Interview: Madeleine Stöckli – CEO, B Braun Medical AG, Switzerland

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With 40 years of history in Switzerland, B Braun serves every hospital in the country and operates three distinct production sites. CEO Madeleine Stöckli discusses her strategy for improving productivity and finding opportunities for growth.

Could you please briefly introduce yourself and B Braun Switzerland to our readers?

B Braun has over 40 years of history in Switzerland, and I myself have been with the organization for 20 years. B Braun Switzerland is different from many other affiliates because it is 51 percent owned by the B Braun conglomerate, with the other 49 percent being owned by members of the Braun family directly.

B Braun Switzerland has a dual role, both manufacturing products for the local market and exportation and operating as a sales organization in the local market. Considering our total turnover which is close to CHF 350 million, about one third is from the local market, while two thirds is from products exported to our affiliates abroad. Indeed, the company was created with a strong manufacturing mandate and over the last 40 years has built two sites, one here in Sempach and another in nearby Escholzmatt, and acquired a site in Crissier, as well as one in St. Gallen which we have divested. At the same time, given our longstanding presence in the market and wide product portfolio, today we are a supplier for every single hospital in Switzerland.

B Braun Melsungen's 2015 annual report indicated that EUR 4 billion of investments are planned for the company globally between 2016 through 2020. How much of that are we likely to see invested in Switzerland and what sort of internal competition for capital have you faced?

In true form of "Sonderfall Schweiz" or "special case Switzerland", B Braun Switzerland looks quite different from many other affiliates. We have higher market shares than in other markets, and our turnover is quite high in comparison to the small population of the country. In fact, our market shares are significantly higher than other European affiliates, despite much higher population than Switzerland. B Braun has been in Switzerland for a long time and thus we benefit from very strong customer loyalty and brand equity.

In this sense, since we have strong revenues and thus good access to capital, there is a certain pressure for us to find profitable investment opportunities. At the same time, this pressure is balanced against internal competition, from Germany in particular as well as other countries with lower selling prices and lower costs. Moreover, the competitive aspect is compounded by price pressure in the markets we export to, which prompts our affiliates in other markets to push us to decrease transfer prices. Decreasing transfer prices cuts into our revenues and profitability, in turn decreasing the impetus to invest from having available capital, so there is a delicate balance to be maintained.

That said, we announced a planned investment of CHF 100 million back in 2014 which covers construction projects in Escholzmatt and Sempach. Following the strong increase in the value of the CHF versus the EUR in January 2015 we had to recalculate all of the figures for these planned investments to ensure there was still room for profitability, and the conclusion was to move forward with these projects, which are presently underway.

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You are far from the only manufacturer in Switzerland to have to adjust to the surging CHF and find ways to operate more efficiently and productively. How is B Braun tackling this issue?

Our aim is to increase our turnover and output with the same number of people employed. We committed to continuing to be an important employer in the communities where we work, although we do not want to increase our workforce. To increase productivity, we increased our working hours last year by 2.5 hours per week.

However, to further increase our productivity substantially the key words here are automation and digitization. There are three different axes which we are working along to leverage these opportunities. The first is in our production processes themselves, which is quite simply investing in robotics and training our teams to use these new technologies, as we are doing at our Escholzmatt site; it is somewhat complex and expensive up front to set up these new systems, but once completed they are relatively simple to maintain and operate on a continuous basis.

The second axis is digitization and automation of our processes. Our vision is to eventually have in place an automated digital system which defines and controls the pathway of a product from the raw material through the manufacturing process and eventually to the bedside of the patient. This would involve automated order management, where customers scan a product when they use it in a hospital, that automatically places an order to replace that product with a delivery the next day, and the information is fed into the supply chain management process.

We are nowhere near this eventuality yet, but we are on the way. Today if you visit our manufacturing sites, you will see quite a lot of paperwork still; however, there is both a positive and a negative as there are many situations where we find it is important to engage employees with colorful notices and posters, which have a far greater impact than a document displayed on a computer screen. In the long run, we will have to find an optimal digital solution which still allows for some use of analogue solutions in situations where they are more effective.

The final axis where we must embrace digital and high-tech solutions is in our production portfolio itself. Over the coming years we will need to complete a rigorous analysis of our portfolio, decide which products make sense to continue producing, which do not, and what type of products we can start to manufacture. Certainly we will look to bring in high-tech products, intelligent devices, and given the availability of expertise in Switzerland and opportunities to collaborate with technical colleges and universities for the training of our employees, Switzerland certainly has the assets needed to produce these higher tech products.

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If B Braun isn't seen as the "risky and disruptive innovator", then how are you seen by your customers?

We do have very innovative products which are recognized as such, but really what we are known is as an extremely reliable partner. With 40 years of history in the Swiss market we have very strong relationships with our customers, in many cases strong personal relationships as we are proud to have very loyal employees who are able to build trust with their clients over many years.

Moreover, we have a very large portfolio and make daily deliveries to every hospital in the country – in this sense we are omnipresent and since every hospital is already buying something with us they often look to see what else they can add to their assortment and how they can group or integrate our products and systems together.

B Braun is also certainly seen as a premium brand of the highest quality, however maintaining this level of service is expensive which puts us at a disadvantage when confronted with pressure on prices. Logistics are expensive in Switzerland, and carrying out daily deliveries to every Swiss hospital does not come cheap. Parallel importation of medical devices is legal under Swiss law, and it happens a significant amount and as such price is a significant factor; here we are at a disadvantage as well as our overhead is much higher in Switzerland than it is for a German distributor that a Swiss hospital might import from.

CEO has shared a growth target of 5-7 percent globally per annum – for Switzerland, what will be your key priorities as CEO to meet these targets?

Overall I would say my aim is to bring greater focus to our efforts. Concerning the local market, we may have high market shares but there are still white spaces where we can find good growth potential. Our new dialysis business which we started only a few years ago is one example, and is one of our main focuses at present. The key to driving growth is identifying these product groups or therapeutic fields where we have good growth potential and focusing our efforts in these key areas, while holding onto our current market share in other areas.

Similarly, on the manufacturing and manufacturing development side, we have no lack of ideas or manufacturing opportunities but need to further focus our efforts. Rationalizing and prioritizing both portfolio and development projects, such that we focus on only the opportunities with relatively high potential will be essential. Of course, at the same time we must continue to do tight cost management across the board.

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