Diego Ruiz – CEO, Eseotr3s Pharma, Mexico

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Diego Ruiz, CEO and co-founder of Eseotr3s Pharma shares his entrepreneurial background and the motivation for establishing Eseotr3s Pharma; their focus on flexibility and quality; their international operations and network, with offices in Spain and India; and his outlook for the Mexican pharmaceutical industry in 2020.

Diego, could you start by introducing Eseotr3s Pharma to our international audience?

I will be 36 years old this year and I have been in the pharmaceutical industry my entire career – nearly 14 years – and always as an entrepreneur. My background is in industrial engineering for the pharmaceutical industry which includes product development, regulatory planning and quality assurance, mainly for generics.

I started Eseotr3s Pharma in 2017 with two other partners. Over the past few years, we have developed alliances with companies in Europe, Asia and the US to bring quality products to Mexico. I have also seen the evolution of the generics industry in Mexico.

As a young company, we are fast and flexible but very focused on quality. QA is one of our core competences and our Quality Director is actually someone with extensive industry experience in the biologics segment so he is more than qualified to oversee our generics portfolio.

We are also a very healthy company with no external lines of credit and we invest our revenues consistently in ongoing projects and new business opportunities.

With the changes to the public healthcare sector in 2019, how did it affect Eseotr3s?

The situation in Mexico is complicated and a bit chaotic because the old business models are dying. It is time to create new business models. I believe the biggest challenge in 2019 was to understand and read the new market trends, which was not easy because there were many changes constantly being announced. The government has been very aggressively changing the old business models, which, while they did require some improvements, were otherwise working fairly well. Nevertheless, the government decided to implement radical changes.

Large pharmaceutical manufacturers and laboratories need minimum orders of large batches in order to be profitable. Now that the government has centralized public procurement and eliminated the large distributors while simultaneously cutting prices, the demand in terms of batch sizes has decreased. But this will also affect the private sector because if the laboratories stop being able to manufacture, they will have less inventory to supply the private sector as well, which requires smaller batches. Therefore, while the multinational companies would survive because they rely less on the government tender business and they have patented products that still form a significant part of the private market in Mexico, other companies, especially local Mexican manufacturers, will only survive if they adapt to the market.

As entrepreneurs, we need to focus on new trends and seek new opportunities. For Eseotr3s, this means speaking the language of the new government and developing new business models that can be profitable in the current context. It is not enough to just cut costs, that is not sustainable. While the beginning of 2019 was very difficult for us because everything was changing, the worst moment has now passed and we are looking toward the future.

How did Eseotr3s Pharma adapt to the new context?

Many in the industry are still fighting against the new institutions and market trends. However, in the past 14 years I have seen the industry in Mexico change a lot. It is important to be able to read and predict the new market trends and adapt to them, which is what we have been trying to do.

First and foremost, we used to operate more as a service provider, maintaining a normal inventory of our partners’ products and providing the necessary RA and QA services without our own distributors or salesforce. Distributors are no longer our clients, we are now selling directly to the public sector so we need our own salespeople and some distribution capacity but we still direct most of our resources to our core competencies: identifying good partner companies with interesting products and strong dossiers. Today, we have controlled our inventory, minimized warehouse space, hired a new salesforce and added some distributor capacity. We have restructured our company to meet the new dynamics within the public market while keeping tight control of our costs.

Based on the current public procurement processes, we expect to continue to see shortages in the public sector. This means that we should be ready to provide the necessary products at very short notice and as cheaply as possible but in limited quantities according to each tender, as and when the government announces it. In 2019, this reactive strategy has been rather successful and we expect to continue it in 2020. This also means minimum investment in public sector projects since we cannot do longer-term planning.

The private market is now the top priority for us. 70 percent of private insurance and hospitals in Mexico where doctors do not prescribe the medicines are still price-sensitive, they are looking for better and more affordable products. We want to focus on these clients and we will start introducing some value-added services like companion medical devices and medical education.

As a result, we have also started looking for partners in Eastern Europe and Russia, as well as in India because this flexible and faster model of producing and selling smaller batches was less suitable and more expensive for Western European and American companies, though we still have an office in Spain. Of course, we still maintain a focus on quality and efficiency. Ho matter how cheap your products are, if they are not efficient, no one would buy them. But speed and price are also critical. We are not interested in developing or providing the most innovative technologies, just in quality products that we can deliver quickly to fill the gaps in Mexican hospitals experiencing shortages. That is what hospitals want: speed, responsiveness and reliability.

In 2020, we will also start investing in the development of more complex generics for which local manufacturing is not yet ready. We are approaching companies in countries like Ukraine and India because there, they can start product development of generics two years before patent expiry. This will accelerate the commercial launch timelines.

You mentioned India as a market of focus. What are the challenges of working with Indian companies?

We actually opened an office in India in January 2019, which was a big step for us. The Indian pharmaceutical industry is far more aggressive than the European one so there is a lot of negotiation and follow-ups. In most European markets, after the contract has been signed, both parties simply advance with the agreed processes. In India, companies are more used to working in more unregulated markets so they tend to focus aggressively on price negotiations and market penetration. Quality is not always the first priority. At the same time, they often do not need resources because they themselves are well-funded. What they do need is a local connection.

Mexico and Latin American markets, in general, can be difficult for them because they are very relationship-based markets. Foreign executives need to build a personal relationship to do business, it is not just about having the products or resources. That is why companies like us are so essential. We can bring real value to them through our local connections and relationships.

As for us, we see India as one of the main players in finished formulations in the short term, which is why we are focusing on the India market and establishing connections with the main Indian companies. The challenge so far is in relationship-building. The industry is an inherently risky one and not all projects succeed. With European companies, even if a project fails, if the collaboration was good, the company would be willing to continue working together. For Indian companies, if something goes wrong for whatever reason, they tend to want to stop the collaboration. This makes it difficult to foster long-term relationships in Latin America.

Eseotr3s is still a young company. How would you like the brand of Eseotr3s to be known globally?

We are starting to build the brand of Eseotr3s more aggressively. When we were not client-facing in the past, this was not so important but since we are selling directly to clients today, we are focusing on the image of the company. We want to be known as the brand that works fast, that is reactive, that always has an inventory of basic medical needs, that is high-quality. We are collaborating with large hospitals in Mexico to conduct comparative analyses of our products with the reference brands on the market to see how we can improve our competitive strategy.

We do already have a good word-of-mouth reputation because of our confidence, experience and track record of success. All of our clients have been recommended us, we do not look for or approach potential clients directly. We are very honest with our partners about the complexity of the Mexican market, we always propose multiple commercial scenarios and set the right expectations, and we bring figures and numbers to the discussion. This has always been appreciated by our clients because sometimes they have had negative experiences with other companies in Latin America.

You are looking for potential partners in other parts of the world like Europe and Asia to bring quality products to Mexico. What makes Eseotr3s the partner of choice for the Mexican market?

Having worked with so many foreign companies, this is my impression. Latin America is a complex and challenging region for many foreign companies, and most would only focus on Mexico, Brazil and Colombia, and sometimes Argentina. Even then, if they want to enter these markets, they are concerned about the levels of corruption here and at the same time, confused about the significant extra regulatory requirements here, especially if their products have already been approved in highly regulated markets like Germany or Japan. This makes entering LATAM markets rather costly.

Nevertheless, it is clear to them that Mexico is a highly attractive market: the second-largest market in LATAM, 130 million people and at least in the past, stable healthcare structures with stable prices. In addition, while Mexico has a large domestic pharma manufacturing industry, for many complex formulations or products, we still depend on imports. Regardless of the government, Mexica has always been and will always be an attractive market. But companies are rightly nervous about the significant investment costs. This is why, if they find a good local partner, they can establish hugely successful business operations here. Now that the government has opened the market to companies with WHO pre-qualified products and/or from countries with PIC/S membership in general, there are even more opportunities.

We can be their local partner in Mexico. We have a strong and confident local team with decades of experience in the industry, a successful track record of importing products from overseas into the Mexican market, and all the necessary structures to be a one-stop-shop. We assign a key account manager to each client that will coordinate all the internal processes, we even have trucks and drivers authorized by COFEPRIS. We are also not as affected by the backlog at COFEPRIS because everything we import is finished formulations and we only have a secondary packaging line here. All in all, we offer a very attractive value proposition.

We are fast, flexible and aggressive on the public tenders, and we will position ourselves more strongly in the private sector to meet the gaps and needs in the market.

As one of the youngest CEOs we have interviewed in Mexico, how would you describe your leadership style?

While my partners are 60 and 64 years old, our company culture is more entrepreneurial than traditional. We value both energy and experience. We offer very flexible work hours, typically starting at 7.30 am but our employees can also choose to work from home, arrive later, etc. We do not have a strict dress code.

At the same, we empower our teams to take responsibility for their projects, successes and failures. For example, last year was a difficult year for us so we all had to work harder.

The company meets twice a week to discuss and share results, problems and solutions. We also invest a lot in training and skills development because it is important to invest in our people. We work with consultancies to improve our capabilities in specific areas.

Financial responsibility is also very important. All our projects should have a logical financial structure.

As a result, most of the team at Eseotr3s spend a lot of time together and we have a strong and cohesive company, without the turnover that pharma companies tend to have.

A final message for our international audience?

Mexico is not an easy market but if you are consistent, smart, and have a confident local partner, you can be very successful! There are opportunities to test the market first with one or two products, and advance step by step. Eseotr3s is here to help you!

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