Interview: Luis Nieto, Managing Director, Convatec Mexico



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Convatec acquired Boston Medical Device in September 2011. Which have been the major challenges following the acquisition, and which synergies are to be expected?

The story of BMD would suffice for several volumes, as it has been a long and winding road. We have experienced several transitions in the last five years. Convatec was originally part of Bristol-Myers Squibb. In 2008, BMS decided to divest its non-pharma business lines, Convatec and Mead Johnson. Convatec then needed to redefine its distribution strategy, leading to the formation of Boston Medical Device, a new and independent company which received the exclusive distribution rights for Convatec products in Latin America.

Boston Medical Device had an exceptional start, despite the challenging environment of 2008: economic crisis, variable exchange rate conditions and a lack of visibility of the global markets. BMD performance over the three first years resulted in an impressive CAGR, well above industry average.

In 2011, Convatec decided on a new strategic positioning as Boston Medical Device was growing faster and stronger than other companies/regions; thus transitioning the company back into the group and acquiring BMD. We are proud of the way our company is regarded today.

Which business model did you adopt to grow in such an accelerated fashion?

Any business model is based on four pillars: intellectual property, regulatory proficiency, marketing & sales and distribution.

The right setup of these factors result in the creation of new innovative problem-solving products, made available for users at the right time and in the right way for maximized clinical results. This allows us to remain competitive and de-commoditize a fairly commoditized industry.

Also not only do we have one of the best and most committed sales and marketing teams, but we also make sure we think and act in a fresh manner – the market demands it. This innovative approach allows us to stay away from the noncompliant practices that plight our country. One of the key actions for us is to ensure the proper training and education platforms are in place for the benefit of health professionals and patients. It is crucial to guarantee ultimate product satisfaction and improve patient's quality of life.

Is distribution the less strategic pillar because it is mainly based on relationships in Mexico?

The most important is that patients and healthcare professionals know that the product will be delivered on time and that the product is right for them. What really matters is knocking on the right door, finding the right strategies, working efficiently and delivering results. Obviously, having the right people occupying the right positions long enough will allow better results, but based on competencies rather than relationships. It would be too simplistic to say that doing business in Latin American is based only on relationships. Mexico is earning international trust and recognition, and in many ways getting closer to the practices of the most developed countries.

Would you consider Mexico to be a developed healthcare market?

In some aspects, pharmaceutical consumption in Mexico is close to the one of developed countries, and so is the epidemiologic profile. However, Mexico is more a "quick fix" country – there is systematic preference for pills rather than the use of a therapy or medical device (surgery) that could solve the problem.

Some of the most advanced therapies have only penetrated the market up to 4 or 5% – leaving great room for opportunity. However, it is complicated to change people's perception of treatment and adopt the medical device and the solution to their condition rather than fixing the problem with a pill.

Mexico is an emerging market in the eyes of many corporations. This is a geographic and demographic classification, which turns out to be economically incorrect. Although Mexico currently

has a strong macroeconomic stability, including reserves higher than ever, this doesn't translate into purchasing power or social security access, etc. The question then is not if Mexico is still an emerging market but if Mexico is an emerging market at all. And my particular answer is no.

What is the industry doing to change this situation and what are the main challenges?

Of course, nobody likes surgery and would rather go for a pill. However, when pills are not efficient in the long run, patients have to turn to medical devices, and this is where we need to work together as an industry.

On the one hand, we need to work on awareness – physician awareness and then patient awareness. For example, one of Convatec's product lines is Ostomy care. We have developed an ostomy pouch for patients to collect their stool waste. We still see some patients struggle to reintegrate in the society and get back to their activities, when the case allows. We need a serious change in culture. It is not about restarting the world, it is about changing the one we have. If you make the right health economic studies, there is a very strong incentive to do this.

On the other hand, we need to develop our physician and healthcare capacities. Lack of physician capacity leads to very few people getting treated and noncompliant practices in the field don't contribute to capacity expansion. In addition to that, healthcare capacity (hospital beds and operating rooms) is also an area of opportunity. Out of these four challenges –physician and patient awareness, physician and healthcare capacity–, physician awareness is by all means the most important and needs to by systematically addressed. Of course, all are linked in a virtuous – or vicious – circle, but it all starts with the doctors, since they are the first ones to meet patients.

Noncompliance is also a challenge the industry faces, and we do not abide to it. If no company accepted to work in this fashion, corruption would cease. We need to fix this problem with a top bottom approach, strategic planning with commitment and involvement from top management… and work together as an industry.

But if we address these challenges properly, that also means that compared to the pharmaceutical market, there are great opportunities for the medical device segment in Mexico.

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