Interview with Mario Sicilia , CEO, Bomi de Mexico

06.08.2012

Tags: Bomi de Mexico

mario-sicilia-ceo.jpg

Ju took over BOI as President and CEO only last year. Could you give us a brief background on BOMI Mexico and yourself?

BOMI Mexico was founded in 1995. The mother company is Italian – and the Italian founder saw the potential in Latin America before most other pharmaceutical logistics providers had. BOMI grew internationally through franchises in both Europe and Latin America; all BOMI operations share standard procedures and standard quality and IT systems.

After working in strategic planning and private equity In 2007 I went to Stanford to pursue an MBA with the aim of doing something entrepreneurial afterwards. While at Stanford, my business partner and I raised a search fund and started looking for a company that would benefit from institutionalization and a cash injection. We spent 26 months looking for an interesting business proposition –in a wide range of sectors; we found BOMI early in the process and fell in love with its capabilities. The company was exciting – it had solid growth and outstanding operational expertise that generated long term relationships with customers..

The medical device segment is the heart of BOMI Mexico. However, some years ago BOMI Mexico started offering its services to pharmaceutical companies which have benefited from BOMI's tailor made solutions and personalized service.

We have seen that outsourcing logistics is definitely a trend in the industry here in Mexico, but what do you think the advantages are for medical device and pharmaceutical companies?

In logistics, it is important to make the distinction between medical devices and pharmaceutical products. Logistics for medical devices are very specialized because the products are of high value and lower volumes, but a higher number of SKUs. On the other hand, pharmaceutical products require lower specialization, with larger volumes but fewer SKUs.

You are right, there is a trend towards outsourcing logistics in the industry and there are two kinds of companies – those who continue to do logistics in-house, and those who outsource. Once you outsource, it is difficult to go back to having in-house logistics; managing the warehouse and distribution is complex.

Outsourcing logistics allows companies to focus on their core business through a less expensive and more transparent operation; you get one invoice for the cost of logistics, rather than having a 'black box' in your P&L where logistics represent a percentage of sales, but you don't know exactly what you are paying for. Logistic Operators also take care of all compliance with warehousing and distribution regulations for their customer. Moreover companies who choose to outsource eliminate the need for CAPEX, and have the flexibility to grow because they don't need to invest in a warehouse, and if operations increase or decrease, we can adapt to that as well. We ultimately receive a customer's product, linking their manufacturing processes to their final customers. We act as commercial partners to our clients, keeping in mind that their success is ours.

The suppression of the manufacturing plant requirement has helped the third party logistics industry, because we have had more customers from outside of Mexico with no manufacturing plant here. Our solution is usually their best option to comply with regulation and create value. These kinds of customers can operate using our sanitary license after signing a contract with BOMI. This saves a lot of time with COFEPRIS, and of course guarantees a better and more efficient logistics operations.

Mishandling of a product could be harmful or fatal for a patient. Which systems do you have in place to guarantee the quality of the product until its final destination?

We have procedures to avoid any mishandling of the product, especially when it comes to the cold chain. When a product is temperature sensitive, it will receive a special registration with close monitoring until it is delivered to the final customer. When it is shipped, it will be shipped in a special freezer that is certified or in a temperature controlled vehicle; in both cases temperature is controlled and tracked at all times.

How is the Mexican market unique from other markets, and what specific Mexican-related hurdles have you encountered along the way whilst operating the company?

In Mexico there is a huge difference with other markets because of the wholesalers set up. The wholesalers acquire products from the laboratories and then distribute to pharmacies and hospitals:

they own the product, we never own the product just receive it. We do not know the value of what we hold in our warehouse, only the unit volume – and many times we deliver to the wholesalers; it is clear we are not competing with them. We just manage the warehouse on behalf of the clients, with their invoice, as an extension of their operation.

One of the biggest barriers we face right now is on the regulatory side; the difference between wholesalers, distributors, and third party logistics is not clear in the regulatory frame. This has caused some interpretation difficulties, especially since the repression of the manufacturing plant law in 2008. Having said that, Mikel Arriola has been very supportive and has done, in my opinion, a great job in the short time he has been in the COFEPRIS. We need more people like him in this and other industries.

What has been your biggest challenge since working in BOMI?

The biggest challenge has been managing people. We have more than 200 employees working in our warehouse, and we have to get them engaged and aware that although they are receiving, storing, picking, packing or transporting boxes, they are handling extremely sensitive products.

How do you make your employees aware of this?

BOMI has always focused heavily on quality: we never substitute speed for doing things in the proper way, nor will we sacrifice quality for being more efficient. When I came into the company, I was well aware of this human resource challenge and we changed the historical mission and vision to a mantra that says: “We save and improve lives”. We always try to make our employees aware that they are not just pulling a cart or pushing a box in the warehouse, but they are saving or improving someone’s life. This has also allowed us to link ourselves much more closely with our customers, especially those who are focused on high quality and high service level.

You mentioned earlier there has been an increase in competition for 3PLs in the area of medical devices: what differentiating strategies does BOMI use to fight and increase its market share?

Our main competitive advantages are specialization and personalized relationships. We develop tailor-made solutions for our customers and are able to respond efficiently to their demands because we operate locally.

The flexibility in the procedures that we offer is another relevant competitive advantage. This industry requires us to constantly accommodate our customers’ individual needs without bending things too much. We can adjust our accounts receivable, warehousing and shipping accordingly, which is no small task when it comes to invoicing and organization because you are selling a tailor-made solution, involving different procedures for each customer.

Having a local decision-making team is a huge advantage too; I can decide which projects to execute and how to invest our resources, we do not need to go to a headquarters to get approval.

When it comes to delivery, there must be some very rural areas that need medical devices and diagnostics for their local hospitals. How do you manage this in BOMI?

We usually do not deliver to very small villages in rural states. We are able to provide the service with no doubt, but many times it is more convenient for our clients to reach those destinations using a wholesaler or distributor. The transport industry in Mexico is segmented so we have many suppliers from which to choose. In addition to using our own fleet, we focus on certifying and auditing the transportation companies that we use on a regular basis so that we do not compromise on quality and safety. Both our drivers and the third party drivers all have GPS tracking systems, and we have a dedicated customer service team that is constantly monitoring the progress of our customers' products.

Overall, we use three different transportation channels; couriers in order to deliver smaller packages; our dedicated fleet of trucks, and larger third party trucking companies now that we are also working with pharmaceuticals. While we have had some events, insecurity has not really been a problem for us, and I believe that has to do with the fact that neither medical devices nor diagnostics have a significant aftermarket.

You were looking for an entrepreneurial activity after you finished your MBA in Stanford, and you found BOMI. Why do you think this is an entrepreneurial job and what do you want to do with BOMI now that you are managing it?

We want to keep doing what we are doing: Mexico has a lot of room for growth in both healthcare and logistics, so this company is linking two very interesting industries together. I do believe there is a lot of potential in being a niche player in the logistics field, because otherwise it is hard to deliver the level of service that we do. I think this is an entrepreneurial job because instead of building a new business model entirely, we have chosen one that has proved itself to work, and we are taking it to the next level principally by creating a culture of delegation and building up our commercial pipeline. We are in the process of institutionalizing BOMI. Our Board of Directors is comprised of experienced professionals from both inside and outside the industry.

We want to continue with what BOMI started 16 years ago. I believe we have some outstanding opportunities to create value and achieve the transcendence of BOmI Mexico. We plan to keep growing in our niche of the market by reinvesting our profits and acting as our clients' business partners. International medical device manufacturers and pharmaceutical companies are paying more attention to Latin America now that they have seen the growth potential. They will continue to realize that BOMI offers a unique value proposal to help them boost the growth of their business throughout Mexico and Latin America.

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