Interview with Americo Garcia, General Director Latin America, Hospira, Inc.

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Why is Mexico not only the control center for Central America and Caribbean operations, but it is the Latin American regional office. Why was such importance given to Mexico in this respect, and not for example, to Brazil?

First of all, the Hospira model is a shared services model. It is a commercial office as we don't have a manufacturing site in Mexico or Latin America; we are still a very small company. As you know Hospira was a spin off from Abbott around seven or eight years ago, and we asked ourselves how we can form a lean and modern entity, so we use this shared services model and outsource many services. We decided that the best way to do this was to set up operations in one of the two biggest markets; Brazil or Mexico. Mexico was chosen perhaps because it is also close to the headquarters in the United States, and from here we can take orders for the whole region; you can dial up a number from Brazil and it gets through to us here in Mexico.

You have been the head of Hospira for the region since December 2010. What have been the major milestones and achievements since taking this position?

I believe the biggest challenge for the region is to align our portfolio with what we have in the rest of the world, especially the United States. Right now, we have a reduced number of products available. We are very good with innovative products, but we don't yet have generics yet. There are more than 130 molecules in the United States, so the natural thing to do is to plan on first mimicking the same portfolio all over the region, but it won't be easy.

Before I arrived here, it was decided that we should focus on a small number of products in Latin America so we can first perform outstandingly with just those products, and later bring in the generics.

What are the main areas of business for Hospira in Mexico? What have been your most successful products since operating here?

We are mostly specialized in products destined for patients in critical care. We are the biggest pharmaceutical injectable company in the world, and we have products ranging from anesthesia to antibiotics. I don't want to just compete on price in the Latin American market, it's not interesting for us, but more to be able to provide a 'portfolio' of products from which customers can pick and choose, and deciding which of our products and services to use.

Do you see any specific trends or quirks typical to the Mexican market as opposed to the other Latin American markets?

Throughout the region we have a common base. Of course the biggest markets are more attractive, but some markets are more attractive due to their complexity combined with the added value we can provide by having both delivery systems and pharmaceutical products, including innovative products, to offer. This way, we can provide the full scope of products, especially to hospitals, before moving on to the surrounding industry.

If you were to summarize the main differences between the Brazilian and the Mexican pharmaceutical markets, what would they be?

I think the main difference is the way the government is driving the local market. Brazil is pushing a great deal for getting more technology into the country, as opposed to just buying a product. The market is mostly dominated by local manufacturers rather than international players, and it has more entry barriers than Mexico.

When you mentioned the technology in Brazil, how do you see the situation in Mexico? Companies similar to Hospira are moving onto innovative platforms in technology and software, along with their delivery systems and more traditional products. Is this a strategy of Hospira's in order to increase market share?

In Hospira we are doing a lot of research and development with regards to new delivery systems, mechanical devices, or new products that we can use for the same purpose. For example we are working on pumps that can also help prevent infections during critical care, and also new oncology drugs that help protect people working in medical care, not just the patients.

In terms of innovation, we are working on software development that can provide us with a competitive edge. I'm not just talking about oncology consumables, innovative and generic

pharmaceuticals, or monitoring medication delivery mistakes, but about completely preventing mistakes from happening, which is of benefit to both patient and health care professional. Other types of software we are working on are to help avoid infections for patients in critical care units. This is vital because the longer they stay on assisted respiration, the more they are at risk of infection.

How much of Hospira's business in Mexico and the rest of Latin America is in the institutional market? What is your relationship with the government?

It really depends on the product line; generics usually work much better in the public sector. In Colombia, for example, although funded by the government, it is a fully private system. Oncology in Mexico is around 90% public sector, 10% private sector, but it varies from segment to segment. To generalize Hospira's business, I would say we have around 70% institutional and 30% private business in Mexico.

Did you see any direct increase in opportunities now that Seguro Popular is covering 50 million people, as opposed to just 17 million people a few years ago?

For the consumables business we are not as big as we would like to be in Mexico because they are demanding 'local content' and production, whereas our products are imported. Sometimes you can have great quality product but it isn't on the market because of these restrictions. Now we don't have the restriction of having to have a local manufacturing plant, but the institutions still prefers locally produced pharmaceutical products.

Moving onto manufacturing, you told us that you are not manufacturing at all in Latin America, but where do you manufacture your products?

Hospira manufactures in Australia, India, the United States and a few other countries. As of now, we don't have a plant in any of the Latin American countries, but we do want to expand our footprints in emerging markets in general.

Will you be looking for any local partnerships in the near future in order to capitalize on these emerging markets, especially Mexico?

We are very open to exploring different alternatives; we are not just thinking of one option. I think Hospira is quite entrepreneurial in that sense.

How do Hospira's strategic goals and growth path look like in Mexico and Brazil over the next 5 years? What do you want to achieve in that time?

We have to consolidate our presence in the hardware device and consumables market; we are relevant in that field, but we still have a lot of growth opportunities. The second item on the growth agenda is to bring in better performing products that we have in our worldwide market, to Latin

America. We need to do this in order to become a more important player in the market.

We have hears from a lot of general managers here in Mexico that although the market in Brazil is growing fast, it could be bubble that will eventually burst whereas Mexico is slow and steady – which is perceived to be its main asset. What would be your take on the future of Mexican pharmaceutical market compared to the Brazilian one?

Brazil will continue to attract attention for a while, which is natural because it has such a big internal market and companies feel they simply need to have a presence there. It is also dominated by local players which in turn, means it is a challenge for multinationals; this is precisely the reason why they are looking to partner up with local players. The Mexican market will still continue to be interesting as well, not just because of the internal market and the large population, but because there is still potential to develop. I think that in six years when the next government comes into office, we are likely to see an increase in healthcare coverage and 100% of Mexican population covered. This will be immensely important, because one thing is to have the services in place and another is to actually make things happen, which requires a lot of effort. Hospira will try to take an active role in this process.

What do you think is missing to reach 100% Mexican healthcare coverage?

On one hand it is the infrastructure, and on the other hand we need a reform on the health law. Physicians in Mexico retire very young when they are still productive, and this needs to change. In fact this is one of the reasons why the public sector in Mexico is outsourcing healthcare services.

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