Interview with Luis Felipe Martinez, Senior Director of Operations Retail, Life Sciences, Strategic Development, DHL Supply Chain Mexico

09.12.2012

Tags: DHL Supply Chain Mexico

luis-felipe-martinez-senior-director.jpg

ne healthcare industry has faced recently is the phenomenal growth of generics in the Mexican market. Which solutions does DHL offer to the market to address the distribution of generics in the country?

DHL Supply Chain keeps a keen eye on the changes our industry faces so we can be nimble and poised to respond to growth. The enormous growth in generics resulted in the products using new distribution channels represented by large supermarkets and pharmacy chains. DHL already handles a large part of the distribution volume to these outlets – around 20 to 25% of their loads every day. These large volumes allow DHL to deliver multiple orders in a single truck and this is a unique strength in the industry.

Our positioning makes us the ideal partner for different types of customers. We assist pharmaceutical companies that use our expertise to reach the large retail stores – which are new players in healthcare in Mexico. Additionally, we assist smaller companies with low volumes that wish to attain a cost effective and on-time solution through consolidation.

DHL Supply Chain makes it a priority to provide the best distribution solutions to our customers that improve their business and meet their needs in an efficient and cost-effective manner.

What is your market share in terms of distribution of medical devices?

Like many industries, the medical devices market is in continuous fluctuation so gathering data is an important, but somewhat challenging, task. Five years ago, most of the medical devices were geared towards hospitals, and the largest buyers of medical devices were the private hospitals given their financial capacity compared to public institutions. This dynamic rapidly changed. First, we witnessed the development of what I refer to as “home medical devices” – the new devices designed to monitor chronic conditions such as sugar levels and cholesterol, used by patients from the comfort of their home – which have modified the traditional distribution means of medical devices. Then, thanks to Seguro Popular, more budget was allocated to public hospitals. This capital injection and the subsequent investments in infrastructure, public hospitals acquired devices capable of treating 80% of the population and most diseases.

Liberalization of the regulatory framework encouraged more companies to explore the opportunity to invest in Mexico. In parallel, as the secretary of health aimed for more decentralization, public hospitals were positioned to make more business decisions based on local demand. Suddenly, we shifted from a cost per device to a cost per procedure and the need for a complete package of supplies appeared. For these two parallel reasons, integrators started to grow – they play the important role of offering complete therapeutic packs to hospitals and clinics, put together diverse materials and devices necessary for a particular activity such as a surgical procedure, and deliver them in a one stop shop way. Our perception is that integrators are traders that add real value because of their commercial skills, but show no real desire on developing expertise or participating and investing in distribution. This creates opportunities for companies such as DHL Supply Chain to combine our logistics know-how with the commercial ability of the integrators.
Last but not least, a very significant amount of medical devices are assembled in northern Mexico along the maquila model, and the cross border flows represent an important strategic opportunity for DHL. Today, Mexico represents about 4% of worldwide exports, with 92% of these products going to the United States as their end destination. Exports in this area have grown steadily over the last few years and represent a market of $6.1 Bn US where DHL can make a significant impact in improving logistics cost.

Security is a major issue in Mexico. The media reports that trucks are hijacked, and the medicine they carry oftentimes ends up on the black market. How do you face this situation?

There is a significant difference in the type of security that we have compared to our competitors. Distributors in Mexico have their own inventory and policies and DHL Supply Chain exercises the best security policies possible.

Our vehicles and facilities have GPS active monitoring and are protected 24/7 by strong dissuasive processes and active protection forces. In addition, when a customer requests an escort or a guard inside to protect the merchandise of the truck, we provide this service.

DHL Supply Chain stays on the cutting edge of security advancement and options. We have developed some of the technology in house, with the goal of protecting our customers' products. Our state of the art boxes can only be opened by a GPRS satellite device. Our GPRS technology even allows DHL to track the merchandise even in the case of theft.

How do you still make it a profitable business while ensuring high quality & national coverage?

Our objective is to provide value in this market. While other companies may invest in low-quality warehouses and equipment to end up with security and compliance issues, DHL invests in the world's best equipment, technology and facilities. In recognition of our commitment, the competent government authority recently awarded us with a co-packing qualified license in Mexico, and this high quality standard is unique in our industry.

Our value added services to the market depend on our capacity to provide a personalized service to the customer, such as performing tracking-systems and quality guarantee. These increased product value and diversity generate differentiators that are highly valued by our customers and to whom we offer cost-effective, consistent and accurate supply chains.
Mexico is a very warm and humid country.

How do you maintain the cold chain throughout the distribution process and make sure the product does not get damaged?

With the proposed amendment of Norm 59, we are anticipating a stricter conrol requirement for the supply chain.
DHL Supply Chain is ahead of the amendment and offers services today that include temperature control throughout the value chain with monitored warehouses and pilots. Our ranges of temperature controls are multiple, from 2 to 8, 8 to 25, minus 20, and even minus 80 degrees Celsius. We use specialized gel packing, and have alliances with manufacturing companies to help us configure the packages and ensure temperature accuracy.

As other companies may use temp tales, they are incapable of confirming that a certain temperature has been maintained throughout the chain. Some biotechnological products are extremely sensitive to temperature variation, and maintaining the right temperature is a vital part of our services.

Similar to our investments in facilities and controls, we invest in full monitoring systems which help us control and maintain our operating conditions. Our GPRS system has multiple purposes: monitor the temperature in real time, analyze the vibrations inside the truck, and assess the driver's behavior. We go even further by voluntarily monitoring humidity even though it is not yet a requirement.

Since companies' mission statements are to save lives, they can feel confident with having DHL providing the processes and systems to ensure the highest quality of the products upon arrival.

What is the next step for DHL in Life Sciences?

Life Sciences will continue to evolve rapidly and DHL Supply Chain will continue to improve its offering of solutions, staying on the cutting edge of industry trends and partnering with our customers to be the premier supply chain provider.

We anticipate providing more integrated services as we serve multiple supply chains simultaneously. In Mexico, the distribution flows have changed dramatically. Five years ago, our customers delivered product to their distributors only. Today, a laboratory can have more than one supply chain to fulfill diverse objectives and serve different customers competitively. Currently laboratories have to guarantee customized product delivery, and this is complicated by shipping timing and geographic conditions. In situations like this, DHL Express can complement traditional logistics services allowing DHL to become a full-fledged partner, when, for instance, parcel services are needed – next day deliveries, deliveries to specific individuals, etc, all in small quantities.

Overall, DHL's strengths rely on its ability to gather timely and accurate information, ensure market visibility, and avoid adding unnecessary steps to provide the best possible service and solutions to our customers.

See more interviews