

# Manufacturing



## Creating manufacturing centers of excellence

*Vicha and Chana have championed the strong business partnership that has developed between IDS and Pfizer for the regional supply of Listerine from Thailand.*

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# Riding the trend of outsourcing

Manufacturing is on track to achieve a major rebound in 2006 riding on a clear trend by multinational brands towards outsourcing. New and expanded relationships established in 2005 includes Pfizer, Nestlé, Johnson & Johnson and Kimberly Clark.

Manufacturing performance was severely affected by the weak customer demand in Malaysia. The poor market sentiment resulted in downward adjustments in sales forecasts by brand owners, and order volume came in lower than expected. The Hot PET line installed in the fourth quarter of 2004 had a slow off-take as brand owners delayed their new product launches in view of the soft market conditions. As a consequence, operating profit declined 10.6%, from US\$4.4 million in 2004 to US\$3.9 million in 2005.

During 2005, Manufacturing added four production lines to bring its total to 123 lines, while annual total production capacity increased from approximately 210,500

tons at the end of 2004 to 228,000 tons in 2005, mainly due to the completion of the Pfizer plant in Thailand.

Despite the softness in domestic markets, our upside potential remains strong. Starting in 2005, we have observed a clear trend by multinational brand owners towards outsourcing their manufacturing operations to serve multiple markets. This regional outsourcing strategy is a far cry from the past when these brand owners operate themselves a multitude of small local plants. Of the 15 new contracts won in 2005, a good number of them are for regional export, including Listerine mouthwash for Pfizer, powdered beverages for Nestlé, skin care products for Johnson & Johnson, hair care products for Procter & Gamble, and liquid hand-wash for Kimberly Clark.

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## 2005 Highlights

- Operating profit for 2005 dropped 10.6% compared with 2004; performance adversely impacted by weak customer demand in Malaysia.
- Growing trend among multinational brand owners towards outsourcing their manufacturing operations; secured new businesses from Nestlé, Johnson & Johnson, Procter & Gamble, Pfizer, among others.
- Pfizer plant for Listerine mouthwash in Thailand commenced operation in third quarter with production ramping up quickly for regional export.
- Turned around Thailand operations resulting in improved efficiency; poised for strong growth in 2006.

The plant dedicated to the production of Listerine mouthwash for Pfizer commenced operation in the third quarter of 2005. From a single production line catering only to the Thai domestic market, the scale was quickly expanded to three lines producing for various markets in the region. We are working closely with Pfizer on ways to further enhance capacity to achieve aggressive volume growth targets.

During the year, we strengthened the management team in Thailand and implemented efficiency improvement programs. Coupled with the transfer of best practices from Malaysia, we began to see improvements in terms of operational efficiency and quality standards. We are confident that our Thailand operations is now well positioned for the next phase of strong growth.



Our Manufacturing stream is riding on a clear trend by brand owners towards production outsourcing.

For 2005 we increased our resources dedicated to business development, with focus on expanding the scale and scope of our business with existing customers as well as developing business with new customers. In 2006 we will explore opportunities to increase regional presence by collaborating with third-party owned factories especially in China. We view this as a win-win approach. On one hand, our extensive experience in running world-class manufacturing operations will certainly allow us to add enormous value to these factories by improving their operational efficiency and upgrading their quality standards. On the other hand, we will be able to increase production capacity while minimizing capital expenditure outlay.

From all the various indicators we see, Manufacturing is on track to achieve a rebound in 2006.



IDS and Pfizer celebrate the opening of the regional Listerine plant in Thailand.



Our plant in Thailand manufactures health & beauty care products that meet the stringent quality standards of countries like Japan and South Korea.



Our high-speed TetraPak line in Malaysia is attracting new business for IDS.