Juergen Kurz – General Manager, HEUFT China



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Juergen Kurz takes us through HEUFT's unique technology that is revolutionizing the quality of packaging in the pharmaceutical industry in a country, China, where quality compliance is now an issue.

Juergen, could you please begin by introducing HEUFT and yourself?

HEUFT was founded in 1979 by Mr. Bernhard Heuft, then a young student full of innovative ideas capable of forming a company. Mr. Heuft was the first person to combine micro-processing technology, pneumatic technology and electrical systems in the beverage industry.

Similar to the story of Bill Gates, Mr. Heuft started the company in his father's garage– this is *the* classic entrepreneurial story. Companies were interested in hiring Mr. Heuft as a R&D chief but he wanted to make it by himself. Luckily, he found a team with the same motivation: we all liked small companies where we understand the product and where we can be innovative. In Germany, the most innovative companies are the mid-sized companies.

I am proud to share that HEUFT is the technological powerhouse in this industry: forty years ago, we were the first to use microprocessors. Unlike big companies that seek to grow by acquiring

small innovative companies, HEUFT grows organically. We DEVELOP our own technology, rather than buying it or applying it, e.g. our own X-ray generators, operating software as well as imaging processing software. This philosophy which has led to the success of the company, originates from Mr. Heuft. Today, we have 1300 employees worldwide.

I first arrived in China in 2002 to explore the potential of the Asian markets. Before establishing a subsidiary in China, we used to manage Asia ineffectively through agents. Consequently, in October 2003, we decided to move part of the business to China. We now have 80 people, 40 of which are engineers. Importantly, we are NOT manufacturing in China. We have the capability to produce low-tech equipment, such as conveyor pieces, here but we import all our core technology from Germany.

We have more than 2000 devices in the market. We originally started in the beverage industry and are leaders in that field. At beverage exhibitions, most people are interested in seeing what HEUFT has to say. Subsequently, we entered the food industry 30 years ago and the pharma industry 10 years ago.

HEUFT China is now the strongest in the entire HEUFT group. While the US may be a larger healthcare market, its growth is much slower compared to the China market, which is why HEUFT China is the largest affiliate for the group globally.

While I like to joke that I am a “fossil” for HEUFT (I started in 1980), what it means is that my expertise and experience are well established. Consequently, the China affiliate can operate flexibly without having to constantly report back to Germany. I am proud that the Chinese team is doing such a great job.

How strategically significant is the pharma industry in HEUFT China compared to food and beverages?

At the moment, it is not a huge part. In the future, I expect it to grow.

For the pharma industry, our flagship product is called HEUFT *spotter* ^{II} *PHS*. The “spotter” can spot foreign objects, faults, cracks, scratches, dents, metal particles, chipping, glass splinters and more; whether the container is over or underfilled; or whether the closure is defective. This is specific to lyophilized products – not for liquids.

We have smaller machines as well, apart from HEUFT *spotter ^{II} PHS*, including HEUFT *PRIME* and HEUFT *SPECTRUM ^{II} VX*.

I expect the pharmaceutical sector to grow to become 20 percent of our overall business in China in the future. The pharma industry in China is booming and this brings us significant market opportunities. I am proud to announce that the Chinese team recently passed the site acceptance test (SAT) for a HEUFT spotter^{II} PHS project at the first go!

In the next couple of years, with regards to pharma, what would you like to see in terms of innovation in filling and packaging?

The pharma industry is also on its way to develop more efficient technology. The pharma industry requires more and more inspection devices, like the ones we make. In the past, production lines consisted of a few hundred people carrying out the task of filling, labelling, checking, etc. Of course, this is incompatible with the current GMP standards so we need to introduce automation. Automatic systems, like ours, are the future. We also have the advantage of having a higher speed range.

Very innovatively, we are working with a linear concept, different to other inspection suppliers that are working on a rotatory concept, meaning that our technology are more efficient. Our competitors have much bigger machines lacking the X-ray component – this is our main differentiating factor. We have a very special approach, and it is successful in the Chinese market.

In terms of cost, we are not far from Chinese competitors. Competitors in Europe are selling these devices for much higher prices . We are in a good position; we just need to continue growing our talent pool.

Who are your main clients?

Our main clients are naturally in Eastern China, in the big belt along the coast. Nonethless, we increasingly have more clients in rural areas like the Guangdong province and Hubei in central China.

Overall, we are focusing more on local companies. MNCs are managed mainly through the German network.

HEUFT provides a series of training courses regarding the operation and maintenance of devices, as well as a 24/7 support. What is the importance of after-sales service to customer satisfaction in China?

The after-sales service is extremely important in China. As a matter of fact, the Chinese have an interesting approach to service. In Europe, service support costs money. In China, in the spirit of friendship, we have to provide this service free of charge. We have to develop strategies to bring people in the game and to be friends with all our clients, and this means providing a service.

How have you seen quality and compliance change over the last few years in China?

Fifteen years ago, Chinese quality was notoriously inferior. Today, quality demand is improving, and we see this with the increasing number of exciting projects we now have at HEUFT. The number of people attending our courses is also proof of this. The dominating factor used to be the price, but quality is now overtaking it.

Has this caused an increase in local competition?

Local competition has always been present. What is increasing is the capacity of Chinese engineers to make their own technology. We must not underestimate Chinese competition. It is true that the strength and quality of our ‘German brand’ is an advantage. Everyone believes that Germans make good technology – as long as they continue to believe in this, I am happy. As soon as this belief disappears, I will retire!

What are some of the biggest trends in the industry?

Ten years ago, China was criticized worldwide for being polluter, a rapidly growing economy with no appreciation for the environment. Today, China is taking part in global initiatives which fight to reduce pollution. They are concerned with making processes more efficient and sustainable and this is exactly HEUFT’s focus. We are able to increase efficiency by developing smoother processes that require less energy and less material. This type of market is growing very fast in China. Other suppliers probably have more difficulties adapting to this philosophy – in our case, it fits perfectly.

HR has been a big topic. What challenges does HEUFT face in this area?

This is the biggest challenge in a country like China. The Chinese education system is too focused on repetition and cramming instead of knowledge application and creative problem-solving, the annual *gaokao* national exam is proof of this. This means the talent pool is small. Luckily, we now have engineers that have been working with us for over fourteen years.

Talent retention is another cultural issue. Many countries have cooked up the idea that you cannot have a good career by remaining in a single company, instead you change every three to four years. I know people like this and they are not useful.

What differentiates HEUFT as a good partner of choice in the Chinese industry?

“HEUFT *knows how”* is one of our slogans. This means we control and invent technology to solve problems; we do not just apply technology. If there is a technical problem, we can solve it for you. When HEUFT says they will help you, they will. Germans are very reliable … difficult but reliable.

Another important aspect is that we do no try to control the market or the costumers. We cooperate with them. I have learnt that you must not try to tell Chinese what to do. Western companies, in particular, think they need to dominate and be the boss. I do not think this is very intelligent.

Looking at HEUFT, what would you like to accomplish for the next three to five years?

Most importantly, we need to maintain a stable development, avoid losses, and position ourselves in the market with clients that believe in us. If we grow, great, but this is not our priority. I sometimes worry that we will be too big. For me, it is more important to be stable, flexible and innovative.

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