Interview with Alfonso Alipio, President, LEJAL Laboratories

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Lejal Laboratories has been founded in 1968 by your father. What have been the major milestones of the company since its founding and how has it evolved since you took over from your father?

The company was founded by my father, Leandro J, Alipio, and the name of the company is derived from the initials of his name. Since he started the company, we followed an “old school” approach, meaning that we did not want to expand using loan instruments. It was a wise decision – when there was a crisis, banks were offering loans at low interest rate, but afterwards they inevitably raised them. Given this decision, we consequently became a smaller company compared to other Filipino players, even if we are much older in terms of years. We were established March 13, 1968 and we have stayed in this place since ever since.

When the company was established we started by being simple, but after my father passed the torch on me I improved the current Good Manufacturing Practices (cGMP), which is a never-ending process, since even if you comply with everything today, new requirements are likely to be introduced tomorrow. While heading the company I have introduced several new technologies, I bought tablet dissolution testers and tablets harness testers, since they improve substantially the quality of the product. Now my son Alexii is involved in the business and he is the one that introduced the air handling system, which was a very expensive investment, as well as an improvement of the quality control system.

In terms of milestones, the major ones would be that we have expanded the distributorship, and we have expanded into areas that were previously uncovered. We have also ventured into other income centers, such as toll manufacturing, and we have accepted some big name products in the country.

We are capable of expanding within our capabilities so our future plans would be to make use of our capacity to the full. Like my father, I am not very keen on expanding in terms of capital resources but I do want to expand in terms of technological resources. I have no ceiling for myself and for the company in terms of technological innovation. We will always explore new machinery and the innovative ways of doing thing, meaning faster, more efficient, but not necessarily bigger, since we want to be able to maintain full control over the operations.

Given that you have plans to continue investing in new technology, what is the importance of product development for Lejal Laboratories?

I think it is very important. As I said before, I am not so keen on expanding on a capital basis but on the technological one. That goes hand in hand with the product development. We are also venturing into food supplement and that would be an important step for us. We would like to go down that avenue and possibly create another income center for Lejal. We are also trying to start with the time release and make it one of our niche markets. We always keep in mind the necessity of compliance, which is one of the biggest issues in the pharmaceutical industry.

You mentioned before that you recently ventured into toll manufacturing. Why have you chosen to move in this direction?

We still had some extra edge, some capacity to accommodate this kind of venture, and I believe that it is important to push the capacity up to its limit. It is not only about the profitability and financial gain, the exposure to their development – we work hand in hand with our clients in terms of marketing effort so we get to know what they are doing, their plans, how the market is evolving. Being the toll manufacturer, we are involved and we can get ideas from them and eventually apply them to our own products and/or our own marketing efforts.

As you are competing with some giant manufacturers like Hizon or Interphil, what is the competitive advantage of a small company like Lejal Laboratories in the Philippines market?

Our competitive advantage would be the niche market in which we are positioned. The biggest drugstores in the Philippines are Mercury and Watsons. However, there are also a number of smaller drugstores that are under the radar, and those are our customers. We do ethical promotion

to doctors that do not want to prescribe products that are sold in Mercury or on the other big drugstores. This is how we have been able to remain competitive for decades. It is also more difficult to operate this way – usually bigger companies feel that it takes a bigger effort to target the smaller drugstores so they would opt to go after the big drugstores.

We are still a small company, we employ 40 people, but that is good for us because we do not want to have headaches by employing too many people.

Nowadays, Filipino pharmaceutical companies are not only competing with local companies but also with international ones, especially with the ASEAN harmonization coming up in 2015. For Lejal, what would be the opportunities and challenges connected with the ASEAN harmonization?

The main challenge would be represented by the influx of low priced products from other ASEAN countries, particularly Indonesia. On the flip side, the opportunity could be that if they can come to our local market, then we can go to theirs. However, I think that is slightly hazy right now because the regulatory departments of each country are in constant disagreement and nothing is concrete yet. They have not reached an agreement as of present. There is an ongoing issue of fairness– if we go abroad they will ask us for additional requirements, while if they come here we will not ask for the same requirements.

The FDA has also applied to join the international PIC/S scheme. When we interviewed Mr. Isaac at the PCPI, he told us that within the association companies that have different positions on the PIC/S membership, and some of them see it as a threat. Do you think the Philippines, and Lejal, are ready for the adoption of the PIC/S scheme?

The PICS implementation consists of several elements for which the Philippines is not ready yet, particularly the cleaning validation which is being enforced in Australia right now and that is practically unheard of in the Philippines. Moreover, there is the product annual review of the PIC/S and I do not think that the Philippines is ready for that as well, although training would be provided by the two major organizations, PCPI and PPMA. However, I think in time we will overcome the hurdle of the cleaning validation and the annual product review, that will be the time the Philippines will be competitive. But of course we also must realize that this will entail costs on the part of the manufacturers, a substantial cost that not all the manufacturers would be amendable to.

Looking at the Philippines market, access to medicines is still a challenge for the population. As a Filipino company, what are you doing to increase access to medicines for the disadvantaged and improve the quality of life of the people?

Aside from the medical missions that we partner with throughout the country, which by the way are a lot, we try to improve the distribution network throughout the country especially in the remote areas. Mercury and the other biggest drugstores in the Philippines are concentrated only in the metropolitan areas, but when you go outside Manila, for example here in Bulacan, Mercury has become very disperse, there are not as many outlets as in Manila. At Lejal Laboratories we reach also the rural areas in the country through doctors, through distributors and through medical representatives that we have. We get in touch with them, they do the promotion, we find out what they need and we gather their feedback on what medicines they do need so that we can come up with products. This system allows us to improve the access to medicines through enhanced distribution.

Lejal Laboratories is now 42 years old. What goal would you like it to reach for its fiftieth anniversary?

For the fiftieth years we hope to grow not in terms of capital expenditure, but more on the technical innovation side. We want to introduce new products, another income center products specifically targeted for the big drugstores, like Mercury and Watsons. The main reason why we want to introduce new products is so that our distribution in the lower segment would not be disrupted.

If someone asks me how we want to progress as a company, I would say that since the population of the Philippines is growing 2.5% I think that keeping up with the population growth would be a good barometer, so my ideal is to grow 2.5% per year in the future, no more no less.

How do you think your father Leandro would describe the way you have been running the business since he left?

If he would still be alive, perhaps he would be happy because I am with him in the road of what he dreamed for this company. We have not over expanded, we do not have much debt, even if perhaps he would be angry that I expanded it more than to his liking, but at least I can leave the company to the next generation.

We basically stuck to the ideals of my father, the founder, by remaining small, although he would probably be shocked by the expenditures that are going on now with all the requirements, while things were much simpler back then, when the company was established. Now you need validation, calibration, a number of expenses that do not contribute to the production. We had to spend 10 million pesos for an array of apparatus that would only test the quality of the products. I think that is the main difference between the company when it was established and the company today. But

we managed to overall remain faithful with the ideals and the intentions of the founder.

What is the best lesson that you have learnt in the industry and what legacy would you like to leave to the next generation?

The greatest thing that I have learnt would be to see what is best for the company and what else can be done, since there is always room for improvement. Lejal Laboratories is a very dynamic company, we are small and the advantage is that we are flexible, we can react to changes very quickly with no red tape, and decisions are made very quickly.

My son Alexii is already involved in the company, but he is here by choice. My grandson, I do not know if he will be interested someday to join the company, but he will not be forced to, if he does, it would be his choice.

One of the best lessons I have learned in life is that adults can learn three things from children: the first is to be happy for no reason, the second is to always be busy doing something, and the third is to demand with his entire heart what he wants.

What would your final message be to the readers in the Philippines and in the international community?

Watch out, we are coming! The Philippines will be in the map of the global pharmaceutical industry. We have very high hopes with the new Presidency, we are looking forward to having dialogues with new Secretary of Health Dr. Ona as well as with the Department of Trade and Industry on how they can help the industry, for example in terms of tax breaks and importation of APIs. We are hoping for the best but we are also prepared for the worst.

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