Interview: José Hernández – General Manager, CC Laboratories, Ecuador



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José Hernández, general manager of CC Laboratories, takes us through the actions he undertook to convert the family run business into a model of operational efficiency. The company increased its sales by a staggering 39% in 2017 and has doubled its profitability over the course of the last three years thanks to Mr. Hernández's decisions to apply well known techniques from the food industry to a company in the veterinary business.

Could you briefly summarize the main changes you brought to CC Laboratories as you took over the company three years ago?

The position as general manger of CC Laboratories is my second position in the pharmaceutical industry. Indeed, I was previously working fifteen years in human alimentation with an important group in Ecuador. The switch from the food industry to the health sector was extremely interesting. I had the chance to detect many opportunities in markets that had not been well taken care of by our company, and my experience in managing very competitive markets allowed us to make important improvements.

In the 33 years prior to my arrival, CC laboratories had been managed as a family company, positioning itself as an important company and with products valued by the market. Three years ago, the owners changed their mind and decided that a corporate board, with state-of-the-art professional standards, should lead the company. When taking over CC Laboratories, I rapidly

realized there was room for improvement on both the human resource and operational management sides.

Therefore, the first year of my tenure mainly consisted of building the capabilities of the company's human resources, notably in the commercial area. We hired a new commercial director with over fifteen years of experience in the human health to help the company progress. We also hired the services of an external consulting agency that would help us rationalize the entire company's value chain and also decided to externalize the company's logistics to reduce delivery times.

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Following the restructuration of the commercial business, implementation of new inventory management directives, additional investments in equipment, and usage of new performance indicators, our company phenomenally improved its overall performance. For instance, as a consequence of improving the company's sales and operations planning, CC Laboratories were in a position to deliver better commercial services to its customers. In turn, the company witnessed an increase in sales, productivity and profitability. Precisely, we used to deliver products in eight days and would lose fifteen percent of our monthly sales by running out of stock. By the end of my first year, the company reduced its delivery times to two days and the sales loss linked to inventory management to two percent. We reaped the complete benefits of focusing solely on the development, production and sales of products last year in 2017, with an increase of 36 percent in sales and a 60 percent increase in profitability.

Can you present the company's current activities and your strategy to grow the business?

The company currently sells a vast array of products in segments that cover the entire spectrum of animal breeding, from aquaculture to pet care. As a matter of fact, our aquaculture line has been the company's best selling line. This is not surprising considering that Ecuador is one of the world's largest exporters of bred fish. Additionally, we are considering stepping into the human health sector within five years. However, the company has merely started evaluating the market and is still attempting to define which sectors offer the most promising prospects for our enterprise.

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Most importantly, from the tremendous financial achievement reached in the last three years, the company was able to increase the budget allocated to research and development. I believe this department will be crucial element of the company's growth. Indeed, we intend to further increase

our footprint in the market through the launch of innovations. Currently, a team is working on the development of products to be launched in the next five years. For instance, CC Laboratories has recently developed a new brand of cosmetic products for pets, a segment of the market we believe is going to boom in a very short period of time. In fact, this niche appears so promising that we are looking forward to developing and marketing shampoos for pets according to their gender.

Finally, the company is currently present in international markets. Indeed, we have affiliates in Panama and in Vancouver, Canada. The latter has marketed organic cosmetics for pets for the past year now. Considering the exceptional reception of these products in Vancouver, we are thinking of expanding our presence throughout Canada. Currently, these international operations only represent a minority share of the company's business but we are looking forward to increase it. In fact, CC Laboratories are in the process of setting up operations in Bolivia and eyeing opportunities in Chile and Peru for 2019. In this regards, the company hopes to increase its international sales by 30 percent this year and maintain a fifteen percent growth in the following years. Having said this, the veterinary market is not growing; everything the company is currently achieving is merely the result of improved management.

Increasing the company's operative efficiency only makes sense in the case that your products bring value to the market. What do you consider CC Laboratories' competitive advantages?

The company leverages its history in the market to convey a sense of quality. Indeed, our longstanding presence in the market is a proxy for the quality of products we sell. Moreover, CC laboratory's brand equity among Ecuadorian producers is extremely strong. Farmers know our products and are more than satisfied with the outcome of their utilization. However, it is important to understand that these perceptions can only be built upon the solid foundation that our products are manufactured according to high quality standards. Therefore, we have invested in a production capacity upgrade and in the certification of its production infrastructure. Precisely, CC Laboratories has equipped its manufacturing plant with a quality control department and obtained good manufacturing practice certifications from the competent authorities in Ecuador. We have also hired the expertise of a production manager from a leading Fast Moving Consumer Goods Company to supervise the company's production. These choices have guaranteed the quality of our production and have led us to significantly improve our plant's productivity by 30 percent.

To continue expanding the company's activities we have planned an extension of the current manufacturing facility. This should notably allow our group to bear with the additional demand created by the opening of a human health division. I am looking forward to continuing to launch

innovative products that correspond to the needs of the market so that we become pioneers in the improvement of health in Ecuador.

What else can you do to increase your footprint in the animal health sector?

We keep a close track of the company's performance indicators to ensure that the company's investment decisions are fruitful for the company's development. We intend to continue increasing our company's footprint in the Ecuadorian market to become the second largest animal health company in the market. We are also looking forward to establishing our activities in at least five countries.

Also, one of the company's flagship initiatives is the professionalization of its employees. Indeed, following the realization that our company needed to upgrade its human resources' capabilities we decided to train our personnel so that they would be in a position to bear the structural changes the new management brought to CC Laboratories. I am confident that the additional skills our people have will allow us to thrive in the market.

How does your experience in large food companies compare with running a family business in the animal health sector?

By having a team reduced in number by the size of the company allows you to make decisions and apply them in a faster way, and that the commitments and results are of the whole team, and so it feels closer. I am grateful for my experiences in large corporation. They have allowed me to adopt a highly ethical and committed approach to work. In fact, this is something I am proud of having implemented in CC Laboratories. Indeed, we have much more driven teams than we had in the past.

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