Sanofi Argentina, Uruguay and Paraguay – Patrice Fuster, Director General



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The director general of the Argentina, Uruguay and Paraguay region for Sanofi discusses the strength of the Argentinian healthcare system and the key, but subdued, role that multinational pharmaceutical companies play within it.

As someone who comes from abroad, how would you describe the environment here for multinationals?

Argentina is a big market, the fourth largest in Latin America after Mexico, Brazil and Venezuela, and is growing quickly. The domestic healthcare system is very good, giving patients access to specialized treatments, high quality medication, and innovative pharmaceutical and biological products, with very good coverage. All of the relevant players contribute to these high standards, including the pharmaceutical industry, pharmacies, and social and private health insurers, who all are a part of co-payment. Globally, in terms of quality, cost and access, the healthcare system in Argentina is top class.

When analysing Sanofi's position in this market, it's important to remember that Sanofi is the number one pharmaceutical company in Latin America in terms of revenue, and has the largest

market share in the emerging markets compared to other multinationals. Emerging markets are a priority, as these countries are a significant source of our overall growth. In Argentina the market is dominated by national companies, but they are not nationals in the traditional sense, as they are giants: they are regional companies, exporting their products around the world. They have an extremely strong presence and are very competitive in Argentina, and their brands are incredibly strong. This preference for established products, coupled with the local industry's strength in producing products competitively, and macroeconomic instability that the country has experienced in the past, has given Argentinian companies an advantage and limited the extent to which foreign companies have been able to penetrate the market.

We have seen a wave of M&A in other countries, including Chile. Do you think this could happen in Argentina?

Potentially. The big Argentinian firms like Roemmers and Bagó, say the top five firms, have abundant potential and are growing quickly both here and abroad, so I doubt their owners would be willing to sell to a multinational: if there were to be involved in any M&A activity, they would surely be the buyer. It is possible that in the future some of the firms outside of the top five would be open to merging or being bought out, but I don't think it's likely to happen in the near future. Partnerships with foreign multinationals, are far more likely to occur in my opinion.

How well does Sanofi's portfolio and pipeline represent the needs of the Argentinian patient?

Argentina's medical needs are similar to many other countries; diabetes, hypertension, cancer, the same pathologies you find anywhere. If you look at our global product portfolio, Lantus, our long-acting insulin analogue, is our top selling product portfolio globally and in Argentina. The remarkable thing is that patients are extremely well treated here, with the various social insurance schemes covering an important percentage of the cost. This places a large burden on the payers, but it's clearly the right decision to make since preventative healthcare is always cheaper than reactive. So in this respect, the medical needs of Argentinian patients are the same as the medical needs in any other country.

Sanofi has a strong footprint in the country, and since the healthcare system is able to provide patients with specialized and innovative products, it matches well with our worldwide product portfolio. Argentina is always one of the first countries in the world to launch innovative products, coming just after the USA and Europe. We are committed to the Argentinian market and are here to stay, regardless of macroeconomic difficulties, and as such have been and will be making

significant investments to maintain and improve our capabilities here.

What is the relative importance of Sanofi Argentina to the global organization in terms of productive and R&D capacity?

First, it is important to define what Sanofi global is at this point in time. Sanofi today is a result of several successive acquisitions and mergers, with companies that that worked across the life sciences and chemical products industries; Rhone-Poulenc, Hoechst Marion Roussel, Genzyme, Pasteur, Merial and of course Synthelabo and the original Sanofi. The activities of these companies span from pharmaceuticals, vaccines and rare diseases to animal health and chemical products. Today, we have business from all of our current and former constituent companies in the southern cone.

Although I supervise some shared services for the entire Sanofi group in this region, I am only directly responsible for the pharmaceuticals business; Genzyme, Merial, and Pasteur have their own local general managers who manage those divisions. We work together closely and have a strategy committee that meets on a quarterly basis, where we discuss common issues in the country, share experiences and provide counsel to each other regarding upcoming opportunities. The pharmaceutical business is still our biggest division, representing roughly half of Sanofi's business in the region, with Genzyme, Pasteur and Merial (in order of size) making up the other half. Overall, we currently have two manufacturing sites in the country and a clinical research unit. Our plant in Mirador manufactures pharmaceutical products, while our site in Pilar produces vaccines for Sanofi Pasteur. Sanofi Argentina actually exports a large quantity of vaccines from the Pilar plant, such as our Hepatitis B vaccine. The clinical research unit is also quite robust, consisting of 250 FDA approved medical sites with over 3,000 patients enrolled in clinical trials.

What effect has the marketing agreement with Gramon-Milet had on Sanofi's business here over the last five years?

We bought 18 brands from Gramon, mainly in the OTC market, which makes up a much smaller portion of the overall medication market in Argentina than it does in most other countries, only ten percent. For the same reason, it's a quite promising market, and the decision to buy these brands was motivated by the desire to establish a foothold in the OTC market and complement our own OTC brands. Five years on, this partnership hasn't changed our overall market share in Argentina significantly, but we now have a strong basis in OTC that we can build upon, and have recently by launching a few new products.

And what impact has the Conicet collaboration agreement had?

We have a special agreement with Conicet and the Ministry of Science and Technology to research a possible treatment for Chagas disease, and have provided Conicet with 300 molecules that we believe have some potential to treat Chagas. Conicet will now screen and test these molecules to see if one has any potential as a treatment for the disease. Seperately, we have operated several programs to fight Chagas disease in recent years, including educational outreach programs, cooperative research studies with the province of Tucuman, and other R&D projects.

From a global perspective, what are your goals for Sanofi Argentina in the coming years, and do you see any potential conflict between these and Sanofi's global strategy?

I don't foresee any conflict because, I said before, the needs in Argentina align exactly with our global portfolio, and the strategies that our head office promotes are often similar to the ones we develop here. In general, my colleagues here have a lot of great ideas, are very ambitious and well educated, so it's not on the guidance or planning side that we struggle. The problems we have to work on lie with execution and coordination.

As for goals and growth, it is important to remember that rankings are not everything. Growth is important, but more significantly we want to be recognized as the best partner for doctors, patients, distributors, researchers, and anyone else we might work with. When you focus solely on achieving strong growth and profits, you lose sight of why you do business in the first place, and for us our goal is to provide our patients with innovative treatment solutions. Today, the group is becoming stronger on our R&D pipeline, and every six months for the coming few years we will be launching new products from R&D, and moving forward we will be providing complete health management solutions, including pharmaceutical, biologic medical, and biomedical device components.

Why do you think you were selected to head Sanofi's operations in Argentina, and what mission were you given when you started here?

I think my familiarity with the region a big factor in the decision to give me this position. I spent some time in Latin America about twenty years ago, starting with Mexico and then Ecuador and Colombia, and since then I have always wanted to return. As a region, Latin America is growing very quickly in macroeconomic and pharmaceutical terms, and this is an extremely exciting place to be after having spent some years in the US, France, Middle East and Africa. The other aspect that should be taken into account is Sanofi's HR cycle, that is, the frequency at which they replace and reshuffle management. Some companies run a shorter cycle, in the hopes that new blood and

fresh ideas will stimulate growth, while others prefer a longer cycle so that their country managers have the opportunity to build a local network and put down roots in the local community and provide an aspect of stability. Sanofi belongs more to the first group, and as such my experience in other markets and fresh perspective made me a good fit for the position in terms of Sanofi's philosophy.

Those opportunities have kept me interested and excited to work for Sanofi after all of these years, because as a consequence, I've been faced with a very wide variety of challenges as I've worked in different capacities around the world. Over the last ten years I've worked in Dubai, Tunisia, Morocco and now Argentina, and in each market my job and the environment I work in changes completely; in Morocco we had 20 percent market share and most of my time was devoted to defending our business from competitors, while here in Argentina we have to fight to establish new market share and employ innovative strategies like developing an OTC business here.

As for a mission, I wasn't given any such objectives when I joined the Argentinian team. Instead, the expectation was that I would support the existing business in Argentina, and at the same time bring some new ideas to the business based on my previous perspectives and experience. The closest thing to defined set of goals was a new vision for Sanofi in Argentina that the management committee and I developed collaboratively in a meeting together shortly after I started, but this was a more qualitative discussion about potential avenues for change as opposed to explicit targets.

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