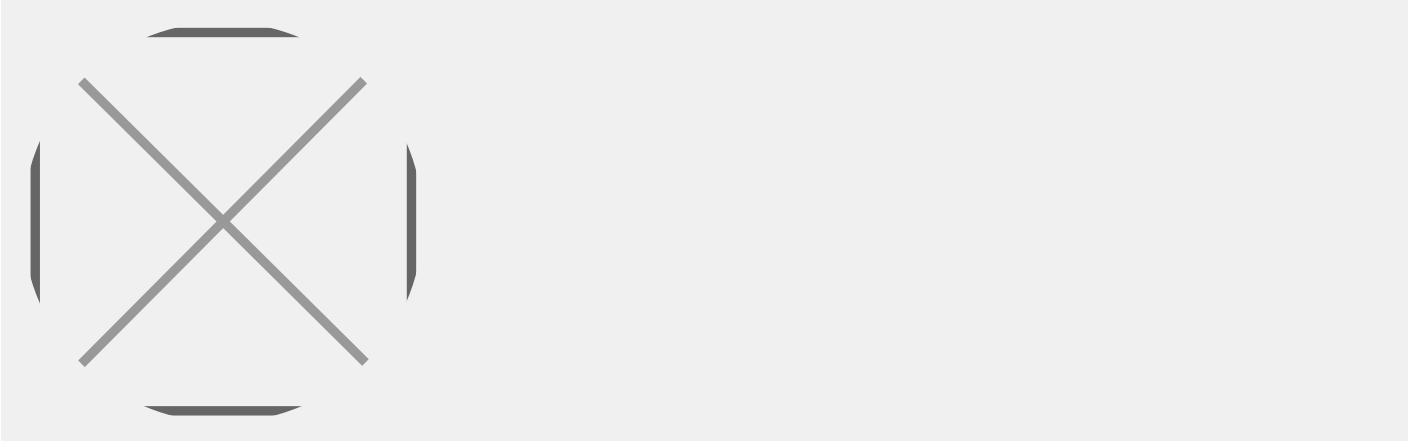
Interview: Jonathan Cheng, Vice President, Merits Health Products, Taiwan



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The Vice President of Merits Health Products discusses the company's main opportunities and challenges of the past 25 years, which countries are among its top buyers and its future plans of ranking in the top three worldwide in health products manufacturing.

Merits Health Products Co. LTD has an interesting history within the health products manufacturing market. What have been some of the highlights of the past 25 years?

Merits was originally founded as the Sun Shun Industrial Company. Established in 1987 with 20 employees, we located our headquarters in Ta-Ya Township, Taichung County. In 1992, in order to support increased productivity, we transferred our production operations to the Taichung Industrial Park, and renamed ourselves Merits Health Products Co. Our turnover at the time approached 8 million USD—about 25 times the revenue we generated in the late 80s.

Since then, Merits has grown quickly, but we have never lost our emphasis on quality, portfolio enhancement, and meeting market needs. Today, our turnover is approximately 100 million USD, and we employ over 500 people. We have attained a leadership position: Merits is a top-5 power chair manufacturer, holding approximately 15 percent of the global market. We also have increasingly gone to market under our own brand, rather than the brand of a partner—a strategy we are looking to leverage more and more as the Merits name becomes recognized. Finally, in January of 2012 we moved to the Taichung City Precision Machinery Innovation Technology Park.

Internationally, Taichung is famous for engineering precision. Within 50 kilometers of our site, there is a large network of quality suppliers, and a significant number of precision machinery manufacturers. We constantly push each other to improve. This is our backbone, and it is precisely the backbone required for medical device production. Medical devices are highly complex and present major technological barriers—they demand a high manufacturing standard.

What has been your role in this company?

I am part of the second generation at Merits, a company founded by my father. Although I have been Vice President of the organization for about a year, I have worked for Merits for quite a long time: I started as an intern, became a part-time employee, and then worked full-time for two years in Taiwan before moving to Florida. There, I headed our US distribution operation for six years. I relocated to Taichung in 2012 to take on my present role.

What are the company's main opportunities and challenges in today's market and what were the strategies used to overcome these challenges?

Our principal challenge at the moment is the global economic slowdown, particularly in developed countries with advanced markets. Even though I believe that the medical device industry has been less affected by the recession than most other sectors, it is still the case that many of our products are on government reimbursement lists—and as governments worldwide look to balance their expenses, medical devices are increasingly targeted for cost reduction.

On the opportunity side, we are looking to the emerging markets: countries like Indonesia, Russia, U.A.E., and Brazil, where demand for medical technologies is growing year after year. Some time ago, despite their population size, these markets could not afford the latest medical advances. Now, as their economies have evolved, they are looking to bring a higher standard of care to their people.

Ultimately, we find ourselves in the same boat as many of our colleagues and competitors in this industry: in the past, we enjoyed strong growth in the U.S. and Europe, but those markets are now quite sluggish. We have sought to make up the difference elsewhere in the world, and we have succeeded. Even in this climate, we have registered between 15-30 percent growth in recent years.

How would you characterize the role and benefits of your manufacturing presence in China?

Our products are divided into four categories: patient aids, wheelchairs, respiratory products, and power mobility. While the respiratory and power mobility products are manufactured at our Taiwan factory, patient aid and wheelchair products are manufactured in Mainland China.

Why manufacture some of our goods in China? Because today, given the competition we are facing from Chinese companies, we have had to restructure our cost base. Although price competition has never really been our philosophy, we have to respond to environmental challenges. Thanks to our China operation, we are able to offer a better price point on certain products.

What gives Merits a competitive edge in global markets?

Merits, like Taiwan itself, has been working very hard for the past 25 years to become recognized as a player that can manufacture products to the highest global standards. Taiwanese products are known around the world for their quality. Our price, as I began to mention, is not always the lowest—but it is still quite competitive.

Moreover, in certain markets, we can be early movers. Western countries are saturated with the big brands, which are very well established and have almost total market share. However, in the emerging world, much of the potential is not yet tapped. There is space for us to compete with the big boys, as long as we can provide great solutions.

What can investors and business leaders expect from Merits in the future?

As I mentioned, Merits is now the number-five power chair company in the world. We want to continue to build on that position, while also bolstering our other product lines. The number of people over the age of 65 will soon hit the 100 million mark in China alone, while 70 million people across Asia are currently over the age of 65 and many more are ageing globally. Our core mission is simple: we want to provide the best solution to older and disabled people in need of enhanced mobility.

We can combine different offerings to make this a reality. It is all about customizing our products to the individual needs of our customers. Five years from now, we expect Merits to gain market share to become the third, second, or perhaps even top-ranking power chair producer in the world.

The Merits logo consists of four red hearts, and is a symbol of our commitment to provide products that are second to none. Those four red hearts represent love, faithfulness, caring, and determination—the qualities we keep in mind as we pursue our goal of bettering human life. The solutions we offer to people in need mean everything to us.

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