Grupo Bruluart – Juan José Aguirre Salazar, Sales Director – Lic. Andrés G. Aguirre Salazar, Strategy Director, Mexico

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Brothers Juan Jos

Andrés Aguirre Salazar, Grupo Bruluart

é and Andrés Aguirre Salazar of Grupo Bruluart talk about the company's most important milestones and how they are institutionalizing the family business to prepare the firm for new market opportunities.

Could you walk us through the most important milestones of the company and provide our readers with a better understanding of Grupo Bruluart?

Juan José Aguirre (JJA): Grupo Bruluart has been operating for over sixty years. Our father started working for the company about forty years ago, when regulations in Mexico were very different and products could be imported from the United States into our country very easily. When the government started strengthening the regulations for importing finished products, the original founders of Bruluart started considering handing over the business to our father. As of 1971, the new administration took charge of the company, with the vision of starting production of medicines

here in Mexico and specialize into the public sector. At the time, the public sector and the government were putting their efforts into supporting local institutions such as IMSS (the Mexican Social Security Institute) and ISSSTE (the Institute for Social Security and Services for State Workers), so a lot of opportunities arose and the company started growing.

A decade later, in the 1980s, regulations changed again and the country faced an economic crisis. The dollar skyrocketed and many companies faced problems with their loans, which were predominantly in US dollars. Neighboring countries noticed that Mexico already had the installed manufacturing capacity in place and it was significantly cheaper for them to manufacture with us. This is when we started doing contract manufacturing for other firms. And this is how we saved the company. It was a great lesson for Bruluart and although it turned out in our benefit, our father was set on not letting this happen again. He started looking at niche areas that could be targeted with long-term visions.

After this currency devaluation, he put a lot of effort into thinking ahead to prevent another disaster. With the idea of not putting all our eggs in one basket only with the government, he planned to focus more on the private sector. With the registration of several products and a good production facility, it is easier to sell to both the government as well as the private market. In the late 1980s, we noticed that Southeast areas in Mexico, where the dengue fever outbreak represented a huge crisis, were in great demand for Vitamin B. Vitamin B12 injections would apparently act as a mosquito repellant, so our B12 product Tribedoce® became very popular for its low cost and effectiveness; to meet this demand we had to invest heavily in modernizing our facilities. In the mid 1990s, the government started focusing on generics to drive down health costs. So we looked into developing our own generics line with all their respective bioequivalence tests; since these tests were generally expensive, and not many companies could provide them, we were amongst the early adopters. We were among the top three firms with the highest number of registered generics when the market became regulated in Mexico.

Andrés Aguirre (AA): Today, Grupo Bruluart has different business units. We have two manufacturing facilities located in the State of Mexico, one in Tultitlán and the other in Atlacomulco, near Toluca. We have our distribution branch, Brudifarma, and a pharmacy chain, which is *Farmacia GI*. 60 percent of our business is destined to the public sector and only 5 percent is contract manufacturing, still small but on the rise.

Ten years ago in Mexico people tended to be very skeptical towards generic products. How do you think people’s perception changed today?

AA: Change is never easy and while pharmacy chains have put a lot of effort into educating people to reckon generics as a cheap alternative to pricey brand-name drugs, their name has also been creating a lot of confusion. This said, people's mindset towards generics has been changing and an increasing number of Mexicans are now aware that generic products are just as good as brands.

JJA: Sometimes it is also a matter of not having a choice. When people cannot afford to buy branded products, they try generic versions only to realize they work just as well. This means that from that moment onwards, branded products are not an option anymore. I often see people going up to the counter directly asking for the generic version of a branded product. I believe this change in perception has derived both from an economic factor as well as an education factor.

What has been your experience with COFEPRIS (the Federal Commission for the Protection against Sanitary Risk) and what do you think the long awaited PAHO (Pan American Health Organization) recognition as national regulatory authority of regional reference will mean for local manufacturers like you?

AA: COFEPRIS has been making things more difficult for the industry — in a very positive way. It is no longer easy for someone to set up a laboratory in a little warehouse in the middle of nowhere. It has been a complicated time to keep updated with new regulation in place, but everyone understands that it is for the better. Tighter standards will make it easier for us to expand internationally too, as we now have a COFEPRIS that is recognized globally as being just as good as the European or Japanese agency.

JJA: The government is currently realizing that it is important not only to provide drugs to everyone, but also to control the quality of these products. It has been challenging at times, but this has been a good reminder that we are not dealing with just any product – we are selling health products that should always be of top quality. Only those companies that are actively involved with the industry for the long term and are taking a lot of care in the final outcome are going to be the ones surviving.

Having COFEPRIS recognized at regional level will definitely open more doors, even though a number of agencies in foreign countries will still require registration. It will take some time for this to fully start clicking, but it is indeed a huge step for national companies to start expanding and exporting their products. We have had the chance to visit manufacturing facilities in countries such as Canada, Spain and Italy and we came to the conclusion that production plants here in Mexico are of equally good quality.

Large pharmacy chains are taking an increasing share of distribution in Mexico, which is changing the landscape. How is this impacting the industry and your business?

JJA: COFEPRIS is increasingly regulating pharmacies, in the past they would sell anything – from prescription drugs to teddy bears and Cola Colas. It is important to guarantee to patients that medicines are being dispensed appropriately and treated in the according manner, as the black market here in Mexico was very bad in the past, with people changing the medicine's expiration date by simply repackaging the drug at the point of sale. These loose ends of the industry are finally being tightened up.

Our pharmacy chain follows a similar model to other national pharmacy chains, whereby we have a doctor present next door at the point of sale. It is a model that is unique to Mexico and last year COFEPRIS regulated the practice. This a great sign, as the model has been frowned upon by people thinking that doctors were just sales people following the pharmacy's interests. It also used to be the case that big pharmacy chains would need to comply with all the regulations and only a block down, an independent pharmacy would be carrying on its business as usual, completely unregulated. Now we can all play by the same rules.

As for our pharma division, until now most of our business in the private sector was aimed at small independent pharmacies that we would reach through many national distributors. Today, with the skyrocketing participation of big pharma chains and the increasingly regulated market, we understand we need to be more competitive and must play in this league. For this reason we are currently negotiating with some of the most important chains to make our products available there.

How do you envision the development of your product pipeline over the next few years?

AA: Our development committee is very active and constantly looking over the horizon to prepare for what will be coming five years down the line. We understand that the therapeutic areas or markets that allowed us to grow in the past are no longer the same that will make us grow in the future. Therefore, we are always keeping an eye open for changes. Our father has engraved it in us to never take the market for granted and always look in the long term. It is always important to be able to adapt and whatever comes our way we will take a look at it and we will do our best to meet the needs of the new market.

JJA: We are also adapting our marketing strategy in terms of commodity generics. Pharmacies are no longer a battlefield for price wars and some products are looked for as brands. So, at the moment, we are pushing for the marketing of products as individual brands. We want people to see our products not just as common generics, but as products with a specific name. Our vitamin B12 is

not just B12, it is Tribedoce®.

How do you grant an efficient recruitment strategy for all branches of Grupo Bruluart?

AA: As part of our process of becoming a more institutionalized company, we now have a subsidiary that focuses on HR and recruitment. We are shifting the bulk of the work to the right personnel for the right positions. Final interviews are still made here, especially when it comes to technical jobs in the laboratory. It normally comes down to a trial period to assure that candidates can work well with the rest of the team. Everyone has their own idiosyncrasies so it is a combination of doing a professional job in the initial recruitment and filtering some on-the-job testing to see if they are a right fit. We currently have a total of 1,700 employees and the number will only grow from now on.

Where would you like to see Grupo Bruluart in five years from now?

JJA: We have just been through a three year period whereby the company has been shifting from a traditional family business with our father as a single head giving the guidelines to all sections of the firm to a more corporate organization with a board of advisors. We are still a family owned business with our father as the chairman, but we are definitely empowering each individual general manager more. Soon, each company will be increasingly looking after its own interests. It is important to have this flexibility for the future of the company. Once we land this corporate strategy, we are looking into expanding into overseas markets too. We are also focusing on fortifying our business with the government because this represents the backbone of our whole production. We have been in the specialized reproductive health market for several years and now with the government’s push for oral contraceptives, and we are looking into developing more products in this area too.

AA: Biosimilars are also part of the portfolio we are studying and assessing in terms of feasibility. We have not yet committed to the idea but it can definitely be an option. We are being cautious and we need to do our research. In five years time, I can see us having a fully institutionalized corporation bringing its expertise into new markets.

What is it like to work amongst brothers?

AA: Working with the family has been a really great journey. What we have noticed is that, since we have both taken up our roles within the company at a full time, the collaboration between different sections of the company has improved drastically, as there used to be a lack of communication between the production and the commercial side of the company.

JJA: We often see family businesses getting lost when the company is being transitioned to the management of the next generation. However, we have been very lucky because besides having a very open minded father, who is open to let go of today's decisions, we have very different personalities that allow us to complement the needs of today's changing industry.

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