Interview: Paul Doulton – Founder & Managing Partner, Oriundo, Mexico

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The founder and managing partner of the LatAm-based consultancy Oriundo, Paul Doulton discusses the company's unique value offering—comprising both industry veterans and global associates to propel business development—while highlighting Mexico as the frontrunner in region's pharma market, especially with programs like "doc-in-a-box" trailblazing patient access to healthcare.

Having such a longstanding career working within the industry, can you elaborate on the factors that ultimately led you to start your own venture and establish Oriundo in 1992?

Having worked everywhere in Latin America, it was clear that new entrants to the region, which encompasses 22 markets each with their own distinct dynamics, often struggle pinpointing exactly where, why, with whom and how to start. Our clients then benefit from our highly capable team of former healthcare CEOs that have amassed years of experience operating in these markets. We know our way around and do all the leg work. We develop tailor made market entry models to enable our clients get started and hit the deck running.

People want to come into Latin America given the tremendous opportunities here, but the barriers to entry often appear too grand to overcome. Our job then is to debunk that myth and help people navigate the challenges. We started off in Mexico, and have since expanded all over the region to places including Argentina, Brazil, Colombia, Peru, Chile, Central America, and Uruguay. We design a market entry strategy for a particular market or for the region as a whole, not only to achieve your goals, minimize risk and time to market, but one which works within the client's business philosophy.

In so many cases, many of our clients were companies who tried to enter the region, but got into bed with the wrong partner, then realized several years and millions of dollars later that there is a better way.

Oriundo has four major business lines: market entry services, portfolio rejuvenation through our well proven Targeted Search service: M&A, and turnaround. What would you identify as the most in-demand service, and in which segment do you foresee the most growth prospects?

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Market entry has comprised the majority of our business, amounting to roughly 60 percent. But our project portfolio enrichment, or more specifically Targeted Search, is where we believe there is most need, especially given the rapid growth of quality generics displacing the grand old brands.

There's been a big slow down of companies buying tail products or traditional big name brands. This method is great for achieving critical mass, but this is buying the past, not the future. Targeted Search gets you to places and technologies that others can't reach—that's the unique value that our global network of contacts offers. It essentially comes down to knowing what our clients needs, not necessarily what they want.

What qualities distinguish the company's value proposition from those of your peers?

With an office in all the major markets, we can offer our clients a giant footprint in Latin America. Our associates have run companies in each of their respective markets, exhibiting keen insights across the board such as marketing, sales, M&A, business development, regulatory, manufacture, general management, etc. and all this without the overhead. Above all, we help our clients understand what the key success factors are for Mexico or whichever market is important to our client. We all had to learn the hard way, so we spare you the knocks. "Been there, done that, still here"

As most R&D nowadays is geared towards chronic degenerative disease for the mature market aging populations, Latin America's needs are substantially different in terms of disease burden, demography, payer criteria, so we have developed routes to identify and secure new therapies to meet local needs. Whether you are a national company, multinational, or indeed subsidiary of a multinational, we help you find products that are right for your markets through our network associates all around the world. Their job is to find what makes best sense for your individual market needs, not just what a parent company believes is the "one size fits all."

Since most blockbusters are snapped up by the multinationals, our partners generally work with R&D companies that rarely have any commercial operations around the world or indeed are geared to making tailor made solutions – often new drug delivery systems. To illustrate, a recent case was to locate brand new nanotechnology to prevent skin ageing, for a Latin American client, at a Spanish University. We helped both the university and the local marketer to exploit valuable new medical technology for the benefit of both patients and the ongoing research program in Spain

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Over the years, Oriundo has partnered with companies such as Sage Group and Healthlinks in order to enlarge the reach of its operations. Could you explain the fundamental characteristics that you seek in strategic partners?

Oriundo is solely Latin America focused, but to bring the best to our region, we look around globally to see who can help us do a better job, regardless of where they operate,

So, when it comes to portfolio enrichment, it' s imperative that we stay on the forefront of drug development globally—a role aptly fulfilled by our associates worldwide.

Business development is a sore point for many pharmaceutical companies operating in Latin America because of the individualistic nature of each market. In this sense, how have you tailored your approach to consistently drive value for your clients?

Our main clients are CEOs, and their business developers, with whom we work shoulder to shoulder to improve their batting record.

Contrary to a decade ago, the business development discipline was limited but very successfully run by a handful of "multilatinas such as Bagó, Sanfer, Roemmers. To our great surprise and relief, it's happening among multinationals, because the market dynamic, demographics, and disease burden of most Latin America countries are so different from most developed markets like the US or Europe. The parent companies are most likely spending a significant chunk of their resources on chronic degenerative diseases for an aging population. But if you're working in Brazil or Peru with a young population, pediatrics will be a vital strategic area of interest, hence the need for pediatric formulations. To counter the patent cliff and generic threat, new drug delivery systems can give your portfolio and your patients many useful years of life.

What makes for success in Latin America is the right locus of decision. Local decision-making is the single most important factor in the success of pharmaceutical businesses all around the region. Research has demonstrated unequivocally that the market leaders hitherto, such as Mexico’s Sanfer, Argentina’s Bagó and Roemmers, marketed products that their local market needed: a lesson not lost on two German companies—Grünenthal and Boehringer Ingelheim—primarily because their country mangers were given the autonomy to license or acquire products as they saw fit for the market.

The big problem still lies in the level of authority given to local subsidiaries and their business development managers to seek, and sign licensing agreements for their local market. Recently we are seeing change for the better, amongst a select few multinationals whose parent companies, facing the patent cliff, price erosion, who have given country mangers the authority to match their portfolios better to local needs

In the broader scheme of things, what role do you see Mexico playing in the region’s healthcare sector?

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Though now the second largest volume market after Brazil, Mexico is in the most attractive position of any market as a springboard for Latin America. And that’s not only because of its population size and highly successful and high-standard generics industry, but also because the country’s regulatory authority COFEPRIS is now widely referenced regionally. Mexico has resisted the tendency to hide behind trade barriers, so now has the most competitive base for the region,. Nevertheless the market dynamic is quite different from most other markets. Here is a remarkable example.

In the absence of the public sector getting its act together, cutting out needless duplication, bureaucracy, barriers to patient access and portability across differing social security behemoths, the market response in Mexico has been absolutely remarkable. First came the pharmacy and supermarket chains offering quality generics through private label lines from reliable manufacturers: this is now the fastest growing industry segment, by cutting out intermediaries and making medicines far more affordable.

More remarkable still is the colossal success of the “doc-in-the-box:” this term refers to pharmacy chains that co-locate a doctor’s office right next door, offering consultations and pharmaceutical dispensing in one convenient location. Initially facing strong criticism in the late 1990s, this concept has since seen widespread implementation, enabling millions of Mexicans, for the first time, to gain access to a real doctor, with proper diagnoses and the right medicine at an affordable price.

Through the IMSS (Mexican Social Security Institute), patients with minor ailments for example, might go to a clinic at four in the morning and consider themselves lucky to even see a practitioner at three in the afternoon, notwithstanding the subsequent possibility of any required medication being unavailable. Our doc-in-a-box helps fill a tremendous gap in Mexico’s healthcare system, no queues, thus saving patients work time, costs, and above all frustration.

IMSS will continue to be the provider of “incapacidades” or sick leave dockets, and of course covering more serious cases at secondary or tertiary level. To show how well this private sector response is working with some 20,000 to 30,000 doctors participating in the doc-in-the-box program, they attend as many patients and write as many scrips as the social security, so both the IMSS and patients save time and money for more important work, and patients get back to work quicker.

This is a market response to improving patient access, and it will probably do more for widespread patient welfare than any politician, hepatitis or AIDS drug can.

Dr. Narro Robles, Secretary of Health of Mexico, has been continuously highlighting the importance of building up public-private partnerships as a means to advance the quality and overall goals of the nation’s health system. What are your own thoughts on how PPPs can help reduce the healthcare gap in Mexico and within the region?

PPPs can be a very useful avenue given the construction of private sector hospitals. It is a model that has proven to work reasonably well in Mexico, although not necessarily one that could be suitably exported to other countries because the market dynamics surrounding payers are just so different.

In stark contrast to Mexico’s structure, Argentina’s social security sector, for example, is managed by approximately 250 different payers or “Obras Sociales.”

Macri would like to bring these all together into a single provider scheme like Costa Rica’s or Cuba’s single social security system that provides health for all.

All this illustrates that change from politicians at the center is not necessarily the best way forward. If we can bring together business disciplines, behavioral science, and a degree of common sense, we should be able to find a way of getting better value for money, improving health and productivity.

Medicine by definition is an individual affair, so anything that interferes with the doctor – patient relationship jeopardizes the achievement of good outcomes, and is doomed to fail. Above all, centralized social medicine leads inexorably to a culture of dependency amongst patients, instead of engaging patients towards a healthier lifestyle and behavior. But to make it work, our team designed a way to make sense of healthcare, putting patients, not politicians, at the center. But that also requires putting money with the patient, the only one who can tell whether we achieved the right outcome. So we invented what we called a medical savings plan in the late 90s.

Our research showed that when patients are tasked with allocating their own medical budgets, they behave far more rationally, properly advised by their family doctor, and will more often than not opt for savings and pursue preventative measures whenever possible. There is no better way of overcoming the culture of dependency.

When we first started looking into this concept of a medical savings plan, we looked around to see if anyone had done it before. And in fact, Singapore, with one of the most efficient healthcare systems in the world, has been a strong pioneer in this realm, spending only approximately 4 percent of its GDP on healthcare.

In contrast to criticism that Mexico only spends seven percent of GDP on healthcare, it is more productive to see how it spends the money, not just the amount of spend. The Singapore model is all privately funded, yet the government, doctors, and patients are all happy. This is a prime example of how money can be spent in smarter ways.

Given your track record within the industry, what advice would you pass on to executives looking to conduct business in the region for the first time?

The key to success in Latin America is always going to be understanding the market dynamic of each country. Who pays, who decides, and who or what business model will be best for us? What can we learn from others success or failures, how can we reduce risk, differentiate ourselves? Our technology will only be as good for the market as the business model we create solely or with partners. How can we service the market best? What level of control do we need and where should the control be placed?

Lots of questions, but a great starting point is to establish how best we can ensure patient access to our technology, products, claims. Anything that improves patient access is going to be the most fundamental driver. Without proper patient access, no healthcare system can exist. Patients suffer so many barriers, and not only economic ones. There’s bureaucracy, union-ridden issues, etc. Anything that improves patient access and patient engagement are the two ways forward.

We shouldn’t look at all these changes being driven by government unless it’s to break open the healthcare system for new entrants. And of course, localized decision-making should always be the first and foremost priority for international organizations.

And for Oriundo, coming from the company’s founder and managing partner, what are the main objectives that you would like to achieve in the coming three to five years?

Our objectives are threefold:

First, we continue to focus our efforts on positioning Oriundo as the partner-of-choice for companies looking to improving their business whether they are already in the region, or wanting to establish a presence in Latin America.

Second, we also want bring younger talent on board to ensure the continuity and future longevity of our business.

Third, we are in the business of making your Latin America business a success. It ain’t just about having a better pill, amigos.

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