Interview: Christian Quintanilla – General Manager, Induquímica – Peru



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Induquímica is the only Peruvian pharmaceutical company with the "Marca Peru" emblem, a result of the company's extremely high quality. General Manager Christian Quintanilla talks about the company's success, and their unique strategy of relying on their reputation instead of using medical reps to sell their products.

In what context did you become general manager and how has the company evolved under your leadership?

I have a hi-tech background in fields like aerospace and mechanical engineering. My father founded and developed Induquímica, and at the end of his life I took over. In Latin America, most people see the pharmaceutical industry as a medical industry; I see it as a technologically advanced industry. Having a background in technology combined with management skills teaches you a lot. Consequently, I focus on the technological part of the industry instead of the business side. We put great effort into having the latest technology and being up-to-date with the latest innovations and regulations, which makes everything easier.

Does your background allow you to see things in a different way from the typical pharma CEO?

When you are business-oriented, you tend to only see numbers. With a broader range, you can see what causes a number to go down or up. Having certain knowledge in technology allows me to be a

part of the team that oversees production, R&D, QC, and the IT of the company, not just management.

When we need to modify or replace an existing machine, I become part of the production line and help with calculations for industrial or mechanical engineering purposes. Most of the systems we use, from production to delivery and distribution, are developed in house.

Induquímica was the first Peruvian company to build a plant for the production of antiretroviral drugs for oncology, and second in Latin America after Cristália in Brazil. What added value has this plant brought to your operations?

Cristália actually came to Peru to help us build the facilities as an advisor. As a family company, Induquímica has always believed in helping the community. We built this facility to sell oncology products at the lowest price possible, without considering profit. This worked for a while, but of course we needed some return. Many local manufacturers started making the same products but in normal facilities, under the scheme of a campaign. But Induquímica invested much capital in building this facility. We received great pressure from international pharma companies. It was a great business initially, without much profit and helping the community, but imports and local competition with lesser quality products have made this area less important.

What are some more recent examples of Induquímica innovation?

One example is my American patent for traceability, for which I applied in 2010 and received approval in 2014 in the US and in 2015 in Peru. We have developed a system to prevent counterfeit pharmaceuticals from entering the distribution line using encryption software. We are now developing the software system, working with manufacturers to embed our software into printers and use the actual application in a factory instead of managing from a computer. We are currently building a database for this software, which we expect to have great success in 2016. We are working with Amazon to host the database in their system. Induquímica has been using this system in the company’s products for the last four years, whereas no one else has, putting us years ahead of the competition in terms of technology. Induquímica also has the best quality control lab in the country. We never think twice about having the best equipment possible, and we even use our own business intelligence module that will connect with all of our machines. The idea is to have a manufacturing master file at the end of production when a lot is configured to be delivered at the click of a button, We can hardbind this without human intervention, making everything automatic.

So this technology could revolutionize the game.

Indeed; having a serialized number on a box does not prevent it from being counterfeit, even if you have a non-continuous serial number. People can invent serial numbers, and most people would never know if it was issued by the manufacturer at the time of production. Induquímica has developed a system to check the authenticity of serial numbers, using a smartphone. At the end of 2015, we will be exporting this technology to the US, but more focused on public health hazard alert systems. This will allow customers to immediately see if a product has been recalled or used in a public health alert.

Induquímica has a very diverse and global internationalization network. What is the strategy behind choosing these markets?

We first started exporting natural products to a number of Russian companies in the 1990s, many of which were owned by Polish or Czech managers. When this strategy succeeded we started looking at other emerging markets. Everything we have achieved has been because our products are truly excellent and have the latest technology, which our customers know – their sole focus is sales & marketing. We do not use any medical reps in this company. Induquímica's customers do not worry about supply chain management or quality control. That is why we only give new customers a finished product which is the key to our success. In 25 years, Induquímica has never had a single health alert.

Without medical reps, how do you market your products?

We have a very broad generic line, some of which have made it into brands. In Peru, no company can claim to be truly innovative in terms of filing new pharmaceutical patents. Furthermore, Peru is far behind the US for advertising products. In Peru, hundreds of pharmaceutical companies approach doctors to talk about the same product, each with its advantages and disadvantages. It is up to the actual science to convince the doctor the best product to prescribe. These companies, very few of which have manufacturing, are not trying to convince doctors to use the best products for patients, but simply convincing them to buy their product instead of the other identical 99. Of the 100 versions of a pharmaceutical in Peru, perhaps 20 are outstanding. How do you convince the doctor that yours is the best? That is when you start crossing the ethics line. Peru is a tough market because 100 reps are trying to talk to the doctor about the same product. Induquímica believes that the only way to succeed is by making the best product possible, providing the best customer and medical service, and having real innovation in our products like traceability and QC. These extra services are not pharmaceutical per se, but they do involve making the best product possible.

When it comes to brands, our generics and brands are a bit different. For example, by using excipients, special production processes or gel caps, an ibuprofen pill could reduce its mechanism of action from 30 to 15 minutes for curing a headache. Most of our brands are a bit different from generics because they give you a slight non-medical advantage over a generic.

How do you actually communicate those advantages to doctors?

We have not started this phase yet. Induquímica has launched some brands that we have been quietly selling, and pharmacies are now aware of our existence and notable quality. Pharmacists know about our spotless record. When Induquímica launches a brand, healthcare professionals know that it is a good brand. We do not believe that medical reps are the best way to communicate to doctors. Other companies spend lots of money and HR and do not get the return that they should. Without visiting any doctors, many of our brands are doing well.

How do you distinguish yourself from the other very high-quality players in the market?

We are family-owned, and we are fast at making decisions. If we need to buy a new production line, we decide at home rather than having a board meeting. Our reaction time is much faster and management is more efficient. Induquímica does not have the responsibility to give results to shareholders. We focus mainly on having a good product, fast response time, and adapting quickly to the latest technologies.

Furthermore, Induquímica does not have a presence in the government either. Sadly, the pharmaceutical industry is so unregulated in Peru, especially with importers. Hundreds of Indian and Chinese pharmaceutical companies bring products to Peru, but no Peruvian official visits these companies for regulation compliance. The less you comply with regulations, the lower you can market your product, because you do not have expenses. Until the playing field is level, Induquímica will still not be part of government purchasing, and concentrate on contract manufacturing for other pharma companies and steadily grow our brands the way we want. Consequently, Induquímica has been growing 15 to 16 percent annually since 2008.

As the only Peruvian pharmaceutical company with the “Marca Peru” insignia, how will you use this to your advantage?

The Marca Peru makes us feel proud. We are recognized as a Peruvian company that has real international potential. It is very good internally as well; in order to carry the Peruvian flag, you must have a truly excellent product. Having this emblem means that you are the best, according to Peruvians. Unfortunately, Marca Peru does not mean much outside of Peru yet; the government

needs to focus more on marketing overseas so that foreign governments and industries know what having the Peruvian flag on your product really means. Nevertheless, it is certainly a great achievement for Induquímica.

What are your immediate plans for growth?

My first step will definitely be to expand within Peru. We will be building specialized facilities for solids, semisolids and liquids in various places throughout the country. These spaces and production lines will prepare us for international markets in the next decade. For example, we applied for FDA permits for GMPs in 2009, and in the last five years we have been developing formulations of OTC products and buying equipment for American standards. In January 2015, the FDA did an audit our Induquímica's manufacturing facility. We are awaiting a positive response that will allow Induquímica to be one of the few South American labs to enter the US market with FDA certification. The US is my ultimate goal; we have the technology, equipment and labor, and we are competitive.

Where do you ultimately want to take this company?

In the coming years I want Induquímica to have a formidable presence. Every year there are less and less family-owned companies as a consequence of M&As. As long as we keep making good products and growing, Induquímica will succeed. We are always thinking ten years ahead; we are currently making objectives for 2025. Concepts like traceability, RFID and PAT will all become the norm; we have also already developed and manufactured a couple of products in testing mode using infrared technology instead of HPLCs, which will speed up the production process as well. This too will eventually become a norm; Induquímica is always ahead of the technology curve.

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