

Nico Form-Zuellig - President, Interthai Pharmaceutical Manufacturing Limited, Thailand

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Nico Form-Zuellig, general manager of Interthai Pharmaceutical Manufacturing, shares his thoughts on the Thai pharmaceutical market as a newcomer to the country and goes on to elaborate on the company's long history of being a CMO of choice for MNCs in the country.

Please introduce yourself as the newly appointed manager of Interthai Pharmaceutical Manufacturing.

I have just recently joined Interthai, which is a member of the Pharma Industries Group, after being appointed as the general manager. I took over from my predecessor who has left a very strong and capable organization which I can continue to build on. Before arriving in Thailand I have worked in several markets across the region, primarily in the pharmaceutical distribution and marketing field. My career has taken me to countries such as Indonesia, the Philippines, Singapore, and China.

What are your key priorities within this new role?

Since joining Interthai I have identified my strategic priorities quite clearly. Firstly, we will continue to make capital investments in our equipment by allocating significant resources to keep our facilities state of the art. Secondly, we will continue to invest in and develop our team. The nature of the business is very people dependent therefore it is essential to recruit, develop, and retain some of the best talent in the market. Many of Interthai's employees have been with the company for twenty, thirty and even forty years, which is a clear indication of the vast career opportunities we offer and the dedication we have in investing in our people. Thirdly, we will continue to accelerate our R&D capabilities to continue supporting our partners by developing line extensions or creating unique concepts, which can be launched into new product markets. The combination of these strategic

imperatives allows Interthai to remain relevant in the highly competitive CMO industry.

Can you introduce Interthai Pharma and its service offering?

Interthai was established in 1974, therefore we have had 45 years of history and commitment to Thailand. We are now a leading contract manufacturing provider of pharmaceuticals, traditional medicines, food supplements, cosmetics, and veterinary health products. We have key expertise to produce a wide variety of dosage forms and we are privileged to serve a client base of roughly 30 pharmaceutical MNCs with over 150 formulations in production. Interthai has several strategic departments including R&D, regulatory affairs, quality control and assurance, laboratory service, business development, manufacturing, packaging, procurement and logistics. We also closely collaborate with our sister organization Interphil Laboratories, which is a leading CMO facility in the Philippines.

What have been your initial impressions of the Thai pharmaceutical market?

I would like to first point out that the growth of Thailand's pharmaceutical market of over USD five billion has slightly slowed, especially for innovative MNCs, due to the shift towards low cost generics, which used to account for a much lower proportion of the market several years ago. Generic products now account for about 40 per cent of pharmaceutical sales today and the market is primarily dominated by the government hospital channel. This is, of course, a direct result of the government fostering universal healthcare coverage, which provides nationwide access to affordable healthcare under a public health insurance scheme. However, I believe that Interthai is well-positioned to take advantage of this evolution in the healthcare landscape. Many MNCs are turning to Interthai to manufacture locally rather than import but still in a very high quality and efficient manner. The local quality standards have definitely been elevated after Thailand's admission to the Pharmaceutical Inspection Co-operation Scheme (PIC/s) in 2016. The entire country is now obliged to operate under GMP-PIC/s standards which allows Thailand to compete on a worldwide scale when it comes to pharmaceutical manufacturing. Despite the significant export opportunities, meeting international quality benchmarks has obviously exacerbated the cost structure of local pharmaceutical manufacturers.

Second, the ageing population and low fertility rate in Thailand puts the country in a very unique demographic position. Thailand's low fertility rate would normally be associated with more mature markets. Approximately 14 per cent of the population is aged 60 or above and this figure is expected to reach 25 per cent by 2030. This has also resulted in a rising burden of non-communicable diseases. This trend will increase the demand for pharmaceutical products but also place added pressure on the government in terms of fiscal responsibility.

Third, Thailand's strategic location and access to high quality-medicines and treatments at lower prices have established the country as a destination for medical tourism. Although the strong Baht has slightly impacted the industry, the number of medical tourists is still above two million per year and we expect this figure to continue growing.

Finally, I would also like to acknowledge and commend the instrumental role that the government has played in fostering the local healthcare industry by funding R&D grants, accelerating the universal healthcare schemes and providing certain corporate tax and machine import duty exemptions through its Board of Investment (BOI) program. Due to Interthai's contributions to the local health industry, we have been privileged to receive some of these benefits.

What are the competitive advantages that Interthai Pharma can leverage as a CMO?

Interthai's high degree of integrity gives us a particular competitive advantage over other CMOs in the region which makes us a strong contender to service the pharmaceutical MNCs. Our 45 years of experience attests to Interthai's high level of quality and trustworthiness when it comes to managing the sensitive information of our innovative pharma partners. As a partner of choice, many clients have remained with Interthai for decades because of our unparalleled service level and the passion and dedication of our team. It is also our committed employees that differentiate Interthai from the competition and allows us to leverage such high levels of integrity, quality and service.

Next, Interthai has established a process innovation centre, which is sort of an operational think-tank consisting of young and talented engineers across various disciplines who continue to identify areas for process improvement. Their mission is to drive further efficiencies in the manufacturing and packaging space.

Finally, many of our competitors in the market also produce their own products, whereas Interthai does not focus on this segment. We are at heart a CMO company dedicated to providing service to our clients, which is a principle that our partners truly value. Although Interthai has a healthy market share, we cannot be content with our position and must continue to develop ourselves and adapt to the quickly evolving market.

How does Interthai Pharma balance having an all-in-one service offering and being able to offer a tailored solution?

In fact, many of our clients value our one-stop-shop offering with end-to-end solutions as it enables them to optimize and streamline their own resources more efficiently. However, Interthai is still flexible in terms customizing its solutions to tailor its offering according to the client's requisites. The majority of our clients appreciate the ability to rely on one vendor rather than multiple and there is a strong convergence amongst large pharma players to consolidate their CMO partnerships and Interthai is in a good position to take advantage of this trend.

How will Thailand's international positioning help bolster Interthai's export ambitions?

Thailand is strategically located, as it is nearby sourcing markets like China and India for APIs and other raw materials and yet has a proximity to customer markets, not only within ASEAN but also Australia and Japan. This combined with Thailand's accession to the PIC/s, the inauguration of the AEC, as well as the ACTD (ASEAN Common Technical Dossier) harmonization regulations better facilitate the free flow of quality drugs within the region and puts us in a strategic position to cater to the export market. Interthai is one of only three manufacturing companies in Thailand that had been certified by the Australian Therapeutic Goods Administration (TGA). This has given us some traction in working with pharma players from this market. Moreover, the fact that many of our partners already export the products we manufacture to markets like the US, Canada and Japan is a clear marker of the quality standards that Interthai operates under.

What kind of work culture are you hoping to forge as the new general manager of Interthai Pharmaceutical Manufacturing?

Coming from the distribution side of the industry, I am aiming to cultivate an even more client-centred service organization. Next, leveraging discipline and innovation to create efficiencies and maintain a high-quality standard in daily operations. Finally, Finally, advocating and instilling a flat organizational structure based on pragmatism, modesty and collaboration with little room for workplace politics. I actually need to give my predecessor a lot of credit as he built a very strong company culture driven by an extraordinary sense of duty and loyalty, so I would just like to continue to build on that in a humble and pragmatic manner.

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