Interview with Peter Endler Schultz, CEO, PMG Pharma

04.04.2012

Tags: PMG Pharma

How has your previous professional experience enriched you to run PMG today? And what would you say have been the main milestones and achievements of PMG Pharma since its creation?

I should start by mentioning that my professional background starts with a long term experience in a multinational company – Boehringer Mannheim. I first came to Chile in order to run the pharmaceutical division of the company here and most of the people that are in management positions at PMG Pharma today have been my colleagues throughout the Boehringer and Pentafarma experiences. Together we all bring to PMG Pharma our knowledge and experience of working with both multinational and local companies in Chile. We initially decided to start our own business when Boehringer Mannheim was bought by Roche. Although I was given the opportunity to continue as the head of the Pharmaceutical Division for Roche, I decided to go independent and this is how Pentafarma was created. We started with a very small company and had tremendous development through the years, especially when we took over the Chilean subsidiary of one of the biggest haemodialysis companies in the world back in 2000. Pentafarma grew so fast that the headquarters of that subsidiary decided to buy Pentafarma as a pilot program for other companies that they own around the world. After the acquisition I still had to manage Pentafarma for some years as stipulated by the acquisition agreement. It was only after that that I joined PMG Pharma at the end of 2010, which operates in the same specialized areas of diabetes and nephrology.

How would you evaluate PMG Pharma’s performance in terms of growth, revenue and market share?

Taking into consideration that PMG Pharma started functioning as a structured company in 2007, we have witnessed a very strong development in the last 3 years. Our internal target for the next five years is to reach a turnover of US$20million which for Chile makes us rank among the most important companies in our area.

As a company that specializes in commercializing and distributing pharmaceutical products for severe diseases, such as diabetes and nephrology/dialysis, what would you say are the main challenges that PMG Pharma faces in the Chilean pharmaceutical market today?

Even though the market we are operating is growing steadily at an average of 8% net growth per year, the country still suffers from limited resources for public healthcare. Despite this, ever since the creation of our company, we have brought a change in the way dialysis is administered in Chile. Our key success factor was the ability to bring optimised procedures adapted to the Chilean health sector, working with very pioneering materials and the most innovative equipment on the market. Our advantage to address this challenge is the qualified management team that has great expertise in this domain.

PMG Pharma’s products are specific to the chronic disease areas of diabetes and renal conditions. How are your products favored by the public versus the private market?

Our market in Chile is a mix between private and public: most of the dialysis clinics are run by private owners that can be physicians, nephrologists or nurses, with their treatments financed by the state. Instead of building public facilities the government encouraged private ownership of the clinics. Today more than 90% of the clinics are private, but they are still covered under the national GES plan that reimburses them for the treatments they administer. In my opinion, this system runs very efficiently and it makes it possible for the official authorities to control and improve the quality of dialysis in the different clinics.

Do you fear that the pharmaceutical products you distribute on behalf of international innovative companies might be copied? What does PMG Pharma do to prevent imitations?

Nowadays generics are gaining ground on the international level, and to a higher extent in developing countries, such as Latin America, where healthcare systems face financial limitations. Even though Chile has a very stable economy and good political situation, it started to develop its education and healthcare sectors at a very late stage in time. For this reason, there are still issues that need improvement in Chile today. With the introduction of patent laws some years ago, original products are protected from imitations for a number of years. Once the patent expires, no one can avoid copies from being produced very quickly. The positive side is that in Chile generic

producers have very modern production facilities that operate under GMP standards and other international certifications.

Given that the public system is your biggest client, how has the debt of the national healthcare system affected PMG Pharma’s operations?
We experienced a long delay of payments from CENABAST in the past, but I must say that since the end of 2009 we had the fortune to be paid on time. In the past years, some payments from the government took up to 180-220 days or even more. This delay period was a very difficult situation for small companies, but things have improved considerably this year, at least for us.

Given that much of your products are bought through CENABAST, how have you developed your relationship with that institution?

We participate in tenders for CENABAST, but we also sell directly to the hospitals. Some of our competitors have chosen to sell their products directly to hospitals due to better payment conditions than those of CENABAST. Generally, hospitals are obliged to have between 60% and 70% of their contracts intermediated by CENABAST, and for the rest they are free to contract directly with the suppliers. Starting this year the circumstances change because the new regulation asks CENABAST to fulfill several contractual conditions such as paying within a stipulated timeframe.

Since starting your operations in 2007, PMG Pharma has been able to bring to Chile a wide range of products from all of your international partners. How have you been so successful in registering and commercializing all of its products given that other companies complain about the inefficient and lengthy registration process for pharmaceutical products?

The majority of companies in the market are right; the process of registration of products in Chile is certainly a very lengthy one, even for products previously registered in the USA or European countries that should already fulfil all the national requirements. Nevertheless, all pharmaceutical products introduced to Chile should go through the complete process of registration and this can last up to 24 months for original products, which is a very long time. In our case, we were lucky enough to represent companies with products that were already registered in Chile so we could start our commercial activities immediately without waiting for the sanitary registration. At this moment we are looking for more opportunities of products that are registered but not yet commercialized in the market.

Has the regulatory environment of the Chilean pharmaceutical industry and the issue of weak pharmaco-vigilance in the country been an issue for PMG Pharma as a company that aims to build

a reputable international image?

Our strategy is based on contacting international partners that have their own R&D facilities in their country and a good reputation globally in the dialysis concentrate business. We normally find our partners participating at international exhibitions and fairs and we have built through the years a solid positive image both locally and internationally. In addition to the name behind the company, in this business it is also crucial to have strong personal contacts with specialists in the area, and this is one of our major strengths. For this reason the national issue of weak pharmaco-vigilance has not impacted our operations as much as those of other companies in the country.

PMG Pharma already has distribution agreements with companies from all over the world, including USA, Japan, Germany, Spain Taiwan and India amongst others. What makes you the partner of choice for commercializing the products of international companies?

We represent 15 companies from countries in different continents; nevertheless our vital comparative advantage was to always concentrate on our core business since the creation of the company. Our products are concentrated in the nephrology and diabetes areas where we have many years of expertise and international recognition. On account of the fact that there is a small number of specialists in these fields, we have a very strong relationship with them. In addition, we try to participate in the most important events related with diabetes and nephrology. This has been our major success factor and in my view will continue to determine our comparative advantage in the future years.

Are you planning to grow organically by expanding the portfolio of your current clients or are you looking towards an external expansion by negotiating agreements with new companies in other countries?

Our expansion plan is based on consolidating the huge volume of products we already have and concentrating on their development in the market. Our objective is to grow organically without going outside of our core business. In the future, we will also take into consideration partnerships with innovative companies that offer high quality technological products. For example, as a result of a partnership we developed with a Canadian company, we will be the first to bring to the Chilean market an approved advanced oral insulin product. This product is a tremendous step forward for us in terms of image and operations.

You mentioned that the internal expertise and knowledge that you have is a key success factor for PMG Pharma. What do you do in order to attract and retain the best people in the company?

We have a very flat hierarchy in PMG Pharma and we encourage open communication and interchange of ideas. It is not our aim to control our people but give everyone the freedom to participate in the development of our company's strategy. Besides, we organize activities such as sport days, football matches and so on. Thus, due to the fact that most of us know each other for more than 20 years at the managerial level, we have created a very special environment in PMG Pharma where everybody feels comfortable and this is vital for success.

What is your vision for PMG Pharma for the next 3 to 5 years? Where would you like to take the company by then?

For the future, we want to consolidate and further develop the strategy we are pursuing nowadays. We plan to continue to participate in the best worldwide exhibitions and bring to Chile new products that can make a real improvement in our patients' life. We focus on new innovative products bringing only top technologies to Chile. Some examples would be a device that allows you to check the patient's hemoglobin in a matter of minutes or the dry concentrate for dialysis that greatly improves current logistical issues for clinics avoiding the transport of liquid forms. Therefore, this is the type of ground-breaking products we plan to put emphasis on for the future.

What is your final message for our readers of Pharmaceutical Executive about the contribution of PMG Pharma to the pharmaceutical market in Chile?

I am convinced that PMG Pharma effectively improved the existing situation in the areas of diabetes and nephrology in Chile, helping patients have better treatments and lead healthier lives. In addition, I want to stress the fact that Chile is a trustworthy country with a stable situation and a market with high future potential, therefore I invite all international companies to invest in Chile and particularly in the national healthcare industry.

See more interviews