Interview: Daniel de Labauve d’Arifat – CEO, PNL (Pharmacie Nouvelle Limited), Mauritius



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Daniel de Labauve d’Arifat discusses how to accomplish the new Mauritian government's Vision 2030 strategy, his company’s successful track record as the main wholesaler and distributor of pharmaceuticals on the island, and the Mauritian business environment.

As articulated in the Prime Minister’s recent Vision 2030 speech, the new government wants to diversify and develop its economy to achieve 5.5% growth by 2017. What measures need to be taken to achieve this?

Mauritius’ aspiration for a GDP growth rate of six percent over the next five years may seem ambitious. As the economic infrastructure stands currently, the most likely scenario is a growth rate of two to three percent – or even lower – while ambitious reforms may bring economic growth to reach four or five percent.

This relative underperformance can be explained by pockets of inefficiency in several areas, which undermine the country’s competitiveness and ability to sustain increased labor productivity. This includes the capacity of the country to innovate and absorb technical expertise, as well as to attract and retain talent that will generate higher value-added services.

There are a few components required for success. Firstly, we must believe in and train our people. Foreign expertise is indeed required, but as consultants and technical support. It is not easy to

work in Mauritius. It is said that once someone can drive in Mauritius, he can drive everywhere else. The same can be said regarding work: once someone can work in Mauritius, he can work anywhere. Our multicultural environment is fantastic for fostering international cooperation.

Secondly, the public and the private sector need to work together. This has been said very often, I know, but it needs to be acted upon. Both parties have got their strengths and weaknesses, which will complement each other.

The journey is long and it will be difficult but the government has been very decisive with the reforms. We only need to have confidence in the government and more importantly, we need to give them a chance to implement the reforms.

PNL is itself a prime example of successful diversification. Can you discuss the company's history and business model?

We can celebrate over a century of experience in Mauritius. PNL began with the opening of a pharmacy in Port Louis in 1912. We then expanded into wholesale consumer goods, notably with Ovaltine, the famous malt chocolate drink, and then with Horlicks, as well as started to represent big names in pharmaceuticals throughout the 1920s to the 1960s. In 1973, we opened a consumer goods division and in 1982, a manufacturing unit.

Currently, PNL is a wholesaler and distributor of pharmaceuticals, consumer goods, dyestuff and chemical auxiliaries. The group's turnover exceeded 150 million Euro (USD 169 million) in fiscal year 2014 and it is the 18th largest company in Mauritius. PNL had a combined turnover of 37.5 million euro in fiscal year 2014, and grew 12% since 2013.

A key characteristic of PNL – and I believe an important factor in our success – is that we are divided into four clusters, with their own commercial and distribution structure – allowing each to develop to its full potential. Each cluster is led by one Sales Manager, who reports directly to senior management. This lean structure enables us to react swiftly and flexibly to changing market conditions.

The Mauritian economy has constantly reinvented itself in the past century, and the economy is predicted to evolve again, with the Healthcare and Life Sciences sectors playing vital roles in this transformation. What can PNL offer Mauritius in this area?

Our target is to be the comprehensive provider of solutions and services. We emphasize our consumer goods cluster as well as our pharmaceutical cluster. Due to our very focused structure, we are not limited to representing multinational brands. As part of our Brand Development portfolio

since as early as 1985, we have started innovating and developing our own brands within the consumer goods cluster.

As domestic representatives of international pharmaceutical companies, PNL will bring innovative drugs to Mauritius as soon as they are on the market. The fact that PNL is part of the LEAL Group gives us additional resources and room to expand; we are seriously looking into developing into the service sector with daycare centers for patients or the possibility of a franchise Para pharmacy.

We have also scrutinized the option of growing beyond our domestic borders. We are certain that with our credibility and supplier relationships, we will be successful in establishing ourselves in the African market. In the long term, we will definitely internationalize into Africa. However, currently we have decided not to tap the potential of that option as our domestic market still offers some expansion opportunities.

Currently, what are the main drivers of growth for PNL?

Our largest cluster is PNL Consumer, which accounts for 69 percent of our turnover. We represent multinational companies such as Unilever, Danone and Beiersdorf in the areas of baby care, cosmetics, household items and beverages with the world number one in spirits, Diageo.

The second largest cluster is PNL Health, which accounts for 27 percent of our turnover. This cluster represents pharmaceutical multinationals such as Sanofi, Merck, Pfizer, Roche, Eli Lilly, Merck, GSK – nearly every global player in the industry. This specific cluster has developed significantly the last 3 years as we have started a very good relationship with the public sector. The private sector has also grown significantly over the years.

Our third cluster is PNL chemicals, but with the difficult time of the local textile industry, the sector now only represents only 4% of the group’s turnover.

The fourth cluster, accounting for one percent of the group’s turnover, is PNL retail. Although it is small for now, this cluster is of strategic value to our group. We have plans for a network of pharmaceutical retailers as well as daycare centres for diabetes treatment. This cluster will also play a key role in the development of our consumer goods portfolio.

When we met her Excellency Ameenah Gurib-Fakim, she explained that the Mauritian healthcare system is very well-developed in contrast to other African countries. What are the remaining challenges that need to be addressed in the next few years?

We expect PNL Health to play a key role in the growth of our company in the years ahead. We have a welfare state that allows 85% of the population to go to public health care services to receive free treatment.

However, we identify two significant challenges in the development of the industry ~~on~~ in Mauritius that have to be addressed by the government.

First and foremost, the regulations surrounding setting up and running of pharmacies have to be revised. New pharmacies are opening weekly. Currently there is a total of 347 pharmacies on this island, of which roughly 30 represent 80 percent of its value – and quality. The current regulations do not ensure a sufficient quality of the pharmacy practice in multiple respects. Furthermore lack of enforcement of existing regulations result in the hidden marketing of soft drugs through pharmacies, which is acting as a channel for drug abuse. There is also no limit on the number of pharmacies that can be opened, regardless of population size or distance between existing pharmacies, which results in cutthroat competition. Hopefully, the Pharmacy Council Bill 2015 should address some of these critical issues.

Secondly, regulation governing the import of drugs and medical devices leaves room for parallel importers to establish their business in the Mauritian market, These parallel importers are not accredited agents of the manufacturers and hence do not necessarily comply with conditions of transportation, supply, storage and distribution as laid down by the manufacturers thereby resulting in a lack of traceability and compromising on the quality of the procducts.

Fortunately, the government and the ministries has realised the gravity of these problems and are showing willingness to change. The implementation of a registration fee will give distributors exclusivity. Through this procedure, the importer who submits the dossier for registration can be controlled and thus it can be secured that all conditions and regulations are met. Additionally, suppliers will work with accredited distributors, which ensure the security and stability of their partnerships with Mauritian companies.

You have discussed the uniqueness of the Mauritian business environment. As a small and densely populated island, are there also issues surrounding logistics and distribution?

There is a very specific challenge of the logistics surrounding distribution on the island. For instance, PNL services every point of sale: daily in urban areas and thrice-weekly in rural and coastal areas. The costs of distribution are constantly rising. In urban areas, the problem is that the overconcentration of pharmacies in urban areas result in traffic jams and major delays, while in

rural areas, distribution requires significant and expensive detours and overtime.

The Pharmaceutical business model is changing and is shifting from exclusivity to co-distribution. This is also having some pressure on the logistics.

Do you have a final message?

PNL’s most substantial strength is our people. We are a young and dynamic team thriving on excellence and efficiency, which are always held to the highest ethical standards. The quality of our work has been strongly validated by our recent successful partnerships with multiple multinationals.

We all need to dream and to live our dream. Believe and invest in your people, innovate, avoid mediocrity and maintain humility. This is my message to PNL, which can also be extended to the country.

The only way to predict the future is to invent it !

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