Pierluigi Petrone – CEO, Petrone Group & President, ASSORAM



My dream is that Italy, thanks to its infrastructure and location, can become the leading pharma manufacturing logistics hub for the Mediterranean region, joining northern Africa with the wider MENA region and with Europe

18.04.2022

Tags: Italy, Petrone Group, Logistics, Distribution, Service Provider, ASSORAM

Pierluigi Petrone outlines family-owned Petrone Group's wide-range of outsourcing services to the pharmaceutical industry, how its international footprint has evolved over time, and his key priorities as president of Italy's main primary pharma distribution association, ASSORAM.

Could you begin by introducing Petrone Group and its history in Italy?

Petrone Group is a private family-owned company, established by my father in Naples, southern Italy in 1965. The company started out supplying pharmaceutical supplies to cruise ships when my father noted the growth of this industry in the 1960s and we have grown from there; my family have long been pharmacists and chemists and I am part of the third generation.

Petrone Group is not a big company, but it is big enough to be able to engage in several business lines across the pharmaceutical sector. I like to compare our service offering to that of a piece of candy with a hole in the middle. In this hole sits a small, medium-sized, or large pharmaceutical company, while Petrone supplies the full range of outsourcing services around it. We allow our clients to lower their costs. Today, the Group owns more than 32 companies in healthcare/pharma, and we are one of the top players in terms of leaflet printing and the manufacturing of folding cartons.

Additionally, Petrone Group is also present in the primary logistic provider business, and I am currently serving as the president of ASSORAM, the main Italian association representing such companies. Petrone Group is heavily involved in third-party logistics (3PL) within Italy, with three plants in Milan of 15,000 m2 each and one in Naples of 5,000 m2, close to our global headquarters.

Moreover, through its sister company Pharmaidea, Petrone Group manages a EUR 200 million mature product portfolio in both the retail and hospital markets between Italy and Spain. We have struck agreements with several Big Pharmas to manage parts of their portfolio that they are no longer interested in marketing themselves and today Petrone Group supplies 14,500 pharmacists per week in Italy with these products.

How has the company's international footprint evolved over time?

Petrone Group began to internationalise in 1998 by establishing our first affiliate outside of Italy in Barcelona, Spain. We were able to grow this wholesaler, supplying stock for the retail pharmacies, to the point that 11 years later we sold it to the leading Spanish pharmacy cooperative.

In 2002 we opened a local branch in in Dublin, Ireland with the aim of pursuing a similar business model to that in Spain. Then, in 2012, our former managing director in Dublin moved to Singapore and we thereby established Petrone Group Asia Pacific, today Euromed Pharma (APAC). Following that, nine years later in April 2021 we decided to implement a local presence in Singapore through opening our own warehouse and gaining a wholesale distribution license in that part of the world. The link between Petrone and APAC has always been strong; I myself was only 17 years old when I conducted my first Asian trade for the business in Vietnam, India and Singapore! Today, I sit on the board of the Italian Chamber of Commerce in Singapore.

The US is also a key market. Pre-pandemic I travelled to the US West and East coasts to meet with companies, especially those involved in rare diseases and orphan drugs, interested in approaching the European market via a partner like Petrone. We established a new brand, Euromed Pharma, to take care of this part of the business and bridge US innovation with the European market. Companies that partner with us need only a skeleton staff of two – a managing director and a medical director – in Europe, while we take care of all other functions and issues, from stickering and labelling in the correct language to invoicing and payment collection.

Euromed is also now involved with clinical trial services, both in terms of clinical trial partner supply as a GDP-licensed logistics provider as well as now a GMP-licensed manufacturing site.

Additionally, we have enlarged our scope with the establishment of a US affiliate in New Jersey in November 2019. While COVID made for a challenging first few months, since August 2020 the company has been up and running and we now have seven people on the ground there.

After the US, last February we opened Euromed Pharma DACH (Germany, Austria, and Switzerland) to establish a local presence within the German market, the most important in Europe.

Our heritage is Italian, but we have always tried to internationalise in countries where our services are able to add value. Hopefully, by Easter 2022, we will sign an agreement to take over a company in France and by the beginning of 2023 open a small branch in the UK. Given that the UK is outside of the EU, registration timelines are slightly faster than elsewhere in Europe and many US companies are choosing to launch there too.

As a medium-sized company, how challenging is it to differentiate Petrone Group from well-established local service providers and multinationals?

While every country has big players, it is quite unusual to find a company able to fulfil such a transversal outsourcing business as we do. In markets like France, Germany, and the UK, two or three big wholesalers have around 95 percent of the market share, but we differentiate ourselves by not only dealing with pharmacies but also with pharma companies working on drug discovery and drug development. Because of this, we can offer logistics services, retailing, invoicing, and clinical research services, which is quite unusual. We are able to provide a one-stop-shop for pharma companies who save time and costs from not having to switch between providers. I cannot claim that we are always the best or the market leader, but our unique approach allows for cross fertilisation for our partners that helps them develop their businesses.

COVID is perhaps the biggest challenge that the healthcare distribution industry has ever faced. What were the pandemic's main impacts on your business, and have any trends emerged from this period that will change the way it operates?

Petrone Group's turnover has increased by ten percent year on year post-COVID, not due to COVID-related products. The beginning of the pandemic presented several challenges, including selling out of lateral flow tests in our retail pharmacies in Naples (Farmacie Internazionali), but we were able to implement a new business model with a significant reduction in travel and a new service offering approach.

This shift in the company's focus was already underway pre-COVID. At the end of 2018, together with consultancy McKinsey, Petrone Group completed a very significant organisational realignment. We decided to move to four separate parts: commercial operations (trading business, clinical trial fulfilment, cosmetics etc), pharma (direct to pharmacy and logistics services in Italy, Spain, and the US), retail products managed by local pharmacies of which we have four in Naples along with two health food shops, and industrial operations (packaging services, both leaflets and folding cartons).

Despite this restructuring, Petrone Group still has a lot of different business lines under one umbrella. Is there a danger of spreading yourself too thin?

We have always maintained an agile approach, adapting to market trends, and building up synergistic service and product offerings. For example, the deep diversification of the business started in 1999/2000, moving from a focus on commercial operations to also providing outsourcing services as pharmaceutical companies lost patents and generic competition grew in the period up until 2013.

Additionally, the firm saw that Big Pharma was holding clinical trials in both the US and Europe, but that equivalency statements were needed to bring products to market outside of where the trials were being held. It therefore made sense for pharma companies to partner with the same service provider in both the US and Europe to create cross fertilisation and ease this process.

Finally, we chose to boost our Italian packaging footprint in line with Italy's role as an important site for pharma contract manufacturing. Last year, our Italian operations brought in over EUR 500 million, up to 45 percent of global turnover.

It can be difficult for family-owned companies to balance maintaining a family spirit with bringing in outside influence, innovation, and staying on top of emerging trends. What is your take?

We remain a true family-owned and family-run company. My father – 87 years old – is still involved on a daily basis and my mother takes care of one of our pharmacies in downtown Naples. My brothers and I oversee three different parts of the business: Raffaele looks after financials and investments, my twin Massimo takes care of the five pharmacies we have in Naples and our eight rehabilitation centres, while I am the commercial operations manager in charge of business development. However, hiring and retaining top emerging talent is a key priority.

What are the top items on your priority list as president of ASSORAM?

I would like to continue to see investment flows returning towards Italy, including for API and other pharmaceutical manufacturing that has tended to be outsourced to India and China in recent years. The first part of the pandemic showed the folly of this system.

My dream is that Italy, thanks to its infrastructure and location, can become the leading pharma manufacturing logistics hub for the Mediterranean region, joining northern Africa with the wider MENA region and with Europe. Power is nothing without control and, if a country is able to manufacture high value products but not distribute them in real time, it misses an opportunity to create value. Italy is a strong manufacturing country but can also be an even stronger logistics player. I really hope that the government of Mr Draghi, especially given his strong understanding of economic flows, can capitalise on the opportunities in this space.

Another big challenge for ASSORAM's members is the price of energy and raw materials. Our members must maintain a temperature control for 24 hours a day, 365 days a year. They are also obliged to distribute products not with specialised temperature-controlled trucks, not only for the cold chain, but also for the ambience. I have made numerous pleas to the government about the costs involved in distribution of essential products to hospitals; prices are negotiated between AIFA and the pharma company by law and cannot subsequently be increased, making the margins incredibly tight and threatening the sustainability of the system.

Do you have a final message for our international audience?

I would like to extend my thanks to my colleagues at ASSORAM who, from the first day of lockdown, committed to keeping their premises open. The importance of the primary logistics industry was made crystal clear during the pandemic; without it, pharmacies would be unable to replenish stocks and patients would go without their medicines.

In terms of the family, I take great pride in the level of ethics and trust that exist between us. Trust is a key pillar of our company and all family members that want to be involved are doing so wholeheartedly and in an ethical manner, just as my mother and father did before me. Given that we have close to 1,200 staff working with us daily across three different time zones, becoming ethical shareholders is crucial.

Looking towards the company’s future, several financiers asked us to list the company on the stock market, but we have no plans to do so. The main reason is that we have so far been very good at dealing with our own money and have become a cash positive company. Secondly, we have enjoyed growing the business from scratch and want to continue to do so. Lastly, I am only 51 and have no plans to sell up and retire ye ! My journey with the company has been life fulfilling and if I had to start again from the beginning, I would do the same thing all over again.

See more interviews