Robert Kruit – Chief Executive, Zuellig Pharma Malaysia & Brunei



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Robert Kruit, chief executive for Zuellig Malaysia and Brunei, discusses Zuellig's plans to expand beyond distribution and diversify its offering in the healthcare sector, and how Zuellig's investments into digital health, commercial solutions, and animal health further the goal of making healthcare more accessible.

Having taken charge of the Malaysian affiliate seven months ago, what have been your key priorities?

Zuellig Pharma's overarching mission is to make healthcare more accessible and we align our priorities with this purpose.

Firstly, the core of our business is and will remain distribution, and we will continue to invest in our infrastructure. Currently, we are investing in areas of low accessibility, specifically in warehouses in Kuching and Kota Kinabalu in East Malaysia. Distribution is an enabler for our other services, such as sales and marketing.

Secondly, we are prioritizing our medical device and diagnostics, as well as our animal health business units. Our presence in these sectors is currently smaller than our operations in pharma, which offers Zuellig the capacity for higher growth. We are accomplishing this by offering

innovative solutions to assist manufacturers and customers in those sectors.

Finally, we are endeavouring to grow our commercial solutions business – Zuellig Pharma's sales and marketing business unit. We undertake the sales and marketing operations for products that we in-license, in addition to products that we hold under agency agreements. For example, we recently launched a new product locally that treats post-menopausal osteoporosis.

Where are the areas you are targeting as potential growth spots in the Malaysian market?

The pharmaceutical segment will continue to grow. Given that it is a large market and growing at a relatively fast rate, it remains an area of potential. While most parties suggest growth in pharma will be at mid-single digits, we are optimistic about achieving high single-digit to low double-digit growth in the upcoming years.

Moreover, the new government is in the process of defining its healthcare strategy. There are talks about a more comprehensive national health insurance system, and how to balance its funding between public and private sources. It is too early to predict how exactly this will affect our business, but with more people gaining access to healthcare, the demand for our services will likely grow.

Another priority of the government which will drive growth is medical tourism. Malaysia is positioning itself as a hub for competitively priced, high-quality healthcare, in order to attract overseas patients. This will drive demand for high-quality medication, diagnostics and medical devices.

What are the key challenges for a distributor with the aim of increasing access in Malaysia?

Every segment of the business has its own particulars, depending on the maturity of the segment.

Medical devices, for example, is a relatively well-developed segment, and we focus on differentiation and developing tailored solutions. Many of our medical device clients stock inventory in hospitals under consignment, which creates challenges in managing this inventory. Hence, we have developed a management system called *eZConsign* enabling the stocks to be managed in a very simple way using only a barcode reader and a mobile phone. Stocks can also be replenished

automatically. This will ensure surgeons and other healthcare practitioners have timely access to any devices they require.

Animal health is a sector that is less developed. Thus, we focus on introducing more advanced cold chain management, to ensure animal vaccines reach our customers without loss of efficacy.

How does Zuellig differentiate itself from its competitors?

First and foremost, we concentrate solely on healthcare, covering pharma, medical devices, consumer health, and animal health.

This allows us to specialise and zoom in on the needs of our clients and our customers. For example, for the pharma segment, we developed the *eZCooler,* a revolutionary passive packaging solution for cold chain products. The *eZCooler* ensures vaccines are maintained between two and eight degrees Celsius. This is of crucial importance, as outside of this range, the vaccines can lose their efficacy. Most companies use a foam box to transport vaccines. When we tested such boxes in a laboratory setup, it was found that the temperature inside can fluctuate depending on the thickness of the material and the position of the ice gels. Our *eZCooler*, based on advanced technology, can sustain its temperature for up to five days under Malaysian climatic conditions. We are the only company offering this solution here.

Another aspect which differentiates us is our reach. Given our focus on making healthcare more accessible, we do not necessarily consider the profitability of a delivery route. We seek to reach as many Malaysian patients as possible and will not neglect some remote areas purely based on cost-effectiveness alone, even though the volumes delivered to these areas are almost negligible. This includes delivering home dialysis solutions regularly to the homes of patients in Malaysia, some of whom live in less-developed areas.

We also offer patient-oriented solutions, through a unit called *CareConnect. CareConnect* develops tailored programmes to help patients, such as affordability programmes. Sometimes, patients are prescribed expensive medicines that are difficult to fund through out-of-pocket payments. By liaising with banks and manufacturers, we can offer solutions such as interest-free credit card payments. We look at where the issues are in the market and strive to overcome them.

Digitalisation is becoming a topic of much discussion in Malaysia. What digital innovations is Zuellig bringing to the Malaysian market?

One of Zuellig Pharma's recent investments was made in a company called Klinify, a tech start-up offering a cloud-based clinic management system. We are connecting Klinify with clinics and general practitioner centres, while also integrating them into other components of the healthcare system, such as the payor-side. Klinify was first launched in Malaysia and we aim to cover most of the clinics within the next few years. We are also investigating the potential to bring this system to other countries where we operate.

How do you manage the balance between concentrating on the less profitable programmes which help fulfil your mission of making healthcare more accessible, and growing your logistics segment, the main financial driver of your business?

These two subjects are actually not conflicting. The logistics business is driven by economies of scale. Economies of scale generate savings, and we re-invest those savings into our infrastructure and into our quality system, but also into our distribution reach and additional services and programmes. This improvement, in turn, attracts new clients, that see the expanded reach as a good reason to work with Zuellig Pharma.

Pricing and healthcare costs are rising in Malaysia. How can Zuellig contribute to the work of others in the industry to keep costs under control?

We are a logistics-focused company. We do not manufacture, and we do not own the intellectual property related to the medicines we distribute. As such, we do not have control over the pricing of medicines. We do however help lower the logistics costs based on the economies of scale we generate. It is far more efficient to operate a large warehouse as compared to a small or half empty one. This, in turn, lowers our operational costs.

What is your vision for this affiliate?

Quite simply, we wish to make healthcare more accessible. Therefore, I expect that our access programmes will be fruitful in East Malaysia and other more remote regions.

I also want Zuellig Pharma to continue to set the market standard for quality and compliance. The solutions we develop, demonstrate that we take quality to the next level. We strive to lead the way on being a compliant business and are constantly exceeding the required legal standards.

In terms of growth, pharma will be our main target area, but I also expect to see significant development within commercial solutions, medical devices, and animal health.

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