

Interview: Francisco Cordero - General Manager, Rocnarf, Ecuador



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04.04.2018

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Francisco Cordero, general manager of Rocnarf, a proudly Ecuadorian family company with over 40 years of experience in the market discusses the company's recent rebounding from experiencing severe price controls on its products. Looking forward, Cordero intends to develop international activities in collaboration with European, Middle Eastern and Central Asian firms.

Could you elaborate on the company's main milestones?

In 1970s the Ecuadorian economy witnessed industrial development across all sectors as a result of governmental policies aimed at substituting the country's imports with domestic production. Precisely, companies established manufacturing facilities or third-party manufacturing agreements with domestic producers following the government's decision that a certain percentage of sales would have to stem from local production.

My father initially contracted a third-party manufacturer and eventually decided to set up a fully owned manufacturing facility because of problems he faced with the provider he dealt with at the time. As the company obtained the authorization to manufacture in Ecuador, Rocnarf signed an agreement with the Colombian pharmaceutical company, Lafrancol [*Now Abbott - Ed.*], to manufacture and distribute their products in Ecuador. Eventually, Rocnarf became fully independent by starting to manufacture its own branded products and terminating the contract with Lafrancol.

How has your role evolved over the course of the company's history and what actions did you prioritize as you took over the company ten years ago?

I was initially a systems engineer and have been working for the company since I was very young, successively being assigned various positions in the IT area and commercial operations which I eventually took full control of. In 2003, as the company's vice president of commercial operations, I established the company's presence in Peru like many other Ecuadorian companies were doing at the time. Rocnarf opted out of the country two years later because of the market's complex regulatory framework and the difficulty in maintaining the levels of investment. Eventually, I became the company's CEO after my father passed away in 2007.

I have been modernizing the company's manufacturing facility with production equipment and processes, which in turn allowed us to obtain Good Manufacturing Practices certifications. Rather than building a new plant, our company thrived on the fact that machinery was more productive and less space consuming. During this time, the main hurdles we faced were in the constantly evolving regulatory areas.

Currently, Rocnarf solely manufactures its own products and only sells its own products. I have attempted to diversify the company's portfolio, notably in the cosmetics and nutraceuticals areas with distribution agreements in the country on behalf of companies from Swiss, France, and Brazil unfortunately these projects were abandoned.

For instance, I led the project to open a clinical research organization in Ecuador. For a while, the company Rocnarf researched new applications and products derived from Ecuador's biodiversity for the cosmetic and nutraceutical markets. We got to the point of developing and supplying formulations for a partner and his clients in many European, Middle Eastern and Latin American countries. These experiences have nourished my entrepreneurial ambitions and I have decided to continue developing project in these segments with my own companies.

The medicines Rocnarf develops are recognized for their quality and effectiveness. Can you give an overview of the company's recent performance in Ecuador?

Rocnarf has struggled in the last four years because of discriminatory price laws affecting domestic manufacturers. In fact, these price-curbing policies also led to international manufacturers into divesting their manufacturing activities in the country. Indeed, import activities became more profitable. Local businesses, on the other hand, have had no choice but to remain in the country and face the repercussions of the new pricing policies on their activity. The departure of international pharmaceutical companies with manufacturing activities, could have allowed local

companies to benefit from the technical expertise of former employees of international companies, unfortunately the government recruited most of them to work in highly paid positions in health-related authorities.

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Having said this, the company has successfully navigated these new elements of the environment and we have rebounded in 2017. Networking has been a key of Rocnarf's sustainability in recent years. Meeting with the ministries and associations representing the interests of different stakeholder groups has allowed to build the company's recognition in the country by participating in dialogues and meetings with the social security, minister of health and the Association of Latin American Pharmaceutical Laboratories in Ecuador (ALAFAR). Thanks to these activities we have successfully overcome the problems the company was facing in Ecuador and we are now selling to all of the market's segments.

What opportunities are you eyeing for the future and how can you grow the business?

We have successfully decided what plan of action to undertake to promote and sell our products in the country and I am looking forward to expanding the company's operations overseas. Rocnarf's management is currently in touch with a licensing company in Barcelona that is helping us find distribution partners to address the European market. In addition, the company has signed a supply agreement with companies in Kazakhstan, Azerbaijan, and we are looking forward to a third contract with a company operating in Qatar and Kuwait. Rocnarf will soon be in the process of registering the products in these markets.

Finally, I intend to rapidly develop the company's footprint in the nutraceutical market. I do not believe the traditional pharmaceutical market is one that is plentiful for a company like ours. Rather opportunities in smaller but fast paced growth segments such as cosmetics offer potential for profitable business activities. These opportunities are largely tied to Ecuador's geographical location, its climate as well as the population's increasing awareness of the importance of personal care and hygiene. With this in mind, Rocnarf has successfully developed the first nutraceutical chewing gums in Ecuador and is currently discussing potential for commercial agreements within Latin American markets. In a nutshell I envision Rocnarf's future tied to partnerships.

This considered, the necessity of opening a new plant is pressing. Hopefully, the project of building a plant can be realized, it appears that we have an opportunity to benefit from tax breaks if we build the plant in certain municipalities and I will consider these options.

What are you expecting from Moreno's new administration?

Moreno was elected on the basis of a more transparent communication with the stakeholders and a policy built over consensus. Despite the government's good will, we are experiencing some mixed results, notably as a consequence of one of the former administration's last decisions: The decree #400. Such decree, forces companies to register and advertise non-patented products as generics. Considering the tremendous investments made by companies to build brands over the course of their history and the low consumer perception of generic products in Ecuador this decision has had a very negative impact on the business of domestic pharmaceutical companies.

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Additionally, the ARCSA is also implementing new technical requirement for product registration which is hindering our ability to innovate. The country's tremendous potential is left untapped because of these requirements. Furthermore, failure to rapidly approve new products is affecting the ability of domestic manufacturers to take advantage of export markets with innovations in the field of nutrition and preventive medicine. In fact, innovation is probably the only way for Ecuador to compete internationally. While certain subsidiaries take advantages of low production prices in Ecuador the competition is so intense in generics and branded generics that Ecuador's ability to compete abroad is poor.

What potential do you see in the country?

The previous government was refractory to free trade principles and was pursuing protectionist measures. Fortunately, the new government has a vastly different approach to the questions of international trade and our nation is opening up to the world. In fact, the past government of Ecuador and the European Union signed a free trade agreement in June 2017 and the country is in the process of replicating such an action with the United States of America. These events are opportunities that, as an Ecuadorian company, we are looking forward to capitalize.

Considering your involvement in the company since you were ten years old, what elements of the responsibility you hold motivate you the most?

Ever since I was a child, my passion for innovation the engineering of new products has been increasingly fascinating. In fact, considering the products developed by Rocnarf have a tangible positive impact on society, this rewarding feeling is doubled and I am looking forward to more initiatives that will benefit Ecuadorians and people around the world.

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