Interview: Carlos Arteaga – CEO; Esteban Arteaga – Line Manager, Medivelius, Colombia



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Carlos and Esteban Arteaga, CEO and Line Manager at Medivelius, a company that distributes European dermocosmetic products of the highest quality in a price driven Colombian market, discuss how their loyalty to skin stores has engendered their success, while highlighting the importance of developing strong ties with dermatologists.

Medivelius is a family company you founded 15 years ago, specialised in dermo-cosmetics. Could you give to our readers an overview on the company's activities in Colombia?

Medivelius is an exclusive distributor of some of the most prestigious European dermo-cosmetic brands in Colombia. Our main activity consists of importing the finished goods, making sure that dermatologists in Colombia prescribe them and ensuring their availability in skin stores for patients. We are in touch with 1000 dermatologists in the country, representing 90 percent of the total figure. The core of our business used to be prescribed formulations. However, four years ago, we realised we would face a dead end if we continue basing our growth solely on formulations. For this reason, we have increased the over the counter products, investing more in the visibility at the point of purchase. Our 90 products are in categories such as hair, nails, skincare and sun protectors. In 2016, our revenues averaged USD 5 million and we expect to increase this to USD 6 million by the end of 2017. It will not be easy, as we're working twice as hard for the same results but we're not the only ones in this situation.

Our business practices are highly appreciated in Colombia; we have great relationships with our clients and have been awarded multiple times by our suppliers. In fact, we won our first back office IFC award in 2011, and the latest in June 2017. This prize rewards exceptional working capital cycle and management practices. We've also won the best worldwide launch awards in 2012 and 2013.

What are the main factors to Medivelius' success?

It's very hard to compare ourselves to other players in the market since very little data is available in the dermo-cosmetic sector in Colombia. Our competitors prefer keeping their information confidential. However, we know our partners are very satisfied with us and potential partners call us from several referrals we got from our suppliers.

I see three reasons that could explain why we are that competitive. First, and this is what I consider the main reason for our success, we've chosen to specifically partner with skin stores. Our loyalty to skin stores is the reason why we are performing so well. Indeed, as a result of our loyalty, our over the counter products are more likely to be recommended by the sales force in those stores. In addition, store managers know that a satisfied customer will be loyal to the store because it is the only place he can purchase the product. In turn, this increases a customer's lifetime value for the store. If he were to recommend another brand, the risk of a customer repurchasing the same product elsewhere is too big. Second, our products are of high quality. The doctors know that our products have a purpose, and are efficient. This makes them more likely to prescribe them to the patients. Third, our close ties with doctors, are assets we can leverage upon to commercialise our products

How do you expect to grow the business?

Our second semester was very busy with product launches. In fact, at the beginning of June we had 85 products and by the end of the summer we expect to have 9 more. We launched 4 new Uriage products in June, we expect to launch 2 in July and 3 more in August. All of them are in the dermatological market. More specifically, we intend to launch three in hair related products, one for nails, two in acne treatment, an anti blemisher and two facial cleansers. The main challenge for these launches is affordability.

Second we're thinking of new product lines and partnerships. Our main concern here is to avoid an overlap between our existing portfolio and the one of potential new partners. Indeed, having too many of the same products could be bad for our business, putting partners into competition. Anti-age could be an opportunity.

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Third we've invested in monthly training programs for our sales forces in skin stores. This appeared necessary with regard to the increasing competitiveness in skin stores. The objective of such an investment is to render them more competitive and increase the sell-out of our brands. The secret to successful growth and launches has been our cautiousness.

What has changed in the market?

A major macroeconomic slowdown is affecting the whole of our industries. Last year many skin stores had opened and it had allowed our business to grow accordingly. This year, Colombians are restricting their spending, skin stores are experiencing an unprecedented single digit growth, dermatologist have less meeting and their patients buy less of the prescribe medication. On the other hand we expect this to change rapidly, more people are taking care of themselves, environmental factors such as pollution increase the likelihood that people need our products. Moreover, awareness campaigns for skin diseases relating to sun exposure should also play in our favour.

Also, the past few years had marked a shift in the formulation, over the counter split in skin store revenues. This was on of the main reasons we started investing more in retail presence. With Colombians being more cautious of their spending's and skin stores augmenting their promotional activities in stores, we've had to abide to the reign of discounts and monthly promotions to survive in this increasingly price driven market. If we do not follow the demand for promotional activities, we risk losing the support of retailers. Nonetheless, we continue to engage in close relationship with dermatologists.

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Keeping sound financial books is not an easy task in this environment. Indeed, European products are expensive by nature; moreover the currency devaluation doesn't help. We've had to increase our spending reduce our margins and engage our partners, retailers and suppliers, in the promotional aspects of distribution.

Luckily, our suppliers know about the Colombian market's nature and the necessity of such operations to continue competing with brands that have established affiliates in Colombia. We have managed the difficult task of aggressiveness at the point of purchase, keeping in mind that as a family business any investments come out of our pockets.

Which opportunities do you intend to take advantage of in the near future?

Many of our partners have suggested we look outside of the country. In fact they'd be happy to have such a good partner in another country in Latin America. However, we prefer to remain fully committed to Colombia. Moreover, our expertise does not cover Latin America, but just Colombia. We are good at what we do in Colombia because we know the people, the market and have longstanding relationship with skin stores. We'd rather stay on good terms with our retailers than venture in new countries and lose touch with what has made us successful in the first part.

In the coming years, we are likely to stick to our strategy focused on growth along with the one of our retailers. Four years ago for example, BellaPiel had only 10 stores in Colombia, today they have close to 50. Despite the short-term uncertainty in the economy, I am confident we can continue growing this way.

What are your ambitions for Medivelius in the next three years?

Anything related to the growth of the company will be Estaban's mission. As for myself, I take pride in the fact all 84 employees are happy to work for the company that they are in a position to support their families and I intend to make anything that is in my reach to maintain this as it is. We want people to know that Medivelius is a caring company that has very good products and is a reliable partner. Not many companies in the sector see the value of relationship building with dermatologists and I think it is a mistake.

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