Interview: Efraim Lakierovich â?? General Manager, Celsius Ecuador

> â??Most of the products launched by Celsius in Ecuador came in niche segments with only one or two competitors.â?•

21.03.2018

Tags:

Ecuador, Celsius, LatAm, Pharma, Manufacturing, Internationalization

Efraim Lakierovich, general manager of Celsius in Ecuador, elaborates on the companyâ??s recent internationalization, the unexpected challenges it has faced in the institutional market and his ambitions to grow the affiliate to the point that it surpasses the size of the Uruguayan headquarters.

Could you tell our international readers about yourself and the recent development of Celsius Laboratories?

My career in the pharmaceutical industry started 18 years ago in Uruguay when I joined Celsius to begin my professional life in the pharmaceutical industry. At the time, Celsius employed less than 80 people with operations solely in Uruguay. Now, Celsius has established operations across Latin America and employs over 300 people. In fact, I was the person in charge of developing Celsiusâ?? internationalization strategy. This process started as Uruguay was confronted to the repercussion of the Argentinian financial crisis in 2002 and in the context of Celsiusâ?? large investment into the acquisition of RhÃ´ne-Poulencâ??s facility in Uruguay. Therefore, our company had to address the risk of operating in a single country and looked at diversifying its revenue streams.

A few years later, after having successfully completed the registration processes of various health authorities in multiple Latin American countries, Celsius had extended its reach to ten countries throughout South America, Central America, and the Caribbean. Unfortunately, the Uruguayan capacity was soon not enough to bear the companyâ??s growth throughout the continent. Therefore, the decision was made to establish a production facility outside the country to sustain the fast-paced growth of the company. All things considered, especially the budget of setting up operations and the size of the potential market, Celsius set its sight on Ecuador. Rather than a costly Greenfield investment, Celsius took control of a third-party manufacturing partner in Ecuador with the intention of supporting the supply of markets that the Uruguayan headquarters of Celsius could not supply because of a lack of productive capacity. Unfortunately, things did not go as planned. The company bought by Celsius in Ecuador was involved in production for the tenders by the time of the acquisition, and Celsius had to respect those contracts until 2016.While our company managed to produce product for the Ecuadorian private market a little bit later than expected, we encountered difficulties in supporting the other affiliates in the region as a result of having to produce large volumes for the government.

How important is the affiliateâ??s contribution for the group?

[Featured_in]

As a result of the problem Celsius faced in supplying the Ecuadorian institutional market, our headquarters was not able of supporting the development of operations in neighboring countries. Therefore, the Uruguayan matrix chose to upgrade its capabilities and the role of the Ecuadorian affiliate shifted towards a greater focus on developing the activities in Ecuador. Despite the problems encountered here, our activity in the private market has been flourishing. We have successfully multiplied the companyâ??s revenues by 2.5 in the last four years, notably thanks to the launch of new products on the market destined to the private market.

Having said this, our company is now in the process of fulfilling the regulatory requirements to export products to Cuba, Uruguay. And we will be looking forward to taking advantage of our regulatory status here to export to many countries in the future.

What can explain the low participation of domestic producers in the Ecuadorian pharmaceutical market?

[related_story]

On the institutional side, to our great surprise, the government has prioritized the purchase of cheaper products from international contenders, completely disregarding the investment pursued by domestic producers and their contribution to the economic development of the country. These unfavorable politics are certainly one of the factors that tend to explain the low level of contribution of domestic manufacturers in the countryâ??s pharmaceutical market. Indeed, in countries such as Colombia or Brazil, the government supports the development of a local industrial network through national preference policies, while in Ecuador the opposite can be said. For example, regulation authorities in Ecuador are very opened to registering products form abroad while an agency like the Colombian one â?? INVIMA â?? charges up to 50,000 USD to verify a manufacturing facilityâ??s compliance. As a result, the proportion of products sold by domestic manufacturers in the country only represent 15 percent of the marketâ??s value whereas the Brazilian and Colombian producers represent around 40 percent of their market. Even in the case tenders were won by local companies, the players have been confronted with issues concerning the governmentâ??s timely payment of due services.

What could be done to reverse the situation?

This situation is quite difficult to change and will take some work from the government. Regardless of the governmentâ??s intention to favor or not its local producers, the least we expect is to have equal conditions to compete, which we is currently not the case. Precisely, the government has imposed trade tariffs on the importation of raw materials for the production of medicine and lifted them for the import of finished medical supplies.

The government should realize the importance of having a domestic pharmaceutical industry. Rather than looking at the gross contribution to GDP in terms of production or exports, the government should have a more holistic view of the contribution of each sector to the economy. For instance, some products might be more competitive if imported from abroad, nonetheless the socio-economic contribution of the pharmaceutical industry is greater than the savings made from the import of goods. In fact, our neighboring countries such as Brazil, Chile, Colombia and Uruguay, have understood this and are actively seeking to develop the domestic production of pharmaceutical products on their territory. Precisely, the industry pays salaries that are above the average wage in the country, contributes to the education of its professionals in addition to merely improving the health of a population. The current message sent by the government is that they are not interested in developing an industry that contributes so much to the country. While understandably, Ecuadorian production is not as competitive as Chinese or Indian offer on the market, the government could at least give domestic manufacturers the time to build their competitiveness before exposing them to fair international competition. Hopefully, the government will abide by its electoral promises and implement a more favorable economic plan for companies operating in the country in line with the requests that were raised by stakeholders over the course of the consultative councils instigated by the government.

What are some of your strategies to grow despite this environment in the future?

Our company is capable of serving the market with more affordable products than multinational companies. Leveraging our price competitiveness is exceptionally important in South American countries. Many products have fell into the public domain and people are starting to realize that well manufactured generic medicines have the same effect as the originator. We are hoping that the government will substitute the import of originator products by their generic counterparts produced in Ecuador. Furthermore, campaigns should be also promoting the quality of products manufactured in Ecuador and in Latin America in comparison to their developed market counterparts.

What is your vision for the future of the company and where will the growth come from in your portfolio?

Now that we have successfully overcome the issues in the Ecuadorian institutional market, I am rather positive. Our affiliate has sustained a high growth rate in the private market over the last few years and now has the chance to focus even more on this aspect of its activity. Indeed, the Ecuadorian private market is an interesting private market, notably as a result of the countryâ??s overall good economic performance. Additionally, the favorable demographic trends of the country will help all actors in the market successfully grow their revenues stemming from Ecuador. Precisely, Ecuador is currently a country of 17 million inhabitants and should reach 20 million by 2030.

The Ecuadorian affiliateâ??s growth is currently supported by gynecology, gastroenterology and general medicine. Some therapeutic classes are tougher to access without a strong portfolio than others. Given that Ecuadorâ??s prescription market is mainly driven by the prescriptions of general practitioners, we are looking to consolidate our relationship with doctors, and increase the companyâ??s foothold in general medicine prescribed products rather than diversify into specialty care.

How do you interact with the medical community to familiarize them with the products that you offer?

Our main strategy therefore, will be to empower general practitioners to prescribe products that are otherwise recommended by specialists. By training general practitioners to detect the need for a specialty care treatment we are contributing to an accelerated access to medicine on the patient side and alleviating the workload of specialty doctors so they can focus on tasks were their contribution is essential. Furthermore, most Ecuadorians do not have the purchasing power to consult specialists. Therefore, if the product is only prescriptible by a specialist the accessibility to treatment is vastly reduced.

Most of the products launched by Celsius in Ecuador came in niche segments with only one or two competitors. In this regard, we presented the products as a more affordable alternative to the existing versions existing on the market. In 2017, Celsius launched two products and we are looking to launch two to three more products this year, a pace similar to the one we have maintained since 2015.

What keeps you motivated after working 18 years in the same company?

Celsius has allowed me to confront myself to a multitude of challenges, the last one of which was to establish and head operations in Ecuador, and this was not so long ago. Additionally, I have set myself the personal challenge of growing the affiliate to the point that it surpasses the size of our Uruguayan headquarters and for them to depend on Ecuadorian operations. In my opinion, and considering that Ecuador is a much larger country than Uruguay is, this is absolutely achievable.

See more interviews