Interview with Fangchen Lee, Chairman, Yung Shin Group

08.08.2010

Tags: Yung Shin Group

Yung Shin has a very long and well-regarded history here in Taiwan. Perhaps we could start by you telling our readers about the recent history of the company and its position in the market today.

Yung Shin was founded by my father nearly 60 years ago. Initially it was a drug store. At the time my father felt that Taiwan did not have many of its own pharmaceutical companies: most drugs were imported from abroad and he wanted to create a company here that would emphasize efficacy, safety, consistency and economy. That is why we started the business. Two years from now will be the 60th anniversary of the company. Our emphasis is on quality. Yung Shin is the most FDA approved company in Taiwan. We see quality as the life of the company. We started our international business around 25 years ago. We set up our international manufacturing facility in the US in 1994, and in China and Malaysia in 1996. At that time, the pharmaceutical market in Taiwan was booming.

Many of the pharmaceutical companies here have their eyes on international markets, but international pharmaceutical companies also have their eyes on the Taiwanese market. What would you describe as your feelings towards the potential of the Taiwanese pharmaceutical market today?

For multinational companies the market is strong. But the system that the National Health Insurance Bureau has set is not good for generics companies. In the United States, the patents for

branded products last between six months and two years and are then replaced by generic products. However, in Taiwan branded products enjoy a very good market. Because of the National Health Insurance policy the growth of the generics industry in the past five to ten years has been limited. The penetration of multinational products on the other hand has grown. There is new reform that may attempt to change this situation, but I do not think it will change much.

How much of Yung Shin's revenues come from the domestic market and how much from international markets?

About half and half. We are optimistic that we can expand further in Taiwan. But we are also building up our relationship in Singapore, Malaysia, China and Japan, where the barriers to entry are higher.

As a generics company, your focus on China is interesting. How challenging is it as a generics company to penetrate the Chinese market?

It is very challenging. Even though they opened up the domestic market thirty years ago, in the pharmaceutical industry 80% of the market is still held by domestic companies because Chinese policies protect local industry. It is very different from Taiwan where domestic companies only have around 20% of the market share. Yung Shin has been in China for ten years however and we have learned how to do business there. China will be an important market for Yung Shin to grow in the future. In the next ten years the new trend in our company will be mergers and acquisitions.

Ron Fan from Standard was telling us he is trying to enter the Chinese market for the fourth time. So what are you doing differently?

Yung Shin uses a very unique strategy of doing business. We have direct sales. Yung Shin has sales reps that go to hospitals and pharmacies. We don't go through distributors like everyone else. In China we work through wholesalers but we still do direct promotion. In order to penetrate into the Chinese market, Taiwan is a very good stepping-stone.

You are one of the few companies in Asia that I have seen that started by expanding to the US rather than first becoming a regional player. Why did you decide to do that?

I was educated in the US. I am familiar with the market and it is a very transparent market. As long as a product has a niche it can do well there. For example, one of our products in the US is small but that that product owns 90% of the US market.

We have heard a lot about the Taiwanese entrepreneurial spirit. Do you think that the mentality of looking beyond Taiwanese borders may come from the fact that so many Taiwanese students have studied abroad? Are you worried that Taiwanese students are not studying abroad enough any more and that affecting the Taiwanese business spirit in the future?

Yung Shin is a family run company. However, in the future we are most likely going to need to recruit more people from outside in order to continue expanding internationally.

What would you tell to these future employees?

Opportunities and dream. Yung Shin has a vision. Everyone needs to work together. In five years, we would like to be among the top three generics companies in Asia and in ten years, among the top three generics companies worldwide. In order to do this, we need to grow by about five fold.

Is there a final message that you would like to send to our readers?

Businesses in Europe and the United States should know that if they want to go to China, come to us.

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