

Interview: Dante Castillo Managing Director, Haemonetics Puerto Rico



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Dante Castillo, managing director of Haemonetics Puerto Rico, explains the acquisition of Pall Life Science's blood division and how the affiliate can focus on R&D as a new untapped area of potential, a unique asset in the country typically better known for manufacturing.

How did the transition from Pall Life Sciences to Haemonetics affect this operation?

The transition happened in 2012. At that time, the rationale behind Haemonetics buying the whole blood business from Pall was to expand our blood product portfolio, enhancing our comprehensive portfolio of devices, information management, and consulting services to offers blood management solutions for each facet of the blood supply chain – from plasma and blood collectors to hospitals.

The acquisition was worth over \$500 million, including the filter operation in Puerto Rico, another facility in Tijuana, Mexico and in Los Angeles, CA, where we have manufacturing assembly, filling, sterilization, packaging and distribution operation. There was a fourth in Italy for making finished goods for European and Asian markets. However, Puerto Rico is the Global Center for blood filtration and unique provider for the whole filtration network.

What is being manufactured in Puerto Rico, and where are these products exported?

Haemonetics Puerto Rico manufactures filters for plasma, platelet and whole blood leukoreduction. Every filter has a different function that connects to the blood transfusion systems manufactured in other production sites. We have OEM customers in Europe and Japan and our finished goods for whole blood systems are made today in Tijuana, Mexico and Covina in Los Angeles, California. We have recently opened a new manufacturing facility in Malaysia that Haemonetics Puerto Rico also supplies the filters. We provide filters to those facilities and OEM customers for them to continue to complete the finished good assembly.

Will you focus on Latin America?

We have a sales force for Latin America; however, today even though countries like Brazil are a focus as the biggest emerging economy in Latin America, our main focus today is to increase our market share in China and other Asian markets. The Malaysian facility was opened just a few months ago to ramp up sales opportunities in that region and in Europe as well.

What makes Haemonetics's filters so innovative?

For us innovation is about anticipating, listening, understanding and striving to fulfilling and exceeding our customer expectations, recognizing that expectations can vary from one market to another. For instance, the key driver for the US is 24-hr RTH capability and for EU is a friendly centrifugation technology, soft shell filter. The common market drivers are service quality, competitive cost and business continuity, so we are putting significant efforts in capacity, manufacturing footprint and in our filtration technology to fulfill and excess on those requirements through innovative products and improved services. This means embracing R&D opportunities, lean concepts and vertical integration to deliver product differentiation, simplify our production processes, supply chain, and inventory management. In the last year, Haemonetics has launched unique, innovative products, including Blood track Haemobank, for hospital, and in Puerto Rico we are launching our RCS, soft shell filter, and moving into Vertical integration by bringing in-house the manufacturing of the membrane, key component of our filter, with an investment/expansion over \$20 million. The membrane operation is almost ready to start validation, and this addition open abundant opportunities for R&D.

Currently filter membranes are still provided from Pall Corporation.

What kind of R&D activity would this entail?

The media filtration operation will provide the capability at Haemoentics Puerto Rico to play a more protagonist innovation role within the blood filtration arena, opening additional opportunities for product differentiation and for the hiring of new talents as well as confirming Puerto Rico as the Global Center of Excellence for Blood Filtration for Haemonetics, though supporting Haemonetics policy as the Global Leader in Blood Management Solutions. One of the Puerto Rico's advantages is that organizations like PRIDCO are promoting and supporting R&D investments with very good incentives that make them very attractive for companies like us.

Do you think it is a good idea for Puerto Rican companies to spend more time working in R&D, or focus on their strength in manufacturing?

In my opinion, Puerto Rico offers plenty of opportunities for both, R&D and manufacturing, however it is important to identify how PR can better capitalized the corporation's needs for net low cost. Puerto Rico holds an extensive combination of talent knowledge and maturity in the manufacturing environment that can easily fulfill the needs for R&D talents as well. Additionally, the tax incentives program for R&D is really good and this is also available for services and manufacturing. For instances, Finish Goods that are manufactured and sell from Puerto Rico can be at a 3% tax rate versus over 33% off shore, including low labor cost country like Mexico, so making also Puerto Rico ideal for manufacturing. The challenge is how to mitigate/ off-set the high labor cost for extensive, manual assembly activities. In my judgment this can be accomplished if PR reinforces the use and promotion of the "twin-plant" model that has been active over the last 25 years, but somehow unknown. With the Dominican Republic only 80 miles away, as well as Costa Rica, with fully labor cost way below Mexico and Malaysia, and taxes of 3%, Puerto Rico can deliver a more cost effective Finish Good than anyone else in the world.

How many jobs will the new investment bring?

I do not see why Puerto Rico cannot come back to the level of employment opportunities that we used to have 20 years ago when Puerto Rico was the "cash" source for most of the Pharmaceutical leaders within the United States.

How do you retain the best talent in Puerto Rico, when you can employ people in a country like Malaysia for a fraction of the cost?

Despite the migration that has happened in recent years, there is still much talent that wants to stay and live here. They love the island, they have family here, and they generally do not want to leave. The level of experience required for high tech/ automatic operations is fully supportive within Puerto Rico infrastructure, so best talent can be retained by promoting a good strategy to attract foreign investment to capitalize the aforementioned opportunities that are offered in Puerto Rico.

How do you find the environment at the corporate level when competing for investments globally?

Today market share globally is a huge challenge, in which small customers are getting into clusters to improve their negotiation capacity where cost and product differentiation continue to be the biggest challenges. Thus, corporations are also making their homework to retain and improve their market share globally, by consolidating/vertical integrating operations, bringing lean concepts to the organizational structures and production areas, capitalizing on tax opportunities and doubling R&D efforts to make a differentiation. Other business acquisitions are also key in the global environment to improve product portfolio and expand market share.

Haemonetics calls itself "THE Blood Management Company". What characteristics of the company call for this title?

I have been in the whole blood business for around 30 years and no other company is more focused and has a bigger scope in the blood management solution portfolio than Haemonetics. Our comprehensive portfolio of devices, information management, and consulting services offers blood management solutions for each facet of the blood supply chain – from plasma and blood collectors to hospitals. We believe that through proper blood management, our portfolio of products and services helps to prevent a transfusion for the patient who doesn't need one and provides the *right* blood product, at the *right* time, in the *right* dose to the *right* patient who does.

We began our odyssey of success in 1971 with devices and consumables, which changed the way blood was collected and processed at plasma and blood collection centers, as well as in the surgical suite. As industry needs have changed, we have evolved from a medical device company focused on blood processing systems to our current position as *THE* Global Leader in Blood Management Solutions. Today, as we enter our fifth decade, we believe that we are uniquely poised to transform the practice of blood management globally.

In terms of your management style, how do you instill that commitment to innovation among your employees?

First of all, you should try to find people who are interested in the same things you are. We rely on a talented workforce to help us achieve our mission of providing innovative blood transfusion technology that advances the safety, quality, and availability of the world's blood supply. To achieve our business goals and objectives, we are committed to attracting and retaining the best and brightest talent while offering a challenging, dynamic, and exciting work environment that offers professional growth and development and where good and on time communication encourage a

fertile culture that recognizes when things don't work and adjusts to rectify the problem while maintaining our strategic focus. Our values as well are very important, managing by value instill people to feel safe and trusted, to understand that they can speak freely without fear of repercussion, so promoting an environment of respect, teamwork and collaboration that will delivery on innovations and results.

If we came back to Puerto Rico in 2020, where can we expect to find Haemonetics by then?

Surely you will find a more proactive, lean and vertical integrated facility, mainly focused on achieving the excellence on everything we do with emphasis on the innovation of our blood transfusion technology to become the faster and best cost effective filtration systems.

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