Savant – Mauro Bono, Founder & President – Argentina



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Mauro Bono discusses the challenges of building a company from the interior of Argentina, and shares his assessment of the key issues driving and preventing change in the country's pharmaceutical sector.

What are some of the challenges and opportunities associated with building a business in Cordoba, given that Argentina's economy revolves around Buenos Aires?

Cordoba has a very good university, the National University of Cordoba, which is one of the oldest universities in North or South America and celebrated its 400th anniversary last year. The university is the core of a very strong community of chemists, biologists, physicians and engineers, and is the catalyst for successful companies such as Promedon and Savant. We showed that it was possible to build a successful pharmaceutical company from the interior of the interior, El Tio, where our company was founded and our plants are located in a small town of 2,000 people and we employ more than ten percent of them. The most important factor for success is material power, which can be strong anywhere, be it a large city or rural community, and this is the same around the world. Buenos Aires is the center of Argentina's business world and if you don't have a presence in Buenos Aires, you can't succeed in Argentina, just as you can't truly succeed in France without working in Paris or in the UK without doing business in London, and this is why we eventually had to move our headquarters to Buenos Aires.

For the next five to ten years, which trends do you think will drive the Argentinian pharmaceutical industry?

Argentina’s pharmaceutical industry is quite traditional and it is not nearly as open as in many other countries such as Chile, Brazil, Mexico or Europe. Sales are still dependent on medical doctors primarily and the importance of generic drugs is quite low, in fact, the participation of generic products in Argentina is the lowest of any country in Latin America. Argentina doesn’t have enough capital that to adequately invest in R&D without taking unreasonable levels of risk, although we arguably have the required scientific expertise. This expertise is still a big asset of course, and instead we have used it to develop our manufacturing technologies and equipment, and to make lower risk, incremental innovations. The pharmaceutical industry here has a lot of potential, as individuals here are very well trained with strong technical expertise, the companies have a lot of experience and advanced capabilities, and we produce a lot of very high quality products that take a high degree of technical capacity to produce.



While the structure of the market is not particularly dynamic or open, and this is unlikely to change in itself, there are some other factors that will impact the industry. First, I foresee some substantial growth for the generic segment next five to ten years and this will be driven, at least in part, by parts of the public system like Plan Remediar. Regardless of political change, these ministry of health programs are here to stay and as they age and grow, their impact will continue to increase. Secondly, the political and economic system is temporary; the economic environment will stabilize

and become more conducive to trade, and once it does the potential of the pharmaceutical industry will be unlocked and the rate of growth of the industry will increase substantially.

Is there a message that you would like to share with other Argentinians regarding where there is room for improvement in Argentina's business culture?

I love my country, and there are a lot of amazing things about Argentina. There are problems, but as I'm sure everyone has told you we are quite used to dealing with them. However, it's also important to remember that things aren't always black and white, and this is something that Latinos don't truly understand; my countrymen often fail to see the grey, and as such overlook many opportunities for improvement.

The other weakness of our culture is our inability to take a long-term view on business and society. Here at Savant we are trying to do this, envisioning the path from where we are today to where we could be in 100 years, however this is not something Argentina does for itself. Usually, our country only plans for the next two or three years, maybe ten when they are intentionally taking a longer view, and this isn't enough. It prevents us from dedicating ourselves to larger goals and acting with the stability necessary to build up to them over longer periods of time; 20, 30, 50, even 100 years. Instead we try to jump straight to our objectives at full speed, in only a few years, and the result is the volatility we have seen in our country for the last 50 years; huge progress for a few years, then high inflation and economic problems as the costs catch up with the progress and we lose sight of our original goal, letting the progress slip away instead of immediately building upon it.



Did you expect Savant to be anywhere near where it is at when you started the company 21 years ago?

When I became a pharmacist at the age of 22, I knew I didn't want to be a traditional pharmacist and decided to get into the pharmaceutical business. I started by producing oral dosage forms primarily, and the formula by which I built the business was very simple; a lot of work and persistence to get to an achievement, and then even more work and persistence to get to the next one. After a few years, we were reaching milestones that we would've thought were completely impossible even two or three years earlier. At this point, I would already have had to answer no to your question, as at the very beginning I wouldn't have guessed I'd ever get as far as I ended up getting in the first three or four years.

The key to our success was our people; we had a very motivated, professional and ambitious team that was committed to our growth. As a young company, and a young group of people, saw, and still see, things differently than our larger, older competitors, many of whom have been in business for over 50 years. We have always managed the company's growth according to five-year strategic plans, and for the last ten years we have used the This model is integrated with our production monitoring systems, and everyone on our management team checks our indicators, tendencies and progress relative to the Balanced Score Card targets on a monthly basis. We are currently forming our 2015 to 2020 plan, our objective is to quadruple our business in the next five years; it's quite aggressive, but based on our strategic plan, and with some luck, we are confident that we can achieve this goal.

What areas of Savant's portfolio have driven growth over the last few years?

Our portfolio can be divided into three segments: prescription, pharmacist recommended, and OTC products, which are, commercialized through three channels: prescription retail, non-prescription retail, and institutions, such as hospitals and the national health program Plan Remediar. Our prescription segment, covering a few therapeutic areas including cardiometabolism, is relatively new and is not yet a particularly important source of revenue, and we are working on building market share at the moment and are still refining our commercialization model for these products. The non-prescription retail channel, including OTC and pharmacist recommended segments, is the most developed and holds the most potential in the immediate future. For the recommended segment, we are quite strong in antibiotics and analgesics, are an important participant in this market and have a lot of potential for further growth. Our OTC products are focused in five main brands, and we have recently been able to introduce softgel capsules into these lines; as the only domestic company in Argentina that has their own softgel manufacturing facility, we also have a lot

of potential to grow in this area.

At the moment, our overall strategy relies on the Pareto Principle, or 80/20 rule, that and are focusing on the roughly 20 percent of our products that generate the largest portion of our revenues.

How has Savant reinvented itself recently?

In pursuit of this goal, our company has had to evolve. In the past I would have describe Savant as an industrial company, as our development was driven by a strong operational system, supply chain, and creative but minimalist financial model. Over the last few years, we have transitioned to a much more commercial model, building a strong marketing team and developing our sales force.

This was the main reason for us to relocate to Buenos Aires, to facilitate the development of our marketing capabilities. We are streamlining our brands, folding the products under our master brand Savant and at the same time restructuring our sales and marketing forces to work to transform into a market-driving company.

We have financed this relocation, as well as the construction of our new plant and some of our efforts to develop our export business, through promissory note issuances, which have been extremely successful due to our A+ debt certification by Evaluadora Latinoamericana. In fact, just last week we issued notes with a ARS 30 million (USD 3.52 million) target, but ended up selling them for ARS 42 million (USD 4.93 million).

What is Savant’s preferred approach for entering a foreign market?

In Argentina, we employ a best total cost strategy, which is not the same as best price strategy as it takes into account service, branding, direct marketing, and other expenses. Finding a local partner to commercialize our products this way works quite well in many countries, Chile being a prime example. In other countries with a different market structure, perhaps where local distributors or public healthcare entities purchase large volumes, this model doesn’t work; buyers are more concerned about the price, so you must employ a best price strategy which requires you to streamline and minimize your operations, technology, supply chain, and utilize financial leverage efficiently. The challenges associated with each strategy are very different, as in one you can spend to drive sales and therefore profits, while in the other spending may indirectly decrease sales.

This is all to say, that the foreign markets we are active in have so much variation that at the very least we must adapt our strategy, and at the most we have to create a “tailor made” strategy such

as the model we are using in Bolivia. In Latin America, this usually involves signing a distribution agreement with a local distributor, or bidding in a public tender process. Entering the prescription market in other Latin American countries has posed an additional set of challenges, primarily because we are still learning to navigate the domestic prescription market.

Our activity outside of Latin America is still quite limited. We currently sell antibiotics and analgesics directly to the United Nations in Lebanon and export a few specific products to buyers in Angola and Mozambique. Vietnam is the first non-Latin American market where we develop a proper commercialization model, as we are introducing an Amoxacilin-Clavulanic acid product in Vietnam.

Overall, our current goal is to reach 20 percent of revenue in exports by 2020, and we are almost to currently between 10 and15 percent at the moment. Thanks to our strong balance sheet we have been able to raise funds as needed, so and are making use of the opportunity to invest in developing our export markets.

As the founder of Savant, what advice do you have for young entrepreneurs?

I have been asked this question a lot this year, as I was chosen by Endeavor as Argentina's representative for a global entrepreneurship forum in New York. The biggest challenge is staying emotionally strong and focused on your goals, as you will face many difficulties and hurdles on the road to your dreams that will tempt you do give up. Everyone else involved in your project faces the same challenges, so it is important to be aware of your team's mood and confidence as much as your own. Be generous and supportive of them, as without the support and enthusiasm of a talented team, you will never reach your goals. So, don't give up, keep fighting for your dreams, and keep fighting to keep others fighting at your side.

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