Interview with Mark Smedley , President Asia-Pacific & Japan, Life Technologies Corporation

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Tags: Life Technologies Corporation

The merger with Invitrogen-Applied Biosystems in 2008 was a big milestone for the company. As one of the leaders of this integration, can you please explain how this merger helped transform Life Technologies into the company it is today?

The merger had an impact both internally and externally. Regarding the internal perspective, it certainly expanded our portfolio, since joining a leading instrument company and a leading consumables company allowed us to build up a company that can bring full solutions to our customers.

Today, together as Life Technologies, we can actually offer an entire workflow solution. In doing so we offer what we call the best growth restoring, for anybody looking for biotech tools.

As for the external advantages, having become a large company that is more effective allows us to save costs. Hence, we are able to invest more in R&D and as a consequence we can drive innovation faster and provide it to our customers. At the same time, being a larger organization enables us to have more breadth and coverage, which gives us the ability to have more support and sales people that can get into more customers' labs and offer them customized solutions for to the science they are doing.

What has been the main focus of your current business?

We believe tools are what fundamentally drive innovation. Copernicus and Galileo could be used as an historical example. In the mid 1500s Copernicus posed that the Earth was not the center of the universe and that it revolved around the sun. It was not until the mid 1600s, when Galileo perfected the telescope and actually proved that the Earth went around the Sun. So I believe the focus is scientific discovery in a tool, which is what we do.

The example I would use for Life Technologies is the Human Genome Project where they spent $3 billion USD and years to map an entire genome. It was kind of a Copernicus-like scenario. At that point, we understood that we could do amazing things once we has access to everyone's genome. Ten years later we came out with tools that in two hours and for $1,000 USD could do just that. This reduction of time and money is what we call "democratizing science" and we are very excited to be able to do it.

APAC and Japan combined represent 20 percent of the company's 3.7 billion USD revenues in 2009. What is the potential growth that you see in this region and how important is this region for the company?

The difficulty with discussing a region like Asia is that the growth perspective varies widely. Japan is essentially a flat economic growth market, while markets like India and China are growing in high double digits. Therefore, we tend to consider them growing markets or growing geographies for the business as opposed to "Asia versus somewhere else."

Having said that, at Life Technologies we define emerging markets as China, India, South East Asia, as well as Russia, the Middle East and Brazil. Indeed, we also consider South Korea in this group, even though it is not an emerging market per se because it is rapidly growing in biotechnology.

In terms of growth, we are looking at 15% growth if not higher. We believe this region is going to continue to grow and that growth is going to outpace the one of the "developed" or Western World – Europe or the US. Asia will in turn become a higher percentage of our business.

The company follows four strategic imperatives— accelerate product innovation, drive operational excellence, expand market opportunities and enhance the geographical footprint. How do the operations you head fit in with all these strategies?

They fit in two different axes: we have the largest distribution center in Asia here in Singapore, located in Tuas, which serves specifically this region. The center is one hundred thousand square feet and stores around 12,000 different products. This large stock capability assures our customers that they can have our products in no longer than two days.

The second piece of the operation is our global Center of Excellence for instrumentation based here in Singapore. Having such a center here gives us a lot of benefits in the region. It results in very fast turnaround and we can have frequent conversations with both our manufacturing and engineering scientists to better address our costumers needs.

You also have a distribution center in India and have acquired Labindia there. How does this fit into Life Technologies' strategy?

The stocking strategy that we have with regards to distribution is best described as hub and spoke – with Singapore acting as the central hub and several regional distribution centers in Asia acting as the spokes. Our distribution center in India has 1,200 products (out of the 50,000 products we carry around the world). Those 1,200 products cover 60 to 70 percent of what Indian customers buy every day; hence, having that distribution center allow us to send the products the next day after requested. The remaining 30 percent of the products are stocked in our hub in Singapore, which takes two days to deliver. The principle of all this is balancing between being able to serve our customers with what they need, when they need it, and simultaneously managing costs.

As for the acquisition, before it happened, we were doing half of the business directly and the other half was through a distributor. We acquired Labindia on the basic principle that we wanted to have a direct line of communication with our customers, rather than having a middleman.

Which types of R&D activities is Life Technologies doing in Asia and what is the distribution in respect to the United States and Europe?

We have different R&D centers around the world, however the ones we have in the USA have been around for the last 20 years and are therefore the company's core R&D centers.

In Asia we have 3 centers: the one in India looks after biosimilars and antibodies, the one in China focuses on the development of specific products for the Chinese market and the one in Singapore is dedicated to instrumentation. It is important to mention that all of these centers have synergies between them as well as with the other centers we have in worldwide.

Singapore is the only country outside of the US where Life Technologies manufactures instruments. Does it make sense to manufacture in one of the most expensive countries in the world?

Cost is only part of the equation. We care a lot about efficiency and our aim is to maximize the level of invention and innovation, rather than minimize cost. After establishing the Center of Excellence here in Singapore, we found that there are many benefits—we have great access to talent for example. Therefore, the combination of efficiency, high performance professionals and

good quality technicians make us cost-effective compared to just about anywhere else in the world.

Does Life Technologies offer a corporate value proposition?

Our core mission is to feed, fuel and heal the world. In examining the advances in sustainable energy, we see that it is all about bio-fuels since Solar has reached its peak. How to get to bio-fuels? By demanding engineer mechanisms. How to do that? By using our tools.

In terms of healing— if you look at medical sciences and its customers, as they do their research and get an understanding of how life works, whether or not it is sequencing, they will be using our tools. We are not going to directly heal the world this way, but we will provide the tools that will enable others to heal.

In terms of feeding, the reality is that it is impossible to feed six billion people in Asia in ten years time with natural selection. Therefore, unless we find a way to create rice crops that are drought-resistant, insect-resistant, and disease-resistant there will be food deficits. That is why agricultural companies worldwide use our products to figure out how to develop strains that are safe.

As one of the top 100 sustainable companies in the world, we are a great company to do business with.

As a company that works with different industries, how important is the medical science industry and what are the future opportunities you see in this sector?

Currently, from a research perspective, we do a lot of business with companies in medical sciences. However, as we move forward we think that the biggest area of growth will be to work with them on a more applied basis, which would translate into clinical diagnostics and companion diagnostics. We think that in a couple of years most of the drugs will come with a companion diagnostic and every infectious disease will be accompanied with one as well.

We will also get stronger in pharma economics, since today we see that companies in that niche are coming to us because we are a one-stop shop that can provide all the solutions they need to enable their companion diagnostic.

People are more educated about their own health these days and doctors want to be much more targeted about why, how and what they are prescribing, not only from a cost perspective but also from an effectiveness perspective. Given these dynamics, we imagine a future where we could democratize sequencing, in which everyone can go and get their DNA code read for $500 and then be able to walk into the doctor’s office with a thumb drive and code. However this will require more

time since we don’t see it happing in the next ten years.

What is your final message to our international readers?

Healthcare is a wonderful business. We can all do interesting things and we shouldn’t forget the reasons why we decided to be here. We are in this business to have an impact on our patients and make their lives better.

This is why we should never get stuck on the idea that it is a business and its ultimate goal is to generate money, since at one point we have all made a very conscious decision to be in the healthcare industry.

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