

Interview with Ignacio Luna , Director General, Biofarma Natural CMD

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Biofarma Natural CMD started operations in 1992 as a company focused on natural products. Please can you give us an insight into how the company has grown since then?

I founded the company in 1992, and we had just four people working in the company in total, and we started selling nutritional supplements that at the time was fairly unique. The country did not have a culture of health and fitness, for example there were only a handful of gymnasiums in the whole of Guadalajara. At that time, people started looking for something different to a regular pharmaceutical product- they wanted something different like an herbal product, something natural, and something that they could feel was simple for their body. That is the way Biofarma started in 1992: by selling those natural products.

It took us eight years to consolidate the company in order to build the new pharmaceutical facility. We started building in 1998, and we finished in the year 2000. We opened the facility and COFEPRIS gave us the license to manufacture both medical products, and herbal products. We are proud of the fact that we are one of the only manufacturing plant in Mexico granted both licenses.

In Biofarma we have four different business units with our own products which are: government sales, contract manufacturing for both national and international companies, private labels, and nutritional supplements.

What is the balance between these four key business units?

In terms of units, our own branded products are around 20%, government sales are around 13%, contract manufacturing takes about 60% of the units, and nutritional supplements make up the rest.

As manufacturing seems to be a great strength in the company's portfolio, what is your customer break-down, and why should they work with Biofarma and not another company?

Effectively, the fact that we have approval for both medical products and herbal products in our plant helps us to be much more attractive for potential customers, because there simply just aren't very many of us around in the market. In reality we are offering something unique in that we produce these two types of medicines, and have the mentality of a pharmaceutical company with all the certificates and Good Manufacturing Processes (GMPs) that go with it. This attracts companies in the industry who are searching for high quality. At the moment, the company has two manufacturing plants: one is dedicated 100% to herbal medicines and pharmaceutical products, and the other one is totally dedicated to our nutritional supplement manufacturing. However, our level of quality and processes are found equally in both, which is what has given us recognition both from the market and from our customers.

You mentioned that 13% of Biofarma's sales are institutional; have you seen any more opportunities in this area since the changes in Seguro Popular and the fact that it now covers more than 50 million Mexicans?

Seguro Popular has been a fantastic initiative, and recently the program received recognition at an international forum in China which pushed Mexico to being one of the countries with the most pioneering activities in universal healthcare. This was a commitment on the part of President Felipe Calderon that he has achieved successfully by covering around 53% of the Mexican population under the scheme. It is incredible that we moved so far as a country from having only a small percentage of the population covered under a government healthcare scheme, to where we are today.

Having said that, it is a great idea and initiative, but it is still missing some modifications and improvements on the administration side.

We have sold to Seguro Popular in the past, although not directly, but through distributors. We feel that selling to them is a little bit too complicated due to the pricing tenders, and the basis on which they make their decisions, and it's better to leave it to the people who know how to deal with it.

Where do you intend to focus your strategy in the coming years in terms of reaching the company's highest potential?

Contract manufacturing has been a relatively simple business for us, as opposed to creating a brand for our own products. Creating a brand in Mexico involves many years hard work and a lot of investment, and for us it has been much easier to simply generate revenue through our manufacturing strengths. However, one of Biofarma's principal strategic goals in the next two years is to strengthen our brand "Biofarma" in order to give ourselves visible presence on the market, and we have started the promotion process already, and we are moving ahead step by step.

How exactly are you promoting the Biofarma brand?

We are promoting the brand only in points of sale. We do not have the funds to launch a media campaign involving television, radio and the like, so we are focusing on the direct approach with the customer and at the point of sale. We do this through special promotions and deals, placing our own sales people in the stores so that the customer makes the decision themselves, in the moment.

As you know the point of sale in the pharmaceutical industry is becoming more and more powerful every day, and they are also booming with their private label products, so where is the best place to put your Biofarma brand?

Yes, the distribution channels and pharmacies now have an immense power and they have huge potential to substitute products on their premises, which does not benefit many people in the industry. They are the ones who decide what to sell to the customer, and they can also pick and choose their manufacturers as they sell in such high volumes.

However, there have been a few key elements in the industry coming together over the last few months, mainly to do with the old 'miracle' products that were sought out and eliminated from the market since Mikel Arriola has been in charge of the COFEPRIS. Recently, herbal and homeopathic treatments have been much better received than before and on top of that, with the quality and manufacturing approvals that we have, the products have become much more valuable in the Mexican market.

How effective have the point of sale and promotion strategies been since starting, and are these strategies that you will continue to pursue in the future?

Yes, we are going to continue working in the same way and the intention is to create strategic alliances with other pharmaceutical companies who believe in our company, and who want to distribute our products as well. Our plan is to re-invest everything that we make from these

alliances in order to strengthen the brand. We believe it is a long-term project that we cannot afford to let drop.

What kind of partnerships does Biofarma look for?

We look for distributors at a regional and national level, points of sale and pharmacy chains mainly. There are some chains with an impressive number of sales outlets all over the country, and at the end of the day I think they are looking for products that give them security- it is extremely important for them.

Does Biofarma export any products, and if so where are the most important markets for you?

We have already started to export some of our products to the United States, and we are focusing exclusively on the Hispanic market. We spent one and a half years doing market research and we realized that this is the perfect niche in which to start exporting our products with success. There are large and very important Hispanic communities all over the United States, and there is a great demand for Mexican products that not only are people used to, but they are nostalgic for. The packaging is bi-lingual, and we are already selling four products over there. We are also exporting our products to Panama and Chile- we want to go both upwards and downwards geographically from Mexico! In fact, we are even in talks with a Polish distributor and will be selling one of our products in Poland very soon from now, after starting negotiations at a recent pharma event.

When we come back in four to five years from now, where will we find firstly the company Biofarma Natural CMD, and secondly the brand Biofarma?

We believe that the most important part of the business is the development of new products. This is where we are putting the most time and effort into, in order to comply with all the requirements for registration with the authorities. We want to form strategic partnerships with foreign companies that have a huge presence in the herbal market, and finally we will be exporting products as a Mexican leader in herbal medicines to the United States and the rest of Latin America.

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