

Interview with Zenaida Balajadia, Chairman of the board, Lloyd Laboratories

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Ms Balajadia, you founded Lloyd Laboratories in 1989. What was the driving force behind the establishment of the company?

Truth is, when we started on our first business venture way back in 1976, we never even thought or planned of one day putting up a manufacturing plant. We were into diverse undertakings, like managing the MDLD Rice Mill which we inherited from our parents. Then opportunities came our way, when suppliers offered us to distribute their products in the Philippines. This paved the way for an expansion into the distribution and trading of active pharmaceutical ingredients (API).

With the simple dream of setting up a group of companies in some future time, I decided to give the recognition to our parents whose initials (MDLD) were found in our first business. So I used MDLD to identify our second business on API naming the company as MDLD Interchemicals, Inc., but with a twist. This time the initials MDLD were the acronym of my husband's and three sons' names; Maximo, Dennis, Lloyd and Dick. Now it has become one of the oldest and most successful API trading Company in the Philippines. One of our first business partners was Roche Pharmaceuticals most especially for their vitamins and other raw materials. This was for more than 20 years until they merged with DSM. Currently, we still distribute many of their products. We also went into massive importation of Empty Gelatin Capsules from Capsugel. Today we import and trade raw materials from Switzerland, India, Germany, Thailand, Hongkong and China.

But, back to the founding of Lloyd Laboratories. As earlier mentioned, this was never in the drawing board; but sometime in 1989, the issue of counterfeit products became very urgent in the country. Because many of our clients for the API were manufacturers who were affected by the issue; I felt that I have to be one with them in trying to eradicate if not totally eliminate the problem. It was identified that one of the easiest ways of counterfeiting products is their being bulk packed in bottles and retailed packed in small paper bags. In one of my travels abroad, I saw an opportunity of introducing a new concept of packaging medicines in individual packs even for the retail market. I felt that this could be the solution the manufacturing business in the Philippines was looking for. So, I bought a Blister Machine, not knowing exactly what a blister machine could do. This paved way for us to register Lloyd Pharmaceuticals with the objective of improving the packaging of medicines in the Philippines.

With the new concept of product packaging presentation, our initial 30 clients were not hard to impress because they had been our API customers who wanted to protect their products but did not have enough funds to invest in packaging machines. This challenge was presented to us and required us to import not only blister; but, likewise stripping machines. In just 6 months, we were able to add more machines; so, this also meant for us to incorporate the business; thereby Lloyd Laboratories, Inc. was founded in 1989 to accommodate the expanding business in packaging medicines.

However, with the expansion and the stringent requirements of the FDA that even the packaging of medicines would require Quality Control procedures and equipments; this posed a bigger problem not only for us but for the more than 200 laboratories in the Philippines at that time. But since we were committed to our clients, Lloyd Laboratories, Inc. was transferred to a sprawling 3.5 hectare lot in an Industrial City in Malolos Bulacan. This was also in compliance with the FDA implementation of the cGMP zoning provision that laboratories should not be found in residential areas, where the original Lloyd Laboratories, Inc was situated. The additional provision drastically caused the closure of more than a hundred laboratories which did not have enough funds to comply. However, this created opportunities for Lloyd Lab., because since these laboratories decided to focus on marketing their finished products: they totally left the manufacturing of these products to us.

This officially started the toll manufacturing business of Lloyd Laboratories, Inc which also paved the way for the construction of the complete manufacturing complex in 1994. Currently, Lloyd Laboratories, Inc. is the Contract Toll Manufacturer of more than 40 traders; both multinational and local companies who are known players in the pharmaceutical industry in the Philippines.

Looking at the contract manufacturing industry in the Philippines, your biggest competitors are giants that have been in the industry for a long time – Interphil for 50 years, Hizon for more than a century. What is the competitive advantage of a more recently established firm like Lloyd Laboratories compared to these older players?

There is no such thing as an advantage, but rather a difference. There is no need to compete in the industry where there is so much opportunity to fill for all of us. I believe it is in the business focus that each manufacturer creates the difference. It is not even in the length of existence that may prove the total worth of the entity. For Lloyd Laboratories, Inc. one of our goals is to support smaller national companies so that they will be able to compete in the market. Other bigger toll manufacturers do not cater to the needs of new or beginners in the industry because this would not create a good picture if they service the needs of multinational companies. We would like to see many small national companies grow and create the demands for more Filipino entrepreneurs to find their place in the Philippine market for pharmaceuticals. I believe also in peaceful co-existence in the same field that we excel at.

Now that more and more multinationals are turning to toll manufacturers, Asia is becoming the hub for contract manufacturing especially China and India. What is the potential for the Philippines to compete in the contract manufacturing and how is Lloyd Laboratories positioned in this South East Asian competitive arena?

Competing with India and China as a Toll Manufacturer is surely a hard feat to do. There are lots of factors that could be mentioned that will prove my point. Foremost is the availability of the API. While both China and India are sources of raw materials, the Philippines has to import all raw materials from other countries including China and India too. As imported API's the cost would be higher because of the import tax paid for by the manufacturer. Secondly, the cost of labor in China is much lower than in India; making labor cost in the Philippines very much higher among the three countries. Then the regulatory requirements in the Philippines are more stringent, making the approval of the registration much longer than in the other two countries. For these and many more reasons; I say that there is not much potential for the Philippines to compete in contract manufacturing.

But, Lloyd Laboratories has positioned itself by focusing on branding. Though this is an expensive process because of patents, registration of products and country regulations, etc.; we know that this will be the best way to enter some potential markets in other ASEAN countries. We have observed that there are several ASEAN countries which have penetrated the Phil market. So on the same manner, we have decided to penetrate their markets by exporting both our pharmaceuticals

and consumer products to Vietnam and Indonesia. With these initial ventures, we are evaluating different approaches on the best way to enter prospective markets in other countries. As the ASEAN harmonization is not yet in place, there are no firm regulations as yet; so that every country has its own policies – but we hope that there will be specific guidelines so that there will be real harmony among ASEAN countries particularly in the pharmaceutical business.

In addition to exporting to other ASEAN countries, Lloyd has set up a partnership for a manufacturing plant in Pondicherry. What was the rationale behind setting up a partnership for a manufacturing plant abroad and why have you chosen India?

After having been in the manufacturing business in the Philippines for 20 years; Lloyd is now ready to embark on future expansions that would mean creating partnership with foreign manufacturers. This decision did not come fast and easy. There were lots of parameters that had been considered. Along the plans for exporting products, we had to look for a partner that has existing capacity for their products to be acceptable not only in Asia but most especially in the USA, which is our target market. On advanced technology, our partner should be capable of doing new products that would serve not only the domestic market but the world as well. But most importantly, we need a trusted partner worthy of all the investments of Lloyd; given the geographical conditions of the partnership.

For all these considerations; we have chosen to be a partner of an Indian group of companies firstly because of the kind of relationship based on mutual trust that we had with them all these years. Secondly, the plant which is found in Pondicherry is a serial injection facility which could not be introduced in the Philippines because of its high maintenance cost and the technology needed for the operation. Thirdly, the cost of manufacturing medicines in India would come up much cheaper because of the raw materials available, the labor cost, and the existing technological expertise of their scientists.

Fourth, the registration to export to the US and to other European countries is already possible and existing in India. This had been our long-term goal and it would be made possible with this partnership.

Do you have plans to further expand your international foothold?

Dreams and plans, we have many. But we go one step at a time. We are currently negotiating for a partnership in Vietnam. Though we have our own representative office there, and we are into marketing of some of our products; it would be more viable for us to look for a local Vietnamese counterpart to expand our reach.

We also have a pending partnership in Indonesia and in the US. We are very strongly looking towards the US for a possible joint venture with a cosmetics company because of all the regulatory requirements if we export directly. But a tie-up with a local company would make introduction of cosmetics and even pharmaceutical products easier and faster.

This is our direction in the next five years. Since the Company has already an international exposure at the moment; we will plan on other actions that will put the Philippines and its products in the world.

Going back to the ASEAN harmonization, which you hope is going to happen soon, do you think it represents more an opportunity or a threat for Lloyd laboratories?

May I state, that it is not the wish of any manufacturer for ASEAN Harmonization to happen soon. What I said earlier is that; should it happen, then maybe clear cut guidelines should be in place sooner. I believe that it is crucial to get the support from the Governments of every country to ensure that harmonization is really in place and that every country supports the same requirements especially on registration so that exporting and importing products would come easy for all member countries.

For example: we are importing products from Indonesia; but if we want to export pharmaceutical products to Indonesia, they will require us to set up manufacturing plant in their country while it is not required in the Philippines. In Malaysia and Singapore, they require all importers to be PIC/S members even if in the Philippines they may or may not be a PIC/S member. These are only some of the inconsistencies that I may cite to support my claim that for harmonization to be effective; governments or regulatory agencies should have the same guidelines and protocols for all member countries.

I know that harmonization would be both an opportunity and a threat for Lloyd Laboratories. Opportunity for us to export products to ASEAN countries and threat in a sense that our existing clients may now have other choices for buying finished products at lower cost than the ones we have manufactured in our plant. But either way, I know and I am confident that there will be a balance for us business wise.

How important do you think it will be for a local Filipino company to focus on research and development and on technology in order to increase competitiveness?

I should say that research, development and technology are the life blood of any manufacturing company if it wants to be competitive and co-exist with multinationals. Seven years ago we bought

the technology transfer for Co-amoxiclav because we believe that it is only in investing on specialized products that we could counter-act the influx of imported products in the Philippines. Currently, Lloyd Laboratories is the only manufacturer of Co-amoxiclav in the country which we plan to export to Asia and throughout the globe.

Today, we have finished the construction and the set up of the only Dry Powder Inhaler (DPI) operations in the Philippines. This will prove our commitment in investing in innovation and technology. Aside from technology transfers from our partners abroad, we also hire consultants to help us perfect them. Our drive is to be different from the other manufacturers in these aspects so that we could even the playing fields between the national and the multinational manufacturers.

I strongly advocate that Filipino companies have to invest in technology because many clients and users believe that imported products are better than those locally manufactured ones. We have to work much in order to change this paradigm among us Filipinos. Even our Government through the PITC is importing products because of cost and quality considerations. These had been discussed in meetings where we get the answer that the government imports the products of multinationals so that they could get them to lower their prices. However, it had always been the stand of local manufacturers that the government should only import products that they could not produce in the Philippines. It is our hope that the confidence on the quality of products produced locally be strengthened; not only by our Government but by every Filipino so as to ensure the continued growth of our local companies.

When we interviewed Mr. Isaac at PCPI, he told us that in his opinion, in order to be competitive, Filipino companies should find where to position themselves. Where is Lloyd Laboratories positioning itself to compete in the global pharmaceutical arena?

I am of the same opinion as that of Mr. Isaac; we manufacturers are targeting the same clients; so it is only where we plan to go and how to get there that will create the difference to remain competitive. Lloyd Laboratories has always remained as a front runner because we specialized at the innovation of products. For example, when we first tried manufacturing Co-amoxiclav, no one in the Philippines wanted to try because it was difficult and very expensive. But since we knew that the market base is huge and profitable; we went for it by hiring consultants, buying technology, constructing the facilities and eventually earned the title of the only manufacturer of Co-amoxiclav in the Philippines.

We also try to innovate by combining together existing products to form a more easy dosage and likewise reduce cost to consumers. We have developed a new product combination for TB which

previously required the purchase of three different medicines in separate bottles; now these could be taken in a single dose. The combination is even packed in sachet form which will make children take the medicine all together with not much problem of under or low dosage.

Now we are trying to perfect the formulation and process for the manufacture of dry powder inhalers (DPI) that will allow us to export a truly quality Filipino product. Once again this added investment will make Lloyd Laboratories as the only manufacturer of DPI products in the Philippines.

We innovate, we improve taste, we monitor product acceptability, we pelletize, we identify products that are not manufactured in the Philippines... these are the niches in which we try to position ourselves.

As the founder of Lloyd Laboratories, what have been some of the biggest challenges that you faced starting a manufacturing company and what legacy would you like for the future generation?

I have always believed that building a dream is not enough. It needs vision, and I could proudly say that I have much of that. I enjoy challenges; I have them for breakfast and I enjoy overcoming them each day. Lloyd Laboratories was never a dream, it was not even a vision; but when it was conceptualized, I put my heart and soul into the project and we have an institution today.

The start was never easy; we started with the challenge of how to make an initial investment of 8,000 pesos become the company Lloyd is today. There was the challenge of people; how to develop a breed that would make the company their priority in their day-to-day existence. There was the challenge of technology, the challenge of growing and not stagnating and the challenge of holding on to be the leader in the industry. But all these we have overcome, done with and learned by experience with the help of partners, experts, gurus, the people themselves who had been our greatest asset of change, but most especially by the grace of God and the support of my family.

As a legacy, I would like to leave the example of hard work, dedication, loyalty, honesty and service to my colleagues and workers who made the journey together with my husband and I. Most especially, I am fulfilled to watch my three sons mature and establish themselves as successful entrepreneurs. My eldest son is in charge of consumer products, branding and positioning in high end markets where only few players are positioned. My second son is currently in charge of the pharmaceutical business, innovating products, working at mergers and acquisitions. My third son manages hotels, restaurants, as well as a wellness spa. We are from diverse marketing focus; but have followed the same entrepreneurial skills and visions. Now I also have six grandchildren and I hope that they will see me as an entrepreneur and a caring grandma so that in the future they will

continue acting out the same legacy we have left them in whatever field that will make them happy.

On a personal note, being an empowered woman and a grandmother at the top of a company, how difficult is it to balance personal and professional?

To date I am on top of many companies; but I always find the time to be the ultimate winner in whatever role I play to the best of my ability. I could be the Chairman of the Board at one point of the day, but may revert to a Mom when I advise my sons and a grandma when my grandson in a room next to my office starts to cry. But best of all, I am always the supportive wife anytime and everytime. These and the many more functions I do in the span of 24 hours a day are just routine for me because I handle my time well and I focus on my priorities best. If I have to work even late into the night on weekdays, it is a standing order that Sunday's is for the family. There is also the annual family vacation when talks of business are not tolerated. I am still the mother holding everybody together, trying to keep everyone in touch in the midst of the busy schedules. It is about balancing private and professional time that makes one successful.

But most of all, I do not forget to take care of myself. Many people have asked how I was able to maintain myself in such good health and the answer to that is: I wake up every morning at 6 o'clock to do aerobics and jogging. Before anything else, I try to exercise every morning, and have breakfast with my husband before I go to the office. But the best role that I want to play to the hilt; is that of being a grandma...this is my elixir and it keeps me younger.

Lloyd Laboratories is one of the new up and coming players in the Philippine pharmaceutical industry. Where would you like the company to stand in its twenty-fifth anniversary?

That would be four years from today! On our fifth anniversary; the management team created a slogan of "ONE in TEN" which meant that on the tenth year of Lloyd Laboratories we would have been the number one local manufacturing company in the industry. Every five years from then on; there would always be a goal for us to achieve. When we celebrated our 18th year we stated: "Excellence in Manufacturing; - Conquering New Horizons.." By our twentieth year; we made it with every goal we have set....we won the National Award as "Outstanding LMC for Industrial Peace for the Unorganized Category" which means that we are a non unionized company with the Best Labor Practices, we were chosen as "Employer for the Year" in Bulacan, we have retained our ISO Certification and many more prestigious honors were achieved on the same year. We believe that we have sown good seeds and the time for harvesting has come to Lloyd Laboratories.

In the next four years....our mantra would be “Entrenched in the Philippines, Now in Asia; soon the World.” As a Filipino company who wants nothing but to excel so that it could create more jobs and opportunities for other Filipinos as well; we are very confident that with the help of God Almighty we could serve our country best by giving back to our fellowmen what we have received as blessings all these years.

Lloyd Laboratories, Inc. will be a global player, a manufacturing professional with addresses all over the world on our silver anniversary; and may our silver turn to gold in the service of Filipinos.

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