Interview: Juan José Aguirre Salazar – Commercial Director; Lic. Andrés G. Aguirre Salazar – Strategy Director, Grupo Bruluart, Mexico



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Brothers Juan José and Andrés Aguirre Salazar of Grupo Bruluart discuss recent developments in the group and the strategic approach behind Bruluart's impressive growth, helping it to proudly stand as one of the foremost healthcare companies in Mexico.

Grupo Bruluart contains well-established pharmaceutical manufacturers, a distribution company, and one of the most important pharmacy chains in the country. What is the DNA of the group common to these three companies?

Juan José Aguirre (JJA): Our companies share the group's historical and fundamental commitment to both develop high-quality products and deliver services with an unrivalled level of excellence and a perfect match with our customers' needs. Through our pharmaceutical, distribution and retail arms, we look at providing our customers with a comprehensive value offer that is absolutely unique. As a result, holding such a complete set of companies probably provides us with a greater market sensibility along the entire value chain, which greatly nurtures the continuous improvement of the group as a whole.

Andrés Aguirre (AA): Our comprehensive portfolio of companies provides us with a better ability to respond and adapt to evolving market needs, which is one of Bruluart's key specificities and most important competitive advantages. We can for example build on patient insights that come directly

from our different pharmacies to better tailor and transform our treatments, their packaging, or their presentation.

While many Mexican pharma champions have already entered international markets, how are you progressing in the internationalization of your activities?

AA: We are a 100 percent Mexican group and our first commitment remains to serve the Mexican market. In this regard, we believe we cannot yet provide international markets with our historical quality levels without negatively impacting our Mexican activities.

We however aim at becoming a successful transnational company, recognized for delivering excellent quality products and services both in our domestic and international markets. Nevertheless, we are well aware of all the intermediary steps we need to successfully overcome before reaching such an international capacity. We remain cautious in our development approach and continue to steadily develop our companies' overall capabilities. In terms of manufacturing for instance, we are increasing our current capacity but also upgrading our manufacturing standards to remain ahead of the curve and anticipate the implementation of new GMPs and regulatory standards.

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JJA: As Cofepris has been recently and continuously improving the country's regulatory framework, the requirements to operate within the Mexican market are now better aligned with those of the most prestigious regulatory agencies, such as the FDA and the EMA. In the meantime, Cofepris' increasing recognition and leadership in the region provides Mexican manufacturers with larger export opportunities to some South American countries. Nevertheless, the next step for Cofepris would be to obtain equivalence recognition with the aforementioned regulatory agencies, as it would help Mexican manufacturers tremendously in bringing their products to the US and Europe.

Looking at our pharmacy chain Farmacias GI, which boasts a very interesting positioning in the Mexican market, we regularly receive propositions from abroad to start franchising in different Latin American countries.

AA: Nevertheless, we will not enter any new market, whether through our pharmaceutical branch or our pharmacy franchise, without being 100 percent ready to export the business model we have been honing over the last two decades.

Bruluart's successes have been built on our precise understanding of the Mexican market, its dynamics and expectations. It will take time before we gather similar market knowledge in other

countries, without forgetting that we also need to comply with these countries' regulations and find the right and reliable business partners that would make geographical expansion a promising growth prospect. In the grand scheme of things, internationalizing our company is more of a long-term objective, which will not become a reality for at least three to five years.

What is the market potential you identify in Mexico that motivates you to maintain such a high commitment toward your domestic market?

JJA: Mexico's heightened regulatory framework has fostered important market changes over recent years. While most local pharmaceutical manufacturers used to hold a large product portfolio, new regulations have forced these companies to become more specialized and to focus on a certain number of therapeutic areas. This dynamic has created huge opportunities for Bruluart: as the industry is becoming ever more specialized, some market areas are now underserved, while these market needs have not vanished overnight.

Bruluart now boasts a complete product portfolio for metabolic diseases, a critical therapeutic area in Mexico and its 13 million diabetics. We are also expanding our footprint in the hormonal and birth control areas, in which many important patents have recently expired or are about to expire, while market needs in these fields are rapidly growing and still largely unmet in Mexico.

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Around 60 percent of Bruluart's product volume goes to the institutional market, the growth rate of which has been negatively impacted by the budget cuts recently announced by the Mexican government. How does this trend impact your current market approach?

JJA: Although the breakdown of our volume between public and private market has not significantly evolved, the value of our sales in the private sector has been increasing. While the government is slowly moving toward universalization of the health care system, people continue to increasingly attend the private sector to access the medical services and medicines they need. In the upcoming years, there will definitely be more opportunities to nurture the growth of the company in the private sector than in the institutional market.

AA: Nevertheless, Bruluart continues and will always continue to serve the Mexican institutional, public market, whatever the market trends and the growth prospects are.

As Mexicans are increasingly familiar with generics, there is an increasing importance to raise brand awareness around these products, which could moreover have a

significant impact on the product price and its margin. How are you working on developing this brand recognition?

JJA: In terms of brand awareness, we have been implementing a three-fold strategy. First, we hold a couple of patented products that already display excellent brand recognition. These products are then marketed as classic branded products and not as generics. For these brands, we have managed to reach a high level of loyalty from physicians and patients, who will specifically require and ask for these products.

Bruluart is no longer a generics company solely focused on the cost-competitiveness of our products, and we are considering many exciting growth options for our pharma branch, including new patented products and new presentations of our best sellers.

Secondly, we use the Bruluart brand for our more traditional generics portfolio, which has been available in the Mexican public and private sectors for many decades. For these products, our branding effort revolves around the name Bruluart, and the image of high-quality generics it embodies. Finally, we also hold our own private labels, distributed through our pharmacy chain Farmacia GI, whose main differentiator is the outstanding quality of services offered in our establishments.

How have you managed to reach such a level of brand recognition and loyalty for some of your products?

JJA: This achievement is particularly impressive as we do not do any medical visits, and I identify three main reasons that have been sustaining this performance. First, we entered market niches and geographical areas that other companies were neglecting. In the late 1980s, we noticed that the southeastern areas of Mexico, where the dengue fever outbreak represented a huge crisis, were in great demand for Vitamin B12, which can be used as a mosquito repellant.

As the southeast of the country is also one of the poorest areas of Mexico, other pharma companies have never been particularly interested in competing in these geographical areas, especially as big pharmacy chains were not yet implanted in the region. As a result, our B12 product Tribedoce® became very popular for its low cost and effectiveness.

Furthermore, most of the doctors that went to these areas did so as social servants, before coming back to their cities and their regular offices – where they started prescribing our products that they had discovered in the South. Twenty years later, we see that our branded product Tribedoce® is now used as a synonym of “vitamin B12” by Mexicans, not only in their daily lives, but also in TV

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Besides these patented products, we also understand that our customers are highly accustomed to some other products which are distributed under the brand name “Bruluart”. When changing the packaging of our product lines, pharmacies told us patients were requesting products with the old packaging, as they had been relying on these products for so many years. It clearly shows that with the right pricing approach, an irreproachable quality and a complete market coverage, patients rapidly become loyal to the products they are used to – even if the only way for them to recognize these products is by the color of their packaging!

We see more and more pharmacy chains developing their own private labels. How has this trend been impacting your sales?

JJA: In these negotiations with other pharmacy chains, our main competitive advantage is the aforementioned strong brands we hold in our portfolio. As patients would attend a given pharmacy to specifically purchase one of our branded products, these pharmacy chains cannot afford not to offer our products. This strategic asset provides us with a heightened bargaining power to introduce a mixed portfolio into these pharmacy chains, including both our strong brands and the rest of our portfolio.

AA: Bruluart isn’t only a pharmaceutical company, a distributor, or a pharmacy chain: we are a comprehensive group of healthcare companies very well implanted in Mexico, a growing market with plenty of arising needs. Some pharmacy chains have for example asked us to help them manufacture their own private labels, as we are particularly recognized for the efficiency of our manufacturing plants. Furthermore, with our expansion project, we will increase our overall production capacity by 50 percent. For 2016, we target a 10 percent growth of our manufacturing activities, while we would target a 30 percent growth as soon as our upgraded production line will be fully up and running in 2017.

One of our company’s golden rules we inherited from our father is that there are no enemies in the marketplace, and partnerships definitely are at the core of our company’s growth strategy. As a result, we have closed substantial partnerships for the manufacturing of the private labels– although some could be considered competitors of our own pharmacy chain Farmacias GI.

Handling the distribution part of their go-to-market strategy remains one of the most important challenges faced by international and domestic pharma companies. How are you positioning Brudifarma, your distribution company, in this regard?

JJA: Brudifarma has historically relied on a strong regional network of partners, which helped us penetrate the Southeastern region of the country twenty years ago. These local partners managed to bring our products where other distribution channels, big pharmacy chains or even the government would not go. Over the last twenty years, these local, regional distributors have also been evolving into larger companies, becoming more and more institutionalized and performing exceptionally, allowing us to guarantee a high level of services even in the most isolated areas of the country.

Cofepris' recently released regulations have been indisputably strengthening the market leadership of the largest pharma companies and distributors. In the meantime, within this more stringent regulatory context, pharmaceutical companies evermore need to rely on the best distribution network to ensure there will be no interruptions between their manufacturing facility and the point of sales.

We are now looking at fortifying our business with our current customers, especially with independent pharmacies. Over the past year, we have been talking to Mexico's key regulatory stakeholders on a monthly basis to have a better understanding of their current expectations but also of the strategic directions they are heading in. Our customers can now benefit from this expertise. Our main objective remains to offer a fully compliant, cost-effective service throughout the entire Mexican territory, while we also continue to further enrich our services portfolio.

Farmacias GI already stands as one of the most successful franchises in Mexico, all sectors included, and it recently announced its ambition to reach 2000 establishments by 2018. Considering the on-going consolidation in the retail sector, do you feel increasing market penetration remain the name of the game?

JJA: Further expanding our footprint will indeed be a key success factor. Although Farmacias GI already stands as the second largest pharmacy franchise of the country, we still need more points of sales. Beside a better market coverage, increasing the number of franchises will help us improve our overall cost-efficiency. Despite some recurrent problems that restrain our development ambitions, we notably look at further expanding our footprint in the Northeast and the South of the country, which remain rather underserved in comparison to the rest of Mexico.

To further differentiate Farmacias GI from the competition, the quality of medical attention and commercial services offered are always paramount. Traditionally, employees at the counter of Mexican pharmacies don't have any medical background or training, although our customers may expect and require medical advices when purchasing their treatments. Our objective is to ensure these employees are as qualified as possible, allowing Mexican customers to access a heightened level of services in our establishments.

Finally, we are initiating a technological revolution through Grupo Bruluart that will impact all our companies, from product manufacturing to Farmacias GI. As a comprehensive group of companies, we have to always look at fostering greater efficiencies throughout our structure, to better and more swiftly respond to market needs.

Grupo Bruluart has been thriving over the past decades to become one of the most prominent Mexican healthcare players. In the grand scheme of things, what is the overall development objective you are pursuing?

AA: We share a commitment to developing our people; not just our employees, but also our clients. As soon as they are doing well, we are doing well. Our objective is to ensure our family business truly becomes a professional institution that will continue to grow after we retire. We want to ensure we hold the right people that will take care of the company's future growth.

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Beside the institutionalization process, what is the family value you absolutely want to remain at core of the organization?

AA: In one word: "integrity". This value has always been very close to the heart of our father, who founded this group of companies. We have a responsibility towards our partners and customers, but also toward our company and employees, to be reliable, to deliver on our promises and respect our commitments.

JJA: Our father has always been reputed among the Mexican eco-system for being a man that keeps his promises and who could be fully trusted as a business partner. The company of course benefitted from his personal reputation, and it is now of our responsibility to protect and strengthen the core value that has contributed to make Bruluart such a successful company.

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