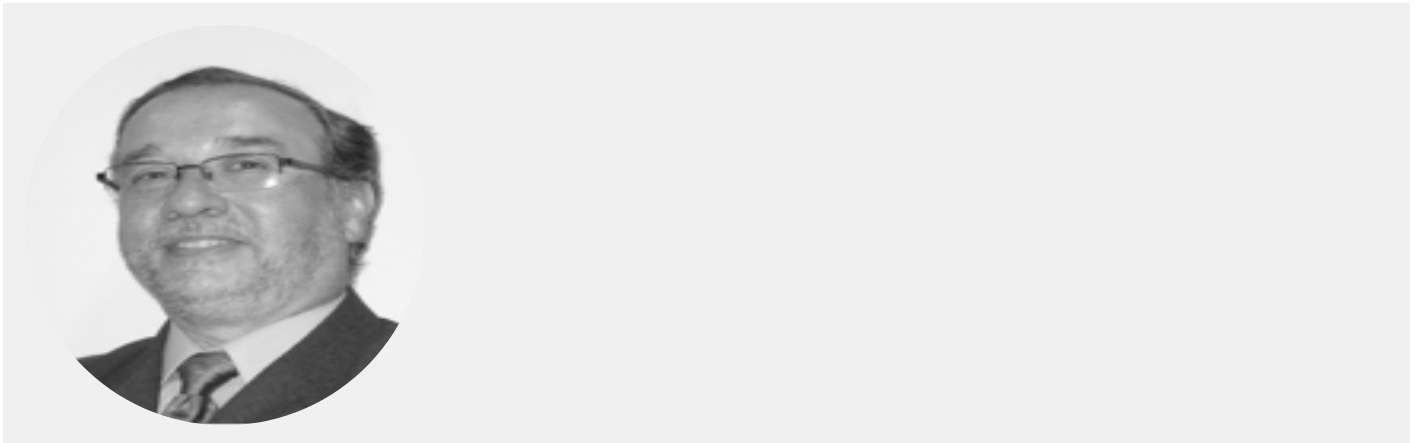


Juan Carlos Monge, President and Founder - Bomi Argentina



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The founder of Bomi Group's affiliate in Argentina discusses the accomplishments of his firm thus far, and the challenges they have faced while trying to enter the very consolidated Argentinian logistics market.

What was your first exposure to the healthcare logistics business?

My background is in biochemistry and I worked in basic research until the mid 1990s. At that point, the future for basic research in Argentina was beginning to look somewhat dim, so I looked for a position that was still related to research but more closely tied to the private sector. That position ended up being a clinical research organization, Quintiles, and I actually helped them open their first office for their Central Laboratory business unit here in Argentina.

My first involvement with logistics came while I was working at Quintiles, however this was of course as a client and not a provider. In 2008, Marken approached me with an offer to become the regional director for Latin America, as they wanted someone with experience on the client's side of the relationship to help them build and develop their business. One of the big projects I worked on while with Marken was to develop their network of depots across Latin America, for which I met with a lot of logistics partners across Latin America and it was at this point that I met with and was impressed by Bomi for the first time. They had an excellent standard of quality, were fully dedicated to healthcare, and had a strong global network, which based on my experience was not

something I believed to be available in Argentina.

How did you come to the decision to start your own logistics company?

After I quit my job at Marken, I realized there was an opportunity in the market to open a similar provider to fill this void. I brought several people with experience in logistics together including our business development manager Julio who used to work for another logistics operator, and my brother who worked in logistics for the oil industry for many years. We also found financial support in a couple of partners who trusted in us and our project and helped on our start up investment. We knew that to build a strong business plan we needed some substantial differentiators to set us apart from the massive established logistics providers; defining ourselves as a logistics provider dedicated to the healthcare market was one of the differentiators, while for the other we decided that it was necessary for us to provide a very comprehensive set of services beyond pure logistics.

To have a chance at successfully entering this relatively inaccessible market, we needed to find a partner who was well recognized and respected, and who would be able to provide us with some support. We decided that Bomi would be an ideal candidate as a partner as they have a strong presence in other areas of Latin America, and their expansion strategy in the region is based on joint ventures and franchises, so we started talking to Bomi. We finished developing our business plan in 2011 and signed an agreement with Bomi corporate in 2011 that made us a part of their global network of logistics providers.

As a member of the Bomi group, we were given access to a lot of resources including their warehouse management system, their brand name, and documentation related to their processes so we would be able to develop a business that was in harmony with the operations of other Bomi companies. The logistics business is a constantly changing business however, so harmonization is a constant process.

When started the business 3 years ago, what were your initial priorities?

Our first task was to build the basic operational structure and get the business up and running, which meant not only setting up our physical facilities, but also getting all of the necessary legal approvals from ANMAT to operate as a logistics operator. After 2 years and a few months, we have already met these first goals and have scaled up our operations considerably from our initial location.

We are still very small, but we have seven clients now, a few of them who are well known in the healthcare industry worldwide, and people are started to understand that Bomi could become a

player in Argentina. At this point our challenge is to continue build volume so we can begin to operate more efficiently.

However, as I mentioned earlier, our business plan relied on differentiating ourselves by providing extensive additional services and support to our clients with regards to regulatory issues and process quality control. Thus, from the outset finding clients who needed this assistance was a priority, not only so we could demonstrate our expertise, but also because consulting for a business looking at establishing operations in Argentina was one of the ways in which we hoped to develop clients. We are working to define ourselves as the partner of choice for firms entering into Argentina, by offering extensive consulting services and administrative support with regulatory matters, permits, and by offering operational support and resources.

What have been the biggest obstacles you've had to overcome so far?

A successful logistics operator must be flexible so that they can meet the specific needs of the clients, yet a new business needs to stay lean and focused so that it is strong enough to survive long enough to grow. Finding the right balance between these two considerations, and the right starting point as a business was a critical challenge. Making the decision of what investments to make initially, and by extension what types of business opportunities to initially commit ourselves to, was very difficult to say the least. For example, we had the option of investing in temperature control facilities and a small warehouse, or a larger warehouse without temperature control, and the decision we made dictated what sort of clients we would be able to handle.

We're past this risky starting phase as we now we have seven clients, although making smart investment decisions is of course still a nerve racking challenge. At this point, we have developed the capacity to meet the wide variety of our clients needs, ranging from handling large volumes of marketing materials, to very sensitive medical technology products, temperature sensitive medication for clinical trials, and more. All of these different requirements have meant a lot of training for our employees.

Could you tell us a bit about your clients and what's moving through your warehouses?

As I said, we have seven clients now, six of whom are pharmaceutical laboratories. Unfortunately, because of the complexity of the distribution market in Argentina, we have been unable to get a foothold in logistics market for actual pharmaceutical products. In Argentina, the "distributors" are companies owned by the laboratories that sell pharmaceutical products on behalf of the laboratories to the wholesalers. There are only four distributors in the whole country, and they either have their own logistics operations or have had long term agreements with established

providers for a long-time, plus the volumes they move are enormous and we would be far too small to even consider working in this part of the industry.

Instead, we have focused on handling the logistics for non-terminated products such as packaging materials, APIs and excipients, and marketing materials. We do work with a few non-pharmaceutical terminated products, such as saline solution, and have provided services for clinical trials. The clinical trial business is not something we invested resources in developing, but due to my experience in the industry and my extensive contacts in this area, several clients have come to us. Next year we are going to make a more concerted effort to develop this side of the business, and to create a separate quality system for clinical trials as these operations should really be held to a higher standard than for the rest of our business.

Our biggest client at this point is Covidien. We were extremely lucky as in 2012 their business was restructured and they ended up outsourcing their logistics. Because of their very high requirements on timing and regulatory steps, and the fact that they needed new permits to start working as a new legal entity, we were able to win the contract by offering a lot of support on the regulatory side. Getting this contract was very important because they were our first Medtech client, and this market holds a lot of potential for us because many major Medtech players are still not present in Argentina, and may enter in the future.

How much interoperability is there between the different Bomi offices in the rest of the region?

Our offices act as a resource to each other, in the sense that we keep in touch about potential business opportunities, and consult with each other to share relevant experience and information. Sometimes, we will often help each other secure clients for services being provided in another country; for example an Argentinian client might approach us to organize services for their operations in Chile.

Sometimes, Bomi's head office in Italy has corporate clients that they offer global solutions to. In these situations, they take the lead role with the client and we provide support to them with services and country specific information.

Really, our goal is to try work together as a unified organization, so Bomi can be seen as one service provider. We continuously work to keep our quality systems as harmonized as possible, try to use same standards, have similar KPIs, and align on things like using the same templates for invoices so our services seem as cohesive as possible.

What is the most important advice that you would give a client planning on entering Argentina?

I would emphasize that Argentina is a very interesting and exciting market. The publicity of all of our economic problems is not positive, but the health market in Argentina is very strong. I would encourage other companies to come because there is a lot of demand and potential here for high quality healthcare products. The potential is very interesting, despite the instability. I don't know what you have heard from other people, but we are optimistic.

That said, the environment is somewhat complex and entering without local support would require a lot of investment. We feel that this is Bomi's niche; to start relationships with clients when they are just establishing their business, and to help them grow.

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