Interview with Mazen Makarem, General Manager, Farma de Colombia

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Tags: Farma De Colombia

Having just recently celebrated its 50th anniversary in Colombia, how would you describe Farma de Colombia's unique business model and what have been its keys to its success?

We are a brand company. We build marks and brands. While we do sell to the government, our main strength lies in selling to the private market. With Colombia approaching universal health coverage and with the tremendous reach of the population to healthcare there is still an important private market which we focus very strongly on. We prefer to focus on this smaller market within the country rather than going to tenders and selling generics where we would be competing with the larger companies such as Genfar and Tecnoquímicas. Since the brand is a very important focus for us, the private sector gives us a good arena to build exactly those brands.

We manufacture and brand lines both for Farma de Colombia and third parties through the contracted manufacturing operations of Merck and Sanofi-Aventis in Colombia and Liomont in Mexico, and Ache in Brazil, among others. We also have some manufacturing agreements with Boehringer Ingelheim.

What are some of the important brands that you have helped build that attest to your strength in this area?

We have built Calcibon which is Colombia's market leading calcium prescription brand and a big rival of Pfizer-Wyeth's Caltrate.
Akatinol (memantine) is another one of our brands to treat Alzheimer's. Memantine is one of thirty

molecules in the world that has $1 billion worldwide sales. It is originally from a small company called Merz who discovered the molecule and who we now represent through a long-term license contract. Ever since establishing this contract we have been the market share leaders in Latin America for Alzheimer treatment despite there being about six to seven branded generic copies.

A third important brand is Celectan (Nitazoxanide) which is for parasite treatment. It attacks two groups of microorganisms and we are in second place in Colombia with this product. Celectan is our own brand but we have a manufacturing agreement with Liomont in Mexico for them to produce it for us.

Another leading brand we have is Herrex is our market leading brand for iron which we produce via drops, tablets, and syrups. Its success hinges on its fast absorption and minimal gastrointestinal side effects.

Additionally we are leaders in irritable bowel syndrome (IBS) medicine through Colypan (trimebutine) . Trimbutine was originally from a small French company called Jouveinal. Parke Davis eventually bought this company and then Pfizer subsequently acquired Parke Davis, therefore launching their own IBS product with the molecule. Trimbutine being a molecule with more than thirty years on the market, it did not have a patent and we were able to make our own brand here with all of our expertise. We were able to convert Colypan from the thirteenth trimbutine drug in the market to its current top position.

What is the balance of OTC, institutional, and prescription sales within Farma de Colombia’s portfolio?

The OTC market is still a sizeable portion of our sales at 22%. The institutional market is about 25% of our sales and the rest is the prescription line.

We are currently 17th in sales and market share in the Colombian pharmaceutical industry. We are very close to being 16th and our goal is to crack the top-15 list.

Turnover in 2009 was $35 million. Given the tough economic circumstances facing all pharmaceutical companies last year is that figure an accurate reflection of the company’s recent past performance and where it is heading in the near future?

$35 million was around 13% growth for us which beat the market performance. This year we are planning for more aggressive growth at 15%. Our growth over the past three to four years has been driven by our investment and purchases in different brands. We bought from a tiny company called Lutecia an important brand called Milpax. It was a $3 million transaction in which we were able to see a return of investment in just three years. We are very happy with that purchase. We also bought the antibiotic line Keflex from Eli Lilly. Investments such as these have pushed our growth over the past three to four years.

Will Farma de Colombia's 15% projected growth be driven by the institutional, prescription, or OTC market?

I would say through the prescription market. We still have a lot of advantages and unique selling propositions in this market. We have been very innovative in the way we approach doctors which I think this has been the secret to our success.

The pharmaceutical market is very inelastic. It does not change a lot when there are crises, nor does it shoot up significantly when the economy is booming. But at the same, many pharmaceutical companies are repetitive in the way their representatives approach doctors. We are more aggressive in explaining our advantages to doctors. We invest a lot in sales training. We hire our representatives either from small companies with one year of experience or with no experience at all so that we are able to shape them to our company profile and sales mentality. Two-thirds of our work force is made up of sales and marketing personnel which is a testament to our aggressive sales approach.
Because of that, I do not have any concern over manufacturing. Our contracted companies do the manufacturing for us and we concentrate on studying innovative sales strategy. We do not engage in sales practices such as giving presents to doctors in order to get prescriptions, which is something common in Latin America. The main and most effective strategy is to explain to doctors that our products have a difference. All of the brands I have mentioned have a competitive advantage.

Most pharmaceutical companies preach the value of having high-quality products at affordable prices. While it is great in theory to preach, in practice the scale usually tips towards one of the two. Which way does it tip for Farma de Colombia's products?

Multinational companies, I would say, sell high quality at high prices and in a low volume of units. The national companies all claim, of course, to have high quality products but the perception amongst doctors is of average quality medicines at low prices and in high volumes. I believe that we are regarded with two of the things you mentioned – high quality and affordable prices. I would more accurately classify our drugs to be a little above the market average. However it depends on the segment we compete in. The value of Farma de Colombia's products is something that patients are willing to pay for.

What are the main export markets that Farma de Colombia concentrates on?

Panama and Ecuador where we have deals with distributors and pharmaceutical companies. We sell them our product ideas, they generally like them, we offer input on how to market them, and they do everything from there. So it is not necessarily Farma de Colombia being present in these markets, but rather, it is these companies themselves. The only product we sell in Ecuador for the time being is Milpax. All of our other products are sold in Panama, which is a very important market for us. We have been doing well with this model because our international exports total about $6 million per year.

Given the geographic positioning of Colombia and the intense competition in the local market it naturally follows that Colombian companies expand into the clustered markets of Central America. Are you eyeing further expansion on top of Panama?

When I talk about Panama I should mention that distributors in Panama sell our products to other countries in Central America. Panama is therefore our gateway to the rest of Central America and the Caribbean. Yes, we are looking towards Central America because it is close but it is also a hard market. Each country is like a state with its own registered laws. Sometimes you can get the brand in Costa Rica but you do not have it for Guatemala. That is why we use those distributors in Panama. We take care of the registration and the brand and they iron out the logistical details for distribution through the rest of Central America.

Is there a strong sense of competition amongst Colombian companies battling for the Central American markets?

Genfar and Chalver are there as well as Tecnoquímicas. But you actually see more Mexican companies in Central America than Colombian ones. However, the tides are changing. When I used to fly to Central America about five years ago I would not see many Colombians on my flights to Costa Rica or Guatemala. Now when I go, everyone on the plane to San Salvador and Guatemala is Colombian which is a testament to the attraction that these markets hold for Colombia.

Brazil is often seen by Colombian pharmaceutical companies as a tough market to penetrate. Yet you have a firm alliance with a Brazilian company. What advantages does this bring to Farma de Colombia?

Yes, we have a strong alliance Ache which is a huge, $1 billion company. We used to have an association with a company called Biosintetica for anti-hypertensive products before Biosintetica was eventually bought by Ache. The guidelines nowadays say that anti-hypertensive products have to be a combination of two drugs. Biosintetica specialized in developing enalapril and amlodipine in the same capsule. Then we switched to a newer class which is Angiotensin-2 inhibitors and amlodipine in the same capsule. Ache is the expert in doing this. We are now working with Ache with Aranda, for our hypertensive cardiovascular product, which is in very tough competition with Novartis. Doctors nowadays want to lower hypertension very quickly and very aggressively. The concept for Aranda is very interesting because it lowers hypertension much more than if the drugs were given separately and with less side effects. So we are quite optimistic about this cardiovascular field that we have entered.

Regarding our alliance with Brazil we are more so taking advantage of their ability to develop molecules more so than the market opportunities in Brazil itself.

How many companies in total do you represent?

Through our alliances with Liomont in Mexico; Valeant, an American company who is very strong with Mexico; Ache; Merz from Germany; and Vifor from Switzerland we represent about five or six companies. About fifteen to twenty years ago we used to have more licenses than our own products. Now the situation is reversed. Licenses do give you status and quality but with the global trend of associations, mergers, and join ventures, licenses are fast disappearing.

That is what happened with us and Astra-Zeneca in 1999. When I began as general manager in 1999 one of the first pieces of news that I received was that Zeneca and Astra merged which forced out our $8.5 million license agreement with them.

That quickly prompted us to seek greater control of our own products. Since 1999 we have tripled the business in our own product lines.
However we are still considering new licenses only if it is for a long term basis and assuring that the products fit our portfolio.

As you continue to grow more brands do you think there will be a need to have your own plant?

Yes, perhaps in the future. Going from plant to plant could be a risk since those plants could shut down as part of the global trend of production consolidation. But to maintain a plant is very difficult. You need economies of scale and units. Perhaps our own plant is not in the plans now, but in the future it is a likely possibility.

On the flip-side of losing the $8.5 million contract with Astra-Zeneca what have been the proudest achievements under your watch as general manager over the past eleven years?

I am proud of being able to use our experience in representing these big companies to change the mentality of having our own brands. It was because of our experience representing these companies we were able to aggressively launch our own line of products.

In 2000 many people in this company were very used to marketing the multinational products. It was easy, after all, to market a product such as Losec since it was the number one product in the world. But the loss of that product led to a re-evaluation of the company with many people losing confidence and not believing that we could go on. As a result I changed 60% of our staff. We had to lay-off a lot of people who did not believe that Farma de Colombia could go on without the big Astra license. I told people that they could not continue with me at Farma with that type of mentality.

Since then we have worked a lot on internal promotion. 90% of people in management positions in this company have risen through the sales force. They have grown with the company with our philosophy. People asked how we were able to survive and I say that it came from a change in mentality. I am extremely proud of our experience in training our own sales force, as I mentioned earlier.

Tripling sales in ten years is also an achievement that we are proud of.

What are the values that you instill amongst your staff to keep the company moving in your direction?

I stress the need be yourself within the rules of the company is my philosophy. If you do that, you will be successful here. When you try to be more than what you are and exert more than what the rules of the company say then you will not be successful. Likewise, submissive people in this company will not make it either. Be yourself. We are open. We are horizontal making fast decisions.

Sometimes we say to ourselves that we need to bring people from outside in order to bring in fresh perspectives and think outside the box. Every once in a while we bring in a product manager from outside.

What are the goals you have for Farma de Colombia over the next five year to enhance its position in the Colombian pharmaceutical market?

We are now launching two products per year in key markets. We have set $1.5 million in annual sales as a benchmark for each product otherwise we won't launch it. We want to buy companies and products and become one of the top-15 pharmaceutical companies in Colombia; not necessarily number one. We are in a good financial position to make such purchases. We have zero financial leverage. We have cash on our balance sheet to buy companies and grow more. All of the products that we launch here we want to launch as well in Central America which will require us, as another goal, to strengthen relationships with distributors in the region.

As a Venezuelan national, what advice would you give to foreign CEOs coming to Colombia?

First, adapt to the culture. Do not try to impose your culture. Second, Colombia is a country with many different regions each with its own way of thinking. Like all Latin Americans, they are indirect. You have to know here how to go beat around the bush a little bit.
Overall, Colombia offers many great opportunities. The country has among the best and hardest working people in Latin America. If you empower people and give them confidence, because of their loyalty to their company, they will work very hard.

What would be your final message to the readers of Pharmaceutical Executive about the work and accomplishments of Farma de Colombia, a company with fifty years of dedicated service to this country?

I think we have gone with the history of the country. We have had ups and downs. The corporate video that I am making for our anniversary follows the path of our Swiss founder who came here thinking that he could make it big in Colombia which at the time was a very closed country. But he insisted that Colombia could be something. It took about a good twenty years with a dedicated group before the company really took off and the results speak for themselves. The past twelve years of growth also coincided with the resurgence of the country. I joined as general manager in 1999 when the security situation was really bad. We saw bad times and now we are seeing good times again. Although we are a Swiss equity company, we consider ourselves 100% Colombian and proud of our work in this country.

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