

Ricardo Ganem - Vice President and General Manager, Perrigo Mexico



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Store brands are Perrigo's core business. The vice president and managing director of the Mexican and Latin American affiliate discusses the company's pioneer and early vision to bet on generics and store brands in

a market dominated by branded drugs, the investments the company has undertaken in Mexico to double manufacturing capacities and meet increasingly growing local demand as well as the strategic global acquisitions that are adding to Perrigo's success.

The last time we met you was in 2012. What would you say has been the most important change, which has taken place over the past couple of years in the pharmaceutical market in Mexico?

We have actually witnessed several important changes over this time. A significant one has been from the standpoint of the regulatory authorities. The Federal Commission for the Protection against Sanitary Risk (Cofepris) has made significant efforts in recent years to reduce a tremendous backlog of registration requests for renewals or new products. These backlogs have been a roadblock for growth and innovation in the industry but thanks to a skilled leadership in Cofepris, important improvements have been made.

Probably the most significant factor of change in the industry is the growth of generics and more particularly store brands. Generics are not only changing consumer habits as patients are buying smarter, but retailers are becoming stronger by offering their own brands at significantly lower prices. With a large number of patents expiring in the coming years and very few new products in the pipeline, the penetration of generics is sure to continue.

In addition, the pharmaceutical market in Mexico is very active with new national and international players participating in all areas; production, distribution and retail. Larger companies are focusing on innovation and marketing while seeking third party manufacturing, which represents an opportunity to those with installed capacity in the country. Important distributors have disappeared and others have come into the market to change the competitive landscape. Important mergers and acquisitions have also shaken the retail scenario as top companies are looking to aggressively increase their penetration.

Besides the consolidation of large pharmacy chains, we are also seeing the incursion of large national as well as international players such as FEMSA and Alliance Boots. What makes the Mexican pharmacy retail sector so attractive?

There are many reasons that make the Mexican pharmacy sector an attractive business. First of all, demographics: the Mexican population is getting older and there is a high incidence of chronic degenerative diseases. Also, Mexican youth is facing serious challenges in terms of obesity and diabetes. To these factors that will likely generate higher demand in the next several years, you can add the prospects of a growing economy and greater per capita income.

How are you adapting your go-to-market strategy to this new retail scenario?

We don't have to adapt, as our business model is designed to service this new reality in Mexico. Traditionally, all pharmaceutical companies in Mexico have used distributors but Perrigo has always gone directly to its customers. This is the nature of store brand: we partner with retailers and become the manufacturing arm that they don't have and they become the retail arm that we don't have. Contrary to other players in the industry, Perrigo's priority is the success of the brands of our customers and the result has been a very successful and trusting partnership with the country's top retailers.

How does the company plan to continue growing, in Mexico as well as globally?

Perrigo has an aggressive growth strategy worldwide and we are continuously diversifying into new categories, all focused on providing quality affordable healthcare products to our customers.

Mexico is the second largest market in Latin America and we have a solid footprint in the country with a leadership position in generics and a very professional management team. In the past several years, we have made important acquisitions and expanded our installed capacity three fold. We have invested, not only in plant and equipment, but also in technology, quality, research, processes and people. We expect to continue this trend and do not rule out additional inorganic growth through acquisitions in Mexico and perhaps other Latin American markets.

How does Perrigo's local footprint look like today in Mexico?

When we entered the Mexican market back in 1997 by acquiring a local company called Química y Farmacia, we relied only on one manufacturing plant in Ramos Arizpe, in the state of Coahuila. Since then, we have acquired the company Diba in the city of Guadalajara and expanded manufacturing in Coahuila to include a new liquids and creams plant, a state-of-the-art plant for oral solids, a prime secondary packaging facility and significant addition of warehouse space. Today we are in the process of building a new state-of-the-art facility for hormonal and beta-lactam antibiotics in Coahuila as well.

Where do you think future growth will come from?

Today Perrigo has extended its product portfolio beyond generics, prescription drugs and OTC to include medical devices for diabetics, ophthalmic and injectable products, infant formula and even pet care. We recently acquired Omega, one of the top branded OTC players in Europe. We are also working on vertical integration strategies by growing our manufacturing capacity for APIs, with plants in Israel and India. However, the focus is the same: providing quality affordable healthcare products.

In Mexico our core business is store brands and we expect that business to continue to grow at double digits for several years still. However, we have also experienced significant growth in contract manufacturing for several local and transnational companies, we are working on important export projects and we also expect that our sales to the public sector have great potential. As I said before, there are also inorganic growth opportunities that we will be pursuing.

What are your personal ambitions for Perrigo in Mexico?

I want Perrigo to continue to grow to the extent that we can achieve the full potential of the Mexican market which is significant. We will do this by continuing to be the best partner our retailer customers could ever have. They need us to expand their portfolio, as their mission is to provide their customers with the best quality, affordable healthcare options available. I want Perrigo to be

their solution for everything that can improve the quality of life of their customers in terms of medical products and beyond. If we do that, we cannot go wrong.

What focus do you have as general manager of Perrigo Mexico to continue achieving the same results the company has achieved over the last century?

Our company was built on five pillars; quality, service, innovation, low cost and people. As long as we continue to focus on these pillars, we will continue to be successful. I honestly think we have the best corporate leadership team in the industry and with their guidance and support we have been and will continue to be very successful. Similarly, my leadership team in Mexico is outstanding. I have an entrepreneurial view of business and always try to think outside of the box by asking the question: why not? Under the umbrella of providing quality affordable healthcare, the possibilities are endless.

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