

Jay Hong - President, Kukjeon, South Korea



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Kukjeon, originally a leading Korean pharmaceutical wholesaler, has in recent years expanded into API manufacturing. Its president, Jay Hong, explains his high-risk strategy to pursue new API business opportunities, and his plan to penetrate global markets from Japan to Europe.

Can you introduce our international readers to Kukjeon?

Kukjeon originally began by only offering distribution services as a wholesaler. Its operations revolved around acquiring large stocks of API and distributing them to the major pharmaceutical companies. That was our business model for several decades.

Several years ago, Kukjeon expanded its capabilities and began manufacturing its own APIs, following the knowledge gained from other major companies involved in the market. In order to be competitive, we believed that it was important to have control of the process before the intermediate stage. By controlling the early stages, we now have control over the quality, as well as manpower and other critical factors. Such characteristics are essential for any company to grow and advance at the same rate as other long-standing companies in the market.

Our company is in the initial stages of manufacturing APIs. Domestically we are doing quite well as a high-ranked wholesaler and have ambitions to reach the top position. We also harbour ambitions to penetrate the global market and become a significant player.

We have highly motivated employees who strive to provide satisfaction to our customers regarding registration times, encouraging them that we shall minimize the delays that occur and streamline the process.

Can you explain your strategy to expand Kukjeon's presence in the API manufacturing sector?

While the Korean share of the global pharmaceutical market is very small, the Korean pharma market has been growing very quickly. In my opinion, new products and new technology are crucial. My preferred strategy is to go down the path that competitors tend to avoid and believe is too risky.

What I mean by a risky or difficult path is that I want to expand the business into orphan drugs and controlled products such as narcotic related products. These require a special certification. Moreover, Kukjeon already has a footprint in this area. However, at present this is limited and thus there remains abundant room for growth. We have plans to take these operations into the European markets at a later date.

There is also the potential to move into areas such as colour-based products which have many colours mixed together, as well as compounds that have the potential for dangerous reactions.

In order to specify the exact APIs to manufacture, the first step will be to understand the market situation and then proceed to select products accordingly. Following this, we will increase our R&D focus based on the selected compounds, while simultaneously enhance and increase our manufacturing capabilities.

What is your current manufacturing footprint and what are your plans to develop these further?

Currently, I am focused on developing our R&D offering, as well as the planning for our second manufacturing site. Given that we are seeking to control all processes from the very early stage right until the final stages, increasing our capabilities will be a determining factor in our future success. Our total current capacity is around 100 metric tonnes per year and the size of the facility is quite limited, at around 50,000 square feet. Due to these size limitations, we are pursuing the development of a second manufacturing facility in another location. We started planning for this

project only this year and have started looking for the appropriate location. Our aim is to have all of our manufacturing facilities in one place, but with expanded capabilities. Furthermore, my ambition is to triple the capacity that we have for the production of API products and for the complex APIs that we will develop in the future.

As a Korean company, how do you seek to compete with competitors in markets like India and China, who in the future may offer the same services, but at a more cost-effective price?

I believe that each country has its own specific strategy and advantage, according to its characteristics. For example, Chinese products are widely accepted as the cheapest, but their document accreditation is the lowest. Furthermore, European or American products are more expensive but are seen as high value, almost luxury goods. Often consumers purchase these “*brands*” not based on the product, but on the preconception of its quality. The Korean market can have its own strategy and can compete with the likes of China and India by leveraging its competitive advantages in both quality and cost-effectiveness.

Your main export market is Japan. How important is it to establish a presence abroad as part of your global aspirations?

It took us four years to launch into the Japanese market. Compared with other companies, this time frame is very short. Korean companies have very few sites whereby they can produce intermediates domestically. Thus, they often seek cooperation with companies in India or China. While sometimes cooperation is optimal, in order to have competitive power in the Japanese market, we need to have control of the key intermediates by ourselves.

Once we have established our presence in Japan, the next stepping stone in the European market. We are going to work on creating more gateways into more European markets for API production.

What do you want our readers to think of when they hear the name Kukjeon?

Kukjeon is one of the most transparent as well as efficient salespeople to the pharmaceutical market. The government has mandated strict and controlled procedures to manufacturers as well as pharmaceutical companies. We would like to focus on the upgrade of Kukjeon’s reputations and

exceed the more stringent regulations being put in place, so as to excel not only in the domestic market but also internationally.

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