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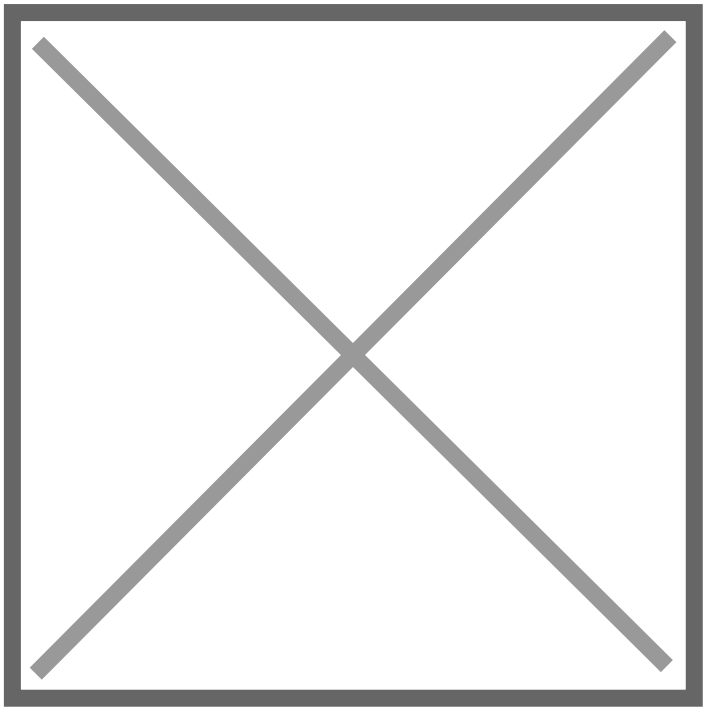
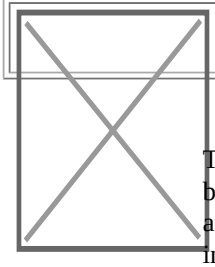
# We are aiming for 25 percent of our revenues from APAC

08 November 2012 | News



**Mr Marc N Casper**
president and CEO, Thermo Fisher Scientific, USA



Thermo Fisher Scientific, a global player in serving science has revenues of about $12 billion, with approximately 39,000 employees serving customers within pharmaceutical and biotech companies, hospitals and clinical diagnostic labs, universities, research institutions and government agencies, as well as environmental and process control industries. With a revenue of $1.8 billion coming from emerging markets and Asia Pacific region-growing at the rate of 20 percent-the company has various strategies in place for the region, such as scaling up its commercial teams to drive growth, optimizing supply chain, service and commercial operations to differentiate the customer experience, continuing to invest in localized technology development and expanding low-cost region manufacturing footprint to take it to new heights.

In an exclusive interview with *BioSpectrum*, Mr Marc N Casper, president and chief executive officer of Thermo Fisher Scientific, shares the company's strategies on investments related to research and development, acquisitions, growth for the emerging markets, pricing and regulatory issues.

**Q** Thermo fisher has increased its investments on acquisitions and purchasing property from $837 million in 2009 to $6 billion in 2011. How much have you set aside towards investments in 2012 for similar activities?

**Mr Casper:** Actually, since 2009 we have generated about $10 billion in capital from our free cash flow and deployed about $7 billion for acquisitions. While we cannot disclose what acquisitions we may be making in the future, Thermo Fisher has a proven track record of achieving our operating income objectives through revenue and cost synergies and tax efficiencies.

**Q** Will your focus now be more on acquisitions?

**Mr Casper:** Thermo Fisher looks at organic as well as inorganic routes to grow. We have been investing in acquisitions that help us to enhance our offering to our customers and increase our access to growing markets worldwide.

Since 2009, we have deployed about $7 billion in acquisitions, including the larger Dionex, Phadia and One Lambda deals. Acquisitions and integrations are among our core competencies, regardless of the economic environment. Just to cite an example, we have successfully managed the Dionex integration, delivering operating income from revenue synergies, cost synergies and tax efficiencies. Some of the other acquisitions

that we have successfully completed in the recent past are Ahura Scientific, BRAHMS, Doe and Ingalls, Fermentas, Finnzymes, and TREK Diagnostics. Each of these acquisition has brought on board some great talent and transformed our competitive position.

**Q** Your company is generating about 15 percent of its revenue from emerging markets. What factors in emerging markets are favoring your business opportunities? Which countries in the emerging markets do you bet upon for a high growth rate?

**Mr Casper:** An important part of our growth strategy is to increase our presence in Asia Pacific and emerging markets. At the time of our merger in 2006, that created Thermo Fisher Scientific, only 10 percent of our revenue came from Asia Pacific and emerging markets. Today it is 20 percent and in five years we expect it to be at least 25 percent. Our tremendous success in China, India and other parts of these exciting markets has shown that we have a proven strategy.

**Q** What will your strategies be to improve this growth to 25 percent in the coming years?

**Mr Casper:** There are various initiatives that we are adopting to propel our growth in APAC and emerging markets in the coming years. We continue to scale up our commercial presence in these regions-as of now, we have about 5,600 people in APAC and emerging markets, with almost 960 in India alone. You could say that we have the largest footprint in emerging markets within our industry. We have already doubled our business in the past five years from these emerging markets, and our goal is to reach revenues of about $3 billion by 2016.

Last year, we established an APAC Chromatography Center of Excellence in Ahmedabad to support the customers in India and APAC on method development and also to provide faster solutions for their complex research and development (R&D) and quality control problems. Our demo center in Mumbai and training center at Nasik are also accessed by our customers to help them chose the right technology.

Our state-of-the-art clinical trial services facility at Ahmedabad offers world-class services for our Indian and international customers, including comparator sourcing, storage, packaging, labeling and global logistics. We have also expanded our chemicals business, (acquired from Qualigens) by investing in toll-conversion facilities, quality procedures and a new centralized warehouse.

Over the past two years, we have grown in China at a CAGR of over 20 percent. We understand the growing business opportunities for our environmental instruments business in this region and we moved the headquarters of this business to China several years ago. With the changing population demographics in the region, healthcare and diagnostics also offer some exciting opportunities. We would like to replicate our successes in India and China, and also in some new emerging markets such as Korea, Brazil and Russia.

**Q** China and India each recorded a growth of 20 percent in 2011. What will be your investments to support the growth of market in these two countries?

**Mr Casper:** Apart from what I have just mentioned, we are investing in establishing partnerships with our key customers in India and offer them complete work flow solutions through our entire width and depth of technology and services. As more and more of our global customers invest in India, they will require the same standardized technology that they are using in other locations. Pharmaceuticals, biotechnology and healthcare are exciting markets for us here in India.

We are currently setting up a new manufacturing facility for our lab products at Suzhou, China that will enable us to respond to APAC-based customers faster and more efficiently. We have also invested in other manufacturing operations, demo centers and a technology center at Shanghai. Today, 20 percent of our revenues in China come from products that we are manufacturing in China.

**Q** What new offerings, packages or additional services do you offer to the customers especially in academia and government agencies, for which the company has been witnessing fall in the revenue growth in last couple of years?

**Mr Casper:** Looking at the end markets, we are indeed very balanced as nearly a quarter of our revenues come from each of our major market segments- pharmaceuticals and biotechnology, healthcare and diagnostics, and academic and government. This, combined with our unique product mix spanning instruments, equipment, consumables, reagents and chemicals, software and services gives us an industry-leading position in most markets that we serve.

**Q** We have noted that your focus will be on increasing R&D budget to develop new products, adapt to rapid and significant technological change and respond to introductions of new products by competitors to remain competitive. What are your strategies to address the competition arising from the launch of new products by competitors?

**Mr Casper:** Thank you for your observations and yes, you are absolutely correct. Last year, we invested about $350 million in R&D, which is between 4-5 percent of our manufacturing revenue and we are proud that our 1,700 scientists are busy creating new and better technology for our customers. We have a strong intellectual property position and a world-class advisory board with members from leading institutions such as Harvard Medical School and Stanford School of Medicine.Our focus on innovation enables us to develop better, more efficient technologies keeping in mind the changing requirements of our customers.

**Q** Of the three Thermo brands namely - Thermo Scientific, Fisher Scientific and Unity Lab Services, where do you see the growth potential in Asia Pacific region and why?

**Mr Casper:** Our organization has evolved over the past decade through a variety of factors including a number of interesting brands and technologies that are now offered through one entity. It is very important for us to position our brands and communicate our combined technology platforms in a simplified manner to our customers and therefore we describe each of our brands as having specific attributes that address customer needs.

- The Thermo Scientific brand represents the scale and depth of our capability in analytical instruments, laboratory products, biosciences products and specialty diagnostics.
- The Fisher Scientific brand represents choice and convenience and a variety of purchasing options as well as our clinical trial services, logistics and an eCommerce platform.
- Unity Lab Services is our newest brand, launched earlier this year. Unity Lab Services offers product and laboratory support services to create a single solution for customers to optimize productivity and reduce their total cost of laboratory operations.

**Q** How is Thermo addressing sensitive issues such as pricing and regulatory formats while handling the customers in Asia Pacific?

**Mr Casper:** I think we are very competitive in our pricing when compared to our major competitors. We constantly work on upgrading our technology to meet the changing demands such as precision and reproducibility (driven by regulatory) or quality control productivity (driven by manufacturing).

Looking ahead, in countries such as China, we would like to see around 50 percent of our revenues coming from products made within China. In India, we have initiated local assembly of our liquid handling instruments.

**Q** How different is your recently launched Unity Lab Services from other similar services offered by the competitors?

**Mr Casper:** Unity Lab Services represents a range of capabilities, from traditional laboratory instruments and equipment services to enterprise-level support, including business analytics for continuous improvement, and management of laboratory staffing and consumables inventory. These services can be implemented across a broad range of laboratory environments and can be scaled from service on a single instrument to a highly customized, comprehensive service program at the laboratory, site or enterprise level.

**Narayanan Suresh, Narayan Kulkarni and Vipul Murarka**