

# Interview: Rodrigo Azocar Ibaceta, General Manager, Laboratorios Raffo, Chile

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*Rodrigo Azocar Ibaceta, general manager at*

*Laboratorios Raffo Chile speaks about Raffo's development on the Chilean market. Part of the prestigious GP Pharm's group, Raffo is one of the fastest growing laboratories on the Chilean market.*

**Mr. Azocar, could you begin by giving a brief introduction to the company?**

Raffo was established in Chile 15 years ago. In 2008 the company became part of the GP Pharm group, which is located in Barcelona, Spain and reports to its headquarters in Buenos Aires.

GP Pharm's Latin American organization consists of affiliates covering Argentina, Chile, Peru, Uruguay, Paraguay and Bolivia.

In Chile, our brand has remained Laboratorios Raffo, due to strategic reasons and Raffo's good positioning in the market.

Raffo is specialized in the marketing of health products. We are motivated by the permanent search for new therapeutic alternatives for the treatment and prevention of different diseases. Raffo besides having its own brand products, represents products from several prestigious pharmaceutical companies including Roemmers, Valeant, Lazar, Investi, Varifarma, Genomic Health and products from our GP Pharm headquarters. Roemmers is an important partner for our company because we have launched 7 new products in the last three years. We have also venture into the oncology market representing Genomic Health an important company dedicated to the development of genomics tests for various types of cancers that improve the quality of cancer treatment decision making. Additionally, last year Raffo venture into the cosmetic market associating itself with the cosmetic company Pique y Cia; a distributor representing important natural and organic cosmetics companies.

Looking at our sales distribution by customer type: 63% is in retail market (pharmacies), 26% in public market (hospitals and public hospitals), 4% in small pharmacies, private market (clinics) about 5%, and 2% distributors.

The organization in Chile consists of 35 people including 23 sales representatives on the field. In 2013 the company registered a growth in sales of 35%. According to the market audited by IMS Health, Raffo is ranked 50<sup>th</sup> in the total market and 40<sup>th</sup> on the ethical market, having a 27% growth

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over last year.

***What has been driving this 35 per cent growth over 2013?***

The marketing of our products is very specific in certain specialities and the selection of the target is very important to our work. Our staff has a lot of experience in the market and I think this is the real reason of our success in the market. Moreover, we have established important agreements with international pharmaceutical companies, which has significantly contributed to our growth. Furthermore, we have acquired a good image with physicians.

***A major problem in the public system is the lack of specialized doctors. Considering that 26% of your products are targeted to the public sector, how do you manage to find the required doctors to take in your products?***

The public market in Chile is very special. The purchasing decisions in the public sector, are no longer in the hands of physicians. It's all based on public bids, which means the price is the most important factor when deciding to buy a new product. The market has undergone an important change within the public sector. About 5-10 years ago, doctors had the final say when choosing what products to buy. Back then the ones responsible for deciding what products to buy, were doctors, pharmacists and lastly the acquisition / purchasing department.

Nowadays the order has been reversed. The first ones to decide on a product are the acquisition departments and the last ones to decide are the board of doctors and they can only veto a decision or propose a new one when there is sufficient medical data to back them up.

Our 26% share in the public sector is made up by 4-5 main products. We have managed to gain a large share of the public market with high quality products, within these products we can highlight our first launching of a GP Pharm Spain product. With all this products we have been able to compete with quality as much as cost.

***You said you launched 7 products with a sales force of 23 people, how did you manage to launch so many products with such a relatively small force? And how do you decide what products are going to be launched?***

During the past few years we have specialized in strategies of niches in the market where we have shown strength with some of these products. Of the Roemmers products that we have launched in the past few years, we have focused mainly in the area of neuropsychiatry and respiratory. This has allowed us to narrow our sales force by assigning them to geographical areas rather than dividing them by specialization, and by doing so we have been able to select the best physicians to promote our products.

***What is your strategy going forward to launch products in the Chilean market?***

The strategy we followed until 2012 is entirely different from the one we are using today. Chile's changing policies have forced us to change our strategies. Today we are signing several important commercial agreements with large multinationals with bioequivalence certifications. For example, we just signed an agreement with Apotex and we will launch at least four products with bioequivalence certification. Due to the changing policies we had to halt our work on some products we had been working on with other companies that were ready to be launched.

We will also be targeting the institutional market where we expect to launch oncology products from GP Pharm and we expect to be very competitive with these products.

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### ***On a personal note, what is your uptake on the new medicine law?***

In my opinion, any law that seeks to improve the quality of health products is positive. Aside from improving the quality, the law proposes that the price of the products will go down. However, I believe the opposite will happen. I think the average price of Chile's market will grow significantly.

About a year ago we had the second lowest prices in Latin America and this was possible by having high-cost and high-quality products but also by having generics available to everyone. Now with the bioequivalence requirements, a lot of those products will be forced out of the market. Smaller companies will probably have to shut down operations because they will not be able to meet the investment required to fulfill the certifications. That is why I think it is very possible that the average price of the products will increase.

I think it's necessary to improve the quality and I agree with the law on this. The problem is that the timeframe they gave the producers to fulfill the new standards is not enough since there are very few labs in the country that can meet those requirements right away. This requires an immediate investment which will be a very burdensome step that will severely affect the smaller companies.

In the end, the ones that will be affected the most by these changes will be the low-income population.

### ***The Chilean pharmaceutical market is characterized by the vertical integration and dominance of three major pharmacy chains in the country. What is Raffo's strategy to be the partner of choice for those pharmacies?***

The pharmacy market is very complicated for everyone in Chile. We have to have a good relationship with all three branches. If we lose one it means we lose 30% of the market. Luckily we have a good relationship with all three of them. Any product directed to the retail industry will be incorporated into all three chains. Sometimes we succeed, sometimes we don't.

We aim to have all of our new products in at least two of these chains in order to have a good presence in the market. The only companies that don't have any problems placing their products out in the market are those that handle innovative products. We have similar products of high quality but not innovative products for this reason for us the negotiations with the chain pharmacies are more complicated.

However, at Raffo, we believe that with good strategy it is possible to include any type of products in any sector of the Chilean market. Our positive evolution of 118% (IMS) illustrates that Raffo is capable of meeting its sale quotas.

### ***What is your ambition for the next three years? Where would you like to take Raffo laboratories in the next three years?***

For the next three years, we want to maintain our growth. We want to add new prestigious multinational companies into our group of represented companies and to strengthen our brand, GP Pharm brand in Chile. I foresee a significant growth for the company despite the new rules that limit the ability of growth. We see ourselves as a young and dynamic company that has a lot to develop and growing to do. Especially taking into account the new products we will be launching during the next few years.

Our objective is to become the partner of choice for all international companies that want to have presence in Chile.

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