Interview: Julita Geronimo, President & CEO, Globo Asiatico, Philippines

15.01.2014

Tags: Generics, Globo Asiatico

Julita Geronimo, President & CEO of Globo Asiatico, Philippines, talks about her motivation to start Globo Asiatico, how the company must drive up sales to continue to grow as a company, and how the company deals with the big MNCs competitors.

Ms. Geronimo, you started Globo Asiatico in the 1990s following a corporate career in the pharmaceutical industry. What triggered the switch?

I started my career as a medical representative handling oncology products. In those years, many new companies were entering this market. I also noticed that for life-saving drugs in areas like oncology, the distributor plays a very important role.

Products were easily requested to be made available up to two hours after the doctor would prescribe them. Yet, there were only two major distributors: Zuellig and Metro Drug. As large companies, these two players mostly focused on larger orders, which would naturally carry longer lead times.

In the 1980s, oncology as a niche area did not yet have the exposure it has today. I started working in this area at a local company that eventually merged into present-day Hospira. When I tried to find suppliers that could deliver our oncology products, I realized that this market needed a new

player that could deliver oncology products more rapidly and in smaller volumes.

Following a few years as an independent entrepreneur in the early 1990s, Globo Asiatico was incorporated in 1999 using private capital from within the family only. The general rule of thumb for new companies is to go out into the market and sell themselves to the industry. In the case of Globo Asiatico, however, it was the industry approaching us first. We had it right: there was a clear need for a company like ours.

To start competing with companies like Zuellig does not sound easy. What gave you the courage to do so?

Apart from the urge to survive as a company, we have always taken a strong interest in serving the patients. Imagine a hospitalized patient that needs to wait for three days for his medicines. When Globo Asiatico entered the market, these long lead times were drastically reduced up to one hour waiting time only.

It was important to be able to provide different drug combinations. Rather than just one, cancer patients needed three drug combinations. Rather than doctors ordering three drugs from three different companies, Globo Asiatico came in as a one-stop shop. Within the same area, we can now even deliver rush orders in 30 minutes.

Today, companies like Zuellig are also shortening their lead times for small and urgent orders, in order to remain competitive. In any case, we consider Zuellig a partner of ours, as we often act as their sub-distributor.

Larger orders are of course an opportunity to achieve economies of scale. How do you then balance the flexibility of small orders with your margins and profitability levels?

Companies like ours can only expect a net income margin of around two percent. Yet, we do not look at the business from that angle. For us, a large part of this business is about helping people and building corporate social responsibility. As long as we are able to provide employment for our people and provide good service to the patients, we take satisfaction with our margins.

If you only think of profit, you deny the lives of the cancer patients. We are the only company that can provide for urgent orders, and even deliver during holidays, at night, etc. If we truly want to serve the patients, we sometimes need to set aside profitability. The social aspect of our business is very important.

Looking back at these first 15 years for the company, how steep was its growth path?

Coming from a low base, the first years were obviously sparked by rapid growth, reaching up to 200 percent per annum. More and more companies joined us over time and today we are proudly counting 41 partners.

Today, our growth mainly comes from new products of the multinational companies. In spite of an increasingly competitive landscape, we are still growing our number of principals by roughly ten percent annually.

Last year, we reached 15 percent growth as a company, which we aim to take up to 20 percent in 2013. The stark increase this year mainly comes from our recent agreement to supply the Philippine Charity Sweepstakes Office (PCSO).

With all the expenses we face and the limited distribution fees we received, we need to focus on volume. We need to drive up our sales to grow as a company. We have to take into account that the MNCs are now seeking for greater volumes as their prices were hit by the Universally Accessible Cheaper and Quality Medicines Act of 2008 (MDRP).

You now serve entities such as the PCSO as well as PhilHealth through the Z Benefit package. Do these government-managed entities require a different approach than the private industry?

MNCs used to only seldom participate in government biddings. Now, however, they have been adjusting their prices to be able to compete better with the generics industry. I do expect to see an increased presence of the MNCs in such biddings.

The importance of the oncology area has also changed. Oncology products used to have a share of only around five percent in the hospitals. Because of the shift in dispensing from doctors to hospitals and an increased derived demand through new cancer centers, the share of oncology products is on the rise.

In the past, for instance, 90 percent of oncology products were being dispensed by doctors, with hospitals only accounting for 10 percent. Today, we see a 50-50 balance between the two. Such shifts are good for multinationals, since many of the (mostly private) hospitals are not very keen on ordering generic products from countries like India or China.

You regularly visit trade fairs. Just recently, for instance, you came back from one in Germany. We can imagine that most potential partners in those markets know larger companies like Zuellig, rather than Globo Asiatico. What do you tell them in this case?

My message will depend on the niche the company is active in. At the recent fair in Frankfurt, Germany, for example, most of the companies were looking for partners to handle their sales and marketing activities—in essence, the search for a local partner that can handle distribution, sales and marketing, importation, and so forth. I am not sure to what extent companies like Zuellig can handle such requests.

As a distribution company, you are only as good as your last performance. Distribution contracts may be for one year only, and principals can easily switch between companies. Therefore, it was important for us to bring the sales and marketing activities under a different subsidiary, in order for those contracts to remain unaffected from any changes in our distribution business.

For some of the companies without any entity in the Philippines, we can import and distribute their products, while they have the opportunity to hire their own people, which are then employed by Globo Asiatico. In return, they pay an administration fee.

What do you now consider as more important to growing the company further: more business from existing principals or searching for new partners?

We are now growing through incremental sales from new molecules of the MNCs. At the same time, the oncology niche is growing in importance in its entirety in the Philippines. In Southeast Asia, the Philippines have taken the lead in breast cancer prevalence, for example.

In the second instance, we also supply drugs for clinical studies. The clinical trials niche is a growing area in the Philippines and we have actively worked with companies like Quintiles and suppliers like Amgen.

How bright is the company’s future?

On the distribution side, we hope that the MNCs will want to keep working with sub-distributors, rather than with one large company such as Zuellig. On the sales and marketing side, we need to work more on generics. Targeted therapy, for instance, is still an area that remains largely patented by the MNCs. Roche has a very successful product with a patent till 2020, so patience is needed.

When I joined the pharmaceutical industry in 1982, the MNC players in oncology in the Philippines were Eli Lilly with two products still today; Roche only had one product back then, but has successfully built its portfolio year on year; BMS used to be a big player too and so with Farmitalia Carlo-Erba (now Pfizer). Hospira then became the first generic company in the Philippines to enter the oncology arena.

Do you take more job satisfaction out of running Globo Asiatico than your previous career?

This certainly is my passion. Even when I am ill, I keep talking business. We now have 175 employees with us, which certainly gives a great deal of satisfaction. I am so satisfied to see that some of our employees are still with us after 19 years, when we started with the importation of medical supplies. I love the work I do, especially because it does not feel like work to me.

To read more interviews and articles on the Philippines, and to download the latest free report on the country, click here.

See more interviews