

Alcon Japan Ltd.

By Kishi Nagami

"Our 1993 sales are expected to be a 60% increase from the previous year, which means an increase of 10 times over the past five years. In the near future, we will be able to exceed Santen Pharmaceutical and become the best-selling eyedrop manufacturer in Japan."

Iwata Kunihiko, president of Alcon Japan Ltd., speaks as if he were president of a company operating in a remote area, while here in Japan many firms are suffering from decreases in both revenue and profit.

Alcon Japan is the Japanese subsidiary of Alcon Laboratories, based in Fort Worth, Texas, a pharmaceutical manufacturer specializing in ophthalmology dealing mainly in medicines for the treatment of glaucoma and other eye diseases, cleaning agents for contact lenses, intraocular implants and ophthalmological equipment. In 1977, it became a member of the group led by Nestle S.A., a major Swiss manufacturer of foods.

Alcon Japan enjoyed a 60% sales increase in 1993 and an over 30% increase in 1992. Before that, however, it experienced a long period of sluggish performance, which continued until President Iwata assumed leadership of the firm. However good its products may be, a firm can never grow under poor management. Alcon Japan was one of many foreign-owned companies that were unsuccessful for this reason.

Upon qualifying as a certified public accountant (CPA), probably the first or second Japanese to obtain this qualification in the United States, Iwata took a post at Oscar Mayer, a ham manufacturer. While employed there, he was approached by Alcon and offered the post of area controller in charge of Southeast Asia and Hawaii. Iwata found that Alcon Japan was smaller in size compared to other subsidiaries. The president was not very enthusiastic; managers did not arrive until ten in the morning. In 1988, Iwata was sent as manager in charge of sales and market-

ing. In two years, he was inaugurated as the president of the firm.

He came to the office at eight every morning and changed the old ways one-by-one. Immediately, Alcon Japan was acquired by Cooper Vision, also a foreign-owned firm. In addition, Cooper Vision itself was a combination of two different firms, one Japanese and the other American; the entire organization was a composite of several different ways of doing work, wage systems and rules for employees.

President Iwata worked to build uniform rules and culture. There were also other problems. Alcon Japan had never trained its employees how to sell, price, or analyze the market. Sales employees were offering discounts arbitrarily. While building a uniform set of corporate rules, Iwata had to establish other basic reforms. He initiated strict employee working hours and demanded they be more careful about their appearance by, for example, wearing neat business suits. He also educated the staff in such a way to help them grasp sufficient management techniques as well as sufficient confidence in the products that they were selling.

Alcon Japan's products are 20% to 30% more expensive than comparable ones, reflecting better performance and features. However good products may be, they will not sell well if they are priced higher and good follow-up services are not offered. So, Iwata decided to support doctors in their academic activities disregarding a short-term profit-loss. He collected and offered useful data to doctors, and invited lecturers from overseas to speak at doctor's meetings.

Iwata held seminars for doctors to inform them of the features of Alcon's products. He offered young salespeople educational opportunities by sending them to the main office in the United States. Japanese salespeople were dispatched with their American counterparts to learn American ways of selling

products and talking with doctors.

In Japan, salespeople in the pharmaceutical field tend to be obsequious, and their sales activities are usually composed of entertaining doctors. By experiencing American ways of business, Alcon Japan's salespeople began to gain self-confidence. In addition, President Iwata introduced the incentive bonus system. This system, which was completely new in Alcon Japan, offers bonuses to those who have achieved a certain level of sales performance, yielding considerable effects.

President Iwata told the sales staff to do their best and to voice opinions on what might seem to be helpful to their work. He negotiated with the U.S. headquarters to implement these ideas. The salespeople responded, and their performance began to improve. A saleswoman, for example, won a 15% salary raise for two consecutive years. Total sales increased, and the firm's market share grew. The total sales, which remained as low as ¥600 to ¥700 million in 1988, sharply increased. In the process, the employees came to have confidence in their ability.

While actively promoting his own strategies, Iwata proposed the Japan Focus Meeting. One purpose was to explain in a concrete manner and overcome the differences between the Japanese and American market. Another stemmed from the fact that Alcon has three different product lines: medical equipment, ophthalmological medicines, and care goods for contact lenses. Unless certain measures were undertaken immediately, it was obvious that Iwata would waste time coping with various demands, coming independently from the three different departments. Both of these problems are common to foreign-based firms operating in Japan.

The Japan Focus Meeting, a solution to these problems, provided a platform for top members of home management, leaders of the international affairs and R&D departments, and others in relevant posi-



Alcon Japan Ltd. President Iwata Kunihiko

tions. At this meeting, Iwata explained that in order to enter the Japanese market, membership in a golf club was indispensable. He also explained that there were three keys to success: to understand the Japanese way of doing business; to be ready to pay a considerable amount of money to make various commitments; and to be aware that these commitments were critical to success.

In addition, Iwata asked the members of the meeting to meet with doctors and accompany salespeople to hospitals. Seeing that management from headquarters had sufficient understanding of the Japanese market, Iwata asked the headquarters to permit him to offer greater support to doctors. One such supporting activity was to purchase a used airplane for a retired doctor to use as a means of transport while working as a volunteer in Africa.

Alcon sponsors the Alcon Award for excellent researchers in the ophthalmological field, \$100,000 to 10 significant researchers throughout the world. This is one of the world's most authoritative and sought-after awards in this area. In 1993, it was awarded to a Japanese doctor.

"One great factor for our success is the great understanding on the part of the main office. We were also very lucky that the Japanese ophthalmological circle was undergoing a transition to the next generation. Those doctors whom we supported are now becoming professors at their uni-

versities," Iwata analyzes.

In the spring of 1994, Alcon's medicine to fight against glaucoma will be approved for sale in Japan. The comparable medicine presently being sold on the Japanese market has one drawback: It lowers the intraocular pressure, but has certain side effects caused by the considerable stress that it gives to the heart. Although eye doctors and the people concerned are aware of this fact, they have no choice but to use it due to the absence of any effective alternative. Alcon's product has no such side effects, and is expected to sell very well, sharply increasing Alcon Japan's sales.

While Japanese users of soft contact lenses sterilize their lenses by boiling, the most popular way in other countries is chemical sterilization. Alcon Japan is now conducting a clinical experiment on its chemical sterilizing product for these lenses, which is expected to be ready for sale in Japan sometime in 1995.

Another major product of Alcon's is an excimer laser, a sensational device which can cure astigmatism and myopia through surgical operations. Alcon sells 50 to 60 units every year throughout the world. South Korea has already purchased a total of 40 to 50. Alcon Japan is also conducting a clinical experiment on this product in Japanese hospitals, and expects that it will be approved around 1995.

The excimer laser attempts to remedy the distortion of an image by scraping the eyeball into a better shape. Another American manufacture is also producing this equipment and supplying it to a Japanese distributor. According to President Iwata, Alcon's product has an edge over its competitor; Alcon's can scrape the eyeball with a width of up to 6 millimeters, while the competitor can only reach a maximum width of 3.5 millimeters. A smaller scraping width results in a greater angle of the scraped portion, which very often results in less clinical effects.

In the absence of the above-mentioned products, Alcon Japan achieved sales of ¥7 billion in 1993. With the prospect of these new, promising products coming soon, it is quite understandable that President Iwata is so con-

fidant in Alcon Japan's future growth.

"Before I arrived, Alcon Japan had operated in the red. Now, Alcon's international financial results by country show that Japan follows the U.S. in both sales and profits. And, with an eye toward the future, we believe that we can expand quicker than the other subsidiaries because the ophthalmological business has great potential in the aging Japanese society."

The market leader in the ophthalmological business in Japan is Santen Pharmaceutical Co., Ltd., which sells some ¥40 billion annually and which is growing by some 10% every year. The mainstay products of this firm, however, are those introduced from foreign countries. Its strength comes from its considerable sales promotion power. Alcon Japan, on the other hand, has many promising products of its own, and, therefore, will be able to exceed Santen and become the market leader before long.

"We have had fewer products to sell, which has been a great handicap in promoting sales. Now that we will soon have a full range of products, we are almost ready to compete squarely with Santen."

Alcon Japan's labor force numbered 200 in 1993, and will increase to 270 in 1994. The firm also plans to construct a factory and a research center in Japan in a few years.

"The advance in organ transportation technology has enabled people even to exchange their hearts with good ones. But people still cannot exchange their eyes. Eighty percent of all the information that a human being takes in from the external environment comes through his eyes. Besides, the eyes are linked directly with the brain. Thus, the essential role of the eyes in human activity promises us a bright future."

Even President Iwata, so full of confidence, has something to worry about. In spite of its success, most Japanese are not familiar with the name of Alcon Japan. This year, he will develop a strategy to enhance Alcon Japan's presence on the Japanese market.

Kishi Nagami is a free-lance writer specializing in foreign businesses in Japan.