

24 Nov 2017 | Interviews

Exec Chat: How B Braun Is Staying Ahead Of The APAC Game

by Tina Tan

B Braun Medical's Asia-Pacific operations has increasingly grown; sales from the region now makes up the third biggest chunk of the German multinational's annual revenue. But how does a mature company with an extensive portfolio of largely commoditized products stay nimble so it can adapt to a fast-changing and highly fragmented market like APAC? And how does it tackle potential headwinds like competition from local lower-cost manufacturers? Anna Maria Braun, president of B Braun's APAC business, speaks to *Medtech Insight* about how giving equal importance to every market in APAC – big or small – has helped the company's success in the region, and how innovation and collaboration will play an increasingly large role in ensuring continued growth.

Parents have always been warned against playing favorites with their children. This lesson, it seems, could also be applied to nurturing your business across the many and varied markets in Asia-Pacific.

"I don't believe in setting priority markets," Anna Maria Braun, president of B Braun Medical's APAC operations told *Medtech Insight* unequivocally, when asked to point out specific country markets that stood out more than others for growth opportunities. "Whether it's China or Sri Lanka, all markets are crucial for us. We have very good development in the somewhat smaller markets and we value them as much as we value the big markets like China, Australia, Japan, India. This is also part of our success – we don't prioritize markets. We have a very strong base in ASEAN [Association of Southeast Asian Nations] and within that group, you have many small countries that show excellent growth and there are opportunities there. Our strength is to encourage any market – we don't say we will focus on the top 3 or 4 only, while the rest can develop how they see fit."

"Whether it's China or Sri Lanka, all markets are crucial for us," B Braun's Anna Maria Braun says.

Evidence that this strategy works is reflected in the firm's financial reports. The German multinational, whose portfolio encompasses more than 5,000 products across 18 therapy fields, reported total sales of €6.47bn in 2016, up 5% from the previous year. A big driver of this growth was sales from Asia-Pacific, which grew 11% constant currency (8% reported) year-over-year to €1.16bn. This makes the region the third largest contributor to group revenue after Europe (including Germany) and the US.

In an interview with *Medtech Insight* at the recent Asia-Pacific Medtech Forum in Singapore, Braun said she did not see this upward trajectory flattening out any time soon. "[B Braun's APAC growth] is definitely not stabilizing. The region, for us and also for many other companies, have been a key growth driver for the group and this is how we see the future to be. We don't see stabilization, but [instead] for APAC to continue delivering double-digit growth."

She acknowledged, though, that there are differences in growth rates from country to country; markets like Japan and Taiwan are more mature and will grow at a slower pace than Indonesia, for example. But there are still insights to be gained from more mature markets; the opportunities there lie in taking a "system partnership" approach, Braun said.

In the Q&A below, Braun explains this approach in more detail, and also discusses the critical role of innovation in keeping the company ahead of the competition; where the opportunities for innovation lie in commoditized products; the regions' regulatory and market access challenges; and dealing with local low-cost competitors.

Q Medtech Insight: What exactly do these system partnerships entail?

A Anna Maria Braun: it's one of key strategic initiatives to engage with the customer and take a more holistic approach to finding out what they need. Not just sell a single product or service but really look into their entire system and discuss with them the whole patient pathway – from the patient entering the hospital, being diagnosed, treated and then being discharged – and we analyze with the customer where are the gaps, how we can support and make this process better while improving outcomes.

There are cases where we do look at single therapies and discuss with them how we can address their specific needs and achieve benefits in certain therapies. Or additional adjacent processes, for example, sterilization or patient discharge management, how we can support that and help our customers gain efficiencies. For that you need the customer on the other side who are aware where their cost challenges or their problems lie and you need to build their trust to address these problems. That's the way we want to approach the customers in future across the APAC countries.



Source: Source: B Braun Medical

Q The theme of this year's Asia-Pacific Medtech Forum is innovation and the critical role it plays in sustaining companies' growth in the region. What initiatives does B Braun have in place to ensure there is a constant flow of innovation into its extensive portfolio?

A Braun: Innovation is one of our core values. Without innovation, our company wouldn't have lasted as long as it has. You pointed out how huge our product portfolio is, and it takes a lot of effort to maintain that, the incremental innovation. Apart from working with our teams within the group, we also put more emphasis on looking at what's happening around us externally but there is no one-fix solution to handle it. So we've created an innovation hub to centralize all our links to external innovation. We have different models where we either invest on our own in start-ups at different phases – seeding or later stage – or we invest in funds specific to the medtech industry that look at technologies or start-ups. We've partnered with Trendlines, an Israeli incubator. We have one fund in Israel but also one now in Singapore where we are a partners and it gives us a window to see what is happening in the markets and we decide what we want to engage in.

So while we are pushing our own internal innovation, we also have different means of seeing what's happening outside.

Q A significant proportion of your products are the more commoditized products. Where do you see the innovation coming from with those devices?

A Braun: Those products still have opportunity for innovation. For example, having certain sensors in them to provide more information so you can make these commoditized products smart. Then there is the manufacturing process, which is crucial. Every aspect we work on is to help realize this so-called Industry 4.0 – that's the term we often use in Germany. Because these products are commoditized, the level of automation in their manufacturing is already very high but it's about taking the next step up to the 'connected factory'. So when a customer complaint comes in, it analyzes what is the root cause – is it the product, or the handling or another challenge – a feedback loop can be created directly to the production floor and give us a lot of knowledge and opportunity for improvements without losing too much time. The same with the supply chain – how do we revolutionize the supply chain so that as soon as the nurse or doctor uses a product, this is triggered back and go right into the production planning for the facilities. These elements of innovation are very interesting to look at for commoditized products.

Q The commoditized products that you are offering tend to be vulnerable to competition from local low-cost manufacturers. How big a threat do you view these potential rivals to be?

A Braun: I don't see competition as threat. In Germany, we have a saying, "Competition enhances the business." Of course, local players that develop good products will challenge us and that is good. The danger is to become too complacent but in the end, especially for commodities, it is a question of scale; to be able to produce a significant volume of IV catheters, for example. and to have the benefits from production costs, you really need to have scale [that B Braun has] and not be present in just one market. So, I don't see local competitors as a threat. I know you have to watch them and be challenged by them. That will keep us on our toes and that will be

beneficial for everyone because we need to develop better products.

Q Regulation and market access are two big challenges that are often brought up by medtech companies operating in APAC. From your perspective as leader of an APAC business, just what is the magnitude of these challenges?

A Braun: They are very big challenges and it's about the increased complexity. It creates a lot of tensions and our job is to figure out how to live with or resolve these tensions. But the complexity comes in when the country comes with their own individual approach. We can't start producing a different product for every country or have a specific study done in the country for all the portfolio products. There needs to be some harmonization, in APAC and in the world. But that's the task for [a regional medtech trade association] like APACMed to engage with the governments and work on a sensible solution. We have to live with this and resolve them eventually. So it's about constantly engaging with all the stakeholders and increasing transparency on how to solve these issues.

Q B Braun is on the board of APACMed and was pivotal in establishing the association three years ago with other key global medtech players. What were the catalysts for setting up an organization like APACMed at this particular juncture in time?

A Braun: All the founding members of APACMed felt the need to have a platform in the region where we can address the challenges in APAC. It is a very diverse market and more than half of the global population resides in this part of the world – APAC is the world on a smaller scale because any problem you have in the global health care arena you can find in APAC. We didn't want an association that only represented European or US companies, but one that represent medical device companies that operate in APAC. This is what we want to move forward with and find new ways of cooperation. The needs are so big, not one single company or one single government can address all these challenges which is why we wanted to establish APACMed and drive new solutions and new cooperation models to address these needs.

From the editors of Clinica