Raul Rodriguez – Owner & President, Droguería Betances & Luis Garratón, Puerto Rico



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Droguería

Betances (DB), Puerto Rico's local leader in distribution of healthcare pharmaceutical prescription drug, products and services, has been teaming up for over ten years with Luis Garratón Inc. (LGI), one of Puerto Rico's leading distributors and manufacturers representatives, to support community pharmacies to overcome market challenges on the island. Raul Rodríguez, owner and president of both companies, discusses the synergies between the two and his success strategy based on making his clients thrive.

What is your background and why did you decide to invest in both Droguería Betances and Luis Garratón?

I am a Certified Public Accountant (CPA), and I worked for Haskins and Sells, which is now Deloitte and Touche, for five years. After that, I was exposed to the life sciences industry for the first time with the Castillo Group in the medical supply and distribution of consumer products. In 2004, I had the opportunity to acquire LGI, a distribution company of consumer and pharmaceutical products, plus logistics. Three years later, we heard DB was in the market and thanks to a good relationship with the previous owners, I was able to acquire DB as well. The idea was to strengthen what I knew best after 20 years in the health industry. I saw it as an opportunity to take advantage of the

synergies between LGI and DB and combine forces between the two companies. The deals were a no-brainer, even with the devastating economic situation that ensued. Many people told me that I was crazy but I was determined.

Could you introduce the company and its role as one of the largest suppliers of pharmaceutical health and beauty products, and added value services in Puerto Rico and the Caribbean?

We have a one-stop-shop approach, distributing to every single pharmacy in Puerto Rico, to hospitals, physicians, specialty pharmacies and veterinarians. We have been in the market since 1962 and have been in a continuous evolving mode, transforming the Puerto Rico healthcare distribution landscape. That is why DB is considered the local number one drug wholesaler in Puerto Rico.

How do Droguería Betances and Luis Garratón work together?

LGI runs three businesses: distribution of consumer products, distribution of healthcare services and third-party logistics. As a distribution company, LGI has agreements for distribution of consumer and pharmaceutical products in Puerto Rico and the Virgin Islands. With pharmaceutical products LGI offers everything a manufacturer might need; we do managed care, medical representation, health care delivery system organized to manage cost, utilization and quality. Our customers on the pharma side are the drug wholesalers, so LGI sells to wholesalers in Puerto Rico, including DB. For the consumer and health and beauty care products, LGI will sell to pharmacies, supermarkets, chains, clubs, etc. LGI also offers third-party logistics (3PL) services. LGI’s value proposition is flexibility and a variety of services.

Droguería Betances is a prescription drug wholesaler that has a direct relationship with pharmaceutical manufacturers. DB offers added value services and initiatives to differentiate itself from its competitors. DB’s main customers are community pharmacies, which represent about 50 percent of the pharmacy market in Puerto Rico.

There are over 750 community pharmacies and our success relies on the business model and a great commitment with our customers. DB is not an ordinary drug wholesaler, DB’s business model is that pharmacies succeed through our services and added value.

What are those initiatives and how they translate into a value proposition for community pharmacies?

We asked ourselves what we could do to make our clients successful. The first step was creating the Community Pharmacy Alliance (Alianza *Farmacias de Comunidad*), a non-profit business movement whose purpose is to carry out publicity and public relations activities that improve the image of community pharmacies. The Alliance aims to position the pharmacies in the minds of consumers as Puerto Rican businesses that contribute to the country's society and economy. DB decided that they needed to create a joint brand that reflected their importance. Local pharmacies were promoting themselves as one, each in their own community. Promotions were made in radio, television and local newspapers. DB invests in their customers because it is in everyone's interest, especially the Puerto Rican consumer. We are the only drug wholesaler that operates two mobile units that provide health clinics to the pharmacies' patients at no costs. DB provides the mobile unit, the personnel and the tests performed inside. Why? DB feels that if a pharmacy gets involved with the community, the community will embrace them because they know that they care. DB also has a consulting division to help community pharmacies with human resources, financial, and legal issues; if they have a problem, DB will provide support to overcome any challenge.

Another one of DB's initiatives is the Puerto Rico Compounding Academy, the first centre in Puerto Rico specializing in the training of master formulations for pharmacists, pharmacy technicians and students. Inside our headquarters in Caguas, the Academy has an auditorium with a capacity for one hundred people and a modern laboratory with 24 compounding stations that, using the most recent guides, have the most advanced equipment and technology. DB expects the compounding market to increase dramatically in Puerto Rico over the next few years and community pharmacies cannot miss the opportunity. Drug compounding will be as significant here as it is in the United States and Europe in two and a half years. As you can see, DB's concept revolves around the clients. I want the market to know that DB cares about the customer and the patient, delivering health to patients through community pharmacies. DB is always looking for new ways to help them, it is a true partnership.

What do you believe to be Puerto Rico's healthcare industry's main challenges?

Two of the most important issues are the dropping birth rate and the emigration of working people to the US mainland. Puerto Rico has become an ageing population. Another challenge is the need for a true partnership with the local government and the healthcare industry. A solid and beneficial execution agenda is imminent to address the numerous barriers faced by the industry. We need to work on what we can control with one voice in Congress that delivers a strong message on behalf of patients and healthcare providers. Puerto Rico used to be the number one manufacturing destination in the world. We still have investments in manufacturing, and it is a matter of working with tax incentives to help companies reduce the cost of doing business. Also, gaining the trust of the federal government has become another important challenge and one that will take a long time to overcome.

What would you say to multinational companies looking to do business in Puerto Rico?

The reality is this: we have had a loss in real estate value, and it is the perfect time to invest in Puerto Rico. The tax incentives being given are very attractive and we use the US Dollar. The best that we have is our people, it is a highly skilled workforce. I believe that the island’s economy will have a turnaround sooner rather than later. We will reduce emigration by offering more employment and having hope.

What are your priorities for the future of LGI and Droguería Betances?

Number one, keep being active in the industry and helping our customers succeed. The Puerto Rican industry should be more horizontal instead of vertical; competition is better for the patients. DB will continue doing joint ventures instead of acquisitions. DB wants to export its services and continue innovating. I will leave you with this number: in the United States, community pharmacies represent around 15 percent of the market. In Puerto Rico, they represent 51 percent in the retail sector; they are a fundamental part of the healthcare industry.

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