



The pharmaceuticals sector presents opportunities for making significant profits that still remain untapped

With prices falling and industrial and R&D costs on the rise, certification constraints, patents being lost and the development of generic drugs, pharmaceuticals manufacturers are today facing a variety of complex challenges. We ask two experts for their views on which levers can be actuated to help these companies restore their competitive edge and return to the front of the pack.



Alain Chaptal, Expert Consultant on Health



Hicham Abbad Andaloussi, Associate Director

KLB Group is a specialist in the implementation of company and public sector projects. Whatever the development, production or transformation project, KLB Group ensures its implementation by rapidly mobilising a team of experts of various functions (purchases, supply chain, quality, engineering, information technology, finance, etc.), with a unique mix of design, execution and operational know-how. KLB Group has more than 600 collaborators spread across 4 continents.

Décideurs. How would you describe the current situation of the pharmaceuticals sector?

Alain Chaptal. Today, every company in the pharmaceuticals sector is having to face up to a multitude of challenges: the sales prices of medicinal products are falling following the intervention of the health authorities, generic drugs are flooding the market, constraints are building up, costs are increasing, and it is taking longer to develop new products. What's more, the unforeseeable developments in the geopolitical and regulatory spheres, together with the rising number of precautionary principles, are preventing any visibility. Companies are having to adapt and rethink their strategies in order to remain competitive. They are doing so by focusing on innovation, and also by demanding more from their employees in terms of adapting their work methods and contributing to the necessary changes.

Décideurs. And what, in your opinion, are these changes that need to be made?

Hicham Abbad Andaloussi. Business

and research have always been two key drivers, and are still important development factors. However, companies also must act in relation to their product portfolio, supply chain and purchases.

Décideurs. So you're involved in devising business policies?

A. C. In effect, yes. It's crucial to rationalize the product portfolio. However, not many companies do so regularly and systematically. In the vast majority of cases, their strong "conservative" culture leads to an unclear business offering and ever-increasing complexity on all fronts: commercial, industrial, and even legal. For instance, write-offs – the destruction of expired products or ingredients – need to be managed very methodically in order to be dramatically reduced. They currently account for between 1% and 2% of the annual result! In addition, the variability of sales prices, when they are not regulated, is rarely exploited, even though there are opportunities for making significant profits.

Décideurs. Have industrial constraints

left any room for manoeuvre in respect of the supply chain?

H. A. A. Here too, we need to challenge the status quo. Industrial strategies lack any flexibility or innovation. An in-depth, systematic approach would generate substantial savings. We need to draw from what's happened in other sectors in order to optimize site use and simplify, standardize and restructure operations.

Décideurs. Companies are increasingly using subcontractors to meet their production needs. How are they managed?

A. C. Subcontracting is still rarely managed on an overall level, even though it can account for anything from 5% to 100% of production! In order to simplify it, optimize the use of internal capacities and lower costs, you need to consistently reflect on the make-or-buy decision. Subcontracting must be seen as a virtual factory with a multitude of workshops. It needs to be managed in a specific way, and occasionally such a task is entrusted to an "external factories director", but this position is still all too

rare – most often, it is left down to those in charge of the factories, purchases and the supply chain, even though it is not their primary goal.

Décideurs. You mentioned the potential of purchases. In what way are they a relatively untapped resource?

H. A. A. Purchases, which account for roughly half of a company’s turnover, show a great deal of potential. However, their importance remains somewhat understated. Too often lumped together with negotiations or supplies, the purchasing department, which is highly strategic in other sectors (such as the automobile and aeronautical industries), still needs to gain its stripes in the pharmaceuticals sector.

Décideurs. What would a stronger purchasing department bring to the table?

A. C. Cost optimization is today no longer simply a matter of buying things at cheaper prices, but of spending more efficiently by questioning the needs of internal clients and reducing consumption. A stronger purchasing department also allows risks to be controlled, whether these are operational risks (supply interruptions, dependencies, monopolies), global risks (exchange rates, natural disasters, geopolitical situations, adverse weather conditions) or risks relating to corporate social responsibility (corporate, social, environmental or political matters). Lastly, it can play a part in the company’s growth by working

upstream of projects, developing innovative approaches and supporting the company’s strategy.

Décideurs. In order to be applicable, these levers require profound changes to be made to the company’s structure. How can such changes be implemented?

H. A. A. Cost savings are possible at every single level, by mapping procedures and structures, functionally analysing actual requirements and rolling out shared services. The role of “performance director” is gradually becoming more widespread in industry and services as a whole – this person, with the support of their directors, is responsible for overseeing an improvement programme. However, this role is still very much in its infancy in the health sector. In addition, when projects need to be implemented, many companies do not have the means to do so. A pragmatic approach is therefore absolutely vital. KLB Group offers exactly that, in a bid to deliver rapid, long-lasting results. KLB Group not only offers advice, but also assists its clients in implementing operational and transformation projects by combining the right expertise (purchases, supply chain, quality, finance, engineering, and so on) with the right business model (flat fees, success fees, mixed fees).

Décideurs. To finish, do you have any specific examples to illustrate what you offer?

A. C. We once worked for an industrial firm that operated primarily in the chemistry sector – chemicals representing its principal source of competitiveness. Its production process involved a step of chemical saturation, which required an expensive double installation in its premises. We assembled all the teams needed to first come up with improvement plans, and then implement them. In the end, a new systematic “debottlenecking” process allowed the firm to triple its capacity in five years, with only minimal investments being made to upgrade its existing facilities.

H. A. A. Here’s another example: we once guided an industrial firm as it transformed its purchasing practices. It was able to broaden its expertise, increase its level of coverage, and find a better balance between redesign and innovation projects, and ultimately freed up €30 million of cash in three years! Finally, another of our clients used to only work with two subcontractors that specialized in a specific and expensive type of technology. By working as a multifunctional team, we were able to transform its operating procedures, enabling it to adopt more standard forms of technology, increase its subcontracting network from 2 to 16 companies and cut its costs by 30%, all while reducing its risks of technological dependence! ●

