

Interview with Rafael Martau, Commercial Director, Bomi Farma

28.07.2012

Tags: [Bomi Farma](#)

Much has changed at Bomi since we last met in 2007. At that time, you were launching your new facilities, with 72,000 square metres of built area, 14 metres free floor height, 108 docks, and 65,000 pallet capacity – it was a very exciting time. What have been the most important occurrences since then?

In 2007, Bomi had only 50% utilization of our 72,000 square metres. Today, we are full, and are currently undergoing a second phase of expansion to increase capacity up to 85,000 square metres. Additionally, in the last year Bomi has constructed a new 15,000 square metre warehouse in Santa Catarina which has already become home to many of the largest pharmaceutical companies who require logistics assistance yet are structured outside of Sao Paulo.

Since 2007 we have seen a rapid increase in the market. Many of Bomi's clients are increasing at annual rates greater than 20%, and Bomi is itself increasing over 20%. The fact is that no industry has the ability to absorb this pace of sustained rapid growth, and the first areas to feel the squeeze are warehousing, storage, and logistics. Additionally, ANVISA is more and more rigid and exigent, and this puts pressure on the entire value chain, all the way down to raw materials – which Bomi has been transporting for some years as well. These stricter ANVISA regulations create a situation that restricts new entrants to the market, and requires new logistics solutions to be sought out constantly. Consequently, Bomi has evolved to become the largest specialized healthcare logistics and distribution services provider in Brazil.

You mention restrictions imposed by ANVISA create a difficulty, and also an opportunity, for the industry. Are there other bottlenecks with a comparable impact?

What most impacts in terms of difficulties is the question of transport. Warehousing is a private initiative, whereas roads, rail, and boat are governed by public investments. In pharmaceuticals, the most important are road and air transport. However, it's important to note that in the case of road transport, the roads themselves are not the only problem. In fact, today there are over 200,000 idle trucks in Brazil due to a lack of available, qualified drivers.

10 years ago, drivers had the idea of a certain lifestyle that involved freedom and taking the open road. Now, modern systems control everything the driver does, as if their lives had become a reality show! They cannot leave the road, stop, open windows, or go off the designated path without the command center at Bomi knowing about it. This is for their own good - it reduces accidents and a high level of robberies, and because of it they are far more effective and efficient at making deliveries valued up to R\$5 million. Sadly, this control has meant many drivers have decided to pursue other careers.

Speaking to the quality of the roads, however, it's obvious there is work to be done when trucks are forced to drive on two-lane highways, or even one-way street. When we get that fixed, it's an issue of airports reaching full capacity. The biggest worry right now is the following: what will happen, if they are at maximum capacity now, during the World Cup in 2014, and the Olympics in 2016?

Today there is pressure not only on runways but associated transfer infrastructure. Due to ANVISA requirements, many shipments are carefully climate-controlled, which means that shipments must be rapidly transferred at the Infraero checkpoints upon landing, or we risk losing the shipment. It's a big challenge, and a big worry.

What's good is that, as well as asking public entities to improve roads and airports, companies exist like Luft Group, of which Bomi Brazil is a part, which are family businesses with a consistent strategy of investing to take advantage of market growth. In fact, Luft Group invests the most in health logistics in the country, and uses market demand as a way to spur growth and investment. In 2011 alone, Luft Group will invest over R\$30 million, and in the past three years, we have invested R\$170 million, in not only warehouses, but in truck fleets. By the end of 2011, we are also opening an affiliate in Recife to better serve clients in the fast-growing and remote Northeast of Brazil, because decentralization of stock is another way of absorbing growth.

In our last report, Alexandre Panarello was proud to note that his geographic reach is the best in Brazil. Gilberto Mayer highlighted that he may not be in as many places, but where he is, he's very deep. Your old boss Mr. Corrales said the main differentiator at Bomi in 2007 was how you took care of logistics - tax, stock, etc. What differentiates you know?

Logistics and distribution are getting closer and closer, which means that distributors no longer view Bomi as a competitor, but rather as someone who can help them out. The two companies you mention, Santa Cruz and Panarello, has projects with Bomi to integrate into our facilities, which means their trucks leave with a common accord from our warehouses and occupy space for lack of capacity in their own warehouses. In the past, there was a spirit of competition, but now, this has been largely replaced with a spirit of collaboration.

Bomi has the advantage of the principle of neutrality. This neutrality allows us to partner equally with pharmaceutical companies, raw material producers, pharmacy chains, and distributors alike.

We have met a number of pharmaceutical companies who want to get away from distributors, saying that there is only so much a company can grow when they have hundreds of clients. What would you say to them?

I would tell them that Bomi is here to do whatever they want. If they want access to the 55,000 pharmacies of Brazil - we can do that. If they want to go straight to the patient's house via e-commerce - we can do that as well. We're here to perform whatever strategy they desire, and if they want a mixed solution, we can put that together as well. The pharmaceutical industry always wants to change the business model, and Bomi is the specialist in the pharmaceutical industry that can help improve costs, margins, and ways to increase profitability whatever the channel or challenge. Our clients need only focus on producing their pharmaceutical products, and leave the distribution and logistics to Bomi.

How will the impact of proposed traceability programs affect Bomi's business?

The issue of the traceability seal to be mandated by ANVISA is one question that we are more and more focused on until 2015. It's an initiative that has the potential to bring enormous benefits, and must be addressed. It will make deliveries more secure and prevent theft. There is no doubt robbery is still a problem in Brazil, and consequently industry is prepared to incorporate the seal into their production line, and Bomi as well is preparing to incorporate it. The seal will change many aspects of the pharmaceutical value chain. For example, imported products will have to be opened, and all of their information inserted onto a bar code. However, this bar code will not guarantee the lot number, and thus there will be significant investments required in the necessary equipment to read the codes securely. Of course, there is the perennial question of who will in fact make the seal! These are all issues that will impact the decision of traceability.

Bomi has grown spectacularly since we last met. If we were to return in five or 10 years, what changes do you hope we would see?

I am proud to have participated in all the areas of Bomi, including Luft Express transport, operations manager, project manager, and commercial manager. Now, my job is much more strategic, and the changes in the market always bring new challenges. In 2007 Bomi had 16 clients. Now, we have 52, and the complexity and quantity of our clients is increasing every day. Bomi accompanies clients from “second one” of the business, whether during holidays, or with a long lead-time in full preparation to enter Brazil with huge operational support. What we want to do is bring new clients on board while increasing the scope of services we provide to existing clients. International clients who are not already in the market, for example, can construct their quality control facilities here with Bomi.

Many people think of distribution as just trucks, pallets, and warehousing – a simple commodity. They are unaware of just what logistics managers are, and how useful they can be. Now, there are universities that grant degrees in logistics, and this trend will continue to result in more and more competitive prices and ever-better service. In five to 10 years, I would expect to see exactly these changes occurring in the Brazilian pharmaceutical market – and Bomi continuing to lead the way.

[See more interviews](#)