

Shinsuke Yuasa – President, Thai Otsuka



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Shinsuke Yuasa, president of Thai Otsuka discusses the importance of Thailand for Otsuka as its first overseas market back in 1973. Yuasa goes on to highlight how the affiliate is overcoming the obstacles present in the Thai pharma market and how it is contributing to the country's growing

medical food market.

Can you briefly describe your journey at Otsuka and your first impressions of the Thai market?

When I was growing up, I spent many years in Thailand with my family. I have beautiful memories of Thailand and of the Thai people. I don't know why, but I felt at that time that in the future I wanted to do something good for Thailand.

After joining Otsuka, I spent seven years as a medical representative in Japan. My first overseas assignment and challenge was Vietnam, which opened my eyes to the diversity and dynamism in Asia. I spent almost four years there and really enjoyed my life in Vietnam. The market was really growing strongly and is still expected to grow even more quickly for the coming ten years.

Then, I was based in Cairo, Egypt to develop the market in the Gulf countries where in fact they have a premium market for patented products. It was also an amazing experience to become familiar with a different culture and market.

After that, I joined Thai Otsuka in 2015. I knew that the pharmaceutical market in Thailand was really challenging and facing many difficulties with very low growth among multinational companies, but I feel that it is still a high potential market for patented and branded products, for which it is the biggest market among the ASEAN countries. I was really confident that, despite the market situation, we could perform well as I knew that Thai Otsuka had both excellent products and people.

Issues such as price pressure and political instability are prevalent in the Thai pharmaceutical market. How does Otsuka overcome these, and other challenges, and how is the affiliate performing today?

Since 2010, the government has been trying to manage the medical costs especially for consumption of non-National List of Essential Medicines (NLEM) products among the Civil Servant Medical Benefit Scheme (CSMBS) through initiatives such as a generic first policy and median price. Over the last few years, more challenges with new regulations such as new Public Procurement Act which mandate government hospital to implement E-bidding for procurement and bidding price for pharmaceutical products became more and more sensitive to win the tender.

Additionally, the Thai innovation list has also become a real threat to multinational companies in recent years. Privilege for procurement through the tender is given only for Thai majority companies. Although we have been struggling with many external issues, all we can do is diversify our own business portfolio to non-pharmaceutical products and focus on developing new patented products to avoid competition with local generic products.

How is your portfolio of activities balanced?

Fortunately, we have quite a balanced business portfolio. Our biggest business is IV solutions, which represents 30 percent of the company's total revenue. Pharmaceutical products and medical food account for 25 percent respectively, the rest made up of our medical device and export businesses.

What is your new focus for Thai Otsuka's portfolio?

We have been investing to develop medical food as our key growth driver, as the pharmaceutical market – especially for government sectors – is facing low growth. The medical food market is, however, increasing in size as Thai societies age and we see more diversified diseases. People are looking for high-quality products to ensure better health. Such a high awareness of better health has resulted in a growing private healthcare market in terms of both products and services. Medical food is one of those products. We have seen at least ten percent growth every year.

When you established new factories in 2016, your goal was to reach a 22 percent market share for medical food by 2020. Now that we are nearly there, how have you progressed?

So far, we are doing OK. We have recently launched several new products which can compete well in the Thai market. In Thailand, as mentioned earlier, awareness for better health is significantly increasing. One of our new products, which has a very low glycemic index, can be used as a food replacement to improve hyperglycemia or obesity.

Also, more recently, we launched another new product which was designed as a complete formulation and has several advantages compared to other products in the market such as a higher protein ratio, and better ingredients in terms of protein, fat and carbohydrates. We are confident in its taste as well.

What is your strategy to compete?

Our core channel is hospitals as our history of collaboration with healthcare professionals is long and strong. Utilizing medical channels is very important for us, especially for medical food as the product itself should firstly be certified by a medical practitioner.

How challenging is it to make this shift into the consumer market?

Branding our products is a really important way to create a strong reputation among consumers and patients since medical food is neither a prescription drug nor a medicine.

What is your perception of the Industry 4.0 policy and Thailand becoming a hub for the healthcare industry?

Thailand is attempting to do with the life sciences what it has already achieved with other industries, such as automobiles, electronic parts and food products. In terms of the food industry, Thailand is a very rich country agriculturally. In our daily life in Thailand, we can eat a variety of local food

anywhere and at any time.

The current major issue for the food industry is that the value-added to primary commodities is not as high as it should be. Perhaps medical food can be one example that can create additional value. We could utilize sugar cane, cassava, palm, corn, seafood and so on... However, at this point in time we are still importing many kinds of raw materials for our products and we are trying to develop local suppliers as much as possible so that we can easily procure locally in Thailand.

What is your assessment of the current attractiveness of Thailand as a healthcare market?

One thing is for sure is that if a local market is doing well and expected to grow continuously, then investors will come. However, if the market is facing difficulties, as the Thai pharmaceutical market has been for several years now, very few new players will be willing to invest.

We understand that all markets should feature sustainable relationships between suppliers and buyers. Suppliers can accept a certain level of pain in terms of pricing, but if this reaches too low a level to continue, then it is very difficult to continue to supply.

However, the Thai pharmaceutical market has the potential to be able to support patented products. Therefore, we are expecting market growth to increase in the near future. Other attractions for investors such as Board of Investment (BOI) incentives have been very effective. Recently, we have seen a number of new investments in Thai healthcare from Japanese investors. Thai Otsuka also received BOI incentives for three different investments in the past 10 years.

After 40 years of investment, what can Thai Otsuka's role be in cultivating the Thai life sciences industry? How can the company drive the industry in term of R&D and innovation in medical food?

Otsuka is continuously investing in Thailand because we can see the opportunities here. We discovered the possibility of medical foods in the early 1980s, before establishing our first medical food factory. Unlike their counterparts in other countries, Thai physicians are particularly expert in nutrition management.

Thai Otsuka has developed locally formulated products which are more suitable for the Asian population since that point in time, Thailand only imported medical food from Europe and the US. We found that there was great affinity between Japanese and Thais. Nowadays there is a lot of collaboration and joint ventures between the two countries in a wide spectrum of industries among well-known companies.

How optimistic are you for the future growth of the affiliate?

Otsuka sees Thailand has having a big potential, especially for the healthcare sector. Additionally, Thailand has the potential to become a centre of regional operations. Many multinationals manage all of the Indo-China region from Thailand and we have contract manufacturing, service and research partners here. Also, we have a lot of experienced people in Thailand, so in spite of the many difficulties in recent years, I remain optimistic..

What key initiatives do you have that go beyond the products and how can you also leverage the expertise of Otsuka as a Japanese company?

The strongest asset that Japan and Thailand have is the bilateral relations initiated by the Thai royal family, government officials, tourists, and several private enterprises. Recently, JP Pharmacopeia was officially accepted as the reference pharmacopoeia of the Thai FDA. We can always leverage the image of a Japanese company and products as they are symbols of high quality in Thailand. On top of that, Japan is a super-aged country and we, as Japanese companies, have enough experience to supply suitable products for Thailand, where the ageing population is rapidly increasing.

What advice would you give to a new general manager moving to Thailand?

There is no doubt that Thailand and the Thai people are very nice. However, as in any other country, one must pay attention to, and have respect for, local practices. Sometimes, Thai culture and society is a bit complicated for foreigners to understand. However, those who try to learn the local language, culture, habits, and history will soon become Thailand lovers like me!

You have been with Otsuka for 15 years – what keeps you so loyal to the company?

First of all, Otsuka is a great company. The company culture is very valuable to me. Decentralization is fundamental and important at Otsuka and we benefit from a great degree of liberty. I am really honoured and proud to be a part of organization at such an important local affiliate as Thai Otsuka, which was the first overseas expansion for the entire Otsuka group.

Otsuka also gives us great opportunities; I was assigned as GM in Vietnam at only 30 years old. We also have so many innovative products with very interesting stories. Meeting with Otsuka's people in different countries and continents is truly great and fascinating.

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