Interview with Mark Lee, Vice Chairman, Morris Enterprise

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Tags: Morris Enterprise

How would you describe Morris Enterprise to our readers?

Morris Enterprise is a distributor of pharmaceuticals, nutraceuticals and cosmoceuticals. The company has a pharmaceutical division in marketing, a division in healthcare and one in cosmetics. Morris' total employee force is 66 people, with rep offices in Japan and France. Their major task is to search for products for us, especially in cosmetics and neutroceuticals.

In terms of sales organization, we support three sales departments for marketing services however our sales strategy is somewhat different from the rest of the industry. Morris employs a dual sales system: direct sales, combined with part of the sales through distributors who used to be shareholders of the company, and who we supported to set up their own companies and sell our products. Employing these two sales systems allows the company greater flexibility. Our distributors are comprised of eight main partners who have account for 28 salespeople.

Morris' business today mainly comes from pharmaceutical sales, which account for around 85% of the company's revenues. Food supplements provide around 10% of revenues and cosmetics account for 5%. The company decided that it needed to diversify its business angles and focus, a process we started 10 years ago. This diversification programme is still not completed, but so far we have seen excellent progress. Morris's turnover in 2009 was around U$ 500 million.

Morris's principals are Astellas, Bayer, Kirin and also Takeda who joined us in October 2009. During the past several years, the company has worked with Janssen Cilag and other companies that have entered and left the Taiwanese market several time. Our major task is get companies to grow their products in the market and develop their business, but sometimes these companies have their own strategies or they might want to start their own sales force and handle the market. We support and help them if they want us to cooperate in their business.

For Morris's distribution activities, the majority of the company's product range today comes from Kirin, a part of which is their long-acting EPO licensed from Amgen. We discontinued some other products from Sanofi-Aventis from this year and started working with Takeda last year. For other niches such as health food we have Arkopharma from France, cosmetics from Thalion, also from France, and Hashasawa from Japan. Akopharma is the biggest household products company in France. We work to create win-win partnerships with companies. These partnerships are based on honesty, professionalism and high value-added services in healthcare. Our mission is to develop as the best practice in product life cycle management. Active participants are 8 relevant associations, each with a different policy. Our mission is to serve all our principals. Our strengths are good time management for product life cycle and speed to introduce products to the market, because time is money in the pharmaceutical industry. We have solid experience in original brands and a major focus on hospital sectors because that market is huge compared with the other two sectors, it is more organized and they follow the same procedures. In parallel, we have very big tenders – DOH tenders, military tenders and municipal tenders. So, we keep the flexibility of territory and products to maintain this market.

Morris has a strong management team and a very stable personnel that we need as a distributor to keep and accumulate relationships within the industry. We have both direct sales and sales through our distributors that we can switch depending on the current results to keep the flexibility of these 2 systems and comply with our commitments.

We also have our special e-program: seven years ago we started developing 'computer science' through our IT department, with one person working for the corporate systems and the other nine working for our sales support. They worked to develop websites for all of Morris' customers. At the high point of this activity Morris developed and maintained 400 websites for different stakeholders in the industry. As a result, now all of these stakeholders have their own websites. Morris still offers website development for its customers.

This activity is unique in the Taiwanese market. By engaging in this website development program, Morris developed its relationships with many key stakeholders: from associations to doctors and

even hospital management. Some websites won awards for their design. This encouraged us to do better and more. So, we have two websites for very successful epilepsy products, a website for the Epilepsy Association, the Neurologic Society, Children's Epilepsy Taiwan and others. Over a period of about 5 years, Morris built around 400 websites and today still maintains them with through our IT department. It helps to keep very good relations with the customers.

As you mentioned, with distributors the key challenge is to have the right portfolio in the market. How would you describe the climate in terms of multinationals looking at Taiwan? Are they more willing to work with distributors or do they want to come to the market themselves?

Personally, I think that it depends. The price of pharmaceuticals had been cut by the government year on year and this was been constantly shifting the landscape for distributors and pharma companies in Taiwan. Here at Morris Enterprise, we have a very good relationship with the decision makers in a lot of hospitals. Due to compliance with the SOPs and our familiarity with all the procedures, we make the registration and bidding process run a lot more smoothly than our competitors.

As an observation from the view of product lifecycle management, several years ago growth was more predictable but the situation has worsened. The average growth rate for the whole industry is only 2-3%. The product life cycle has changed. Before, if a specific product area was particularly challenging for a company's staff, it would use a distributor to cover the business development as an alternative to hiring more staff and handling the business themselves. But because the product lifecycle is shortened, prices decreased sharply, and now if a company wants to focus their resources on some area, they might from the very start use distributors to cover some parts for their capital resources for a greater peak for the products in a shorter period. We can have the product reach its peak in a very short period. There is definitely room in this market today for distributors.

A lot of multinationals are starting to see Taiwan for its own merits rather than in a regional context. One of the reasons for that is the improvement of trade relations with China. We spoke to a lot of people who see Taiwan as a gateway to China. Do you see your principals thinking along these lines?

In my previous job, I ran Astellas' Taiwanese business and spent a lot of time working with the Chinese. I had an appointed manager to handle our business in China because of the similarities such as the thinking process. The Chinese people are well-educated – for a Western country. An average Chinese boss would understand the Westerners' thinking process whereas the Western

people are generally unfamiliar with the local culture.

With an 85% share in pharmaceuticals, what is your aim in terms of the eventual product balance?

We will continue to focus on pharmaceutical products and I think that in the near future there will be no major changes. Our management team's expertise is in pharmaceuticals. We have more diversified business for nutraceuticals and cosmeceuticals because we work with a lot of hospitals already and with the same management groups in hospitals also deal with nutraceuticals and cosmoceuticals. Sometimes we try to influence them to pick on that market. We still work with the same group of people and capitalize on this expertise.

The work with the websites is a very good example of building relationships and adding value. How is Morris Enterprise committed to continue that in 2010-2011?

That is 'valuables', as we call it, and although we do maintain some relations with groups through that activity, this is not our core focus today for adding value to our services. Whilst keeping up the maintenance of the websites we have created, we have switched to focus on other medical activities. We still need more people-to-people contact and, like our multinational companies from 3-4 years ago, we have started sponsoring the activities of foreign congresses, inviting international personalities from the industry to come to Taiwan and deliver speeches. We build opportunities to have face-to-face discussions among professionals. Over the past two years, I have helped the company by providing a lot of information to negotiate with the policy makers, which in turn helps the industry to have a better environment. It's also one of the benefits for the principals of working with Morris Enterprise.

One of your international aspects is having rep offices in France and Japan which is quite rare. How do they function?

They participate in some European distribution and sometimes get products for the company. If we meet some issues, we ask for their support and advice. They report every year and we have contact with French and Japanese companies.

A lot of our readers will be reading about the Taiwanese pharmaceutical market, one of the first reports on the country. What message would you like to give to our readers about the company?

Briefly, as a distributor we would like to service all the principals for the area and ensure full-scale niche market and full-scale business development is possible for our medical marketing. For development of sales and logistics, we have a warehouse and cold chain system. We are capable of working with more products, speeding up their market introduction and sales peak and ensuring

good life cycle management. And also we could help to improve the industrial environment and supply first-hand information to companies for strategic decision making.

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