Aspen Labs Mexico – Carlos Abelleyra Cordero, CEO Spanish LATAM

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Aspen Labs wants Latin America to be the third pillar of success for the company, and is doing it in a different way. The CEO for Spanish Latin America discusses the recent integration of the infant nutrition business from Nestlé (former Pfizer), the growth opportunities he sees and how he plans to transform Mexico in a production hub for the whole region.

What mission were you entrusted with when you were appointed as CEO for Spanish Latin America at Aspen?

My mission was to merge the infant nutrition division the company acquired from Nestlé (previously Pfizer) in Mexico and in Latin America in October 2013. However, it was not only a matter of merging the businesses, but also to establish a new company. In Latin America Aspen was present in Mexico and Venezuela with sales of around USD 30 million and USD 20 million respectively, relied on a manufacturing facility in Toluca, in the State of Mexico, and around 300 employees. From one day to the other you have to add up a new company with 750 employees and operations in the whole region. Aspen was almost unknown in Latin America. This means we had to change the complete strategy, as we had to establish a footprint at a regional level to create a new company. One year ago we developed a strategy for the region based on four steps: establish, stabilize, expand and grow. We are currently working on this: we are recovering the business from distributors, we are focusing on organic growth to continue to grow in the future. When I was appointed as a CEO I knew the goal was to lay the foundations to create Aspen Latin America – and that's what we are doing.

Stephen Saad, Group Chief Executive, told us that Aspen aims at transforming Latin America in the third pillar of the company, after South Africa and Australia. Why Latin America?

The company decided to make Latin America the third pillar because, without taking in consideration Brazil, we are targeting a 350 million population whose evolution of the burden of diseases fits the company's global strategy. Today the region is a major growth engine for the group, with sales up 122 percent in 2014.

The business model at Aspen is different from other multinational companies. While big pharma companies are looking into high investment in R&D, our strength is the commercial side of the business. Aspen used to be a 100 percent generic company, and in South Africa and Australia it still is a big generic company. But in Latin America the generic space faces fierce competition from local manufacturers and prescription still represents an important purchasing driver, so we decided to adapt to the local scenario and change the strategy from a basket to a therapeutic area company.

What challenges is the company facing in Mexico today?

In Mexico we currently have an important issue: the market is changing in a very dramatic way. First, while we used to have nice and organic growth in the past, today the level of growth in terms of units is almost stable. Second, the point-of-sale plays an increasingly important role in the business equation. The prescription switching pharmacy chains are doing from branded generics to private labels is huge and it is challenging to assess, as it is not audited. And this is jeopardizing the price strategy companies have at normal pharmacy chains.

What therapeutic areas are growing most in Mexico?

Competition in the pharma space is fierce and it is becoming increasingly crucial to understand in which therapeutic areas a company wants to be and compete. Besides infant formula, we want to be an important player in women health and critical care, areas that are not much affected by competition. Women, for example, do not usually change their contraceptive at the point of sale because the generic is cheaper. On the other hand, we recently acquired the GSK business in the area of thrombosis, so are interested in consolidating it due to the aging profile of the Mexican and

Latin American population. Last but not least, OTC is a good alternative to avoid eroding your business with generics. And if you look at Latin America, especially in Central America, the Caribbean and Colombia, OTC is a major opportunity.

2013 was a very dynamic year for Aspen with the closure of a number of major transactions worldwide. The most significant to Mexico and the Latin American region was the purchasing of license agreements and a production plant for infant nutrition from Nestlé. What was the strategic vision behind the decision to enter this market segment?

Infant nutrition is a very interesting market in Latin America. Whereas in the US and in other markets the segment is dominated by private labels, in Latin America the loyalty of mothers to doctors' recommendations is very high. Latin women are conservative with regard to infant nutrition, as they will never take any risk with their babies. If the pediatrician recommends a specific formula, they will not change it. This is usually the case until the baby gets to 12 months. Afterwards the scenario is completely different and keeping mothers on track with the same formula is more challenging. That's when you need to start investing in marketing.

What impact did this transaction have on the Mexican operations?

It was crazy and tough at the same time. Having been myself at Wyeth, I know where the people come from. Change is challenging: besides the different business cultures, when you have a team convinced they are doing the right thing, and you suddenly come and say: "change" – it's difficult. However, one year after we can say the merger has worked pretty well and over 8 percent of promotions last year came from former Wyeth/Pfizer people. We created principles to help the integration. If you start talking about mission and values with the wrong behaviors, it does not work. You need to align behaviors and then walk the talk.

As part of the deal with Nestlé you also acquired a production facility in Mexico City. How do you plan to use it to consolidate your footprint in the region?

It would have been a shame not using the manufacturing capacity! When Pfizer acquired Wyeth back in 2009 the company decided not to use the pharmaceutical facilities of the factory, and only kept the nutrition part. At Aspen it's different. We acquired Milk of Magnesia from GSK in 2012, a very mature brand that was very well accepted, but we used third parties to manufacture it, so the level of dependency was very high. So we said: if we have the facility and the capacities, we can improve the cost structure and be more competitive from a price point. For this reason we plan to invest USD 20 million to double the current production capacities. In the mid-to-long term the idea is to have a full pharmaceutical production plant based here in Mexico, which can be a hub for the region, with the exception of Argentina and Uruguay, where we'll need to have a local footprint.

So where would you like to see Aspen by 2018-19, in Mexico and in Latin America?

I'd like to see Aspen among the top ten players. And five pillars are leading our path to this goal: grow to stabilize, regain business margin ground, be more profitable, develop our business, operational discipline and create a winning organization.

You rely on over 30 years experience in the pharmaceutical industry, having worked for multinational as well as local companies. What would be your piece of advice for an executive looking at Mexico?

Let me give you the advice I gave to the new general manager for Mexico, who joined the company a month ago. I told him: listen to people. If you think you are the only one who knows the truth and the answers, you won't go anywhere. You have to be the most humble guy, listen to people and then take decisions. I always say: if you are a product manager, you know your product, the go-to-market strategy, the distribution channels. If you are a plant manager, you know your infrastructure, the production processes, the output. If you are the general manager you are expert in nothing. So, if you do not listen to people, the risk of taking the wrong decision is very high.

Sometimes your colleagues in the same position say they have to be a bit like jongleurs, and that this is the most difficult part of their jobs as general managers. What would you say?

My family always asks me what is my real job and I always tell them: I am a psychologist. I spend 70 percent of my time with my people to let them know the importance they have in the organization. Talent is the key to the success of your organization.

What attracted you to Aspen?

At some large multinational companies if you achieve the numbers none cares, because the important markets (such as the US, Europe or Japan) are so big that none cares about the 0.5-0.8 percent of total revenues Mexico represents. The beauty of being CEO of Spanish Latin America at Aspen is that here we are a real part of the results of the company.

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