

# Interview: William Lai YF - CEO, Fortune Pharmacal, Hong Kong

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*William Lai YF, CEO of Fortune Pharmacal, discusses the Hong Kong OTC market, the company's internationalization strategy, and its expanding manufacturing footprint.*

## **Could you please introduce us to Fortune Pharmacal? What sets you apart from other OTC companies?**

Fortune Pharmacal was founded in 1953 by my father. In the beginning, we focused on the retail business until we brought our bestseller Coltaline to the market. From a single-product company, we quickly expanded into multiple products and multi-production company with 25 products on the market today. What differentiates us from other manufacturers in Hong Kong is our branded products. Additionally, we follow the highest standards by always exploring what the 'big boys' are doing; multinational companies are our point of reference for the OTC business.

Nevertheless, the OTC market is getting smaller and more competitive. We started to leverage our know-how in registrations process and our brand to expand into prescription drug category. The consumer segment for OTC occupies a spectrum of patients from ten to fifty years old. Most of the parents will seek doctors' opinion when their children get ill and subsequently use prescription drugs. Similarly, patients who are over 50 will most likely get their medicine prescribed. With this in mind, a prescription portfolio helps us to reach consumers under 10 years old and older than 50, which is a new segment we have not yet gotten a foothold in.

**With the strong product portfolio, you also entered some overseas markets. What are the key markets for Fortune Pharmacal at the moment?**

We have a product registered and sold in the US and Canada. Those are the two markets to which we are exporting, in addition to a big chunk of our business in China, representing a good percentage of our annual sales. To increase our capacity and meet the demand in China, we are currently building a new factory in Yuen Long.

Moreover, Hong Kong has been accepted as a legitimate member of the Pharmaceutical Inspection Co-operation Scheme (PIC/S), a global initiative between 49 regulatory authorities that aims to harmonize inspection procedures worldwide by developing common standards in the field of GMP and providing training opportunities to inspectors. As we are one of the accredited members, in theory, this means we can export to any other PIC/S country and eventually we are planning to do so.

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Nevertheless, in preparation to export, we need to once again recognize the pharmaceutical business is very territorial, so stability tests and registrations take time. In the past, we only focused on Hong Kong but we now have a new focus to operate internationally. Fortune Pharmacal has also established a new in-house regulatory department. Before we expand, we need to understand regulatory changes and nuances globally.

**You possess a large manufacturing footprint in Hong Kong. Why did you decide to manufacture here considering the fact that Hong Kong has some of the highest manufacturing costs in the world?**

Looking at the price ratio, land and construction of the factory itself would be slightly less expensive in China. However, when you buy the machineries and add import duties, it really adds up. Moreover, technical know-how in Hong Kong is more advanced; workers are also better qualified and they value loyalty. Sustaining workforce in China is a challenge, which can also jeopardize the production process.

Furthermore, Hong Kong is within reach to suppliers globally so it is easier to establish strong business connections.

**Could you give us a few more details about the new Yuen Long manufacturing factory you are building?**

For your reference, the new Yuen Long facility is four times bigger and five times the capacity of our current plant in Chai Wan. It is a long-term investment as it will allow us to expand to other areas of business as well.

Fortune Pharmacal will be the only Hong Kong manufacturer with a full R&D department, meaning that all the preliminary tests prior to production will come from R&D. By the time we move our manufacturing to Yuen Long, we will be operating in the same way as our peers in the US or Europe, making sure that the finest details of the manufacturing process are controlled. R&D and scale-up facilities will give us an advantage over any other competitor in Hong Kong or China.

**What is the strategic importance of the Hong Kong branding for Fortune Pharmacal. How is it perceived worldwide?**

First and foremost, we are a Hong Kong company and we will always be. The term '*Made in Hong Kong*' contributes to a premium image and helps us to justify premium pricing of our products.

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The '*Made in Hong Kong*' brand is really working well in China. Business in China is extremely competitive as it is a big country with some logistical and counterfeiting challenges. Mainland Chinese living close to Hong Kong border often travel to Hong Kong to buy daily hygiene products, for instance. In Fortune Pharmacal, we faced some counterfeiting challenges in the past but we have since invested a lot into our packaging, which made it more difficult to other companies to copy. Also, we cannot overlook the efforts from the Chinese government, as regulation now is much stricter than a few years back and counterfeiting is rarely found in big cities.

**With your contribution to Hong Kong, how would you assess the Hong Kong's government's support to local manufacturers?**

I would say government's support is minimum. However, we did successfully bid for the government-owned land in the new territories of Hong Kong. Other than that, our government is reserved and there are not enough initiatives helping the industry. Knowing our history, our government is good at executing orders but more needs to be done when settling the ground work for the future. The main investment for pharmaceutical sector is on the research side and not enough attention is paid to commercialization, production or manufacturing.

**You are also actively involved in CSR activities, especially with the Fortune Pharmacal Charity fund. Why is it important to you and how does it reflect your business philosophy?**

My father has always said it is important to give back to the society. He was the one that started Fortune Pharmacal Lai Yung Kwoon Foundation. Fortune Pharmacal started to put two percent of our annual profits in the foundation and we also began to cooperate with community councils and local charities in Hong Kong. While the team grew, we founded the in-house CSR arm and involved our people in the process. To illustrate, one of our main contributions last year was the cooperation with *Food Angel*, a food rescue and food assistant program fighting hunger. We bought rice from a local supplier and our employees went to help to prepare the meals for underprivileged families.

### **What makes you proud to be the CEO of the company?**

We are one of the best manufacturers in Hong Kong. When I give out my business card to people, they recognize Fortune's brand and can usually name at least one of our products. Secondly, our employees can excel within the organization. For instance, they can apply for job rotations. This is something that local family businesses have not done yet as it is usually the practice of conglomerates. I want my employees to appreciate the company and to contribute towards its development. In return, I want them to have decent opportunities to progress and grow up with the company while retaining the spirit of Fortune Pharmacal. As we progress, I always say that the next CEO does not necessarily have to be a Lai. My Farther has started this and I am proud to turn the family business into a corporation!

### **What is your vision for Fortune Pharma?**

I always say that it is important to not only look into tomorrow but to look into the future – and to not only look into Hong Kong but to look at Asia or even the world! With the recent investment in Yuen Long factory, we are at the stage ready to compete with the big international companies.

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