

# **International Business Marketing**

**Business**

**Professor**

**Date**

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## **EXECUTIVE SUMMARY ABOUT THE COMPANY**

CareLine Med, Inc, established in 2005, is a company that designs and markets medical devices that offer solutions to endoscopic surgery needs. In collaboration with leading surgeons and physicians, the company has already designed four endoscopy surgery devices. The company has likewise incorporated five patents. As such, the company projects a \$50-million revenue after five years. The company has already filed patents for its three products through the help of a top patent law firm.

CareLine Med, Inc has clearly defined market segments which show a high growth trend. One market, the endoscopic variceal ligation market, is projected to have a \$150 million worth in the next three years. The product for this market is being improved significantly. Another product addresses a need in endoscopic surgery that for a long time has been unanswered. This need pertains to the clearing of blood and tissue during surgery. For this need, a new and innovative equipment design was developed.

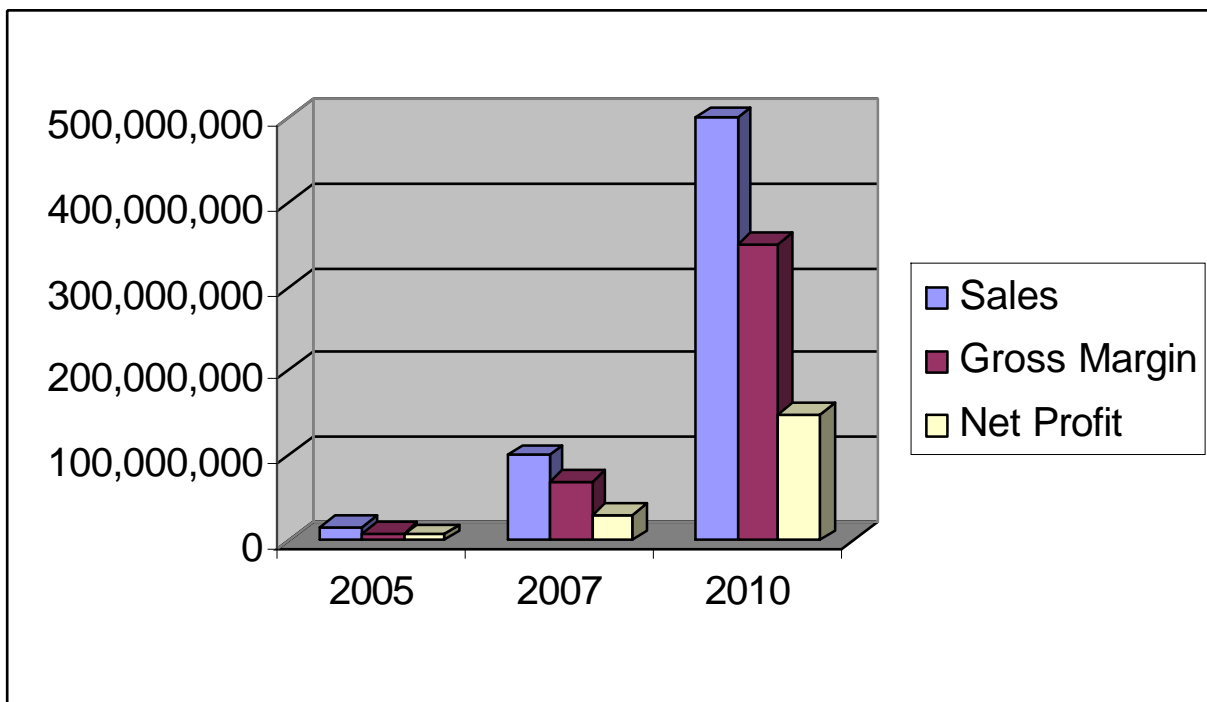
This market, estimated to commence at \$18 million, could increase to hundreds of millions as soon as varied surgical procedures are approved. CareLine Med, Inc is set to have this technology licensed to a larger company that will mature in three years.

## **MISSION**

CareLine Med, Inc has the mission of designing, developing, and marketing new technologies in the medical device field. These technologies, all patented by the company, will fill market needs and create niches to account for \$150 million in potential sales. Each of CareLine Med, Inc's technology is designed to fit into a current need in endoscopic medial procedure. This is undertaken by improving an already existing technology/device or by

designing a completely new device geared towards a clearly defined need in the area of endoscopic surgery and approved and accredited by medical professionals. Every product will be attractively priced to attract the managed care market which emphasizes on lower cost of the complete parameters of treatment.

## HIGHLIGHTS



## OBJECTIVES

CareLine Med, Inc will develop and market medical devices to be used in endoscopic surgery via multiple distribution channels in both local and foreign markets. The company has the following objectives:

1. To saturate 10% of the market for endoscopic variceal ligation by year 2010.
2. To achieve \$150 revenues by year 2010.

3. To raise a private seed capital of \$10 million in 2008.
4. To license its technology to identified markets for \$10 million in 2008.
5. To establish regional centers in Asia and Europe.

## **CURRENT STATUS**

Currently, CareLine Med, Inc is developing its technologies to final product and approval phase while applying for patents. It is also in the phase of establishing corporate identity in the field of medical products within the health care industry.

In the next three years, it is slated to:

- complete its patent process
- set up its medical advisory board
- establish corporate identity, trademarks, and brand names
- continue R&D product development in all its centers
- launch a regional center in the Philippines
- explore second round financing options to optimize value to shareholders

## **KEYS TO SUCCESS**

1. Initial capitalization attained.
2. Every patent application filed.
3. Obtaining low interest on loans and grants to have full funding for product development and manufacture of prototype.
4. Capability to recruit high-caliber CEO before second round financing phase and market roll-out.

5. Successful sales implementation and marketing plan to the US managed care market to attain a minimum of 10% market share in the second year of operation
6. Increased product development activities and sustained gains in the market share to yield a \$100 million revenue in its third year of operation.

## **COMPANY OWNERSHIP**

CareLine Med, Inc is a South State “C” Corporation.

Founding shareholders:

Jeremy Shaw (3,000,000 shares)

Ben Sheriff (2,000,000 shares)

Berty McKenzie (500,000 shares)

Mahonnay Corp (500,000 shares)

PhilAm Group of Companies (500,000 shares)

## **COMPANY LOCATIONS AND FACILITIES**

CareLine Med, Inc business office is located at 433 Newston St. , Halethorpe, Maryland, USA. The office is leased on a five-year period. This plan calls for the establishment of a distribution site in the Philippines with an initial 5,000 sq ft space that can be expanded to 10,000 q ft. Rental costs in the Philippines range from \$4.00 to \$6.00 per sq. ft. The available space being negotiated in the Philippines is located in one of the country’s technology parks intended for multinational companies. The space may also be used in joint-venture activities to be negotiated later.

## **PRODUCTS**

CareLine Med, Inc is currently marketing three products:

1. The Care Suction, an irrigation/suction device for laparoscopic procedures used in endoscopic variceal ligation procedures. It consists of an irrigation or suction to effectively remove tissues.
2. The Endo Care, a disposable device utilized in endoscopic variceal ligation procedures. It consists of highly-stretchable ligating bands and grip. These bands are built-in into the multi-band dispensing device.
3. The Hemo Care, a semi-disposable device that removes blood clots in a wide range of endoscopic surgeries. It consists of a gyratory cutting tool that clears fundal blood pools in the stomach.

### **Product Description**

The following are the detailed and technical description of CareLine Med, Inc initial products:

#### **1. Care Suction**

##### *Scope*

Care Suction irrigation device has a self contained and stand-alone suction/irrigation device that aids the surgeon in laparoscopic surgical procedures.

##### *Clinical Advantages*

It can undertake lysis of the clot or tissue at the entry point which is clog resistant. It has a reusable power head and disposable fluid path.

##### *State of the Art Technology*



Current suction irrigation devices are susceptible to clogging when confronted with a clot during surgery. The Care Suction is designed to work with the Hemo Care in laparoscopic procedures, though the suction may also be used by itself in some other procedures.

One part of the device is inserted into the working channel of an endoscope to be utilized as an accessory. Inside a close spiral spring tube, a spring-like spiral element that is highly-flexible rotates at several thousand rotation-per-minute (RPM). Outside of the proximal end of the endoscope, a tiny motor spins the spiral element. The interaction of the rotating and stationary spiral geometry draws liquid or solid material inside the spiral element from distal to proximal positions.

Suction is employed at the end of the spiral element that is inserted into the body. On the other end (distal end), soft tissues are protected from the spiral screwing into tissue by a generally spherical ball tip that covers the spiral end. Otherwise, unprotected soft tissues would lead to trauma. There is a set of filaments on the end of each tip, spinning corollary with the spiral element's fast spinning. These filaments are responsible for lysing the unwanted clot or soft tissue fragments, operating relative to the diameter, speed of rotation, material, and construction details. These filaments may be extended or retracted optionally from the outside of the tube so that they can lyse at various body cavity sections in differing diameters.

The aggressiveness of lysis can be dynamically controlled from the outside by manipulating the speed of the motor's rotation. At the center of the rotating spiral element, a flexible tube may be placed to carry saline or water to wash out the cavity being lysed. Near

the distal end of the water tube lie a set of apertures that spray a jet sideways to clear up nascent clogs.

The second compartment is designed to undertake suction irrigation in a surgical site. This is where the rotating filaments and spiral are attached in a tube with small apertures. These filaments that rotate inside lyses clot and tissue that could clog the apertures in a normal condition. There is another round of rotating water jet inside that also serves to clear any budding clogs.

Currently, patent searches and filings are being carried out with Austin and Sidley.

## **2. Endo Care**

It is used endoscopic variceal ligation, a quickly growing surgical procedure that is increasingly replacing sclerotherapy in removing polyps in the exploration of both upper and lower gastro-intestines.

### ***Scope***

This innovating technology is applied to the internal technology of ligating bands that are separate from the dispenser or delivery system. Endo Care is a pre-loaded delivery device that remotely applies a number of ligating bands from the distal tip of an endoscope.

### ***Clinical Advantages***

One clinical advantage of these bands is the capability to ligate a greater range of tissue sizes using a single band. These ligating bands can easily stretch over the largest tissue to be ligated, yet gives a secure grip even on the tiniest tissue to be removed. The bands have an inner diameter near zero diameter to enable it to firmly grip even tiny varices.

### ***State of the Art Technology***

Leading bands in the market today are molded homogeneous rubber materials. The materials have limited elasticity, though the stretch is already a seven-fold improvement from conventional ligating bands.

The leading brand for esophageal variceal ligation band has an inner diameter of 1.8mm which stretches to an inner diameter of 12.4 mm maximum in ligating a varix. This maximum size standardized to correspond to the endoscope diameter. Thus if a varix is 1.8 mm in diameter, it would no longer be ligated because the band would be loose to wrap around the tissue.

Currently, the leading product in the market under this category is the Speedband manufactured by Boston Scientific.

### ***Our Technology***

Endo Care's band innovation engineers effectively the band material and puts stress on it in a such a way that the apparent stretchability of the band is increased many times. Endo Care's bands have proximate zero inner diameters, which means that it can be stretched to the size of conventional bands with large inner diameters.

Bands developed with this technology can also maintain their elasticity for a longer time period. Our technology is based on an internal compressive pre-stress at the band inner diameter. This condition can be achieved through five practical ways at least which is covered in our patent documentation. The true zero inner diameter band in our product is produced by compressive forces that create creasing or wrinkling on a small scale which fills the interior

side of the band. Currently, our bands show an effective elasticity of more than 20 times as against the seven times stretch in the current brand that is leading in the market.

The Endo Care is envisioned and designed to have a superior and unparalleled range of application to meet requirements in ligation. Using Endo Care's band means using fewer special sized devices. In short, using the technology saves money because there will be fewer purchases and stocks. This scenario fits very well in a managed-care environment because it means lower costs and efforts coupled with intrinsic clinical advantages.

#### ***Additional Clinical Advantages of Endo Care***

- It is designed for multiple band ligations through a single scope insertion.
- It delivers maximum visibility even with zero "tunnel vision" in laparoscopic insertion and exploration, which is a limitation of all the other competitors.
- It is significantly faster to install to the endoscope because of much fewer assembly parts and steps compared with the competition.
- It allows maximum mobility by adhering to the endoscope's distal end during insertion and exploration.
- It is smaller in diameter than the leading brand to allow patient acceptance and comfort.
- Endo Care's patient entry is easier and is misfire-protected at all times through a smooth and transparent outer shield.
- Endo Care can ligate smaller varices using the super-elastic bands, as described above.
- It can be supplied singly with multiple bands (seven to eight bands), at a price similar to the competition's unit composed of only three to six bands.

Summary of Endo Care's advantages over other currently available products:

1. Better visibility because of side-mounted band dispensing device.
2. Smaller band and more stretch enables banding of smaller varices.
3. Internal loading of bands fortifies protection because bands are not dislodged.
4. Capability of carrying more bands.
5. Substantial reduction in the costs of manufacture and assembly.

### **3. Hemo Care**

Hemo Care is applied mainly in removing blood clots and stray tissues during suction irrigation in laparoscopic surgery. It is also used during hematoma, examination of bleeding ulcers in the stomach, clot in the fallopian tube, or even cerebral aneurysm. Current technology for these conditions use crude tubes that contain a few holes for anti-clogging along with drug treatments. But these treatments are largely ineffective.

#### ***Scope***

The presence of an uncleared fundal pool of retained blood in the stomach prevents complete visualization of the stomach in 5.6% of acute upper gastrointestinal bleeding cases.

#### ***Clinical Advantages***

Hemo Care can be inserted from the outside into the biopsy channel of the endoscope. There is no need to take out the scope to be able to install and use the Hemo Care.

#### ***State of the Art Technology***

Prevalent in the market now is lavage with suction. However, it is frequently ineffective because of weak clot integrity and the presence of clogging of suction channels.

The use of high-pressure water jets makes the water penetrate beyond the clot which potentially damages soft tissues.

### ***Our Technology***

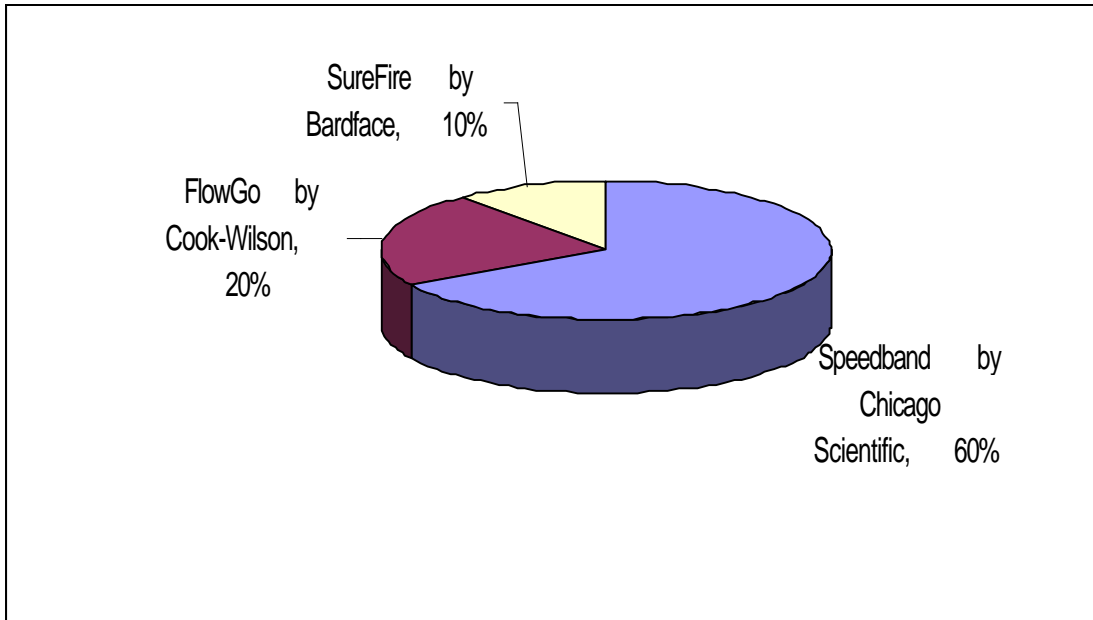
Hemo Care is a thin, spring-like device that is ultra-flexible, then introduced through the biopsy channel to the distal end of the endoscope. The high-speed rotations of the concentric spiral elements drive rotating lysing filaments and pump out solids and liquids. Centripetal force inflates and toughens the filaments from its position upon insertion.

### ***Further Clinical Advantages***

1. Endo Care dissolves clots aggressively varying from mild to intense, proportional to the input speed control which is adjustable.
2. Endo Care actively draws fluid and solids up through the biopsy channel through a positive pumping action.
3. Endo Care dissolves solids even while passing through the biopsy channel.
4. Endo Care is non-clogging and self-cleaning.
5. It provides a central channel for clear water irrigation, additional suction or other therapy.

### **Comparison with Competition**

The leading competition available in the endoscopic variceal ligation market is the Speedband by Chicago Scientific. The breakdown of other competitions are illustrated in the following charts. Unlike the Endo Care, all of the devices are disposable and only for single patient use.



Summary of key advantages:

1. Band itself enables cohesiveness of smaller varices.
2. Smaller holes allow more and better band stretch.
3. Endo Care offers better field of view.
4. Endo Care facilitates better mobility.
5. Endo Care bands can be fired internally compared with external firing of other brands.
6. Endo Care has significant cost reductions in manufacturing..

**BUSINESS PLAN FOR OFFSHORE DISTRIBUTION AND R&D CENTER**

CareLine Med, Inc is currently planning to establish a distribution site and a Research and Development center in the Philippines. For the company, the country is strategic in many aspects:

- Business-friendly environment
- Presence of many health and health-related researchers
- The country's thrust towards medical tourism ensures steady market
- Location of country is strategic as it is near Singapore, Japan, Thailand, and others that offer excellent medical services yet without their own medical equipment facilities
- Low labor costs
- Presence of many available medical professionals

## **THE PHILIPPINES**

### **SUMMARY REPORT FOR MEDICAL EQUIPMENT MARKET**

The future looks rosy for the Philippine medical equipment market. It is, by the record, a lucrative market for American suppliers.

The market is highly dependent on imports though it continues to expand steadily. Total medical equipment imports in 2004 alone reached US\$101 million roughly. Annual growth is expected at five percent annually through 2008. Several major factors that affects demand include population growth, steady economic growth (reported at 6.3% in 2004), and hospital expansion and upgrading. The current thrust towards medical tourism is also creating demand from hospitals needing accreditation in terms of facilities.

Although the Philippine government's Department of Health projects regarding medical equipment upgrading are quite few and have very little impact, private hospital upgrades around Metro Manila area and its suburbs steadily drive demand. End-users usually consider quality and price as basis in buying equipment.



Medical equipment is almost 100% imported, while around 50% of these are medical disposables. Meanwhile, local production is usually limited to prototype units; disposables such as syringes, needles, and surgical gloves; and spare parts which include improvised parts.

U.S. market share was a strong 24% in 2003, followed by Japan and Germany at 13% each, and Singapore with 11% market share. This kind of market share reflects the Filipinos' preference for U.S. products. However, third country suppliers are becoming an increasing competition for U.S. manufacturers.

Products that showed high sales potential among U.S. suppliers include high technology, high-value, and low-volume products such as ultrasonic scanning apparatuses; electrocardiographs; violet or infrared ray apparatuses; oxygen therapy equipment; and electro-surgical instruments and appliances.

It is important for U.S. suppliers that plan to sell products in the Philippines to appoint a local distributor.

Import duty on medical equipment is reported at three percent, plus a 10% value-added tax (VAT). USFDA-approved medical equipment usually do not require registration with the local Bureau of Food and Drugs (BFAD) under the Department of Health, except for radiation-emitting equipment.

## **Market Highlights and Best Prospects**

### ***Market Profile***

A 2.36 percent population growth rate in the country drives the Philippine market expansion, along with ongoing expansion programs in private hospitals and government plans to upgrade public health services.

With regard to the private sector, a premier private hospital called St. Luke's Memorial Medical Center is currently constructing a private medical facility in a 1.6-hectare lot in Fort Bonifacio, Metro Manila. The facility is set to be operational this year.

Meanwhile, another private hospital, the Cardinal Santos Medical Center in a town called San Juan which is still in Metro Manila, recently upgraded its heart station. It is currently renovating its emergency services as well as private rooms. Moreover, other facilities such as the World Citi Medical Center in Quezon City and the Metropolitan Hospital in Manila are likewise upgrading their respective facilities.

As of Summer 2005 the shopping list for equipment included Endoscopy Equipment and Instruments, CT Scan, Enzymatic Immuno Assay Equipment, Nuclear Gamma Camera, Clinical Analyzers, Hematology Analyzers, Electrolyte Analyzers, Blood Bank Refrigerators, Caution Equipment, Refrigerated Centrifuge, Defibrillators, Fetal Monitors, Autoclave Equipment, Operating Room Lights, Anaesthesia Machines, and Morgue Refrigerators.

Meanwhile in the government health sector, the East Avenue Medical Center and the Philippine Children's Medical Center are also requesting bid proposals for various hospital equipment. These include sterilizers, incubators, nebulizers, and x-ray equipment. This looks just a fraction of the needs of the private health sector, and indeed it is. Most upgrades undertaken in public health are mostly on facilities renovation and upgrading of the health workers' salary scales.

Upgrading and improvement of the workers' pay is seen to result in the increase of public health workers as current situations reveal a severe shortage in the number of personnel in health care service. The increased pay is also expected to encourage existing health personnel in delivering better services.

Presently, many public hospitals rely much of their funding for upgrades and for procuring new equipment on donations from private institutions and foreign governments. Reports have it that the Government Service Insurance System (GSIS) is planning to have its healthcare services delivery enhanced by upgrading the capability of member hospitals. Through GSIS financing, accredited hospitals will be equipped with electrocardiograms, x-ray equipment, ultrasound machines, linear accelerators, and other machines.

Accredited hospitals come from both the public and private sectors. Each can participate in the GSIS financing program, which is mandated by law to purchase only new equipment.

The Philippines Department of Health manages about 72 hospitals, and in doing so allots a hefty portion of its budget in the purchase of new equipment and expanding buildings physically. Some hospital specialization does exist in the Philippine market. For instance, the Children's Hospital on a regular basis purchases and replaces nebulizers and incubators. The National Kidney Institute likewise makes a regular upgrade of its dialysis machines.

But some limitations appear to hinder the Philippine market in the medical equipment sector:

1. Equipment Depreciation - Hospitals and clinics usually use an equipment for its entire useful lifetime. Thus it is common for hospitals to keep and continually use high technology equipment for some 10 -25 years.
2. Inadequate government funds – Budget and cash-strapped government agencies are in charge of running government hospitals:
  - Philippine Department of Health: This prime government health agency has an annual budget of 9.7 billion pesos (roughly \$176 million). To be able to meet the requirements

of its 72 hospitals, DOH prioritizes its spending. However, most of the budget is allotted to salary increases and facility renovation.

- **Philippine Department of Interior and Local Government:** This government agency is in charge of the day-to-day operations of the local governments, as well as in the management of provincial, municipal, and city hospitals. One of the problems in this set-up is that the local government officials and staff have quite limited or no training in the area of health administration. Moreover, they also lack basic information to help them in prioritizing their planning and investment needs. Local government officials, it appears, are more concerned with infrastructure projects because these are that are visible and, thus, are supposed to make an impact on the electorate.

3. **Medical care availability:** Most of the population does not have access to proper medical care. Many of the rural and urban poor are usually unserved or under served.

***Statistical Data***

(In US Million Dollars)

	2003	Estimated 2004	Projected 2005/a	Estimated Average Annual Real Growth Next 2 Years /a
Total Market /d	74	77	81	5.0%
Local Production /a	-	-	-	-
Exports /c	22	24	25	6.5%
Imports /b	96	101	106	5.0%
Imports from the U.S. /b	23	25	26	6.5%
Exchange Rates (Pesos/US\$)	54.20	56.04	55.01	-
Year-On-Year Inflation Rate (1994=100, In %)	3.0	5.3-5.5	6.3-7.0	-

2003 Import Market Share: US (24%), Germany (13%), Japan (13%), Singapore (11%)

(Source: Philippine Medical Equipment Status Report 2005, p. 4)

Notes to Table:

1. Figures for the Trade Statistics for 2003 are from the Philippine National Statistics Office. Statistics for 2004 and 2005 are unofficial estimates based on industry projections ([www.census.gov.ph](http://www.census.gov.ph)).

- Based on trade interviews and available official statistics.
- CIF values used for importation
- FOB values used for exports
- Total Market = Imports + Local Production - Exports

2. No available data is available regarding local production.

3. Exchange rate in 2004 is annual average (Source: Bangko Sentral ng Pilipinas, [www.bsp.gov.ph](http://www.bsp.gov.ph))

### ***Best Sales Prospects***

Industry sources indicate that highest current demand in medical equipment are those used in the diagnosis and treatment of common ailments such as heart and lung diseases, strokes, and kidney failure. Best prospects are the following:

- electroencephalographs and electromyographs
- ultrasonic scanning apparatus

- ultraviolet or infrared ray apparatus, and parts and accessories
- dialysis instruments and apparatus
- pacemakers for stimulating heart muscles, excluding parts

Industry sources also indicate good opportunities among private sector hospitals for used and refurbished medical equipment. Meanwhile, the government buys only new equipment as a rule.

### **Competitive Analysis**

Less than 2% of the market is supplied by local production facilities. Some locally manufactured medical products include incubators, sterilizers, prototype units, suction machines, spare parts (including improvised parts), and some disposable items such as syringes, needles, and surgical gloves.

U.S.-trained Filipino doctors commonly show a strong preference towards U.S.-manufactured equipment, despite perceptions that US-made products are more expensive. What explains the Filipinos' penchant for U.S. goods and technology is the shared unique political and historical relationship of the two countries.

As such, the U.S. remains a major source of medical equipment in the country, accounting for a 24% market share. U.S. exports dished in 2003, but U.S. medical equipment remained the market leader in the Philippines. China and other smaller players shared with runners-up Germany and Japan.

Buyer preference for and general perception on the cost and quality of U.S.-manufactured equipment are adequately justified by product technology and quality, as well as access to warranty parts and service and even provision for training for equipment

handling. The U.S. is dominant in the market for durables (such as machineries and equipment) at 24%. However, its share in consumables (such as syringes, needles, sutures) is less than 10%.

Some popular U.S. brands in the Philippines include Advanced Technology Laboratory (ultrasound systems); GE Medical; Picker (imaging, radiograph equipment); Access Cardiosystems; Medical Illumination International, Inc.; Control-X Medical, Inc.; Burton Medical; Pointe Scientific; SA Scientific; Cal-Tech; Varian Medical Systems; Gamma Biologicals; Ohmeda; Argyle (syringes, catheters, seals); Abbott; Jouan; Forma Scientific; Immunostics; Medipoint; Pacific Biotech (diagnostics); American Orthopedic; Baxter Health Care (blood analytical equipment, surgical instruments, dialyzers); Smith and Nephew; McCauley; Metro Flex; Metro Max; and others.

Singapore, with 11% market share, ranks third among foreign suppliers. Singapore serves as the regional base of many European and American companies. A hefty amount of Singaporean exports actually come from the U.S. but this is no longer reflected in the official data.

Germany dominates in 13% of the market as its technology and quality of products are quite comparable to that of the U.S.. However, its presence is limited to a few German manufacturers, such as Siemens. Unfortunately, a major disincentive in buying European products is the high Euro exchange rate.

In the meantime, Japanese medical products cracked 13% of the market and are steadily gaining wider acceptance in the market. Japanese products are expected to attract a higher share in the coming years. Japanese products are vouched for high quality, good after-sales service, and warranty services. Moreover, they offer favorable payment terms.

Industry representatives report that the market is gaining awareness of the quality and technology of European products although the U.S. has long enjoyed a long-established reputation for high quality standards. Sellers of U.S. equipment are then advised to offer easy and flexible payment terms, including excellent after-sales service in order to support their distributors. Indeed Philippine customers look for quality in a product, but price is also an important consideration. Thus, a manufacturer worth his salt should be able to offer both good quality and reasonable price.

### **End User Analysis**

Government and private hospitals in the Philippines are classified into three:

1. Primary Hospitals – These are facilities capable of handling general medicine, obstetrics, pediatrics, and minor surgeries.
2. Secondary Hospitals – These facilities can handle all services available in a primary hospital including gynecology, general surgery, and other ancillary services.
3. Tertiary Hospitals – These are fully departmentalized hospitals that can handle more specialized services.

### ***Prominent Health Facilities***

- The Department of Health is the biggest single service provider in the Philippines that manages around 72 hospitals throughout country. The department also supervises and regulates the national health care system. Moreover, it institutionalizes and implements standards for facilities and services.

Under the DOH are the following hospitals:

- Philippine Heart Center (282 beds)



- National Kidney Institute (200 beds)
- Philippine Children’s Medical Center (200 beds)
- Lung Center (98 beds)
- National Center for Mental Health (4200 beds)
- San Lazaro
- Hospital (900 beds)
- Jose Fabella Memorial Hospital (700 beds)
- Philippine Orthopedic Center (700 beds)
- The Armed Forces of the Philippines has 31 infirmaries
- The Department of Interior and Local Governments (DILG) manages 559 government hospitals under the provincial, municipal, or city governments.
- The Philippine General Hospital (PGH) with a bed capacity of 1,330 is considered the best government hospital in terms of facilities and services. PGH is actually the teaching hospital of the University of the Philippines College of Medicine. The budget of this hospital is from the Office of the President of the Philippines, while expansion and upgrade projects receive grants.

The most prestigious hospitals in the private sector include the following:

- Santo Tomas University Hospital (700 beds)
- St. Luke's Hospital (633 beds);
- Makati Medical Center (600 beds)
- Chinese General Hospital (550 beds).
- Medical City (393 beds)
- Manila Doctors' Hospital (300 beds)

- Cardinal Santos Medical Center (250 beds)
- Asian Medical Center (180 beds)

### **Market Access**

The Philippines, per reports, imposes a 3% tariff duty and a 10% value-added tax (VAT) on imported medical equipment. Meanwhile, the computation for Value-Added Tax is based on total landed costs (includes cost of importation, freight cost, insurance cost, and other charges). VAT is an indirect tax that can be recovered by the seller by passing it on to the end-users.

The importation of medical equipment, unlike drugs, food supplements, and disposables, does not need any prior approval from the Bureau of Food and Drugs or the Bureau of Product Standards. Foreign suppliers usually assign a distributor to represent the companies in the country.

This is what CareLine Med, Inc plans to do in the Philippines. The distribution site cum R&D center will handle all aspects of importation from registration of its patented technologies to obtaining a license and a clearance. The distribution center will be managed by a US-citizen CEO. Meanwhile, local staff will help facilitate the product's entry into the market, and take care take care of advertising and promotion by dealing with sales personnel and/or dealer networks. Top management will be composed of both US expats and locals to work in harmony for common goals.

### **Business Strategies**

CareLine Med, Inc. will pursue specific, definable, market segments with a multi-tiered, multi-channel approach. We will operate through 1) licensing agreement, and 2) direct sales and distribution strategy.

### ***Marketing Strategy***

Marketing activities will flow starting with industry and trade and physician awareness campaigns up to particularized executions focused on specific customer segments. Priority will be the top tier of 20 to 30 customers in each segment. CarLine Med, Inc will achieve its initial sales goals from both direct and distributed sales of the Endo Care. This product is placed on a priority because it already has a well-defined market and its 510k approval is imminent. Sales through local distributors in the country will provide needed cash flow.

### ***Pricing Strategy***

Endo Care will be priced at \$250 per unit with a 2% in 10 days term, net 30. All collections, for cash flow purposes, will be based on an average 45-day collection span. Local distributors all over the country will receive 30% discount. In this case, quantity discounts are excluded but may come possible in future negotiations with major buying groups.

These are just suggested retail prices that represent ten times the estimated cost of manufacture plus tariff duties. The other strategy is to license said products for a 10% royalty. In this case, pricing would be negotiated with the licensee.

### ***Promotion Strategy***

In promoting the products, over-all industry awareness plans shall be done through

public relations and industry media. To help launch awareness on the products, feature articles and product reviews will be coordinated. Moreover, physician materials and training video tapes will also be produced as soon as approval is obtained regarding the materials.

In the development and design of the products, CareLine Med, Inc has already worked closely with physicians, which is very important. The company will also sponsor events and seminars, as well as annual events, to be able to penetrate every major market area.

Sales literature for CareLine Med, Inc. is currently being developed, including promotional products and activities. These are expected to launch in the third semester of 2008.

***Sales Strategy***

CareLine Med, Inc aims a 10% penetration of the medical equipment market in the Philippines by 2010 through distribution of products. Meanwhile, a licensing strategy is underway towards major companies to generate \$500,000 fee, \$500,000 in advance royalties and a 10% royalty level per unit. Royalty projections are embodied in the 2008 and 2010 sales forecasts.

***Sales Forecast***

Sales	2008	2010	2015
<b>Endo Care</b>			
Direct	\$61,250	\$1,300,000	\$5,500,000
Local Distributors	\$135,000	\$3,500,000	\$16,500,000
<b>Hemo Care</b>			

Direct	\$60,000	\$1,200,000	\$7,502,500
Local Distributors	\$120,000	\$3,200,000	\$18,000,000
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Care Suction			
Direct	\$12,150	\$262,000	\$1,540,000
Local Distributors	\$50,000	\$1,300,000	\$6,000,500
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### **Milestones**

These are the key milestones for the first year of operations of CareLine Med, Inc in the Philippines:

1. Capital is successfully raised.
2. Business plan is completed.
3. The government of the Philippines has approved all needed requirements and documents.
4. Other milestones for the first year of implementation are on target time wise and budget wise.

### **Management Team**

The company is currently screening for an experienced CEO from the US to manage the Philippine branch. The desired profile for the CEO is a minimum of ten years experience in the medical device arena, ideally experience with a previous start-up venture that developed to exceed its projected sales, plus a successful exit strategy. It will be the CEO who will help actively in the identification and hiring of a Director for Sales and Marketing and Director for R&D.

## **Personnel Plan**

There will be 30 employees in the first three years of operation in the Philippines. In the third year, an additional few people will be added if sales reach or exceed the target. Payroll costs and benefits are pegged at 25%.

## **Projected Profit and Loss**

It is expected that the profit in each of the first two years of operation is very minimal. This includes about \$1 million in revenue from the sale of a license. Should this fail to materialize, about \$800k will be burned in Year One. This will come from investment infusion. It will be on the third year when profit is expected to reflect the performance of a mature company. It is envisioned that all gross margins will turn out excellent.