Interview: J. De Ruyter ‘Toto’ C. Oroceo, President & General Manager, Delex Pharma International, Philippines



16.01.2014

Tags: Medical Devices, MNCs, Delex, Philippines

J. De Ruyter ‘Toto’ C Oroceo, President & General Manager of Delex Pharma International, talks about the company’s efforts at making pharmaceutical products in the Philippines more affordable to all levels of society, not just the upper class, and further discusses the motivation for the switch from medical devices to pharmaceuticals.

The Delex motto is ‘to meet the gaps in critical care’. How do you link this to the current needs in the market?

The Philippine pharmaceutical market amounts to roughly PHP 120 to 130 billion. As a startup company, you rapidly enter an arena of around 1,000 active players. To thrive, it would be necessary to play in a niche market in order to succeed.

There are few products that are now being used in hospitals that were traditionally not available in the Philippines. Historically, most of the major private hospitals in Manila, our capital, had to rely on imported products. The issue is that for many of these individual products, the volumes were only small and limited, which in turn did not always appeal to the multinational pharmaceutical companies (MNCs).

Several of the critical care companies market their products at premium prices in the Philippines,

simply because of a limited number of available alternatives. However, at Delex Pharma International we felt that this was leading to a situation where the products in the market were not priced right.

We identified a gap. A first exists in the products that are not available, not approved by the FDA and only occupy a small market. The second category of products is those that are being exclusively marketed by large companies, where the level of competition is low and the prices augmented. From my perspective, we can bring down prices in such niche markets and compete head on with existing large players. At the end of the day, we contribute directly to the vision of the President, the Department of Health, the FDA and our current administration to make pharmaceutical products in the Philippines more affordable, so that the poor layers of society can also be reached.

For medical devices used in intravenous therapy (IV), we can take the example of DEHP, also known as PHTHALATE. PHTHALATE was found out to be hazardous for the new born and pediatric patients. As a result of the US studies, the Department of Health of the Philippines started encouraging suppliers of medical devices to produce an infusion set without PHTHALATE. Delex Pharma International has been the first company to respond to this need. Today, we already have our non-DEHP IV infusion set in the Philippine market, ahead of Hospira and other players in the medical devices sector.

The example shows how we need to differentiate ourselves. We are a unique company with a clear value proposition of offering product alternatives to both our patients and doctors. Our objective is to help the government in reducing the prices in the market for the benefit of the patients. Now, we have already achieved a unique positioning in which we are able to supply the market with cost-effective quality medicines.

Your vision is to be the premier Filipino-owned hospital products company in the country. Do you feel this affects the way you set your priorities compared to some of the international players in the market?

Whereas this vision does not imply that all products should be manufactured in the Philippines, it means that all profits should stay in the Philippines. We still import products from abroad but offer employment and contribute to the local economy by marketing and promoting these products in the Philippines. That is where our margin comes in.

As an organization, we have to align our ideas & strategies to the Filipino culture, which is much harder for many of our international counterparts. In the US, for instance, it is not possible to invite the spouse of a doctor to a public relations (PR) dinner. With the unique family affinity or family orientation values in the Philippines, one needs to take this into account when conducting business as such practice is inherent to the Filipino culture, even though it can be seen somehow as a

violation in the US business code of ethics. Of course, we strongly oppose unethical practices such as bribery and corruption at Delex Pharma International, but as a Filipino-owned company we need to conduct business the Filipino way, in a practical way. When a doctor or his/her spouse passes away in the Philippines, for instance, it is important in our culture to be able to send flowers, something that some foreign pharmaceutical companies will not be able to do here.

You partner with a range of principals now, ranging from Indian players to Japanese and European companies, such as Astellas and Sandoz. How did you initially set up these partnerships?

Our first partner was Baxter, followed by Innogene Kalbiotech, a subsidiary of Kalbe Farma, a leading Indonesian pharmaceutical company. Acquiring partners is all about building credibility and integrity. Many of the players we obtained at a later stage recognized the success we had with our first two partnerships.

It certainly also helped that I worked with leading companies such as Abbott and Hospira before I set up Delex Pharma International. The experience and exposure I gained working with those companies is a plus.

Our partners trust us because we are able to deliver. Rather than talking too much, we focus on actual delivery: we walk the talk. That being said, it can be a challenge to retain some products of our principals. Our contracts are renewable every year, and when sales really go up it can happen that the principal steps in and takes over.

Can you take measures to prevent a principal from taking over?

At a contractual level, we now try to include specific clauses that address this aspect, while we also target contracts that cover longer periods of time.

When you are out on the hunt for new partners, what are the first elements you look for in a new company?

The first requirement is for the potential partner to carry the cGMP certification stamp. We need to do our due diligence and visit the facilities to ensure that all quality standards are being met.

Diversity and relevance is also important. On one hand, we cannot rely on one partner to supply our entire portfolio, while on the other hand we pursue products that fit our existing portfolio.

The products we seek should be hospital based and relevant to a specialty we feel familiar with. Oncology & renal, for instance, are areas where Delex has a significant interest in the future. With that, we are looking for a partner who can provide us the full product offering.

At the same time, you are taking the business focus from medical devices into pharmaceuticals. As an entrepreneur, what steps did this require from you to adapt the company accordingly?

Rather than deciding on my own, the decision to move into new strategic directions with the

company is being conferred upon with the internal and external key opinion leaders (KOLs). We are being guided by our experiences and by the people from both the medical and pharmaceutical community, as well as IMS Health. If I am interested in a specific molecule and I noticed that there is a low level of competition in that area, I tend to join the bandwagon. I try to avoid competing head on with large MNCs, unless if I feel that we can manage and match the level of competition for a specific molecule.

In the second quarter of 2013 you announced plans to leverage your DPI presence in the drugstores, launching more OTC items. How has this taken off?

We have just assigned a product manager for this purpose, and have built our product portfolio for this strategic business unit (SBU). Before the clock strikes January 1, 2014, we will have expanded our staff from the current 93 people to 125 employees. This includes both front and back-end and will be paired with a move to a larger office. This move indicates that we look at our primary care business as highly productive that could drive Delex achievement of its strategic goal of P1Billion in 2016.

Did you expect to reach 125 people in such a short period of time?

Honestly, such rapid growth was never planned when we initially started, mainly because my focus has always been on critical care, where we would only require a limited number of people. I had never envisioned that we would be moving into the primary care business, which is more people intensive. The company is an opportunist, and we carefully decide quickly on every strategic move that we feel is worth our investment.

On a personal note, you have moved from corporate management positions to becoming an entrepreneur. How did you experience this change as a business leader?

Having been with Abbott for 13 years and four years with Hospira, it has been a drastic switch at a personal level. I had to switch from wining and dining in good hotels to a more streamlined rhythm of expenditures. Everything I do now is different from before, and is much more oriented towards saving than spending.

At a managerial level, we took with us the lessons we learned from the MNCs. The younger generations have changed too. The new generation (Generation Y) of employees resigns faster and wants to move more rapidly. To counter such trends, we have launched a comprehensive employee retention program. We strongly believe that people should be the number one priority for Delex Pharma International. Since our resources are limited, we form a club in Toastmasters International. There, we train our staff in communication and leadership skills.

As a local company, we want our systems to be at par with those of the MNCs to sustain our growth. We invest in SAP, accounting software, and the Total Quality Management (TQM) System. We cannot embrace a locally developed accounting software now and change later. It is important

that we do things right from the first time. We too recognize that information technology (IT) has a role within our organization, to provide our employees with all the necessary tools, such as laptops. We believe in communication and we want to be abreast of what is happening in the market, from the point of view of our sales representatives. We also believe in sales force effectiveness, and train our people thoroughly.

In terms of management, we are perhaps quite different than most other companies. We do not hire managers from outside. We have nine management trainees on board and will only hire someone from outside if the required competences are not present within our organization. That is the only time we will hire managers from outside. The program takes one year and focuses on managing people. Leadership is also about having the courage to shape a better future for our employees who wants to grow with us, and we have that.

What will Delex Pharma International look like in 2015/2016?

In three to five years, Delex Pharma International will achieve P1Billion Sales Revenue and will have its own manufacturing facility. Delex Pharma will be a great company where people continues to be inspired and motivated at their utmost best. We will be one of the fastest growing Filipino owned and managed hospital products company.

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