

# Alfa Wassermann Mexico – Vincenzo D’Elia Nesta, General Manager

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*Alfa Wassermann is a pharmaceutical group with an Italian heart and an international outlook. The general manager for Mexico discusses the competitive advantages Mexico offered to start operations in Latin America, how the company is adapting its go-to-market strategy with a changing landscape to fuel future growth.*

## **Alfa Wassermann started operations in Mexico back in July 2011. What was the vision behind entering the Mexican market?**

The last decade has been very complicated for Italy since the Euro zone has not been growing; so many companies started looking for growth opportunities abroad. This was the case of Alfa Wassermann, which early this decade started a strong internationalization strategy. The previous business model of the company had been to have R&D based in Italy and products licensed in international markets. The strategy changed at the beginning of 2000, when the management decided to set up Alfa Wassermann’s presence internationally. The company started with Europe, strengthening its footprint in Spain, Portugal, Romania, Hungary and Russia among others, then continued with Asia – actually it was one of the first Italian pharma companies to establish a subsidiary in China – and eventually decided to enter the Latin American region through Mexico.

Alfa Wassermann chose Mexico because the brand was already present on the market through a number of products, so it could build up on that. In addition, the country offered a number of opportunities. First, it is a stable country from a macroeconomic perspective. Second, it holds a strong patent law – stronger than in Brazil for example. A third element was the expected structural reforms to ensure sustained longer-term growth. Then, foreign direct investment in the country is welcome. Also, Mexico is one of the countries in Latin America with the lowest investment in healthcare, so we expected the government to raise it over time. The opportunities were there, so it made sense to enter Latin America through Mexico. As a result, back in 2010 I was hired to start the local operations with the intention to use the country as a platform to expand the presence across the region.

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## **Today, what are Alfa Wassermann's expectations towards Mexico and what is the strategic role of the market within the group's global strategy?**

The world changed a lot since we started operations here and the Mexican pharmaceutical sector has been undergoing major changes. One of the most important transformations concerned distribution. Casa Saba, which used to be the number one distributor in the country, underwent serious financial problems at the beginning of 2014, which spelled troubles to the whole sector. Also, distribution is shifting from national to regional wholesalers and large pharmacy chains, where we are increasingly seeing the presence of doctors at the point of sale. What started as a trend, when Mexico outlawed buying antibiotics without a prescription, now is a monster!

Having doctors at the point of sale has been a major game changer for the whole industry, as it hits the prescription-based business and because doctors usually tend to prescribe generics over innovative drugs. This is a trend unique to Mexico, which we do not know how will evolve in the future. A further major event was the implementation of the new tax law in January 2014, which is hitting people's purchasing power, especially among the middle class.

Despite the challenging landscape and the current downward pharmaceutical business cycle, Alfa Wassermann's management is very optimistic about the future and Mexico is one of the key markets, where the group sees opportunities and wants to grow to transform it in one of the largest subsidiaries worldwide. However, we are still new in the market; as we like to say it: "we are the new kid on the block", actually even among the Italian companies.

## **How did you adapt your go-to-market strategy to adapt to this changing landscape?**

There has been a continuous tune-up to adapt our strategy to the changes. One of the key strategic elements to be competitive on the Mexican market is to have the correct product portfolio. The market share of generics has been skyrocketing over the past few years and a number of blockbusters are going off patent, so having the right price strategy, participating in the correct market segment and having the correct resource allocation is key to build up your presence.

A further factor is to focus on a limited number of therapeutic areas. It does not make sense to invest resources and efforts in many segments. As a result, we have decided to focus on a limited number of areas, namely gastro-intestinal and vascular, with the intention to enter a new limited number of therapeutic segments in the near future.

## **Alfa Wassermann is proud to announce it expands internationally by means of a strong bond with the territory. How is this reflected in the Mexico operations?**

It is definitely very well reflected in Mexico. We usually look for people, who know very well the local market to build a strong network. It's not a matter of nationality; the company is interested in having the right human capital to be competitive locally.

## **The company's annual report says: "A description of Alfa Wassermann must include figures, revenues and patents. But people always come first". How did you make sure you recruit and retain the perfect team?**

You can have a great product, but if you do not have the right people it does not lead you to anywhere. Also, in a transforming market like the Mexican one you need to look for people who understand the changes, are flexible, willing to adapt and able to look ahead and take reasonable risks. The hiring process is very important to us. Once we have the right people on board we give them challenging projects and they are very active in the decision making process of the company's operations. They have the opportunity not only to learn but also to see in a tangible

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way their contribution to the success of our business. We also have a seeding program to develop future leaders to ensure continuity. Thanks to this we have been able to retain most talented people in our organization since the beginning.

### **Looking ahead where would you like to see Alfa Wassermann in five years?**

We aim at being the most successful Italian company in the Mexican market. When we started back in 2011 we were number 113 in the IMS Health ranking, while last month we were number 82. In five years I would like to see the company among the top 40-50 companies in the market – ideally number 45. We expect to achieve this objective by launching new products, closing strategic partnerships but if necessary also buying some local critical mass, as we are interested in expanding our product portfolio.

2014-15 are going to be tough years, but I am very optimistic about the future, as we will witness the impact of the structural reforms just implemented, which in turn will attract foreign direct investment. It is important to stress that these changes in the economy should stimulate better-paid jobs and therefore an expansion of the middle class, which is our natural target.

### **You have been working for a number of companies. What attracted you to Alfa Wassermann?**

I always wanted to become an entrepreneur and have my own business. At Alfa Wassermann I saw the opportunity to fulfill my dream, as I had to build up the business from scratch. At large multinational companies you have large infrastructures; here I had to do everything! The second aspect, which attracted me, was to be again in touch with Italian culture, which is part of my heritage – not only for me, but also for my children. Third, I had the possibility to convert Mexico into a hub to enter the Latin American region.

### **Besides your role as general manager at Alfa Wassermann, you are also part of the council of the Italian Chamber of Commerce. How is the Chamber supporting Italian companies from the pharmaceutical and healthcare sector interested in establishing operations in Mexico?**

Having five Italian pharmaceutical companies in Mexico as well as a number of companies active in the distribution and medical segment, we were able in 2011 to create a healthcare committee, which I preside, to bring together the companies' concerns and needs. Back in the past, we had a common problem: COFEPRIS (the Federal Commission for the Protection against Sanitary Risk). Long approval times for drug registration and delays were our largest concern.

The committee has been very active at the beginning, but is not anymore – fortunately because COFEPRIS' work has improved dramatically. The major issue we are facing today is access, as authorities are not incorporating new molecules. However, to lobby for this issue we usually go through AMIIF (the Mexican Association of Pharmaceutical Research Industries), which is much more powerful, as it unifies the efforts of all R&D pharma companies.

### **Is there a "golden rule" that you apply to lead a business?**

Yes, stay focused and bring innovation to patients. I believe execution is key to perform well in this changing environment, so make sure your people are committed with the business project to deliver superior results. Another relevant aspect is understanding the economic cycle the industry you work for is going through to identify the drivers that move it and how your customers behave. This helps you get the broader picture and take the right decisions.

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