

Paramount Bed: Market in Control

By Hideyuki Mitsuhashi

Paramount Bed Co., Ltd., Japan's top hospital bed maker, owes its dominant position in the industry to the insight of its founder-president, Ryusuke Kimura. He has always kept one step ahead of the times to build his firm into an operation virtually controlling the lucrative hospital market. Indeed, it was a flash of inspiration which led to the creation of the company itself.

Early in the postwar years, with Japan's economy in utter chaos, Kimura stumbled on a pile of old steel beds set aside for scrap. They were castoffs from military hospitals closed after the war, and Kimura realized instantly that someday, when social conditions in Japan returned to normal, the civilian hospitals which had been forced to turn their beds over to the military during the war would desperately need them back.

The son of a *sake* rice wine brewer, Kimura knew nothing of medicine. Nor were there any companies in Japan still making hospital beds. When he started renovating the beds that had been left for scrap, he had nowhere to turn to for advice. But what he could do, he did. He frequented hospitals to talk to doctors and nurses, and he got their advice on how to improve his fledgling company's products.

Kimura learned from the medical professionals that hospital beds are medical equipment, not furniture. They must be built to stand up to round-the-clock use, and to ensure the safety of the patient. Kimura learned his lessons well. For the past several years, Paramount's annual sales have been growing at a rate of more than 15%. The ratio of current profits to sales has remained at around a high 20%. In the business year ended March 1990, He visited hospitals to talk to doctors and nurses, and he got their advice on how to improve his fledgling company's products.

These strong figures reflect Paramount's market share. The company has built 70% of the 2 million beds installed in

medical institutions in Japan, and 98% of the beds in hospitals attached to medical schools. France Bed, Japan's premier household bed maker, is no match for Paramount in hospitals, with a meager 5% market share.

Paramount's dominance was virtually assured when it built a large plant in Chiba Prefecture near Tokyo in 1964. Investing ¥200 million to promote standardization and cut costs through mass production, Kimura revolutionized an industry where most hospital beds were still being made virtually by hand at small ironworks. The huge investment, equal to Paramount's annual sales at the time, was quite daring. And it paid off.

Rush to build

In 1970, a rush to build university hospitals began throughout the country, since the government had decided that each prefecture should have at least one medical university or university medical department. Paramount was the only bed maker able to meet the high demand. A delivery of beds to one hospital led to orders from another, setting in motion a chain reaction. Paramount was soon flooded with orders. Accepting every one, the company quickly established an unshakable position in the industry.

In medical circles, safety is the top priority. Trust takes precedence over all else. The trust that Paramount Bed has earned from hospitals is unshakable, and other bed makers are in no position to challenge its hold on the market.

"We have used Paramount beds for 30 years," says Kayo Kitamura, chief nurse at Tokyo's Itabashi Ward Medical Association Hospital. "We feel secure when we use Paramount beds. We don't know what other companies' products are like, because we have never used them. And we don't feel like trying them, because it could be a failure." Kitamura's remarks show the conservatism of medical circles. Doctors and nurses, entrusted



Ryusuke Kimura, president of Paramount Bed Co., has tried to keep a step ahead of competitors in the industry.

with human lives, naturally tend to be conservative.

Some foreign bed makers like Hill-Rom Co. of the United States offer more products and are more competitive internationally than Paramount. But they cannot penetrate the Japanese market due to the special circumstances prevailing in it. For instance, as the number of hospitals has increased and competition among them has intensified, they have moved to upgrade their facilities to attract patients. Japanese hospitals now prefer elegantly designed beds. Foreign bed makers, removed from the market, have trouble keeping up with fickle changes in taste. This has combined with the innate conservatism of the market and the close relations between hospitals and their traditional suppliers to limit foreign penetration.

Yet Paramount is not resting on its laurels. It continues to improve its products, and to develop new ones to meet its customers' needs. In fact, the company has a unique system for monitoring these customer needs. Once a month, branch office heads and senior staffers from its R&D division and the factories gather to review reports submitted by some 90 salespersons posted throughout the country. The reports, based on what sales staff hear from hospitals about Paramount beds, provide a guide on how to

improve products already on the market or develop new ones.

"A meeting held after faulty items have been delivered to customers will be flooded with complaints from our sales staff, who relay them from the hospitals. We're more afraid of our own sales staff than of hospital officials," says Hiroshi Takeuchi, chief of Paramount's R&D division.

Koji Takada is a senior salesman at the Paramount Tokyo sales division. "Our customers bought our beds because they were convinced of the superiority of our products, he explains. "If our products are faulty, we disgrace ourselves."

This tight coordination among the staff enables Paramount to act quickly when trouble occurs. Some time ago, the company received complaints from a number of hospitals that the folding tables attached to their beds often came off. A series of experiments by R&D teams concluded that the table latches were strong enough, but the sales teams were not convinced and demanded further studies. In the end, salesmen and R&D staff visited hospitals together to observe the wards at firsthand.

"We finally found out that patients hold on to the bed frames for support when they walk in their wards," says Takeuchi. "The extra pressure put too much stress on the latches." Paramount immediately recalled more than 10,000 folding tables and replaced their latches with stronger ones.

Clouded prospects

The medical bed market in Japan is limited. Even with a 70% market share, Paramount's annual sales total only a little over ¥20 billion. Moreover, the 1985 revision of the medical care law, aimed at curbing further increases in the number of hospital beds in order to hold down medical costs, has further clouded the business environment.

In the face of these problems, one might think that Paramount has little choice but to go overseas to expand sales. Exports, mostly tied to Japan's official development assistance to developing countries in Southeast Asia, Africa and Latin America, account for a mere 1% of total



Paramount employees busy planning a new project.

sales, and the company could easily boost that ratio. Yet Paramount has stood firm on its policy of focusing on the domestic market. "It costs too much to establish a sales company overseas," explains Executive Director Hiroshi Iida.

Kimura is optimistic about the future. He says he is confident the domestic market will continue to grow as hospitals replace old beds, while other customers will also need Paramount products. His optimism is partly based on the graying of Japanese society. The government's medical care policy for the aged calls for the establishment of new nursing facilities and the provision of volunteer home care services. More than 150 nursing facilities have already been built under a government project which started in 1987. By the year 2000 there will 1,000 such homes with a total of 300,000 beds. So far, 90% of the beds purchased by these facilities have been Paramount products.

Kimura is also committed to home medical care services for the aged, even if it does not pay. "As Japan's No. 1 medical bed maker, we must do the job," Kimura says, "Who else can?"

It is true that medical care for the aged, while having the potential to develop into a big business in the next century, is not at present profitable. Paramount's sales of commodities related to home medical care for the elderly have been growing at an annual rate of 30%, yet the sector is still a money loser for the company.

Nevertheless, major bed makers are already venturing into the field, with one eye on the future. France Bed started a medical rental service in 1963 through its subsidiary France Bed Medical Service

Co. to lease out medical beds and other medical equipment. France Bed's president, Shigeru Ikeda, says home care for the aged requires small quantities of many varied goods. "This leaves us with no alternative but to rent out products purchased from other makers," he explains. "And even then, the more products we handle, the more money we lose."

Ikeda is undaunted by these difficulties. He remains committed to the new market, hoping that if France Bed provides as many goods as possible at this early stage, it will eventually be able to convince customers that it can meet all their needs in the future.

Paramount's Kimura has succeeded in placing his company's stocks on the Tokyo over-the-counter market, and hopes to have them listed on the Second Section of the Tokyo Stock Exchange as soon as possible. Eventually he plans to be on the First Section.

Kimura's bullishness reflects his conviction that Paramount can enjoy continued stable business even focusing on hospitals and other medical institutions. For further growth, however, he knows that services for individual customers will be essential. Individuals are an entirely different story from institutional customers. Medical institutions buy 50 or even 100 beds at a time. As specialists themselves, they readily understand what salespersons are saying about a new product. But individual customers buy only a bed at a time, while sales talk takes plenty of time. After all, they usually do not even know the Paramount name.

France Bed's Ikeda maintains that providing home medical care for the elderly is too much for any single bed maker. He says it will take a specialist company to do it right.

Can Paramount prove its greatest rival wrong? It may not be easy. There is no doubt Paramount will face severe challenges in this new market, and will need new approaches to marketing and publicity. Yet if the past is any guide, these are challenges that can be met.

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