José Luis Martin – Director General, HC Clover, Spain

We exported products from Spain, and we had a clear policy not to make any big investments - we would invest according to our needs, carefully considering timing and our position in the market

27.03.2019

Tags: Spain, Manufacturing, HC CLover

José Luis Martin, director general of HC Clover, a Spanish manufacturer of soft gelatin capsules, highlights how they adapt their services to clients as well as their strategy for rapid growth, such as the recent expansion of operations into Brazil. Furthermore, he touches on the competitive nature of the market and what they must do to differentiate their partnership offering.

Can you introduce us to the main milestones for the company?

We came into existence in 2008 in Portugal firstly, and then Spain, as a company dedicated to outsourcing services and today, we provide pharmaceutical services for third parties that will

commercialize and position the product in the market. The core of our business is the manufacture of soft gelatin capsules for pharmaceutical, dietetic, cosmetic and veterinary products. The company started with three people in the beginning and today, we are 250.

Our idea at the beginning wasn't the production of soft gelatin capsules, but other pharmaceutical forms. However, we came across the lack of soft gelatin capsules supply, and some well-known companies asked us to assist them. We had the contacts, but we had no factory; therefore, we started our journey with a collaboration agreement with an Italian company and provided them with raw materials. They manufactured the capsules for us, we collected and handled them in Spain and after that, there would be delivered in blisters to the client. In two years, we had a market of about 150 million capsules so we decided that building a production plant was the logical thing to do.

Through ICO credits we installed the first line of production; we rented some factor sheds nearby and we got started. After the first year we installed one more line, and successively, we have been adding new production lines every year. That's where our growth comes from. Furthermore, we have a clear idea of what customers want, which assist when we are responding to their needs.

What is the international scope of the business?

Since the beginning, we decided that HC Clover had to be a company open to the international market, so we started working with Latin American countries such as Brazil, Mexico, Ecuador, Peru and Chile. We exported products from Spain, and we had a clear policy not to make any big investments – we would invest according to our needs, carefully considering timing and our position in the market.

We are a multidisciplinary group that is constantly working on development and innovation. We have a qualified workforce dedicated to R&D, along with the constant growth of our production capabilities. Furthermore, we are looking ahead and considering expanding our manufacturing capacities in Latin America, looking towards our first production plant in Brazil.

Is it easier to manufacture in Brazil for Latin America than to undertake the production in Spain?

Brazil is a very special market as it protects the local industry a lot, and the tariffs are quite high. We have been exporting about 7 million capsules to Brazil every month for over four years. Equally, with the devaluation of the Brazilian Real against the Euro, it is quite expensive in Europe at the moment. If you add to that the change in the costs of customs tariffs, it becomes very complicated.

Nevertheless, Brazil's market is huge. I would say it owns the Latin American market and offers a great opportunity. That is why we have made a joint venture with a Brazilian company for this production plant.

Does it make sense to be doing most of your production in Spain?

The reason why we are producing more in Spain is because it has been the centre of our industrial development, and the place where we had the right structure and ecosystem to start up and grow. However, whether this will change or not depends on how much we grow in other areas and other markets. For example, this is why we have done it in Brazil: we found a good partner, which is very important, and we had a good opportunity after realizing that we were not competitive in Spain, and we were given the right circumstances to go there.

There are other places where it might be interesting to build a plant. We have considered other alternatives, but we don't have the right context there yet. There is something else we have to take into account, which is that most of the times, our resources are limited, and in the end, we invest where we see the possibility of growth and the return of our investments, even if that doesn't mean immediate profitability. Even though today we have chosen Brazil, it could be another nation in the future.

What was the impact of the purchase of Laboratorios Gramar?

Laboratorios Gramar is a company dedicated to outsourcing packaging, blisters, canisters and to manufacture a wide range of pharmaceutical dosage forms. In fact, for many years, they were our suppliers with around 50 percent of their sales coming from HC Clover in 2017.

It was a simple decision. Firstly, because they were one of our biggest suppliers; secondly, they were producing pharmaceutical forms other than the soft gelatin capsule, which was great for us, since we currently have 460 active clients to which we offer soft gelatin capsules. However, these customers consume other forms too, such as hard capsules, tablets, or even liquids. Thus, by

incorporating new pharmaceutical forms, we were able to increase our offer.

Currently, our job is to combine both structures and organizations and consolidate our positioning. Logically, we are two different companies, so now we have two financial departments, two purchasing departments, two production departments, two purchasing directors, etc. We have to merge together, and this will take time.

How well understood are your services by potential clients?

They know, but we are doing it in a controlled way as there are also limitations on our production capabilities. We must offer within our expectations. We are consolidating in certain areas, such as in the commercial area, while in others we are actively looking to grow, and we have had steady growth over the years and are always looking for future opportunities.

How have you gone from having no production facilities to this explosive growth in such a short time?

The secret, which is obvious, is hard work, dedication and experience. We have had good commercial funding and a lot of experience and the timing has been right as customers have been asking for our help. Furthermore, we have dedicated a lot of effort and enthusiasm.

How do you differentiate yourself from the competition?

Personally, I think that the big companies in the production of soft gelatin capsules have left a large market for smaller and mid-size companies to fill. If there is something that defines Clover is that we are very agile, and we have great communication between our sectors; our general management is on the first floor and the factory is on the ground floor – there is no distance between us. Therefore, problems are solved quickly, as are the requests from customers. Multinational companies tend to give a slow response to many companies that need soft gelatin capsules, though we cannot afford to make such mistakes. Usually, we can develop a dietetic or pharmaceutical product for a company and place it in the market in a very short time, around three months.

Additionally, we treat all products with the same quality as if they were a pharmaceutical product, but we provide the agility and the speed that the pharmaceutical product does not have due to the legislation, which is a clear advantage. The other aspect that differentiates our company is that ~~is~~ we do not have the mentality of waiting for someone else to solve a problem, we do that ourselves and are proactive in creating solutions. The people who work here are prepared to face a new problem every day and find a way over overcoming these obstacles.

How do you adapt to your clients?

We always try to adapt to the point of view and the needs of each client. If the customer sells, we sell, it is a very simple relationship. Our mindset with customers is very open, while maintaining the company status that we want, as well as our values; we know that we are here to respond to their needs. I think it is easy to have a frank, very direct and profitable relationship for both sides, which does not require great philosophies, it is very tangible and very real.

What innovation are you bringing to the market?

I would say that HC Clover, as a company that still has a limited potential on technology. We can’t compare ourselves with the big companies and the production technology of soft gelatin capsules must be developed by us.

In order to do this, we’ve been setting different goals. The gastro-resistant capsule was a requirement of one of our clients, so we started working on it and eventually found a solution. There are multinational companies that have other solutions for active ingredients, though we are starting from the basics by collecting information and dedicating our efforts until we get the most suitable solution. What I think is necessary, and that we have had since day one, is an organization of continuous improvement of processes and constant work.

Where do you see Clover in the next five years?

Clover will be three times the size it is today. We have enough projects to get there and an exciting portfolio of services for our clients. We have a group of people dedicated exclusively to the development of pharmaceutical products in soft gelatin capsules and are developing active ingredients of low solubility and permeability and closing agreements with Cedeti.

I have always said that to be a company with a strong base, Clover should have a line of pharmaceutical products with its own dossiers to be offered and licensed to third parties. I keep saying that we will never have our own line of products in the market, as it would mean competing against our customers, but we want to have solutions for them. We are already doing this, for example, we yielded the dossier of ibuprofens in soft gelatin capsules to several companies three years ago. This means that when we make the budget for next year, we already have a base of serious contracts of pharmaceutical products with fairly secure sales and gives you some peace of mind.

See more interviews