

Interview: Jorge and Andy Vivoni – President and Business Development Manager, Steri-Tech, Puerto Rico



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Steri-Tech is one of the few local contract sterilization service providers available in Puerto Rico. Jorge and Andy Vivoni, president and business development manager, discuss how they ensure that pharmaceutical companies continue to establish themselves in Puerto Rico.

What is the strategic importance of Steri-Tech within the Puerto Rican life sciences community?

JV: We see ourselves as a facilitator. When companies plan to invest in Puerto Rico, they ask if there is a contract sterilization facility on the island. It is important to them. Of course the answer is yes; because of Steri-Tech's existence we like to believe that we have been instrumental in the fact that some of these companies have been able to establish themselves on the island. Also we are in a strategic location between the west and east coasts of Puerto Rico. Therefore it is very feasible for companies to transport their product to the island for processing and sterilization. In that sense, Steri-Tech has been instrumental for the development of some companies

AV: When big industry comes to places like Puerto Rico, it is all about the supporting infrastructure and businesses, which is where we fit in. We are a key service provider to many life science companies, and we have to be here to promote these big players to get over here. We must stay competitive, and some of the factors that have made Puerto Rico competitive in this industry are the labor force. We have a large, bilingual professional executive and pharmaceutical professional labor force. While the benefits are not like they used to be, we are still promoting incentives and pharmaceutical companies still have tax breaks. Our various sterilizers can fit to different customer needs and we try to offer the customer as many cost savings and as good a service as possible. Steri-Tech is the leading service provider when it comes to contract sterilization in Puerto Rico so we will always be an asset to medical device and pharmaceutical companies that share this need. As long as they are here and have to sterilize, we will always be a first option for companies seeking the best service and prices.

How do you intend to grow Steri-Tech further?

AV: As the second generation, I will always try to push the envelope and improve everything we do. My future plan is to solidify this operation as much as possible and minimize errors. In the long-term we have to look outwards. Puerto Rico may be a small island, but it is a powerful industrial hub. Nonetheless, 21st century companies have to be able to cross borders, and we have all the necessary tools to do that. We are a small company; our best assets are our service and our people. If we can perfect and replicate the same existing model we are using here, we can look for ways to exploit it in similar markets beyond the island. For me, an organization is the people that run it. We have to grow the company from the inside out, constantly improving through trial and error. Hopefully in the near future, you will see Steri-Tech as a global company. Also, we have been strengthening our relationships with our suppliers, who are just as important as our customers. It could be quite easy for them to stick with their big distributors and leave Steri-Tech out of the equation; but fortunately we have had a flawless track record when it comes to service and payment. We take care of our customers, suppliers and employees; this is our strategy.

You founded the company in 1986. What have been some of the key milestone achievements of this company throughout the last three decades?

JV: Given Puerto Rico's status as a hub for the pharmaceutical industry, the country used to be a breeding ground for managers and executives in the industry as well as people who wanted to start their own businesses, who had that vision. I was hired to start up this operation in 1984 by Griffith Laboratories. It was not until 1986, when they had lost one of their biggest accounts, that the opportunity to buy the operation came up. It was then that I assumed full ownership of Steri-Tech. We started with a handful of sterilizers, while understanding the problem that the sterilization

business did not have that many customers here despite being a pharmaceutical hub, as not everyone has sterility problems. We diversified the business into the area of disposables, which was a good match; salespeople who visited certain customers for sterilization could also then provide other services when there was no sterilization to be done. Both divisions have grown; when one is slower the other is fortunately stronger and this has been a key success factor. Being a smaller company we can be very proactive in service, moving faster than multinational competitors. We also pride ourselves on having an excellent quality control department, helping us maintain ourselves as a leader in the Puerto Rican sterilization industry. We are FDA inspected and have FDA registration numbers. We have gone through numerous inspections with 0 for 83 observations. As we have become an FDA training ground, FDA investigators train their employees here, and Steri-Tech provides classes related to sterilization. In addition we pride ourselves on being the first Puerto Rican sterilization company to be ISO-certified, which we maintain. This is a prerequisite because of the nature of our customers. Thanks to the Reagan Caribbean Basin Initiative, we were the first Puerto Rican company to have a twin plant operation in Grenada, which helped boost our



AV: The history of Puerto Rican manufacturing in pharmaceuticals has been

very important and the catalysts for that were the incentives provided by Section 936 which gave companies tax breaks to operate here. They opened a window for us as a niche company to start serving as a complementary infrastructure for the pharmaceutical industry, especially with such specialized labor like sterilization. Eventually we saw the opportunity to start manufacturing our own disposables in house. At one moment we had about 150 operators in house and outsourced; this was way before Chinese companies came into the globalization game. This truly boosted Steri-Tech's income and made us a key player in the industry. We are also very versatile in terms of adapting to what the industry and what Puerto Rico's economic situation are. Local entrepreneurs must do what they can to remain competitive; that is where we look for new avenues to keep operating.

What are the important steps that must be taken by companies to ensure that investments stay in Puerto Rico?

JV: Finding new diversification and niches are paramount. We recently looked into servicing hospitals with our sterilization capabilities as a result of a situation in a hospital, and thus we can fill that niche. If we can prove that the service is there and they will save money, we look forward to working with hospitals. Additionally, outsourcing in general has fortunately helped us grow. Before being vertically integrated, all these customers started outsourcing many lab, validation, and sterilization processes.

AV: Companies have to be able to appeal to those investments by strengthening their core competencies and outshining their competition on a global scale. In today's game, the geographic barriers which restricted companies from transferring their operations are not present anymore. Companies are now working on a multinational scale, outsourcing their operations to get the best cost savings without sacrificing quality. Specialization has helped accelerate this trend, but the key element for us is differentiation. We have the basic infrastructure the industry needs but we have to offer the added value these companies desire.

As a smaller company, how do you ensure you can stay ahead of the competition given the marketing force of larger businesses?

JV: The value added that we consider the most important is the service level we provide. In many instances, that aspect is much better in Steri-Tech than in larger companies. If our customers run out of materials, their operation would shut down, but we can deliver that material. We provide services on a continuous basis in the sense that we can deliver whenever the customer desires.

AV: Sometimes smaller is better for servicing the pharmaceutical industry. We have had some opportunities that have come to us as a consequence of this "smaller is better" advantage. For example, large companies might not open their warehouses on a weekend or holiday, when a critical production job needs to be done. We can mold ourselves to the customer's requirements and we strive to understand their operations to better supply their needs. This way we can work together, in a hands on way, and look for ways on how we can become a better asset for them.

One of your main goals is to expand the company internationally. How do you intend to do that and what markets are you targeting?

AV: We have decided not to put all of our eggs in one basket and have therefore identified a couple of areas where we can capitalize and look to diversify our sales channels. The company would also like to outsource from Asia and Latin America some of the products it currently resells; this would bring significant cost savings, in comparison with buying from second-hand suppliers in the US. Eventually we can start branding our own products like our competitors do. The goal is to increase sales by penetrating new markets, both stateside and Latin America, where we see an increase in pharmaceutical and biotechnology activity, while decreasing purchasing costs which translates into income. We would like to spearhead both initiatives simultaneously and as such we have been planning the first phase to investigate these new markets by mid-2016. In terms of expansion plans, we will start with our distribution division, because it's much more transferable than sterilization, our core business. The timing is right and this initiative can be a big opportunity to gain more market share both on the island and globally.

Being a premier contract sterilization service provider, you must have a lot of interest from Latin America for taking advantage of what is available here.

JV: Not only have they expressed interest, we have actually done business in that way. Small Puerto Rican companies require sterilization. They ship the product here, we process it and we ship it back to the US. The same is true for the Dominican Republic. These calls continue to come, but it is a long-term process. Validation work is a long process that sometimes takes years from the first conversation to first production cycle.

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