Andreani Logistics Group – Ricardo Cruz, Director of Operations and Sales – Argentina



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The COO of Argentina's largest logistics provider explains how the firm evolved into the preeminent player in the pharmaceutical logistics market, transporting roughly half of all pharmaceutical and medical device products sold in the country

Andreani is now known as a national logistics provider with comprehensive coverage of the country. Could you tell us a bit about how this network was built?

The company started as a local distributor in Casilda, a small town near Rosario in Santa Fe province. It was built and operated by the father and uncles of Oscar Andreani, who is the current president of the group. When Oscar was in his mid 20s, he made a proposition to his father, which was to bring their services to Buenos Aires. The uncles were unable to make such a drastic decision, so Oscar and his father separated their business from the original one, which still exists today in Casilda.

After moving to Buenos Aires and setting up a similar business to the original one in Casilda, an interesting opportunity presented itself; when he returned home to Casilda, he was surprised by the fact that everyone wanted to borrow his copy of an Argentian magazine called *Gente.* To his surprise he discovered that it was taking several days for the new editions of *Gente* to reach Casilda, and seeing an opportunity to do something nice for his community, he approached the

press company and arranged for the magazines to be picked up by an Andreani driver while passing by the printing plant on the way to Casilda. Soon after he started this scheme, someone in Rosario noticed that Casilda was getting new copies of *Gente* days before they were, at which point Oscar recognized the larger commercial opportunity to help improve upon the current delivery scheme.

At the time, magazines were being delivered by plane at a high cost, with arrival times dependent on the airline schedules and inefficient local distribution arrangements. By delivering the magazines by truck, Oscar was able to deliver in 24 hours at a lower cost, and cut out the middlemen by delivering straight to the local vendors. It was with this model that Andreani first began to build its national distribution network.

How did Andreani enter the pharmaceutical business?

The next step was to find more products that Andreani could profitably and effectively distribute using their new distribution network; an ideal product from the businesses perspective would be something lightweight, of relatively high value, and that being able to deliver more quickly would be particularly valuable. Oscar decided to approach the pharmaceutical laboratories next as pharmaceutical products fit this description very well, and started selling his network for the delivery of pharmaceutical products and medical devices. Eventually in the mid 1980s Andreani started to offer other services to the pharmaceutical industry; Roche was the first laboratory to hire us as a full-service warehousing and distribution provider, and many other customers followed after.

How significant was the pharmaceutical market to Andreani’s growth?

Capturing a portion of this market when they did was critical for Andreani’s growth and success in the years after, as in the 1990s the current distribution structure was created by the pharmaceutical laboratories, and Andreani was able to integrate itself into this structure. In Argentina, nearly all pharmaceutical products are distributed by one of the four big distributors (Disprofarma, Farmanet, GlobalFarm and Rofina) which are owned by the major pharmaceutical laboratories, and Andreani operates two of them (Rofina and Farmanet) with full services from the warehouse to delivery to the pharmacy. There are a few laboratories (such as Abbott) that still manage their own distribution in Argentina, and we also manage operations for several of these clients as well. We also provide logistics service to other players in the pharmaceutical industry such as Pami, public hospitals, and other laboratories who manage their own warehouses. All together, Andreani handles nearly 50 percent of all of the pharmaceutical stocks in Argentina, and

physically transports up to 60 percent of all pharmaceutical products moved in Argentina.

Our Pharma business is the single biggest segment of our business, and is the source of 37% of our total revenue. We are the most important players in the pharma distribution market, and are also the most important logistics provider in Argentina as we are the only company with comprehensive national coverage. This is evidenced by our partnership with two of the leading international logistics companies, FedEx and UPS; Andreani makes all of the deliveries for these firms outside of Buenos Aires and other major cities in Argentina.

What are some of the challenges from working with such a wide variety of clients across the pharmaceutical and medical device industry?

We have specialized teams for each industry both within and outside of the pharma industry; for instance, we are also very strong in mobile telecommunication technology and computers. In each area, it is very important that we understand what our clients need from us and how we can help them maximize their sales; across the pharma and medical device industry, quality and compliance are the most critical areas, and we go to great lengths and invest a lot of time and resources in training programs to ensure that items are delivered in perfect condition and are transported correctly.

As the distribution chain becomes increasing complex, what role do you play in helping clients to meet these requirements?

Andreani has a dedicated quality assurance department that follows the latest developments in GLP standards and regulatory requirements to ensure that our operations remain ahead of the curve in this regard. We have a team of 14 pharmacists in this department who monitor our practices and procedures to ensure that they are optimal, and we have invested substantially amounts in temperature control technologies so that we can store and transport temperature sensitive pharmaceutical products.

Also, in recent years, the regulatory environment in Argentina has become more active as they are instituting the traceability programs; at the moment, only certain high value or therapeutically important medications are being tracked at the unit level. We have already reorganized our business substantially to ensure that we will be able to handle these requirements as the traceability program is expanded to cover more and more drugs.

What is Andreani’s most important resource?

Everything that we'd like to do for our customers lies in our people. Journalists used to ask me what would happen if a multinational logistics giant entered the Argentinian market, which I always thought was a bit ridiculous because my answer always proved why it makes no sense for such a firm to do so. While a foreign company might be able to build a facility or facilities quite quickly with enough money, it would take a lifetime for them to build the customer base required to sustain such a company and to expand their network enough that it could compete with Andreani's. The other aspect is that Andreani offers very specialized services that are customized for our different customers.

We only have these advantages because of the people that our firm is composed of. Our salespersons know and serve our clients, our drivers keep goods flowing through our network and our quality assurance personnel ensure that we handle goods as our customers require. Our account managers have in-depth knowledge of the market, of the business environment and the local business culture so that they are able to effectively customize and optimize our services to meet our clients unique needs. An outsider might be able to offer a very attractive standardized service, UPS being a great example, but when it comes to meeting the unique needs of a customer these international giants are less able to do so.

As I've said before, we invest a lot in training and developing our employees into the best professionals they can be. The evidence of our success in this regard is somewhat bittersweet; several of our employees have gone on to work and succeed in other logistics related businesses, or have even started their own companies, and the skills that they developed at Andreani were critical to their success.

Andreani has comprehensive coverage of the Argentinian market and territory, and has developed a strong foothold in Brazil. What are your current ambitions for regional expansion?

At present, we are focusing on further building our pharmaceutical business in Brazil. Although we have made a lot of progress already, the business is really still in its infancy compared to what it could become. The market is five times the size of Argentina and much of the territory is very remote so there are a lot of challenges for us to overcome, but we believe focusing our efforts on Brazil is the right strategy for us at the moment. In the longer run, our ambition is to become a truly regional player; starting with Brazil is a good road to success in this regard, as it is the largest and most important market in Latin America.

How did you first enter the logistics industry and join Andreani?

I joined Andreani 21 years ago after working for many years in human resources; my academic background was in psychology. My first position with the group was as a human resources manager, which is a key position in the logistics industry as staffing issues must be managed directly, thus HR personnel must maintain close contact with the sales and operational personnel. As a result, I learned a lot about the other aspects of the business very quickly, and was soon given other responsibilities in areas such as marketing for institutional customers, which is when I started to get involved with our postal business. Eventually I was made the general manager of Andreani's postal business, and since 2006 I have been the director of operations and sales for the entire group.

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