Kim Byung-Jang – CEO, Mega Medical – South Korea

31.03.2015

Tags: R&D, manufacturing

The CEO of Mega Medical, a Korean medical equipment manufacturer specialized in the ENT area, discusses his firm's recent expansion into the anti-obesity segment, their strategy for building a global business, and the overall potential of the Korean medical equipment sector.

Korea still relies primarily on imported medical devices for its excellent medical infrastructure. What are the historical or cultural factors that have lead this disparity?

Korea still lags behind the US in the medical sector overall. We're quite good at manufacturing, particularly in electronics, but there is a lot of catching up to do in terms of R&D infrastructure, experience, and product sophistication before we will be able to produce more advanced kinds of equipment. So, for the time being, we're still reliant on the US.

What steps do you think the industry needs to take to close this gap?

We have all the pieces in the sense that we have excellent hospitals and doctors, CROs, and the presence of many multinational medical device companies, but as of yet, there is a lack of collaboration and partnerships between these players. Global medical device manufacturers tend to have consulting contract with doctors in the US for instance, so the early stage clinical trials are conducted there more frequently. For Korea to properly enter the global market, we need to

improve the environment for collaboration between doctors in hospitals, physicians who are conducting clinical trials, and engineers in the medical device companies.

What would you identify as Korea's strengths in the MedTech sector in general?

Korean's strength is in our IT capabilities, which will help us develop U-healthcare and telemedicine solutions. The conglomerates' and multinationals have recognized this and are targeting much of their investment in this area, so I would expect this industry to develop quite rapidly in the coming years.

On the other hand, I would point out that Korea is not a competitive producer of simple devices and equipment, since China, and other developing nations, can manufacture these items much more cheaply.

Mega Medical's aim is to be the top company in the ENT clinic system field and Korea's top company in the obesity market in 2015. How successful have you been in reaching this goal?

The ENT area is going smoothly. As for our obesity business, we have been introducing our new business model over the past few years. We used to simply sell devices, however the healthcare model in Korea isn't well designed for this because doctors are used to dealing with patients, not clients; regardless of the quality and potential of our devices, the market for anti-obesity equipment isn't very well organized. Doctors are the first clients for companies like us, and simply selling devices to sell devices doesn't give our clients what they need. Cell-Line is our solution to this problem, and is going very well. Now as part of the sale and training, we include management consulting and education, and I think that this is why we are leading the market.

Do you see an opportunity for Mega Medical to export anti-obesity clinics to some of the countries in the world with the worst obesity problems, namely the US and UK?

As I mentioned, we are not competitive in the market for simple devices. Our long-term strategy is to establish an international network of cell-line sliming clinics, similar to CHA Health System. We have a lot of work to do before we could enter developed countries, but we should be able to go to China, Southeast Asia, and Middle East markets as soon as we establish a strong foundation in the domestic market.

Mega Medical also exports many of its products to over 50 countries around the world including Europe, Asia, and Middle East. What is the response globally to the Mega Medical brand?

We have entered many different countries, but the size of the ENT device market in general is relatively small. Our main competitors are products from Germany, which are very high quality, but in general we receive positive responses because our products are reasonably priced for the quality. The bigger challenge is that in terms of quality and complexity, countries like China are catching up to us very quickly. This is why we are putting more attention into our Cell-Line network business model, as this can't be simply copied.

Hospitals are very interested in exporting their organizational systems and also the government is supporting this idea. The software (hospitals and clinics) and hardware (devices and equipment) should be exported together, but for this to be possible someone has to offer the integrated solution; Cell-Line is our integrated solution for slimming clinics.

You have already opened several Cell-Line Slimming Clinics in various countries across the globe. What was the reasoning behind moving into this business, and how much does it contribute to your revenue?

It is company's 20th anniversary this year, and growth in our old business model was becoming difficult. We originally saw potential in ENT because we knew that we could sell the devices to other doctors in the respiratory disease field, as well as ENT specialists; this is a unique feature of the Korean medical system, as family physicians, pediatric hospitals, and internal medicine specialists all deal with ENT issues in some situations. However, today this market is quite saturated, so we began looking for other markets to explore, or more accurately, create by offering a unique business model.

It has been almost four years since we started the Cell-Line network. We have spent the majority of that time establishing and refining the business model and clinical system. At this point the existing clinics generate ten percent of total sales, but we expect this to grow to 90 percent in the future. By building this network, we are effectively building a closed platform; once someone joins the Cell-Line Sliming Network, they will be reliable source of revenue as we provide them with pharmaceuticals, heath foods, medical supplies, etc. We currently have 22 clinics in our network, which we would like to expand to 500 domestically, and we are planning to go abroad as well.

I'd also like to point out that while the ENT market and body sliming market may seem unrelated, there is an important connection between the two. Given cost reduction initiatives being promoted by the government, many private clinics are looking for new revenue streams that lie outside of the national insurance scheme; aesthetics and obesity are one of these key areas. There are about 2,400 ENT hospitals in total in Korea, and about 1,500 of these are our clients, yet there are a total

of 35,000 private clinics in Korea. Many of these clinics are interested in supplementing their insurance-based revenue with income from aesthetics clients, but since they are used to dealing with ‘patients’ and not ‘clients’ that they struggle to manage services for these clients. If they join our network, we manage these issues that they struggle with for them, and will take a share of the profits.

What are your ambitions to grow Mega Medical in by 2020?

We will be listed on KONEX (Korea New Exchange) during the first half of this coming year and we are planning to be listed on KOSDAQ (Korea Securities Dealers Automated Quotations) within two years. We have a 100 billion won (USD 91 million) sales target for 2020, and expect 90 percent of that to come from our Cell-Line business.

What was your motivation behind starting Mega Medical?

After graduating, I started my first career in medicine at an ultrasound diagnostic unit manufacturer. At that time this company was basically the first company that made high tech medical devices in Korea, while other companies were making simple supplies such as syringes, condoms, etc. Medicine played an important role in medical field, in terms of making people believe that Korea can make high tech devices, and I started this business with the dream to export sophisticated and high quality medical technologies.

What are your priorities in your professional life?

I have been working in this business for about 20 years, and it is still a very fulfilling and challenging endeavor, as we help to improve people’s quality of life. I want to lead Mega Medical to a point where is has a regular and significant impact on the medical field, and it would be nice to have some achieve some personal recognition from the medical community and industry stakeholders. I am the type of person who will never be able to truly retire, and having and maintaining the respect of my family and colleagues is very important to me.

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