Interview: Marc Hasler – Head of Product & Market Development, Swiss Post



"When you look at the Swiss market, you see more niche players which are starting to deal with cutting out part of the market and trying to be part of the competition."

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Marc Hasler, head of product and market development at Swiss Post, introduces the strategic significance of pharmaceuticals to the company, emerging trends in the logistics industry, and being a flagship company in Switzerland.

Could you start by introducing the strategic significance of the pharma/healthcare business to Swiss Post and describing your overall capabilities in this field?

For Post Logistics, the logistics division of Swiss Post, our main core branch is health and pharma. We have been working intensively on this branch for years. The total health market, including hospitals, nursing homes, pharma, counts for around CHF 70 billion (USD 60 billion) which is an enormous amount. This represents around 15 percent of Swiss GDP. By focusing on this branch, we subsequently have to deal with quite a lot of complexity. We deal with Switzerland's 26 different cantons – which is a lot for a country of our size – and the cantons have a powerful role since they are influencing the law. We then have 250 hospitals in Switzerland, which is again, a big number for such a small country. We also have an aging population which means we have 2,700 nursing homes. Healthcare is an extremely fast-growing market.

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When you look at the pure logistics setting, we are at the heart of Europe, but not part of Europe which makes things complex. It is both good and bad. The good thing is that the Swiss market has its own rules which have been very supportive of innovation, but the more challenging side is that

we have to take care of the whole “internationalization story”. The biggest players have already done so, but the smallest ones need to be helped. That’s why Swiss Post is very focused on this market, not just on the home market, but helping the international image. When we talk about health and pharma, we have a 360º view of this market. We divide it into three different parts: firstly, hospitals and nursing homes, with their magical performance; then we have the full side of pharma and biotech, biotech being very strong in Switzerland; lastly the personalized medicine area dealing notably with the home sector. That is our market segmentation.

Today, which of these segments contribute most to revenues, and how do you see this evolve in the future?

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Currently, the mix is quite balanced between hospitals and pharma/biotech. The diagnostic and medtech sector represents a smaller part, but the growth there is strong. In the hospital sector especially, we are seeing things changing. We have some private hospital changes in the market which are redefining the rules. We also have Cantonal or regional hospitals which are under extreme cost pressure, and they are under pressure from the Swiss population who love and live federalism. However, we see that federalism in a globalized world is an extreme cost factor, and this cost factor is currently being question marked. This whole sector has to be reformed, and these changes, for some of the hospitals, are quite dramatic. Hospitals are being closed down or combined. So the question is, what do we do logistically wise? Can we help people if they are facing these challenges? What are the modern private clinics doing? We see that the Cantonal hospitals are focusing on what the private ones are doing. They are trying to modernize and modify their structures like the privates. With these enormous changes, hospitals are focusing on their core competences. Logistics is not a core competency for most, and they are saying, “we need a supplier”, which removes a burden for them. Based on Swiss Post’s value and reputation, we are normally the first choice. That’s why we are also extremely focused on this sector and why we are investing in infrastructure and new services. We believe that the market will continue to grow. We want to be in this market, and we have defined it as one of our key areas of focus. We have other vertical markets in our group, but health and pharma are without a doubt our key markets.

Swiss Post has invested heavily, in recent years, in expanding the scope of offering to the life sciences industry with developments such as the acquisition of the Health Care Research Institute (CHRI) and the setting up of eHealth platform. Tell us more about these investments.

We see that by playing in these segments, we need to have a strong infrastructure which is focused on health and pharma and of course, GMP certified as well as certified by regulators. We want to invest in our infrastructure, and want to do so in the heart of Switzerland. More and more

pharma companies are searching for specialists for their processes. They need someone with a reputation, that is certified and has the infrastructure, and Swiss Post does so. Pharma companies are looking for the highest standards possible; it's not just about cleanliness and process organization, it's about temperature controlled transport, security and safety procedures. We then said we wanted to invest further in this autostore which is geographically located right at the heart of Switzerland. The system is built so that we can scale it up and grow with the customer. We have some interesting customers, and one of them is Hirslanden [Switzerland's largest private hospital group], which is very much a game changer in the hospital sector in Switzerland in my opinion. Some additional very innovative approaches we are implementing are for example related to drones. Drones are playing a role in three different fields. The first field is for special value or emergency goods. That's where health and pharma come in. The second is special locations that are not on the main delivery axis. For example, currently we drive up to each chalet in the mountains, which is basically a minimum of 20 minutes up and the same down, partly only for one person. So drone is an interesting option for delivery for the remote locations. The third is emergency deliveries. For example, if someone is in the forest and has a sugar breakdown and is logged with a health diagnostic watch, we can see something is going on and we know his GPS coordinates so we could deliver something to him.

What are some of the emerging trends you have noticed in your field of business? For example, what are your thoughts on Amazon making the announcement they will enter drug distribution in the US, and eventually, globally? Is this some kind of a threat for Swiss Post?

Amazon wants to be a global ecosystem for trade. They started trading normal goods, e.g. books, and now they are beginning to trade much more valuable goods. I think they will enter the pharmaceutical market, as it is a very interesting and valuable one. But, you have to look at the markets Amazon takes on; first it is always the US, which makes sense; then, they penetrate the largest markets in Asia and Europe, which for us in Europe, implies the Big 5. Only in a third phase will they go for mid-sized markets such as Switzerland. From a volume and value point of view, a country like Switzerland is not that interesting, but from a margin point of view, it is interesting. Hence for now, we are not taking this announcement as an immediate threat.

A major trend we are however strongly focusing on in related to the aging population. We are focusing on instant pharma. So, if someone needs a medicine, we can deliver it directly to them, perhaps via drones or delivery robots. We are also thinking about homecare services. When we deliver medicine, why don't we also ask people at the same time if they are feeling healthy. Then you can send feedback directly back to the doctor or to an e-health document. These are the types of avenues we are looking into.

In terms of your clients, do you think there is more and more outsourcing?

Yes, there is more and more outsourcing. It actually goes in circles: outsourcing, centralizing, decentralizing, outsourcing again, insourcing… For a while there was some stagnation in this sector, but over the last two years, we have seen an increase in demand for outsourcing solutions, driven by regulation and cost fit programs in these organizations, leading companies to concentrate on their core competences to gain efficiencies. It is normal in logistics to gain efficiencies quite fast. Not just one or two percent. If you rebuild your supply chain, 20 to 30 percent is always in. But, this comes with the consequence that you have to redo certain things, that you have to regroup some of your internal departments or set them out. We do see the outsourcing trend coming back, and it is more and more tailored. This tailored part is the challenging part of outsourcing. Using special IT systems is an option. Maybe companies what special sub-processes in outsourcing. The control pattern is always the same because it is given by regulation.

Swiss Post is without a doubt, the flagship postal company of Switzerland, but the environment is highly competitive. How do you make a difference? Isn't it somehow, just a bit too "comfortable" to capitalize on this amazing heritage and reputation? Would maybe more commercial aggressiveness need to be instilled?

In the domestic market, we are the local hero, the leader of the pack. Based on the reputation of our processes, we will continue to have a very strong footprint in the domestic market in the future. When you talk about international lines, we are in direct competition with integrators. Each of these integrators has identified health and pharma as their number one vertical market. But there again, it's clear that we are the domestic leader.

I however think we can also offer strong relations in Europe. As soon as you talk about global concepts, we have to deal with our partners. For example, we have a joint venture company with TNT which was incorporated within FedEx two years ago now. We are therefore discussing a new joint venture framework with FedEx since we do believe that when dimensions become international, we cannot do it alone, and need to rely on such solid partners as Fedex. This is actually always a big concern for local or national post organizations.

When you look at the Swiss market, you see more niche players which are starting to deal with cutting out part of the market and trying to be part of the competition. I'm convinced that we have delivered an excellent reputation and service all these years, and most will not be able to get over their niche. In May 2017, Swiss Post has been ranked as the most innovative post organization in the world by the Universal Postal Union (UPU). We continuously have to invest in innovation; innovation is not just drones, it is a concept, a philosophy. We need to invest in technology, as technology drives innovation. The third pillar is infrastructure, which regroups the traditional,

classical warehouses. All is about finding the right combination between new dimensions and old dimensions.

What are your key priorities and ambitions for further developing the life science business at Swiss Post, and what do you expect to have achieved when we come back in five years?

I believe that we will still be the undisputed leader in health and pharma. We will have a new modernized infrastructure, we will have launched innovations in instant pharma, which means we will be faster in this sector.

In the end, I think we will offer a combination of both active technology to really fulfil our needs combined with passive technologies.

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