Interview: Cristina Marti – CEO, Indukern Switzerland



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Cristina Marti's colorful and successful career has taken her across Asia from Spain, before settling in Switzerland with Indukern. In this interview, Marti explores themes of competition in Switzerland, the differences in global markets and why Indukern Switzerland and other API sourcing firms are a reliable route to understanding market dynamics.

What first drew you to this role as Country Manager based in Zurich?

My pharmaceutical story began upon completion of my PhD in chemistry from Ramon Llull University in Barcelona. I started out as Chemical Purchasing Manager for Bayer and was responsible for managing a budget of EUR 400 million to purchase raw materials and APIs for pharma and industrial production uses. The purchases I made for Bayer in the Iberian region (Spain and Portugal) were varied at that time: from 100,000 metric tons of Styrene to grams of expensive APIs.

I discovered that to make good decisions on the purchase and supply of the chemical products, I needed to better understand the Chinese market. So, in 2003, I bravely set out to deepen my understanding of China and set up an office in Shanghai for an American petrochemicals company, Tricon Energy. I stayed with Tricon for four years, one of which was spent in Singapore, before moving to Beijing. I then set up my own company where I helped my Europe-based contacts purchase products in Asia.

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Indukern headhunted me for a role in Hong Kong which involved sourcing over USD 200 million of APIs from China, Taiwan and Korea to offices here in Europe and Latin America. Three years later, I was invited to work in Switzerland in the area of business development. I was asked then to come to Zurich to take care of this office. The reason was clear: we carry out all international business for APIs from this office, and so it was a way of being at the core of what my purpose is here. I am now focused on several objectives: APIs for pharma and veterinary, intermediates for the producers of APIs, and finished dosages. The aim is to communicate on pharma and veterinary with our offices around the world and coordinate them from here.

What is the strategic role of the Swiss office?

There is naturally some trading and distribution that takes place because we deal both with commodities, APIs that are well established on the market, and other APIs that are more specialities. As said, this office is where the strategy for the pharma and veterinary is defined in Indukern.

Since 2016, the API market has become more complicated because of China’s new environmental policy. In fact, 80 percent of APIs used in Europe, 70 percent of those in India and 90 percent of those in US are produced in China. These environmental policies had already been implemented in India before. The Indian Government applied a step-by-step process to inform any chemical producers that they had three years to invest in a water waste treatment plant that adheres to proper environmental policy. Three years later the Government checked and they shut down the companies that were not clean enough.

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In China, the Government stipulated its environmental needs and, as a result, 17,000 production plants have been shut down already, (not just for APIs but any chemical factory), which has affected our market a lot. Although API producers follow GMP standards, they purchase their intermediates from production sites not necessary environmentally and regulatory prepared. Some intermediates and raw material production sites were shut down which caused a lack of supply; it is impossible to change processes and the intermediates involved from one day to the next: validation trials, sample approvals, high-quality controls and so forth, which implied that prices increased. There were several shortages in the market, to such an extent that everyday products like Ibuprofen were hard to come by.

Besides, the regulation has changed in Europe. Now, key intermediates have to be produced in a production site that follows GMP standards: no certificates necessary, but a very high standard.

This worsen the scenario. This is not for the case for the raw materials, of course, but some raw materials are also short.

In Spanish we have this saying: *a río revuelto, ganancia de pescadores* which means it's good fishing in troubled waters. When there are more problems in the market there is more added value from the distributor. In fact, for the past ten years the role of the distributor has been put into jeopardy and this situation has somehow proved the added value of companies like Indukern for the market. Indukern was one of the first distributors to bring Chinese and Indian APIs to Europe. In the early 90s, no one would dare use APIs produced in China (this is back when Europe was the number one region producing APIs in the world) as the Asian countries were not regulated at all. Because of the production costs and problems with developing products due to intellectual property laws, production shifted to China and India. Once Europeans saw that they could get cheaper products in those countries, the floodgates opened and we forged the path we find ourselves on today.

If we regard Europe as a country, then China would be the number one producer of APIs, followed by Europe and India. If we look at specific countries, the ranking is China, India, Italy and then Spain. In the last 15 to 20 years, globalization has taken over. Before this, it was not easy to identify a supplier and distributors' main roles by adhering to a safe and secure, trusted image. This image was based on our offices' reputation. We carried out financial checks and we were compliant at our production sites. Following globalization, we sensed that customers started to ask themselves the question – why do I need a distributor when I can go directly to the source?

The added value of the distributor, whether it be Indukern or any competitor, is the level of control and assistance that we provide. If you go alone, the A products you will have under your control, the B products, perhaps less so, and the C products might be out of your hands. Something that might be a B or a C product for you, could be an A product for me. Our information comes from more sources, not only the supplier, but other suppliers that you might not have approved and from your competitors. Our global view is therefore better and we can reach one part of the business that they are not able to see. We share with our customers all kinds of information, thanks to all the staff we have based in Asia and our expertise. Our customers dearly appreciate this extra information.

I see our role as ensuring that as well as choosing the right supplier, the supply of products does not run short, checking the whole supply chain for the products and with a strong market intelligence. If you are looking to develop a new formulation, we would advise to approach Indukern due to our expertise. Recently, for example, we evaluated over 50 suppliers, before

deciding on the right supplier for our customers for a certain API and we identified some potential problems in suppliers that on the paper seemed the right one to choose. Finally, we have very capable auditors and provide regulatory support to our customers, and given that regulation is key in our market, this is a welcome facet to our operations for our customers.

What comprises your customer base?

Our customer base is 95 percent generic companies. Some originators produce some of the APIs themselves and MNCs have huge teams, so they are quite sure they can manage better. This has always historically been the case. Besides some of the big value products in pharma now are biosimilars, for some of which the API is completely different and so is the business involved.

What are the major developments that have occurred over the past three years for Indukern in Switzerland?

After so many years present in China and India, the way that Indukern in Switzerland was working was with strategic suppliers and exclusivity agreements. On top of this, we were doing spot business.

Further improving the strategic alliances with suppliers is advantageous because you develop the market together with the supplier and give them an added value too. Sometimes the suppliers face a cultural gap and the language barrier can be unproductive. It is curious that when I travel to China I often find myself translating English to English given the differences in Chinese mentality and European mentality! After 10 years living in China, I understand perfectly what is meant by the Chinese business peoples' conversation, whereas the European sitting next to me might struggle to understand, and so I relay the information with a European lilt. These cultural observations are things that you pick up when you have been in a country for a long time and understand how they think, and that should not be underestimated.

What we have been doing for the past three years is to identify our main projects, molecules and markets in which we need to focus and to grow from there. Further, with all this movement and convulsion in the Indian and Chinese markets, we seek other options to support both our customers and suppliers to make sure the products are not short.

Peter Kaufmann, CEO of Select Chemie was explaining to us that the challenges they face as a Swiss HQ company is that Switzerland is very highly regulated, so even if they buy in India and sell in Brazil – and that the goods never touch Swiss territory – they must still adhere to Swiss regulation which has a very high cost of compliance. So why

does it make sense, for a Spanish HQ API supplier to base itself in Switzerland to reach out to the greater European market and more?

The API distribution business in Switzerland developed very fast as a consequence of the importance of pharmaceutical activity in Basel. That was also the case for Indukern.

The office in Spain was historically focused more on LatAm countries due to the accessibility and the cultural proximity, and the regulated markets were taken care of from Switzerland. We have changed this recently and all the business for pharma and veterinary is done from Indukern in Switzerland for all markets except for those where we have an office (Spain, Brazil, Mexico, Dominican Republic and Colombia), still with a global strategy coordinated from here.

In our business, the advantages of being in Switzerland outweigh the disadvantages. Switzerland has solid GDP and that is a quality stamp that speaks for itself worldwide. Switzerland is a country that the world trusts which has a positive impact on our customers.

How do you see the role of the Swiss office evolving in the future?

From an API point of view, we are not in a country but a region, so it will gain importance. The regulatory requirements for the entirety of Europe, including Switzerland, are the same, so when we develop a product or project here, we develop it for the whole of Europe. This is of course challenging, but this makes the offices lead the strategy.

Furthermore, we are used to being aware of regulated and non-regulated markets at the same time and inside the same market you always have exceptions. You sell a product to a company in Eastern Europe, that product will be sold in Russia, and it has a registration from a long time ago, so you need a specific regulation for that product that is different from the others.

Whereas if you are the director of the pharma department in Mexico, you only know about the Mexican market, Mexican regulation, Mexican law, etc. Our international build makes Indukern the best insider group to lead the strategy with a wider view.

Switzerland is home to several API companies. How do you distinguish yourselves from the competition?

Indukern’s global presence is much bigger and we are the leaders in the veterinary API business where they are not strong. Still, with so many molecules launched on the market year on year, and given the shared mutual respect and similar strategies in the industry, there is room for everybody in the business. There can be competition for a specific project, or a specific customer but one

company is not necessarily better than the other, it is just better positioned for a certain project. It all boils down to relationships with suppliers, product choice, and knowledge of that specific product.

Our Group – Indukern Group – also has a generic pharmaceutical company, Kern Pharma, which is also producing some APIs; and a generic veterinary laboratory, Calier, which is not the case for our competitors in Switzerland. In our internal meetings we are able to ultimate identify the needs of our customers and the trends of the market, allowing us to define our strategy better.

What do you value most about the Swiss business culture?

I appreciate the value of keeping one's word in Switzerland. Sometimes you don't need a signature to ensure an agreement, and I think this is a pure must. Also the fact that the partners can be confident that they are in good hands, both the suppliers and the customers, when dealing with a Swiss company.

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