics entry for Janssen, and realized there was a huge opportunity to make a business. I left Janssen, and with a great deal of risk, created toLife.

The company's entry in 2004 was a bit late since generics entered Portugal in 2002. Nevertheless, we accelerated some processes in order to register a couple of products. Our fast market entrance procedure resulted in the continual launching of new products, primarily in psychiatry and

neurology. Our expertise in these areas differentiated toLife from its competitors, since generics for psychiatry and neurology are less well known and developed. To our credit, toLife was able to create a real knowledge and awareness among pharmacies and doctors. By 2007, toLife was already among the top ten generics companies in Portugal due to its fast market entrance policy. At this point, the company expanded its portfolio to other therapeutic areas. Additionally, times were already tough by 2007, and to maintain a startup company with a small critical mass was too difficult and high risk. I sold toLife to Esteve, which was one of many companies interested, but I felt that the company culture and values of Esteve was closer to those of toLife, which I deemed very important. Because Esteve is a multinational with startup company values like toLife, the organization allowed me to develop the company as I saw appropriate. The integration was therefore fairly easy.

toLife markets and sells 65 products in 11 therapeutic areas. How are you able to manage such a broad portfolio for a smaller company?

We chose psychiatry and neurology at the beginning because they were strategic, and because awareness of these markets needed to be created. Once we had established portfolios in those two areas, we were comfortable enough to move into other important areas like cardiology and gastroenterology among others.

In general, generic companies should have products specifically dedicated to chronic patients, most of who are elderly and add less purchasing power. If toLife sells such generics with lower prices it is easy to reach our targets, which we have done. We can then pass on this value to doctors and pharmacists, who have decision-making power. toLife has strong relationships with both, and they see the company as a partner, not just as another generics player.

How has recent government encouragement to use generics in the marketplace as a means of cost-cutting helped toLife?

In normal conditions, it makes sense to have generics. The pharmaceutical industry is extremely profitable. Pharma companies invest five to ten years and a great deal of money researching products; once they do, they need the time to receive payback from those investments. Once a product’s patent expires, companies should not receive the same amount of money for that product, and there is no reason why a patient should pay exactly the same, especially if it is being reproduced at a very low cost. The primary difference is that generic companies are paying with fewer margins than innovators. Therefore, the structure of a company like toLife needs to be different because it does not have the same spending ability as a multinational with originators.

Portugal could be considered a mature generics market, given that generics are accepted by the majority of potential users. Contrastingly, there are not many suppliers in Portugal. Would you say that this mix is accurate?

I do not think that Portugal is a mature market or an emerging market; rather, it is somewhere in between.

A mature market like Germany has 60 percent market share. In units, Portugal's generic share is about 30 percent. The country still has a long way to go to become a mature market. We also need clear-cut roles in terms of patents. Companies need to be aware when a product's patent ends in order to introduce a generic to the market in a timely manner. There is too much litigation in the Portuguese market. I would say that for every five products that hit this market, there are four litigations. This is not normal. There are very unclear definitions in terms of patents that create this litigation. This is not good for the market or generic companies, it costs a lot, and it does not create stability or credibility.

Why did Portugal lack patent laws for so many years?

Portugal only had process patents for many years, which was very good for innovative companies. The balance of product patent protection changed when generics were introduced in Portugal. The time between the end of a process patent and the beginning of a product patent's start on the market is too long and generates confusion, which leads to doubts about the market. As a result, many multinationals tried to take advantage of this patent confusion. Until one and a half years ago, toLife simply had "preliminary injections of registered products" in INFARMED. If any innovative company was aware of such product registration, that company could stop the approval program through an administrative court. Such courts are not the right place to decide on patents. They do not understand patents. This was going on between 2002 and 2011. I had products with approval from 2007 and they have just hit the market this year because they were blocked by the court, sometimes with no reason.

What explains the success of toLife?

We have created a deep benchmark of successful and unsuccessful companies. Hard work is required to build a solid portfolio, and excellent people are the key to success. I hired individuals with high sales potential and the ability to form good relationships, but with zero experience in the pharmaceutical industry. After rigorous training for eight weeks, these individuals knew exactly how to interact with our key partners, doctors and pharmacies. Once we obtained credibility with doctors and pharmacies in the psychiatry and neurology areas, toLife moved onto other areas. In

general, I try to find products that really allow the company to create a relation with our partners, doctors, pharmacists, and patients.

Additionally, the toLife logo is an image of three people, which illustrates the fact that this is a company for partnerships between three groups: toLife, the patients, and the medical class (doctors and pharmacists). It sounds simple, but this was the company's mantra and was the basis for the idea we were selling. Furthermore, toLife's packaging is unique for a generics company. We did a number of studies to determine the best possible packing and design, and now our packaging is indistinguishable from that of innovators.

What have been the lessons learned for toLife in relation to the crisis?

In some ways, my business plan has not changed much over the years. However, no one foresaw the crisis, which meant every company had to adjust to some degree. The pharmaceutical market used to be a goldmine, but has withered in just a couple of years. The market of each pharmaceutical is drastically smaller today. While toLife is producing the same amount of units as it was five years ago, the market lost about €1 billion. Losing so much in terms of critical mass forced companies to change plans greatly. This also changed the decision-maker for drugs; it used to be the doctor, but now pharmacies have a much greater role in the decision-making process. With this change, we had to risk our strategy and make full adaptations. This also impacts how you train your sales force, since doctors and pharmacists have to be approached very differently. Consequently, I retrained all my sales reps to do business with pharmacies. As the market continues to evolve, these adaptations are very much part of a continual learning process. However, the Healthcare Minister plays the biggest role, since he is the main payer. Our business is critical for the political/economical/financial crises. It should be very clear to decision makers that generics will always be part of the solution—generic products are saving makers and if they kill it, the problems will deeply increase.

What would you like to achieve in the next five years?

I do not like to look back; I always look forward. We are the fifth generics player in the market; if we can be fifth, we can also be fourth. If we are fourth, we can be third, then we will be on the podium. While I cannot predict where toLife will be in five years, this mantra drives the strategy. I have to be faster than my competitors, who have more products, in terms of developing my portfolio and ensuring the productivity of my sales force. It is easier said than done, but this is the philosophy, and what we put in the mind of toLife's people for guidance.

Upon reflection, what has been most important to you, having created and grown toLife from scratch?

It is very rewarding to start a project from zero and ten years later, despite extremely difficult conditions with strong competition, see consistent and continued future growth. Since 2011 until the present, toLife has been one of the fastest growing companies in units and value in the total Portuguese market. The company is number five in the generic market, but is also in the top 25 for the total market. However, this success cannot be attributed to the job of one person. I am very grateful to all my people who have contributed to this. While one person manages the people, the results have been generated from the people I was lucky to find who understood and embraced the company philosophy; it will be a continuous challenge to me.

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