

Interview: Mohamed El Bouhmadi CEO, ZenithPharma Morocco



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The CEO of ZenithPharma discusses the potential of Africa for Moroccan pharma companies, and what it takes to succeed in the Moroccan pharma market.

ZenithPharma's headquarters are located in Agadir. Why did you choose Agadir?

Historically, we started our business in the pharmaceutical industry here when we opened a wholesale distribution business in Agadir. Strictly geographically speaking, Agadir lies in the middle of Morocco. Industrially speaking, the city is very interesting because there are plenty of human resources and executive managers, and also because there is a wide logistical offer. Lots of companies are already there, which is interesting for us because this makes it easier to communicate and share, for instance, with companies from the food-processing industry or from the process manufacturing industry.

At ZenithPharma we manufacture, import, promote and distribute pharmaceutical, personal hygiene and beauty products. To be closer to our customers we also have wholesaling structures – four as of today – and we will have more soon. The first is in Agadir to supply the southern part of the country, the second is in Casablanca for the capital and the center of the country, the third is in Fes for the northern and the eastern part of the country, and finally the fourth is in Marrakech for the central-eastern part of Morocco. The way we are organized helps us to make our products accessible to our customers and be closer to them. Alongside this, we work with all the Moroccan wholesalers.

Could you describe us the company strategy, specifically the share of products under license and your own line of products?

Historically, we chose the licensing business model. We have around 20 products under license on which we work with multinational laboratories from Europe, the United States, and Asia. Licensing contracts allow us to benefit from the transfer of technologies, to manufacture or to import the products and to distribute on the Moroccan market and in other places. We also have cross licensing

agreements: our partners benefit from our products and we benefit from theirs.

We have lines of products organized according to therapeutic needs. Some are under license. Others are ours; we buy the exploitation rights. The products under license are often innovative ones so we are not only a generic medicine company but also an innovative one. We believe we need to do both. There are 35 million people living in Morocco. Ten percent of them can afford to buy innovative products and are covered by different private healthcare insurance systems. We must provide them with these innovative products in Morocco; otherwise they will buy them from abroad. But we also need to sell generic medicine because it's cheaper to produce, which helps reaching out patients, even the most underprivileged ones. Today 30 percent of the population is covered by *Assurance Maladie Obligatoire* (AMO).

Today generic medicine accounts for 30 percent of the Moroccan pharmaceutical market. How do think this will evolve in the coming years?

As far as calls for tenders are concerned, generic medicine actually accounts for a higher figure. In the call for tenders' bills of specification 70 to 80 percent may be for generic medicine. Products are referred to using the international nonproprietary name (INN) system, and not under brand names.

In the private sector, today generic medicine accounts for 30-35 percent of the market, but I truly believe that this share will grow in the coming years. In order for the generic medicine to soar, doctors should be able to prescribe using INN labels, and pharmacists should be able to substitute products - this is not possible as of today in Morocco.

All the stakeholders in the country are supporting the increased penetration of generic medicine - at least the local stakeholders are. I think that it will evolve quickly since the issue has been in the air for a long time now.

Today the new pricing rules are very clear. Products to be marketed in Morocco are chosen based on studies that show they meet the population's needs. Products are also chosen so that people have better access to treatments. Lastly, products are also chosen based on economic studies.

We have been told that the year 2014 was the Moroccan pharmaceutical industry's *annus horribilis*, but that in 2015, thanks to increased transparency, the industry was hoping for a recovery. What do you think about this?

I think that the main issue is purchasing power. 2014 was a transitional year because prices were lowered and we had to re-label lots of products. We had to call back all our stock to re-label products, and then put them back on the market, guaranteeing traceability across the whole process. It was a rather complicated year for the pharmaceutical sector: for manufacturers, wholesalers, but also for pharmacists who played a very important role in this process. There was an feeling of expectation after the price cut was announced. Pharmacists were not ordering products because they were waiting to know more about the prices. As a result the whole pharmaceutical market slowed down.

The price cuts were a necessary measure to improve access for a wide part of the population. We can't deny that it is an ambitious social policy and all of the pharmaceutical industry stakeholders - lock, stock and barrel - agreed with it.

But there was also a transfer of margins in favor of pharmacists. This impacted manufacturers - big investors like us most notably. A wide part of the profit margin went to pharmacists and I don't think that it settled the issue for them or fully compensated the shortfall due to the price cut, and

therefore to their total revenue.

Moreover, one of the collateral effects of the price cut is its impact on exports. In order to export in some places you have to register your product and get it priced. The price is based on the price in the country of origin – Morocco in this case. When a price is too low in Morocco it becomes too low in the place where you export. In these conditions, exports become unprofitable. This is very important and it will clearly slow down exports – at least for new products.

This leads to situations such as the following: one of our partners, a multinational laboratory, gave us a license for one of its products both for the Moroccan and the African market. When prices went down, we lost this partnership.

The year 2015 should be better but for the market to evolve we need people to have the capacity to spend money. Besides, we need products that will be available at a better price. We also need supportive structures as well as balanced and sustainable healthcare systems and indemnification.

There is not a very widely spread cultural habit of visiting the doctor in Morocco. Do you think that it is connected to the fact that the purchasing power is relatively weak and if it rises, people will visit the doctor more often?

Moroccans do have the cultural habit of visiting the doctor when they are sick: the proof of this is that when our medical caravans are on the road, even in remote areas where there was never a doctor, people rush to access treatments. People trust medicine. Medicine has to get to them now. The healthcare system is improving every year. The country's healthcare roadmap is currently being implemented, and will help to set up health centers and clinics that are well placed throughout the country.

Lots has already been done. There is a program to fight tuberculosis that has been working well for a long time in the country, and today, tuberculosis is almost eradicated. The healthcare system is relatively well organized.

Lastly, manufacturers are responsible for their offering. It's up to them to diversify it in order to avoid monopolies. At ZenithPharma we have a generic oncology portfolio. The brand-name drug used to cost about EUR 400 a box. They were alone on the market. We launched the generic version of that same molecule and we commercialized it for EUR 130 a box. The brand-name drug suddenly dropped to EUR 100 a box. In the end, we improved the access to treatment and we made competitors move.

Helping treatment access and competition leads to a form of economic emulation that makes possible for everyone to be treated at a reasonable cost. Here we clearly see the benefits we bring to Moroccan society.

Tell us about the African adventure of ZenithPharma.

Morocco always worked with a south-south cooperation perspective – in all areas, including the health sector.

The only issue is that it is extremely difficult to directly reach out Africa because of the lack of structures. So we have to use French companies as intermediaries. It makes the transaction more expensive but at least guarantees our products will be on the African market rather quickly. I hope that the authorities consider it a priority to set up a hub in Morocco that will allow us to go straight to Africa without any European intermediaries, which increases delays and distribution costs in African countries.

We saw that one of the king's priorities was to work on this cooperation. What do you think is still necessary for the right environment to be created?

Everything is in place. Some Moroccan laboratories already founded structures in Africa, in Senegal and elsewhere. Nothing slows down the process except for the registration delays that are relatively long in some African countries.

South-south cooperation well and truly exists. If we look only at the students, lots of young Africans come to study in Morocco. Last week I welcomed an academic delegation from Ivory Coast to Agadir. There are academic partnerships between countries. Graduates work sometimes in Morocco, sometimes in their own countries. When there are technology transfers or contribution of technologies to be done, Morocco is happy to do it. People share their expertise including in the pharmaceutical industry with African managers when they create their local structures. In terms of medical marketing, people come to train in Morocco. The business flow has started; it hasn't reached maturity yet but as of today it's already on the right track.

How do you see ZenithPharma and Morocco in five years?

I have no doubt that Morocco will evolve in a good way. In five years' time Morocco will realize its potential as a gateway to Africa for Europe – Morocco being distant from Europe only by 14km. It is an interesting platform with all the structures in place. There is everything needed as far as infrastructure is concerned today – notably highways. There are also excellent human resources: lots of graduates with good skills and international experience. So Morocco is on the right path and will get in the game with Africa.

ZenithPharma will also be more developed because we look at the African potential as something very important. We can't evolve without Africa or, to a certain extent, without Asia. If we have to set up a goal it is to reach the same revenue in Africa and in Morocco.

ZenithPharma is a laboratory with the best evolution in the Moroccan industry. We started with a factory project in 2002. Our business was authorized in 2005. From 2006 to 2010 we doubled our revenue every year. Today we belong to the top ten Moroccan laboratories and we are the first market provider all activities combined.

This is not mere luck. Our policy is clear. There is a wide investment program involved. We have partnerships. We choose and select our partners and it's kind of our secret. Results are very concrete. We are very lucky to have such a wonderful team. Most of our executive managers are young and very dynamic. Something uncommon we are proud of is that we work with lots of women – without any salary gap or any responsibility discrepancy. Half of our leadership committee is female. We are a local structure organized as a multinational company. We have the same standards, the same rules, and the same processes as multinational companies. Today our partners often come to find us. We see it as a form of recognition.

You used to work with a multinational company. You have more than 25 years of experience in the pharmaceutical industry. Do you have a personal advice for the next generation of entrepreneurs?

Unlike what is commonly believed, the pharmaceutical industry has a weak return on investment – at least in our regions. The pharmaceutical industry however does contribute to the population's wellbeing. *To cure and to relieve* is our mission. My advice to young entrepreneurs is that in order to succeed in this field you have to be bold, patient, and visionary.

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