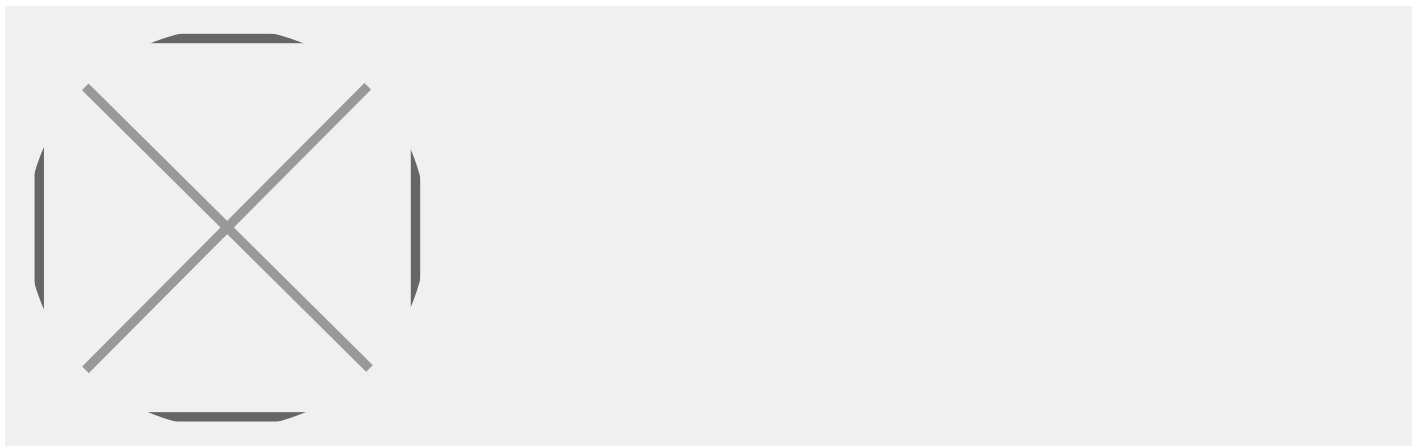


# Interview: Luigi Cianci, General Manager, Angelini

## Portugal

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*Angelini Portugal's Luigi Cianci offers his critique of the decline of Portugal's economy and its effects on the industry, talking specifically about the company's presence in Portugal and its export market—Angelini is one of a few multinationals that produces in conjunction with local facilities.*

### **What is your perception of the evolution of the pharmaceutical industry over the last five years?**

The evolution was strongly influenced by the economic crisis, which led to the need for the authorities to reduce their investment in drug expenditure. This created a measured delay in the launch of new, innovative products, and also created relevant price cuts for products in the market. The rebate introduced by the state has fixed budget objectives for next year, and if expenditure goes beyond these objectives the industry must pay it back. This means that drug expenditure is one of the few areas in which public expenditure is controlled, which is very good, but the pharmaceutical environment today consists of very few launches of new products, strong measure of erosion of margins, and major reductions of the headcount in most companies. Within this scenario, the pharmaceutical industry has managed to continue to delegate with the authorities, and there is still some hope for the planning and control of this deduction, which has not happened in other countries similarly affected.

### **How did these situations affect Angelini, and what measure did you take to adapt?**

Angelini was affected in that we had major price cuts, so our profits went down more than 200 percent, even with the introduction of a strict cost control policy. For instance, between 2010 and today, we have downsized from about 215 people to 135. In reality, many more were let go because Angelini hired many new, younger employees with the capability, flexibility and skills to do more. We therefore changed most of the company network and some of the processes. This was a positive experience in that we learned how to do more with less.

### **How important is the Angelini's R&D capacity in Portugal?**

Angelini is not a classical R&D company, in which you have centralized areas of R&D and everything is focused on the development and launch of products in the company's core therapeutic areas. In this sense, Angelini is quite decentralized. We have good central R&D in Rome for the organization's core therapeutic areas. However, local subsidiaries have the ability to push local businesses. In the last few years, Angelini Portugal's strategy was to differentiate and compensate loss of profitability in the prescription business, both for hospital and retail drugs.

As with other companies, the company focused on the OTC, food supplement and cosmetics businesses. This path towards differentiation is quite unusual when you have a reduction in the market. In this situation companies normally focus on core business to simplify structure and improve profitability. Angelini did it the other way because the company had no major products to launch in the short-medium term.

Personally, I am not very optimistic about the future of the pharma industry in Portugal. In my opinion, the difficulty of the European situation will last for a significant number of years. In the past, economic crises were cyclical. You had a recovery in which the economy went back more or less to where it was in the beginning or even better. This is not my idea. I think this is a structural crisis in which southern countries will have to reshape their structure. The crisis will end when the state has a structure that can sustain its needs but will never return to its past condition. In Portugal, even if the state is making an effort to reduce costs, it is not doing enough because they are cutting costs like drugs wherever they can. The industry has kept its part of the deal by resizing and reshaping. The state is not doing this with the same level of efficacy, and it needs to. As a result, Angelini has tried to go into non-reimbursed businesses like food supplements and OTC, which have lower margins but are more stable and growing.

### **Would you consider generics in your portfolio?**

We decided not to enter this business. Angelini is not a worldwide company. We are a local multinational with €1.3 billion in turnover and 3,000 employees. The organization is present in

many countries but not globally, which is necessary for generics.

**Barral has been sold on the Portuguese market for over 170 years. How has this product been so successful?**

Barral is a good example of our business model. This is a strong, local brand from a Portuguese family. We purchased Barral in 1999, which at that point was an old product in decline with only €900,000 in turnover. We invested in Barral, developed about 20 new references within the Barral umbrella, and now the product has over €6 million in turnover. As a side note, while the cosmetics business is in crisis, it is much less so than other areas of business.

**Do you have manufacturing facilities in Portugal?**

Angelini's core products are produced in Italy, while local, Portuguese products are produced in Portugal. We are lucky that our corporate headquarters do not force us to produce our local products like Barral in Italy. Thus, we have partnerships with two factories owned by Medinfar and Tecnifar. In this way, we can also indirectly offer some jobs to the Portuguese market.

**That puts you in a unique position here in Portugal; what advantages has it brought you?**

Indeed, when we have to delegate with the authorities we are seen as a peculiar multinational. Angelini not only offers good drugs but we also engage in dialogue with and support the local industry, which is important to be perceived as almost a local company.

**You also export to countries like Angola, Mozambique and Cape Verde. Could you describe your export capacity?**

When the crisis started, local companies started considering exports to Angola, Mozambique and Brazil. While Angelini is a multinational, it also has the flexibility to export as well. Three years ago, we considered creating a business in Angola and Mozambique, and our current business there produces about €1.3 million in turnover. It is not a significant portion of revenue, but compared to three years ago when we had zero revenue from these countries, it is certainly helpful. Mozambique is less important for us because it is a low-price country. Angola, on the other hand, is growing. We have a local agent there as a commercial partner.

**What is the strategic importance of Angelini Portugal in relation to the entire organization?**

Honestly, it is not very high. Portugal is a small country. Based upon my experience, most subsidiaries of multinationals here are not that important to their organization and may even be managed by Spain. The positive consequence of this situation is that in order to be considered relevant you must try to do things even better than others in bigger countries. You need to be more innovative and engage in only the best practices.

**Angelini was ranked 29 in the Portuguese market last month according to IMS. How have you managed to maintain such a strong positioning?**

We are pleased with this position, taking into consideration the products we have. Angelini has tried to set working standards in line with the best multinational companies. When I started ten years ago, we were quite a local company in terms of management. Now our management team and most managers originate from multinational companies. The affiliate has created a blend of bringing in competencies of employees from MNCs while maintaining our flexibility and company culture. Investing in this business environment has worked.

**What is your strategic vision for the next five years?**

We are ranked 29<sup>th</sup> in Portugal, fourth in the pharmacy business and number one in the food supplements business, which we started only ten years ago. In that sense, I think we had some vision at the time in terms of anticipating the crisis. This also applies to Angelini's cosmetic business. The company is launching another line called Anjelif, which is a new brand of creams that are more cosmetic while Barral is more pharmaceutical. In five years, I would like to maintain our presence and competitive position in the prescription business. I do not think we will have new products that guarantee significant growth. But we are growing above the market, and I would love to defend this kind of performance, and to reinforce our leadership in the food supplement market, contributing to growth development in that area. We believe this market will grow faster within the limits of the crisis. We wish to reinforce ourselves in these new areas—OTC, cosmetics, food supplements—maintaining our position in the pharma business. .

**What is your overall synopsis of the current economic situation in Portugal?**

We are in a period of major transformation. Most industries in the private sector have the skills, competencies and willingness to change and improve within this difficult environment. Europe is facing competition from other continents that have raw materials, low cost labor, and a highly qualified young generation. Generally speaking, the pharmaceutical industry is demonstrating the capability to adapt to that change. Our authorities have not proved similarly until now. Both Portugal and Europe must adapt themselves to these new challenges, or we will decline.

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