Interview: Esteban Lizarazo – General Manager, Grupo Amarey, Colombia



"Logistics in healthcare is an impoverished sector, not only in Colombia but also worldwide."

02.08.2017

Tags: Colombia, Grupo Amarey, Logistics, Healthcare, Innovation, Development

Esteban Lizarazo, CEO of Amarey Group, one of the most vibrant Colombian success stories, shares his insights on the company's aim to diversify, while introducing the group's highly innovative business model consisting of world class logistics, high level education and development of close relationships with hospitals.

Mr. Lizarazo having worked for Amarey Group for seven years and being CEO for the last year and a half, can you give us an overview of the company's activity and how different it is today from when you first joined seven years ago?

I started as a COO of the company after doing a specialization in supply chain and a MBA. When I started working with Amarey, the company was focusing on the distribution for leading pharmaceutical players, such as Pfizer, Roche, Biotest, or Chiesi. At that time, the board highly recommended to start diversifying our business activities, to avoid the price regulations to affect the company's growth. Consequently, we entered the medical device niche in 2009 which was followed by a medical equipment line.

We identified the opportunity to differentiate ourselves in the market through service provision as we understood hospitals are dealing with poor and inefficient processes that we could assist with. Therefore, Amarey started to implement surveys of excellence into the logistic model and consequently, we received the prize for the Quality in Excellence by Colombian Government in

2014. Our supply chain was relying on an highly innovative model that consisted of supplying any pharmaceutical or medical device product in less than two hours within the country.

Another part of the development strategy was related to the educational aspect consisting of a simulation center with a strategic partner that we developed in our building, looking up to the Harvard model, with whom we have a partnership agreement. We are also strongly committed to providing training and education for the medical community to whom we offer a vast array of different courses. Last year, we held 56 courses for over 5000 medical professionals in various areas such as orthopedic, laparoscopic, robotic, internal medicine among others. However, courses are also intended for the companies and can approach us directly to tailor a specific course for them.

Finally, we developed a model of good relationships which we believe is the key to doing business in Latin America. Therefore, we collaborated with ANDI and took over the compliance guidebook for developing close relationships with strict compliance practices. In this regard, Amarey created Galenos, the first restaurant for doctors and medical practitioners to gather the community and build relationships. Nowadays, we have a close relationship with hospitals to whom we are providing maintenance services to increase their overall efficiency. Currently, we have 68 facilities that are using our technology and our distribution services. To sum up, our model is directed towards achieving excellence in service, logistics and products we distribute from Europe, USA and Japan featuring gold standards.

When we met your predecessor Rafael Arango he shared his strategy for the future that involves focus on the minimal invasive surgery, robotics, intense care products for the pharma division and diagnostic tools. How does the product portfolio look like today and how is your portfolio divided into your different business units?

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Our product portfolio is the same, but our business model has evolved. Our business concept is not only directed towards sales of products, but also enriched with service provision that can eventually result in providing better access to the healthcare system. As an illustration, we are commited to the public healthcare in Latin America and we are introducing the Da Vinci robot to the public system in July 2017, starting with a public hospital for poor people. Additionally, in two months we are launching a prostate cancer campaign aiming to educate wider public on the disease and provide comprehensive insights. Nevertheless, Amarey is the number one company when it comes down to product portfolio, as we offer highly diversified products, ranging from

pharmaceuticals, medical devices, equipment and services, which we display through our innovative business model.

In 2015, Grupo Amarey was ranked 2nd largest company in its field in Colombia with 10% sales growth. How did you perform in 2016 and how does 2017 look like so far?

Our business is growing, specifically the services, technology and diagnostic lines. Our pharmaceutical business remains stable, despite the price regulations, due to an increase of the sales in terms of volume. The quarterly growth we achieved in 2017 reached the 10 percent increase, and we expect to reach 15-20 percent by the end of this year. Additionally, we expanded our operation to Costa Rica and Panama. The share coming from both countries will count for five percent of our sales by the end of the year. Moreover, we are planning to expand to South America and Central America through establishing one affiliate this year in Central America and two additional affiliates in the next two years. Targeted markets include Peru, Ecuador, Dominican Republic, Guatemala and El Salvador.

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Distribution and logistics are very different from a market to another. What is your strategy to succeed in these international markets?

Logistics in healthcare is an impoverished sector, not only in Colombia but also worldwide. In fact, academics believe we can be 20 years behind of what is the current best logistics and supply chain practice; if you know how to do it, you have an enormous potential in any market. As the system is very complex, we started with Panama and our strategy is to focus on the markets that are close to Colombia such as Ecuador and Peru, as we believe we can have a bigger influence on those markets. Essentially, our strategy is to focus on the current lines, identify the needs of specific markets to introduce appropriate product lines, while using what we have already built in Colombia to adjust it to the specific conditions of each market we are entering.

The company is a front runner in bringing breakthrough innovation to Colombia. Last month, you announced a partnership with Centogene, becoming the first importer of Genetic Testing solutions for rare diseases. What is the importance of this partnership for the patients and why did you choose a partnership in this specific niche?

We believe this niche is the future, as genetic solutions can prevent the disease while featuring high accuracy. Specifically, Amarey’s involvement in this niche started with our initial partnership with US based company Genomic Health with Oncotype for the prediction of breast cancer. As we

developed a good market in this area, we wanted to spread to the whole genomic map and therefore, we started to collaborate with Centogene. The strategy we are looking to hold on to will involve tackling only some cancer areas where we can find synergies; we don't want to diversify and enter the wide portfolio and categories of cancer diseases, but rather focus on specific areas to develop profound expertise. Additionally, we are planning on entering a joint project with Centogene to start a healthcare facility in one year, that will be specialized in local diagnosis.

From this point onwards, what are your strategic objectives for the next three years to further develop the company?

Our business model will continue advancing towards diversification. Presently, we are starting an alliance with the Mexican company Vitalmex to introduce the model specifically for the surgeries and hospitals focusing on surgery and that will result in sharing the risk between the supplier and the provider – something the ministry has been working on lately. Our plans for next year will consist in including the model we applied to the ICU (intensive care unit) that we will be able to run for the hospitals. This initiative will be a game changer, even though it is a difficult and a high-risk area.

I would like to have a more balanced company from a marketing perspective that means that 40 percent our business comes from our pharmaceutical division, about the same percentage counts for medical device and equipment, while services count for 20 percent of the entire business. However, looking forward, we will invest more efforts in the service and medical device portfolio, as we identify growth drivers in these areas. Additionally, we will extend our close relationships with hospitals, while maintaining the ones we already have. In terms of product portfolio, we are looking to find the synergy with this complex portfolio to make it simpler for our customers. Finally, we would gradually like to launch our own Amarey brand while continuing the delivery of excellence in services, solutions, education and relationships.

Behind the success of the Amarey group is a man, its founder, Octavio Amaya well-known character in Colombia, a philanthropist, prehispanic art collectionor etc… Could you tell us more about the man at the forefront of the company's longstanding success?

Mr. Octavio Amaya is a great leader with profound understanding of different niches and talents that he utilizes to advise on further growth in the areas requiring improvement. Mr Amaya is the kindest man I have had a chance to meet with lots of love for this country- he loves art and music, but mostly he loves medicine and that is where his dedication to this company comes from and the idea on building the most advanced simulation center in the country and possibly in Latin America.

He is a humble visionaire always thinking in advance adding up to the ideas, empowering the teams while helping patients, associations and hospitals. Additionally, he owns a non-profit organization for medical students that receive scholarships to enroll into the best Colombian medical universities. Together with his wife, who is involved in the human resources within the company and making sure people feel comfortable with their job, he does great things for this country. Personally, I see him as my mentor and role model from whom I am learning a lot about the business, but also about life.

What is your personal objective?

I would like to double the size of the company, while at the same time being helpful for the government and the Colombian healthcare system. Amarey is the company that is running with the system, therefore, we are not only commercially driven, but also oriented towards offering solutions that imply higher efficiency and safety for the patient. Since the patient is at the center of our core philosophy, I am looking to provide strong value proposition for the patient and the healthcare system overall.

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