Interview with Pye Sen Tan, CEO, Herbal Science

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Tags: Herbal Science

Herbal Science started in 1985 as team of two pharmacists and now represents a large 200-person operation. What have been the main challenges for the company in this transformation and what is it most proud of?

Obviously getting new business and maintaining our existing relationships has been very important for the company. Herbal Science has strived to provide its customers with the products that they require so that they can grow themselves. Meeting these objectives has been Herbal Science's proudest achievement.

The company has been responsible for creating three or four of the most popular products in the Malaysian supplements business. Herbal Sciences is obviously very happy about this success.

What has been the effect of these 'superbrands' on increasing market share for the company in Malaysia?

There is a significant boost every time one of our products becomes a 'killer product'. The company is very much product-based, with growth dependent on the success of these products. Ten years ago one of the company's customers was achieving sales in the Malaysian market of ten million ringgit sales per month (approx. $3.2 million) from just one product. In the Malaysian context this is a huge achievement.

The company is also proud of the fact that all of its products are developed in Malaysia.

Success derives from a clear focus on research and development. The company has created a strong and diverse workforce, taking a multidisciplinary approach to Herbal medicine. To what degree does this set the company apart from its competitors?

What is important is actually less the diversity of the company's expertise and more the hunger and passion of Herbal Science's employees. There is an established culture of continuous curiosity in developing new products – this is the principal driver for the company.

Having said this, the company is always searching for new ingredients and new developments in the traditional and pharmaceutical industries and is keen to implement these discoveries in its products.

What are some of the new discoveries that the company is particularly excited about?

When I refer to new products, I am not talking about revolutionary new molecules being developed. Many of Herbal Science's innovations are based on simple ideas. For example this could be turning co-enzyme Q10 from a capsule product into a soluble product. Herbal Science is always looking for whether there is a market for different types of dosage forms for the best selling products of the moment. Finding and creating new markets is what the company is very strong in.

This type of R&D based troubleshooting is key to Herbal Science's success. The government is keen to promote innovation in pharmaceutical companies, but what sort of environment has the government created for R&D?

Herbal Science has little contact with government other than during audits. The company is audited by the Ministry of Health which visits every twelve to twenty-four months to inspect our facilities. During this period everything halts as the ministry inspects the company's ten factories. The Ministry is very thorough in this regard.

Aside from that, the company does not benefit from government support in the form of grants or tax exemptions. It operates without government subsidies, but that is a good thing. It gives the company impetus to become more competitive globally and not rest on its laurels. With government support, it is not necessary to have a good product, therefore the absence of government support keeps the company engaged in ensuring that its products are top quality and can compete in the marketplace. If this were not the case, customers would simply move to Herbal Science's competitors and with 250 employees working for the company this is a responsibility we take seriously.

Customers can very easily look to Thailand, Singapore or Australia to meet their needs so Herbal Science has to remain attentive to the specifics of each market. Viet Nam, Thailand, Indonesia and Malaysia are all similar in terms of the cost of production. To make customers choose Malaysia in general and Herbal Science in particular the company must offer something of extra value to its customers.

The company's curiosity to learn and improve its products represents part of Herbal Science's competitive edge and this is a continuous process. Quality assurance and quality control are also components which are very important. The title of your article, 'the shoots of innovation from the roots of tradition', captures the essence of this bridge between innovation and traditional products. In the transition from the traditional to the modern, quality control and assurance are very important.

This is a time of opportunity for the pharmaceutical market with a growing middle class, an ageing demographic and increasing health awareness. To what extent is the herbal market keeping in step with the rest of the market?

The herbal industry is a competitor to some of the more developed drugs in the market. A few years ago there were recalls by large American drugs companies of cholesterol drugs because of well publicised side-effects. As a result, customers began to move away from these synthetic products to medicines that they perceived to be more natural and with fewer side-effects.

Of course the immediate benefits of these products cannot be compared to those seen from Western drugs. However the aversion towards the side-effects from modern drugs has moved the market towards TCM and natural therapeutic medicine. This is where traditional medicine is taking market share away from allopathic medicine.

In terms of this dynamic between traditional and modern medicine, the government is pushing manufacturers to move more upstream to innovative drugs. How do you see this dynamic continuing over the next 5-10 years?

The dynamic should continue along a similar path. Personally, I think a bigger effect on the market share will come from the government's push for medical tourism. In my opinion this will favour local players such as Herbal Science which is small and aiming to assume the lead in niche markets. This push by the government should benefit the company.

It should be noted that when we say innovative there is no divide between herbal and Western medicine. The divide is between pharmaceutical and herbal medicine. Natural medicines can be

just as innovative as pharmaceutical drugs if not more so. In my opinion, it is a misnomer to apply the word innovation only to pharmaceutical companies.

In the herbal industry there is just as much thought, development and research as in the pharmaceutical industry. It is equally as difficult to create an effective herbal drug. Both types of company face the same challenges such as creating products in Malaysia where the humidity is around 70-80%.

There are things that Herbal Sciences can achieve which are beyond the capabilities of companies such as Pfizer for example. Herbal Science has ways of manufacturing products to withstand the Malaysian climate which an Australian or American company would not have the experience to undertake.

In your opinion, is there a need to actively try to change the perception that pharmaceutical companies and not herbal companies are the real innovators?

For me, the problem is purely with the media. The market has already moved towards herbal medicine. The media is now catching up.
Pharmaceutical companies naturally have a strong advantage in terms of their advertising budgets. This influx of money spent on advertising substantially influences the media. Whereas the people who actually buy the products have already started to move away from synthetic drugs.

Regarding the medical profession, I have seen from the company website that it is engaged in research into herbal applications in oncology. How can the herbal industry overcome scepticism in the medical profession towards this type of endeavour?

This is nearly impossible. There are such entrenched mindsets particularly among western doctors which is impossible to change. However, I do not feel that Herbal Science needs to change this way of thinking.

Herbal Science collaborates with many doctors who are content that the company’s products are sufficiently evidence-based. It should be said that many of the company’s products have a slight placebo effect, but ultimately if this is capable of alleviating the conditions that Herbal Science’s customers are suffering from then the company has already achieved its aim. Ultimately the focus must be on improving the well-being of our customers.

People value their quality of life and this explains the move away from Western medicine towards traditional and natural therapies. Although Western medicine is always very evidence-based the side-effects are also well known and adversely affect people’s quality of life.

We have talked of the domestic market but Mr Shatar of MOPI highlights the constraint in this market being its relatively small size. To what extent is the company looking to the export market and countries like China to further its growth?

80% of Herbal Science's products are exported to the ASEAN region and beyond.

China is a fashionable name to mention but in reality most of the company's exports go to Indonesia and Thailand. Indonesia is a very large market with around 250 million people and for Herbal Science this is the company's main export focus.

There is a high degree of protectionism in ASEAN. What are the challenges that Herbal Science has faced in entering these regional markets?

Government imposed regulations and G2G agreements are very well documented. However, the main problems that Herbal Science faces are from non-documented restrictions. Non-tariff based regulations are the main trade barriers and Herbal Science encounters these barriers in the form of delayed approval processes. This type of trade barrier is unfortunately undetectable.

If as a foreign company operating in these markets the standards applied to your products are much higher than those applied to domestic producers then there is a clear disadvantage for foreign companies. This type of protectionism is a very natural defence and many countries are guilty of it.

How easy is it for Herbal Science to find distributors in these foreign markets?

It is a two-way street. Distributors come to Herbal Science and most of the company's business is based on companies approaching it rather than the other way round. Indeed, the company does not actively look for distributors. Distributors of course need high-quality products and therefore they approach Herbal Science.

Since joining the company set up by your father what do you feel has been your personal touch on its operations?

When I was in JP Morgan I oversaw a team looking after equities. In Herbal Science I am still looking after people, whether they are my staff or customers. The principles do not change between these jobs. Relationships between people are the fundamentals of business in general. All that has changed is the type of people I speak to and perhaps the fact that I conducted business in English in JP Morgan and now do not speak English as much. The principles for managing people remain the same.

What would be your final message our readers around the world about herbal science and its success in the future?

Take a look and keep an open mind. Look at our products and try them out. The results speak for themselves and if you are happy with them then we can be partners.

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