Interview with Aldo Arata Munoz, Regional Manager-Southern Zone, Hospira Chile

29.07.2012

Tags: Hospira Chile

The Chilean operations for Hospira also manage the Argentine and Uruguayan operations of the company. What led to the decision of choosing Chile as the HQ for the Southern Cone region? Is this a reflection of the importance of the Chilean market for Hospira's global operations?

We were managing the Argentine market until December 2010, after which Hospira decided to set up an office there that would handle exclusively that country's operations. Those operations should be fully operational as of May of 2011. The initial decision to establish Chile as the headquarters for the southern cone countries stemmed from the fact that the country offers the most political and economic stable climate in the region. Originally they had thought of making Argentina the regional headquarters, but in the end it became evident that Chile had its advantages because of the ease of conducting business here.

What are the main milestones and achievements for Hospira Chile since you have been at the head of the company?

Hospira in Chile has faced many challenges since the beginning of our operations in 2005. I am sure you have heard from others that while this is a small market it is fiercely competitive and therefore difficult to grow in. Furthermore, Hospira's pharmaceutical products have not been launched full force in the Latin American market, so this means that our business in Chile is concentrated in medical devices, specifically infusion pumps. Since the beginning we have only offered eight of our pharmaceutical products in the Chilean market and have not been able to

introduce further products. The process for registering new products in Chile can be rather lengthy and costly, and due to the fact that this is a small market, our global headquarters has not been very enthusiastic about going through the process. Nevertheless, in little more than five years of existence we have managed to more than double our sales from US$5.3 million to US$12 million.

In an interview with Mr. Yang, General Manager of Hospira Taiwan, he mentioned that the medical devices market was saturated and that they were focusing more on software rather than hardware. Are you facing the same situation in your three countries of operation and what is the future for software and high-tech devices in Chile?

In Chile, the situation is similar to what you have described in Taiwan. Before the earthquake last year, Chile had around 44, 000 hospital beds throughout the country and today that number is probably between 38,000 or 39,000. Out of this total number, The Country has around 30,000 installed pumps which represents almost 80% of the available hospital beds. This leaves us with very limited room to expand our medical device business per se, so rather than trying to sell more devices Hospira in Chile is focusing on selling new software that improves the safety of infusion therapy. As an example, Chile is the only country in Latin America to have purchased our MedNet software, which is a server-based suite of applications designed to connect data from a hospital's drug information library to infusion devices throughout the hospital to monitor and provide reports at the system-wide level. We sold this software to the hospital of the University of Chile that is the country's flagship institution for medical investigation and research. I don't think that this software is something that all hospitals are ready to purchase and implement, but it is something that we will try to bring into the market in the future. There is evidence that the Chilean hospitals are willing to invest in new and advanced technologies, but they first need to understand the benefits that high-tech devices and software can bring to their business and procedures. For example, more than 60% of hospitals, including the public institutions, in Chile count on digital imaging devices in their facilities. This is because the advantages that these kinds of devices provide clearly outweigh their cost, and this is something that we will have to prove for our devices and software as well. As infusion security software, our software requires that hospitals monitor infusion errors at all times and Chilean hospitals currently do not have the standardized procedures to record this kind of data. We are now working in conjunction with the hospital at the University of Chile to compare the data and efficiency of their infusion treatments before and after the installation of MedNet to later use this data as evidence to convince the rest of our clients that indeed the benefits are immense.

Some people claim that Hospira's success today is based on the fact that it was originally a part of Abbott and therefore had a fail-proof product offering and support structure to begin with. Would you agree with this view? And more generally, what are the distinctive attributes that characterize Hospira as a company, and that have been responsible for its success?

This is simply not true, especially not in Chile and the wider Latin American region. Before the spin-off, Abbott had the marketing strategy to give hospitals their medical devices for free as part of a supplier's contract for the pharmaceuticals used for infusion therapies. If you take into account that medical devices are in fact the core of our business today, it has been an uphill struggle to make our clients understand that they have to purchase these devices and that we no longer give them for free together with our pharmaceutical offering. Even with this situation we have been able to drive continuous growth in the last five years and this has been without any support from Abbott.

The Chilean government strives to provide accessible healthcare to its entire population through the GES plan that favors the use of low cost pharmaceuticals. Furthermore, the new administration has indicated an expansion and revamping of the national healthcare system as one of their priorities. In this context, how is Hospira leveraging its comparative advantages to be favored by the public system?

I am not sure that I would predict large opportunities in the near future. For the next five years the strategy of the company is to focus on our medical devices and on selling our only proprietary pharmaceutical product, Precedex, which is already available here in Chile and throughout Latin America. Essentially the regional strategy is to focus on selling our new technology to the hospitals and to bring additional technologies that Hospira today has in the US and Canada. I am following the general guidelines of the regional strategy while adapting to the specificities of the Chilean market. There is no requirement to register medical devices and new technology in Chile, so this is something that we want to take advantage of to bring in new possibilities for growth. At the moment I am negotiating with our headquarters in the US for them to allow me to bring new pharmaceutical products to Chile, because I believe that there is great potential for many of the company's pharmaceuticals. Currently Hospira does not sell pharmaceuticals in the large Latin American markets, such as Brazil, Mexico and Argentina, so it is difficult for me to prove to HQ that this can in fact be very profitable in the region. Especially because Chile is small in size, they just don't believe that it is worth investing in introducing new products into this market.

The majority of the innovative international companies we have met have spoken about Chile as an attractive clinical trial environment given its access to qualified technicians and a population with favorable characteristics. Is this an opportunity that Hospira is looking to take advantage of? What do you believe is needed to expand the Chilean clinical trial market?

At the moment we have no plans to bring clinical trials to Chile. This is a decision that is taken by our headquarters in the US and for the moment they have decided that the company's clinical research will not be conducted in Latin America. Hospira is concentrating its research mostly in biogenerics and this is a sector that is very strong and developing very quickly in the US. The idea behind this strategy is to consolidate the biogenerics business in the US and Europe before

internationalizing it to Latin America.

To sum up the interview let's speak about the future and your vision for Hospira in the Chile for the next 3 to 5 years. What are your aspirations and where would you like to take the company by then?

I believe that Hospira has the capacity to be the leading injectable generics company in Chile considering the extensive portfolio that the company has. The challenge for us is to convince our headquarters of this great opportunity so that they allow us to offer every product that the company has. Even though Chile has many local manufacturers that produce generic versions of pharmaceuticals at extremely low prices, I am confident that Hospira would still remain competitive due to the quality and excellence of our products. For example, some of our pharmaceutical products in Chile sell for more than 5 times the price of the second most expensive offering of the same product and there are about 20 variations of this product in the Chilean market. Even with this massive price difference we still managed to sell 1.5 millions units last year. This makes it clear to us that the market is open to pay a premium price for a quality drug and I believe that this is a great opportunity for us to grow in the coming years. My idea is to position Hospira as the leading branded generics company in Chile.
This year my plan is to open up the market to our infusion security software and to expand our sales in this segment by convincing the hospitals that this is a very important issue for them. It won't be an easy endeavour, but it is definitely our big chance for growth and I would like Hospira to be the first company working on this issue in Chile and differentiating our medical devices in this way.

See more interviews