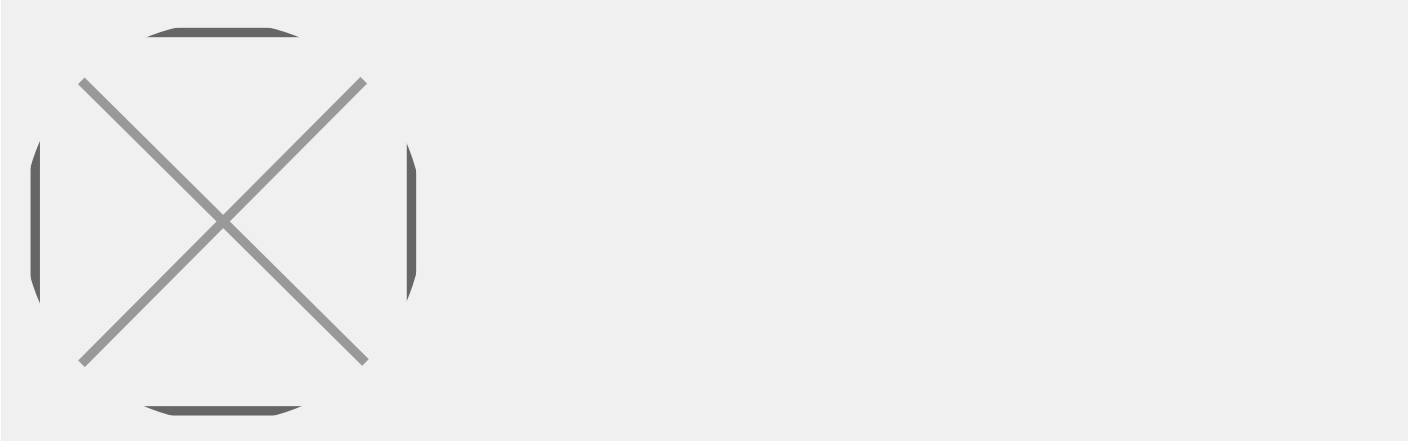
Interview with Carlos Baños, Director General, Eli Lilly Mexico



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carlos-ba-os-director-general.jpg

Case can you tell us in you own words how you've seen the Mexican pharmaceutical market change over the past five years?

Mexico is one of the top ten markets for pharmaceuticals worldwide and in the past five years it has reached a maturity level similar to that of developed countries. A recent IMS report shows that in 2011 generics accounted for 73% of the whole market in units -including both government and private sales- which is a higher level of generic usage than that of Japan, France, Germany, Canada or the USA.

We have taken into consideration these changes in the market and, while many companies are launching their generic product line, we are choosing to remain faithful to our strategy: innovation. Last year, we launched eight different products and this year we are launching another five.

The market here is moving very fast. There are new competitors, like major pharmacy chains with their own private label medicines and ethical drug companies that have decided to participate in the generic business.

Instead we have chosen to define our path as an intensification of our commitment to innovation. For example, we have twelve different molecules in phase three, and we will be pursuing clinical studies in Mexico for ten of these which gives us the advantage of having physicians with a very comprehensive knowledge of new alternatives that are in process, and that may come to the market in the next three to five years.

Mexico is now a country of reference for clinical trials because of the quality of physicians; the competitive cost; and the fact that it is an opportunity to approach the market in a different way.

For us, innovation is the way to operate in Mexico. We recently launched a new cardiovascular product, Redevant, which we made available in the country before anywhere else in Latin America. Also, just after the United States we launched the new Cialis BPH indication.

Changes in registration rules have occurred and consequently generics are much more widely accepted. They are now at the same level of usage as they are in Europe and prices are very low (between 30% and 60% of the price of innovative drugs). What steps are you taking to maintain your brand loyalty?

Brand loyalty can be increased through offering additional services to the patient. Offering a product is one thing, but offering a product hand in hand with education, or follow-up and support for the patient so that they can continue their treatment, is greatly appreciated by physicians. We are already doing that for the most of our therapeutic areas, but it is more appropriate for products addressing chronic conditions rather than acute diseases.

One of the best examples of this is the treatment of diabetes. When a physician prescribes insulin, a nurse-educator will be sent to the patient's home and actually spend more time with the patient than the doctor, who only sees patients for 10 or 15 minutes. These nurses will train the patient how to use the insulin device, how to store it correctly, and how to clean it- all of which are very important. They will also make a follow-up call after about 15 days to check that the patient is still comfortable using the product, or needs more training. In this case, it may not be as attractive to have a cheaper product that doesn't provide a value-added service: what most impacts the patient and determines whether their condition is managed successfully is their ability to use their device and medication correctly.

Another aspect of brand loyalty is quality, and at Eli Lilly, quality is guaranteed. If attempts are made to reduce costs, it can compromise quality, and like I said, quality is a means of differentiation for our product.

Given the rising obesity in the country, how important is Diabetes within Eli Lilly's Mexican portfolio?

Currently diabetes is second in the company's portfolio after erectile dysfunction. To patients in Mexico we offer the most comprehensive diabetes treatment portfolio in terms of oral agents, insulin, medical devices, and educational tools.

I would like to highlight that fighting diabetes is part of our history, as we are the company that developed the first real treatment for the disease in 1923: insulin. Since then we have continuously brought many other innovations to improve the lives of people with diabetes.

The company sold USD $100,000,000 worth of its erectile dysfunction drug last year; to what would you attribute the success of this product?

We have a superior product. When seeking to solve the problem of erectile dysfunction, it is important to look beyond the immediate erection problem in order to remember that in the long term, it affects the partner of the patient as well. Our product gives the couple 36 hours to decide upon the right moment to start intimate relations, which is much more natural and enables spontaneity. Consider the partner of a person suffering from erectile dysfunction; they may not be aware of whether he has taken the medication, therefore spontaneity comes from both sides which makes a big difference. With our erectile dysfunction drug we are not offering erections; we are really offering sexual health. Then I believe the success of the product is that it allows the patient to lead a natural sex life.

This market segment is extremely subject to counterfeiting, what do you do to combat this?

Our product packages have several security features; for instance a high-security hologram as used in money bills. There are four or five attributes that you can perceive as a consumer, and there are others that are very difficult to perceive unless you are an expert with equipment, and these are the ones used more often in criminal cases.

When you use a fake product, and the product fails, it is an adverse event and the customer complains. We process every complaint and notification in 24 hours, and when we receive it, a ticket is open in our system, and then we collect evidence with the legal department, together with the authorities, make an intervention, and that helps in the fight against the counterfeiting problem.

In Mexico there is a big problem with informal economy- for example people buy products on the street and at bus stops. The first defense against counterfeiting is to only purchase pharmaceutical products in established drugstores, and we always encourage our customers to do this.

You mentioned that the company would be launching new products this year; can you tell us more about them?

Two of them are already on the market. The first one is a new indication for our erectile dysfunction drug. Statistics say that 50% of the men who are suffering from erectile dysfunction are also suffering from BHP where the prostate becomes larger as men age, and this can cause the patient to feel an urgent need to urinate. When our drug is used on a constant basis, it relieves these symptoms and also addresses the issue of erectile dysfunction.

The other product that is already in the market is a Japanese statin that has already been on the market for some time over there. It is very appropriate for the Latin American market, and even more for the Mexican market as there is a need to both lower total cholesterol and to increase good cholesterol at the same time.

Additionally, we have diabetes products which will be highly appropriate for the Latin-American market.

Mexico has a huge presence in terms of manufacturing for the company; what qualities does Mexico have in this sense?

We have specialized our plant here as a center of excellence for packaging. Our plant exports 60% of its production to 21 countries in Latin America. We receive all products in bulk and package them according to each country's requirements and specifications.

We are taking advantage of our position in Latin America- we have more than 65 years in manufacturing, we comply with all of the quality requirements set by the corporation and the authorities, we have relatively low costs by comparison with other countries, and we have the flexibility to fulfill small orders as well.

Other countries' production capacities continue to grow; can Mexico retain its status as manufacturing hub for the region? Is it possible that it could be overtaken by Brazil?

Our production facility in Brazil serves only that specific market which is quite large.

Taking into consideration many factors, it is cost-effective to have the manufacturing plant serving Latin America in Mexico. I believe most of our manufacturing capacity will remain here due to the difference in labor cost with Brazil, and also the flexibility to serve the other surrounding countries. The other key element is having a common language; Spanish.

The company has won the ESR award for the last seven years in Mexico for being a socially responsible organization; what role does corporate social responsibility play for the company?

As a company our key values are respect for people, integrity and excellence- they have been our focus for our entire 135-year history.

Respect for people is all-encompassing; it includes employees, the authorities, customers, physicians and patients. It is also respect for the community, which is why we have social responsibility programs; we aim as a matter of policy to be good citizens. This includes paying the right amount of taxes and also seeking to identify how we can help people in the community to lead healthier lives.

We currently have several social responsibility programs in a broad spectrum of areas. One I would like to highlight is an educational tool named Diabetes Conversations Maps. This tool was developed globally and adapted locally to adjust to the culture of Mexico. It is a game, similar to Monopoly, which helps teach people living with diabetes and their family all they need to know on the disease and how to care for themselves. Over the past years we have made this tool available

to patient groups in public and private healthcare institutions.

In Mexico, diabetes is a large public health issue, and similar to any other chronic disease, patients need to be educated on their condition to be able to improve their outcome. Unfortunately in Mexico the average person reads less than two books a year. This is a big challenge because we can produce the most beautiful material about how to manage diabetes, but achieve nothing because the materials have not been read.

This problem is solved by playing the game that includes data and the situations the patients will face if they, or a family member, have diabetes. Their ability to internalize concepts is much greater than when they are given pieces of paper to just read. The game is designed for this kind of society and it has a significant impact because it makes learning easy and entertaining. In this case, we know that people who participate in an interactive conversation retain 70% of the information, while people who only read retain only 10%.

How easy do you find it to recruit the right people for the company, both on the commercial and on the scientific side?

We have two major sources of talent; first we work with a number of different universities and present the company early on in students' careers. Also, during students' final year of university, the company presents itself again, the idea of working for the company and the possible career paths within it. This applies to both the manufacturing and scientific area, and also the commercial side.

We normally develop the people that we hire internally, and it is very rare for us to hire a manager or a director- we develop our own employees over time. To help us with this we have a program for early talent recognition which involves an exercise that we conduct two or three times a year. Senior observers present candidates whose development they believe we should seek to develop. The candidates go through different interviews and assessments by an external company, they then receive a Harvard business case and they are given two hours to prepare their presentation which is done in front of the management committee. With this investment, we are able to develop a larger amount of talent at a quicker rate than other companies.

Do you have a final message concerning Mexico?

Mexico has a legal framework and policies that have allowed the pharmaceutical market to reach a maturity level similar to that of developed countries. Moving forward, the challenge will be to maintain the balance between promoting access to innovation but also to low-cost generic pharmaceutical products.

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