

Interview: Jos  Alberto Pe a â?? Director General, Marzam Mexico



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Jos  Alberto Pe a, managing director at Marzam Mexico, showcases the benefits that distributors can offer to the healthcare and life science sector as well as Marzam  s strategy to overcome the industry challenges in Mexico.

After twenty-five years working for some of the most prestigious pharmaceutical companies you accepted in November 2015 to take the helm of the second largest distribution company in Mexico and became president of DIPROFAR. What attracted you to move from pharma to distribution?

It was not something that I was looking for but I was headhunted into the role and it represented an interesting challenge to see what was happening in the distribution side. I also thought that this could add significant value to my career and differentiate me as a professional in the industry.

I don  t think that the distribution side of the business has evolved much over the past 10-30 years, which has created a whole series of new opportunities and at Marzam we are looking to think differently and anticipate the developments in the sector.

I think there  s a great opportunity and the Mexican market has changed a lot over the last 10 years. It  s a moment where the distribution industry, retailers and government are looking at health care in a very different way and Marzam will also adapt to the changes. Ninety-six percent of my sales today come from the private market and private pharmacies. However, I don  t think

that's going to be the way the distribution of my business will be in 12 months' time.

Considering your freshness in the distribution industry, what is the new way of thinking that you want to bring to the association?

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There's a trend in the market in which pharma companies are evaluating the opportunity of selling directly to pharmacy chains. I believe there's an area of education that we need to do to illustrate the true value of the distributor, because it's not just about moving products from A to B.

You're looking at a country that is enormous in size and very disperse in terms of population. To give a specific example, we visit 14,000 pharmacies on a daily basis. The maximum that any supermarket chain involved in pharmacies can reach is a visit to pharmacies only once or twice a week. So if we start looking at what is probably the most essential thing for any healthcare company, it's making sure your product is where it needs to be, with a high frequency and in the sufficient volume. That is the true value of a specialized distributor in the healthcare sector.

You were appointed managing director of Marzam 11 months ago. What was the fundamental mission you were entrusted with by the new owners of the company when you were appointed?

Marzam has gone through a lot of changes in the last 10 years. We are a big company with 2,700 employees, which is down from 3,400 a year ago and I was commissioned to renovating the company and preparing for the future strategic needs of the healthcare sector.

If I look at where we were 11 months ago, 95% of my management team has changed. I built a team which is very diverse in its experience. We've brought people who have experience in distribution, retail, the healthcare sector and I've brought people who have come completely out of the broader healthcare industry. The team has been built to ensure that we have the right people for the right positions. We've also been very careful to build a team that gelled well together by making sure we have the right people to create the right team, rather than just a group of individuals.

Ethics and compliance are also top of mind. It's something that has been mostly managed at the senior level. However, we must make sure that it cascades down the organization to the lowest level and ensure that it's a way of thinking and behaving constantly.

We are trying to institutionalize the company and make it think like a global company but without eliminating the benefits of being local and dynamic. A key thing I have ensured is to avoid useless bureaucracy. We are limiting the number of levels there are in the organization and ensuring that people are empowered at the right levels to make decisions.

From a growth perspective, the focus for 2016 was more on getting the house in order and focusing on improving profitability rather than driving growth. I'm happy to say that we've managed to grow as well as deliver on the other primary focus objectives.

Ninety-six percent of sales still come from the private market. But one of your goals is to increase sales in the institutional market. What makes you believe that Marzam can be a key player in the institutional market?

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If I look at my infrastructure, I have 10 distribution centers, 500 vehicles, 2,800 employees, 95% coverage of the country from a logistics perspective and I'm only focusing on 50% of the market. Considering that I have all of that, why don't I focus on 100% of the market which is both public and private?

Having said that, my intent is not to become a public sector company. I also don't see more than 20-25% of our sales coming from the public sector and my primary focus remains in the private market. I believe that public-private partnerships are a trend, and the only way the health care system in Mexico is going to be able to evolve and satisfy the needs of the population will be an increase in PPPs. I prefer to become stronger in the private market which will indirectly give me more leverage in the public sector, assuming this trend continues.

The private sector is a very complex market. Pharmacy chains are consolidating; independent pharmacies still represent 35% of the market and there are roughly 40,000 point of sales. Meanwhile, private hospitals continue to grow. What are the main niches areas or growth spurts that you consider for the future?

You've just summarized two very important ones. We are focusing a lot of attention on independent pharmacies, which will continue to play an important role in Mexico. Marzam is the distributor visiting the most independent pharmacies per day - approximately 11,500. We are strongly committed to continue working and servicing the independent pharmacies, but also servicing the pharmacy chains as well as the supermarkets.

One of the key strength in Marzam is our balanced business. Other companies are very focused on supermarkets or pharmaceutical chains. Fortunately, none of those channels represents more than 22% of my business. Moving forward, independent pharmacies is an area where we want to continue evolving as well as the private hospitals.

At Marzam, we look at businesses differently, and have a specific way we communicate and look for solutions. We have been focusing on developing customized models that have met unfulfilled needs. We've used it with many multinationals and locals and I think there's big opportunities with the customization of business models rather than a one-size-fits-all approach.

What's the importance or interest for big healthcare companies to deal with big distribution companies like Marzam, rather than directly with pharmacy chains?

You've got to go back to the core business of a distributor - to do effective and efficient distribution. There's no better alternative than going through a distributor as we enable the companies to focus on their core business. As we have the systems, technology and infrastructure, we can therefore do effective and efficient distribution better than anyone else.

What about increasing the awareness of the true value that a distributor brings to the market for the healthcare companies? How do you go about convincing the market of this true value?

I think most stakeholders from the healthcare industry - including myself in my previous role - believe they know what a distributor does. I only truly learned what a distributor does when I came here. There are a lot of perceptions that need to be corrected.

At Marzam, compared to our finances from 12 months ago, we've been able reduce debt by 80% which has allowed us to invest in the right areas. One of the key reasons behind these decisions is our strategic plan and a vision of what direction we are heading in the future.

You've been working on cost efficiency. What are other areas of improvement to make Marzam an even more cost efficient organization?

Outsourcing is an important area. Sometimes, by doing things internally you believe you are doing it well, but you must realize that you're not necessarily doing it as well as someone who's fully dedicated to it. So, it's about challenging the way that we traditionally work. Remaining in your status quo can be comfortable, but it is not necessarily the right thing to do.

Marzam has been a pioneer in the e-commerce, while the overall pharma and healthcare industries have been particularly slow in embarking on the digital revolution. How do you plan to further develop this offering to remain ahead of the industry?

It is an area where we are focusing a lot of attention. At the moment, 100% of our sales force is managing on smartphones, which is a big change. Our debt collection service works off smart phones as well. We want to move into the future and ensure that our customers have clarity on their statements of what they owe us and when they owe us. We also want to become a lot more customer focused, service focused and ensure that we are constantly cooperating and adapting to what the customer wants.

I see the future being much more focused. There is a lot of ongoing activity in innovation or new therapies. Are those products going to be able to be managed by the distribution model of today? I don't think so. I think we're going to see many more customized models. That's a trend that we want to be pioneers in.

We've met with more than 50 general managers and chief executives here in Mexico and asked them what they consider the most important challenges in their daily responsibilities. Most have told us managing the distribution part of their value chains. It suggests a loss of trust in distribution companies. You are head of the second largest distribution company in Mexico. How can you regain the trust of those executives?

The only way to regain that trust is by walking the talk. One thing I try to work on is having a lot of interaction with the healthcare industry and ensuring that whatever we commit to we deliver upon.

Additionally, it's finding solutions to problems or markets that they haven't been able to find solutions to. I believe that if you ask any general manager today how they view different distributors, many would say that Marzam has made a big change in a small period of time. The solutions that we are able to give are far different than what they've traditionally seen.

A key message here is that Marzam is a company that has been around for the past 83 years, we are looking at our business in a very different way and we will be able to provide solutions and innovation different to what my competitors can. We are going to be focusing a lot of attention on making sure that we have healthy and sustainable sales and managing our middle profit and loss. Through the appropriate management of our customers and inventory levels, it will drive our future growth.

The name of this report is "Stepping up the pace." You are the man in charge to ensure Marzam actually steps up the pace. What are the main objectives you want to have achieved over the next two to three years?

The private market will continue to be in our focus, but we need to become much more efficient in the way we do business there.

Just from a pure opportunity perspective, it is important to get involved in the business of the public market. However, we will be risk averse and my intent is not to steal my competitor's business, but to build upon businesses which exist and regain business by being different.

In addition, private hospitals are one of the key pillars we want to focus on and we are also getting involved in more specialized products.

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