Interview: António Cabral – General Manager, Medicinália Cormédica, Portugal



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Medicinalia Cormedica is the leading Portuguese distributor of medical devices. Antonio Cabral, who has led the business in Portugal for almost a decade, introduces the company, explains its business model and how it is adapted to the Portuguese branch and details the emerging trends in the medical devices field.

Could you start off by introducing Medicinalia Cormedica to our international readers?

Medicinalia Cormedica, soon to be MC Medical, is the biggest distributor in Portugal operating primarily in the medical devices sector. We belong to an international manufacturing and distribution company, The Werfen Group, whose Head office is in Barcelona, Spain. Our role in Portugal is to distribute products according to the needs of the market and what best fits with our culture. We are fortunate to be part of the Werfen Group, as each distributor in each country has a high level of autonomy. We can choose our partnerships and the companies that we want to represent, and therefore the opportunities that we seek, provided we back up to these decisions with clear financial reasoning.

We are a new, differentiated company and our added value is that not only do we try to distribute the best devices on the market, but we represent decent, reliable companies in Portugal. We also maintain an attractive working culture whereby employee retention is high and career progression is critical.

In which business areas of medical devices do you operate?

The Werfen Group as a Medical Devices distributor operates directly in six countries, and due the high level of autonomy, each distributor- country- has partners in different areas. In Portugal, we have four areas which we wish to develop, from clinical specialties, where we have a variety of products from gloves to infusion pumps and other medical devices, to products associated with home care, wound care, and electrocardiology. Within cardiovascular, we work with peripheral intervention and neurovascular, and we also manage products within cardiac surgery, oncology, orthopedics—where we represent the world leader in arthroscopies—and finally, an area based on sophisticated and technological equipment solutions for complete operating room and ICU wards.

We also offer technical services to support the frontline. This ties in with our strategy of not being low price leaders in Portugal, particularly because Portugal is a low-cost market for commodities. Instead, we endeavor to manage high-quality, differentiated products, and we strive to be the best in these markets. Therefore, we seek companies in private business fares and use our contacts to match new ideas with our preexisting culture.

What are your main growth drivers?

The products are largely dependent on the Portuguese economy. For instance, during the financial crisis period, disposable products where the principle source of revenues. Plus, in crises periods people fall sick more often than usual and therefore go more often to the hospital. This is, of course, a generalization but the trend is visible. On the years before the crisis, heavy equipment was a sought-after product group, given the rise of private hospitals and new infrastructure being built across Portugal. We believe that the time for heavy equipment and infrastructure will come again soon. Sadly, given the budget of the health care system I observe that the equipment in some hospitals is in urgent needs of replacement and in some cases realignment with modern-day technologies; we seek to provide the solutions to these national issues.

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How did the Medicinalia Cormedica name come into being?

Medicinalia Cormedica is the result of a merger between two companies. Medicinalia was created in 1962, Cormedica in 1977. The group began in the 80s with Izasa, an IVD diagnostic, in vitro player, which in 1986 bought Cormedica, and in 1998 bought Medicinalia. Both groups are complimentary in the medical device area and therefore, in 2008 we merged the two companies, creating MC Medical. Although Medicinalia Cormedica is a mouthful name for international clients,

it is clear to the Portuguese costumers what we do. Indeed, Medicinalia Cormedica is a recognized name in the health community however is not a good name for branding purposes. Recently, we developed the name and branding further, making an extension for the name to become simply MC Medical. The MC Medical may become the future name and future direction of the company. We must implement this change slowly so the people that know us, are kept up to speed with our change.

How did your entry into negative pressure wound therapies improve turnover last year?

The partnership with Acelity was created off the back of a Spanish collaboration we were part of; this led to the creation of a deal with this important partner. The process was rapid and in as little as six months, we managed to get the partnership up and running. They looked for a reliable, stable partner in terms of financial capacity and presence on the market, and here in Portugal, we are doing an excellent job with these differentiated products.

Last year, we grew 10% in revenues, and substantially more if we consider our partners, where negative pressure made part of this success; and we surpassed our budget expectations. Regarding our ranking in Portugal, our specific positioning is unclear given that our competitors are large MNCs such as Abbot, Johnson&Johnson and B Braun. We, therefore, occupy our own space in the market. Within Apormed, we are one of the Top 10 largest companies and almost hit 30 million euros in revenues in 2017, up from 27 million in 2016.

Werfen opened a new affiliate in China last year and manages over 30 subsidiaries worldwide. What is the strategic importance of the Portuguese branch for Werfen global?

Firstly, emerging markets, including China, grow substantially quicker than developed markets such as Portugal and is difficult to achieved to the same level of visibility. We are doing the best we can within our parameters; namely distribution to a population of 10 million people. I can proudly say that we are the most important medical devices distributor for the group. The route to market in Portugal is quick and the population is small. One limitation we find is the difficulty we sometimes have to explain the cultural needs and particularities we face in our Portuguese market.

The General Secretary of Apormed, João Goncalves, noted that the two most significant challenges for medical device companies are procurement and reimbursement. How do reimbursement issues, notably cash flow, impact your operations?

We are fortunate in that we have the support of the Werfen Group so that business runs on a day-to-day basis without serious concerns about cash flow or reimbursement problems— which in some cases can run up to 330-day delays. In Portugal, sometimes, we also run face run another extra issue what is called a ‘bill of pending’ to address of payments. This describes when it is not possible to define all items used in the surgery, and we are obliged to wait up to three months before we receive invoice reception for a medical device already implanted in a patient. We try to find a formula between the margin we receive from our partners and what we can sell here to compensate cash flow issues. Naturally, this is a challenge, in a competitive bidder tenders market, but we are careful with our finances given the tricky reimbursement issues, and overall, the margin we have is still relatively small, due all our market needs and issues.

What do you observe as the emerging trends in the medical devices industry?

If we observe a needs pyramid, Medicinalia Cormedia occupies the baseline of operations, intending to distribute medical devices and products relevant to the entire population. Indeed, we see our prerogative as taking care of the broad base of healthcare operations: we must provide access to the best treatments to the entire population. We have excellent doctors, nurses and healthcare professionals but sometimes we lag behind in the delivery of sophisticated medical devices, which is exacerbated by our recent exit from the economic difficulties.

In the coming years, we will see robotic innovation in the operating room and others health theater; however, the majority of these expensive innovations will be conducted by private hospitals. In some public centers we first must stabilize the deficit in our economy so that we can refurbish the operating room to a more integrated status using unique materials, technologies, and complementary devices in the near future.

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According to the law, the National Health Service (SNS) should cover the base of the entire population, almost for free. If we keep this objective in mind when in discussion with the government, we will better understand the scale and gravity of their budgetary issues. However, from my side as a medical devices distributor, we must press on to have the best medical devices and innovations on offer for population in Portugal. After all, the most critical element one has to understand is the needs of other people.

How what do you balance your contracts with the risk of losing them?

Firstly, there are two risks in distribution: if your partnerships perform too well, then your partner may believe that they can do a better job accessing the market directly themselves, and therefore they may consider establishing an affiliate here in Portugal. The flip side of the coin shows that if we manage our partnership poorly, then we may lose this collaboration to a competitor. When certain devices are less well distributed, such as in the case of costly oncology products, we have the task to explain that sometimes markets specificities are out of our hands.

The balance is finely tuned and difficult. Furthermore, given that we operate in five divisions of the market, with high qualified people in each area of expertise, sometimes we have competitors in our overall business that appear to conflict with competitors on a divisional level. However, we manage to operate smoothly and have sustained steady growth for many years. We do this by administering extremely explicit and detailed contracts to ensure we avoid “vasos comunicantes”, based on dedicated teams. We maintain strong partnerships built on reliability, trustworthiness and a solid working relationship. Mutual focus and trust is after all, crucial.

In five years’ time where will we find MC Medical?

When I started my position as General Manager, I said that in five years’ time I set out to reach 30 million euros in revenues with a differentiated company. I came from a financial background and learned that in commerce, things are less black and white. In reality, it took me eight years to complete my goal. With my team, in five years’ time, therefore, I set a similar target of reaching 35 million euros and appointed as an innovative and technological distributor. To achieve such a goal, we must maintain good relationships with competent partners, while keeping an eye out on the new growth areas in which we can enter, not forgetting we must be a profitable company.

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