Interview with Leong Mun Sum, Managing Director, Leung Kai Fook Medical Compay (Pte) LKF

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Can you please give a brief introduction of Leung Kai Fook Medical Co (LKF) to our readers?

My father Leung Yun Chee founded Leung Kai Fook Medical Company in 1928. LKF is one of the oldest medical companies in Singapore; it is a company of great tradition that today is run by its second generation, my brother Dr. Leong Heng Keng is the chairman and I am the managing director.

Leung Kai Fook Medical (LKF) manufactures a range of pharmaceuticals products such as medical oil, an inhaler and plaster. Among our line of products, the most popular one is Axe Brand Medical Oil.

Through our history we have grown considerably and today we have 5 modern factories located in different countries such as: Singapore, Malaysia, Indonesia, China and Vietnam and we are planning to build a factory in Myanmar. We are also looking to increase our capacity and penetrate new markets like India and Bangladesh.

As you mentioned, you manufacture in 5 different places and your business is very driven by volume. Why are you still manufacturing in Singapore?

Certainly it is not cheap to manufacture in a country like Singapore, of course labor cost is higher than most of the neighbouring countries, but our operations are fully automated (indeed, our Axe

Oil filling and packing line is running at more than 100 bottles per minute) and that saves us cost. Furthermore, we own our factory building so we are not affected by Singapore's high rental costs.

On the other hand, other key elements that make the country attractive are efficiency, location—Singapore has one of the best seaports in the world that make it easy for us to export, and lastly a strong currency that helps us to import raw materials at a lower cost.

With manufacturing in different countries and with plans of penetrating Bangladesh and India, what are the markets where LKF is present today?

Axe Brand Medicated oil is our star product and today it is sold in more than 50 countries. When my father started back in the late 20s we were just present in Singapore. After the Second World War we extended our presence to Malaysia. Since then, we had expanded considerably in the 60s we entered Indonesia. In the 70s we started exporting to some Middle East countries like UAE and Jordan. For the 80s our export market included China, Hong Kong and African countries like Kenya and Nigeria.

We kept on increasing our export markets in the 90s by entering Vietnam, Cambodia, the Philippines, USA and Australia. Commencing the new millennium, we expanded to Romania, Greece, Doha and Uzbekistan.

We have a very good product and our wide distribution network particularly in Asia and the Middle East countries have been very useful. We are very proud to say that our distributors and agents in countries like Malaysia, Indonesia and Saudi Arabia have worked with us for more than 40 years.

With your presence in over 50 countries and your ambitions of furthering growing, what will be the main guidelines to make this possible?

Our strategy to further grow is very simple as it relies on 3 main points. First is to seek geographical expansion. Second, we need to extend our product line beyond what we are offering now. Lastly, we need to look into acquisitions of related business and buying other healthcare products and brands that complement our portfolio.

Axe Brand Universal Oil has been the star product and the one that has made LKF what it is today. What is so unique about Axe Oil?

The indigenous product has been in the market for more than 70 years, its success and its long-standing presence speaks for itself. If it was not a good product, it would not be as renowned and widespread as it is today.

In short, I will say that what makes us unique is being an old brand. Axe Oil also has a proven quality, it is effective, affordable and handy to use. Furthermore, it is widely accepted by people all over the world and proven to be effective to different races including Chinese, Malays, Indians, Caucasians, Arabs and Hispanics.

Over these years, how has the product changed or what upgrades have there been, if any?

In fact, the product hasn't been through any kind of formula improvement. We have a great product, so why should we improve the formula? Has Coca Cola changed the formula? No. We have improved on things like packaging and presenting the product, but not in the essence of it.

The local industry is very small; certainly Singapore is not a big market. You are one of the few local companies that survived. According to you, why it is still important to have a local pharmaceutical industry?

The local pharmaceutical industries are quite small compared with international giants like GSK or Bayer. Unlike the MNC companies, in Singapore our local companies have little resources to carry basic R&D and come up with new drugs. Furthermore, MNC have very well known brands.

Under these circumstances, it is a fact that our local pharmaceutical industries cannot compete head on with MNCs in terms of manufacturing and worldwide marketing. However, Singapore's pharmaceutical companies can focus on their strength to develop niche markets of their own and expand it to the region and globally. There are good examples of companies that have managed to do so, like Tiger Balm for example.

We believe that certain local products have a good standing in the global markets since many countries now believe in Asian herbal preparations as an alternative to western medicines. Along this direction, our local pharmaceutical industries could take a closer look and come up with a few "made in Singapore" brands and preparations.

Taking into account the importance that the local players can have, how do you think that the Singapore government can help Singapore manufacturers to boost the local industry?

I believe that they can help us in several ways; one is to keep on encouraging exports. Singapore is a small country therefore we cannot depend on the local market since we'll die trying.

The Singapore government has an aggressive export policy to help local industries. In fact, the Trade Development Board (TDB) set up in the 60s helps the companies to assist in trade fairs and exhibitions. LKF has participated in diverse TDB's missions, which has given us a push to expand

our presence in more than 50 countries. We have also followed Singapore Chinese Chamber of Commerce and the Singapore Manufacturing Federation on a significant number of overseas missions to expand our Axe Brand products with favorable results.

Therefore, we hope that the government continues to expand these initiatives and help Singaporean companies that have potential to export to forge new frontiers and reach new markets. If these companies succeed to export they will certainly help to boost the economy of our country.

Furthermore, the Singapore government could consider giving the pharmaceutical companies an outstanding award in exports,, since they already have an Entrepreneurs Awards that gives incentives and recognition to entrepreneurs with outstanding achievements. However, they have not taken into account the export success. I believe that such an award can encourage our local industry to make further efforts.

Another element that could be of great help would be the government working together with the Health Science Authority (HSA) and the Singapore National University in assisting SMEs in the pharma industry to upgrade their facilities to GMP standards, since some companies cannot register or sell their products in other markets due to their lack of GMP certification.

Lastly, it is very challenging to license products overseas. Before a product can be imported to developed countries like the UK or USA, the exporting company must acquire a product license from the local Health Authority, whose regulations are very strict.

Indeed, LKF has not obtained the product license for Axe Oil in the UK, since we have not been able to find a solution to the requirements for the API of Axe Oil in accordance with the EU GMP. Therefore, we would hope that our regulators such as the HSA can assist pharmaceutical companies in our product registration overseas and give us consultation and advice when we encounter issues.

A last point I would like to emphasis is, that as you know, many countries impose import barriers, duty and non-duty barriers such as quota on pharmaceutical products into their countries. Under the Free Trade Agreement (FTA), the Singapore government had succeeded in helping many Singapore-based businesses to strengthen cross-border trade by eliminating or reducing import tariff rates of many of their products to more than 18 countries, eg.; USA, Malaysia. I hope the government would continue to enter FTA Agreement with more countries. This would further help the export growth of our local pharmaceutical industries.

If we come back in 5 years, what we can expect to see in LKF?

The future looks very bright and we are sure that we will keep on growing. Today we live in an IT era, where people spend long hours in front of their computers and using Iphones. This frequent and long use of technology can result in headaches, neck and back pains, and Axe Oil is very handy to help to relieve these symptoms.

Furthermore, we have significant growth opportunities in China and we have the whole Indian market to enter.

We also believe that we have interesting opportunities with the rise of tourism, therefore, one of our current goals is to further promote our Axe Oil and market it as a perfect gift or souvenir.

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