

Interview: Benjamin Liuson, President, The Generics Pharmacy, Philippines



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In an exclusive interview, Benjamin Liuson, president of The Generics Pharmacy in the Philippines on the company's illustrious history, remarkable growth, and increasing acceptance of generics more generally in the Philippines.

The Generics Pharmacy originated from a family business and you are the visionary who transformed it into what it is today. How did you conceive the shift from wholesale distribution of medicines, to opening a generic pharmacy in Quezon City?

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The company started in 1949, owned by Germans, and my parents bought the company in the 1960s. During that time we were already importing and wholesaling medicines. I joined the company in 1975. At that time we followed the regular model of a pharmaceutical company – we hired detailmen and we would give them two to four weeks training. However this system was not working for us, because out of ten detailmen that we hired, maybe there were one or two really good, but the good ones would leave our company to join multinationals or the bigger local company. After years of adopting the same system we decided to change. In 1983 we started to go for the lower-price system.

The price of medicines in the Philippines is very high, normally we would multiply the cost four to five times to have a 75-80% gross margin. The reason why you need 75-80% gross margin is that

you need to hire not only detailmen, but also supervisors, brand managers, product managers, sales managers and marketing managers. All this would cost you about 20%. Then, detailmen need to give samples everyday, and that will cost you another 15-20%. Furthermore, some pharmaceutical companies are giving benefits to the doctors, that would cost 20-30% and it is added to the price pushing it higher.

During the 80s we started another system: we decided to cut all our marketing costs, saving 20%. Moreover, we stopped giving samples, saving another 15%. With these we were able to offer a low price and sell directly to drugstores, hospitals and to different companies.

In the year 2000, some doctors of government hospitals sent patients to our office to buy medicines. As a distribution company, we were not allowed to retail products. To serve these patients we opened the first "The Generics Pharmacy" in 2001. The Generics Pharmacy sells only generic medicines and was immediately patronized by the masses.

In 2005/2006 we had customers making 4 hour car trips all the way to Manila to buy our medicines, and all of them were asking why we would not open stores in their areas. Seeing the need for expansion, we decided to franchise The Generics Pharmacy in 2007. We sought the help of Francorp who developed the franchise system for us. Now, there are 930 stores operating nationwide providing safe, effective and quality generics medicines to all. We open an average of 300 stores a year. In fact they say we are the fastest growing franchise business and we were awarded the most promising Filipino franchise in the retail category in 2009.

The numbers are remarkable, 300% growth since 2007. What do you think have been the factors that allowed you to be so successful?

How were we able to open 930 stores in 3 years? I don't know if it is a secret or not - but I will tell you. It is because out of the 930 stores, there is only one company-owned, which is the store that started in 2001. All the others are owned by ordinary businessmen.

In the franchising business, most franchisers will open company-owned outlets in the best locations, and give the rest to the franchisees. In our case, we realized that in order to grow fast we had to give the best locations to the franchisees from the beginning. We did this because we believed that if our model worked competitors would come in and we should have the advantage of having more stores by then.

You asked me how we were able to grow so much in three years. Actually, in business we use a lot of common sense. In sales, you must have good products, and you must have low price. For

pharmacies, a good product has to be effective. Since we are selling medicines since 1960, which is 50 years, we should already know which product is effective and which is not.

The second aspect is cost cutting & low price. Since 1983 we have been implementing this system- no salesmen, no sample, no benefits for the doctors. Because we were able to cut all these expenses, we can afford to give a low price.

In 2001, we had good products, we had low prices, but what we lacked was accessibility, which is the third factor. Nobody wanted to travel several hours to buy medicines, and this is the reason why we decided to go franchising, to improve accessibility. As of today, we have 930 stores nationwide. I think we have more branches than any leading drugstore chain in the Philippines. At the rate we are going, we will have more than 1,000 outlets by the end of the year.

When you have the products, and they are accessible, the fourth factors is advertising, you have to make people aware. We do tri media advertising, radio, TV and print, we are now spending an average of nine million pesos a month in media advertising, for brand image building.

When you have these four aspects you are supposed to be successful, but there is still one more point. As far as the Bible is concerned, the fifth book of the Bible, the Deuteronomy, Chapter 8, verse 18, says that: "you shall remember the Lord your God, because it is he who gives you the power to get wealth". That is my fifth point - whatever good system, good business, good idea that you have, based on what the Bible says, if God will not give you wealth, then you cannot get wealth.

Just like any company, people think of CSR, Corporate Social Responsibility. Of course the normal CSR is about helping the poor, helping the street children, giving scholarship grants. We are doing those, but I have a new correction of CSR, which I like to call Corporate Spiritual Responsibility. What do I mean by Corporate Spiritual Responsibility? The most important thing is to land in heaven, and you land in heaven by reading and following what the Bible says. Hence, we distribute Bibles that are company sponsored, as we have our logo at the back. We started with the local dialect Tagalog, we are now printing copies in English and in another dialect, Cebuano. In the last two years, we have been printing 200,000 copies per year of these Bible and we give them out for free, in cooperation with Philippine Bible Society.

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You started dealing with generic medicines in 1982, much before the Cheaper Medicines Act was conceived. Do you think that the Law has achieved its objective of increasing

the use of generics and improve access to medicines for the poor?

I think the Cheaper Medicines Law is not working as it should in the Philippines. The purpose of the Cheaper Medicines Law is to bring further down the price of medicines through parallel importation, price regulation and supporting the local pharmaceutical industry. However with the recent price reductions it is the middle class who benefited from it and not the poor. These reduced prices are still not affordable for the poor.

On the Cheaper Medicines Law, I am quite proud to say that the retail prices of generics medicines dropped in the Philippines because of The Generics Pharmacy. Three years ago, in June 2007, when we started franchising the generics paracetamol was sold by other drugstores at about 2 pesos per tablet. When we started our pharmacy, we were selling it at 50 cents, so the other drugstores had no choice – it was either they dropped down the price, and lose profits, or they would lose their customers.

People buying the generics paracetamol realized how much higher they paid for medicines in the community drugstores. Because of that they switched loyalty and they came to us. Even if the community drugstores lowered the price to 50 cents, people would still come to us because we were the first to sell at 50 cents.

Thanks to our company, the market started following the law of supply and demand. If you look at our product list and our price list, we have today about 400 SKUs. Those products account for 80-90% of the total requirements, because we do not carry patented products. Of course not everybody is happy with the price reductions. Drugstores owners complain because they lose profits.

Despite the growth of The Generics Pharmacy, in the Philippines people prefer to buy a branded product rather than a generic. Why do you think the masses have still not entirely accepted the generics?

In the Philippines the generics market is still very small compared to other markets, in the vicinity of 15%, and that is mainly because of the doctors. People prefer to buy the branded products because they are influenced by doctors. Doctors do not really prefer generics because we do not promote to them. That is why generics share is growing slowly. To get a higher acceptance of the masses we would need the doctors to say that the generics are ok.

What can The Generics Pharmacy do to help increase the acceptance of generics?

What we are doing is a massive advertising campaign, so that people will start trying any generic product. All our generic products are safe, effective and of high quality. This is what has been happening in our store from 2001 to the present.

It is impressive to see how the company has grown from one store in 2001 to 930 in 2010. Do you think the company will reach a point in which it will not be possible to grow anymore through opening new stores?

Because we do not like to have the stores too near each other, we have a limitation. I expect that we can go to 1,200 or ultimately to 1,400 stores in three years. We will hit 1,000 stores in December this year, then maybe another 150 per year, roughly. We are still thinking about expanding in other countries outside the Philippines.

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We also think of expanding our product portfolio. We started with generics medicines, in three months time we will be going into cosmetics. Since cosmetics is a highly branded market, we will launch both generics and branded at the same time. After that we could go into galenicals and derma lines, which is also a big market. There are still a lot of products that we can go into.

On a personal note, you have been recently awarded with the Globe Business Masigasig Award in the Entrepreneur Philippines' Ten Outstanding Entrepreneurs of the Year. Why do you think you have been chosen among the other outstanding entrepreneurs?

First the top ten entrepreneurs were chosen by the magazine Entrepreneur Philippines and Globe. From the ten companies they give us the Masigasig Award, primarily because of our different concept - we are not a regular restaurant, we are not a regular computer store. Our concept is entirely different from a regular drugstore - a regular drugstore sells 90% branded, 10% generics, while we are a 100% generics pharmacy. Of course it can go well or it can flop. So far it has been doing well.

We also have chosen a very unique way for our outlet locations. We chose to be closest to the leading drugstore chain. Since they have a very good share of the total market it is common sense to be where they are.

Which has been the most rewarding part about building a company like this and bringing it to where it is today?

About six months ago, our franchisee in Muntinlupa (which is a city 20 minutes from Manila) told me that one of her regular customers told her that The Generics Pharmacy is a “Blessing from God”. That is the most rewarding thing, when your customer or consumer says that you are a blessing from God. I am very happy for that.

Our business, by lowering down the Suggested Retail Prices (SRP), is by itself a kind of CSR. We are doing people a service by giving them low priced medicines and still make profits. There is nothing more we could ask for.

What lesson would you like your children to learn before they take over the lead of the company?

“Since we are in the Philippines, we should think what we can do for the Filipinos.”

The first thing I tell them is that the most important thing is how to land in heaven. The second most important thing is what we can do for mankind. Since we are in the Philippines, we should think what we can do for the Filipinos. Since we are in the pharma industry, I am very happy that we were able to drop down the retail prices, be a big help to people who cannot afford to buy medicines. I would say that is a very good contribution.

The second aspect is that we are making the ordinary Filipinos entrepreneurs. The third is providing employment. With 930 stores employing an average of four, we employ about 4,000.

The fourth that I teach them is not to make all the profits yourself, but to share them with your suppliers and your customers. With franchising, we let the franchisees make their profits in the retail.

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At the supplier side, people have been asking me, why don't we go into manufacturing, or why don't we import ourselves. I tell our suppliers, manufacturers or importers, that since we pay cash and we have the volume, I will be their customer for life. They would not support me if I would be an importer or their competitor in the future. That is why the suppliers always give me the best price.

What would be your final message be to international readers of Pharmaceutical Executive and the readers in the Philippines about The Generics Pharmacy?

As long as you are doing something good for others, there is no reason why you cannot be successful.

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