

4.0 MARKET RESEARCH

The intention of this research study is to provide more insights into the regional gloves market particularly the Malaysia surgical gloves market in order to assist Doyen in determining the feasibility of setting up the contract packaging machine facility in Malaysia. The information provided in the research will also assist Doyen in strategising its existing marketing activities of their machines sales to the surgical gloves manufacturers in the region particularly in Malaysia.

4.1 Market Research Purposes

In order to achieve the study intentions above, the market research was conducted to obtain information on the outlook of Malaysia and Thailand gloves market in general, and concentrating in the two countries surgical gloves market. Some brief information on Thailand gloves market is provided, as Doyen is actively involved in supporting that market as well as to provide some basic information for Doyen to explore further on the possibility of providing the contract packaging services to the gloves producers in Southern Thailand.

The Malaysia surgical gloves manufacturers and their packaging requirements are determined as well as the information on the Malaysia's surgical gloves contract packaging market and competitors offerings.

The local Doyen office capability in relation to the proposed contract packaging business was also determined.

4.2 Market Research Methodology

Secondary research was carried out to determine the regional gloves market outlook and the number of surgical gloves companies in Malaysia therefore forming the sample basis for the primary research. Secondary data were obtained by looking into the past studies done, syndicated data, published

reports in the newspaper, journals, website, trade newsletter and published information from the government and trade associations.

Primary research was conducted via personal interviews and telephone interviews with the targeted potential clients abstracted from the list of surgical gloves company obtained from the secondary research done as well as information on the existing users of Doyen machines. The surgical gloves companies surveyed are divided into four different categories with at least two companies were interviewed from each category.

The first category is the existing users of Doyen machines. Currently, there are seven surgical gloves companies in Malaysia that uses Doyen machines out of the nine companies that automate their packaging. Some of them use multiple machines with different makes.

The second category is the existing producers of surgical gloves without packaging machines; either in-house manual packaging or outsource to the existing contract packagers.

The third category is the existing producers of surgical gloves that export their gloves to be packed overseas.

The last category is the companies that are interested to go into surgical gloves production. Information was gathered from the industry on their intention prior to making the interview appointment.

These interviews were carried out with either the core persons in their respective companies or the person in-charge of the packaging units, all with good knowledge on their packaging requirement.

No interview was carried out with the existing companies offering contract-packaging services. Instead, the information obtain on them were obtained from their clients and it was carried out discreetly to avoid any misunderstanding.

Personal interviews were also done with officers of the relevant trade associations, namely Malaysia Rubber Gloves Manufacturers' Association (MARGMA) and Malaysia Rubber Export Promotion Council (MREPC). Interviews were also carried out with the officers of the relevant government bodies, i.e. Malaysia Industrial Development Agency (MIDA).

Discussions were held with the local Doyen personnel for better understanding of their local operation and their capabilities in relation to the proposed new business.

4.3 Research Findings

The presentation of the market research findings are divided in sections as follows:

- i. Malaysia surgical gloves manufacturers list
- ii. Profiles of the companies interviewed
- iii. Regulations and government incentives

4.3.1 Malaysia Surgical Gloves Manufacturers

The table below shows the existing surgical gloves manufacturers in Malaysia with information on their ownership status, location and their packaging method.

No.	Company	Ownership Status	Location	Packaging Method
1	Allegiance Healthcare S/B	MNC	Penang	Uses Doyen machines
2	Ansell Malaysia S/B	MNC	Melaka	Uses Doyen &

				other machines
3	Ansell Shah Alam S/B	MNC	Klang Valley	Uses Doyen machines
4	Brightway Holdings S/B		Klang Valley	In-house manual pack
5	Guthrie Medicare Products (NS) S/B	Subsidiary of Local Public Listed Co.	Port Dickson	Uses other machines
6	Healthcare Gloves S/B	Private Co.	Klang Valley	In-house manual pack
7	Latexx Manufacturing S/B	Subsidiary of Local Public Listed Co.	Taiping	Uses contract packagers
8	LRC Hospital Products S/B	MNC	Kulim	Uses Doyen machines
9	Sanchem Corporation S/B	MNC	Penang	Export to Japan for packing
10	SSN Gloves (M) S/B	Private Co.	Klang Valley	Uses contract packagers
11	Super Latex S/B	Private Co.	Melaka	Export to US for packing
12	Supermax Corporation S/B	Subsidiary of Local Public Listed Co.	Klang Valley	Uses Doyen machines
13	Terang Nusa S/B	Private Co.	Kelantan	Uses other

				machines and in-house manual pack
14	Top Glove S/B	Subsidiary of Local Public Listed Co.	Klang Valley	Uses contract packagers and in-house manual pack
15	Wear Safe (M) S/B	MNC	Klang Valley	Uses Doyen and other machines
16	WRP Asia Pacific S/B	Private Co.	Sepang	Uses Doyen and other machines

Table 4.1: Existing Malaysia Surgical Glove Manufacturers by Alphabetical Order

There are also a few local gloves manufacturers that are planning or setting up to enter the surgical gloves market.

4.3.2 Profiles of the Companies Interviewed

A total of 11 surgical gloves companies (including 2 companies planning to venture into the surgical gloves manufacturing) were interviewed.

Three companies were interviewed under the first category of existing users of Doyen machines category. They are LRC Hospital Products Sdn. Bhd., WRP Asia Pacific Sdn. Bhd. and Wear Safe (Malaysia) Sdn Bhd.

- i. LRC is part of SSL, a leading international company in the medical industry. Locally, LRC has been expanding their surgical gloves line

significantly in the last two years including acquisition of a local surgical gloves manufacturer, Ampri and relocation of their overseas manufacturing to Malaysia. One of the top surgical gloves producers in Malaysia, they are one of the major clients of Doyen gloves packaging machines, operating 8 surgical gloves packaging lines consisting of 8 GPMs for the gloves inner wallet packaging and 8 four side seal machines (HDW) for the gloves outer pouch. The operations director when approached was very keen on the idea of having an alternative facility for their production disaster recovery.

- ii. WRP is the third largest surgical gloves producers in Malaysia after the top two multinational companies. Located at Sepang, Selangor, they currently have 6 surgical packaging lines with a mixture of machines of different brands; including 2 Doyen glove packaging line (2 x GPM and 2 x HDW). The manager in charged of their packaging facility was not too keen of the idea of having this disaster recovery alternative as he believed that their existing machines have the ability to provide cater for this. This however contradicts with the actual situation that occurred last year when they engaged contract labourers to manually pack their gloves into the inner wallet when one or two of the inner wallet packaging machines were down.
- iii. Wearsafe (Malaysia) Sdn. Bhd. is a subsidiary of Pan Century Group, an Indian multinational company. They are packaging their sterilised examination gloves as well as surgical gloves using a Maruani and a Doyen GPM for the gloves wallet packaging and a Maruani four sides seal machine for the outer pouch. Interview was carried out with their General Manager and Production Manager. Similar to the responds given by WRP, they are not eager to have a disaster recovery alternative, as they believed their machines are reliable and currently they are not pushed for production.

For the second category of the existing producers of surgical gloves without packaging machines, 4 companies were interviewed as follows.

- i. Top Glove is a public company listed in KLSE Second Board. Operating with 3 factories in Klang, Selangor and a plant in Ipoh (the ex-Safeskin plant), they have also expanded their production into Thailand with a plant in Phuket. Concentrated in the examination gloves, their surgical gloves production now is approximately 2 millions pairs per month and it is expected to grow to about 3.5 to 4 millions pairs by end of the year. Packaging of these surgical gloves is being outsourced to contract packagers who supply labour to package the gloves in Top Glove facility. According to their Operations Manager, Ms. Chew Yoke Moi, they prefer the packaging works to be carried out in their facility for better quality control. Not optimistic on the suggestion of having machine to pack their gloves, as they are concern on the increase of material, transportation and sterilisation costs due to the larger package size.
- ii. Latexx Manufacturing Sdn Bhd is part of Latexx Partners Bhd., a KLSE listed public company. With a few plants in Taiping, Perak, they are also expanding into Thailand. One of the bigger local gloves manufacturers, their concentration is also in the examination gloves. Unlike the most of the other manufacturers, their surgical gloves (packed in inner wallet only) are sold directly to other medical companies to be packed together with other medical devices in medical kit forms. Discussion held with their Business Development General Manager, Mr. Teoh Choh Shee reveals that they are embarking on an expansion project in their Taiping plant to increase their surgical gloves production to about 1.5 million pairs per month from the current 200,000 pairs per month. Their sterilised examination

gloves and surgical gloves are currently outsourced to be packed by Glove Net in Kajang Selangor.

- iii. SSN Gloves (M) Sdn. Bhd. is a relatively new in the surgical gloves production. As OEM manufacturers, their surgical gloves are produced in Petaling Jaya, Selangor, and send to a contract packager in Klang, Eastern Promise for packaging works. Their current surgical gloves production volume is approximately at 2 millions pairs a month. From the interview carried out with their Managing Director, Mr. Ang Teck Leong, they are quite happy with their existing contract packagers and quite sceptical about the idea of Doyen entering the market to compete with them. They however do believe that it will improve their product image in their clients' eyes by having the gloves being packaged by machines in a clean room environment.
- iv. Brightway Holdings Sdn Bhd is a privately owned company located in Klang, Selangor with another subsidiary plant in Kajang (Laglove(M) Sdn. Bhd.). They have also recently purchased Biopro S/B in Klang as part of their expansion plan. Producing a small quantity of surgical gloves, they have changed their packaging style from the more common paper inner wallet material to poly material with pockets for each glove as they change their export focus from the traditional US and Europe market to Japan. This new inner wallet packaging requirement is unable to be fulfilled by the machines currently available in the market. Their packaging works is being carried out manually by their own workers.

There are two companies known in this third category in which they are existing producers of surgical gloves that exports their gloves to be packed overseas. They are:

- i. Sanchem Corporation Sdn. Bhd. is a subsidiary of Japan's Sanko Chemical Corporation. Located in Seberang Prai, Penang, they are mainly into the production of latex surgical gloves for the Japan market. These gloves are exported to Japan for the packaging works. With their two surgical gloves dipping lines, their production volume is approximately at 1.4 million pieces per month.
- ii. Super Latex Sdn Bhd is a local privately owned company located in Alor Gajah, Melaka. With main concentration in the examination gloves, they have very limited capacity for surgical gloves in which they are supplying the surgical gloves as OEM rather than under their own brand. Production of surgical gloves is very irregular with average annual production of 1 to 2 million pieces only.

From the market information, currently there are a few companies interested to go into surgical gloves production. Simple discussions were held with two of them, however not much information is available.

- i. Biografik (Malaysia) Sdn. Bhd. a local private company in the latex examination gloves production located at Nilai, Negeri Sembilan. According to its Managing Director, Mr. R. Palanisamy, they has planning to start their own surgical glove lines by end of year 2002 and added that it is unlikely that they will purchase a packaging machine for surgical gloves in the near future until their demand is stabilised.
- ii. Quality Latex Products Malaysia Sdn. Bhd. is a local privately owned company located in Ipoh, Perak. Currently engaged in an aggressive expansion plan to increase their production volume by more than double with their new plant, they are quite optimistic of going into the surgical gloves production. There is however no clear indication of the projected surgical gloves production volume.

4.3.3 Regulations and Government Incentives

In the 2002 budget announcement presented by Malaysia Prime Minister in October 2001, there is a new category of incentive for the supporting industry for the manufacturing declared. However as of early March 2002, the officers of the relevant authority, MIDA have not had the clear information as of which industry can be considered under the supporting industry category nor do they have the necessary forms for this category application.

From the discussions held with MIDA officers, there are few other incentives categories that Doyen can apply for including the pioneer status category or the investment tax allowance category as an alternative. There are also other incentives such as the training incentives, the incentives for research and development, etc. However, they are not able to advise on the exact incentives that Doyen is able to receive, asking for formal application submittal for their review first.

It is however clear that in order to receive an incentives under any of the categories, Doyen is required to set up a separate entity from its current Malaysia sales and service office/business.

On the equity issue, Malaysia government has relaxed the equity policy for the manufacturing sector for both foreign and local investors effective from 31 July 1998 up to applications received prior to 31 December 2003 to set up manufacturing projects. Upon approval, the company will not be required to restructure its equity at any time provided the company continues to comply with the original conditions of approval and retains the original features of the project. This relaxation however is not applicable to specific activities and products where Malaysian small and medium scale companies have the capabilities and expertise. Listed as one of these activities are paper packaging and plastic packaging. Again the MIDA officers are unable to provide clear information in regards to this due to the most recent budget, which stated the incentives and

allowance for manufacturing supporting sector as the contract packaging business that Doyen is proposing can fall into this category.