Smit Soni â?? Country Manager, PT Kalbe Malaysia and Singapore

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Smit Soni, Kalbe country manager for Malaysia and Singapore, explains the dynamics in the consumer healthcare market in Malaysia, and how Kalbe is ensuring that its products are being adapted to rising health consciousness and the changing tastes of Malaysian consumers. He also discusses Kalbeâ??s new move into the oncology market.

Can you inform our readers about Kalbeâ??s operations in Malaysia?

We have had representation for Kalbe in Malaysia since 2000, but initially, we used a distribution company as we found that our products were already entering the market unofficially in Malaysia, brought in by some of the three million Indonesians living in the country. There is a similar heritage between the two nations, so a product that is popular in Indonesia is likely to be in high demand in Malaysia too. Consequently, we decided to enter Malaysia. From 2006 onwards, we brought our own brands to market, laying the groundwork to open a representative office in 2008 and full-fletched subsidiary in 2014 because we are seeking to have joint ventures and local production in the future. This year, our revenue in Malaysia is expected to be around USD 11 million, and for Singapore, USD 4.5 million.

Our initial focus was on pharmaceuticals. However, there is strong competition in the Malaysian market, mainly from Indian companies. Thus, we decided that we should delay our entry into the pharmaceutical market and switch focus to the consumer healthcare business, our strength in the region which represents 90 percent of our revenues. Since introducing our OTC products, they have become the leading brands in their respective categories. We began with a medical nutritional product called Milna, a baby formula, and a cough syrup called Woods, a 90-year-old brand that we acquired from an Australian company. Woods has gained revenue of USD five million per year and became the first-choice product for a recurring cough. Two years ago, we launched a herbal variant, as consumers are becoming more cautious about the chemicals within medicines. This brand is growing between five to ten percent every year, although the cough syrup market overall is fairly stagnant and has seen an influx of new competitors. Nonetheless, we continue to gain new customers and maintain growth. Considering our medical nutrition range, four years ago, we launched Diabetasol to regulate blood sugar levels, particularly for diabetic patients as around 23 percent of Malaysians suffer from this condition, mainly due to lifestyle and eating habits, such as a high rice diet. Although it is a small business, this product is experiencing rapid growth, with revenue doubling annually.

You became country manager for Kalbe Malaysia and Singapore in 2016. What was your main focus when you arrived at Kalbe Malaysia?

Kalbeâ??s products are sold in 20 countries, among which 12 have a direct presence. Malaysia constitutes one of Kalbe Internationalâ??s five focus markets. My main focus was to ensure the growth of the affiliate by recapturing the market in our nutrition business. We started specifically with our product Extra Joss, a caffeine-based energy drink that has proved to be a strong performer in the last three years. Due to its popularity, we formed a joint venture with a local company last year to manufacture it locally, transferring the technology from Indonesia. As we needed to proceed through a transition phase while moving our production from Indonesia to Malaysia, we encountered difficulties producing adequate supplies, affecting our market. Moreover, when the production started, it became more challenging as the product price rose to almost 25-30 percent. We were manufacturing small quantities and thus, our prices were affected by economies of scale. Incidentally, revenues fell from USD 3.5 million to only USD one million. We actually observed product from Indonesia being illegally moved into the market. Therefore, my main objective was to recapture this business.

What was your strategy to regain your market share?

Compared to our main competitors, Abbott and Nestle, we have a similar offering, but provide more variance of flavours. During our consultations with diabetes sufferers and physicians, it was mentioned that due to the inability to have sweet foods, diabetics can encounter a relatively lower choice of flavours in their diet. Normally, any food supplement will have two or three flavours, usually chocolate, strawberry, and vanilla. After understanding our diabetic consumers, we noticed that they liked coffee but could not drink it anymore. Therefore, we added cappuccino to our product flavours. By increasing consumer choice, we can establish our position in the market.

Moreover, we established a solid base of 32 sales representatives covering 30,000 F&B (Food and Beverage) distributors. We would visit distributors every week and sell the product directly. We received added attention thanks to our proximity to Indonesia as our message to our distributors is also that this product is designed specifically for the taste preferences of Malaysian people. Our product uses fruit bulb, considered healthier and better tasting than the flavouring agents in rival products.

In addition, we adopted the sampling strategy. Every weekend, we offered free sampling to some of our distributors. If the consumers prefer our product to the alternative, the distributor will purchase our product. We also offer deals when they purchase our products. For example, we often provide new signage for the shop or staff uniforms. Our team targets 50 new restaurants taking up our product monthly.

Kalbe has a range of business lines, from pharmaceuticals to consumer health, nutrition, and logistics. How do you navigate the diverse marketing strategies for these products in Malaysia?

We have different divisions for each business lines, so the marketing strategy alignment is not that difficult as the company direction is top down. The strategy is agreed at the executive level in Indonesia, and then, it is passed to the individual teams to implement this.

Naturally, each market has its own specificities. In Malaysia, we trade more with larger outlets, such as supermarkets, which provides more publicity and branding to our products. Conversely, our Indonesian market mainly consists of local suppliers.

One of the aims of the government is to change Malaysian lifestyle patterns to counteract this growth in lifestyle-related diseases. Is this reflecting in the evolution of consumer preferences?

I think the drive which the government has engaged regarding health is working. A new trend is emerging in Malaysia where customers are becoming more cautious, aware and informed about the products they use and have a view to preventing the onset of diseases themselves. As a result, Malaysia is now the largest industry for supplements in the region, with more and more people choosing to consume them and an increase of supplement companies entering the market.

Malaysian consumers are also heavily influenced by Singapore. We have a rise in health consciousness amongst Singaporeans, preferring natural and healthier products. This has influenced attitudes in Malaysia. Highly-educated Malaysians are becoming very cautious about the products they use, checking the chemical contents and questioning the efficacy of use. For example, some Chinese customers have the misconception that canola oil is unhealthy, and thus want to know how much canola oil is present in a product.

Where are the new potential areas of growth for Kalbe in Malaysia?

Oncology is now an area of focus for Kalbe. Kalbe was the first company in South East Asia to set up an oncology plant, opening one in Indonesia. Currently, our focus is breast cancer as well as head and neck. We also have a product for pancreatic cancer.

In Malaysia, we provide only biosimilar products sold on a patient basis as the registration process is ongoing and biologics require a lot of clinical evidence, but Malaysia is a good market for biosimilars. 80 percent of cancer patients treated in Malaysia come from Indonesia. The reason is that Indonesia has very limited and expensive oncology treatment facilities where it can be up to four or five times the cost that it would be in Malaysia. Therefore, Malaysia is emerging as the number one place to treat cancer across the region, when balancing quality and price. Moreover, the country is keen on recruiting oncologists, 70 percent of which are expatriates from India. It is an advantage for us as Indian doctors are more adjusted to using biosimilars thanks to their long experience working with them than Malaysian doctors.

Hence, we have a very small portfolio of four products, with two more to be launched next year. Perhaps in a few years, we will expand and sell more of our oncology products in the ASEAN markets as well. We also have a subsidiary company called Innogene, based in Singapore, which oversees our biosimilar and oncology business and we started partnerships with companies in Argentina, South Korea and Chinese to export our products.

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