Interview: Thomas Huber CEO – Skan Group, Switzerland



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Thomas Huber, CEO of Skan Group in Switzerland, a global leader in clean room equipment for the life sciences industry, discusses adapting to an ever-changing regulatory environment, Skan's unique solutions, and its steadily-increasing international footprint.

You joined Skan AG 21 years ago, gradually making it up to the top position of CEO – role you have occupied for just a few months now. What are your key priorities in further developing what is already recognized as one of the world's leading clean room equipment suppliers to the life sciences industry?

Our task as a supplier and especially as a Swiss supplier is to push innovation and do as much as we can to remain competitive. As a Swiss based company, we have a mission to always be one step ahead, together with our customer, our employees and our partners. If we are no longer one step ahead, we are gone, because a premium price will no longer be paid for "equal" products.

The positive aspect in our industry is that there are still some technical challenges to overcome and we are one step ahead, and we have to make sure we can progress on that front. We are always in contact with our customers and regularly with the different regulatory bodies such as the FDA, asking them what we have to do to make sure we answer future needs and trends.

Regulations are becoming more and more stringent for manufacturing drugs and medicines, from the FDA, the EMA, and of course national regulatory bodies. How are

you adapting your offer so that your solutions remain compliant with these requirements?

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It is basically all about listening to our customers and to regulators. The regulatory agencies actually do not audit us as a supplier but they audit our customers. Hence we are trying to make sure that we know what they are looking for to be able to provide the best solutions to our customers compliant with all requirements. One big challenge we face is that our customers have to comply to the same regulations but over years they all have developed their own way to get there. Our challenge is to make sure that our machines meet this diversity of approach.. Customers are pushing for lower prices every year, so we have to continuously increase efficiency. Efficiency can be enhanced through standardization, but that also means there is no room for 20 different solutions. There can be only one solution, and we have to make sure that we find the one that in the end meets all our stakeholders' expectations. If we manage to do that, it is very beneficial because customers get a standard machine, which is an attractive machine price-wise, but also from a service point of view a standard machine can be better serviced. It is a win-win in the end.

What is a customized Skan solution?

Skan products aim at protecting the aseptic process from operators, or to protect operators from a toxic product inside the isolator, and that's what we are trying to customize to our clients' needs. For example, one customer might want to fill liquids while another needs to fill powder – well that requires a certain level of customization from our side. We are not reinventing technology every time, but this is about making sure that the machine you buy and that will be sitting in your production site for the next 10 to 15 years, will meet your requirements for that period of time. Customization is necessary because different products, different applications, have to be handled by our machines.

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Tell us more about the purpose of the "Skan Academy"?

Initially, we founded the Academy to answer to the challenge of educating all our service technicians to the same level, regardless of who that technician was. and to achieve uniformity amongst our technicians.,. If a client is calling for a service, they are expecting 100% quality, no matter who from SKAN is performing the service and our challenge is to meet that expectation. How do we get 100% of our service technicians to the same level? Every Skan technician has to go

through the Academy, which is a 2 to 3 months training program followed by training in the field.

Now, the purpose of the Academy has evolved over time. We are also offering access to the Skan Academy to our customers. For example, in some countries operators change very frequently, because as soon as a technician is trained, he tends to find a better paid job elsewhere and therefore leaves. In the past customers would call us last minute, asking us to send somebody immediately for a one-week training to get new people up to speed. Now we are offering this training with a clear schedule and planned training. The benefits are that we train more people and at the same time, it is cost efficient for the customer, and finally, easier to schedule from our side.

Switzerland is famous for being a world class manufacturing center, with pharmaceutical exports reaching record high CHF 80 billion last year. International companies are continuing to invest in manufacturing operations in the country, with for example the very recent news that Sanofi and Lonza are to build a new large-scale biologics production facility in Visp. Why do you believe Switzerland, despite its very high-cost operating environment, remains a manufacturing powerhouse?

They are two main reasons; first there are very well-educated people t and second, it is most probably related to our favorable work laws and taxation regime.

We at Skan are 500 people worldwide, 350 of us are located in Switzerland. We have a production site in the eastern part of Germany with 100 employees and we have sales, services and a manufacturing sites in the USA and in Japan . We are manufacturing isolators in Japan for Japan, to comply with Japanese customers' expectations. At Skan we are adapting to the cultural requirements of our target markets rather than trying to force our customers to adapt to our culture. Since we started to follow this mindset we became very successful globally. For example we founded Skan Japan 6 years ago and were able to multiply our success in that area within a year after the inauguration. I had been travelling there and selling, but we never managed to be really successful. We lost many projects last minute until we realized that they were rather willing to compromise on quality and buy local than buy from a Swiss company they did not trust to comply with the local culture. There are some cultural differences to bear in mind. For example, service: if a Japanese customer calls with a problem, the answer has to be "I am coming to take care of your problem" and not "look at the manual page x, check and call me back if the problem still occurs", like one would do in Europe or North Americas. European and American customers are happy with this service, but Japanese customers are not at all; they know that if they buy in Europe, this is what they will get. Today, we have about 25 people in our Japanese office, and we just opened a new manufacturing site to even better serve our customers.

How would you characterize your internationalization strategy then, and from where are you seeing the most growth potential?

In addition from our manufacturing site in Germany, sales and manufacturing business in Japan and the USA, we also have a new venture in Italy, and a participation in a company with a revolutionary new technology in Belgium, always based on our core know how. The technology that we are producing and selling is about giving more safety to the product. Today when you go to the doctor and get an injection you expect to walk out safe, without any side effect. You don't expect to die of blood poisoning because the syringe wasn't sterile. The isolator ensures the cleanliness of the product. Now, safety is a prerequisite, and in Europe, North America and Japan, consumers are willing to pay for it. In emerging nations, manufacturers are telling me "I'd rather spend the money on a second filling machine than on an isolator. And instead of 1 million high quality syringes I will produce 2 million risking a few patients due to quality issues.

To conclude, it is first-world countries who buy the products made on our machines , those who can afford quality. That however does not mean we are not selling to the emerging world. For instance, we are selling to India because India is the number one manufacturer of drugs for North America and those facilities need to be FDA approved, hence they need our isolator technologies. Those sites producing for Western exports therefore buy high-end equipment. But in the same facility you will sometimes see really low end equipment but dedicated to the local markets. The willingness to pay for quality is driving and defining our target markets, and we are today proactively selling into the western world, and advanced economies.

What is today the share between North America, Europe and Japan in your sales? And how might this evolve towards the future?

10 to 15% of our business is made in Switzerland, 85% would be exports, but it varies depending on projects. Europe is still number 1, then the US and then Japan. We always though that Asia would catch up and Europe would stop growing, but Europe is still growing, so is the US and it has not changed for the last ten years.

How would you define your clientele base today, and how do you ensure that companies turn to Skan on a global basis?

Ten years ago, 90% of our turnover was done with 10 customers which were all Big Pharma. Today, 30% is still done with Big Pharma while the rest is done with very different type of companies, such as start-up companies that need isolators. The reason is not only because we are doing a good sales job but also because isolator technology – which is an improved clean room, clean room was

the old technology, isolators are the new version – have become dominant. 20 years ago, I was hired to promote isolator technology, but regulatory agencies were then quite unsure about it. Today they are considering isolators superior. From an investment point of view, it is a saving compared to a clean room and it is helpful to start-ups. It is also more flexible because it is easier to clean, you can use it for multiple products, without a major shutdown. Our customer base is getting more and more diverse from this point of view. We are actively following this strategy, because being dependent on 10 companies is a high risk. 10 years ago we were 150 people, today we are 500 . You cannot make all these people depend on 10 customers.

The business model of big pharma has also changed a lot, as we see more and more R&D and manufacturing being outsourced to bio-techs and contract manufacturers. Do you also notice this trend?

Yes, and we are pushing our products to comply with this trend. 10 years ago, everybody was talking about scaling up: have a small production line, then if everything goes well buy a large one, and produce mass products for the market. Today we are talking about scaling out. You buy one small line, then another, a third, a fourth, and instead of having one line in one production center in the world and export to the world, you'd rather have four small lines distributed around the world and produce more locally.

This is revolutionizing the filling manufacturing business. It is now all about small batches and personalized medicines. Today, customers require producing four different products on the same machine in the same shift. The challenge is not the filling process anymore, the challenge is how to clean it between batches to make sure there are no cross-contaminations between products. These are the challenges that we are looking at and have solutions for.

To conclude, I wanted to touch on the "Swissness" of Skan; in what ways is this an asset?

In my opinion, the "Made in Switzerland" brand is not really a huge benefit as it automatically gives you the trademark of being expensive. When I go to India and ask what people think of our products, they think they are good but automatically assume they won't be affordable – and that is quite a downside. Looking at the quality aspect, in our markets German quality is considered equal to Swiss quality!. In the US, European quality is important, but whether it is Swiss or German, it does not make any difference. Hence why we shifted our production site to Germany but also due to the EUR – CHF conversion rate which is unrealistically high. The goal is that since we have a lot of customers in the Eurozone countries, the US and Japan, we try to also generate our costs in

these countries and achieve a natural hedge, so that we don’t have to walk to the bank and exchange all the earnings into Swiss francs, and lose a portion of it every time we do that.

So from a quality point of view, Switzerland is perfect, I would not build Skan in a different country, but that’s not the reason why we sell.

21 years in the company! What keeps you motivated every morning?

I was able to make my way up at Skan. Today I am the CEO, I have been on the board of directors for several years, and I am also a partner. I have greatly invested myself into Skan and it is a very attractive company for me to work for. In addition, when you look back 20 years from what we did then and what we do today, it is totally different. From a local Swiss company, we became an international manufacturing company, being the world leader in isolators. There are new challenges every day, and that is why I am still here; not one single day is ever the same…

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