Interview: Alexandre França – CEO, Aspen Brazil



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Alexandre França, CEO of Aspen Pharma Brazil, describes the transformation of the Brazilian organization over the past year, which allowed Aspen Brazil to establish itself as the best performing affiliate of the group despite the country's economic and political turmoil.

Last year, Aspen Brazil was recognized as the group's best performing affiliate while becoming one of the pharmaceutical companies in Brazil with the fastest growth, with an increase around 30 percent over the 2016 fiscal year. What have been the key drivers behind this tremendous growth?

The fiscal year 2016 indeed marked an interesting time for our affiliate. Beyond the aforementioned results, what makes this period evermore special is that we experienced a dreadful beginning of the year, and our first quarter results actually were the worst on record for the Brazilian affiliate. After such a disappointing start, we decided to conduct significant changes at both internal and external levels, which ultimately led us to completely turnaround the performance of the organization – within a very short period of time.

On the internal side, we decided to reduce our marketing and sales budget by seven percent and concentrate our promotion efforts on only four strategic brands: the anesthetic Diprivan® (propofol) in the hospital sales arena, as well as three diverse, well-established OTC brands: Philips'® Milk of Magnesia (for constipation), our dermatology product Omcilon® (for oral inflammation), and – finally – the botanical product Calman® (for anxiety, mild hypertension, insomnia and irritability).

To bolster this new strategic focus, we significantly restructured our sales force with the objective to increase our affiliate's efficiency and commercial impact. In the hospital segment, we brought together the anesthetic-focused sales teams with their counterparts dedicated to the rest of our hospital portfolio; this sales arm is now 100 percent focus on promoting our anesthetic portfolio, which stands as our company's most important product line.

In the retail segment, we transitioned from a fragmented to a more direct management structure, where all traded sales teams would report to only one division manager, whom I actually moved from prescription sector to the trade segment. Taking over this new responsibility without holding any experience in the trade segment was no easy task for the newly appointed manager, but I personally ensured that she felt fully supported in this evolution. In this regard, one should forget that organizational changes might emerge as baffling – and somehow scary – experiences for the organization's employees; therefore one factor that I consider fundamental as general manager is to take responsibility for the changes that you want to instill and ensure that your people are smoothly guided by the organization's leadership team.

In the meantime, we also adapted our **commercial focus** to the latest market trends, as we identified that the private market would display more interesting growth prospects moving forward. Until June 2016, over 50 percent of our hospital sales came from the public sector, while we have now decreased this share to less than 30 percent. While strengthening our presence in the private market, we however did not forget to protect our public market business from the consequences of the recent economic and political crisis *[the Brazilian public market is distributed across federal, state, and municipal levels. Over the past two years, some states have however faced deteriorating economic situations: for example, Rio de Janeiro declared a state of financial calamity in June 2016, the political equivalent to bankruptcy – Ed.].* In this regard, we started working essentially through distributors for our institutional sales, which allowed us to add another layer of protection to this division's revenues stream.

The first results of our efforts quickly overcame our expectations: as from October 2016, the Aspen Brazil's sales started to soar impressively, which actually marked the beginning of an ongoing, extremely positive growth trend. We have moreover been performing above our initial growth targets since December 2016.

You mentioned that this remarkable turnaround relied on both internal and external transformations. What were the external changes that you triggered? Did you face more resistance at the internal or at the external level?

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Bolstering structural changes was clearly more difficult at the external level than on the organization side. The pharmaceutical industry remains a rather conservative sector – especially in Brazil. Most managers across the value chain still seem to prefer accommodating themselves to the sector's ups and downs rather than favoring or welcoming disruptive approaches. We however decided to question this status quo – at the end of the day, why should we wait for the market to recover, while bold strategy changes could enable us to outperforming the market even during crisis times?

To fulfill this objective, we were left with no choice but to evolve our relationship with both industry partners and physicians. For example, we decided to comprehensively renegotiate distributors agreements, especially with regards to discount percentage. As you can imagine, it did not stand as an easy endeavor, but we nonetheless managed to display significant improvements on this side.

Narrowing our commercial focus to only three (OTC) brands products also implied to substantially adapting our detailing strategy. In terms of approach with physicians, we decided to prioritize physicians' prescription potential rather than their specialties, which – again – went against traditional, Brazilian detailing approaches. As part of our new commercial focus, we also stopped visiting some physicians, which naturally resulted in some resistance from the medical community.

Beside the impressive growth of the business, what do you see as the key lessons learnt by the Brazilian affiliate over the past eighteen months?

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Every problem is an opportunity in disguise. While our country was facing its worst economic crisis in many decades, some market niches have still been growing at a rapid pace. In this context, what truly matters is to rapidly identifying these growth spots and to adapt the organization's positioning and strategy accordingly.

This intense year also stands out in the history of our eight-year-old affiliate as the indisputable evidence that it is always possible to reverse a bad situation – even if the latter is characterized by the organization's worst quarter ever. Looking back, I see three factors that allowed to us to display such results: our affiliate's renewed commercial and operational focus, the quality of our strategic planning and our great speed of execution in its implementation, and – above all – the utmost commitment of our teams.

What is the importance of Brazil within the global operations of the group?

Brazil is still a rather small market vis-à-vis the global results of the company, and Aspen Brazil makes up around four percent of the group's overall revenues. However, our 2016 performance has truly contributed to put our affiliate in the spotlight and raise Brazil's significance in the eyes of our headquarters.

Brazil has now become a "standalone" topic of discussion in Aspen's quarterly financial results, while it used to be indistinctly integrated within the international operations of the group. I deeply believe that we will be able to ensure that Brazil retains and further increases its relevance in the group's results over the upcoming years.

In this regard, how do you see Aspen Brazil evolving over the next three years?

There is a popular saying stating that one should not change a winning team – this however does not apply to the pharmaceutical field. The Brazilian pharmaceutical market is undergoing rapid and deep changes, and we need to continuously adapt our business approach to the long-lasting consequences of the recent crisis while seizing new growth opportunities triggered by the long-awaited economic recovery materializing.

We are now engaged in the ongoing process to design a new sales structure for our affiliate. For example, we plan to further strengthening our traded marketing division, in order to display a heightened focus on pharmacy chains and distributors – an area which has seen a substantial level of consolidation happening over the past years. As a matter of fact, one single distributor now holds a market share of over 40 percent, which has negatively impacted the risk exposure of the affiliate. Although it does not stand as a reachable objective in the immediate future, we are developing new ways to effectively mitigating the heightened sales concentration of the market.

Looking forward, we also need to clearly identify the new products and brands that we will to prioritize over the next three years. It makes no doubt that our anesthetic portfolio will remain our affiliate's top priority, followed by our OTC business. Finally, in-house developed women's health products should soon become our third priority, while we expect to launch these products within the next two years.

In the meantime, Aspen is continuously looking for acquisition opportunities, both at local and global levels. In Brazil, we are not specifically looking at acquiring companies and will essentially focus our attention on products or product portfolios aligned with our company's priorities: women's health, anesthetics, pain management, CNS, and – in the case of Brazil – OTC products.

As a company, Aspen provides its senior executives with a great degree of autonomy, which – in turn – probably entails a heightened pressure weighing on general managers' shoulders. How do you cope with this specificity?

This is the Aspen way, and I definitely see it as a competitive advantage. Prior to joining the company in 2009, I worked among several, traditional Big Pharma companies, which allowed me to develop myself as an industry professional. However, the pharmaceutical market has significantly evolved over the past five years – and it has proven itself being merciless. At the global level in general and in Brazil in particular, increasing market unpredictability has rendered organizations' capacity to adapt and speed of execution absolutely critical in order to outperform their respective markets.

Moreover, I would also highlight that Aspen stands as very detailed oriented company, which eases our capacity to deploy complex, winning commercial strategies in fragmented and complex markets such as Brazil. This specificity actually takes its roots into our founder and CEO's own personality, Mr. Stephen Saad, who holds an extremely precise knowledge of the markets in which the company operates.

As a South Africa-based company, Aspen finally holds an unrivalled competitive advantage when it comes to understanding the structure and dynamics of the Brazilian ecosystem, as the latter are extremely similar to those shaping our company's domestic market. These cultural similarities between the two countries help us to best adapt our value offering to the Brazilian market, while they truly make my life easier as the one in charge to ensure that the Brazilian affiliate delivers on headquarters' expectations.

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