

Convenience and patient compliance drive contract packager's business

In this Q&A, Tee Noland, director of business development for Pharma Tech Industries (PTI), shares his views on why pharmaceutical companies are turning to contract packagers, and discusses the latest developments in pouch packaging.

By *Kassandra Kania, Contributing Editor*

Headquartered in Royston, GA, PTI (www.pharma-tech.com) is a contract manufacturer and packager focusing on powder-based OTC and prescription drug products. The company's two facilities are equipped for both manufacturing and packaging operations and contain 22 packaging lines, including bottle filling, pouch filling, foil wrapping, and cartoning capabilities.

Healthcare Packaging (HCP) spoke with Tee Noland, PTI's director of business development, regarding the contract packaging landscape as well as packaging trends responsible for the company's recent machinery acquisitions.

HCP: What are the key issues and trends you've seen develop in the last few years in your business?

Noland: One of the trends we've seen is further reliance on contractors for a lot of packaging and manufacturing expertise. There's also further reliance on companies like us to do research and development for new products.

HCP: What is the reason for this change?

Noland: There's so much cost-cutting going on and so much pressure on Big Pharma because they're not developing new products as rapidly as they once did. It's harder to get products approved, so the revenue's not growing, but they still want to expand their profitability.

We're seeing another trend: Several years ago, Big Pharma companies had a separate division for Rx and a separate division for

OTC. Now, because of cost-cutting, they realize they can merge OTC and Rx into one effort and still achieve a lot of the benefits that they were trying to achieve by separating them.

HCP: What impact has the economic downturn had on your business and your customers' outsourcing strategies?

Noland: We've been fortunate that we haven't had a major downturn in our business. Last year when there was some inventory that was cut by big retailers, like Wal-Mart, we saw our volumes drop off quite a bit. But we've rebounded since then, and we've been able to bring in new business. So we've grown, even though some of our older business has shrunk somewhat.

HCP: The FDA appears to be getting more funding and personnel, and wielding more power. Do you agree with that, and what does that mean to your business and to your customers?

Noland: If the FDA "raises the bar" in a way that benefits the consumer, then it's good for everyone. As part of our continuous improvement efforts, we look to the FDA to elevate industry standards in a positive way. That said, I think that the FDA needs to be a partner to business. Of course, the products we provide need to be safe and effective. Hopefully the FDA doesn't lose sight of the bigger picture.

HCP: What developments do you see in terms of packaging materials in healthcare?



Tee Noland

Noland: We're seeing more of an interest in patient compliance and ensuring that the consumer takes the right dose of product at the right frequency. There's been a shift

to more portable types of packaging, like pouches. Instead of buying a product you have to pour into a dose, you have a dose that's premeasured in a pouch. It's more costly to the consumer, but they seem to prefer that format. There's also continued interest in tamper evidence, so just having that built into the package design so the consumer as well as our customers have the assurance that there hasn't been any contamination of the product throughout the supply chain. Package design also seems to be more of a focus and creating new bottle designs that make a product stand out more on the shelf.

HCP: What new packaging equipment have you purchased in the last year?

Noland: We purchased blending and pouch-filling equipment, which is a big growth area for our business. In the last year we've acquired three new Bartelt horizontal form/fill/seal machines from **Southern Packaging Machinery** (www.southernpackagingmachinery.com).

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southernpackaging.com), and we're in the process of purchasing a rotary pouch-filling machine from **Oystar Jones** (www.oystarrajones.com).

The new machinery is in response to the trend we're seeing in portable packaging. Also, some pharmaceutical companies are realizing that they can capture additional market share of their product by formulating a powder version of the tablet. They're doing this because some of the products are pretty large pills, or they involve multiple tablets that you have to take multiple times per day. So instead of having to do that, we've supported the formulation of a powder product you can put into a pouch and take once a day instead of all these pills. You mix it with a glass of water, and it's a lot easier. Patient compliance is also driving the trend. Doctors don't even prescribe some of these products because they know they're so hard to take that people don't want to take them. Compliance becomes a major issue. So now they have an alternative.

In addition to the new equipment, we've built three new Class 100,000 clean rooms, which are rated for prescription drug products, and we're getting ready to build two more. This was in response to an increase in our ingestible products business and more stringent production and GMP requirements. For example, we produce a laxative that used to be a prescription product and switched to OTC a few years ago. When the product switched, the company had to file a new drug application with FDA. It's a more regulated product than some of the other OTCs because it used to be Rx, so there's more documentation involved and validation scrutiny. We also produce a prescription drug product used for the treatment of cholesterol.

HCP: Looking ahead the next six to 12 months, how would you assess the business environment in packaging healthcare



products? Do you plan to purchase any specific machinery?

Noland: It's a very bright future for contract manufacturers. I don't see things changing a lot for pharmaceutical companies in the near-term. I think there's going to be more consolidation in the industry—not just on our customers' side (Big Pharma) but also on the contractor side. Part of the cost-cutting initiatives at Big Pharma include more of a focus on using fewer suppliers, and so I think there's going to be consolidation on the contractors' side as well as contractors attempting to merge and expand their offerings.

In terms of specific machinery, we're looking at purchasing a stick-pack machine. Again, instead of buying a big bottle, you buy a carton of stick packs, and you can take them as you're on the go. It's very portable and supports compliance because it's easy to open and mix. So it's something we've been pursuing because a lot of clients have expressed interest in that format. We just haven't found the right opportunity to justify purchasing one at this point.

HCP: When you purchase packaging machinery, do you specify controls and automation for the equipment? Is that aspect of machinery becoming more important?

Noland: Yes to both questions. We have an automated approach in the processes that we have in place in our operations. So the more systems that talk to one another and make the machine run more smoothly or experience less downtime the better we can design the piece of equipment up front based on the specific needs of the product—and the less expense we'll have in labor on an ongoing basis. We have an engineering staff, which separates us from other contractors that can't afford to have an engineering staff on hand. A lot of smaller contractors will get a consultant or engineer as needed, but we have 22 packaging lines and a number of blending operations, so we have a need for a full-time staff of engineers that are implementing new equipment processes for new business as well as upgrading older equipment to keep it up to date and running. **[HCP]**

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