Javier Castro – Country Manager Peru, Boehringer Ingelheim



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Javier Castro came from Boehringer Ingelheim's headquarters to run the Peruvian affiliate in January 2015, bringing with him a wealth of experience necessary to take the company to the next level. He discusses market access, reimbursement and new launches that BI plans to bring to Peru.

What are your initial impressions of the Peruvian pharma market?

The market is indeed changing quite rapidly. Historically, pharmaceutical companies used to aggressively push merchandising through every channel possible. Therefore the conditions for distributors in Peru have been quite good compared to other countries.

In 2014, Peru's retail market decreased about six percent in value due to changes in the way business is being done here. Big chains started to reduce inventories, resulting in a significant decrease in many companies' retail sales last year. In fact, IMS data shows that many companies experienced negative sales growth in Peru in 2014, BI was one of the exceptions, showing a significant growth, which resulted from an inventory policy that started in 2013. The country´s commercial dynamics have experiencing positive changes, strengthening sales channels to be more efficient, especially in managing inventories approaches.

Chains used to have high levels of inventory, meaning that the market was accustom to a push strategy. Now distributors focus on a specific demand that their market is generating, which is changing the balance of power. This market has many distributors, chains and independent channels. A few years ago, retail chains started to grow rapidly and many were concerned that these few chains would monopolize the market. Currently there is an even split between independents and chains, which is good for the market as it induces different methods of selling. This also means you need distributors to help you maintain coverage across Peru, which is a fairly large country. The growth of chains in contrast with stable independents creates a set of dynamics unique to Latin America.

Additionally, discounts are markedly higher in Peru than in other countries. IMS figures show that Ecuador, which has a smaller population, has a larger retail market. But the public market in Peru is significant.

How do you assess health reform in Peru today?

The reform in Peru is positive. Many hospitals are being built this year, increasing health coverage which opens opportunities. More patients will be treated and basic needs covered, creating a new dynamic in the market towards a better quality of life for all. An efficient dynamics is observed by government agencies that help reinforce approval processes and it´s good news in addition to increased coverage. We are confident that this process will continue and will allow greater speed approvals of products entering the country under international protocols.

Peru is still lagging in service level differentiation at the sales point. Different pharmacies sell different brands, but there is no differentiation in terms of service, just price. This is an area for improvement.

Between 1957 and 2012, BI Peru existed only as part of Quimica Suiza. What opportunities caused the creation of an independent affiliate?

Quimica Suiza is a partner that during many years represented BI in Peru. Three years ago, as per Corporate strategy, BI finally became its own legal entity. We are now one of the few companies truly investing in Peru, through the establishment of a stronger and bigger structure. Other multinationals are regionalizing their structure through the merging of Andean affiliates. Of course those other multinationals have been much bigger than BI; we are a new company, and thus we are in a growing phase. BI is enjoying solid growth and many upcoming launches, which is unusual in this industry today. BI will launch at least five new products in 2015 and we already have a solid portfolio to support these new opportunities.

What is your assessment of reimbursement in the public market?

The Peruvian market is relatively slow for reimbursement. Essentially, every product must be incorporated into a special list which can take ages, and each public hospital and entity has its own list as well. If a product is approved on the main list, it will be reimbursed, but getting there is difficult. You can apply for a special purchase as an individual patient depending on where you are, and this process can take months. Peru's model resembles in certain aspects Colombia's ten years ago. Healthcare access in Peru is not as developed compared to other Latin countries, and only 30 percent of the population is formalized here. 70 percent do not pay insurance or pension money to the social system.

Reimbursement here is not optimal. In other countries, private insurance is unlimited; here you are never fully insured. Employees are entitled to EsSalud, and private insurance is an optional extra depending on the company, although nowadays it is used a competitive tool to hire people. Access is difficult and out-of-pocket is common.

Why were you chosen for this position and what is your strategy for continued growth?

As one of the youngest general managers in BI, I was offered a great challenge to see how I would perform. I know this region, and that makes it easier to understand how things operate here in terms of culture, language and communication. I have also worked in finance, marketing, CRM, market research, sales, and other areas that give me a broad vision.

BI Peru needs a strategic and long-term vision in general. Just three years ago we became a legal entity before we were part of Quimica Suiza, so we are growing as an organization and bringing to the team the global BI culture. Now we need to take the organization to the next level. My objective is to increase the number of patients that benefit from the therapies that BI provides, by expanding the presence of the current products and launching new products. The team is enthusiastic and energetic, and needs to further develop their competencies, learn to plan better and follow-up to make sure things happen.

Our strategy is threefold. Firstly, successful launches. The first twelve weeks after a launch are paramount in terms of creating a positive trend. Ensuring that every launch is well prepared and that the teams are trained to target the right audience is critical. Secondly, growth must be better. BI's brands in Peru have done well in the last year but I think there is more space for growth. We need to continue expanding those brands and their presence in the country. Thirdly, in the last three years 60 percent of the staff has changed. The current team is full of positive energy and winning spirit – the goal is to further develop their competencies. That is the biggest measure of

success. I want this operating unit to be seen as the most professional in the region. We can raise the bar but this will require lots of coaching.

Which brands do you expect to perform the best?

BI is a new player in oncology, with a new product that provides patients with a specific type of cancer an extra year of life. We want to establish an oncology market footprint here despite competitors having been here for a long time. We will also have similar products being launched in the coming years.

We are also expecting to grow significantly in diabetes. Peru is an interesting market for diabetes, as the eating habits of this country, particularly in Lima, are not the best. Peru had the biggest increase in calorie consumption in Latin America between 2013 and 2014 (28 percent). Diagnosis improvements in Peru open huge opportunities to bring new treatments to the population. BI has already had a product in the market since 2013, and we will soon launch a new product. That is excellent for this market considering other brands have been in this market for years but with notable side effects. Hypoglycemia and weight gain is common with other drugs; BI has brought a product that strongly reduces glycated hemoglobin (HbA1c) with none of those side effects.

Pradaxa is also selling in the Peruvian market, and we just launched the deep vein thrombosis and pulmonary embolism (DVT/PE) indication. Latin America has a high percentage of DVT/PE patients, so this is a great opportunity for us to provide solutions to patients in Peru. These three products are a few examples of what is coming in the future.

How will you measure success during your tenure here?

BI is not so well-known here. This has improved in recent years, but compared to other big pharma companies we do not have such a big footprint here. I want to measure success in three years based on how well we are recognized and how we can expand the number of patients that can benefit from our treatments. We have been growing positively and gaining the confidence of the Peruvian market and being in the top ten is an ambitious but achievable goal, through successful launches and being competitive with our products. I also want to increase our participation in the public market. That is where you have the opportunity to bring more products and solutions to patients.

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