Interview with Victor Pedroza, Managing Director Mexico, Baxter Mexico

18.10.2012

Tags: Baxter Mexico

Baxter established itself in Mexico as early as 1948 through the acquisition of a local manufacturer, Madom's Pharmaceutical. In a vast market like France, operations started 40 years ago; in Chile, operations started only in 1995; how do you explain the very early focus on Mexico?

Mexico has always been very attractive for US companies, which is why you have always seen very high level of US investments in the country. 65 years ago, we decided to come to Mexico and very early on, we also chose to have manufacturing facilities in the country. Mexico has a lot of opportunities to offer, mainly a very large market, and proximity to the United States.

There are many elements to consider before entering a country: the market size of course, but also the potential to help healthcare systems develop, and the opportunity to provide a very clear value proposition and in fine, serve the patient. This is especially true with chronic diseases or critical diseases such as renal failure or hemophilia which are the main therapeutic areas that we are focused on. In Mexico, you have that combination: market size, opportunity to support a health system and the opportunity to offer a differentiated value proposition related to the product mix that you have.

In Chile, Baxter's general manager was mentioning in a previous interview with Focus Reports that the product mix was very balanced between the three main lines of business (Bioscience, Medication Delivery and Renal). On the contrary, in Argentina, Focus Reports was told that the success of Baxter was highly linked to the government covering critical

diseases under the public healthcare plan, especially therapies for hemophilia, so most of the activities were in Bioscience. What is the situation in Mexico?

In Mexico, we have traditionally been very strong in renal. We have 2 specific therapies: one is hemodialysis (HD) and the other one is peritoneal dialysis (PD). We are very strong in PD in Mexico: we have a very large market share, and PD represents an important part of our sales in the country. The reason we are so successful in that segment is the very strong differentiated value proposition we offer to the market. We have a service approach based on the quality of the products and devices and based on our network to deliver the products directly to the home of the patients. We also have a very structured training and education program around the disease for the families, the patients and the doctors. The full ranges of services we provide explain why we are the preferred partner when a healthcare institution selects a service provider.

Isn’t it a logistical nightmare to provide home delivery?

The logistics are not easy, especially when you have so many challenges across the country to reach the patient’s home even in the most remote places. We reach more than 36,000 delivery points at a national level, at both rural and urbanized zones. Through time, we have developed very strong characteristics in terms of delivering products, and this has become part of our preferential value.

If you already have 60% of your sales and a large market share in the renal segment, I believe this will not drive your growth in the coming years. Where do you see the biggest growth opportunity today in Mexico?

Yes indeed, this is not our main growth opportunity in the future. To identify growth opportunities, you need to balance four elements: your market share participation, the incidence and prevalence of the disease; the therapies available; and of course assess the platform provided by the health authorities to take advantage of the opportunities. Following this assessment grid, we have found that biotechnological products are a great opportunity for Baxter in Mexico.

Another general manager was telling us that the main effort for diseases like hemophilia is to raise awareness. According to you, what should be the priorities of the public health authorities to improve treatment of hemophilia?

We observe two elements for any chronic disease – and this applies to hemophilia but also for diabetes. The first one represents the coverage of the patient and the other one represents the therapy levels available in the country – and to a given patient. I believe that we have a lack of awareness and this influences both the coverage and right treatment levels which are too low compared to other markets in Latin America. Mexico is the country with one of the lowest prevalence for hemophilia – and this is probably explained by a lack of diagnostic. However, it is a

fact that awareness around hemophilia is evolving fast today, thanks to the involvement of all stakeholders. For example Seguro Popular included Hemophilia as part of the critical diseases covered by the plan.

We talked about value proposition – and Silvio Gherardi of Baxter Italy mentioned that Baxter has adopted a strategy of providing the best quality but not necessarily at a higher price. Given this approach, how has Baxter been positioning itself in the Mexican market?

We approach our market differently by focusing first on the patient, and making sure that we offer health solutions that are cost effective. Concerning our value proposition, if we take the example of Hemophilia, we offer an integrated solution that serves the patient, doctor and institution. It is clear to us that focusing only on the products is not enough. For instance, in hemophilia we reach patients in their homes on a monthly basis and we offer education for them and/or their caregivers. Additionally, we offer a platform for the doctors to conduct therapy follow-ups, ensure adherence and educate the families.

What we want to value is a differentiation system. This system exists through an integrated health solution in the therapy we offer. Our key competencies rely on how we offer our solutions, perfect connectivity, flexible solutions, and our closed system that supports the control of infections and medicals errors. In the end we believe in our product but in our system as well. Our value proposition simply relies on our cost effective health solutions, patient safety, quality of life, and lower costs and expenses around the patient by helping institutions.

If you had a recommendation for the Mexican healthcare system, what would it be?

If we really want to improve the healthcare system we need to open and improve the acquisition speed of new technologies. First we need to improve product registration. For example the fast track health accord is valid for medical devices and considered for drugs, but not for biotechnological products. We have witnessed some issues with COFEPRIS, since it has not always been clear if its focus was the healthcare system and providing access to the best technology. Thanks to Mikel Arriola the general situation has improved today even if progress still needs to be made on having a more effective system for registration and regulation. Mexico suffers from a lack of pioneering. For example, by the time you launch a product in Mexico, there are already several new generations of that product in other markets, restricting the access to a better or innovative products and therapies.

In terms of manufacturing, Baxter has 2 manufacturing plants in Mexico. In 2007, the Cuernavaca plant received the Shingo Prize; in 2009, Industry Week nominated the plant as one of the top 10 in the whole of North America. Could you develop on what makes the Cuernavaca plant so special, and the overall production strategy of Baxter in Mexico?

Baxter decided very early on to have a manufacturing facility in Mexico, and from the start, the focus was on efficiency and productivity. The target was to allow us to guarantee cost effective processes that could benefit the Mexican market, thus giving us an additional competitive advantage. We have really focused on improving our lean manufacturing culture and we have achieved the extension of lean practices throughout the company. Our strategy has been based on implementing every program with that same efficient lean manufacturing culture. This focus on lean practices allows us to produce high quality products that impact our customers positively, and give them a high level of satisfaction. Our managerial style benefits from open communication, process improvement, focus groups that work together to increase the facility's level of effectiveness. Finally we have many social responsibility programs with the community and the environment, and we apply green manufacturing processes in our facility. Also, we take special attention to all the social aspects inside the company. These aspects deal with employee health, safety, and general wellbeing. We manage in this way to motivate our employees and create a real commitment.

What would be the main footprint of Baxter in Mexico?

We are committed to serve our patients and to take advantage of the opportunities to grow in the market. We are proud to have employee commitment and this allows us to offer cost effective healthcare solutions that improve the patients' lives. We utterly trust the Mexican healthcare system, and this is why at Baxter we have supported the healthcare system over the past 60 years. Our efforts over this time have been oriented on offering the community a better chance to develop professionally and personally.

See more interviews