Alejandro Paolini – Managing Director Mexico, Central America & Caribbean, Siemens Healthineers



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Alejandro Paolini, Siemens Healthineers' managing director for Mexico, Central America and Caribbean, dives into the medical technology industry's business model transformation, switching from selling products to services with a risk-sharing approach. In addition, he reflects on the impact of the pandemic on the company's performance, their unique presence in Central America and the ways in which Siemens Healthineers can help close the gap between the quality of healthcare accessible in the public and private sectors.

Can you begin by talking about the presence of Siemens Healthineers in Central America and Caribbean?

We have a significant presence in the region, with local organizations in Costa Rica and El Salvador, especially when compared to other medical devices multinational companies, which gives us an edge over our competitors. Most of these companies have an indirect presence in Central America and Caribbean, operating through distributors. Having a direct presence allows us to differentiate particularly in the after-sales service.

We do not have manufacturing in Central America, the Caribbean or Mexico. The reason for that, in our case, is that we produce high-tech equipment, not consumables or products that are produced in big volume. Localizing this kind of production is complicated and sometimes is not affordable.

Our production is concentrated basically in Germany and the United States.

During our last interview, you said that the company had been “experiencing a bullish period” during the preceding years, being able to grow your business on a yearly basis. Did the trend continue until the pandemic hit last year?

It is good to differentiate between pre- and post-pandemic performance. If we look all the way to 2019, we have had a strong and stable performance, with moderate but sustained growth, not only in Mexico, but also in the Central American countries. And it is applicable for the whole business in general. We have a strong position in our imaging business that has consolidated through the years, a complete portfolio of laboratory solutions and digital services.

2020 was a new world with a new scenario, but we had good results that have continued in 2021. However, there was an adjustment in our portfolio priorities to drive and sustain our growth. The positive result during the pandemic is due to our diagnostics and Covid-19 related solutions. Siemens Healthineers has a broad offering for pandemic-related treatments and diagnostics. We have developed molecular diagnostics systems for PCR, antigen and antibody testing for COVID-19. Also, a significant part of our portfolio is used to treat patients in intensive care units. It has been a difficult time for everyone, nevertheless, we are glad that our technology has been able to help patients across the region.

The recent story with many multinational medical technology companies has been the change in business model, going from selling products to selling services. How are you approaching that subject in Central America and the Caribbean?

That business model change is an industry phenomenon that is affecting many and different sectors. The traditional business model of selling equipment and hardware is being slowly replaced by a model in which we sell solutions. How do you do it? By including services and complements like education, consulting offerings, planning and many other customized options. In a few words, it is about offering a complete solution. This new model does not only change what we sell but how the consumer acquires the technology. We are looking for value partnerships and I believe that Siemens Healthineers is a pioneer in this regard.

We have been implementing this new business model approach in the region and have had success in places like Costa Rica, but it is also true that the pace is slower than in other geographies.

When it comes to introducing new models and new technology, it is almost always done in phases, because of the different market sizes. First comes the developed markets, followed by the biggest emerging markets like Mexico and Brazil, and finally a third wave that includes medium markets, such as Central America and the Caribbean. There is no difference in the approach for the region, but the timing is different.

In order for those changes to speed up, there is a need to improve digitalization in the region. How is Central America and the Caribbean advancing in that sense?

Digitalization is a crucial part of the strategy for Siemens Healthineers. We are convinced that healthcare will be 100 percent digital because it is the base for all the transformations we are experiencing, particularly at a time when healthcare systems are seeking to expand precision medicine and moving to a patient-centric approach.

The level of progress and introduction of digitalization in these countries has been slower when compared to the biggest and emergent markets. The process is similar to the introduction of new business models, it comes in waves. However, this current scenario brought an acceleration of digitalization and I believe it is the only good thing that the pandemic has given us. It will be key if the region is to move towards telemedicine in a moment when people are avoiding going to hospitals.

Can you elaborate on the new service-oriented business model? Are we talking about maybe loaning equipment and then charging for services?

There are many different approaches that we are experimenting with; our organization’s flexibility is one of our strengths. We are adapting solutions to the capabilities of each client. Replacing an old machine for new technology is not the same that introducing a new modality for a service that did not exist before such as PET/CT scanners for clinical oncology.

While there is great flexibility for each area and type of customer, it is basically similar to what you mentioned in your question. In the traditional model, you sold equipment and could provide different payment methods and facilities, but it was a sale at the end of the day in which the client became the owner of the equipment and took the risk. The new models change this by switching to a risk-sharing approach, where we do not necessarily sell equipment but rather the services performed by it. We could provide the equipment and be responsible for the upkeep and charge for

the performance and use of the equipment. The client then pays for services and not for machines.

It can be similar to a subscription model that charges a standard fee or maybe for individual studies. The ownership could remain with the manufacturer, sharing the risks and benefits.

Similar to the transformation we have seen in the information technology (IT) industry?

Correct. When we began discussing this new model, we always put the example of the transformation experienced by the IT industry over the past decade. Why did it take so long for healthcare to embrace it? I do not have the answer, but it could have happened earlier. I believe that maybe the forces of the market and customer demand are one of the reasons.

In a region where unequal access to healthcare is always part of the discussion, how can Siemens Healthineers contribute to closing the gap between the quality of healthcare accessible in the public and private systems?

That is a fundamental topic for Latin America, one of the greatest challenges. There are two sides to this question; all stakeholders in healthcare have the challenge of increasing access but also achieving equal care. We do have to close the gap to have both equal access and quality of healthcare.

How can Siemens Healthineers help? It is not easy because we cannot do it directly. One of the most straightforward ways is increasing the level of investment in healthcare because countries in the region are spending around six percent of GDP on average while developed countries are spending sometimes over ten percent. The level of investment is low but that is not something we can control.

However, we do have a role to play to increase access and achieve equal care. We can do it through innovative business models, like the one we discussed, to make our technology more affordable. The traditional business model meant a big upfront investment that not everyone could afford, even when the payoff was so clear. The other way we can help is by adapting our portfolio to more appropriate solutions for these markets or specific market niches.

After almost three decades in the medical devices industry, eight of them with Siemens Healthineers, what are your ambitions for the future?

The beautiful side of multinational companies is that they provide the opportunity to have new challenges in different geographies and roles. Personally, I am very happy in this region. My current ambitions revolve around maximizing and implementing all of the changes going on within the company. We have great challenges ahead like the Varian acquisition, which will strengthen our position as a holistic partner in healthcare and significantly expand our global relevance, as we take two leaps with this step, a leap in accelerating the fight against cancer and a leap in our impact on healthcare overall.

We have big expectations because we have the most comprehensive portfolio in the industry; we cover all stages of the healthcare continuum for the world´s most threatening diseases, from prevention all the way to diagnostics, treatment and follow-up/monitoring.

This is why my ambitions are centred around landing our new projects in Mexico, Central America and the Caribbean.

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