



UNIVERSITY OF GOTHENBURG  
SCHOOL OF BUSINESS, ECONOMICS AND LAW

**How are Swedish healthcare companies entering and operating on the  
Japanese market**

A study conducted from an international marketing perspective.

AstraZeneca 



  
Mölnlycke®

**International Business II, Bachelor Thesis FEG 31E**

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# Abstract

The Japanese healthcare market is full of hinders and barriers for foreign companies. These prevents new companies from entering the market unless they have the resources to spend on adapting to the Japanese market. Despite these hinders and barriers Japan continues to be a market which most healthcare companies wants to enter. Behind all the barrier lies one of the world's largest healthcare markets. The purpose of this thesis is to look at how Swedish healthcare companies enter and compete by looking at two companies, AstraZeneca and Mölnlycke Health Care. The study was conducted through interviews with employees of the two companies as well as secondary data. The two companies way of entering, expanding and competing on the Japanese market would be compared to three theories, the 2017 Uppsala model, the 1977 Uppsala model and Porter's five forces. What could be found is a large reliance on networks on the Japanese focus with a large emphasis on good relations with key opinion leaders. What was also found is that even though the barriers of entry were high, once inside the market they would instead protect the company.

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# 1. Introduction.

## 1.1 Background

Japan is known to be a hard country for foreign companies to enter (Khan & Yoshihara, 1994; Uzama, 2009). While many there are many barriers for foreign companies

that wants to enter, it is still seen as an attractive market. Many companies have chosen to enter Japan through joint ventures instead of entering the country directly. What Khan and Yoshihara (1994) says is one of the main reasons for failures when foreign companies is the lack of knowledge of the market. Uzama (2009) mentions a strong “we” feeling on the Japanese market where Japanese products will be bought only to support Japanese businesses. While Japan might be seen as a country at the forefront when it comes to technological advancements, there are still high tech markets in which European and American companies outperform their Japanese competition (Khan & Yoshihara, 1994). This can be seen in the pharmaceutical market. The Japanese pharmaceutical industry has shown a small growth rate in recent years. Mainly due to strong restrictions that makes it difficult for new innovative products to reach the market (A.Teiffel, interview, 20th april 2020). Although the regulations are tough, Japan stands as one of the largest pharmaceutical producers with about 8 percent of world production. But even though companies might succeed in entering the market, it does not mean that they will survive.

The company Bayer Yakuhin established themselves on the Japanese market in 1911 (Uzama, 2009). But even though the company has such a long history in Japan, things was not looking good for the company in 2009. Seeing this, just because a company has entered the market does not mean that it is destined for success. For foreign companies, these hinders can make the Japanese market seem far out of reach. But aging population leads to higher demand for medical treatment, which leads to higher pressure for the healthcare market. According to Landolt, the medical technology market has potential to grow in the future, driven by the aging population. 30 percent of the population will be over 65 years of age in 2025 according to Bloise (2018) and Junicon (2010). Higher percentage of elderly population and fewer young people brings a greater responsibility and pressure on the medical technology than ever before from the society. There is since 2019 a new trade deal between the European Union and Japan which aims to lower the barriers of trade between the two political entities (Key elements of the EU-Japan Economic Partnership Agreement - Memo, 2018). One of the markets the trade agreement aimed to make it easier for trade on was in the healthcare industry. Seeing as the Japanese market is one of the largest in the world, and the amount of revenue a company can make ones it has established itself, one can start to see

why companies would be willing to take the risks associated with entering Japan . The key to future success is endurance (Landolt, 2017).

## 1.2 Problem Discussion

Khan and Yoshihara (1994) are describing in their book “*Strategy and performance of foreign companies in Japan*” how foreign companies are entering, expanding and competing in the Japanese market. The study mentions that Japanese companies generally had had an easier time entering western markets than European and American companies had entering Japan. According to the study made by Khan and Yoshihara, there are many reasons for foreign companies having trouble entering the Japanese market. One reason is the lengthy testing period new products must go through. Seeing as of 2019 there is a new trade deal between the European Union and Japan as well as Japan's population increasingly becoming older there is now new factors to consider for healthcare companies. What could be found is a lacking amount of information in how this had affected foreign healthcare companies trying to enter and operate on the Japanese market. Most earlier research made about foreign companies entering and operating on the Japanese market has either focused on the market as a whole or different markets from the healthcare one. We therefore saw that there was a lack of understanding of how foreign healthcare companies enters and operates on the Japanese market. Furthermore, we choose to limit ourselves to how Swedish companies are adapting to Japan in form of entrance, expansion and competition. What advantages and disadvantages can Swedish companies benefit from the relationship with Japan after the new trade deal between the European Union and Japan.

## 1.3 Purpose

The research question for this paper is about how Swedish healthcare companies are entering, expanding and competing in the Japanese healthcare market. It is interesting because of Japan as a country, based on the aging population, their culture and the new European Union trade deal with Japan which has been signed. We will use this research question to get a further understanding of how two types of companies from Sweden, ranging in size, use their surroundings to further integrate themselves into the Japanese healthcare market. These companies are AstraZeneca and Mölnlycke health care. They are operating in the Japanese healthcare sector but in two different parts of the market. AstraZeneca is operating in the pharmaceutical industry and Mölnlycke health care are operating in the medical technology industry.

## 1.4 Research Question

*How are Swedish healthcare companies entering, expanding and competing in the Japanese healthcare market?*

# 2. Theoretical Reference Frame

In the theoretical chapter, we have selected two theoretical models that fit into our study, which will be explained. Furthermore, we will justify why these theoretical models are well connected and their relevance to AstraZenecas and Mölnlycke healthcare development in the Japanese healthcare market. The two theoretical models are Porter's five forces and Uppsala Modellen. These concepts will support the empirical data as well as the analysis.

## 2.1 Porter's Five Forces

Porter's five forces is a theoretical model in marketing that helps companies analyze the level of competition within a certain industry. The model is commonly used in various forms of market-oriented competitive



intelligence and first appeared in Harvard business review 1979 when Michael E Porter published it. Since then, the publication has historically changed the understanding of strategy among organizations. According to Porter *“Awareness of the five forces can help a company understand the structure of its industry and stake out position that is more profitable and less vulnerable to attack”* (Porter, 2008, p 25). The article divides threats into five parts from different aspects, where competition in the industry depends on threats of new entrants, bargaining power of supplier, bargaining power of buyers, threat of substitute product or services and existing industry competitors. At high pressure from the various forces, profitability is under pressure for the companies operating in the industry.

### 2.1.1 Threats Of New Entrants

One of the forces companies has to take into consideration is that of new entrants (Porter, 2008). If new companies have an easy time entering into the industry and market it will lead to other companies market shares getting lower. If a new entrant is entering after being active on another market it can bring with it its already existing resources and knowledge. If a market is easy for new companies to enter, the profitability of that market will become lower. This is because companies will have to have lower prices to be able to outcompete new companies entering the market, or the company will have to increase investment to further develop their product. What may hinder new companies from enter the market are the different entry barriers that exist. Porter brings up seven hinders for new entrants.

**Supply-side economics of scale.** Economics of scale allows companies to produce at a lower cost the more they produce. New companies that wants to enter might have to pay high sums to be able to get up to the production level needed to be able to produce at the same low costs.

**Demand-side benefits of scale.** Some companies products will be chosen instead of rivals because the company is larger than its competitors. This is because its size might make the company seem more trustworthy for consumers. New entrants must then spend the necessary resources to get customers to choose their company instead.



**Customer switching costs.** In some industries there might exist customer switching costs. These costs appear for example when the buyer switches supplier and has to “alter product specifications, retrain employees to use a new product, or modify processes or information systems” (Porter, 2008, p 27).

**Capital requirements.** A new entrant must also possess the capital needed to establish themselves in the industry. The higher the amount needed to invest is, the higher the barrier will be, although this barrier will be lower depending on if the returns are deemed to be high and that they will continue to be so. This is because investors will be more likely to invest in to new companies willing to enter the market.

**Incumbency advantages independent of size.** Another thing that has to be considered is if the existing companies have access to advantages that new entrants will not have access to. These advantages can range from geographical locations and access to raw materials to more abstract things such as the brand itself and the knowledge of the company.

**Unequal access to distribution channels.** New entrants will not have the same access to distribution channels as already existing competition. For some products to be sold through a distribution channel, another product will have to be removed from that distribution channel. This leads to new companies having to compete with the already existing companies, or come up with new ways to distribute their products, to have their products be sold.

**Restrictive government policy.** Depending on the restriction a government sets on an industry, it might make it difficult for new companies to enter. Through regulating entrance into a market, the government can hinder new companies from entering. Other policies such as patent laws will allow new companies easier access to the market ones their product is protected from the competition through the patent.

## 2.1.2 Bargaining Power Of Suppliers

Suppliers can have a large amount of power depending on the industry and the product (Porter, 2008). The greater the power of a supplier is, the less profitable will the industry it supplies to be. If the product the supplier is offering is unique or differentiated from other products it might charge higher prices for it since the product its offering can't be

found anywhere else. If there is a high demand for the supplier products from it will give the supplier more bargaining power since it can turn to competitors instead for profit. The same is true if the company is active in more than one industry. If a company faces switching costs when changing suppliers it might still be beneficial for it to stay with the same supplier.

### 2.1.3 Bargaining Power Of Buyers

If the power of a company's customer is high, it might allow them to lower the cost of the company's products. When a company sells generic products it can allow customers to instead choose competitors if the given offer is not to their satisfaction. This will lead to competitors having to lower the price of their products if the products all fill the same purpose. Instead of lowering the prices, companies might also increase the quality of the product or give more service to the customer than its competitors. But this will also lead to less profitability for the company because of the resources it has to invest to achieve this. When the cost of switching suppliers is low will the buyer also have more power to decide the price of the product. When company's have less customers, these customers will also have a higher amount of leverage when it comes to the price of the company's products. The same is also true for industries where products are bought in bulk. By looking at how much power the buyers in an industry have

### 2.1.4 The Threat of substitutes

A substitute product is described by Porter as a product that "performs the same or a similar function as an industry's product by a different means" (Porter, 2008, p 31). These substitutes can easily be overlooked according to Porter since they might be meant for something different than what the industry offers. The threat of substitutes is especially clear if the substitute product fills the same purpose but at a lower cost. When the relative value of the substitute product is higher it is more likely that the consumer will choose the substitute product. This is especially the case when the cost of switching to the substitute product is low.

## 2.1.5 Rivalry Amongst Existing Competitors

In every market there exists rivalry between companies. Depending on the size of the competition it can increase or decrease the rivalry that exist (Porter, 2008). If an industry is already full of competition it will lower the profitability within that industry. The more companies that exist within the market the less market shares there will left to gain through other means than taking from the competitors. If the industry has a slow growth it will lead to companies having to fight their rivals for the already existing market shares. If the company has high barriers of exit, companies that would have pulled out of that industry might be forced to stay on the market regardless of profit. This is because of the cost the company pulling out is deemed to outweigh the cost of staying. If this rivalry within the market leads to the price being altered for the companies it will lead to lower profitability in the industry. Rivalry can also be positive for companies “when each competitor aims to serve the needs of different customer segments, with different mixes of price, products, services, features, or brand identities” (Porter, 2008, p 33).

## 2.1.6 Porter's Five Forces Relevance To The Study

These elements combined are relevant to get an overview of the threats when entering a market, but also for companies operating in the market. By analyzing the different hinders a company might encounter on the Japanese market through Porter’s five forces we can easier analyze the different methods a company might use to face these threats. By understanding how the different threats affect companies can we gain a further understanding of the decisions companies make when entering new markets and what they have to keep in mind while doing so.

## 2.2 The 1977 Uppsala Model

The Uppsala model was created during 1975 by Johansson and Vahlne and published in 1977. The model aimed to describe how firms internationalize. The model focuses the state and change aspects of a company (Johanson & Vahlne, 1977).

### 2.2.1 The state aspect

The state aspect is divided into two parts. These are market commitment and market knowledge (Johanson & Vahlne, 1977).

**Market commitment.** The market commitment aspect looks at the amount of resources the company commits to foreign markets and how difficult it is for the company to find other uses for the resources they use. For example will market specific resources be harder to find new uses for than more generic material. The more integrated the company is in a market the more resources will be committed to it. If the company chooses to set up a sales office in a country it will have committed more resources than if they exported their goods to that country instead. It will cost the company less to stop exporting their goods to a country than to close down a sales office in a country. By choosing a softer entry to a countries market it will lead to a lower risk.

**Market knowledge.** But by choosing to enter a countries market through a less committed mode of entry the company will also lessen the amount of knowledge that they stand to gain on that market. By committing more resources to a market the company will also gain more experience. On the home market we have a lot of information about the market through “lifelong basic experiences to which we can add the specific experiences of individuals, organizations and markets” (Johanson & Vahlne, 1977, p28). This information we will not have on foreign markets from the beginning. It has to be built by having operations on that market. The experience of the company on that market will have to be built up over time and is not something that can be gained through sharing knowledge with other companies. This information is especially important when it comes to activities that has to with the companies relations. By having experiential knowledge a company will also have an easier time finding opportunities. This is because by having a greater understanding of the

country you are operating in you will also be more able to find the needs and solutions within that country's market. Knowledge can be seen as a resource and having better knowledge of a market can make it so you get more out of the resources you spend on it.

## 2.2.2 Change Aspects

The change aspect is comprised of current business activities and commitment decisions.

**Current business activities.** A company's current business activities is its main source of gaining experience (Johanson & Vahlne, 1977). Johanson and Vahlne argues that there are two types of experience. Market experience and firm experience. Both these types of experiences are important for the company's business activities. This experience is important for people working between the firm and the market and they must be able to interpret information from both the firm and market. This is important for when the company decides to expand their business in other countries. When they do, they often have to teach up new employees in that country that does not have the experience needed. This can be mitigated by the company having a production based product where little contact is needed with the market. The company can also hire personnel which have some or all of the experience needed. A long lag brings with it more commitment of resources since the company can't expect to see results anytime soon.

**Commitment decisions.** The company decides to commit their resources were they find opportunities or problems and depending on what alternatives they have to commit their resources on. Finding these depends on the experience of the people working in the company. Finding these problems and opportunities will lead to further expansion on the market on which they occur and therefore more resource commitment unless alternative solutions that are more attractive are brought up. The problems that the company might encounter are "mainly discovered by those parts of the organization that are responsible for operations on the market and primarily by those who are working there" (Johanson & Vahlne, 1977, p29). The same is true for opportunities. These will lead to calls to further increase the company's operations to face these challenges. The additional commitment are affected by an economic effect and an uncertainty effect. By further increasing its operations on the foreign market can

the company lower the risk on that market by gaining more experience. But risk also affects which country the company enters as well as the mode of entry. By further entering a country will the company lower the risk by increasing the knowledge of that specific market.

Looking at all these factors, a company will enter country depending on the risk that is perceived to be present on that market. Through furthering one's operations on the foreign market can knowledge and experience be gained. This knowledge can be both new opportunities as well as existing threats. By being on the market will the company be able to more easily perceive the risks and opportunities that exist on that market and be able to more efficiently commit its resources for that market. The company might also find that they have become more uncertain about the market after entering it since new knowledge will have been gained. The risk of the company can be lowered by choosing a softer mode of entry, such as exports or joint ventures. But although the risk will be lowered, the control of the company's operations will be lowered and therefore the company should choose the mode of entry which the current knowledge of that market allows. The less knowledge a company has of a market, the softer the mode of entry should be. This is to allow knowledge to be gained about that specific market and make it so the company will be able to further increase their operations on that market ones the perceived risk of doing so has reached an acceptable level.

## 2.3 The 2017 Uppsala Model

Johanson and Vahlne the decided to revise their model in 2017 to study how companies now were internationalizing. They found that the assumption that all companies were heterogeneous (Penrose, 1959; Wernerfelt, 2013). No company is the same as another which means that the way they act both internally and externally differs from each other. The resources of a company is not only in the shape of money and goods but also knowledge (Johanson & Vahlne, 2017). The managerial capacity is also a resource that companies make use of and "is typically the bottleneck in achieving growth" (Johanson & Vahlne, 2017, p 1090). When the company establishes relationships with other companies, these resources will be traded. This also includes the knowledge part and leads further progression in the

company. With relationships and networks, companies can increase the amount of knowledge of which they are in possession of.

But companies does not know everything. One of the main components in the Uppsala model is that “equilibrium does not exist and change is constant” (Johanson & Vahlne, 2017, p 1091). According to Daft and Weick (1984), people must use the existing knowledge to make interpretations to base their next move on. The risk of making a decision within the company will can in most cases not be zero (Johanson & Vahlne, 2017). What companies should do is take small steps forward and not put all their eggs in one basket at one time.

In the Uppsala model there are two types of variables. These are state and change (Johanson & Vahlne, 2017). Between these two variables, the change variable is the most important one. The change variable includes the creation within the company. This creation is for example the knowledge development process. This according to Johanson and Vahlne includes “learning, creating, and trust-building”. The changes then affect the state variable.

### 2.3.1 The Change Variables

There are two types of change variable. These are the commitment process- and knowledge development process variables (Johanson & Vahlne. 2017).

**Commitment process.** The commitment process aims to describe the different decisions that are made within the company. These decisions are about where the company should commit their resources, be it large investments or small ones. These decisions affect how companies goes from discovering opportunities to exploiting them. Johanson and Vahlne refer to this as opportunity development (2017). With the commitment of resources also comes the risk of not knowing the outcome since you can never be fully certain of the future. This leads to the company learning from their actions. What companies have to do is to weigh the risks with the reward while also considering the amount of resources they have at their disposal and what the company is willing to lose. By weighing the benefits with the worst outcome can the company make their decisions. If the benefit outweighs the acceptable

loss, the company should take the risk. By using the knowledge gained by the company itself or through their network can resources be allocated more efficiently.

**Knowledge development process.** The knowledge development process can be both “inter- or intra-organizational” (Johanson & Vahlne, 2017, p 1093). The thing that are learnt, created and the trust that is built can occur both inside the network of the company or between different companies. What the managers learn inside a company is heavily based on previous knowledge within the company and their network. Networks are really important for companies when it comes to the knowledge development process. By having a trusted network, the company can expand their knowledge base and by doing so lower the risk when making a decision. To get these network the company have to build up trustworthy relationships with other actors. This can be achieved by working together within the network to achieve a common goal as an example. Not all strategies that are made by a company will realized fully. The management will have to be flexible to adapt to changes within their strategies. This will all then affect how to resources are distributed and what they are spent on.

### 2.3.2 State Variables

The state variables are differentiated into two groups: Capability- and commitment/performance variables. These two are affected by and affects the change variables (Johanson & Vahlne, 2017). The capability variable is divided into dynamic- and operational capabilities.

**Operational capabilities.** Operational capabilities includes firm-specific advantages as well as “relationships and organizational culture” (Johanson & Vahlne, 2017, p 1096). The firm-specific advantages might in off itself might not lead to success for a company on foreign markets since being an insider can lead to these advantages not being as necessary.

**Dynamic capabilities.** Dynamic capabilities refer to a company's ability to adapt to the changing environments, inside and outside of the company. For a company to be able to adapt it will have to make use of its own knowledge and experience. For both the home and foreign markets, the companies experience on that market will allow it to easier adapt. As mentioned before with the 1977 Uppsala model, this experience is not something that can be bought, but has to be acquired by commitments on that specific market.



**Commitment/Performance.** The commitment is how the company chooses to distribute its resources while performance is to what outcome has come from earlier commitments. Both these factors will lead to knowledge being created in the company in where to spend resources in the future as well as where not to spend resources.

### 2.3.3 Liability Of Foreignness

Johanson and Vahlne (2009; 2017) writes about the liability of foreignness. The further the perceived cultural differences between the company and the market it wants to enter is the more time and resources must be spent on building up relations (Johanson & Vahlne, 2009). While being a company might be an outsider even on its home market, being a foreign company increases the time and resources needed to become an insider. The company can overcome this liability by entering into networks as well as having firm-specific advantages that are attractive for foreign enterprises or members within the company's network (Johanson & Vahlne, 2009; 2017). As mentioned before, being in a network can present opportunities that the company would not have known of was someone inside the network (Johanson & Vahlne, 2009). An example of how this will help a company to be an insider within a foreign country's market would be if another company within the network asked another company to also supply their foreign subsidiaries. By doing this, the company will now have entered the market and taken one step closer to being an insider. Entering a market will lead to the company gaining knowledge and experience of that market and the cultural differences between the two markets can be better understood. Understanding the differences that exist between two market can lead to the company being able to further integrate themselves on the market and to overcome the liability of foreignness.

### 2.3.3 The Uppsala Model Relevance To The Study

The Uppsala model is relevant to our research question as it describes how firms internationalize. Explained further, this describes how companies are globalizing and entering other countries markets. At the same time, the Uppsala model explains how companies are expanding in other markets. The reasoning for choosing both the 1977 model and the 2017 one is because of how they explain different eras of how companies globalize. This is important to understand how companies have changed their strategy when it comes to

entering and expanding in a country. By covering how AstraZeneca and Mölnlycke healthcare are entering and expanding in a foreign country with open questions of the Uppsala model elements, we can get a better structure on further empiric data and analysis.

## 2.5 Porter Five Forces And The Uppsala Model Interconnection

The Porter five forces and the Uppsala model complement each other in a very good way, as the Uppsala model describes how the road to the market and how the companies are working to expand in the market. Porter's five forces allows us to further look at the different threats that exist. These threats will have a great impact on how companies chooses to enter the market. By analyzing the different threats on the market and studying the different ways in which companies chose to enter Japan a clearer picture can be gained of how these threats affect companies willing to enter the Japanese market. By linking these theories, we can therefore obtain a holistic picture of how AstraZeneca and Mölnlycke healthcare are operating in the healthcare market then compare their two industries of the market.

## 3. Method

### 3.1 Research Approach

To investigate how Swedish healthcare companies operate in the Japanese market, we must consider a qualitative approach rather than a quantitative approach. With an qualitative research approach, opportunities enables us to collect information, describing the situation in the Japanese market rather than measuring it. Furthermore, a qualitative research approach can help to analysis the motivation, ways of thinking and attitudes (Bryman & Bell, 2015). It is essential to gather information about facts but also attitudes toward the Japanese healthcare market to answer our research question. A qualitative research approach enables us as the researchers to have an in depth understanding in form of an interview (Bryman & Bell, 2015) with the persons, responsible for the Japan part of the Swedish healthcare companies. To conduct the study, a deductive method was used. A deductive method is based on the theoretical models and tested against real observations in form of a semi structured interview.

## 3.2 Study Design

The essay is based on a study design in form of both primary and secondary sources. At first, second hand sources were used to gather information about the different theories that would be used as well as information about the different companies in question. Secondary sources were also used for information about the primary study in form of a in depth interview. The best form of a qualitative research approach for the empirical study is a semi structured interview. A semi structured interview allows questions to be predetermined and all questions are asked to all candidates, in the same order. Questions are more open with follow up questions for those answers who are interesting for the study. A semi structured interview also gives important freedom and space to the interviewee which increases our chances of getting better and deeper answers. It is our job as interview guide, to make sure that the interviewee feels comfortable, gets time to think and respond (Bryman & Bell). We believe that the same questions with interesting follow-up questions are the right way to investigate how Swedish healthcare companies operates in the Japanese healthcare market.

## 3.3 Research Process

Because of the current situation with the spread of the Novel Covid-19 virus, some changes had to be made regarding the interviews. Since many of the worlds companies are closed for the moment due to the virus it made it more difficult to find people able to be interviewed. That is why we have offered to do a telephone interview. All interviews had to be made over the phone and via email. Those who were able to be interviewed were all persons who in some way are related to the research question that were chosen.

The research process was started by searching for theories that could be applied to explain how Swedish companies was operating in the Japanese market and what was important for them to know when operating in the Japanese market. The chosen theories were then used to create the interview questions that were used.

## 3.4 Data Collection

For this study both primary and secondary data was collected. Both types of data were collected as qualitative data.

### 3.4.1 Primary Data

The primary data was collected via interviews made with employees of the two different companies, AstraZeneca and Mölnlycke health care. These interviews were made via phone calls, Zoom application and email. The people that were interviewed were chosen because of their positions in their respective company. We were in contact with four people asking for an interview, all of them agreed. To reach the people who worked in the right area, we were in contact with one person from the respective companies who connected us further. In total, having contact with 6 people for this study.

First off, we got in contact with a friend who is working in the lab at AstraZeneca, he gave us the contact information to the global marketing director at AstraZeneca, Anna Teiffel. An method in form of a qualitative semi structured interview was made with Teiffel monday the 20th April 2020. This interview was done via telephone for 30 minutes because of Covid-19. Prepared questions were put in order with follow-up questions. Later on, upcoming thoughts were made into questions and asked through email. We sent Teiffel an email two times and she responded both times. Teiffel was chosen since she had both worked in Japan for AstraZeneca as well as worked with Japan from Stockholm, Sweden today.

Anna Teiffel gave us the contact information to the marketing leader of AstraZeneca in Japan, Seigo Noda. An semi structured interview was determined and completed with him, thursday the 23rd April 2020. The interview was made via Zoom for 40 minutes and was agreed on a time suitable for Swedish and Japanese time zones. Noda had been working on the Japanese market for 7 years and could give us information about how AstraZeneca was operating in the Japanese market on a deeper level. Furthermore, we had contact with Noda for further questions through email.

For Mölnlycke health care, we got contact information to the recently retired supply chain manager of Asia, Jörgen Kåreby. We got his contact information from a friend working at Mölnlycke health care. Jörgen gave us the contact information to the current supply chain manager of Asia, Neil Pecotich. An method in form of an qualitative semi structured interview was planned and conducted with Jörgen Kåreby and Neil Peotich, friday the 24th april, 2020. The interview was made through Skype for 1 hour. Kåreby was selected because of his long 11 years of experience in the position currently living in Gothenburg, Sweden. Furthermore, Neil is currently living in Singapore. He has been responsible for the service for 4 years. Neil was chosen because of his knowledge about how Mölnlycke health care currently is operating in the Japanese market.

Below shows a diagram of the people who has been part of the study in form of an interview:

Name	Company	Position	Country	Interview date
Anna Teiffel	AstraZeneca	Global marketing director	Sweden	20/4 - 2020
Seigo Noda	AstraZeneca	Marketing leader	Japan	23/4 - 2020
Jörgen Kåreby	Mölnlycke healthcare	Supply chain manager	Sweden	24/4 - 2020
Neil Peotich	Mölnlycke healthcare	Supply chain manager	Australia	24/4 - 2020

### 3.4.2 Secondary Data

The secondary sources that were used for the empirics were gathered through different government sites from both inside the EU as well as Japan, research articles, the chosen company's website, as well as newspaper articles. This second hand data was collected with the intention to give some background to the primary data given through the interviews as it would lower the risk of making wrongful assumptions by analyzing only secondary data. This was done because analyzing only secondary data might lead to wrongful assumptions might be made of the . Only sources that were deemed to be trustworthy were chosen. These were used to find relevant information about the theories that were chosen as well as information regarding the companies and the political entities. The research articles

were all gathered through Gothenburg University's online library and Google Scholar to ensure the quality of the sources.

### 3.5 Data Analysis

The data that had been gathered were analyzed through a thematic analysis method. Themes were found within the empirical data and analysed with the chosen theories in accordance to Braun and Clarke's writing (Braun & Clarke, 2015). The data gathered were first looked through to become familiarized with the data. By continuing to look through the data patterns could be found from the interviews as well as the secondary data a pattern in how the two companies operated on the Japanese healthcare market started to emerge. This led to further analysis in how these findings affect foreign healthcare markets on the Japanese market.

### 3.6 Quality of the study

For this study to be trustworthy many steps have been taken to make sure that the information that has been collected would be as truthful as possible. To make sure that the primary data that has been collected would be credible all questions were written and went over by both of the projects writers who have both studied the relevant theories on which this paper is based on. All interviews over phone or other digital media, such as Zoom, were recorded and transcribed to ensure that no information was lost. Furthermore, the quality of this study has been divided into different parts such as dependability, credibility, transferability and confirmability. These parts are a support for creating trust with the reader.

#### 3.6.1 Dependability

With dependability, it is necessary that the researcher have been careful in their various parts of the study. Everything from problem discussion and selections to conclusion has to be explained in detail. As a reader, you should be able to follow the track in the result, furthermore Guba & Lincoln (1985) means that dependability should be showing that the findings are consistent and could be repeated. In order to increase and achieve dependability,

we have therefore chosen to compare our results with previous studies that have been done in the same areas. Which is clearly stated in the problem discussion and further compared in the analysis.

### 3.6.2 Credibility

The significance of credibility is that we as researchers have understood and carefully carried out the study in accordance with the rules that apply. Furthermore, Guba & Lincoln (1989) says that credibility is achieved when the author has clearly made the content understandable for individual readers or other researchers. To increase and achieve credibility for this study, people who participated in the interview will be contacted afterwards. They should then have the opportunity to follow up and approve the result or tentatively to make corrections. Furthermore, credibility is something we have kept in mind throughout the course of the work, because the clearness of having follow-ups to the people who participated in our semi-structured interviews.

### 3.6.3 Transferability

The third part of creating trust with the reader is transferability. The concept explains about how well the results are applicable in other environments and contexts. Furthermore, transferability refers to informative descriptions so that anyone can estimate it (Guba & Lincoln, 1985). For transferability to be established in our work we chose to include basic information about each person who participated in the interview. As for example name, role in company and number of years in the business.

### 3.6.4 Confirmability

According to Guba & Lincoln 1985, confirmability is “a degree of neutrality or the extent to which the findings of a study are shaped by the respondents and not researcher bias, motivation, or interest”. The study must therefore not be affected by the authors own values. However, to avoid own motivations, counteracts is done by allowing the interview questions to be neutral and allowing the primary data to trustworthy from the people being interviewed.

## 4. Empiri

### 4.1 Swedish Healthcare Companies

Sweden is a large country with a small population. It's Europe's 5th largest country by area while only having around 10 million inhabitants. Despite its small population, a lot of large international companies originates from Sweden. Examples are IKEA and H&M. Furthermore, Sweden is a market-based mixed economy with large tax revenue and redistribution of income. With an GDP of 542 billion US dollars in 2020 according to economic heritage index (Index, 2020) Sweden is one of the most wealthy countries in the world with very good finances and own currency (SEK). The European Commission published in 2019 that Sweden was the most innovative nation according to the European innovation scoreboard (McCarthy, 2020). Sweden also came in second place in the 2019 global innovation index according to Patent and registreringsverket (PRV, 2019).

Japan is Sweden's largest trade partner in Asia (Business Sweden). There's around 1500 companies that trade with Japan and around 150 have some sort of local presence. AstraZeneca for example produces a lot of its medicine inside Japan (Noda, interview, 23th april, 2020). A lot of Japanese companies are also turning towards Sweden to learn more about innovation, business models and global successes that have come from Sweden according to Business Sweden. Business Sweden also mentions that because of Sweden's reputation in the healthcare market, a lot of people have started to pay more focus on Swedish healthcare companies. Pecotich and Kårby mentions that Japanese people tends to have a fondness for Swedish made products over other countries (Kåreby & Peotich, interview, 24th april, 2020). According to them, products made in Sweden are seen as to have high standard of quality which is important for the Japanese people.

In Sweden, medical export accounts for significant portion of Swedish export revenues and are one of the largest and important exports. In 2019 alone, medical export increased by 28 percent with a total export of 105 billion sek according to Läkemedelsindustriföreningen (LIF, 2019). When drugs are focused on in public debate, the discussion is about costs rather than restrictions on innovative progress. The industry keeps many people employed and is an important factor for Sweden as a research and knowledge



nation. More than 10,000 are working in the pharmaceutical industry in Sweden and has helped to improve and streamline the Swedish health care system.

The medical technology industry in Sweden employs around 18 000 people. The market is valued at approximately 2.5 billion US dollars, with healthcare spending being almost 5000 US dollar per capita among the Swedish population (Emergo, 2019). There is a consistent demand for friendly home wound care and operation equipment. Furthermore, effects of medical technology are generally reached without the aid of the pharmaceutical industry.

#### 4.1.1 AstraZeneca

AstraZeneca is one of Sweden's largest pharmaceutical companies. It is a UK-Swedish multinational biopharmaceutical company operating in the pharmaceutical industry. AstraZeneca was a merger of two companies, the Swedish company Astra and the British company Zeneca. The two companies merged in 1999. Astra was established in 1913 in Sweden by Adolf Rising. Until 1993, Zeneca had been part of the Imperial Chemical Industries in Britain until a demerger where it became independent (Blake, 2020). Today, AstraZeneca have 70 600 employed globally and is active in over 100 countries (AstraZeneca, 2020). Half of all the employees are working in Europe with headquarters in Cambridge, UK. AstraZeneca focus on marketing, research and production of mainly prescription drugs (Teiffel, interview, 20th april 2020). In Sweden, AstraZeneca is one of the most important export companies with goods exports of 41.5 billion SEK. The production facility is located in Södertälje and the research facility is located in Gothenburg.

Astra had been active in Japan since 1975 (AstraZeneca, 2020). They started business in Japan by cooperation with the Japanese pharmaceutical company Fujisawa Pharmaceutical to create the company Fujisawa Astra. According to Noda, AstraZeneca works with selling premium medicine in Japan on which they own the patents, premium being that because of patents they are the only one allowed to sell their products (Noda, interview, 23rd april 2020). As soon as the products patent is about to expire, around three months before, they sell their patents to other pharmaceutical companies that then make the medicine. AstraZeneca has its Japanese head-office in Osaka and a branch-office in Tokyo (AstraZeneca, 2020).

In 2018, AstraZeneca's product sales were worth 2 004 million dollars. According to Noda, AstraZeneca imports most of their products to Japan but has one plant in Japan for packaging their products (Noda, interview, 23rd april 2020). Japan is together with China and United states, AstraZeneca's largest market which has led them to create production sites in Japan. Where AstraZeneca manufacture the majority of their medicines (Teiffel, interview, 20th april, 2020). AstraZeneca went from being the 13th most successful pharmaceutical company on the Japanese market to being the 5th most successful from 2013 to 2020. According to Noda, one of the reasons for AstraZeneca's successes in Japan is the companies successful pipelines (S. Noda, interview, 23rd april, 2020).. Furthermore, an ubiquitous term that often is used to refer to the amount of business that a company expects to receive in the coming month or year. Typically it is used when companies have a long time between the placement of orders and when the goods or services actually are delivered. Companies talk about the pipeline being full to indicate that they have a solid backlog of orders

Since AstraZeneca holds patents for all their medicines, it is difficult for other pharmaceutical companies in the Japanese market to copy their products. According to Teiffel, different patents have different strengths where substance patents are usually strongest against, for example, formulation patents which is a weaker form of patent (Teiffel, interview, 20th april, 2020). Furthermore, Teiffel is clear with the point that AstraZeneca is working in many disease areas where threats to substitutes vary. The category for diabetes is a great competition at the Japanese level but also at the global level versus nephrology where there is lower competition for threats of substitute, says Teiffel. Noda explains that AstraZeneca mostly handels premium medicines (Noda, interview, 23rd April, 2020). They always sell their patents before they expire on the Japanese market.

#### 4.1.2 Mölnlycke Health Care

Mölnlycke Health Care was established in 1849 and was the first company in Sweden to mass produce units of bandage and other disposable products (Mölnlycke healthcare AB, 2020). It started by producing gauze for hospitals to use. Today, Mölnlycke Health Care is a world leading company in the medical technology industry and are focusing on producing disposable products for the treatment of wounds and surgeries (Peotich, interview, 24th april, 2020). Mölnlycke health care is primarily active in Europe and Asia with headquarters in

Gothenburg but has offices in North America and Africa as well. In total, the company has around 7500 employees worldwide (Kåreby, interview, 24th April, 2020). The company are divided into two divisions which is the operation division and the wound care division. The operation division are mainly focusing on safe and effective surgical procedures, helping to minimize the risk of infection. The wound care division effectively manufacture products for gentle wound care. According to Pecotich disposable products are described as enabling effective surgical procedures to reduce the risk of infection and to protect healthcare professionals. At present, Mölnlycke health care is a independent company with Investor owning 96 percent of Mölnlycke health care AB (Kåreby, interview, 24th April, 2020) Mölnlycke Health Care wasn't very active on the Japanese market until 2005. According to Pecotich they only sold their products there through distributors through exports. In 2005 they set up a legal entity in Japan to sell their products (Pecotich, interview, 24th April, 2020). Mölnlyckes main expansion in the Japanese market was when powdered gloves started to be banned across the world. The only product that the company makes in Japan is facemasks. The face masks are made in a factory which is not owned by Mölnlycke. Instead they hired a contract manufacturer to make the masks in Japan which, according to Pecotich, makes them more appealing on the Japanese market. The rest of their products are imported mostly from South-East Asia or Europe. Japan was the fourth country that Mölnlycke Health Care choose to enter in Asia-Pacific (Pecotich, interview, 24th April, 2020).

## 4.2 The Japanese Healthcare Market

Japan has the third largest medical device and pharmaceutical markets in the world (Teiffel, interview, 20th April, 2020; Pecotich, interview, 24th April, 2020). The Japanese market for healthcare is really important to enter according to Pecotich (Pecotich, interview, 24th April, 2020). Since it's a large market you can gain a lot of money if you manage to enter into it. But because of this it's also very hard to gain market shares on the Japanese market according to Pecotich. Pecotich mentions that not only is the Japanese market already full of companies, both foreign and local, that wants to gain more share of the market, it's also a really hard market for companies to enter because of the high costs to get into the market. According to Pecotich there exist a high cost in regards of rent and salaries that have to be considered. Japan as a country has very good margins in workers compensation and is very

expensive to do business in generally. New companies also have to take in regards the difference on the Japanese market when it comes to the packaging of ones products. The Japanese market is different to a lot of countries in that packaging of products is a big must in most cases. According to Pecotich they have to package their products one by one were in other countries they would be happy to receive it in bulk packaged in only a cardboard box. Noda also explains that AstraZeneca has a plant in Japan that is mainly for packaging their products and does not handle raw materials that much (S. Noda, interview, 23rd April, 2020).

But just because a company is Japanese does not mean it will be able to fully compete with foreign companies. Noda says, size of the company is important to enter the Japanese market, because they have money to invest into their pipelines (Noda, interview, 23rd april, 2020). That's why, smaller local Japanese pharmaceutical companies can't out compete multinational companies, even though the majority of Japanese prefer local companies. There was an acquisition by the Japanese company Takeda that also inherited the debts of the company. Smaller Japanese companies are struggling more since they don't have resources to invest in new pipelines. Companies must have the resources to continue to expand and find opportunities on the Japanese market to stay competitive. One way around this is for companies to instead find niche opportunities within the Japanese market. Noda mentions that in Japan a pharmaceutical patent lasts for eight years.

Despite it being one of the worlds biggest healthcare markets, it is a market that is full of hinders for new companies within the healthcare industry to enter. Before 2004 Japan had a strict regulation on medicine that was meant to be sold in the country (Scommegna, 2019). All medicine had to be tested in Japan before it could be sold there. According to Teiffel, all medicines had to be tried on Japanese people as well before being sold on the Japanese market (Teiffel, interview, 20th April, 2020). Unlike Sweden where you do not have to have Swedish patients in global studies, but you get samples approved by European authorities even though there are Englishmen who have been part of the study. It is important for new companies to have these differences in mind before they try to establish themselves in the Japanese market. There is also a difference in how the Japanese use medicine compared to many other countries according to Teiffel (Teiffel, interview, 20th april, 2020). When medicine is taken in Japan they try to give as small of a dose as possible to get the desired effect. Japanese authorities are very concerned about safety and the side effect profile in developing new drugs, which is almost more important to them than effect parameters.

Unlike the US which is very keen on the effects rather than the side effect profile. This leads to a lower dose being given to patients in the Japan.

According to all the people interviewed it's really important to have a good network in Japan to be able to sell your products there. For companies entering the Japanese market, Teiffel and Pecotich mentions the importance for companies to establish relations with key opinion leaders, such as surgeons in big hospitals, in the country to be able to sell their products (Teiffel, interview, 20th April, 2020; Pecotich, interview, 24th April, 2020). If you manage to get approval from them, your product will have a bigger chance of success on the Japanese market. Companies that have been on the Japanese market and built up these relations will have an easier time than companies just entering. Having a historical relationship can get you a long way explains Pecotich (Pecotich, interview, 24th April, 2020). If a company has a historical relation with key opinion leaders their products will more easily be approved on the Japanese market. But the Japanese people are more likely to buy medicine which is from locally established companies and experts, or that is in some way connected to them, according to Teiffel (Teiffel, interview, 20th April, 2020). Being a Japanese company and having Japanese suppliers gives you an competitive advantage. That is because Japan favours local manufactures, especially when it comes to premium and quality conscient products (Pecotich, interview, 24th April, 2020). According to Noda, most foreign pharmaceutical companies collaborates in one way with a chemical companies to enter the Japanese market (Noda, interview, 23rd April, 2020). There's a big focus on quality on the Japanese medical healthcare market. Knock-of-products will have a hard time being sold in Japan especially if there's a similar Japan made product already on the market. According to Pecotich, companies based in Japan will have an advantage over foreign companies because of them being Japanese ( Pecotich, interview, 24th April, 2020). This is because the Japanese people will perceive these products to have more quality over that of foreign made products.

According to Noda the government sets the price for pharmaceutical products in Japan (Noda, interview, 23rd april, 2020). This makes it so that the the relationship with their suppliers is more flat than in other industries. In other industries in Japan there is more often a hierarchy between buyers and suppliers were the buyers have most of the power. Pecotich mentions that they are not allowed to sell their products directly to the hospitals in Japan as a new medical device supplier (Pecotich, interview, 24th april 2020). Instead they have to go through intermediaries who can hold a lot of power as a buyer depending on their networks

and relations with hospitals. If the buyers have a strong network with existing hospital relationships, they will have a strong power towards the companies. According to Kåreby that is because external device players cannot approach hospitals directly, they have to go through other companies on the Japanese market (Kåreby, interview, 24th April, 2020). However the buyers does not influence the market price. The same regarding having to go through these intermediaries was not mentioned by either Noda or Teiffel (Teiffel. interview, 20th April, 2020; Noda, interview, 23rd April, 2020). The Japanese government are controlling the price regulations which means that companies can't set their price levels themselves. A clear regulatory framework led by "pricing authorities". These authorities set reasonable prices after input from companies as well as key opinion leaders on the Japanese market.

The healthcare system in Japan is made up out of public hospitals, private hospitals and clinics (International Student Insurance, 2020). These are forced by the government to be run as non-profit. Japan has a health insurance system in which all inhabitants of Japan are forced by the government to own health insurance. Just as in Sweden, Japan has general hospital insurance where patients have access to medicines, poor or rich (Pecotich, interview, 24th April, 2020). They pay for around 30 percent of the cost of hospital visits while the government pays the rest. Unlike Sweden, Japan has a fairly fragmented healthcare system which means there is no major cooperation between the hospitals in the country (Noda, interview, 23rd April, 2020).

During 2019 a trade deal was made between the European Union and Japan (European Commission, 2020). The trade deal was made to remove tariffs and make it easier for Japan and the European Union to trade with each other. As the Japan was already a big trading partner with the European Union it would now be easier for companies from the two political entities to sell and buy products from either the EU or Japan. A lot of the agreed to terms where about removing or lowering tariffs between the them. But some of the agreed terms were of non-tariff nature. This included that Japan had since 2014 adopted the international standard of quality management systems (QMS) (Strasbourg, 2018). This made it easier for foreign companies to sell their medical products as they no longer had pay for the testing to be made in Japan. As 25 percent of all new medicine in the world were not sold in Japan before 2004, when they first started making it easier for foreign companies to be able to sell their medicine, this restriction had made it so that medicine that could be useful for their aging population were not able for those who needed it. But the medicine that is sold in

Japan still has to be tested on Japanese people before the company's are allowed to sell their product in Japan (Teiffel, interview, 20th april, 2020).

Japan has a big problem with its aging population. The main reason for the aging population of Japan is due to their rapidly growing economy. The more elderly people in society, the less labor in Japan (Yashiro, 1997). There will be a huge gap between generations. Japan is facing a future where the aging population is leading to reduced economic growth. The government is working to offer older people work to stimulate the economy. More people who is working leads to better economy in form of consumption, which leads to increased employment opportunities.

## 5. Analysis

### 5.1 Entering the Japanese Market

With Japan being one of the largest markets for healthcare it makes sense that healthcare companies around the globe would be interested of taking a part in it. Even with its restrictions and regulations it makes it worthwhile for companies to try and enter the market. Pecotich and Kåreby both explain the Japanese healthcare market as slow moving and conservative (Pecotich & Kåreby, interview, 24th april 2020). This makes it hard for new companies to enter the Japanese healthcare market since changes are slow to take place in it. What this leads to is that the Japanese buyers of healthcare products are more likely to choose a product they are already familiar with and trust already well established companies within the country. What this leads to is that new companies that enter the Japanese market will have to establish relations with the key opinion leaders of the country as well as build up a network of collaborating companies. Pecotich, Kåreby, Noda and Teiffel all bring up the importance to have good connection with the key opinion leaders in Japan (Interview). The importance of relations is also brought up in the 2017 Uppsala model (Johanson & Vahlne, 2017). This relationship building will further increase the probability of the company's success in Japan. If a product gets approved by key experts in the field of which the company wants to sell its products they will have an easier time selling it.

When Astra first choose to enter into the Japanese market they did so by collaborating with the Japanese company Fujisawa Pharmaceutical. Together they created the company Fujisawa Astra. As we have seen there is a big focus on collaboration and/or good relationships with the people on the Japanese market. By entering the Japanese market via a joint venture Astra could get a foothold on the Japanese market but still minimize the risk by sharing it with a Japanese company. What the 1977 Uppsala model tells us that the way that a company enters a market depends on the knowledge of the company and the resources the company can spend on entering the market (Johanson & Vahlne, 1977). The reasoning according to the 1977 Uppsala model for why a company would enter a country's market through a joint venture would be to lower the risks and resources needed to enter a country. Although this does lower the control the company has over its operations in the country. Since Japan is a country in which the market can widely differ from western countries, knowing the market become increasingly important (Khan & Yoshihara, 1994). By entering the country through joint ventures they can both use the knowledge of the Japanese company while not committing themselves fully to a market in which so many foreign companies fail. What we can see today is that AstraZeneca has further entered the country by setting up sales offices in Osaka and Tokyo. Both the 1977 and 2017 Uppsala model brings up the importance of how a company commits its resources (Johanson & Vahlne, 1977, 2017). When seeing an opportunity to further increase revenue, the company will commit the resources needed. Seeing as AstraZeneca choose to further expand on the Japanese market one can see that the company though it was a risk they were willing to take. If the company instead had chosen to fully commit to the Japanese market, the outcome might have looked different for AstraZeneca today. The 1977 Uppsala model talks about experience that comes from being on a market, experience which can not be gained otherwise. Choosing to enter the market through a joint venture lets AstraZeneca gain this experience on the Japanese market while still minimizing the risk it has to take.

Mölnlycke Health Care had started their business in Japan by exporting through distributors until 2005. In 2005 the company choose to set up a legal entity in the country (Kåreby, interview, 24th april, 2020). Only a small sortment of the companies products had been sold in Japan before they set up their legal entity in the country. The way of starting with exports through distributors is one of the less riskful way of selling ones products in a foreign country. The reason for this leap from just exporting goods to fully commitment on the



Japanese market was because of the opportunity found when powdered gloves started being outlawed across the world. Japan was the 4th country in Asia-Pacific that Mölnlycke Health Care entered when they did so in 2005. The main production of the company is offshore factories such as in South-east Asia and Europe according to Pecotich (Pecotich, interview, 24th april, 2020). What can be seen is that by learning of an opportunity on the Japanese market, Mölnlycke Health Care saw the risk of entering the market as one they were willing to take. Johanson and Vahlne (2017) talks about the change variables that exist within a company. By having been on the market through exports, the company will have gained knowledge of the market. By fully taking control of their sales in Japan through opening a sales office, Mölnlycke Health Care would not only gain more risk on the market, but more control of their operations as well as a higher profit than if they would have to share it with another company. The only production that Mölnlycke Health Care has in Japan is that of facemasks. These facemasks are produced by another company as a contract manufacturer. One factor for why Mölnlycke Healthcare uses a contract manufacturer on the Japanese market is according to Pecotich and Kåreby that the Japanese people are more prone to buy Japanese made products than they are to buy foreign ones. Pecotich and Kåreby both stresses the importance of quality for the Japanese people. By having their facemasks produced by a Japanese company the Japanese people will be less suspicious of the quality of the products.

One of the reasoning for all of this is the high standard of quality the Japanese people have for their products. According to Pecotich, the Japanese people put a lot of emphasis on the quality of products, be it packaging or the products itself (Pecotich, interview, 24th april, 2020). You will have a harder time selling a knockoff version of a product in Japan than most countries Pecotich says. The Japanese are also very rigorous in the testing of new products. According to Teiffel, all pharmaceutical products have to be tested on Japanese people before being sold in Japan (Teiffel, interview 20th April, 2020). So by having your product approved by a Japanese key opinion leader you also get the quality of your product approved.

According to Pecotich and Kåreby, the Japanese medical technology market is hard to enter because of the many regulations that exist for companies selling medical technology products (Kåreby & Pecotich, interview, 24th april, 2020). This barrier of entry hinders new companies to enter the market. Porter's five forces describes barriers of entry as well as laws and regulations as a deciding factor of how easy it is for a company to enter a market (Porter, 2008). According to Pecotich and Kåreby, Mölnlycke Health Care can't sell their products

directly to Japanese hospitals as an example (Kåreby & Pecotich, interview, 24th April, 2020). They instead have to go through intermediaries who then sell their products to the hospitals. This is a form of barrier which hinders companies to enter the market however they would like. For already existing companies, this is a plus since new companies will have a harder time to form the connections necessary to act efficiently on the Japanese market. Japan also has high barriers in that they have higher regulations on medical technology than most other countries (Kåreby, interview, 24th April, 2020). Medicine must be tested according to Japanese standards which are set by the Japanese government. This makes it more costly for companies that want to expand their products on the Japanese market since they will have to spend their resources to create new tests for their medicines. While the latest EU-Japanese trade deal have sought to ease these restrictions for European Union based healthcare companies, AstraZeneca does not seem to have felt any impact from this trade deal and Mölnlycke Health only found that their products exported from Japan to the EU were cheaper (Teiffel, interview, 20th April, 2020; Pecotich, interview, 24th April, 2020; Noda, interview, 23rd April, 2020). These high barriers allows existing competition on the Japanese market to have a lower risk of new entrants entering as competition (Porter, 2008). It can also be hard for new companies to enter into the Japanese market because of how slow moving the country is according to Pecotich. Many people in Japan feel negatively about change. This makes it even more important for companies to have trusted key opinion leaders who can back their products. According to Pecotich, Japan is also a very expensive country to operate in. This is because of the high costs of rent and wages. Japan also has a high standard when it comes to the packaging of products. According to Pecotich, almost all products have to be packaged, whatever the product may be. This packaging will cost more money for companies that are usually not packaging their products on markets which they are currently active on. This also hinders new entrants from entering the Japanese market since capital will be needed to make changes in production (Porter, 2008). AstraZeneca for example has a packaging plant in Japan which is their only factory according to Noda and they barely deal with raw materials (Noda, interview, 23rd April, 2020). Pecotich mentions that for the Japanese market they have to package every product by separately when other markets would be happy to receive their products packaged together in bulk. The packaging also has to look better than it has to in most countries according to Pecotich (Pecotich, interview, 24th April, 2020).

It's interesting to see how the two companies differ when it comes to entering the country. While AstraZeneca entered Japan in 1975, Mölnlycke Health Care did not enter the country fully until 2005. Both companies work together with Japanese companies and stresses the importance of establishing relations. Considering what has been said, the liability of foreignness appears to be a big factor on the Japanese market. By building up networks on the Japanese market can companies start to overcome this liability and become insiders (Johanson & Vahlne, 2009; 2017).

## 5.2 Expansion And Competition On The Japanese Market

Since Japan is the third largest healthcare market in the world it's a very attractive market for companies within those industries to enter. Pecotich mentions that if you're a big player in the industry, you are probably already in Japan (Peotich, interview, 24th April, 2020). According to Teiffel the threat from rivals will look different from them depending on which type of products you're selling (Teiffel, interview, 20th April 2020). The network that the company has will also help with expanding with regards to findings opportunities. According to the 2017 Uppsala model, networks will increase the knowledgebase of the company (Johanson & Vahlne, 2017). It can be important for companies to find niche markets within the healthcare business to gain revenue from. Teiffel mentions this as especially important for smaller companies who can't afford the resources to compete with bigger companies (Teiffel, interview, 20th April, 2020).

As written before there's many things protecting the existing competition such as their relations with key opinion leaders and high barriers of entry. Pecotich, Teiffel and Noda all mention the importance of relationships within Japan with their respective interests (Teiffel, interview, 20th April 2020; Peotich, interview, 24th April, 2020; Noda, interview, 23rd April, 2020). Pecotich also mentions the importance of historical relations, something he says is especially important compared to many other countries. This means that companies that have existed longer on the Japanese market and have taken care of their relationships with their network will have an easier time competing since they have a stronger backing from the important interests. The power that these existing relationships bring hinders new companies from competing as efficiently according to Porter (2008). With Japan having an

aging population, the market for healthcare in the country is growing. Teiffel mentions this as a problem for the Japanese government with how the medicine needed to sustain the aging population will be funded, but also sees it as growing market for pharmaceuticals in the country (Teiffel, interview, 20th April, 2020). This aging population together with the new trade deal between the European Union and Japan will most likely lead to further lowered barriers for new and existing companies in the future.

If the type of product ones company is selling is a substitute of an already established brand it can have a hard time selling. Because the Japanese people expect high quality of the products which they sell, substitute products will have a hard time being sold if the quality is not met (Pecotich, interview, 24th april, 2020). Pecotich mentions that a more expensive Japanese made facemask will have an easier time being sold than a cheap knock-off foreign made product which fill the same purpose (Kåreby, interview, 24th april 2020). What companies can do to lessen the risk of substitutes is to build up their brand as a producer and/or seller of quality products. In the case of companies like AstraZeneca and Mölnlycke Health Care, this can be done by establishing relations with key opinion leaders in Japan and having them endorse the company's products. By continuing to build up their brand, the company can hinder their products from being substituted. According to Pecotich and Kåreby, products from Swedish companies will be more attractive on the Japanese market since they have the impression that Swedish products have more quality than most other (Kåreby & Pecotich, interview, 24th April, 2020). Companies that wants to substitute the another company's products will have to spend resources to build up the relations needed and for the quality of the products. But for AstraZeneca who works with what they call premium medicines, this will not be as big of a problem. According to Noda, all of the products that AstraZeneca sells on the Japan market have patents that protect them from other companies selling their products (Noda, interview, 23rd april, 2020). They sell all their patents before they expire so they don't see any threats from substitutes in that matter. This allows AstraZeneca to avoid threats from substitutes (Porter, 2008).

When it comes to the bargaining power of the suppliers there is more of a flat relationship between companies on the pharmaceutical market according to Noda (Noda, interview, 23rd April, 2020). This is because the government sets the prices on medicine. This differs from many of the other industries in Japan which often can be seen as very hierarchical compared to most industrialized nations when it comes to supplier relationships.

By having prices being set by the government there's not a lot of room for companies to affect the prices of the products and this also seems to be the case with the suppliers. Since there's no room for price negotiations, the threat from supplier and buyers will become less prevalent (Porter, 2008). Teiffel mentions that the more innovative your product is the more dividends you will get (Teiffel, interview, 20th april, 2020).

According to Pecotich, new medical technology companies are not allowed to sell their products directly to the hospitals that will later use them (Pecotich, interview, 24th April, 2020) . Instead they have to go through intermediaries. This restrictive policy hinders companies from fully being able to compete as well as enter the Japanese healthcare market (Porter, 2008). Neither Teiffel nor Noda mention this as a problem for AstraZeneca (Pecotich, interview, 24th April, 2020; Noda, interview, 23rd April, 2020). Noda mentions the same thing here as with the bargaining power of the suppliers, that since it's the Japanese government that puts the prices there is no room for bargaining of the prices between the companies.

What can be seen with the expansion with Mölnlycke Health Care in Japan is that they went from only exporting their goods to Japan through distributors to setting up sales offices in the country. Pecotich mentions that they saw an opportunity when the world started banning powdered gloves (Pecotich, interview, 24th April, 2020). Both the 1977 Uppsala model and the 2017 Uppsala model looks at opportunities as a reason for expansion and entering a country (Johanson & Vahlne, 1977; 2017). AstraZeneca seems to focus mostly on developing new pharmaceuticals and selling them during their patents (Noda, interview, 23rd April, 2020). Seeing as AstraZeneca today is the fifth largest pharmaceutical companies in Japan and Mölnlycke Health Care continues to expand on the Japanese market, it is possible for foreign healthcare companies to overcome the liability of foreignness and establish themselves on the Japanese healthcare market.

## 6. Conclusion

What this paper aimed to achieve was to see how Swedish healthcare companies were entering, competing and expanding on to the Japanese market. What could be found was there were many factors that changed the way companies would act to enter the market and to later compete and expand on it.

### 6.1. The Importance Of Networks When Entering The Japanese Healthcare Market

What was really prevalent during the entirety of this paper was the need for networks on the Japanese market. While the importance has been with working with Japanese companies before, it's now shifted more towards working close with experts such as doctors on the Japanese market. Since Japan's market can generally be slow moving, the importance of getting one's product approved by the key opinion leaders is almost a must if the company wants their product's sales to be widespread. Building relations with these opinion leaders should be one of the top priorities when trying to enter the Japanese market since it will ensure the buyers of the products quality. But the findings also points that there are still reasons for working together with Japanese companies. This can be seen with the both of the studied companies who are cooperating with Japanese based companies. Working together with Japanese companies will not only lower the risk that comes with entering a country and increase the company's knowledgebase, it will also make the company look better in the eyes of the Japanese population. By starting with collaborations in Japan can the company expand its influence even before entering the country and therefore further increase the chance of success.

### 6.2 The Threats When Entering The Japanese Market

The networks the company possesses will also affect the threats the company faces when entering the Japanese market. For companies wanting to enter the Japanese market the

main threats to be considered are the strict regulations on the healthcare market in Japan as well as the already established competition. The strict regulations creates a new cost for companies, regardless if their product succeeds on the market or if it is a failure, since they have to pass the tests set by the government before being able to sell their products. By having contacts on the Japanese market before entering the company can be more prepared to face these regulations as well as overcome the liability of foreignness. For the company to create the networks needed to enter the Japanese market it will have to spend resources on building up connections. Since Japan is an already mature market, there are not many free market shares left for companies to take. This makes it tough for new companies entering the market, especially if they don't have the resources to spend on building the required networks or overcome the barriers which exist on the Japanese healthcare market. The company also has to prove its products quality. But seeing as steps have been taken by both political entities to further lower the barriers for foreign companies For Swedish companies this will be easier since there seems to be an impression among the Japanese people that Swedish companies have good quality on their products.

### 6.3 Expanding And Competing On The Japanese Market

Once the company is established on the Japanese market it can start to look on its opportunities to expand. The expansion will depend on the opportunities that the company can find. With being on the Japanese market the company will gain knowledge. Not just from interacting with its buyers but also from the experts within the market. The knowledge gained from experience and one's relations on the market makes it easier for companies to spot the opportunities that exist. What also can be seen is the Japanese appreciating Japanese companies more than foreign ones. So by closely working together with Japanese companies can the foreign company be seen more favourably by the Japanese people and the company might overcome the liability of foreignness.

### 6.4 The Threats For Established Companies

When a company is well established in Japan it will have a lot of protection from outside threats. The same barriers that was a problem for the company when entering the

market will now protect it from new competitors. The new trade deal that aimed to make it easier for European healthcare companies to trade in Japan does not seem to have changed either companies operations in Japan. Since the price is set by the government, the companies also don't have to worry about price wars with their buyers or suppliers. By keeping their relations with their networks in good shape and keeping on building on them the company will be able to secure their position on the Japanese market.

## 6.5 Suggestion For Future Research

Since this paper was limited to only Swedish companies, future research about this topic should also compare other foreign companies and compare them to Swedish ones to see if there's any difference. There is also more research to be made regarding the

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## 8. Appendix

### 8.1 Interview questions, Anna Teiffel - AstraZeneca

**How long have you been working at AstraZeneca, and what does your role in the company consist of?**

I have worked for 25 years at AstraZeneca, right now I am the global marketing director, workforce global strategy and positioning for AstraZeneca pharmaceuticals. I am also working with the market companies, we have marketing companies in every country where they work together for launch and commercialization. In the past, I've has been a salesman, product manager, and disease area strategy team member. I've became marketing director in Japan for oncology portfolio. When I have been working globally from Sweden, working in Japan has been to ensure that our programs meet their regulatory needs. Different authorities, different countries have different requirements for their medicines when doing studies and then when commercializing, I make sure that our global brand strategy meets the needs of doctors in Japan. So then I need to understand how they treat a certain disease in Japan because they treat different diseases in different ways in the world. I've also worked in Japan for 4 years and when I did I was responsible for the oncology portfolio and commercializing it on site in Japan.

**How long have AstraZeneca been on the Japanese market?**

AstraZeneca has been in the Japanese market for about 40 years, not newly established there. The business was established and gradually structured. Japan, China and the USA are our larger markets, so we have established production site there, so we manufacture most of our products in Japan as well.

**How is your relationship with Japan?**

We are working very close with Japan and there are still unique rules in Japan, so you have to follow them all the time due to ethnic differences that you either believe or don't believe in. We still have to do studies on Japanese patients just like we need on Chinese patients and have a certain number of Japanese in our studies to get it approved. Unlike Sweden, it is necessary to have Japanese patients in your studies. In Sweden we do not need to have Swedish patients in global studies, we get it approved by European authorities and then it can be Englishmen for example in the study.

### **How do you work with medicine in Japan?**

We work by launching our medicines in Japan, making sure that we launch good medicines there. Increased use of medicine will increase our number of employees on site. It depends on our portfolio that we make an effort there.

We look at different parameters of a drug and then the Japanese market and their authorities very much care about the safety and side effect profile, almost more important than the effect parameter unlike other parameters. Japanese are also strict to get the lowest possible dose. USA for example is very much about the effect you get from the drugs rather than the side effect profile so then we can see higher doses in the US versus Japan where we often need to produce a lower dose as well. Japanese patient are in general smaller than Americans, which also makes a difference.

### **What do you think about the Japanese market in general?**

The benefits is that it's a large market because there are many patients in Japan due to the aging population. There are clear pricing rules and still a country where you can get a good price for the innovation you come up with. The more innovative drugs the better dividends you can get in shape of good price. Unlike the European market where it is even tougher, where you have to show even more cost-effectiveness for your innovation.

The disadvantages is that it's a fairly fragmented healthcare, in Sweden we have a lot of cooperation between the hospitals, electronic patient records, shonals. You can't do that in Japan. Many hospitals are independent within their own small private boxes.

Generally, Japan has a very aging population, which is a big issue for the authorities, how will they manage to pay for medicines for an aging population that is demanding more and more, otherwise it is a growing market. We have the aging population at AstraZeneca included in the calculations, long-term we have a good grasp of what the Japanese market will look like, we have long-term plans against all countries we are operating in.

You can say compared to Asia, Japan is an established market, in China it is still a development market, the rest of Asia is an developing market with low income and low social status among the population, Japan stands out as an established market against the rest of Asia with high standard of living. It is important to separate Japan with the rest of Asia in health care.

### **What is important to consider with the private hospitals?**

That you have a good relationships with the experts in the field is very important, must have it far in advance to meet their needs and make the studies required to suit their market.

It is very important to have contacts so that you can have discussions with doctors in different hospitals. Some are private boxes, but their pricing is just like in Sweden that we have approval and once you get a hospital insurance that is general, everyone has access to medicines, poor or rich, it is the same in Japan. Unlike the US where you have insurance where you have to work for a company and you have to pay health insurance privately, Japan has a more general health care system unlike the US.

### **What does your relationship with the Japanese government look like?**

We maintain a general contact with the government. No major changes from other countries. Japan in general is a very change-prone country but you have very continuous contact with the pricing authorities, follow any developments and try to influence the development of pricing of drugs. We are quite ahead in Sweden, where real world evidence is concerned. Which means that you have data on the population, how we consume drugs. We try to help with the development in terms of pricing and how to calculate cost-effectiveness.

In Sweden, we do not have many drug consultants anymore, instead there are many more meetings at individual hospitals that apply in Sweden. Unlike Japan where they still have quite a lot of drug consultants and seller, and then communicate online and via congresses in exactly the same way. They have very long-term relationships, which are probably related to culture.

### **How do the cultural differences in Japan differ in work from other parts of the world?**

They are Buddhists mostly but you have cultural differences, all countries have their marketing rules and in Japan you especially can't talk badly about a competitor, in their advertising, you don't claim that someone's drugs have a lot of side effects, it is a bit unique with Japanese people.

### **What does the threats from rivals look like in your market?**

Depending on which area, if it is kidney, heart, oncology then it is different how forward competitors have come and often it can be quite good if it is an area with not so much development. Which means there are a few more people trying to improve for patients in the same area instead of being alone about it when communicating and making improvements to care. Other than this, nothing special against other countries pharmaceutical markets.

### **General about local and global pharmaceutical companies in Japan?**

There are all the usual, there are a few more of the local companies, like Otsuka and Takeda. You get the feeling that the Japanese doctors and the government are very positive for the local companies. When Astra was a Swedish company, people in Sweden liked them and were a little skeptical of foreign multinational companies, they did not feel that close. You can find all the big multinational companies in Japan like Pfizer and Novartis. All the big ones are in Japan, and they have a big amount of share.

### **Threats to the pharmaceutical industry?**

The biggest threat is changes in the pricing system from the pricing authority. If there is no benefit for innovation, it will be a big threat to all the companies operating in the pharmaceutical industry.



### **How difficult is it to enter the Japanese drug market?**

You need to have contacts and an local connection in the Japanese market and if you have it, it is no more difficult than against other countries. Furthermore, there are not much immigration in Japan, quite isolated from the outside world for immigration, which means not much influence. With the local connection, there is no problem with restrictions and rules for establishing themselves.

## **8.2 Interview questions, Seigo Noda - AstraZeneca.**

### **How long have you been working at AstraZeneca and what does your role in the company consist of?**

Been working for AstraZeneca for 7 years as the leader of the marketing team in Japan. Right now, there are plenty of work because we're launching a new product in a month.

### **What do you think is important for a new company to when they want to establish themselves on the Japanese market?**

Former Astra started by collaboration with a Japanese chemical company and then built up their "Footprint" on the Japanese market. Most foreign pharmaceutical companies collaborated with a chemical company to enter the Japanese market.

### **What do threats do you think exist only on the Japanese market for pharmaceutical companies?**

Nothing special for Japan but the rules and guidelines are different from country to country. Companies should understand the host markets rules. Relations around their medicines.

### **How much power do you think the suppliers have in the Japanese pharmaceutical market?**

Because of the price regulations made by the government and the companies can't set their prices for themselves the suppliers power is weak compared to other countries pharmaceutical industries.

**Is the relationship with suppliers hierarchical?**

While that might be the case in many of the Japanese industries but not for the pharmaceutical industries. Since the pharmaceutical companies are suppliers themselves to wholesalers and pharmacies. The relationship between the suppliers is more flat. In the trade industry in Japan there it's often more hierarchy.

**How does the process of producing the medicine look like?**

It depends on what type of brand of medicine within AstraZeneca you're looking at. The medicine that Seigo is working with lately is packaged in Texas, USA, and shipped to Japan. There's a factory in Japan but it's mainly for packaging so not much of its raw material is handled in the Japanese factory. Other brands are manufactured in Sweden and then exported to Japan.

**When a patent expires, how does that affect the company? Is there an advantage for the company that first supplied it?**

For pharmaceutical companies, patents are the key to success. The government grants patents for 8 years. AstraZeneca are focused on their branded medicine and not the generic medicine. Some companies handle branded and generic medicine. There's a Japanese business of selling the patents right before it's expired. AstraZeneca had a medicine which they had a patent for. Three months before the patent was to expire they handed it over to a Japanese pharmaceutical company. Then subsidiaries of that company started selling that medicine. There is importance for companies selling the more generic medicine to get an early market share of that medicine.

**Is there also a threat of substitute products?**

In Japan, the government is trying to make people buy more of the generic medicine. This makes it so that the market share of the branded medicine is going down from 100% to 70%. AstraZeneca still continues to sell their branded medicine but the threat of the generic medicine is still there.

**How do you experience the Japanese market?**

Seigo has been working in the financial industry for 12 years. The pharmaceutical industry is very different in how you do business. Some are very unique. You use very technical terms so you can do business.

**Do you have any example of how it is unique?**

The supply chain is very different. It's very flat for both buyers and suppliers since the government sets the price. Promotion is very important in the pharmaceutical industry.

**How does AstraZeneca plan to expand on the Japanese market?**

Seven years ago AstraZeneca's position was 12th or 13th on the Japanese market. Now it's at 5th place. They are improving their position through continuing to provide good medicine. This is because of a rich pipeline. AstraZeneca has a good pipeline and can grow. This business cycle brings in revenue for the company.

**Do you think it's more difficult for a foreign company to expand on the Japanese market?**

Size of the company is important on the Japanese market, global companies. They have money to invest in to their pipeline. Japanese pharmaceutical companies are a bit smaller and are struggling more. There was an acquisition by the Japanese company Takeda that also inherited the debts of the company. The Japanese companies are struggling more since they don't have resources to invest in new pipelines.

**So it's more important to be big and not as much focus on it being foreign?**

Yes, you have to find the seeds of a new pipeline and it's easier for larger companies to find it and invest in it.

**Are there any other interresents than Japanese companies that are important when entering the Japanese market?**

Before it was more important to collaborate with Japanese businesses to enter the market. Today it's more important to find Japanese experts that helps with good people, good talent. Then to find a Japanese person to put in charge of the Japanese business.

The Japanese healthcare system is quite different from Sweden's. How is it made up? Japanese healthcare system still in its traditional positioning. There are big university hospitals, around 80-90, across Japan. Big public hospitals. Then there are many clinics. The patients can choose which hospital to visit. Depending on the size of the hospital the patient might pay more. They pay around 30% of the total cost, including medicine. The rest is paid by the government.

**Are you forced to have an insurance? Is it paid by taxes?**

Yes and yes. Patients pay money to the hospital after a visit.

**The other medical companies, how is the relationship between the different companies? Are they competing a lot or is there a focus on collaboration?**

Basic mode is collaboration. AstraZeneca is collaborating with a Japanese pharmaceutical company and there is importance of getting the higher share of revenue. Changing between the medical representative resources and the digital resources. Reaching out to the important medical professionals.

Last year there was a new trade deal between the European Union and Japan and one of the changes were to make it easier to sell medicine that had not been tested in Japan. Do you think this has affected the profits of selling medicine in Japan?

Had not heard of this. Last 6-7 year he had not seen any change in AstraZeneca.

**With the growth of the internet. Has this affected AstraZeneca in any way?**

This is a future business model. The Japanese government prohibited sale over the internet. Maybe in the near future since the government is in talk of changing this.

**Since many hospitals are independent in Japan. Is there an effect from this on how much power the buyers have from this?**

There are a lot of hospitals in Japan so the Japanese government started shutting down a lot of them. Now that corona is rampant there is not enough beds though. Government is looking at public hospitals. The government director control the number of clinics. There's a big fight over this with doctors. Doctor society is a big party in politics. Government director is getting support from the doctor society.

**Is there any government institution that is good to have contact with?**

The government does not have that much power. The most power lies with university hospitals. Some influential

**What is important when marketing pharmaceutical products in Japan?**

The pharmaceutical people market their products differently. Seigo is keen on understanding the numbers and data to get information. Depending on the type of doctor they market themselves differently.

**8.3 Interview question - Jörgen Kåreby & Neil Peotich - Mölnlycke health care.**

**How long have you been working at Mölnlycke healthcare?**

Neil have been working for 4 years and Jörgen for 11 years.

**What do you do in the company and what does your work consist of?**

Agent specific supply chain director. Logistics, forecasting, customer service.

**Have you held a different position in the company before?**

Jörgen was in charge of the supply chain development. Later had the position that Neil has now. Was then promoted to vice president of global logistics. Australian guy took over that position. Also sat with supply chain development.

**How long have you been in the Japanese market?**

Started in 2005 when they set up a legal entity where they hired people in Japan. Before that they went through distributors in Japan to sell their products.

**Did it all start in 2005?**

Yes, before they did not operate that much on the Japanese market. They had no Mölnlycke employees in Japan at the time before.

**How has Mölnlycke Health Cares expansion in Japan looked like?**

In 2005 they sold only some of Mölnlycke health care products in Japan. Only surgical drapes and gowns. Over the next years they launched WC in 2008. Now they sell most of their catalogue but not Hibbi (Antiseptic products). Total, one sixth of their catalog.

**What are you doing now to expand on the Japanese market?**

Pushing on selling surgical gloves. Powdered gloves have been banned in many countries. Appetizing marketing and sales force investments. Strategy to expand by welcare business. Putting on bandages after surgery. Really focused on gloves for the moment along with expanding our profitable advanced wound care business, especially post operative acute space.

**Which company and institutions do you think is important to work with in the Japanese market and why?**

PMDA authority and Japanese ministry of health. You can not, especially as a external medical device manufacturer, you can not speak or fill directly towards hospitals. You need to work through a network. You have to work on impressing opinion leaders like surgeons for example. Decision on what's being reimbursed.

**Which stakeholder do you see as important to get a good relationship with in Japan and how do you market yourself towards them? Is it different from Australia?**

Lengthy regulatory process. As soon as you get a CDC approval in Sweden it goes quite fast. There are a lot of stakeholders that are between you and an approved product. Because you can't talk directly to hospitals in financial and physical terms, it also goes slower because of this. Unlike Sweden which is part of EU so a CE mark gets things going. Market access is much more complicated in Japan.

**What is important when marketing new products in Japan for the Japanese market?**

Timing is important. Because Japan is generally behind adoption rate of the rest of the world. Generally conservative approach to new medical technology. One of the last country to move away from powdered gloves.

**How do you experience the Japanese market in general?**

Slow moving and conservative. Not the first to adapt new products in the healthcare supply market.

**In what way did the company start selling in the Japanese market?**

Originally they sold surgical gear to distributors who then sold it on the Japanese market.

**Do you produce your products in Japan or do you ship them from another country to Japan?**

Mostly European and South-East Asia produced. One product in particular that they make locally which is face masks but it's made from a contract manufacturer.

**How come you choose to enter Japan?**

Until recently the second biggest medical device market in the world but now it's number three. An advanced market. It compliments their premium products. It is a really appealing market to enter. If you can get a foothold it's really lucrative. Japan is one of the better reimbursement markets. So many people are in the market, that is why market share is a big hurdle.

**Was Japan one of the first country you choose to enter?**

Not globally but fourth country to enter in Asia-Pacific.

**Did the company have any connection with Japan before entering?**

No, they wanted to get the market shares.

**How does it look for new companies to enter the Japanese market?**

Japan is a hard market to enter. Two reasons. It's costly to operate there and it's really slow in market penetration because of how conservative it is. Salary and rent is high. A lot of focus

on packaging. With the company Neil worked with before they had to package each device individually while other countries were happy with just getting a box of it. Above and beyond in how the packaging looks. Even after getting a product approved there would take a lot of time with marketing to the right persons before they would consider using your product. Furthermore an expensive market access, slow in terms of time. Very good margins in workers compensation (WC), but very expensive to do business in Japan generally.

### **Is there any threats from the rivals on the Japanese market?**

Because of it being such a large economy it has always been considered a market you want to get in to so everyone is already there. The competition is as big as it gets. If you're not in Japan you're probably not a big player. The rivalry is quite fierce. Personal relationships play a big role on the Japanese market. Taking out people to golf. Historical relations is really important compared to other markets.

### **What would be a competitive advantage on the Japanese market?**

Being a Japanese company and having Japanese suppliers. Favours local manufacturers, especially when it comes to premium and quality conscient products. They will always look down and shun Chinese substitute products. They are wary of knock off products. Not a multicultural country. Very traditional. Being Swedish is an advantage since Japan seems to like Swedish products. They look very fondly on Swedish made products.

### **Do medical technology providers have great power on the Japanese market? What does their power look like?**

Yes you can but you need to use proxies such as KOL's or known specialist doctors known in their field. That can influence high reimbursement. But you must use the clinical angle (i.e. no direct government approach).

### **Does Mölnlycke Healthcare have a good relationship with their suppliers?**

Could be better in Japan but is good in Korea. If there is anything lacking in the relation their good products will make it easier to build up these relations.

### **How much power does the buyers have?**



If they have a strong network with existing hospital relationships – a lot of power because new external med device players cannot approach hospitals directly.

**Do the buyers influence the market price?**

No, mostly the key opinion leaders.

**How does the threat of substitutes look like?**

Very hard barriers of entry unless you have the advantage of being Japanese based.

**If there's other companies in Japan making the same facemask?**

Because they use a Japanese manufacturer they have an advantage here. If you were a foreign company only selling chinese facemasks you would have problems selling it competing against the Japanese company.

**Is there anything in the Japanese market that medical technology companies have to adapt to?**

Japan should loosen up their market more and try to explore international providers more than before.

**How do you experience the Japanese medical technology market?**

The brand is not extremely well known. Their new product is well known though so it attracts a premium branding tag on it. On a price perspective it's good since it gets a premium price. It's a con if you're looking on it from a different angle. We get a high level of feedback from hospitals that they wouldn't get on other markets. Very quality conscious. Also aesthetics. Can be a con since it can be very expensive with packaging and quality checks. If something is doing good in Japan that's the benchmark of a product. What would be acceptable in other countries would not mean it would be accepted in Japan. having something only fail 1/100 in a test would mean it wouldn't get through in Japan.

**Japan made a new trade deal with the European Union. Does Mölnlycke Healthcare change their strategy because of this?**

No duty for a product imported from Japan.

