Interview with Jose Alberto Villazon, Executive Vice President, Siemens Mexico

09.12.2012

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What is Siemens Healthcare role in Latin America and Mesoamerica and what are the company's guidelines and strategy?

Mesoamerica regroups the Caribbean area, Central America, and Mexico. Even though Healthcare plays an important role in this region Siemens is mostly driven by other business segments such as industry and energy. We are near 400 employees, and we give support to the rest of the region from Mexico. As many of the factories from other Sectors are supplying the North American market, Mesoamerica belongs to the North American cluster However, in terms of healthcare, we also keep direct contact with the different Business Units based mainly in Germany and USA.

Today Siemens Healthcare holds the leadership position in most of our Business Units in Mesoamerica. We have three divisions: imaging, clinical products, and diagnostics. Imaging is our leading category and the best known division on the market including: Angiography, Computed Tomography, Magnetic Resonance, Molecular Imaging and Digital Imaging Systems. Our clinical products division covers a wide range of areas like women's health, mammography, ultrasound, urology, and mobile X ray equipments for hospitals and surgery rooms. After the acquisition of three companies, Siemens entered the Diagnostics market supplying all types of equipments for Clinical Laboratories becoming one of the most important players on the clinical laboratory field.

Siemens Healthcare is a well-diversified and highly innovative company. Our divisions are evolving rapidly and our products are being recognized on the market for their Innovation, quality, and workflow advantages for our customers and usefulness to the patient.

Your main competitors on the market are GE, Philips, and Toshiba. How do you differentiate yourself from them in the Mexican market and how do you adapt your strategy to Mexico?

The competition is fierce in Mesoamerica and we do have strong competitors in all the business segments. In terms of sales figures, Siemens Healthcare is today the leader in the market, and has been outperforming competition on a regular basis over the last years.

Global and Local our organization has developed an integral strategy oriented towards fulfilling the customer needs. To insure that our customers receive the best attention, we have been investing for the past 10 years, worldwide and in Mexico, in the Integral Quality Concept: first in Innovation with high quality products, introducing workflow improvements for the users and being the best in Customer Service.

Many of the products that have been developed in the past decade not only demonstrate that we have the best technology and are the innovation leaders, but also that these products have been designed around the concept of work flow optimization, to improve our customer's performance. Today, our customers, either private or public, can easily manage to reach 20 to 40% more patients a day thanks to our solutions. This productivity gives us a tremendous advantage in the cost/performance ratio and the long term cost of ownership that we offer to our customers. Then, in terms of our service, we also offer a better life cycle for our equipment. If you consider all these different aspects, in almost all cases we outperform our competitors and that gives us a strong competitive advantage.

Mexico has a very weak domestic industry for medical devices. However, countries like China are making a noticeable entrance in Mexico with low cost medical devices. Referring to price, are Siemens devices the most adapted to the Mexican market – given the low number of first level hospitals?

Siemens products are not designed to fulfill any country's specific needs, but rather fulfill a worldwide need: the quality and cost of healthcare. Our customers have found in the past years that we have products that fulfill their requirements, and this is our key goal.

For every country, Siemens Healthcare separates the market in several segments to serve different types of clients. For the very low market segment based mainly on low prices we really do not have products available. In the low and middle segments, many customers are looking for the best performance they can get for the price they are paying, and in this area we have been really competitive and gaining many new customers for the past 12 years.

Finally, there is the high segment, where the customers want to have the best performance with highly innovative products and at the same time be acknowledged as the world's leader institutions. Without diminishing the importance of the performance/cost ratio, these clients require the best

available technology to fulfill their clinical and research needs, so we make sure that our products also fit their expectations. These 10 to 15% customers who belong to this high segment market represent Siemens' strongest success as a leader in innovation.

Bottom line, Siemens' strategy is based on having adequate products to address most of the diagnostic and therapeutic needs demanded by the healthcare sector.

Distribution in Mexico has been evolving recently. How do you assess the role of integrators, and what is Siemens' distribution strategy?

For imaging, considering the size and value of these products, we focus on doing direct business with our customers.
For clinical products and diagnostics, since the products are smaller and target many diversified customers (hospital, clinics, gynecologists, neurologists, and others), we adopt different strategies. Additional to direct business we also focus on dealers and integrators, channels that can expand our own sales force and our geographical coverage.
In diagnostics, for example, mainly in the public sector, most of the laboratories in the country do not buy equipment; they use the concept of Integral Services in which private companies, called integrators, are responsible for the administration of the laboratory and charge the health administrations per study. Around 80% of the public business and also some of the private hospitals use integrators and do not invest directly in clinical laboratory equipments.

The concept of integral services is being more and more used by the government. They do not need to invest in assets, and avoid warehousing expenses and product losses or damages. The integrator is responsible for overall operation of the laboratory taking that weight from the healthcare institution.

This concept is gaining power, and it has already expanded into areas like: Laparoscopy, Anesthesia, short term Surgery and other healthcare services, with a tendency to keep growing into services like diagnostic imaging, oncology, etc.

The Fast Track Health Accord was first signed with the US and Canada in November 2010, before being extended to Japan in 2012. How have you seen this impact your activity in the country?

Product registration has been the main headache for all the medical devices and pharmaceutical companies in Mexico. Even if COFEPRIS, the regulatory agency in Mexico, strives to improve the situation, many issues are still pending and the process is one of the most complex and time consuming in the world, causing that new innovations and technology, that would benefit the population and, in many cases, reduce healthcare costs, would be available in the country with one to two years delay compared to USA or the European countries.

COFEPRIS has recently approved two new process intended objectives of reducing the registration timeframe: the first one is by implementing an equivalency homologation with FDA in USA and Health Canada and the second by using the so called Third Authorized Parties. The second one is based in having an external authorized certifier to review the completeness of the company's dossier to detect missing files or information before being submitted to COFEPRIS. We really expect that this process will drastically reduce the registration timeframe for new products and the one for the renewal of existing ones.

Seguro Popular has given access to healthcare solutions to a very large pool of patients who were not covered by insurance before. Has Seguro Popular impacted your business positively and what role do you see Seguro Popular play in the coming years?

Overall, the idea behind Seguro Popular is a fantastic asset for Mexico, and the financial backup is substantial. Today they are covering 80% of all the more common healthcare needs – like vaccines, first hand treatments, and almost all the general treatments and illnesses; catastrophic diseases (like cancer treatments, cardiovascular and neurological diseases) are being incorporated according to the evolution of the financial structure of Seguro Popular.

Every year they manage to cover more and more catastrophic diseases and fortunately today some patients such as women who suffer from highly risked pregnancy, and children born since 2006 receive a full coverage package already. The main challenge remaining will depend on Seguro Popular's ability to cover every major disease in the future.
For Siemens Healthcare Seguro Popular has positively impacted our business by the construction of new hospitals and the expansion of medical services in existing hospitals that require diagnostic and therapeutic equipments, creating also new opportunities for all healthcare companies. So far this strategy has been an important success factor for the healthcare sector infrastructure and suppliers.

Today, one of the things the next government will reinforce is the Private Public Partnership Projects (PPP) for hospitals. We currently have 3 examples of PPP at the federal level and 3 more in the State of Mexico, with many more tenders in the pipeline both at federal and state levels. I am convinced that the PPP projects will play a very important role in the future of healthcare in Mexico.

Mexico is striving to provide world class healthcare services, but what do you think is lacking for Mexico to achieve its medical tourism potential?

The types of procedures that fall under the concept of medical tourism are mainly those that usually are not covered by the insurance companies in countries where the cost of medicine is higher than in Mexico, such as plastic surgery or some medical procedures or treatments. In order to increase and detonate Medical Tourism Mexico must implement better alliances with foreign healthcare providers and promoters combined with aggressive marketing strategies to promote our potential

and capabilities.

Another strong potential field in Mexico, because we also have excellent hospitals, technology and experts that can offer all types of medical procedures at a lower cost than in the US or other countries would be that foreign based insurance companies pay for Mexican institutions for the procedures realized in this country. However, I do not see this happening unless Mexico adapts the same laws and hospital requirements and regulations than the ones they have either in the United States or in those other countries, such, as an example, the malpractice laws. If a foreign insurance company pays a Mexican hospital to carry out a procedure and something goes wrong, the insurance company cannot engage a complaint against the Mexican hospital under a foreign law, it must be according to the local low. I believe that as long as Mexican regulations are not homologated with those of the countries we would like to serve, this potential will not be possible to be realized.

You have been working in Siemens for 34 years. What do you have left to achieve?

I have become passionate about the company, and my work performance is reflected by my enthusiasm for the company's achievements over the years. The reward in the end is to know that everything we do is for the benefit of the people that require any type of healthcare assistance. I'm particularly proud that Siemens has found ways to get high technology products available to everyone.

I believe the Mexican healthcare system has many opportunities in the near future. For that, the healthcare system needs to combine efforts between all the involved sectors making no difference on whether they are public or private in the delivery of integral healthcare solutions. I'm glad Siemens is and will remain as an important part of this equation.

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