

# Interview: Maurizio Marchesini CEO, Marchesini Group, Italy

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*Maurizio Marchesini, CEO of Marchesini Group, discusses the challenges of competing in a very dynamic packaging machinery industry, where their business is differentiated through flexibility and integral service offerings. Further, he talks about how internationalization into developing regions will drive the growth of the group.*

## **To begin, could you please introduce the business model of Marchesini Group?**

Since the beginnings of Marchesi in 1974 and the foundation of the Marchesini Group in 1990, the company has put the customer at the center of its business model. Indeed, we have led a lot of acquisitions in order to grow our business, and each acquisition was aligned with the goal of offering technical solutions and integrated packaging lines to our clients in the pharmaceutical and cosmetic industries.

Our core business is building pharmaceutical and cosmetic packaging machines, but overall, our model is based on two axes: integral service offerings to our customers and flexibility in the production of the machines or production lines. Together, both industries currently represent around 90 percent of our production. Taking into account this mix, our efforts have been tailored to covering all of our customers's packaging needs across these two industries. I am proud to say that we are now able to satisfy nearly every niche within the pharmaceutical industry.

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All our factories are located in Italy but the majority of our clients operate globally. Thus, we have many offices worldwide to be as close to our clients as possible. These subsidiaries offer both commercial and technical support in order to fully support our customers wherever they are. Further, we are continuously opening new subsidiaries; in fact, we have just opened new subsidiaries in Russia, Poland and Ukraine this year.

The flexibility in our operations is absolutely crucial. As we fabricate tailor-made machines and packaging lines, we do not operate in a high volume production mode and thus, need to have a very flexible supply chain. Expanding on that, we maintain strong relationships with our clients from the beginning to build and deliver systems that are 100 percent tailored to their requirements.

Moreover, in Italy we have a particular fabrication system leveraged on different business clusters that gives us more flexibility. Indeed, we work with different clusters of specialized and high quality companies that provide support in the tooling and fabrication of individual pieces and mechanisms used in the assembly of our systems.

**Your father started this business in his garage more than 40 years ago, and today it is one of the leading fabricators of packaging systems for the pharmaceutical and cosmetic industries. What have been the key drivers behind this success story?**

The success is based on the integrity of our company; we have maintained the same entrepreneurial spirit since the beginning. Marchesini Group's development has been driven by the evolution of our clients' needs, and we have grown and adapted to keep up with their requests.

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Most of our clients are global pharmaceutical companies and we are focused on delivering solutions required by this first tier of global leaders. However, working with this caliber of clientele demands a great degree of flexibility in terms of technology, materials, sizes, and many other factors. In addition, given the level of specialization in these industries, especially around innovative products, the requirements that the solutions we deliver must meet are incredibly rigorous and specific.

**Marchesini Group has experienced interesting growth rates coming from EUR 247 million to EUR 270 million revenues in 2014 and 2015 respectively. What is the contribution of the different business lines of the group to this growth?**

Our core business has always been the cartoner packaging machines. However, we have identified interesting growth in the building of blister machines. Indeed, we have invested EUR 15 million in a new blister machine factory in Carpi that will open in October 2016 and has a surface of more than ten thousand square meters. In addition, we are also building a new site for labeling machines in Barberino.

**Expanding on these investments, you mentioned the opening of a new facility in Carpi. What is the rationale behind building this new asset?**

Generally, the driver behind the investments in facilities and acquisitions is based on the combination of numbers and a sense or intuition of the market evolution. In my opinion, the industry will be growing for the next five years, so we have tailored our investments to building the capabilities to satisfy the future requests. Apart from the global growth of the pharmaceutical industry, there are some key developing regions in Asia, South Africa, and South America that will lead this growth. Nevertheless, it is important to understand and consider that, being of the highest quality, our technology is expensive for companies in these developing regions. However, for the regional leaders with the ambition to manufacture cutting-edge drugs or products, they will have to

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invest in top quality machinery and advanced technology and many do. An additional factor that is fostering our demand in these developing regions is the quality stamp of Western countries, the "Made in Italy" brand if you will. It is worth mentioning that ten years ago the perception of the Italian brand was not the same as it is today. The entire industry has succeeded in building Italy's image in the global pharmaceutical and pharmaceutical packaging industries, and Italian-made equipment is now perceived to be of the very highest quality.

Currently, this positive quality perception of Italian products contributes to our growth. Naturally, there is always room to improve and to build the "Made in Italy" brand further; to go from being among the best to the absolute and undisputed leaders. The entire industry is in charge of this mission, which helps to grow our market.

**From your facilities, you serve customers all over the world. In fact, approximately 87 percent of the group's turnover comes from exports. What are the future key markets for the Marchesini Group?**

Currently, the major part of our sales is within Europe and the US. However, there are other countries that are experiencing great growth rates in our exports such as South Africa, Mexico and Brazil. Indeed, we are also considering the expansion of our business in other countries such as Iran where we believe we have great opportunities. The mindset within these industries is to buy high quality packaging machines and Marchesini is leader in this field.

Our products are very valuable, but our industry is not as price sensitive as others. Indeed, if your strategy is to build tailor-made machines like we do, you have to work in countries such as Europe; countries where you have cutting-edge technology as well as very well-trained and experienced professionals to fabricate the systems needed. Our investments are aligned to this business model, taking into account our expectations for future increases in demand.

**The packaging industry is in continuous evolution and to remain competitive you have to constantly create technological innovation. How do you achieve such competitiveness given this industry characteristic?**

Innovation is in the center of our competitive advantage. The evolution of our machines is always improving to levels that were not imagined in the past. Indeed, we currently use robotics inside our machines. There is always a path for innovation and the rhythm of evolution is incredible. Given the dynamism of the industry and rapid pace of technological development, it has been a challenge to maintain the initial mentality from nearly 50 years ago. Aligned to tradition and innovation, we have an internal school where we conduct around 25,000 hours of training every year in order to invest in our young people and maintain the entrepreneurial innovative spirit.

**What makes you the provider of choice within the packaging machinery industry?**

Our main assets are our flexibility in our production and our integral, global and tailor-made solution offerings. Through these two business underpinnings we are able to satisfy all our customer needs around the world. In addition, we are always open to learn from our customers to understand better their needs and leverage this interaction in our assets to satisfy these needs with excellence.

**What are your strategic objectives for the next 3-5 years?**

My vision is linked with the dynamism of the industry, which is highly related to the technology advancements. My objective is to reinforce our flexibility in order to be able to manufacture our products with the latest innovation and high quality standards.

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This is a challenge knowing the speed of the industry. To give an example, we currently use 3D printers to build some parts of our machines; this was totally unpredictable in the past and the future is even more interesting. My objective is to ensure that our structure will be prepared to face these changes.

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