Interview with Ramon Soto, Managing Director, St Jude Medical Mexico

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Tags: St Jude Medical Mexico

St Jude Medical has over 16,000 employees worldwide, its products are sold in over 100 countries, and specializes in cardiac and neurological medical devices and services. The company established a formal presence in Mexico around 3 to 4 years ago: what particular benefits have you seen come from that move, and what are the company's strongest points for competing in the Mexican market?

St Jude Medical entered the Mexican market through our old distribution company called International Medical Services, who had been selling St Jude products for almost 15 years prior to their acquisition by St Jude Medical in 2009. St Jude acquired from Siemens their pacemaker business: Pace Setter, and that was our first contact with the Mexican market. We thought it would be very easy to market and sell the Pace Setter brand of pacemakers here in Mexico, but it wasn't as simple as we thought. The technology was excellent- much better than many of the lines in the United States, but because nobody recognized the brand, market access was slower than first expected.

Having a direct presence in Mexico has enabled St Jude Medical to be the number one in Mexico for many products, and for the others we are right behind the industry leaders such as Medtronic. Today in Mexico, we have a special advantage in that we sell the smallest pacemaker in the world: Microny. In part thanks to this launch, we are performing extremely well in the Mexican market.

What do you think have been the main challenges for St Jude Medical coming directly into the market?

The transition of St Jude Medical taking over International Medical Services started around 2007, and finished in 2009 with all the negotiations and finalizations, and we've seen that the main challenge has been the difference in the way of working between the United States and Mexico.

How does St Jude Medical approach the institutional market?

Medtronic and Boston Scientific, for example, manage some of their distribution through third parties, whereas St Jude Medical split distribution between third parties and also our own operations. We have organized our own participation in government tenders in the past, because no distributor has ever been able to offer us the service.
The government market tends to request complete packages of products and services, and no international company can supply this full service, therefore have to partner up with and support local companies in order to participate. They also often request our help to take part in these tenders.

What is the ratio of institutional and private sales for St Jude Medical?

At the moment it sits at 60/40 in favor of our institutional sales so it is a large portion of our business.

Do you think there is sufficient transparency from COFEPRIS on health regulations for international medical device companies entering the country?

Policies and processes started to change in COFEPRIS around three years ago, and associations such as CANIFARMA and AMID have really come together and brought some clarity on the situation, while having significant political weight.

Changes inside COFEPRIS have been significant, but fairly slow over the last few years. Mikel Arriola came in last year and started to manage things rather differently. He implemented the Fast Track Health Accord that the previous head of COFEPRIS had set up, which has had a great impact. St Jude's first 3 product approvals were granted in under ten days!

Do you see these positive changes continuing into the future?

Yes I do. The main challenge for COFEPRIS has been the registrations, and today the Fast Track Health Accord has tremendously changed the ballgame: just some weeks ago, we had 3 product approvals granted in eight days. So the government is listening to us. Meetings with COFEPRIS are very useful so that they can hear the opinions of the industry and try to act on them.

How is this Fast Track Health Accord impacting the equilibrium of the industry in Mexico?

It is helping everyone in the industry, because even national companies mostly import their devices from the United States.

I think one of the reasons that many companies from the United States actually enter Mexico in the first place is because there are virtually no Mexican companies that manufacture medical devices here, so they can take advantage of that. Those that do manufacture in Mexico only assemble the parts that have already been produced in the United States.

Why do you think that is? For lack of government incentives?

My opinion is that there are not enough people willing to invest such a significant amount in manufacturing these products.

In Costa Rica, St Jude Medical just opened one of the biggest factory, because the Costa Rican government gave them attractive incentives in exchange for the guarantee of several jobs there through a period of time. The Mexican government have not been able to do this.

What do you think U.S. based companies see in Mexico in terms of potential?

From my point of view there are many companies, not just from the United States but from Europe as well, who want a piece of Latin America. Why? Because the operational costs are much lower – the labor in Mexico is much cheaper than in the United States or Europe – and the transfer pricing is much more beneficial- the margin is much better. Also, Another setup we have in Mexico is that each specialist product only requires one specialist that liaises directly with the customers and distributors, which eliminates the need for a large sales force hence reducing labor costs even further. Furthermore with the global crisis, the U.S. and European countries are looking more and more closely at Latin America, and Mexico especially.

How have you seen the crisis affect St Jude Medical here?

We were pretty steady in our first months, and then grew exponentially. This year we have been hitting target 100%, but battling slightly with revenues because not only has the crisis obviously also hit Mexico, but the environment has also been affected by the changing political climate and changing administration within the government this year.

Not related to the crisis, but still significant, is the decline of our mechanical heart valves at the same time as the fantastic increase in our tissue valve sales. Doctors are using biological heart valves more and more because they don’t require anticoagulants, which are very expensive. Yet the level of obesity and diabetes is increasing rapidly in Mexico, giving rise to increased sales of pacemakers.

Another problem in Mexico is that there has been started a huge price war. People don’t mind so much about the technology here, as in Europe for example, in Mexico it is a market of prices and almost nothing else. This makes it difficult to maintain high technology products in this environment.

You have been in this industry for a very long time- what continues to keep you motivated everyday?

I love this industry, ever since I started. I find medicine and treatments fascinating. Patients can be extremely ill, and our products save their lives. It makes me feel good. Another point is that the government has been very slow up until now to cover the general population who cannot afford treatment, with medical coverage. Only now are they covering surgery and medical devices, which I think is a great step. There is still so much potential in Mexico for a company with high quality products like St Jude Medical.

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