

**Surgical Gloves Contract Packaging Business
A Feasibility Study**

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EXECUTIVE SUMMARY

Founded in 1991, Doyen Medipharm is the world's only manufacturer of automated packaging machinery whose products are designed and engineered specifically to package medical devices. Doyen intends to capitalise on its market position by adding at least one further revenue stream. With its strength and market position, a major opportunity for the Doyen is the incorporation of Contract Packing facilities. The Contract packing market is dominated by poorly equipped low margin Companies, and now Doyen intend to challenge this market by equipping facilities with state of the art Doyen machines.

Doyen Malaysia office was set up in 1996 serving as the sales and service office for the Far East market, mainly Malaysia and Thailand where the surgical gloves manufacturers are. So far, this local operation has been acting more as a spares and service office with the equipment sales done by Doyen US and UK offices directly to the multinational companies' headquarters in US and Europe.

With the growing interest of the local Malaysia gloves companies to venture into the surgical gloves manufacturing, Doyen wants to explore the market size and determine the feasibility of expanding their Malaysia operation into the contract packaging business, which plays a crucial role in future machine sales.

This study is undertaken to provide better understanding of the regional gloves market specifically the Malaysia surgical gloves market and the contract packaging business opportunity. Analysis on the strengths, opportunities, weaknesses and threats are done in determining the feasibility of setting up this surgical gloves contract packaging business in Malaysia for Doyen.

With the traditional examination gloves market being mature and saturated, many local gloves manufacturers have started to venture into the more lucrative surgical gloves production. However, surgical gloves production is very labour

intensive due to the specific packaging required. Labour shortage and rising labour cost are some of the major market restraints for the manufacturers. Automation is the solution but it is expansive and requires high capital investment.

Malaysia surgical gloves market is dominated by the multinationals companies, which all machines to package their gloves, mostly Doyen machines. Eight out of the 16 notable surgical gloves manufacturers in Malaysia, have Doyen machines. Most of the local manufacturers are still packaging their gloves manually, either in-house or outsource to the existing contract packagers. There are a handful of gloves companies that are currently gearing up to start surgical glove production. Some of the existing local producers are also enlarging their surgical gloves production.

The local surgical gloves contract packagers are poorly equipped and are mainly just labour suppliers. Mostly located in Klang Valley, these contract packagers have been playing an important role in providing the necessary service to the local surgical gloves manufacturers as they started to venture into this new market. They are generally perceived as doing a good job and have good relationship with their customers.

From the survey done on 11 companies, only 4 companies have shown some interest to explore further. However, as this is a whole new concept to them, more detailed explanation and education are required to get them to be more enthused on this.

From the analysis done on the information gathered in this study, it is feasible for the company to further explore in determining the level of business it can command. This requires a more serious contact and negotiation with the surgical gloves manufacturers by the company.

The recommended location for this facility is to be in Kulim, Kedah where its service team is currently located and nearby to one of Doyen main customers, LRC whom has expressed the interest to pursue with this contract service. Providing the synergy with the existing business in terms of machines maintenance and the operating cost, it will also reduce the tendency of negative reaction from the existing contract packagers that are concentrated in Klang Valley. It is also recommended to set up this new business as a separate entity to qualify for the available government incentives.

There are also other options that are worthwhile to look into such as limited leasing and joint venture with the existing contract packagers or the material suppliers.