

Chemo Spain â?? Leandro Sigman, General Manager



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Leandro Sigman, general manager of Chemo, discusses changes in the Spanish market and the companyâ??s strategy to target international markets.

The crisis has changed the way companies operate in Spain, but Chemo has continued to succeed. What have been some of the key strategies employed?

It has been a combination of portfolio management and spending time ensuring that you are competitive with your cost. In many countries today, the only way to build a business is through cost-competitiveness. You must be aggressive in doing all the homework in terms of machinery and processes to attain that competitiveness.

Chemo itself has changed a lot in the last few years. We used to run just one business and today we have three different businesses, each with its own managing director.

How is Chemo an innovative company in the global pharma market?

The only way to succeed is through innovation. That could mean a new industrial process, not necessarily mean to bring a new product to the market. The difference in our sector compared to others is the absolute need to be innovative and we all have to fight every day to do this.

How have you adapted to reaching out to customers given the increased focus on individual stakeholders in the Spanish ecosystem?

It depends on what you call the portfolio. Not all companies have reimbursed products or hospital products; each situation is unique. In our case, the majority of our products will not go through the reimbursement system and thus are moved into the OTC area.

The biggest issue in the generic market concerns the equal price between off-patent brands and generics. How do you convince pharmacists to sell your products, how do you demonstrate value?

We do not sell generics to pharmacies; rather, we sell them to Normon, Teva or Cinfa. Our customers deal with pharmacies. Chemo is a B2B business: we sell to companies and they market our products with our brands.

What do you hope to achieve with a branded business?

We will not be a blockbuster company – we are more niche. In terms of brands, Chemo is mainly focused on product development based on women's health. Last year we acquired another company for dermatology, so we are entering that field now. We will develop products in those two areas, allowing us to become a global player in the areas.

What is your acquisition or partnership strategy?

If it is for Chemo, we look for specific technologies for our industrial activity. For Exeltis, we always try to penetrate markets. Once we decide to go into a market ideally we try to buy something small and then bring value to the company. But if we do not sign anything we will still enter the market and in Germany we did not find anything to buy but launched our company there anyway. We are basically in 40 countries, half by acquisition and half by entering.

What are the most challenging markets?

For me there is not one more challenging market. Each market has its own dynamic. China has its problem of portfolio and we have a limited portfolio there too. Brazil has distribution issues. In Indonesia, it takes time to grow. It is not easy to be a small family in a big market – Almirall is very strong in Spain, but we are strong in Argentina.

Where do you stand in women's health?

In some markets, we may be second or third. Usually Bayer is first and we tend to be soon after. In Europe we are a key player. We did our first acquisition of Everett a few years ago for dermatology, a pure generic company. In some markets we are outside also women's health and dermatology. If the market is not big enough to justify only being in a niche like Nicaragua or El Salvador, in those markets we play in the majority of fields. We tend not to go to GPs – only markets where it is not enough or you cannot create a structure in the country when you go into women's health or dermatology.

What has the Everett acquisition brought in terms of opportunities?

This was our entry into the US market so it essentially went from zero to everything. Everett was based in the East Coast; we brought our portfolio to the company and improved the sales force. Everett allows us to be a good player in the US.

When is it right time for Spanish companies to go abroad?

It always time to go abroad; it is a matter of how much you want to suffer! It all depends on how much time you want to lose in terms of quality of life and how much you dedicate to developing the critical mass of your company. If you have the resources and some products and the willingness to do it, any time is the right moment.

In 2008, Chemo entered into the biotech business and the creation and manufacturing of biosimilars. How important will that be in the coming years?

I hope they become very important. The market is huge, with each product worth USD 3-5 billion. We have already had our first product approved in Argentina and we are conducting clinics in many countries with our product retuximab. The other three are coming, so if we are able to approve the products, the project should be very big. There is a big need for biosimilars, the question is how you will bring them to market.

What are the key characteristics of Chemo that make the company stand out?

The characteristics of Chemo are not so much based on the company itself but rather a unique combination. We are originally a Spanish company, but in terms of global sales Spain only represents eight percent. We are a combination of a nice commercial network, especially in Latin America where we have been for over 30 years. I believe that what we did in Exceltis is slightly different. It is not so easy to be a generic supplier to become an innovative company. The real change is not moving from supplying generics to selling your own dossiers, but moving from there to selling your own innovation.

What is the biggest challenge behind that?

It is difficult to build an organization for research knowing nothing about it. You cannot acquire that. You can acquire market share, but building an organization that is able to develop innovative products needs time. We took the first step; actually we are submitting our first European dossier for an innovative product in July, a big step in the company. It is an innovative product in the hormonal field, and will be a game-changer.

Can you do more now with this innovative stronghold?

It usually takes two to three years to develop a product, so it is always in the process. We have about five ongoing projects and now it is changing with a greater emphasis on dermatology.

What are some of Mundo Sano Foundation's recent projects?

The Foundation is looking for neglected diseases. There are diseases with no incentives for the pharma industry to develop products, because no one could pay for them. Like AIDS, a small percentage of sufferers can pay for products that cure the disease. Similarly with dengue, neither the patients nor payers will pay for the cure based on the demographics of its prevalence. Consequently, the Foundation has made an agreement with the Gates Foundation to eradicate certain diseases by 2020. The Foundation has also developed sanitary measures to eradicate the mosquito causing dengue in different communities in Argentina, primarily through education programs. The Foundation is doing the same in Africa now. Mundo Sano has also taken a couple of products to the market that had been abandoned by multinationals because of a lack of incentives. Chemo is helping them with formulation and chemistry to put them back in the market.

Do you see other pharmaceutical companies committing to these kinds of endeavors?

I am not sure. You have to be very bold with these kinds of things. Any of the big nonprofit organizations that are committed to similar initiatives do not actually contribute that much directly to sufferers. I am not sure how many families are committed to treating these kinds of things. Every family is committed to something, but not many committed to these specific kinds of diseases.

How is the brand of Chemo in terms of people recognizing it for partnerships?

We tend not to do too many joint ventures now. We are more focused on acquisitions. It is more of an approach to the company that wants to buy whether they come. In some cases, once we enter a market we greatly respect what the local people know. If those people are good, we tend to upgrade them. As an example we should put something in Turkey in the next month. We like the management there and we help management to grow and to do better things.

Do you consider Chemo as a Spanish multinational?

Yes, but we only sell eight to nine percent of our products in Spain. Every person is related to the country they belong to. We are very committed to Spain, with three manufacturing facilities and we have just acquired a fourth facility in Leon for biotech. But we are also strongly committed to other countries like Italy and India. We respect what every market brings in terms of value.

What are your ambitions for growth in the near future?

It is a combination of being able to deliver the research and completing a couple of markets where we have presence, like the UK, Canada and the Andean region in the next two years. Then we will look at Japan, Korea and Australia. But then things can also change; for example we are looking at Taiwan right now, which is USD 4.5 billion market and for us could easily bring in USD 25 million.

Where will we find you in 2020?

The company will be stronger. The strength of the company has to do with your products and technologies. By 2020, we should have stronger products in terms of life cycles, and we will be working in a couple of new technologies. We should be doing injectables by then. We should still be a good industrial player. Hopefully a couple of our biotech products will also be selling worldwide!

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