Interview: José Angel García Hinojosa – Counsellor, Grupo Loeffler Russek, Mexico



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José Angel García Hinojosa, counsellor of the board of the Grupo Loeffler Russek, details how Loeffler's impressive growth has forced the company to increase their manufacturing capacity. While Loeffler grew from a small Mexican business to one of the most prominent generics companies in the fast-growing Mexican market, Mr. García also reveals the international ambitions of the group and the ongoing transformation of its structure to become a more competitive and efficient organization.

When we first met with you in 2015, you introduced Loeffler to our international readers. What have been some of the most important milestones the company has reached recently?

Over the last eighteen months, we have notably been concentrating our efforts on strengthening and improving the structural efficiency and competitiveness of our organization. On one hand, we saw that the Mexican health regulations and legislation had evolved over the last two years, so we had to adjust and recalibrate the entire scope of our operations to ensure we are perfectly aligned with our country's new regulations. In this regard, I am very glad to see we managed to display huge progress over a very short period of time, which has clearly strengthened our position in the market.

Although we started this company as a small family business, our motto however is “We are a *big* small company”. Over the past two decades, we have indeed been continuously thriving to now stand out as one of the most prominent Mexican pharma companies. To accompany our company’s growth, my brother Alejandro and I used to split between the two of us the administrative and commercial responsibilities of the firm, while we would in reality hold a wide scope of responsibilities to ensure that the company can rapidly develop year after year.

Nevertheless, in order to help our organization reach a higher level of performance and credibility, we decided to implement profound reforms with regards to its corporate structure, which is now aligned with the governance model shared by all substantial players within the industry. We then decided to appoint for the first time a company general manager, Mr. Jorge Santiago, to guide our company’s growth and handle its daily operations. In the meantime, we also set up an executive board, on which my brother Alejandro and I now sit. As a result, while I used to be vice-president sales of Loeffler, I now operate as a counsellor on the company’s board.

From 2005 to 2013, the company has experienced an average double-digit growth rate, doubling the size of the business every three years. How is Loeffler doing in 2016?

In comparison to the performance level we have been displaying over the past decade, we expect 2016 to be relatively slower in terms of sales growth. The main reason doesn’t lie in a poorer market growth or in the overall performance of the Mexican economy, but it essentially relates to our manufacturing capacity, which has recently reached its limit. This comes as a consequence of our impressive success: for example, one of our main products started selling at a rate of 70,000 units, while now it displays sales level of more than 300,000 units. As a result, we are currently upgrading our manufacturing footprint to expand our scope of action and nurture new growth perspectives. By acquiring the most recent manufacturing equipment, modernising our current producing infrastructure and tremendously expanding our various production lines, we will soon be ready to renew with the growth rates we have been historically displaying.

The key factor for us is product development. Unlike many other laboratories in the market, we are not focus on only a few, specific therapeutic areas. On the contrary, our strategic approach is to constantly assess the evolving needs and trends of the Mexican generics markets to enrich our product portfolio accordingly. There have been many new areas of interest for us; and, with regards to the Mexican epidemiological profile, we have recently been concentrating our efforts on the cardiovascular and diabetes segments. Considering we constantly add new products to our already large portfolio, this strategy also counted toward the decision to upgrade and expand our manufacturing facility. When our new manufacturing arm will finally be up and running, we will

hold a larger room for manoeuvre which will allow us to more swiftly and easily broaden our product portfolio and adapt to the market needs.

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You are present in both the retail and institutional sectors, but the public market now represents less than 18 percent of your overall business. Considering this focus on the private market and the fierce competition occurring in this market segment, what is Loeffler's competitive advantage to thrive and increase its market share?

We believe our main competitive advantage lies in our proven capacity to deliver outstanding quality medicines while keeping our prices within an affordable range. Furthermore, the fact that we hold one of the widest product portfolios in the ever-expanding Mexican market puts us in a privileged position. As a company, we can offer solutions for the vast majority of the medical needs faced by the Mexican patient population.

Moreover, strengthening and consolidating a strong and positive relationship with our clients is of utmost importance to us. In such a competitive market, this parameter is absolutely crucial to ensure our products ultimately have the visibility needed to gain market share year after year. Furthermore, we also boast the most stringent compliance with the recent pharma and manufacturing good practices in force in our country, whose norms are considered a reference in Latin America.

In the grand scheme of things, our main strategic priority however remains centered on our ability to deliver the largest volume possible of highly affordable products without compromising our cost-benefit ratio. This objective becomes more challenging to fulfil when your company is constantly adding new products, penetrating new market niches and rapidly increasing sales volumes. In this regard, the quality of our manufacturing processes plays a central role in our effort to always improve our productivity and our cost-efficiency.

Nevertheless, in such a rapidly evolving market context, a truly competitive company should never rest on its laurels, and we then adopt a continuous improvement strategy for all products and market niches we venture in. Conceptually speaking, we follow an integral and holistic approach when it comes to the development of the company. For example, we don't want to solely invest in new molecules, manufacturing processes or commercial tools. Our philosophy is to approach the improvement opportunities we identify from every angle possible, by transforming our organization as a whole. This holistic approach stands as the most successful manner to remain as cost-efficient, lean, and integrated as possible – despite our ambitious growth objectives.

How do you see the Mexican market evolving in the upcoming years?

In the past, generic products didn't have the importance or the recognition they now display in Mexico, where generics already make up 79 of the total market volume, according to IMS Health. Two decades ago, generics in Mexico were considered an emerging, niche market that would never be able to compete with the multinationals' blockbusters. Nevertheless, several small, local companies, like Loeffler, worked really hard to position generics in a much better way toward public opinion and the healthcare community, endlessly raising awareness and our standards to ensure our treatments receive the recognition they deserve.

These small, pioneering companies have been particularly successful over the last decade and they now stand as the fastest-growing players in the Mexican market. As part of their expansion, local firms have accumulated a huge amount of experience and strengthened their financial resources, while we didn't forget either to gather skilled and talented workforce and state-of-the-art manufacturing infrastructure. This level of professionalization get more and more obvious every day and that is something that I consider as an encouraging sign for the future evolution of the Mexican pharmaceutical market.

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Of course, this companies' development within our domestic market will soon trigger major export opportunities, first to the region, but steadily to other fast-growing markets such as Asia. Finally, the successes of the local, generics players will probably increasingly draw the attention of international players, and we can expect new strategic partnerships and acquisitions to happen in the upcoming years.

For many years, Loeffler has been primarily focused on the Mexican market. How are you progressing with regards to the internationalisation strategy of the company?

For 2016, we are essentially focused on increasing our manufacturing capacity – otherwise, we will soon not be able to cope with the increasing domestic demand. Nevertheless, as soon as we will be able to deliver the heightened volume that penetrating new international markets entails, we indeed plan to steadily introduce our products into several Central American countries, such as Salvador, Guatemala, Costa Rica, and Honduras – before looking at other Latin American countries.

To summarize our main strategic priorities for the next two years, we then want to upgrade our manufacturing capacity, continue to develop new treatments to further enrich our product portfolio and also further institutionalize the company's structure to make it more competitive.

Loeffler truly stands as a Mexican but also family success-story. When you remember the beginnings of the company, what would stand as your proudest achievement so far?

First of all, our family truly loves this company and has always displayed a burning desire to make it better. When we started our operations, we could not afford to fail and have to find ways to nurture the company's growth despite the scarcity of the resources we held. Furthermore, we were operating in a product segment, for which few market observers believed in its development potential at this time. From a leadership standpoint, being successful in such a challenging context means that you cannot let yourself be overcome by doubts and negative thoughts, which is easier said than done when you evolve in such an emerging and competitive segment.

Finally, alongside the development of our company and our thriving sales, I think we have been able to incorporate within our management style the necessity to grow and develop the skills of our employees. The manner we now invest in the development of our people perfectly illustrates the " *big* small company" specificity of Loeffler, in which we consider our employees as the most crucial asset to fulfil our ambitious development strategy.

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