

Interview: Paulo Lilaia, CEO, Generis, Portugal



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Paulo Lilaia, CEO of Generis Portugal give an insight into the role of generics in the Portuguese marketplace as well as his company's strategy to expand in both the local and international markets.

You are both the President of Apogen and CEO of Generis. How do you balance your priorities between these two roles?

Generally, the work I do in both is complementary. Apogen's objective is to promote generics and aim to have their market share in Portugal at the same level as the EU average, which is now over 50 percent of the total market. Through the European Generics Association, we try to communicate this information and discuss with the government what we consider the right ways to create a developed generic market in Portugal.

My role in Generis is to develop the company. Generis has been the generic market leader since mid-2011, in close competition with the world leader. The current goal of Generis is to maintain its retail market leadership, develop its position in the hospital market, and to have a stronger presence in exports. Generis now has presence in Portuguese-speaking countries, Latin America, and the Middle East, in countries that are not over-regulated but also value the quality of medicines made in the EU. Generis is also developing its industrial platform, and gradually we are becoming more competitive in the Portuguese and international markets. For example, we now

have the repatriation of some products from India. Generis has established global companies as benchmarks, since they are our competitors. It will be difficult to have the same production costs as them, but we are closing rapidly the gap.

How have the blurred lines between innovation and generics affected Portugal?

Portugal's situation is similar to other more developed countries, such as those in northern Europe. It is now quite evident for physicians, pharmacists, different public and private entities, and patients, that generics are the same as originators. It has taken a bit more time, but the majority of people use generics in Portugal and trust them. We understand that innovators don't want to lose their market, but they will lose what is natural to lose. When a product loses a patent, the originator has to lower its price to the generic level or they will lose.

Furthermore, the government has created some awareness campaigns for generics. In 2002, when generics first entered Portugal, there were some campaigns regarding quality, and INFARMED helped significantly in that regard. But I think some R&D industry did not play a good role in accepting the quality of generics by confusing professionals and the population in general.

What is your assessment of the statement that generics exist to provide headroom for innovation?

Portugal has budget constraints, and can only spend around €1.7 billion for medicines every year. If we want to be able to buy innovative therapeutics that add value, we must save money somewhere. The government can save money using generics, which will create availability for innovative medicines. However, there are many new products in the market that are not necessarily innovative, and this is not isolated to Portugal. Now we feel that governments everywhere are trying to manage better quality and added value more than price. The generics industry accepts that they exist at premium price if a product has some therapeutic added value. But if a product is more or less the same as a generic, nobody should pay more.

Generis has the broadest portfolio of all pharmaceutical companies in Portugal, with over 200 products. How do you manage such a broad portfolio?

Generis has about 160 products for retail and 60 for hospitals. In general, we promote the company and the Generis brand. All professionals know that we have the largest portfolio in Portugal.

Everything that other companies have, Generis also has.

We have a number of products where we are the only player in the market. Now we promote the products more in pharmacies, with doctors to a degree, and we promote the quality of medicines, the size of our portfolio, and we promote fair prices. In general, they are low enough to be bought by patients and paid for by the government. We also have a standard assay for Portuguese-made products; essentially it underlines the purchase of a product because it is made in Portugal.

Generis is the second largest hospital provider. We therefore play an important role in Portuguese hospitals, albeit with very low prices. In some cases, Generis has to withdraw products because prices are so low; now the government is buying the same products in other countries for much more. We believe in high quality and low prices, but we are not in a condition to lose money, or collect in 400 days.

Generis is ranked first for generics but eleventh in the total market. What factors explain the lack of a generics player being in the top ten?

This is due to average price. Our average prices are quite a bit lower, so it is impossible to be in the top ranking with such low prices. Nevertheless, Generis is still moving up. With a 70 percent price decline since 2008, it is impossible to be in the top in value. Conversely, we believe we have conditions in two years to be the leading pharmaceutical company in units in Portugal.

Market share of generics dropped by 19 percent in 2012, yet Generis bucked the trend and gained market share. How have you maintained consistent dominance in a volatile market?

In 2010, Generis had 150 products, but the first four products encompassed 35 percent of sales, and the last 60 comprised only two percent. We had to either withdraw the latter group from the market, or increase the size of market share of these products. Now we sell the entire portfolio, and prefer not to have high dependence on a few products. Generis is behaving better than the market because it is increasing market share in many products where there are only a few competitors. The idea is to compensate the losses in high priced, highly competitive markets with other products.

How important will exports and internationalization be looking into next year?

We believe it is critical. Portugal is a small and declining market, and as a company in Europe, naturally we must look to the EU market, which consists of more than 500 million people. Generis is also exporting to Portuguese-speaking countries, mostly with Angola and Mozambique. Brazil is still quite difficult to enter and the country is perhaps too big to initiate internationalization for a

company like Generis. We also have partnerships in North Africa, the Middle East, some French-speaking countries in Africa, and Indonesia.

Ultimately, we believe it is natural for a Portuguese company to look for foreign markets.

When I was working for a Swiss company, I learned that anytime the Swiss started a business, the key markets were always foreign rather than local. Similarly, all Portuguese companies should absolutely look to the world.

Between exports and contract manufacturing, what defines Generis as the partner of choice?

Quality, reliability, trust and competitive prices are absolutely critical to exports and contract manufacturing. Generis has many inspections from countless companies across the globe, which is good. When people visit Generis, it is easier for us to make business with them. They can look, feel, see, and they have the ability to check whatever they want. Consequently, Generis produces for some of the biggest generic companies in the world. We like to have potential customers visit us, as this process lets us know that we are up to date with regulations worldwide.

Perhaps the quality of Portuguese companies in general could be communicated better worldwide.

Countries like Germany, France and the UK are considered the key EU countries because of their dimension, but the pharmaceutical industry of Portugal is definitely in the first level. Our customers feel that the industrial pharmaceutical sector of Portugal is first division. Pharmaceuticals could therefore become an even more important business for Portugal.

What is your strategic vision for Generis as the flagship generic company in Portugal?

We would like to maintain leadership in the retail market, which was hard to attain. We would also like to be stronger in the hospital market, and to have at least 25 percent of business dedicated to exports in three years. A stronger, more consolidated presence in both the local and international markets would be ideal. The process of internationalization takes a bit longer, as it requires a great deal of trust and reliability on both sides.

What is your assessment of Portugal's future?

I could never have imagined such a difficult situation in Portugal today, with so many people losing jobs and facing huge difficulties. Everybody is suffering, but I do believe this is due to the excesses of the past. I deeply believe the country will recover, and in five years we will be back on track

again; the culture and the people of Portugal will be an engine for recovery.

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