

PwC Argentina - Nicolas Carusoni, Pharmaceutical Assurance Partner



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Nicola Carusoni, PwC's lead pharmaceutical partner in Buenos Aires, gives an overview of the key trends in the Argentinian pharma industry and discusses the importance of PwC as a partner to the industry given the current economic context.

What are the key trends in the Argentinian pharmaceutical market at present?

The most significant is the trend of the macroeconomic environment itself, namely strong inflation and devalued currency that will likely be devalued further. This inflation is putting particular pressure on the pharmaceutical industry as the increases in the prices of pharmaceutical products have been the result of long negotiations between the government and pharma stakeholders, and they have only been increased incrementally at a rate below inflation. This situation has affected some pharmaceutical firms that have not been able to leverage on volume growth or to develop their export businesses or portfolios, to remain profitable. PwC's critical task in this environment has been to help our clients navigate this challenging environment.

The manufacturing practices, well-equipped facilities, and high quality of finished products are great assets for the Argentinian pharma industry being very competitive. Many Argentinian pharma companies have successfully to go to the Middle East and parts of South East Asia while they are still expanding across LatAm, and then go to Europe, as it is very difficult to go to the US first.

Aside from continuing to grow in terms of exports, the clinical trial environment in Argentina is very attractive in terms of price and there are opportunities for many firms in different parts of the industry to become involved in this business. Many Argentinian local laboratories have been successful in developing biotech or biosimilar products, which is significant because Argentina is one of the few non-originator markets with strong biotech capabilities.

Have you seen a trend towards increasing professionalization and sophistication of Argentinian companies?

This trend is visible across Argentina's economy, not only in the pharmaceutical industry. These firms have made significant changes and innovations, have handed control to experienced individuals from outside the family, and the overall pace of business is accelerating to a level more similar to the corporate rhythm of top firms globally. Another aspect of the professionalization has been the adoption of modern management technologies and systems. For a business sector that produces and distributes 700 million units per year, the entire value chain needs to be managed very efficiently and doing so requires world-class ERP and CRM solutions. It took Argentina longer to realize and respond to this than in other regions, but in the past few years many firms have implemented such systems. PwC has been involved in this process through implementation, system review and testing, and our auditing work itself requires an in-depth understanding of the systems design.

Has the Argentinian government been taking steps to help support the life science industry in Argentina?

In the last few years there have been several public-private partnerships for public health initiatives like the national vaccination program involving both multinational and local laboratories. The bicentennial credits provided three years ago were very successful at stimulating investment and innovation in the industry.

What are some of the specific challenges that the pharma industry has brought to your team?

The pharmaceutical industry has been one of the faster growing business areas and presents some significant opportunities for the future growth. Our biggest challenge is to adapt ourselves to the growing and changing needs of our clients. As such, we decided to make a concerted effort to invest both time and resources in developing more clients in and business with the pharma industry. We have a team dedicated to the industry so that as consultants and advisors we can develop an outstanding level of knowledge and expertise specific to the sector. This allows us

anticipate our clients needs, bring them innovative and tailored solutions, and help them understand the context of the industry that they work within.

Generally, our pharma clients make use of our traditional services including auditing, IT and control advisory, tax planning and advice, and transfer pricing. Some of our local clients are working to enter other markets in the region and internationalize their operations. These services often include transactional and M&A advisory, financial strategy and valuation, transfer pricing analysis, and many other high value-added services.

Why should firms keep hiring PwC's services in this inflationary and price controlled market?

We are successful and leaders in the industry because we have an extensive global network and are constant touch with our teams around the world. For our multinational clients that is a critical capability, as they rely on us to sustain a globally integrated approach. For the domestic laboratories that are currently trying to expand across the region and around the world, we can offer them support and guidance as they face challenges in these new markets; not only do we have experience in these markets, but also on the ground resources and personnel in almost all cases. Finally, we can help all of our clients with a variety of specific matters that have significant and prolonged impacts, such as transfer pricing, operational process design, and implementation of IT systems.

The other point is the importance of our critical role as a traditional auditor and full service accounting firm in this current environment; we are able to help provide our clients a clearer and more accurate picture of their company's current health, solvency, and financial risk than most companies are able to develop internally. As we develop and update this model, we are able to help them refine their operations to find cost and efficiency savings, which while small individually, can add up to a very significant amount in this current environment.

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