

Luis Arosemena – SVP Emerging Markets, GSK



Five of the 16 countries that together account for 85 percent of the growth of [GSK's emerging markets] region are from Latin America

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GSK's head of Emerging Markets, Luis Arosemena, comments on the strategic importance of this wide-ranging country grouping for the company, the structure of his organisation in Latin America, the importance of the country manager role, and explains how strong institutions make up for volatility in Latin America.

Can you start by briefly describing your career at GSK and how you ended up in Singapore taking charge of emerging markets?

I joined GSK in 2001 through a development program in Mexico and spent my first seven years going around Latin America. My second position was in Costa Rica working within the organisation that runs Central America and the Caribbean, doing marketing and sales. Then I moved to Rio de Janeiro to do a marketing role for Latin America before going back to Mexico as marketing director.

My first role outside Latin America was as commercial head for Asia Pacific based in Singapore. One year later I was named general manager for Singapore and Malaysia. After three years, I moved to London to take on a role in corporate strategy in the office of the CEO. Then I moved to Belgium where GSK has its headquarters for the vaccines business units to be the global commercial head for vaccines. My last role before emerging markets was as general manager for Italy.

How relevant are the emerging markets for GSK and how is your organisation structured?

The emerging markets for GSK include around 120 countries, several billion in annual revenue and more than 10,000 employees. The way we are set up is geographically agnostic, we organise countries by growth potential.

We have a set of 16 countries that are considered "Growth Markets" and have all the necessary conditions to grow in a sustainable way. Five of those countries are in Latin America. Another category is "Performance Markets" where we can run a commercially sustainable business, but the outlook and prospects based on conditions and our portfolio call for a different resource allocation approach compared to growth markets.

The emerging markets organisation has a very lean structure; I have some countries reporting to me directly, including three from Latin America: Brazil, Mexico and Argentina. Then we have a person in charge of ten countries so, together, we run the 16 growth markets. Finally, there is another executive that oversees the remaining countries. I have 8 people that are either general managers reporting directly or operational heads.

Emerging markets covers all of Latin America, Africa, Russia and CIS, the Middle East and Southeast Asia.

GSK announced a new strategy after it started divesting its consumer health business. How is this new direction affecting the way the company looks at emerging markets?

To clarify, the offloading of the consumer health business was done separately from the biopharma business. The way we look at the future has not changed because the spinoff has allowed the executive team to focus solely on biopharma.

The business is quite sustainable, especially since our objective is to eliminate unnecessary managerial layers and become closer to the countries in which we operate. In GSK the general manager plays a critical role in terms of maximising the value that our portfolio can bring to that country based on the healthcare system, and the way that we can reach people with our vaccines. This varies significantly from one country to the other.

Another important aspect is that success relies on good general managers and smart resource allocation. Therefore, eliminating above country organisations; we have aligned our structure to the business priorities.

What about Latin America in particular, how relevant is the region to your organisation and which countries are leading GSK's business there?

Latin America plays a key role for the emerging markets region at GSK. As I mentioned, five of the 16 countries that together account for 85 percent of the growth of the region are from Latin America.

One third of the turnover generated by emerging markets comes from Latin America and the region is growing by double digits. Amongst multinationals, GSK is the second fastest growing in emerging markets this year. We have a nice portfolio that aligns well with the region's needs.

My biggest country is Brazil, which is growing double digits and has nothing to envy any of the EU-5 countries in terms of opportunities to capitalise on growth and deliver for the entire portfolio. We have a sizeable business in the country with leadership positions in several medicines and vaccines. The company has managed to handle the pressure coming from competition, generics, branded generics, etc.

Latin America is, as ever, going through political changes with elections and newly elected governments. Do political changes and economic volatility impact individual countries' healthcare agendas?

Volatility is not only a Latin American issue. On the business front, looking internally as a company, we understand that volatility is a characteristic of emerging markets. Internally, we have built capabilities to cope with it in terms of decision making, looking to focus on the things we can control and be agile when changes come.

Having said that, there are certain things in Latin America that help us have consistency which go above political circumstances. Countries can switch from left to right and back but there are certain fundamental institutions that remain consistent over the long term.

This happens in Argentina, for example, where inflation and devaluation often take the headlines, but we know that the country's healthcare system is quite mature and developed. Of course, you need to be alert and ready to act which is why the role of general managers is key. If you have a sound portfolio of products and reach patients, you are creating a sustainable solution that will help the system navigate short-term variability.

Which business units are leading your growth in Latin America?

With a population of 4.5 billion, emerging markets represent an unmissable opportunity for GSK and the few companies that have such a broad portfolio of general medicines, vaccines and specialty. In the case of Latin America, 40 percent of our business is vaccines, another 40 percent are what we call general medicines, primary care products that we have in different areas such as respiratory, anti-infectives, and dermatology. Finally, we have 20 percent coming from specialty care which are HIV products, oncology and other biologics.

Within vaccines, Latin America is an example of prevention, of how to see value in them. It is helpful that the region has an institution like the Pan American Health Organisation (PAHO) to help countries build immunisation calendars and strategies. That is something that you do not see in Asia, for example, where there are no supranational organisations supporting countries to execute prevention campaigns.

As an example, GSK had a rotavirus vaccine that was first launched in Latin America. Also, the company has been launching a new vaccine indicated for the prevention of herpes zoster (shingles) called Shingrix in the United States and Europe and we already introduced it in Brazil. Because of the institutional setup, I am quite optimistic about our vaccine portfolio in Latin America.

In specialty care, which today represents only 20 percent of our revenue in the region, we see good potential in Brazil, Argentina, Mexico and Colombia.

In the case of your general medicines portfolio, does it make it more difficult that there are many strong local companies in Latin America? How can GSK compete?

I am proud of how GSK has created brand equity in general medicines and how it has reinvented itself to better compete with local companies in terms of channel strategy, go to market, maintaining our relationships and the value we bring to HCPs. The company takes conscious care of its pricing, creating flexible conditions which have made GSK number one in the access rankings.

Latin America has an important role to play in the global industry and there are many things that other regions could learn from the region. I am confident that the volatility is cyclical, and instability will not last forever. The region has the fundamentals to prevail and the company that best understands them will succeed in such an environment. GSK wants to build a sustainable presence.

You mentioned that an important part of your role is coordinating general managers that can apply the global strategy in specific markets. What elements are you looking for in a potential general manager?

For general manager positions, what we are looking for are people with the most diverse set of experiences, ones that expose them to situations that build their judgement and business acumen. We also look for people with the right attitude and that are eager to help patients, also people that are accountable for the impact they bring through their role.

I do not have a preference of origin, but it is important that the general manager has been exposed to different markets across the world. A native with global experience would be an ideal candidate.

A good example is our general manager from Brazil. He is Brazilian, was business unit head in the country, left the country to go to London, then Italy as business unit director, general manager of Romania, managed a cluster of East European countries and went to do a global role in vaccines.

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