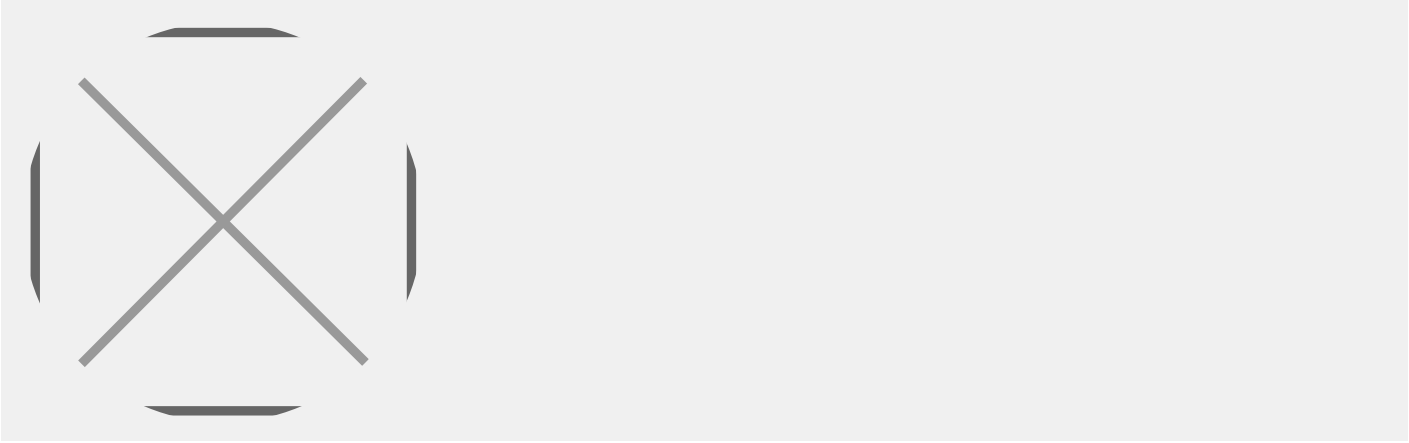
Interview: Mohamed Kouta, General Manager Pharmaceutical Division, City Pharmacy, UAE



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Mohamed Kouta, General Manager of City Pharmacy, discusses the company's key strengths while delving into the market's major weaknesses and how they will affect the future of City Pharmacy.

City Pharmacy has been around for quite a while now. What is one of its strong points?

Dr. Adbulrahman Al Mahmeed, still the chairman and proprietor of the company, established City Pharmacy in 1967. The company began operations in Abu Dhabi, and established the Dubai office in 1971, before expanding to cover all the emirates. City Pharmacy works in seven different departments: pharmaceutical, lab and medical equipment, instruments and hospital supply, medical disposables, dental, consumer products, and service, and after sales. One of its key strengths is that each department operates as a separate entity, and at the end of the year they are responsible for their own profit and loss statements. Each one is a company within a company.

What was the evolution of these business units? Did you begin with pharma?

The business was formed in this way, and has not changed since the company was created, but the pharmaceutical industry is our largest and most important business segment.

Would you say that this strategy of operating as independent companies is part of the success that the company has today?

It definitely is, because at the end of the day, you need very definite responsibilities and ways to judge performance. In each department, there are sales people and product specialists that deal with specialized product lines, and their performance can be judged based on their expert knowledge of that area. Responsibilities are very clearly defined. The company developed this multinational structure on its own, and now, this is the model that many companies are looking to adopt. I believe it was a major contributor to our success.

Back when the company was established in 1967, it was the first registered company of its type in the UAE. Being the first, and having the vision, it has always had a focus on maintaining its market leadership. It is still the market leader in the UAE: we contribute almost 33 percent of the pharmaceutical distribution, based on data from IMS, and in the other unaudited segments, we estimate we have a much larger market share.

The main vision behind the company was to be the best available healthcare supplier. We want to contribute healthcare solutions to our customers; so if a hospital is opening, City Pharmacy can be there as a key project developer, supplying everything from A to Z.

It is also worth mentioning that City Pharmacy is not a part of any larger group, unlike other pharmaceutical healthcare companies in the UAE. Having a pharmacist as founder of the company at the time also made a difference: I was not there in 1967, but I believe this was an important reason for success. Today, of course, the landscape looks totally different. There are today more than 80 distributors in the UAE. However, City and the next largest competitor account for around 50 percent of the market.

How do the smaller distributors survive?

Although they call themselves distributors, they only work with one or two niche products.

This is an interesting market dynamic. You would think these smaller companies would not be starting up now, as usually what we see is that the smaller companies go out of business as the market matures. Why is the market seeing this boom of distributors now?

It is because the market is very attractive, and they see that it is growing, and the market is moving towards pharmacies here. Each small company starts by bringing in one product, and doing the marketing for it. The UAE is one of the most mature countries in the region, but still the region is not mature.

The trend for many entrepreneurs leaving the multinational companies based in Dubai is to start their own pharmacies. This is how a lot of the competition has emerged. However, while the market is not mature, most multinational companies already have regional offices based in Dubai, and this makes introducing products into the market more challenging than in other countries. There are very few multinational companies today that do not have an office here.

In many cases, City Pharmacy ends up as a partner to these companies: they do all the planning and decide all the details; our job is to execute their plans on the ground as a distributor. And the end of the day, our main responsibility is to execute their plans in the field.

Is it too late for others to set up local companies in the distribution space?

The decision is theirs: if you have a vision, and find a good product to start off with, then having your own business is never a bad option. A very specialized product line that you know well could work. But you may struggle to compete with the main market players. Patience is also required: it is a long-term game to get into the right place, because first you need to invest in the market. Hit and run does not work here for the pharmaceutical industry.

As marketing specialists and true partners for these companies, what do you think makes a product successful in the UAE? This is obviously a very brand-conscious market.

Indeed, one of the most brand conscious markets, because of the high average income. The Ministry of Health has also resisted attempts from smaller companies from other parts of the world entering the market: they have kept it as a market for originator products and branded generics. In terms of marketing, the budget is not much lower for branded generics than for originator products: you still have to import reps, bring supervisors, materials, catalogues, and so on, because even though you are marketing a generic, you are still marketing a brand. As a result of this, the cost of marketing a branded generic is only 5 percent to 10 percent lower than an originator. The government covers these costs, and private healthcare insurance also covers them, which means that there is very little room left for unbranded generics to play.

What would you say today is the major challenge for the UAE market?

I don’t think there is anything that really presents obstacles in the conventional sense, but the market is experiencing rapid growth year after year, which brings its own complications for companies. If you have a vision, you immediately have to invest in it, and in order to invest you have to be big enough to sustain a loss for a long period of time. There are very few local

distributors that are capable of this.

The market is fast moving, aggressive, competitive and dynamic. One major reason for this is the heavy multinational presence in the UAE, as many companies choose it for their regional base. These regional headquarters have to succeed in their home market before venturing outside, and that makes the market very competitive.

There is also a low chance of profitability in the UAE, because of the expenses involved in opening a business here. A pharmacy in Dubai makes much less profit than a pharmacy in Saudi, because of the rents, the high standards and quality level, and the salaries.

Do you have a problem in attracting talent?

One major challenge today is attracting and retaining talent. The dynamics and flow of people is very high, and this is not just within our company but also the doctors working here as well. This does pose some challenges, as maintaining a good working relationship with doctors is tricky when they change hospitals once a year.

Considering you are so successful, haven’t your clients and partners asked you to replicate this in other markets?

I think one of the successes of City Pharmacy is that we are focused in the UAE. We have all our strength, effort and experiences here. Our vision was to start early, to get the best out of it early. Working in Saudi, we would not have the same market advantage we have here.

City Pharmacy is already number one. The market is maturing, and at some point it will reach a saturation point. What is going to be next for City Pharmacy?

Our focus will be to maintain our market leadership. It is difficult to sustain it, because you are a target for everyone, but it is good to be in this position.

We are also looking at the fact that the market still has some years to go, and ours is still a good business model. When you work for multinationals, you can sustain your business if you really prove that you are a partner, not a distributor. If the client gets a benefit out of the partnership, they see the value in what they pay for, so they will continue.

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