

## The “pharmacy doctor” model: Disruptive proof from Mexico

*Alcimed, an innovation and new business consulting firm, dives into the success of a unique healthcare business model rooted in Mexico, presenting a new competition to pharmaceutical companies in Latin America.*

**October 27, 2016. Farmacias Similares is a franchise-structured network of 1000 establishments in Mexico, addressing the nation’s low income population.** The success of the network comes from bringing solutions to basic problems that face the majority of the Mexican population:

- Lack of near and rapid access to general practitioners in the public healthcare network
- Low income and a growing cost of goods and medicines
- Out-of-pocket policies for all consultations and drugs obtained outside the public network of hospitals and pharmacies (with no reimbursement).

In the 1980s, Laboratorios Best exclusively manufactured generics for the public sector in Mexico with scarce competition and low profit margins. In 1997, Best changed its model to reach the private sector by creating pharmacies and drug stores as distribution points of the generics they manufactured, establishing Farmacias Similares. Similares then initiated the concept of the “pharmacy doctor”, where a general practitioner is available for consultation at pharmacies. Similares grew quickly with new players, including supermarkets developing off-site pharmacies. According to the OECD, these new integrated models could have influenced the fall in the market share of the four major wholesale drug distributors from 81% to 58%.<sup>1</sup>

**Farmacias Similares integrates a pharmacies network and a self-owned generic brand with medical consultation.**

Mexican public healthcare institutions see the opportunity to reduce healthcare expenses by openly promoting the use of generic molecules. In 2005 a modification in the General Health Law established mandatory tests of bioavailability and bioequivalence for all medicines with an obligation to prove interchangeability for all generic medicines. These changes created an attractive context to manufacture local products but also to import generic drugs easily at competitive prices. As a result, Farmacias Similares offers branded generics but also developed “white brands” especially for their pharmacies, with higher margins compared to branded generics.

Furthermore, medical consultations provided by Similares (with an approximate cost of \$1 compared to \$7-10 for a private doctor’s prescription) represent a powerful incentive for patients who are used to long waiting times (up to 3 hours on average) and whose revenues are impacted by the lost time waiting for medical service. This is because most patients are employed either without a contract or without the benefits of leave, posing the difficulty to secure the time for visits to a doctor.

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<sup>1</sup> [OECD](#).



**This emerging model based on healthcare access with competitive prices has proven its success in the Mexican market whose challenges are also similar to those of other countries in the region.** In 2013 Similares started its international expansion, and the franchise network now includes about 5000 pharmacies in Mexico, Guatemala, Chile and other Latin American countries. Growth is likely to continue, as the pharmacy doctor model brings a private solution to the lack of proper public healthcare quality services to the majority population. This too provides a promising alternative model for emerging countries beyond Latin America.

**Alcimed observes continued rapid expansion of the “pharmacy doctor model”, where Pharma leaders must deal with healthcare providers and distributors that are expanding their influence and capabilities.**

Farmacias Similares has not only disrupted drug distribution and access to care but is also shaping other sectors by expanding their model with entry-level offerings to ophthalmology consultations, dental healthcare services, clinical diagnosis, and psychological/addiction/nutritional consultations. Other players in the Mexican market, including Farmacia GI, Farmacia de Guadalajara, Farmacia Benavides, Farmacias del Ahorro, but also supermarket chains that now provide medical services (Walmart Mexico, Chedraui, Soriana and Comercial Mexicana), have also developed similar concepts.

These companies that now have an established market share in Mexico are already developing further services, such as: healthcare services for businesses, e-commerce websites, home delivery within 2 hours, and loyalty cards with promotions and cash-back options, adding value beyond competitive prices. Rodolphe Renac, Alcimed Partner and US Business Director, says: “In the face of the pharmacy doctor model, especially where long-standing relationships with distributors may no longer present an advantage, pharmaceutical companies need to find new ways to integrate into the value chain. They will need to execute innovative models, leveraging their quality assurance and global leadership into an approach that also understands the local stakes and dynamics that win customer loyalty in low income populations.”

### **About Alcimed**

ALCIMED ([www.alcimed.com](http://www.alcimed.com)) is an innovation & new business consulting firm, specialized in life sciences (healthcare, biotech, agri-food), chemicals, materials, energy; as well as aeronautics, space & defence. ALCIMED relies on a team of 180 highly-skilled individuals to help its clients with exploring and developing their uncharted territories, covering four key areas: New Technologies, Market Innovation, High-Growth Geographies, and Strategic Foresight. ALCIMED is headquartered in Paris and has offices in Lyon & Toulouse in France, in Germany, Belgium, Switzerland, the UK, the USA and in Singapore.