

Ayman Tamer - Chairman & Managing Partner, Tamer Group



The days of picking low hanging fruit are over; the only strategies that will be rewarded are those based on deep and long-term investment in local content

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Aymen Tamer, chairman and managing partner of historic Saudi healthcare firm Tamer Group, outlines how, informed by Saudi's Vision 2030, the company is adapting to better meet the needs of the rapidly evolving domestic pharma market. Tamer also touches on the challenges of succession planning, why a deep and long-term commitment to Saudi is the only guarantor of success in the country, and how greater representation of locals and women in the workforce has the potential to be truly transformational.

Can you introduce Tamer Group and the guiding principles that have driven the company from its foundation almost 100 years ago to today?

The story began when my grandfather started the first pharmacy in the old town of Jeddah with the aim of introducing medicine to the Arabian peninsula, in 1922. Next year will be the Group's 100-year anniversary and the third anniversary of our new corporate structure encompassing the holding company. Our guiding principles have always been inclusiveness, diversity, equality, respect, and entrepreneurship and we aim to serve our community to provide a better future.

Having started out as a pharmacy, the company then moved into consumer healthcare in the late 1950s, bringing in nutritional and functional food products that could also be sold in grocery stores, and then opened a medical arm, distributing products for Big Pharma. We began manufacturing

pharmaceuticals back in 1993 via a joint venture (Saja) with Japanese partners Daiichi Sankyo and Astellas, and today we have a first option on all their pipeline research products, a great endorsement of our future sustainability.

The Saja facility not only produces our own branded generics but is also exclusively tapping the research of Daiichi Sankyo and Astellas to introduce the latest research for Saudi Arabia, the GCC countries, Yemen, and some areas in North Africa. We have been quite successful in launching the products of our Japanese partners and have even been able to achieve a very high market share for certain products compared to the global market share.

How crucial was this partnership with patented drug developers to the evolution and development of Tamer Group?

It helped us transition from being a simple distributor to a fully-fledged pharmaceutical company. We started by building our promotional capability and hiring medical reps. Today, the group has more than 600 medical reps both for our own brands and those we in-license.

This promotional capability strengthened our go-to-market strategy, which is especially useful for our smaller partners that are unable to invest in their own teams. Astellas and Daiichi Sankyo were ready to assist us in establishing a manufacturing facility back in '93 but did not have the ability to hire English speaking medical reps, Japanese or otherwise, to come and work in the country. By doing this, we have been able to learn and scale up the value chain.

Today, our go-to-market reach is 91 percent for direct distribution and 98 percent for weighted distribution, with very little reliance on wholesale. We have good control on product recall thanks to our advanced IT systems which allow us to see where our goods are at all times. Additionally, Tamer is proud to be one of the very few companies able to do serialization in accordance with SFDA requirements.

As the Saudi pharma market grows and becomes more fundamental to global pharma companies' strategies, do you expect more firms to establish a stronger footprint on the ground in the country? If so, how will this affect Tamer's strategy as a distributor and partner?

There is a tremendous amount of ongoing disruption and transformation in the Saudi pharma market and healthcare sector. Firstly, the industry itself is going through disruption with the increased use of digital channels. Many services can now be provided at patients' homes, meaning that there will be significant disruption to service providers, the entire value proposition will change, and we will have to adapt and innovate accordingly.

Secondly, Saudi is transforming from the traditional model of government-led spending to a government-encouraged public-private partnership (PPP) model as part of the 'Vision 2030' national plan. This will lead to many fantastic opportunities for the betterment of the country and business, encouraging local content, local investment, and foreign direct investment (FDI). With government-private sector relationships now better defined and a wealth of business-friendly regulation coming online, these opportunities will only increase.

It is also important to note that while some market entrants have attempted to bring strategies that have worked in other countries to Saudi – with limited success – Tamer has always based its strategy around Saudi market realities; a tactic that others should follow.

Foreign companies will have to adapt more closely to the changing Saudi market dynamics. When Saudi joined the World Trade Organisation (WTO) in 2010, several companies decided to open affiliates here, with some creating fully-fledged and sustainable affiliates and others not. Today, it is crucial that strategies take local interests into account and include plans for the hiring and development of Saudi talent. The days of picking low hanging fruit are over; the only strategies that will be rewarded are those based on deep and long-term investment in local content.

In which areas is Tamer Group looking to invest as it transitions into a larger healthcare group? Do you have a clear vision for what the future company will look like?

A perfectly clear vision is never achievable in such a fast-moving environment. However, we will continue to invest across healthcare, prestige products, and fast-moving consumer goods with a particular focus on digitalisation, precision medicine, and a more holistic overall service offering.

The distribution industry in Saudi is moving from exclusive to non-exclusive representation, with distributors becoming more closely linked to their customers than their suppliers. Moreover, given the extreme consolidation that has been seen, with the Top 10 players now holding an 85 percent market share, distributors will have to continually reinvent themselves to provide new services and solutions geared to current market realities.

E-commerce will be at the forefront of this new reality and Tamer Group concluded a major acquisition in the field of more than USD 100 million. This is one of the Group's largest-ever single investments and will be supplemented by further investments into the Saudi economy of over SAR one billion (USD 270 million) in e-commerce, PPP, etc...over the next five years.

Another strategic investment we have made is in localization. A JV between Tamer Group and Mölnlycke, the global leader in wound care & operating room supplies, to manufacture Customized Procedural Trays used in operating rooms (ORs). We are already importing such trays, but the move to produce them locally will lead to quicker turnaround times and achieve self-sufficiency. The use of these trays give surgeons more control, saves time, creates less waste, and leads to better hygiene compared to other products. In Europe, a significant time saving (40-55%) have been gained through implementing custom procedure trays for surgical procedure in operating room and we want to help bring these same high standards to Saudi.

Will these new investments necessitate divestments of older or less relevant operations?

Tamer Group is constantly in divestiture mode. We have not let the group grow branches that are so sick that they need to be cut off and no extreme divestitures need to be made, but we are constantly consolidating and rationalising. As the market faces consolidation, consumers engage in 'first choice brands, the trade carries out category rationalization' on the shelves and stick more closely to trusted brands; we as a company need to continually trim off nonperforming business.

Vision 2030 is the Saudi state's conception of what the country and its people need, but from your perspective what do Saudis themselves need and want?

I have been fighting for inclusiveness, nationalisation, or 'Saudization' long before the government created awareness about it because I felt that my country should be run by its own people. When I joined the firm in 1985, we had very few Saudi employees, but today we are 'Platinum' ranked in terms of Saudization.

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and creativity

Additionally, we have increased the number of females in management positions, including senior management, from four to 14 percent. We have several Female leaders in our organisation development (OD) department, taking charge of human resources (HR), and helping foster an excellent working environment. This inclusiveness and greater female participation is supported by the establishment of nursery facilities and greater maternity leave. I foresee even greater female participation in the future as they really want to compete and prove themselves.

The ambition of His Royal Highness Prince Mohammed bin Salman for liberalisation and equality is becoming a reality and is being reflected in our culture. Allowing women to drive has been a headline, but more broadly there has been an emancipation of thought and creativity. This can be seen in the people we hire; the company brings around 150 to 200 people onboard each year, of which 70 percent are Saudis, but their success rate has skyrocketed since 2018. This is despite the fact that our new staff are similar people to their predecessors, graduating from the same universities in the same country. What has changed is their self-conviction, self-belief, and ability to think freely.

Liberalisation does not mean decadence, but I am convinced that Saudi is heading to a bright future, brimming with imagination and creativity. This includes the development of homegrown R&D as well as the rise of new sectors for the country like tourism and entertainment.

As a Saudi company, what level of participation and consultation have you engaged in to ensure that Vision 2030 is not just a top-down policy to be adopted?

No actors will be made to join Vision 2030 by force. At the end of the day, we are a business, and we support Vision 2030 because we believe in it. The public sector is becoming more responsible and responsive with governmental leaders much more open to receiving and talking to the private sector and to the media. There is a much higher level of transparency and openness as well as a willingness to provide a regulatory environment that encourages business development.

I think every country should have a Vision similar to ours. Very soon, fossil fuels will no longer be the source of revenue they once were, and something should be done today. The investments that Saudi is going into are in the right fields: including people, new technology, and high end medicines. All of this will play a big role in Saudi becoming an export centre of the future, for technology, vaccines, and many other products.

Is there a certain level of government assistance that companies receive to ensure that large scale life sciences projects can be deployed?

There have always been endorsements and assistance, but industries built on subsidies do not last. However, capital intensive industries – such as vaccines or plasma for example – require the support of government at the beginning. I encourage that because the private sector – as experienced, trusted partners in the field – can help in the negotiation of good commercial terms for the country and the economy. The private sector can be the catalyst to attract investors and IP by enjoying encouraged regulations supported by the authority. I see PPPs moving much more rapidly today thanks to greater levels of maturity and trust between sectors.

Technology transfer is often a cause of concern for pharma executives; especially those whose companies hold very advanced technology. How mature is the intellectual property (IP) environment in Saudi today and to what extent is it still a work in progress?

IP protection in Saudi today is quite mature and companies cannot complain that their IP is not in safe custody. However, the days of foreign companies requesting excessive guarantees on IP protection in order to enter the country are over; there is now a willingness to make FDI without unwarranted preconditions thanks to a greater understanding of Saudi regulations and economy. The recent creation of Saudi Authority for Intellectual Property is a reflection of IP protective landscape.

Big Pharma does not want to build factories in every country in which it operates, especially for high tech products like biologics or vaccines; arguing that the technology transfer required wastes time, damages their bottom line, and creates inefficiencies. However, the rules of the game have changed, and Saudi wants local content. If one company is not interested, another will be.

Although these statements on local content are strong, multinationals have long memories and have received similar messaging before in many different countries. How set in stone are these plans and what role does the price of oil play?

To be frank, in the past, oil prices dictated our actions, with high prices leading to spending sprees and low prices causing us to tighten our belts. However, this is now not the case, with greater discipline and accountability throughout the government bodies and the Saudi economy at large.

Despite the COVID-19 pandemic affecting our financial results, we were able to tighten our belts in the correct manner; not by deferring or delaying payments but by prioritizing. The government understood the threats that the private sector was facing, our vital role in ensuring the continuing functioning of the country, and the effect that company failures would have on the overall economy. They were able to support us appropriately with greater transparency, accountability, and sustainability than ever before.

Speaking of sustainability, what are the challenges of managing a family-owned company and planning for how the next generation will continue in management? How does this play into the Group's future strategy?

Succession planning is very challenging. My grandfather had two sons, my father and my uncle, who – thank God – were both competent and helped build the business up. The third generation, which I represent along with two of my cousins, joined on merit rather than by age or seniority. For the future, we have now separated ownership from management and have a non-family member group CEO. Family members can join the company but with certain prerequisites in place based on meritocracy.

30 years ago, our strategy was not set clear. However, as we grew rapidly from 300 to 3,500 employees and more than 12,000 family dependents, we realized that there was a need to create a good family constitution, corporate stewardship, and corporate governance. Over the past six years I have started to attend the World Economic Forum, especially the Family Retreat, listening to the more experienced on building a family constitution and succession planning.

Today, Tamer Group is owned by an underlying holding company, which is itself owned by ultimate beneficial owners (UBOs) and limited liability companies (LLCs) and not individuals. When my sister unfortunately passed away six months ago it did not affect the continuity and performance of the holding company, as it might have in the past.

Our board composition will evolve to be composed of even more independents. Currently, our board includes three independent non-executive members, including a former CEO of the largest Saudi bank, a former Novartis Executive in vaccines, and a professor of strategy and digital

transformation at Harvard Business School, and a fourth executive non-family member; the investment officer of the family. The aim is to have a diverse board that adds value and better connects the company to global changes.

From a succession planning perspective, there is no obligation for the next generation to come in, but they are welcome to. There is a 'Magnificent Seven' of third-generation family members working at Tamer Group and there are 14 members of the fourth generation. There will only be four board seats available to this 14 and only those who have worked first in an executive role for three to five years can join

Family-owned pharma companies in developed markets, from Belgium to France, Switzerland, and even Japan, have been quite successful in implementing succession plans. However, the same cannot be said for these companies in emerging economies. Why?

We have too many traditions here that interfere. Often, in other cultures, if the daughter is the smartest child, she would get the job. However, here in Saudi, up until 2018 that would have been very difficult. Additionally, even if the youngest son was more competent, it was difficult to override the oldest son. These traditions forced us to make wrong decisions. That is why youths all over the world are contesting their culture. They are not contesting values but habits that we have picked up along the way need to be changed.

A final message to PharmaBoardroom's international executive audience?

I am really excited about the future of Saudi, especially the healthcare industry, and I welcome more investment in this field. We at Tamer Group are here and ready to help in any way needed.

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