

WIPO Case Study No. 3¹

Executive Summary

The presented case study is about a Thai family business, Bertram Chemical (1982) Co. Ltd., manufacturer and distributor of homeopathic, non-prescription herbal products. Their core product Siang Pure Oil is based on a traditional recipe passed on over generations among practitioners of traditional Chinese medicine. Nowadays, the company is more and more faced with counterfeits from local and global competitors that endanger their home market position and future growth perspectives on international markets. The case poses a number of questions on traditional knowledge and IP management, international IP management and growth in SMEs.

¹ This case study was prepared by Professor James Conley, Clinical Professor of Technology Industry Management Kellogg School of Management for WIPO Worldwide Academy in 2008. WIPO expresses special thanks for Professor Conley for shaaring his expertise and contributing to the enhancement of trainign material for IP management courses.

Descriptive Part

Title: Bertram Chemical (1982) Co., Ltd.: Securing Company's Growth from Copycats' Attacks

Country: Thailand

Key Words: traditional Chinese medicine, counterfeiting, traditional knowledge, family business, herbal, plant, internationalization, homeopathic, oil, packaging, branding

Facts:

Introduction

On an early Friday evening in January 2008, the three sisters Supeeya Saenghirun, Titima Eiampikul, and Suwanna Akrapongpisak – the second generation of the Eiampikul family to run Bertram Chemical (1982) Co., Ltd.² – sat in their monthly business meeting. But besides usual agenda topics like sales figures or manufacturing capacity they faced a severe strategic challenge bearing no delay.

Bertram Chemical, a Thai manufacturer and distributor of homeopathic, non-prescription herbal products, has experienced an extraordinary success since the three sisters took over business management from their father. In the past 15 years, company's sales have been more than tripled to Bt 330³ million per year.⁴ Moreover, Siang Pure Oil – Bertram Chemical's key product – has become a trusted brand standing for quality with loyal customers, whereby Bertram Chemical has gained market leadership on the Thai market for herbal-oil products with a share of nearly 80%.⁵

The success of Siang Pure Oil in the Asian region has attracted many competitors attacking Bertram Chemical by low price strategy. More and more of those competitors used packaging similar to the well-known one of Siang Pure Oil, thereby infringing existing trade dress and/or trade mark⁶, causing consumer confusion and endangering the seal of quality. Hence, without conclusive strategic decisions, Bertram Chemical's future growth targets and market position were at risk.

Company background: From a traditional family business to an international company

The history of Bertram Chemical goes back to 1963, when Boonchua Eiampikul – the father of Supeeya Saenghirun, Titima Eiampikul, and Suwanna Akrapongpisak – set up his first company

² Hereafter, Bertram Chemical (1982) Co., Ltd. shall be referred to as Bertram Chemical. The information used in this case are either provided by Bertram Chemical or by public sources as stated in the case.

³ Bt is the official abbreviation for baht, the Thai currency.

⁴ N. N., „Bertram targets 20% growth“, The Nation – Bangkok's Independent Newspaper, January 31, 2008.

⁵ S. Srimalee, „Siang Pure Oil – Bertram to boost production“, The Nation – Bangkok's Independent Newspaper, June 6, 2006.

⁶ Bertram Chemical registered a service mark in Thailand (Reg. No: Kor222222 – see figure 1) in 2004. In 2008, Bertram Chemical handed in a trade mark application for the use of the name 'SIANG PURE' for herbal products at the United States Trademark and Patent Office (US Serial No: 77501200).

Chakrintr Limited Partnership with a registered capital of Bt 1 million at the Pak Klong Talad area, Bangkok's main wholesale market.⁷

As a young boy, Boonchua Eiampikul immigrated to the Kingdom of Thailand with his parents in 1936 from the town Shantou in south-east China, which had been destroyed by a series of natural disaster. Being a young man in the late 1950s, Boonchua started his business career as trader for agricultural products, particularly garlic and red onions. But soon he got to know how risky this business was due to the products' seasonal nature and price fluctuations and he began to seek for new business opportunities. During that time he met with Tang Leng Yong, a practitioner in traditional Chinese medicine who immigrated to Thailand at the same time and since then had become a close friend of Boonchua Eiampikul's parents. Being fascinated by Boonchua's entrepreneurial drive and passion, Tang Leng Yong decided to pass on some of his fundamental knowledge of traditional Chinese medicine to Boonchua – including his unique formula for a special kind of herbal-oil. A new business idea based on traditional knowledge was born.⁸

Shortly after that meeting, Boonchua Eiampikul started producing a medical herbal-oil called Siang Pure Oil which he sold in small quantities within the Chinese community of Bangkok to test its marketability. As demand among the Chinese immigrants grew and grew, he established Chakrintr Ltd. Partnership in 1963 to expand production. This family business was run by only two persons: Boonchua as CEO and one salesperson selling Siang Pure Oil throughout the Thai kingdom. In 1970, when Siang Pure Oil has been recognized as quality herbal-oil in whole Thailand and neighboring countries, the company was renamed to Bertram Chemical works Ltd. Partnership and moved to a two-acre site the Ladproa area in Wang Thon Lang, a central Bangkok district. The company's name was finally changed to Bertram Chemical (1982) Co., Ltd. in 1982, the year when Boonchua's daughters stepped in to help running the business.

After 45 years of operation, Bertram Chemical has grown from a small one product company to a medium-sized enterprise with three product lines produced in factories in Thailand and China equipped with high-quality machinery. Nowadays, the company employs more than 140 workers, keeps an own R&D bureau and realizes more than 50% of its 2007 sales of Bt 330 million from export. Company's management is still in the hand of Boonchua's family. Supeeya Saenghirun, the eldest daughter who graduated in pharmaceuticals, oversees production, Titima Eiampikul – graduated in accountancy – is in charge of finance and personnel, and Suwanna Akrapongpisak who graduated in marketing is the company's marketing director.

⁷ S. Srimalee, „Herbal oil maker to invest Bt200m in China”, The Nation – Bangkok's Independent Newspaper, February 24, 2000.

⁸ For more details on Bertram Chemical's history see Bertram Chemical (1982) Co., Ltd., “Corporate History and Business Profile”, <http://www.bertram1982.com/PROFILE/profile.html> (accessed October 2008).

Traditional Chinese Medicine: Worldwide Growing Market

From a medical perspective, Bertram Chemical's products have its seeds in the Chinese herbal medicine, which is one practice within the traditional Chinese medicine that also includes acupuncture, moxibustion, massage, breathing exercises, and dietary therapy. As an integral part of the Chinese culture, the traditional Chinese medicine has served the health needs of the Chinese population for almost 3000 years. Because of emigration, it is today practiced throughout much of the world, especially in South-East Asia. In contrast to conventional medicine⁹, diagnosis and treatment in traditional medicine – often referred to as complementary and alternative medicine – are based on a holistic view of the patient's symptoms; surgeries are rarely used.¹⁰

During the past decades, complementary and alternative medicine and herbal medicine in particular have gained global health system and economic importance in both developing and industrialized countries resulting in an enormous market growth. In developing countries, the broad use of complementary and alternative medicine is due to historical circumstances and cultural beliefs and/or is attributable to poverty and lack of access to Western medicine, e.g. 90% of the population of Ethiopia uses traditional, herbal based medicine for primary health care (see figure 2a for further examples).¹¹ But in the meanwhile, the use of complementary and alternative medicine has become more and more popular in industrialized countries (see figure 2b for examples), mainly by reason of growing consumer preferences for natural therapies, an increasing tendency towards self-medication, high costs of synthetic medicines, undesirable side effects when using Western medicines and the ongoing integration of traditional medicine in Western health care systems.¹²

Economically, herbal medicine has thence evolved to a multi-billion dollar market with double-digit growth especially in Western countries over the past ten years. In 2003, the world market for (Chinese) herbal medicine reached US\$ 60 billion.¹³ Although most users of herbal medicines are located in Asia and Africa, the market's centre in terms of sales and revenue figures lies in Western countries due to significantly higher product sale prices. Future market growth will most notably be seen in Western countries where conventional medicine is the prevalent basis for medical diagnosis and treatment, e.g. the US, Canada or EU-countries. For 2010, market size is expected to boost to US\$ 400 billion level.¹⁴ Furthermore, the World Health Organization has estimated the global market

⁹ Conventional medicine here refers to the broad category of medical practices which are also called Western medicine, biomedicine, scientific medicine, or modern medicine.

¹⁰ World Health Organization (WHO), „Legal Status of Traditional Medicine and Complementary/Alternative Medicine: A Worldwide Review, Geneva 2001.

¹¹ World Health Organization (WHO), “WHO Traditional Medicine Strategy 2002-2005”, Geneva 2002.

¹² J.B. Calixto, „Efficacy, safety, quality control, marketing and regulatory guidelines for herbal medicines (phytotherapeutic agents)”, in: Brazilian Journal of Medical and Biological Research, Vol. 33, 2000, 179-189.

¹³ World Health Organization (WHO), „Traditional Medicine”,

<http://www.who.int/mediacentre/factsheets/fs134/en/> (accessed November 2008).

¹⁴ Z.-G. Wang and J. Ren: „Current status and future direction of Chinese herbal medicine“ in: TRENDS in Pharmacological Sciences, Vol. 23, 2002, 347-348.

for herbal products will worth US\$ 5 trillion by the year 2050. The market structure is highly fragmented with a lot of small sized enterprises manufacturing their products only for local markets.¹⁵ But market growth and expected market size have latterly attracted most of the worldwide operating pharmaceutical companies, such as GlaxoSmithKline, Novartis or Merck, which either acquired local operating companies in Asia or invented their own alternative medicine products for the world market.

Siang Pure Oil – Bertram Chemical’s key product

Bertram Chemical started in 1963 its operations with a single product called Siang Pure Oil. Siang Pure Oil is a herbal oil whose mixture is based upon a secret traditional formula passed on over generations among practitioners of traditional Chinese medicine in the Shantou region. The oil is produced purely from herbs, without any chemicals. The main ingredients of the oil are menthol, peppermint oil, clove, camphor, and cinnamon, which gives the product its typical brown-yellowish color. Till 2002, Siang Pure Oil and its derivative Siang Pure Balm have been the only products of Bertram Chemical. They have always been sold in that traditional red packaging with a picture of Boonchua’s father on it (see figure 3).

Being alarmed by the result of a customer survey which disclosed that Siang Pure Oil is perceived as frumpish product mostly appealed by the elderly population stratum in Thailand and Asia due to its longtime presence in the market, Bertram Chemical’s management team sought ways to rejuvenate the brand. For this purpose, the traditional mixture was reformulated but still using the same recipe and ingredients. The new product called ‘Siang Pure Oil – Formula II’ is crystal clear, less viscous and contains less menthol for a discreet scent and not staining clothes. Again, it is also sold as balm. The packaging design is nearly the same as the one of Bertram Chemical’s traditional product – now labeled as ‘Formula I’ – aside from the package color being white¹⁶ (see figure 4).

In terms of medical benefits, Siang Pure Oil has properties similar to those of smelling salts and therefore it is predominantly used as inhalant to relieve fainting symptoms and dizzy spells. Additionally, it can also be used externally to relieve indigestion, cramps, bone and joint aches, bruises, muscle pains, and insect bites. Since Siang Pure Balm is produced with the same ingredients based on the same formula, it has exactly the same beneficial qualities like the oil, but due to its consistency it is mainly used by customers to ease muscular pains and bruises.

Most of the herbs needed for the production of their products, including peppermint, camphor, cloves, menthol, borneol and cinnamon have to be imported from China to ensure the effectualness of the original formula and simply to the fact, that they are frequently not cultivated in Thailand. The products are manufactured two factories: the first one is located in the Ladproa area in Bangkok’s city

¹⁵ J. Xiao, „Singapore as a Platform for Global Traditional Chinese Medicine Industry“, in: Asia Pacific Biotech News, Vol. 8, 2004, 1271-1273.

¹⁶ That is why the in-house names of the products are Siang Pure Oil (Red) and Siang Pure Oil (White).

centre which is the origin place of Bertram Chemical's success and the second being located in the town of Shantou in Guangdong area where the company's founder was born. In their factories, modern technology is employed for manufacturing and for quality control as well as R&D. The manufacturing processes comply with the GMP standards established by the World Health Organization for quality and safety of herbal medical products as approved by the FDA of the Thai Ministry of Public Health. The company also received the Halal seal of quality which certifies manufacturing processes, service and distribution being congruent with the Islamic codes.

Currently, Bertram Chemical has expanded its product portfolio significantly. Besides Siang Pure Oil and Balm (Red and White), they are now offering Siang Pure Inhaler, Peppermint Field Gel, Peppermint Field Balm Stick, and See Chuan Oil (see figure 5). However, Siang Pure Oil accounts for 95% of the company's sales or Bt 314 million, and the remainder of Bt 16 million from the other products.

Bertram Chemical's Marketing Strategy

In terms of marketing, Bertram Chemical's management was facing two major tasks. First, also the product and the positioning of Siang Pure Oil has become well-known in East Asia, Siang Pure Oil needed to be back up in its market leader position due to increasing competition and introduction of new products to the market. Second, Bertram Chemical has introduced a range of new products itself thereby penetrating new market segments. Those products, primarily Peppermint Field Balm Stick and Gel, need to raise brand awareness among the targeted customers. For these purposes, the company's marketing plan for 2008 earmarked a marketing budget worth Bt 60 million which equals a 100% budget increase compared to 2002.

To bolster the public image of Siang Pure Oil as long-time trusted quality product and brand, company management were heavily relying on above-the-line advertising in Thailand and other Asian countries, such as Vietnam, Cambodia, Malaysia and China. Prevalent advertising media have been TV commercials in selected TV programs, print advertising and advertising posters in selected out-of-home spaces highlighting the traditional background as well as the beneficial qualities of Siang Pure Oil (see figure 6). Advertising is targeted at both young and older consumers. In addition, Corporate Social Responsibility programs were implemented to enhance the public image and sustainable value of the product.

In the case of Peppermint Field, Bertram Chemical tried to use below-the-line advertising in form of road show activities. Since the product is targeted at A+ consumers, namely younger adults and business people aged between 18 and 35, road show activities included visiting office buildings and community centers. Those activities have been limited to Bangkok and other nearby provinces in Thailand. Product samples have also been used to allow consumers getting a better product familiarity.

Bertram Chemical's Export and Distribution Strategy

As a long-time market player for herbal medicine that has always targeted double-digit growth, Bertram Chemical early started distributing its products globally. By today, Siang Pure Oil is exported to countries Asia and Southeast Asia: China, Hong Kong, Vietnam, Laos, Cambodia, Korea, Singapore, Malaysia, Indonesia, and Brunei. In total, 60% of the company's herbal oil production is exported. Export and distribution respectively are hampered by worldwide unharmonized regulatory bylaws in terms of herbal medicine and export licensing. In some countries, herbal medicine can be sold in any outlet, but in some countries it has to be sold in pharmacies and need FDA approval. Therefore, Bertram Chemical organized distribution in export markets through local distribution channels, mainly sales agents who are familiar with their countries' regulations.

Currently, Western countries are not officially supplied with Siang Pure Oil. Nevertheless, the product is available on Western markets especially in the US, Canada, UK and Germany via internet shops, especially using the Ebay trading platform. Those Retailers are mostly located in Hong Kong, Singapore, China or Thailand. Prices are up to five times higher than proposed retail prices of Bertram Chemical. But in fact, unregistered medical products send from Asian countries to private consumers can cause problems with national custom controls in the US and likewise EU due to regulatory bylaws. Registered herbal products are usually sold as over-the-counter medicine in pharmacies, drugstores or supermarkets.

On its home market, company's management could build up a broad distribution network comprising of nearly 6000 pharmacies throughout the whole Thai kingdom. But recently, sales channels have been expanded from traditional trade via pharmacies to modern trade since Bertram Chemical started targeting new customer segments. Distribution is now facilitated through partnerships with 7-eleven and Amway direct-selling outlets operating nationwide and co-promotion with partners such as Fuji Japanese Restaurant, an aspiring restaurant chain.

The Thai Market for Herbal Oil (Facing International and Local Competition)

The market for herbal medicine in Thailand had a total value of Bt 1 billion (approx. US\$ 28.6 million¹⁷) in 2007 of which products were divided into balm, oil and others. Bertram Chemical's management is confident in the continuing growth of the market because of increased competition and introduction of new products.

On demand side, customers choose their products according to their preferred scent and they therefore show very high brand loyalty. Siang Pure Oil is recognized by Thai and other Asian customers as a high-quality product, which is additionally facilitated through the GMP seal conferred by

¹⁷ Calculated with an exchange rate of Bt 1 = US\$ 0.2858 (November 17th, 2008).

Thai FDA. Siang Pure Oil is the market leader in the oil category commanding 80 % market share as a result of customers' long-time trust in the product's quality.

The supply side of the herbal medicine market is highly fragmented with thousands of small and smallest local companies manufacturing herbal oils and balms. Those companies are usually family firms using traditional product recipes known within their families for decades. But market leader position of and the consumers' trust in Siang Pure Oil had an adverse effect: more and more competitors, partly coming from China, are using packaging similar to the red and white boxes of Bertram Chemical (see figures 7a, 7b and 8). Although bylaws on trade mark and trade dress exist in Thailand and other Asian countries, an active prosecution by public authorities is limited or not of interest.

The effects of trade dress and trade mark infringement are negative for Bertram Chemical in two ways. First, consumers might get confused and start buying the copycat's products which are oftentimes cheaper than the original Siang Pure products. Furthermore, products from copycats are typically of minor quality. Customers buying those lookalike Siang Pure products might be disappointed due to their quality expectation and turn to one of Bertram Chemical's competitors. In the end, both circumstances endanger the market leader position of Siang Pure Oil Thailand and the expansion strategy of Bertram Chemical in other markets.

Challenges

Preliminary note:

Before you start working on the case challenges, it is required to read the following publicly available information:

- Intellectual property and traditional knowledge:
http://www.wipo.int/export/sites/www/freepublications/en/tk/920/wipo_pub_920.pdf
- Trademarks and SME:
http://www.wipo.int/export/sites/www/freepublications/en/marks/900/wipo_pub_900.pdf
- IPR protection in Thailand:
<http://www.buyusa.gov/thailand/en/iprtoolkit.pdf>
http://www.ipthailand.org/ipthailand/images/Edittt/fta301_report02_nov2007feb2008.pdf

Analysis:

- (a) Compare picture 6 with pictures 7a and 7b. Are you confused by this?
- (b) What are the intellectual assets of Bertram Chemical?
- (c) Why are these assets an element of competitive advantage?
- (d) How can Bertram Chemical sustain their growth in the future?
- (e) How can Bertram Chemical's management stop the infringement of their trade mark/trade dress?

Appendix

TRANSLATION THAILAND

(GOVERNMENT EMBLEM)

T.M. 1 Registration No. Kor222222
Application No. 566378

CERTIFICATE OF SERVICE MARK REGISTRATION

Issued to
Bertram Chemical (1982) Co., Ltd.

To certify that this service mark has been registered for
1. Medicated oil 2. Medicated balm 3. Inhalers

In class I.C.5 new class under the trademarks Act B.E. 2534 (1991)
The registration is valid for 10 years from the registration date and may be renewed every ten years.



Registered on 22 day of September B.E. 2547 (2004)

TM.
SIANG PURE in Roman (Logo in color) Issued on 06 day of July B.E. 2548 (2005)

(Signature) MISS CHITRA SUWANNASRI
REGISTRAR

Registration and official documents Division
Intellectual Property Department

Note :

- (1) The renewal must be filed within 90 days before the expiry date. (Expiry date : 21-Sep-2014)
- (2) The renewal and changes of the above mentioned, see next page.

Certified true and correct translation


(Nathapong Tongkaew)
Attorney at Law
License No. 2815/2546

Figure 1: Certificate of Service Mark Registration¹⁸

¹⁸ Source: Bertram Chemical's trade mark application at USPTO (US Serial No: 77501200).

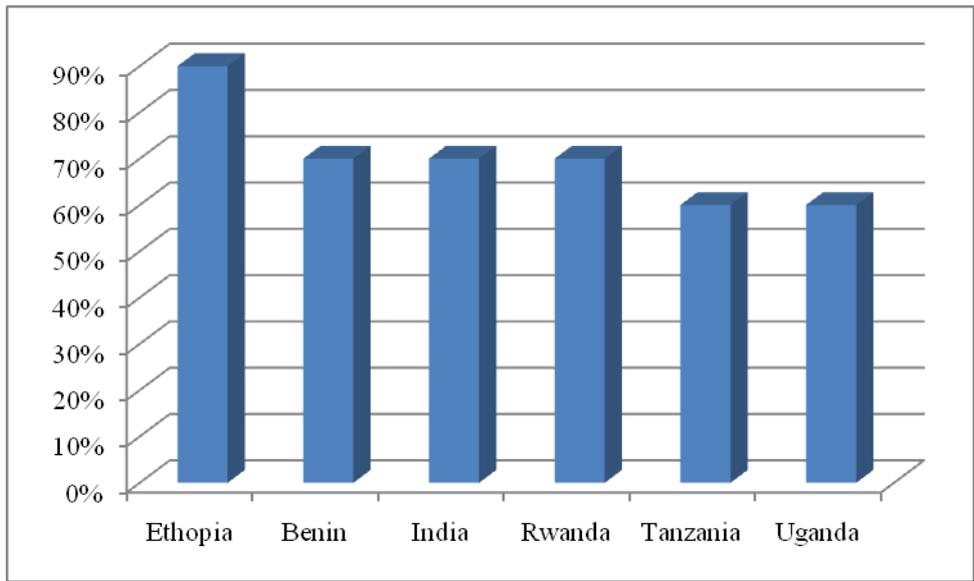


Figure 2a: Populations using complementary and alternative medicine for primary health care.¹⁹

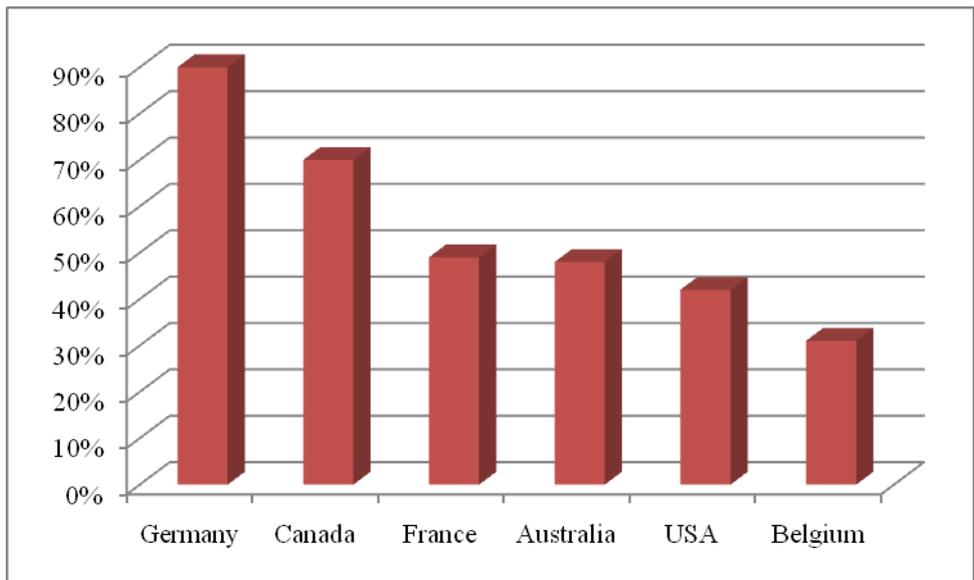


Figure 2b: Populations in industrialized countries having used complementary and alternative medicine at least once.²⁰

¹⁹ Datasource: World Health Organization (WHO), „ WHO Medicine Strategies – Countries at the Core 2004-2007, Geneva 2004.

²⁰ Datasource: World Health Organization (WHO), „ WHO Medicine Strategies – Countries at the Core 2004-2007, Geneva 2004.



Figure 3: Product design and packaging of Siang Pure Oil (Red) and Siang Pure Balm (Red).²¹



Figure 4: Product design and packaging of Siang Pure Oil (White) and Siang Pure Balm (White).²²

²¹ Copyright of photograph: Bertram Chemical (1982) Co., Ltd. 2008.

²² Copyright of photograph: Bertram Chemical (1982) Co., Ltd. 2008.

Bertram Chemical's Products				
Siang Pure		Peppermint Field		See Chuan
Siang Pure Oil	Siang Pure Balm	Peppermint Field Balm Stick	Peppermint Field Gel	See Chuan Oil
Siang Pure Oil (Red)	Siang Pure Balm (Red)	Original	Original	
Siang Pure Oil (White)	Siang Pure Balm (White)	Green Tea	Green Tea	
Size: 3 cc, 7cc and 25 cc	Size: 12 g and 40 g			Size: 3 cc, 7cc and 25 cc
				

Figure 5: Product lines of Bertram Chemical.²³

²³ Copyright of photographs: Bertram Chemical (1982) Co., Ltd. 2008.



Figure 6: Advertising poster for Siang Pure products.²⁴

²⁴ Copyright: Bertram Chemical (1982) Co., Ltd. 2008.



Figure 7a: Packaging of competitor infringing Bertram Chemical's trade dress.²⁵

²⁵ Provided by Bertram Chemical (1982) Co., Ltd. 2008.



Figure 7b: Packaging of competitor infringing Bertram Chemical's trade dress.²⁶

²⁶ Provided by Bertram Chemical (1982) Co., Ltd. 2008.



Figure 8: Packaging array of competing products in segment.²⁷

²⁷ Provided by Bertram Chemical (1982) Co., Ltd. 2008.