

Interview: Victor Manuel Fernández Navarro - CEO at Vicma, Mexico



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Victor Manuel Fernández Navarro, CEO at Vicma, explains how strategically important is to have a healthy business model in the distribution industry through

sustainable collection period, attractive profit margins and diversified clients' portfolio.

Additionally, he showcases the value proposition of Vicma to successfully distribute high quality medicines to remote areas in Mexico.

Could you please introduce yourself to our international readers as well as the key operations and activities of Vicma?

My father founded Vicma in 1971 and I have been in charge of business during the last decade. It remains a fully Mexican and family-owned company focused on the distribution of medicines for the pharmaceutical industry.

Our business model is quite unique since we target the distribution of drugs to remote or difficult areas such as rural towns between zero to 3,000 inhabitants, suburban areas between 3,000 and 15,000 inhabitants, and surrounding population areas of big cities like Mexico DF. It is important to consider that, based on data from INEGI (national institute of statistics and geography of Mexico) approximately 45 percent of the national population - around 55 million people- is living in those areas.

We are focused on this particular niche within the distribution industry. I am proud to confirm that we have been successfully covering such national necessity and we have been enlarging our infrastructure during the last years to reach those urban areas and provide access to medicines to this particular population.

The pharmaceutical industry has been evolving throughout the last years and, for instance, the regional pharmacy chains have strengthened their positioning in the distribution of the medicines. What has been your strategy to ensure the success of Vicma considering the high dynamism of the industry?

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The Mexican sector is really dynamic and you have to break the industry paradigms and constantly innovate your business model to survive. In addition, enjoying healthy finances is really important in the distribution stage of the pharmaceutical industry because of the pressure on margins and long collection periods.

Vicma has approximately 50 years of history in the industry and it has given us enough experience to really understand the pharmaceutical dynamics being able to adapt our entire structure to the current trends. We have been quite successful in enlarging the market access to innovative and high effective medicines to remote places acting as a complement to the traditional distribution channel.

During the last decade we have been constantly investing in enlarging our infrastructure and capabilities to be positioned as a highly serious and effective player and as a strategic partner for the pharmaceutical industry to reach such remote places.

The distribution market is set to grow between four and six percent in 2016. What is the growth target you have established for Vicma this year?

We have enjoyed double digit growth during the last three years and I expect to maintain such positive performance for the next years. However, the challenge in such evolution is not to increase your revenues but to obtain a healthy growth in terms of collection period, profit margins and diversified customers' portfolio.

What is your footprint in the public and in the private market?

We are mainly focused on the private market representing 95 percent of our total business revenues. In my opinion, the private sector will drive the growth of the pharmaceutical industry

since the government does not have the enough resources to treat the patients or to enlarge the market access to innovative and high quality drugs. Indeed, private companies have the duty to help the government to really ensure that the Mexican patients receive the medicines needed.

What are the main challenges that you have identified in your operations?

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As aforementioned, defining the correct credit limits with our clients according to their purchase capacity remains as one of the most critical issues in my industry. In addition, enhance the profit margins are really important since distribution is characterized by high volumes and small margins.

We heavily invest in new technologies to improve the efficiency and efficacy of our operations in terms of remote tracking of stocks' localization, expiration dates control, regulatory compliance, and others.

How are you ensuring that Vicma enjoys a healthy business?

I am proud to confirm that we have been able to establish sustainable collection periods with our customers, attractive profit margins through efficiency in our operations and diversified clients' portfolio. The three aforementioned factors have given us a healthy performance during the last decade.

While the retail segment is year after year consolidating with thriving local and international pharmacy chains, independent pharmacies still represent 35 percent of the market and 14,000 points of sales. In the meantime, private hospitals continue to develop and also represent an interesting niche. In this complex market, what will be your action plan to further increase Vicma's market share?

In my opinion the entrance of new players and companies in our industry means that there are still a lot of opportunities to grow in Mexico. Thanks to such trend our country is gaining infrastructure and I truly believe that we can capitalize such factor. It is a fact that Mexico is growing, the industry is growing and I will ensure that Vicma will be growing too, at least at the same pace.

We already met with more than 150 general managers and CEOs of the international and local industries for this 2017 edition of the HCLS Review. Most of them told us that managing the distribution part of the value chain is one of their most challenging responsibilities. How can Vicma contribute to make the lives of these executives easier and consolidate its positioning as the partner of choice of the industry?

Vicma has the experience and the knowledge of nearly 50 years in the distribution stage of the Mexican pharmaceutical industry with a business model fully targeted to the local needs to overcome any challenge. The results obtained throughout our history give strong reliability to our customers and we enjoy such legacy. Therefore, Vicma can be considered as the partner of choice for the pharmaceutical industry helping its clients to focus on their core business while maximizing their profits in the distributions operations.

What are the key objectives that you would like to achieve in the upcoming three years?

Vicma's business model is really targeted to fulfill the national demand of serving high quality medicines to remote places and it could be extrapolated to other businesses that I am considering to open in the mid-term. Indeed, there are a lot of opportunities in this sense and I would like to take advantage of them.

In addition, we will continue fully focusing on maintaining a healthy growth based on sustainable collection period with our customers, attractive profit margins and diversified clients' portfolio.

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