

# Interview with Guillaume DRIANNO, General Manager, Servier Brasil

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When we met Servier Brazil five years ago the company had major ambitions: 'grow more than 10% for the five following years'. How have these expectations turned out to be?

Actually, these projections turned out to be quite conservative. In the last two years Servier has doubled its Brazilian revenues in both euros and reais. As the company is just beginning the fiscal year (at Servier the fiscal year runs from 1st of October to the end of September), we are expecting a 40% growth for the coming year. The expectation is to triple the turnover in the next three years.

How do you handle so much growth while shaping the company in a smart and efficient way?

We do it by constantly investing in innovation in our areas of expertise. Thanks to that, Servier is constantly increasing its product portfolio, with three new drugs being launched in Brazil this year. Naturally, this brings us high growth rates. As the Brazilian pharmaceutical market is growing a lot in recent years, Servier is taking special advantage of that.

However, the Brazilian market is very complex and competitive. There is an important difference between the generic local market and our branded market. Servier is 100% ethical market driven, being the only big company to invest more than 25% of our turnover in innovation. This is possible because as you know from Mr. Servier, we don't have any shareholders besides him, so profits can be reinvested mainly in R&D. This makes a difference when compared to other companies competing in the ethical market.

Fast growth rates do not deviate Servier from its focus on a few therapeutical areas where we

invest heavily to bring additional benefits to our patients. As we are very focused on few areas of expertise, the important thing is to be leader in these segments, which are cardiovascular, diabetes, neuroscience, osteoporosis, oncology. Thinking of Brazilian market's growth trend, remember that five to six years ago international labs represented 60% of all turnover of the market and now they have less than 40%. So there is a shift between the weight of national and international labs. If you look at IMS numbers carefully, you will see that ethical drugs grow much less than generics. According to IMS, the growth of the sales of international labs per unit is negative, even though in turnover it is still positive. If you compare it with the generic market, the figure is completely different. Therefore, companies need to be careful before making general assumptions about the Brazilian market.

This is why some multinationals have made important acquisitions in Brazil's dynamic generic market, such as Sanofi acquiring Medley and Pfizer acquiring Teuto, to name a few. Meanwhile, at Servier we prefer to invest our profits in more R&D and focus our growth on truly innovative drugs, which will always have a guaranteed market.

It's also interesting to see the different moments the pharma industry is facing in emerging markets such as Brazil and mature ones such as OECD countries. On one side you have markets doubling their sizes and in the other stagnated ones. How much independence does that give you to follow a specific local strategy?

Indeed, Servier was very focused on Europe because this was our traditional market and most of our revenues came from there. But since last year, for the first time in our history, emerging markets generated more revenues than European countries.

Therefore, from a strategic point of view, the company changed its strategy towards emerging countries, which are now the main target of Servier. Emerging markets already have significant scale and continue to show fast growth rates whereas the European market is stagnated. Of course Servier is an international company with a corporate strategy, but what is different now is that we can develop our local strategies in order to take advantage of all opportunities that might appear locally.

In 2009 Servier inaugurated a new facility in Brazil in response to these new opportunities. What are your plans for further expansion?

As you can see, the production site inaugurated in 2009 looks very nice and is in harmony with our beautiful surroundings. Due to our vast terrain in Rio de Janeiro, Servier has still a lot of space to grow its operations in Brazil. Our project in the country is an enduring one. It is very clear to all multinationals that Brazil is a stable and fast growing market that also serves as an exports base to

the rest of Latin America.

This was not the case in the past because all Latin American countries were importing products from France or Ireland; however, that has changed. This year Servier Brazil started to export products to Venezuela, a first step in the process of regionalization of our production that should continue in the coming years.

How competitive is Brazil as a regional manufacturing hub for Servier?

As you know, the current exchange rate is not very favorable to exporters. Salaries in reais are increasingly higher, which makes it less and less competitive to produce here. However, as Brazil is a priority for the Servier group, we have a strong willingness to be very present in this market, so this momentaneous, uncompetitiveness is not a major problem for us.

In order to triple its turnover, Servier will surely need a new army of minds in order to sustain that growth. In such a competitive and tight labor market, how do you manage to attract and retain the best talent in the company?

HR is a priority in Servier Brazil's management. We try very hard to find the best talent and, as you mentioned, to find skilled workers such as senior managers is a very difficult task in Brazil.

Therefore, as many other companies do, Servier gives chances to junior professionals with good potential. The company develops them in order to have people adapted to our needs. We offer training and professional development programs also in order to retain our key talents. This is especially relevant in Brazil.

To find the right talent here can be so challenging that sometimes we have to think out of the box in terms of 'why not to try to find someone out of Brazil, in Portugal or France, for instance'. Young people elsewhere are very interested in having a professional experience in a thriving market like Brazil.

Looking towards the future, what are main ambitions for Servier Brazil in the coming years?

We have very high ambitions for Servier Brazil in the coming years. The local subsidiary did exceptionally well in the last two to three years, so it will not be easy to repeat this performance, but still we expect significant growth even as we gain in scale. Our vision is to make Servier one of the top 10 pharmaceutical companies in the Brazilian market in the coming five to ten years.

What is your final message to the readers of Pharmaceutical Executive about the commitment Servier has with the Brazilian market?

The truth is that Mr. Servier always loved Brazil. This was one of the first subsidiaries out of France 35 years ago, a long time for Servier, since he founded this company 50 years ago. He always

knew that Brazil would take advantage of its potential, he always thought Brazil would be what it is today and what it is becoming: one of the world's major markets.

In that sense, it is not new for Servier Group to accept that Brazil is a strategic market, as it has always been. However, it is true that now the company is focusing even more of its efforts in Brazil. We are also learning from Brazil and trying to understand how this market works. Servier is a strong believer in the Brazilian markets and our current actions and investments show how Brazil has moved to the center of our strategies.

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