Interview: Francesco Carugi – Managing Director, Grifols Italy



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Francesco Carugi, Managing Director at Grifols Italy, discusses the company's presence in the plasma, plasma products and plasma diagnostics segments, the impact of the liberalization of the Italian plasma market on their growth and business model and his commitment to driving change management to develop the affiliate's future success.

Grifols is about to celebrate its 75th anniversary, the last 15 years of which it has been operating in Italy. During the last two decades, the company has expanded strongly internationally, becoming a global leader in plasma-derived medicines. Having joined the company almost two years ago, what would you say makes Grifols so successful, both in Italy and on the international stage?

Grifols began as a family-owned business and it has developed very successfully, but in the last few years, with the acquisition of Talecris in 2011 and Novartis Diagnostics in 2014, Grifols has transitioned into a leading global company in the plasma-derived products and for plasma-related diagnostics. Today we are one of the most diversified companies in the plasma segment.

Both globally and at the local level, we strive, as much as possible, to seize opportunities derived from synergies through our presence in various segments: bioscience, diagnostics, and hospital products. This is very important given that we often see the same customers in different segments;

with plasma, the product offering is very varied, and we often offer plasma products, diagnostics and services to the same customers, so there is room for synergistic growth.

With these global developments, Grifols has undeniably grown from a small family-owned business to a big company. This is a real step forward for Grifols and I can say that I have joined a very interesting and exciting company in terms of market dynamics.

In Italy, despite strong competition from established players, we have established a very solid image in the industry, with a reputation for good quality and customer service. This has been a core contributor to our success.

Grifols' global growth strategy centers around three areas: bioscience, diagnostics and hospital. How are these represented in the company's Italian operations?

Around 70 percent of our business is in Bioscience with the rest in Diagnostics. The hospital segment is very small in Italy and historically this has not been a key strategic area for us. We are trying to improve our sales in this segment and we are looking for distribution partners in Italy.

In Bioscience, we focus on plasma proteins and hemophilia. Our business is divided into two subareas: commercial products, and plasma fractionation, which used to be under a monopoly but has recently been liberalized. We have hopes of becoming a major government partner in this area.

Historically, we have also been strongly present in Italy for diagnostics and with our acquisition of Novartis Diagnostics, our market position has only improved and we are aiming to be a market leader in Italy.

Looking to the future, what is Grifols Italy's main growth driver?

Our top priority project at the moment is breaking into plasma contract manufacturing in Italy by taking advantage of the recent liberalization of the plasma fractionation market, which had been under a monopoly for many years. This is a major opportunity for Grifols Italy and we will be focusing on it as our main growth driver.

Grifols has a historical expertise and presence in plasma contract manufacturing, where it is a global leader. Given that we are not currently present in Italy in contract manufacturing, this is a great opportunity that we are eager to seize and we see both commercial and partnership potential with the government on this. This would capitalize on our existing expertise and experience in this field and confirm our status as a partner of choice for governments in this area.

In terms of fractionation, we have sufficient capacity in Europe, namely in Barcelona, to fulfil any government tenders and this is a very important consideration. We will not make any commitment to the government that we cannot fulfil.

Hence, we are projecting healthy growth for the next year, with expected revenues of EUR 90 million (USD 100 million) next year. It has been a difficult few years, which explains our flat sales but we are very optimistic about the future.

Given the complexity of market authorization and access, we have heard mixed reviews from the Italian pharmaceutical sector regarding their relationship with the government. What is your perspective on this?

Plasma products is a very peculiar segment. It is very different from the chemical business or pure specialty businesses. With contract manufacturing, we have a preferential channel of access regarding plasma products. In addition, plasma companies are also represented in Farmindustria (the Italian association of pharmaceutical companies) and we have a subgroup that focuses on blood-derivative products, of which I am president. Through this channel, we have a lot of institutional activity and communication with the government.

With the liberalization of the plasma market, we are trying to increase and improve our existing relationship. We expect to establish a strong partnership with the government, not just commercially but holistically in terms of full partnerships.

Interacting and communicating with authorities and the government is never easy but it is a very important aspect of our business and we maintain good relations with the government.

With the 2013 acquisition of Novartis Diagnostics, Grifols has, as you mentioned, greatly increased its presence in that field as well. How has this impacted your business in Italy?

We had always had good diagnostics sales in Italy. The acquisition of Novartis has allowed us to complete our offering to the customers and we can now offer a fully vertically integrated portfolio, with the most complete product portfolio in immunohematology. We are also better positioned for our entry into contract manufacturing in Italy, through the relationships we now have with former customers of Novartis products. This is reinforcing our presence in pure plasma as well, in addition to our overall positioning. This synergistic growth was the main driver behind the acquisition and we are very happy with the results.

The integration of Novartis Diagnostics in Grifols also stimulated an organizational overhaul and we have completely changed our operations in Italy. We now have a single unit managing diagnostics for both our customers and hospitals.

Overall, this acquisition will drive significant growth in both our diagnostics and our bioscience segments, the latter specifically in hemophilia.

It seems that Grifols has evolved immensely in just the past few years. What do you hope will become the story of Grifols in three to five years?

A year ago, Grifols Italy only had a small plant in Pisa. Now we have a new logistic plant in Vicopisano and new Italian offices in Milan. With our restructuring post-acquisition of Novartis Diagnostics, we are also hiring new talent. There are a lot of changes happening.

My personal approach is in change management. I hope I have contributed my personal leadership and change management skills and experience to Grifols Italy in the past two years. I firmly believe that change management is a crucial aspect of any successful company, because change is necessary for new business and opportunities, for growth. Most people are scared of changing but it must be embedded in a company's culture.

It is a great accomplishment for Grifols to have grown into such a successful global company but with great growth we also gain new responsibilities and duties. There is the need to transition to a 'big company' culture and mentality.

I personally feel that I have joined a very interesting and exciting company in terms of market dynamics. In the next few years, I expect to see Grifols Italy as a company with a vibrant and young management and many projects in the pipeline, and I hope I will be here to consolidate these developments.

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