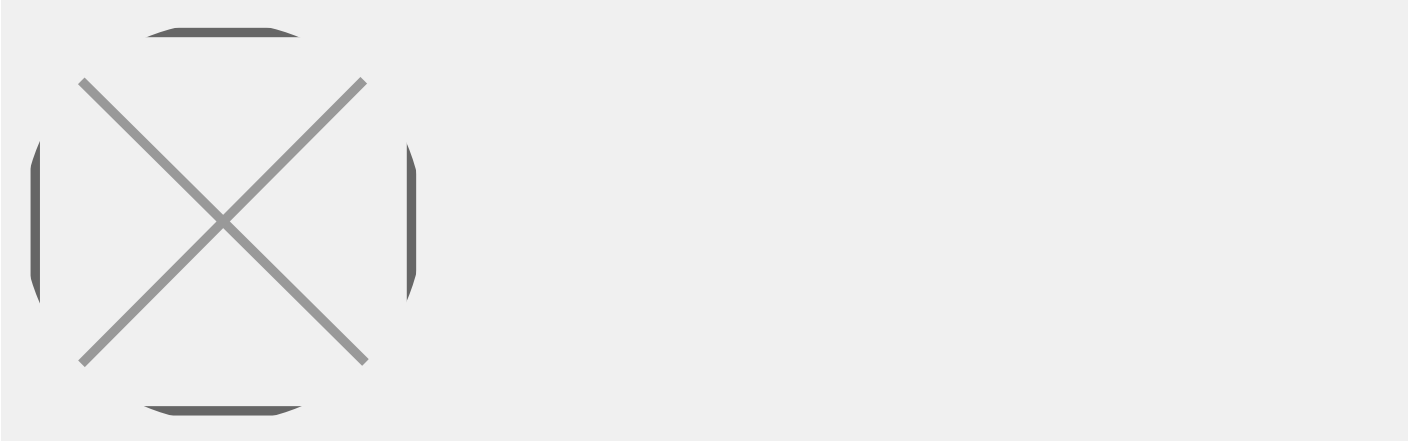
Interview with Francisco Gonzalez A., Managing Director, Boehringer Ingelheim Chile



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What have been Boehringer Ingelheim's major milestones and achievements since your establishment in Chile?

Chile, in the regional context, represents a very important market with a solid evolution in terms of sales. For our company, on a regional scale, the country has been growing above the average rate of 15.6% and is currently above 20% growth. When you consider the macroeconomic indicators of the country, you will see that Chile has great opportunities for us to increase our market share. In terms of introducing new products, the country has one of the best records in the region for patent protection and respect for the law. Given that Boehringer Ingelheim is a company that relies on innovation to create and introduce new products, the respect for intellectual property is essential in the markets that we operate. Another advantage of the Chilean market is the strong relationship between governmental and private entities, especially when you consider that about 75% of our business is oriented to the public institutions. This market is also developing with the improvements that are being made to the national healthcare system which is now expanding its level of access to treatments. For these reasons it is a great opportunity for Boehringer Ingelheim to be in Chile at the moment and I am making sure that we maintain an open mind to exploit all of the possibilities that are available.

You were previously General Manager of Boehringer Ingelheim in Venezuela where you had much success in expanding sales in that market. Based on that experience, what would you say are the main challenges for BI in Chile today?

To begin with, we need to improve the conditions for our employees at Boehringer Ingelheim in order to foster innovation from within. Chileans are extremely professional and distinguished when compared to other countries in the region, and I think it is important to showcase these qualities and make use of this potential.

On a global scale, Boehringer Ingelheim has a very wide portfolio of products and one of the challenges here in Chile is to develop our product range. Currently the main therapeutic area we are involved with is in respiratory diseases. With our portfolio there are many other opportunities to diversify into other areas, for example with therapies for cardiovascular diseases and conditions of the central nervous system like Parkinson. We are also developing our metabolic sector in the coming years and our aim is to provide patients access to these products in Chile.

The distribution channels for pharmaceutical products are controlled mostly by the three major pharmacy chains in the country. How has this impacted the business activities of Boehringer Ingelheim? How has the company dealt with such an environment?

I do not think this is a phenomenon specific to Chile because you can see generics growing very well in most of the countries in the region. One aspect that is unique to the Chilean market, however, are the own brands developed by the main pharmacy chains in the country, which today account for more than 30% of sales. This is in fact a larger percentage than what generics represent in the country. At the end of the day we have to collaborate with the pharmacy chains while at the same time compete with their branded drugs. The most difficult aspect of this relationship is when prescriptions are changed at the point of sale to benefit the sales of branded drugs and this is what has the most negative impact for our products. Ultimately it is not fair play, because we can promote and provide as many discounts for our products as we want, but if the distribution at the point of sale is biased, all of our efforts are in vain. Competing against generics is possible and we accept that nature of the market, but now we are dealing with this issue of the branded drugs and we have had conversations with the distribution channels to prevent that this continues to happen in the future.

The Chilean government is now looking into expanding the sale of OTC products so that they can be available at supermarkets and other points of sale. However, at this point they still need to clarify what kinds of products can be sold at these different points of sales. There are still some uncertainties as to whether it is only vitamins that can be sold in those locations or if other OTC products will be included in new legislation. Compared to the OTC market of other countries in the region, Chile’s classification for these products is completely different and this is where the distinction lies in terms of their points of sale. OTC sales in most Latin American countries represent between 30-35% of the total market share, while here in Chile they are only 5-6% of the market, so this still represents a major opportunity.

During our meeting with Mr. Cousiño at CIF, he spoke about reports of patent violations within the pharmaceutical sector in Chile. What is Boehringer Ingelheim's opinion of this debate?

It is hard for me to speak about this topic because I have only arrived very recently in the country, so I am not fully updated on the situation. In general, however, Boehringer Ingelheim agrees with the position of the association and respects their efforts in regards to this issue. Fortunately we have not had any instances of patent violations in the country.

Is Boehringer Ingelheim involved in any kind of private-public partnerships in Chile in order to enhance the government's role in the industry? What improvements can be made?

From my experience it is very important to be in line with the government in order to improve the social conditions of the healthcare system of the country. As a company we always strive to operate within the regulations and laws of the country and to work together with the government to make any improvements to the system that we think would be beneficial to the population. This is particularly true as regards developing the national portfolio of products and treatments that are available to Chileans. Until today we have had an excellent evolution of our products in the country in terms of sales, and this has been done in alignment with the government as a means to improve the conditions of the healthcare market in Chile.

There are indications that Chile's high GDP and HDI, as well as its qualified scientific community make it an ideal place to conduct clinical trials. How has Boehringer Ingelheim been exploiting this opportunity? What do you believe is needed to expand the Chilean clinical trial market?

We currently have clinical trials taking place in Chile, but our regional center for this kind of research is actually in Argentina. The two trials that are ongoing at the moment in Chile are for oncology and the respiratory segment. Essentially the decisions for clinical trials are taken in Argentina, after which it is decided if other countries will be included to participate in the study. In the case of Chile, it has been decided that we would use Chilean doctors and research centers as part of the larger regional study, due to their high qualifications and professionalism.

Boehringer Ingelheim has a human resource management policy that aims to enhance employee satisfaction. What actions does Boehringer Ingelheim take to attract and retain the best talent in Chile?

At Boehringer Ingelheim we take into great consideration the approach and relationship that we develop with our employees. We have a policy of openly sharing information and providing training resources for them to advance in their careers. In terms of the vision and the structure of the company, it is also important for the staff to always be fully knowledgeable of the situation.

Ultimately these measures are essential because at the end of the day the employees of a company will determine the level of success that is achieved. On a regional scale, Boehringer Ingelheim ranks amongst the top five companies to work for, out of 3,500 companies, and this something that we strive for and are proud of.

What is your vision for Boehringer Ingelheim in Chile for the next 3 to 5 years? Where would you like to take the company by then?

My idea for Chile is to accelerate the growth of the company and to move forward with our targets. Ideally we would like to achieve in 2011 the level of sales that have been projected for 2012. This means that we need to grow at a rate above 7% when currently our Chilean operations have been growing at 2% or 3%. This represents a growth of more than double what has been the standard so we have plenty of work to do. I need to ensure that our people are motivated and informed about our vision in order to make this happen. What I commonly find is that people tend to stick to their comfort zones, so if they see that they have achieved a growth level that is comparable to the average growth of the market then they will be satisfied. The problem with this approach is that the Chilean market presents many opportunities that have still not been taken into consideration, so in reality we should be growing beyond the average rate. This is our aim for the coming years and we will have to improve commercial conditions and sales as well as the internal operations of the company. It is important that we first take care of the internal opportunities in order to then expose the company at an external level and therefore increase our market share. For this reason, one of my first priorities is to improve the internal conditions of Boehringer Ingelheim in Chile and the way our employees perceive the organization and the greater vision of the company. The answer is not to cut expenses, but rather to broaden the mentality and find alternative approaches to find solutions. This is why my first year will focus on investing in our own people.

What is your final message for our readers of Pharmaceutical Executive about the commitment of Boehringer Ingelheim to Chile?

For Boehringer Ingelheim, Chile represents a market filled with opportunities for growth and improvements. This country is for our company an example of how we can work in partnership with the government, and through the pharmaceutical association, in order to improve the healthcare of local population. We are committed to strengthen our activities in the market and to grow more than other companies. This is also in coordination with the community and with the greater Chilean population.

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