

# INNOVATIVE STRATEGIES TO MEET TODAY'S CHANGING EQUIPMENT NEEDS

---



---

→ **BY LARRY KADIS** CEO & President, Federal Equipment Company

---

**Larry Kadis** is CEO, President, and Co-Owner of Federal Equipment Company, founded in 1957. Along with his cousin, Michael Kadis, they have built the business into a global leader in the processing and packaging equipment industries. Larry's father Abe and uncle Morris founded Federal Equipment Company, where Mr. Kadis has worked for more than forty years. He has focused recently on creating strategic partnerships for the business with multinational corporations like Pfizer and BASF.

## ABSTRACT

Dramatic changes in the pharmaceutical industry are driving pressures to lower the time and costs of drug development, manufacturing, and packaging. Manufacturers and their contract service providers are looking to improve efficiency, eliminate redundancies, and rapidly increase pipelines. Significant company consolidation is resulting in considerable surplus equipment, driving growth for the used-equipment market. Contractors and companies producing highly specialized drugs need new types of equipment at the best prices. As a result, asset management is having a growing impact on businesses with surplus equipment while offering ideal scale-up opportunities for contract manufacturers and emerging pharmas. In turn, the role of trusted, experienced equipment dealers to help determine asset value and optimal strategies for decommissioning operations and to provide support for the buying of equipment is critical.

As the pharmaceutical industry undergoes significant change, manufacturers, contract research organizations (CROs), and contract development/manufacturing organizations (CMOs, CDMOs) are striving to adapt. They are seeking new ways to respond to changing needs and mounting pressures to increase productivity while keeping costs down and to decrease time to market while ramping up pipelines. Additionally, there is a need to elevate quality and meet more rigorous regulatory guidelines calling for use of the latest manufacturing and packaging tools and technologies. This also calls for acquiring efficient equipment that meets current needs to produce new, highly specialized products, including biopharmaceuticals and biosimilars, while reducing production time, containing costs, and minimizing the required number of operators.

Increasingly, pharmaceutical and biopharmaceutical companies are relying on strategic outsourcing partners to deliver high quality development, manufacturing, and packaging services in the most efficient way, as well as provide the specialized expertise, regulatory understanding, and resources they need. In terms of equipment and technologies, manufacturers want easy-to-use processing systems that can manufacture and package increasingly complex drug products in short start-up times and with easy changeovers. CROs, CMO/CDMOs, and equipment suppliers, in turn, are striving to meet the growing demand from their clients for cost-conscious ways to meet changing equipment needs.

The continuously rising pace of industry mergers and acquisitions has resulted in redundant infrastructure and equipment, which can typically be reused or repurposed to meet current needs. As a result, the used pharmaceutical equipment market has experienced significant growth, offering benefits for drug manufacturers, CROs, and CMO/CDMOs.



Consolidated manufacturers can sell the equipment, enabling other industry companies and outsource organizations to gain immediate access to lower-cost, high quality machines. Generics producers and contractors require very robust, flexible machinery with high output. The trend to more complex formulations for targeted treatments has driven a higher demand for sophisticated technologies with flexible platforms that can handle small batches and ensure the highest safety for operators and products.

The trends of increased manufacturer consolidation and the greater use of outsourced services are driving growth in the used pharmaceutical-equipment market. The strong growth continues due to the increased availability of high quality equipment and demand for low-cost solutions. Continuous processing equipment, commercial-scale single-use technology, equipment that can handle potent substances, and adapting lines for personalized medicine are key drivers of pharmaceutical manufacturing and bioprocessing today.

For equipment sellers or buyers, the best way to realize the benefits of used equipment is to work with a trusted partner who knows the industry market; understands pharmaceutical laboratory, processing, and packaging equipment; has an established network across the industry; and can provide comprehensive customer support. Experienced dealers provide an avenue to resource recovery for sellers, as there are multiple strategies for dispensing of different types of equipment, which can also translate to capacity access and cost savings for buyers.

#### EQUIPMENT SOURCING STRATEGIES: SELLING

Equipment sellers can benefit from a reliable, well-

#### KEY DRIVERS OF PHARMACEUTICAL MANUFACTURING & BIOPROCESSING

CONTINUOUS  
PROCESSING  
EQUIPMENT

COMMERCIAL  
-SCALE  
SINGLE-USE  
TECHNOLOGY

POTENT  
SUBSTANCES  
EQUIPMENT

ADAPTING  
LINES FOR  
PERSONALIZED  
MEDICINE

known dealer who has a broad, established network of potential buyers and warehouse space where equipment can be viewed and tested by prospective customers, and stored until it is sold. The dealer should also have extensive experience assessing and appraising the equipment and understand the regulatory requirements involved in the sale of used pharmaceutical equipment. Sellers must be aware of laws and regulations regarding sales of certain drug-manufacturing equipment, such as tablet presses and capsule filling equipment. They should also be aware of both domestic and international import and export compliance laws and regulations. The laws often require considerable technical knowledge to properly classify an export.

The sale of equipment that is no longer in use will recover some of the initial capital expenditure. When considering the potential of your equipment to sell, the type and condition of the machinery as well as the cost of removing it are key considerations to determine if it should be sold immediately, or stored, or scrapped. Another consideration when selling equipment is, which types are in demand? Some equipment is in much higher demand than others. For example, for solid-dose manufacturing, high quality tablet presses and capsule fillers from recognized manufacturers are highly desired and generally sell quickly. Other factors to consider for selling equipment are: Have more advanced versions replaced the type you want to sell? Can your equipment be upgraded to perform faster or provide a greater yield, and at what cost? Even if the machine is in excellent condition, is it so highly specialized and customized that it is unlikely to attract any buyers?

Some sellers are better off if they move their equipment to a dealer's warehouse to open up floor space and prepare for an optimal sale. In that case, it should be stored under appropriate conditions, ideally in a clean, climate-controlled building.

#### BUYING USED EQUIPMENT

Purchasing used equipment offers significant benefits for pharmaceutical manufacturers, particularly smaller and generic companies, CROs, and CMO/CDMOs, who can realize tremendous savings and reduce lead times. The cost of used assets is often as little as 40-50 percent and sometimes as low as 20 percent of the price of new systems. That is a significant savings over the capital investment required for new systems. Another important advantage is that used equipment is immediately available, eliminating waiting time for the delivery of new equipment, which can take weeks or months. The time savings can be a significant benefit for contract organizations bidding on projects that require specific pieces of equipment.

When equipment failures occur, surplus assets are valuable for both branded drug manufacturers and contractors. An experienced used-equipment dealer can help manufacturers quickly find appropriate replacement equipment, allowing production processes to continue and avoiding lost revenues and potential supply shortages. Used equipment can also be stored on site as a cost-effective option for backup to mitigate downtime in case of an equipment problem or a period of planned maintenance.

For maximum time and cost savings, used equipment should be considered as early as possible in the process design stage to allow for greater flexibility in equipment options and avoid time-consuming, costly design and specification stages of new equipment purchases.

Federal Equipment customers routinely seek both new and used equipment, depending on their manufacturing mix. New products require time for installation, and there may be delays for training and delivery if the equipment is custom-built or

#### RANK OF PURCHASING CRITERIA

1  
QUALITY &  
PERFORMANCE

2  
DURABILITY  
& RELIABILITY

3  
REGULATORY  
& VALIDATION

4  
PRICE

When making purchasing decisions about new equipment, quality and performance are the leading considerations of pharmaceutical manufacturers...

modified. With a short time frame to get a new product launched, used equipment becomes a more viable option over new equipment. If a company needs spare machinery, replacement equipment, or additional capacity with similar equipment, used equipment is a viable, lower cost-option.

When making purchasing decisions about new equipment, quality, and performance are the leading considerations of pharmaceutical manufacturers, according to a 2015 Nice Insight Pharmaceutical Equipment Report. Based on a global survey of 560 purchasing decision makers at manufacturing and outsourcing organizations, the report concludes that companies seek equipment that will outperform current pieces in quantity or efficiency. Price ranks lower in priority, following equipment durability and reliability. Equipment must be dependable, and enable manufacturers to comply with regulations and provide validation support.

#### PARTNERING TO LEVERAGE THE BENEFITS OF SURPLUS EQUIPMENT

Finding a trusted experienced partner who is highly qualified to provide strategic management services regarding the buying, selling, and global redeployment of equipment can save companies considerable time and costs. Whether to manage this function in house or through a qualified partner depends on the size and type of company, the quantity of assets to be managed, the available resources, and the company's expertise in equipment management.

An effective used-equipment dealer can facilitate the entire process, from the evaluation of resource-recovery needs to the development and implementation of a customized plan. A qualified dealer should help evaluate a client's equipment needs and determine whether used systems will be appropriate or new and possibly customized equipment is needed. Used-equipment management requires the ability to make certified appraisals, provide optimal resource-recovery solutions, and find suitable replacement equipment – new or used – that will allow rapid restoration of operations. Dealers who are trusted sources of pharmaceutical processing and packaging equipment can help realize both maximum recovery to sellers and optimum cost-savings to buyers, while ensuring the equipment is high quality and that all transactions are transparent and compliant with relevant regulations. **P**

#### → COMPANY PROFILE

## Federal Equipment Company

For more than 50 years, Federal Equipment Company, a large used-equipment dealer with an inventory of thousands of machines and a broad knowledge of equipment values, partners with companies who buy or sell surplus machines and consults with them on the most efficient, economical strategies. Serving as a strategic partner, Federal Equipment can develop and implement a strategic management plan to support efficient manufacturing with high quality equipment — typically at lower prices.





# THINK ABOUT THE NEXT PROJECT

When you  
think equipment,  
think Federal  
Equipment

WE SELL and deliver high quality machinery  
WE BUY and remove surplus equipment

## UPGRADE YOUR EFFICIENCY

Federal Equipment has been a trusted source of pharmaceutical processing equipment for more than 50 years. Our pharmaceutical team has extensive market knowledge, so we consistently exceed clients' needs with our extensive inventory, stored in climate-controlled, pharma-dedicated warehouses, as well as fast, accurately-appraised liquidations.

**Federal Equipment**   
Company

[WWW.FEDEQUIP.COM](http://WWW.FEDEQUIP.COM)

+1 877 536 1538

For more information, email us at [pharmaceutical@fedequip.com](mailto:pharmaceutical@fedequip.com)