

Interview with Alberto Alvarez Saavedra, President, Gador

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Gador was founded in 1940. How has the vision for the company developed in this time, and what is the mission of the company today?

The vision for Gador has been evolving since the 1940s. The company was established as a spin-off of a pharmaceutical company that was born in Hungary. Before that moment, the mother company had a presence in Hungary, Austria, Czechoslovakia and Poland, and when the Private Activities were nationalized in those countries, the owners came to Argentina where the business was already represented by Dr. Nicolas Gador handling some products of their pharmaceutical line. The Balla family (Americo and Jorge Balla) agreed to purchase an equal share of Dr Gador's company, and were partners from that moment onwards. Gador is perceived in Argentina in a different way to some other national companies. Our founders had experience in pharmaceuticals for many years. They brought with them the traditions of a European pharmaceutical company. The vision has always been to have a company based on quality products, with the objective of solving human health issues. Unfortunately, Argentina's history has not been the most linear in terms of stability: we have suffered a lot of ups and downs economically, socially, and financially. Gador was able to survive, and the company evolved a lot in this battle for survival: we lost some things and incorporated some other things. We are in the branded generics business in Argentina. On spite of that, our company started doing research in the early 1950s. Today, Gador is the national company that with the broadest portfolio of patents for APIs and pharmaceutical products, both locally and internationally. Intellectual property is very important for Gador. Since the recent approval of a new patent law in Argentina, our growth is reliant on the fact that we have to guarantee a space for our products in the marketplace. And patents give us such backing, when needed. In order to achieve that, our intellectual property group is permanently looking into molecules that we can launch, without interfering with the patent rights of the owner. This can be very complicated, but we are protecting ourselves so that when we launch a product, it's not going to be challenged. Gador is also involved in research of new molecules. As a national company with limited resources, we have selected areas where we believe we have the most chance of success. Gador's main research focus today is in bone diseases. For over 30 years Gador has been involved, specifically in bisphosphonates, doing research with local and foreign universities. Our most important partner is Leiden University in Holland. This is a specific area of research that the company continues to develop. Besides research, one of Gador's main growth drivers has been licensing. Gador obtained one of its first licenses in 1954 from Fujisawa Pharmaceutical Co., who later merged with Yamanouchi, and became Astellas. Now this relationship has grown for more than 50 years. In fact, it was the first agreement signed between any Argentine company and any Japanese company after the Second World War. From then onwards, we incorporated many other licenses. Some of these

agreements have gone back and forth, as companies were purchased or merged. Today, major licenses for Gador are Astellas, Gilead, Recordati, Nippon Kayaku, and Eli Lilly. Obviously licensing in the country is something that has come and gone as multinational companies come and go from the country.

How is the situation today, and what do you think makes Gador the partner of choice today?

Gador has developed a good track record, and an image of quality, responsibility, and a prestige for honouring contracts. Even in the times when the Argentine authorities did not allow transfer payments abroad, the owners of the company paid out of their own pockets, and the company kept working without problems. Our partners perceived that as a definite plus: not everybody did this. Even when there were huge currency devaluations in Argentina Gador did not abandon licensed products. Some of the licensors were surprised to find that we were still in line for licenses, and they took advantage of the situation in the market, teaming up with us and gaining sales from competitors. At the beginning Gador started in the endocrinology therapeutic area, and then enlarged its presence to human hormones, followed by immunology and plasma fractions. This gave us an solid base. At the time of the Malvinas War (Falklands War), and because the British companies stopped exports to Argentina, we started offering the supply of products that had disappeared from the market, including Propranolol, Atenolol and Tamoxifen to replace products from ICI. Gador was the first company to offer chemotherapy products in Oncology at the beginning of the 70's, opening the market with Bleomycin. Later we obtained more licenses and by the mid 70's, the Oncology line was over 30% of the company's total sales. We helped the start-up of many oncology centres and areas within hospitals. It was a lot of hard work, until many generics arrived, offering unethical proposals to the oncologists. This behaviour was and is absolutely unacceptable for Gador, and slowly we started receding from the oncology market, until the today situation where it represents around 9% of our sales. In the 1970s, Gador licensed-in the products of a company that eventually became Sanofi, and launched Tranxilium, (Dipotassium Clorazepate), one of the first mild tranquilisers in Argentina, which led Gador into the CNS market. Since then, we have had a permanent growth in CNS, and now we are the largest company in this area in Argentina, with a broad portfolio of CNS products, accounting for approximately 30% of our sales.

What is your strategy for choosing licenses today? Is it still to meet those unmet medical needs, or are you looking to expand product lines?

Today, it's a mixture. The Argentinean market has changed a lot since 2001. Before, most of the companies were specialised in some area: Roemmers and Bagó were well known for their antibiotics and general lines, Phoenix for the respiratory tract products, and Gador was known for gamma globulins and hormones, but the fact is that with the abrupt 2002 devaluation, which provoked a huge change in the market, everyone started expanding their traditional product lines. That brought a lot of changes. This was a challenge, as we intended to transfer the reputation we had earned for ourselves in the past to other therapeutics areas to keep our growth. It was hard to decide where we should look to next.

How do you think Gador can act as an ambassador for Argentina with its export operations?

Gador started international activities over 27 years ago, in Uruguay. We opened our own company, and soon learned the difficulties associated with this: it is not a matter of transferring your company's mentality to other countries, but adapting to the new market. In other markets we switched to partnering with local companies. This is how Gador has grown across Latin America, and across the world. For example Gador has a leading product in Lebanon, where we are partnering with a Lebanese company. We have licensed out products in Korea, to two Korean domestic companies. They are helping us develop one of our next generation bisphosphonates. Past

March we started selling in Vietnam, also with local partners, and the idea is to reinforce this network with the local partners, rather than building new companies. In the Dominican Republic, of all the licenses and the sales that our local partner has there, Gador accounts for the highest share of their sales. We want to enhance that we want to invest in the partnership keeping the local partners. Gador has realised that the key to success is selecting a partner that knows how to do business as well in their country as we do in Argentina. Each country has its own history and its own way of doing things. The export market today accounts for approximately 15% of our turnover. We hope that this will grow in the years to come: the hard thing is to choose a partner, prepare regulatory papers for export, and having the whole process approved. From the moment you take the decision to enter a country to the moment the products are in the market, it can take 10 years. So we have to be very careful with the allocation of our resources and priorities. We try to export finished products, keeping as much of the added value for us as possible, but this is not always easy. Our company is quite integrated: Gador has its own R&D, own pharmacochemical plant synthesizing API's, own pharmaceutical plants manufacturing finished products. Upstream, we have our own distributor (Farmanet), which was developed with two strategic viewpoints in mind. One was to protect the company from monopolistic distributorships, (as happened in Chile or Mexico), where two or three big drugstores or pharmacy chains were able to control a company's sales. The other reason was to protect our sales in case a big part of the Argentinean market could develop into generics. Gador's strong products are branded generics, rather than pure generics, so we had to be prepared in case the government requested a restricted vademecum. Gador got together with other companies with complementary products to our line: our partners were Bayer, Novartis, Boehringer and Casasco at the beginning, and we also offered our service to other companies whose products would complement our line, so if the case came we would have the possibility of a larger portfolio, essentially to guarantee that our products would be in the offer. Establishing Farmanet gave Gador an added bonus, transferring the handling of all the commercial aspects of our business by our medical reps to the distributor. From that moment on, we freed 15 to 20% more time for our medical reps to visit physicians. It was as if we had undergone an expansion of our sales force, with the same people, same infrastructure, and no need for training. We took advantage of that, and since that moment, our company has had the highest growth in prescriptions in Argentina for 12 years in a row. Another reason for this success story is that Gador takes good care of the people working with us. Many people in our sales force have been with the company for over 30 years, which is very difficult to find in the pharmaceutical business. We have always tried to create a company that people wanted to work for, with good salary, good working ambience, good quality products, ethical promotions, and all this has added up. The people working for us have allowed us to grow, to be tempting for licenses, and to reach agreements with the Social Security Systems. We pushed the wheel in such a way that we went out from only manufacturing pharmaceutical products into being involved in the health business. You have been President of Gador for less than a year, but have been working in the company for nearly 35 year. You are clearly very passionate about the company and its vision.

How are you translating that into the way that you manage the company, and what is your vision for the future?

We have transferred a lot of empowerment to most of our people. We have a large group of collaborators with over twenty, thirty, and more years experience in the company. Besides, during the last 5-10 years, the shareholders (two families) have decided that we do not want to repeat the bad examples written in the books, that is that the third or fourth generation will be the one to either sell or destroy the company. It was a tough decision, but the families got together and decided to professionalize the company, realising that it is preferable to take preventative action than wait for the worst. At this moment, there are only four people from the founder families working in the 700-strong company, and everything is professionalized. Although we know we have been successful, we

are permanently trying to improve the company. The old Department Heads already have done a lot, and the way the company has developed over the years is down to them. They understand and share our growth view, and so they have already selected their replacements, so that they can work together with them for some years in order to facilitate a smooth transition. We now take time to think about the future, rather than always just consider the present. The company is growing and we are adapting. For example, two years ago we introduced the SAP system to help us manage the corporate growing needs. This was a stressing experience, and there were some people that suffered a lot, but once the previously established systems are changed, it can be distressing. Now we have overcome that, and we are recovering the strength for the next stage of growth. At this moment Gador is involved in a couple of very interesting R&D projects. We are now very much involved in transplants, (with PROGRAF, an Astellas product); immunology and virology (with Gilead products); we are number one in CNS and number two in cardiology. We kept the trend of being leaders in certain areas, although we are also enlarging our general products portfolio so that we don't leave a door open for the competition.

Where is the growth coming from, and how much do you expect to grow in the years to come?

We are launching new products: as well as growing our existing therapeutic areas, Gador have just launched a line in Diabetology. There is a new perception in the industry that Cardiology, Diabetology and Gastroenterology combined can say a lot about the way we live, known as Metabolic Syndrome. Gador is going that way: that's why we have incorporated products that do not fit in our traditional product lines while allowing us to be present in new prescription trends. In the past, Gador had a biotech division, which unfortunately due to the economic circumstances in Argentina we were unable to maintain. However, whilst it was active the division patented and developed a very successful test for Chagas disease. It was the first test in the world for the disease, obtained by DNA recombination. When Gador left the area, the company transferred the product to a third company, where it still proves to be successful. Taking advantage of all we learned at that time about Chagas, and sharing the fact that this disease is essentially hurting poor people in Latin America, and no product has been developed to treat the millions of people who suffer it, we are involved now in a development project with a British company for a Chagas vaccine, which according to the plans should be ready by 2015. It's a long-term plan, and although we know there are important risks involved, we have high hopes for its success. There is an absolutely priority unmet need for a prevention or treatment for this killing disease. Among many other activities, this is a way to honour our motto: "Devoted to people's health".

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