



นวมมวย™
NAMMAN MUAY

LEGACY BEYOND BORDERS



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This case was prepared by Supawat Likittanawong, Adjunct Professor of Business Administration, BBA International Program, Thammasat Business School, Thammasat University for Thammasat Undergraduate Business Challenge 2019. Copyright © 2019 by Thammasat Undergraduate Business Challenge, Thammasat University

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INTRODUCTION

Ms Aninthaya Soonsatham flips through the presentation for the upcoming Board of Directors (BOD) meeting to review results for the half-year 2019. It would be exactly a year since she first took up the CEO role at DVK. The overall performance of the company over the last twelve months has been more than impressive. By the end of 2019, the company is expected to grow its revenue by over 60% from last year. The latest second quarter of 2019 numbers by IMS¹ showed that DVK has raised the local market share of its core product, Namman Muay™ or Boxing Liniment Oil from rank 16 to top 4 in the topical analgesic² product category.

Despite the overall impressive performance, the contribution from international sales is one area that has yet to meet the aggressive growth target. The main issues surrounding the international market are on several fronts. The first is finding the appropriate operating model with the current distributors, the second is new market expansions and last is branding of the export products. Ms. Aninthaya has scheduled a meeting with Mr. Worawat Leelakunakorn, Head of Sales and Marketing and Mr. Krittatee Ngarmusawan, the International Sales Manager, to discuss the various available options and what would be the best course of action she should propose at the upcoming board meeting.

A LEGACY WAS BORN

In 1937 Major Sit Yotharak (Thongmuan Intharathat) a graduate of Siriraj Hospital, Thailand's first medical school, started a small pharmaceutical business. Over the next ten years, business flourished and eventually in 1946, Major Sit opened a clinic and formulated various kinds of drugs and household remedies. The first drug that was commercially launched was "Pra-sa-bor-rad", an aspirin based drug in powder form for fever and pain relief. This drug became quite popular as it was sweetened by Lactose and Saccharin sodium that made it easy to drink after dissolved in water (due to regulatory requirement, this product was later renamed as "Pra-sa-bor-rad"). Apart from "Pra-sa-bor-rad", the company also co-produced "Ga-Man" a sore throat lozenges and "Solex toothpaste" with Jumpathong Co., Ltd. As the drugs became more popular, Major Sit then decided to set up a limited company located nearby Dhevakam Rangrak Bridge on Nang Loeng Rd. in Bangkok, Thailand. The corporate brand "Devakam Apothecary Hall" was hence established with its name connected with its place of origin.

¹ IMS stands for Intercontinental Medical Statistics, it is a company that provides information, services and technology for the healthcare industry and is the largest vendor of physician prescribing data.

² Topical analgesic drug is used to treat minor aches and pains of the muscles/joints (e.g., arthritis, backache, sprains). Most common are Menthol and methyl salicylate, as they are known as counterirritants and Non-Steroidal Anti-Inflammatory (NSAIDs).



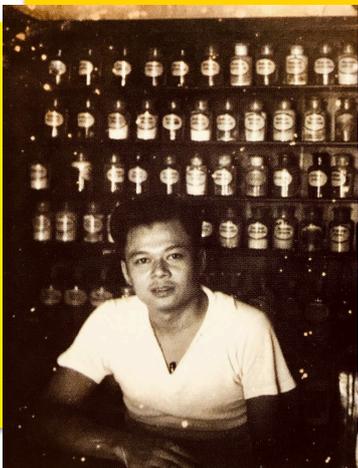
*"Pra-Sa-Bor-Rad",
an aspirin drug for
fever and pain
relieve*



*Major Sit Yotharak
(Thongmuan Intharathat).
Founder of Devakam
Apothecary Hall.*

Later in 1957, Mr. Thongtos Intharathat, son of Major Sit, joined his father to run the family business. Mr. Thongtos was a businessman who was passionate about boxing. He set up his boxing gym called "Kingpetch" located on Petchburi road in Bangkok aimed at producing Thai boxers for both Muay Thai (Thai boxing) and western-style boxing. At that time, there were 3 main boxers at the gym, one of them was Mr. Mana Seedokbuab who was born in Hua Hin, Thailand. Mr. Mana was later given a ring name as "Pone Kingpetch". The name originated from Mr. Thongthos brother's name, Major Pone Intharathat, who passed away in 1949. Mr. Pone Kingpetch would later become a world famous boxer.

Back in those days, boxers would massage their muscles with stoke oil before training or a fight. Stoke oil has properties that help relieve muscle strains and stiffness. However, stoke oil was oily, pungent, and can cause eye irritation. Mr. Thongtos wanted to find a better alternative for his boxers and asked a pharmacist at the company to formulate an original composition that was a white opaque water-in-oil emulsion; the first version of Namman Muay™ liniment oil was hence born. The product quickly became popular with boxers and eventually became the main product that was used by gym boxers. Namman Muay™ not only helps relieve muscle strains and stiffness after the fights in place of stroke oil, but also helps boxers to warm up faster before boxing matches.



*Mr. Thongtos
Intharathat at
Devakam
Apothecary Hall.*



*Pone Kingpetch
Thailand's first world
boxing champion
(Flyweight Division:
112 lbs.)*



The late HM King Bhumibol Adulyadej (King Rama IX) and HM Queen Sirikit handed the champion trophy to Pone Kingpetch

On 16th April 1960, Mr. Thongtos, as Pone Kingpetch's manager, led the boxer to defeat Pascual Pérez, an Argentine boxer, for the world flyweight championship. The late HM King Bhumibol Adulyadej (King Rama IX) was also in attendance to watch and witnessed the match at Lumpini Boxing Stadium in Bangkok. Although Pone Kingpetch won by split decision, it was a historical match for Thailand. Pone Kingpetch became a legend in boxing overnight. Pone Kingpetch had become Thailand's first world boxing champion (Flyweight Division: 112 lbs.) with the support from his manager Mr. Thongtos and his trainer Mr. Niyom Thongchid, who were both behind his success. Since that victory day, April 16 was made "Thai Athlete's Day".

Apart from producing world-prized champion at Kingpetch gym, Namman Muay™ liniment oil by Devakam Apothecary Hall has become a well-known product among boxing gym owners. Most of them bought and made sure that their Muay Thai and Western boxers applied Namman Muay™ liniment oil, hoping that one of their fighters would become a world champion like Pone Kingpetch. As more and more boxers heard about Namman Muay™, demand grew. The company then developed the formulation of Namman Muay™ to be more user-friendly and recognizable by changing the color from white opaque to yellow with an added unique scent. This scent is often cited by athletes to have a "motivational" effect and has been a recognizable trademark of the product since then. In 1962, the company was registered as a manufacturer and distributor of this unique product under the trade name "Namman Muay™".

Since then Namman Muay™ has become a household name that is synonymous with muscle pain prevention and healing. It is so popular that the name Namman Muay™ became a category name for topical analgesic in Thailand. Over the years, Namman Muay™ has broaden its user base and is now widely-used not only among boxers but also by other athletes such as runners and football players as well as in the wellness and spas industry. Namman Muay™ is also well received by the general public and its application has gone beyond sports and is now a regular household remedy for muscle pain. In recent years, Namman Muay™ has ventured abroad though on a limited scale through appointed distributors with key growth markets in Asia and Europe.

Namman Muay™ comes in three different formats with the liniment oil being the only format of the product up until the late 1980s when the cream format was introduced and later followed by the spray format. The liniment oil format being the dominant format for the Thai market and the cream format is the main export format. Spray is still a relatively small portion of the overall sales due to limited market awareness.



Three key product formats, from left to right, cream, spray and liniment oil.

NEW ERA OF A LEGACY

Devakam Apothecary Hall remained a family business up until May 2018. Over the past 60 years, the company has grown through the capable hands of the family management team. However, growth began to plateau in late 2000 and became more a cash-cow type business for the family. At the same time, family members began to have varied interests outside the core business. Lakeshore Capital³, a private equity fund, saw strong potential in the product and through discussions with the family was able to invest and became a major shareholder. Through this acquisition, Lakeshore Capital bought out a portion of the family shares and also injected new capital. Several family members remain onboard as members of the advisory board and shareholders, with almost all management positions replaced by a new team recruited from the industry.

Post-acquisition in June 2018, Lakeshore Capital recruited Ms. Aninthaya, an industry veteran with a strong track record, to head this new investment and became the chief executive officer of the company. Together with a team of new executives, Ms Aninthaya is tasked to lead the growth of DVK. Since then, Devakam Apothecary Hall and Namman MuayTM has taken on a new life. Through many new initiatives that result in improved distribution, more focused marketing efforts and more refined pricing strategies. The team was able to deliver impressive growth with 2019 year-end forecast revenue closing expected to reach THB 305 Mil or 60% revenue growth from 2018. According to industry reports, Namman MuayTM has also attained a much stronger market share ranking despite a fairly stagnate market growth. Its year on year ranking jumped from number 16 in 2018 to number 4 in 2019⁴.

IMS Analgesic Market – OTC – MAT2 Q2, 2019

Top 15 Leading Brands

2018 Ranking	2019 Ranking	Product	Q2/18	Q2/19	% Growth	% CAGR '15-'19
1	1	TIGER MEDI PLASTER (HPB)	572	454	-20.8%	39.3
3	2	COUNTER PAIN (TIS)	174	145	-17.0%	4.7%
2	3	PHOYOK HERBAL BALM (HZG)	228	142	-38.0%	0.0%
16	4	NUMMAN MUAY (DVK)	35	118	242.4%	30.5%
4	5	ZAMBUK (BCN)	114	109	-4.7%	2.9%
6	6	GOLDEN CUP BALM (TTO)	93	90	-3.5%	-3.6%
7	7	VOLTEREN EMULGEL (GSK)	79	84	6.1%	-2.8%

Source: IMS

Million Baht

³ See appendix for more information on Lakeshore Capital

⁴ The number in the IMS report does not reflect the actual numbers for all companies as it only captures the amount sold through drug stores and does not include other retail outlets such as convenience stores or other modern trade channels. However, it is a good representation of the market.

Through new distribution initiatives that open up new channels and outlets, Namman Muay™ is now available in more than two thousand outlets nationwide. It can now be found not just in drug retail chains like Boots or Watsons but also in convenience stores like 7-11.



Campaign to raise awareness that Namman Muay™ is now available in convenience stores

A new campaign is also in place to revitalize the brand with the launch of the first commercial in almost a decade. A famous Thai celebrity "Tono" Pakin Kumwilaisuk has been signed on as the presenter of Namman Muay™ with the first television commercial to be aired in October 2019. This commercial is also geared at supporting the pricing adjustments made to the product in 2019. Overall the domestic market is looking to deliver on its ambitious growth targets.

Post-acquisition, several adjustments were made to the organization. A new organization structure was put in place with clearly defined roles; a new board was also formed with industry veterans who have extensive experiences appointed as independent directors and a new compensation structure was put in place to better align incentives and performance.

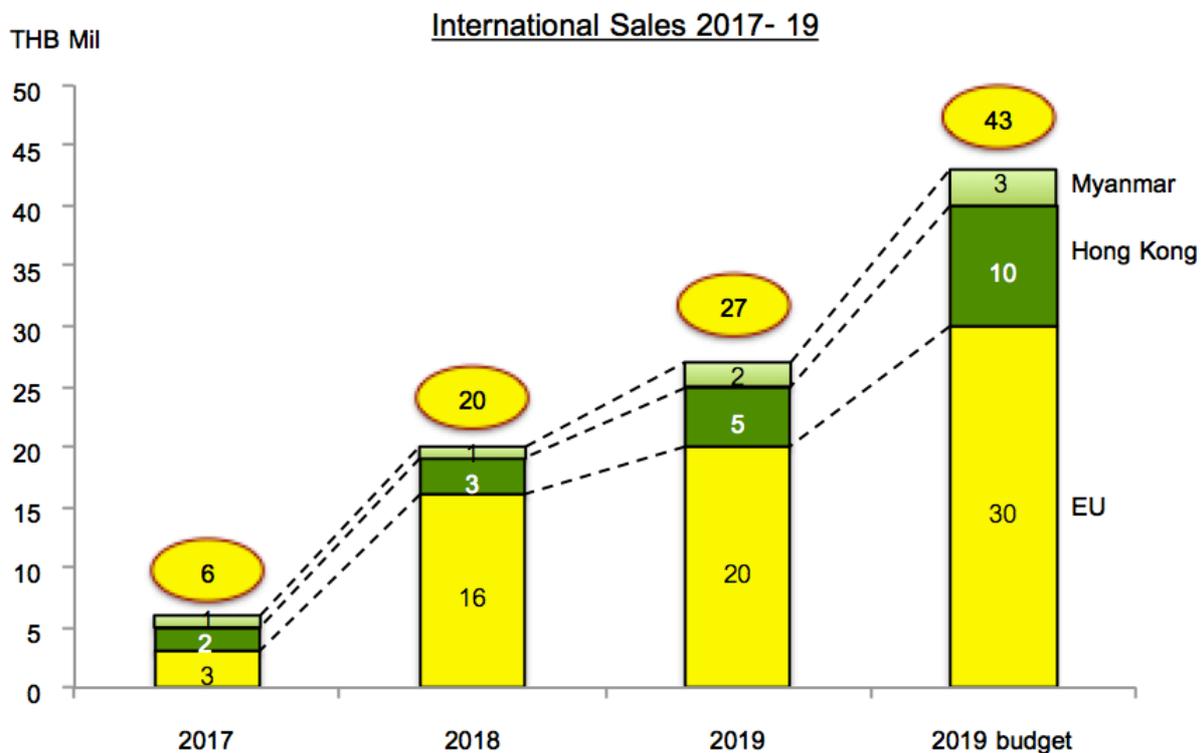


"Tono" Pakinkumwilaisuk in a commercial for Namman Muay™

INTERNATIONAL MARKET CHALLENGES

Despite the impressive performance of the overall business by beating all the targets, one area that has been a challenge is international sales and expansion. Currently international markets account for less than 10 percent of total sales, with plans to grow this ratio significantly over the next few years with a target contribution of 20 percent by 2022. Namman Muay™ is known in many countries and is exported directly or indirectly across the globe. It can be found in specialty shops, boxing gyms and pharmacies worldwide.

Direct export sales refer to sales made by DVK direct to the international markets through appointed distributors and resellers. Currently, Namman Muay™ is being directly exported to the European Union, Hong Kong, and Myanmar. The model adopted for international markets is an exclusive reseller/distributor model where the resellers/distributors buy Namman Muay™ at a listed trade price (LTP) and have to pay in full before the goods are shipped. The distributors then have the right to set retail prices as they see fit for their respective markets. They also have to bear all marketing (inclusive of advertising and promotion costs), distribution and any other operation costs and taxes. This model ensures that DVK is guaranteed a 100 percent payment and has no need to set a reserve for the advertising and promotion budget for the international markets. The related trade-off is DVK does not have control over pricing nor advertising/promotional activities in these markets.



Source: DVK

Note: Numbers are illustrative and for purposes of case discussion only. Actual numbers might deviate from what is presented above.

European Union Markets

The European Union (EU) is the largest export region for DVK. Currently, DVK has appointed an exclusive distributor for the EU market. Countries that are currently being served by our exclusive distributor are Slovenia (Head Quarter), Slovakia, Croatia, and other Eastern European countries and some Western European countries like Germany, Austria, and Italy. However, a plan is in place to expand coverage to the entire EU over the next few years.

The EU currently accounts for approximately 80 percent of total direct export volume with 2019 sales expected to close at THB 20 Mn. However, this is below the initial forecast of THB 30 Mn provided by the exclusive distributor for the EU. The EU distributor cited a number of problems that have hindered their sales growth. They are cheaper retail prices from unauthorized resellers and counterfeit products.



PHOENIX
 EXTRA PRIZMA 7/2019
 Sortiment pre vašu lekárňu: leták pre odbornú verejnosť

MUAY Cream
 regeneračný krém

V každej dobrej lekárni

20+3 MUAY krém

www.muaykrem.sk

www.naturica.sk

Akcia 5+1 Bylinný regeneračný krém 50 ml Všetky pre 10€ od 1 kus.	Akcia 5+1 neoPhytol 30 g topický masť regeneračný krém	Akcia 5+1 Gasterin pH1 Prášok na úpravu kyselosti trávenia 120 + 60 tbl	Akcia 5+1 Kolozin Forte + bylinná bylinná prírodná 120 + 60 tbl Chutná káva 7. stu.	Akcia 5+1 Pivoňka masť v domácej vareníne 50 g Ošetrovať na artritidu (chondrocyty) produkciu
Akcia 5+1 Droždík Forte 100 mg 60 tbl Droždík v organickom termu	Akcia 5+1 Kremik H Forte 30 tbl Pre lepšiu ústnu hygienu a zúž.	Akcia 5+1 Chrom MAX 200 µg do 100 mg železa a vitamínov 30 tbl	Akcia 5+1 Kyselinová hyaluronová + sérum Sérum na ošetrovanie očných zŕk.	

Platnosť ponuky od 1. 7. do 31. 7. 2019. Uvedené ceny sú predajné ceny spoločnosti PHOENIX vrátane DPH.

Sample of promotional materials done in the European markets

The current retail price set by the distributor for the most popular item, 100 ML Namman Muay[™] Cream, is EUR 9 or approximately THB 300, which is three times higher than retail price in Thailand of THB 100. However, the unauthorized retailers that are available in the EU are selling the same SKU at EUR 6 (approximately THB 200). Unfortunately it is difficult to quantify the impact this has on the direct export numbers to EU as it is not possible to identify or control these resellers. As an example, if one would search for Namman Muay[™] on ebay.com or taobao.com, we would find a large number of offerings in various sizes and prices. The management at DVK believes that if the retail pricing were brought down closer to the unauthorized reseller prices, the issue would not have been so acute. But the EU

distributor cites the need to maintain a higher margin to cover for the advertising and promotion costs and is unwilling to reduce the prices.

Another added issue most obvious in EU market is the branding issue. As the current distributor/reseller model, the distributor is responsible for all advertising and marketing activities in their respective markets. The management in Thailand has limited control over what brand image and messages are being used to communicate the brand's value to consumers in those markets. Although they can set boundaries but often times the local distributors will develop their own materials without consultation as such sometimes, the messages might not be consistent with the brand image that Devakam Apothecary Hall wants Namman Muay™ to be. Although there are merits in adjusting the brand to suits local consumers, but where should the line be drawn? This issue will rise in importance as Namman Muay™ continues to expand into more and more regions.

The screenshot shows an eBay search result for 'NAMMAN MUAY Other Boxing & MMA Equipment'. The page displays two product listings:

- 100g x 3 Namman Muay Thai Boxing Cream Analgesic Pain Relief Balm + Tracking No.**: Price THB435.87, THB123.45 shipping. 48 product ratings. Top Rated Seller from Thailand.
- Namman Muay Thai Boxing Analgesic Cream 100g x 3**: Price THB670.26, Free shipping. Top Rated Seller from Thailand.

Namman Muay listings on eBay.com

The screenshot shows a Taobao search result for 'Namman Muay' products. The page displays a grid of various product listings, including:

- 1瓶包邮 批发详谈**: Price ¥29.8, 30天销量: 17.
- 泰国原装进口MUAY拳王**: Price ¥48, 30天销量: 6.
- 泰国原装进口MUAY拳王**: Price ¥40, 30天销量: 9.
- 泰国原装进口MUAY拳王**: Price ¥69, 30天销量: 12.
- 泰国原装进口MUAY拳王**: Price ¥28, 30天销量: 18.
- 泰国原装进口MUAY拳王**: Price ¥27.5, 30天销量: 12.
- 泰国原装进口MUAY拳王**: Price ¥38, 30天销量: 6.
- 泰国原装进口MUAY拳王**: Price ¥35, 30天销量: 10.

Namman Muay listings on taobao.com

Furthermore, a previous distributor that DVK has discontinued relationship with has launched a product that has the look and feel of the original Namman Muay™ and named it N848 Muay with the word "MUAY" made to look very similar to Namman Muay™. DVK had taken legal action against these "counterfeit" products and these products are made illegal. However, they are still being sold online and in some boxing gyms in the EU region. The owner of N848 also tries to misrepresent themselves as the sole distributor of Namman Muay™ products. Although follow on legal actions are being taken, it is difficult to pre-empt and would take some time before it is resolved. This also creates issues with brand building in EU as these cause confusions to consumers.



N848 product that has similar look as the original product.

Hong Kong

Similar to the EU market, the Hong Kong has the same distributorship arrangement and this relationship has been established for some time. Even though the sales numbers are not impressive, the market has been somewhat stable over the past few years. However in 2019, Hong Kong is going through some political instability. As a result, businesses are not as usual and export to Hong Kong for the second half of 2019 is expected to be severely impacted. Although the management expects the numbers to return when the political situation is stabilized, the numbers contributed by Hong Kong market are relatively small when compared to the potential it has. Currently, the appointed distributor only distributes the products in less than ten outlets. Ms. Aninthaya believes that Hong Kong has a lot more to offer and more can be done to increase the contribution to DVK's export numbers.

Myanmar

Myanmar is the smallest of the direct export market and is done through a cross border trader. DVK would sell its products to a representative office in Thailand of the trader in Myanmar and it would get transported across the border to be picked up by the trader. The trader buys the products at a trade price and similar to EU and Hong Kong, the trader then sets its retail prices in Myanmar at a margin (after deducting for its marketing and promotion expenses). DVK has engaged a team to help register

Namman Muay™ as a medicine with the agency responsible for Food and Drug safety and is expected to receive an import license sometime in 2020. Before then, all sales will have to be done through this cross border arrangement. Currently, Myanmar contributes THB 2 Mn to the total export sales for DVK. However, as Myanmar opens up and develops, we can expect strong growth from this market.

CHALLENGES TO OVERCOME FOR INTERNATIONAL MARKETS

Business Model

The current model adopted by DVK towards its distributors is a reseller model where resellers buy the products from DVK at listed trade prices. The resellers are responsible for making their investments in advertising and promotions but also have the right to dictate their own retail prices. Is this the best model to go forward or should DVK adopt a different model?

One alternative model that has been proposed is that retail prices are set jointly between DVK and the distributor. The selling price to the distributor will then be calculated from the mutually agreed retail price, the required trade gross profit margin and distributor gross profit margins (different from before where the price to the reseller is based on the listed trade price). DVK will hold the advertising and promotion budget for above the line activities. Distributors will plan these activities and request Advertising and Promotion (A&P) budget approval from DVK. The distributors will be responsible for any below the line activities. Is this a better model? Or are there other alternative models that are different from the above that would better serve DVK? (See Appendix 3. for comparisons between the two models).

International Expansion

Other than the existing markets, DVK is devising an international expansion plan with the United States, Russia, China, India, the Middle East, Australia and the rest of South-East Asia on its target list. The question is whether now is the right time to go, considering that there are issues to be resolved with the current markets. However, if we choose to delay, what could be the impact on achieving targets? If it is the right time, then what country or countries should DVK prioritize its efforts?

International market expansion for a pharmaceutical company is not easy. Many considerations need to be taken into account before investments can or should be made. Some of these considerations include the legal framework that governs pharmaceutical products, local competitive dynamics, and

consumer habits on that particular type of drug among others. Obviously, these would have to be measured against the size of the prize for these potential markets.

International Branding

Finally the issue around branding has to be addressed. Should DVK continue to let distributors have the freedom to manage the brand across the various markets? Or should DVK take control over all branding and communications. Even if DVK decides to adopt the alternative business model to their distributors/ resellers as proposed above, it is still possible to leave the local distributors to manage the branding. However, it would mean that there could be more than one brand identity for Namman Muay™ in different international markets. Although the brand positioning of Namman Muay™ for Thailand and export markets might not be the same, but should branding for different export markets be in the hands of distributors? Or should DVK have control over these branding activities. Local distributors argue if DVK takes control, it would not allow them sufficient flexibility to react or adjust to local consumers preferences. The management at DVK is weighting the need to build a strong and consistent global brand identity versus the potential trade-offs such as flexibility and local customization. What then are the pros and cons of these available options? Is there a balance that could create the most value to all?

CONCLUSION

Mr. Worawat and Mr. Krittatee enter Ms. Aninthaya office for the scheduled meeting. Together they will lay out all the issues and available options for the international market. At the end of the session, Ms Aninthaya wants to have a comprehensive international expansion strategy for Namman Muay™ that will help the brand achieve its international growth target by 2022. This plan will be presented to the board and should address:

- i) the ideal operating relationship model(s) with distributors/ resellers
- ii) the geographical expansion targets and
- iii) what approach DVK should take with regards to Namman Muay™ branding for the international markets.

Ms. Aninthaya orders in coffee for everyone and shuts the meeting room door. It looks to be a long afternoon ahead as the team begins to dive into the issues.

Appendix 1. Devakam Apothecary Hall Financial Statements

Income Statement (THB Mn)	2018	2019F	2020F	2021F	2022F
Revenue - <i>Domestic</i>	175	280	350	410	480
- <i>International</i>	20	27	50	80	120
Total Revenue	195	307	400	490	600
COGS	100	130	180	230	280
Gross Profit	95	177	220	260	320
Distribution Fee	-	20	25	30	35
Selling expenses	10	10	12	12	12
A&P Expenses (Including FOC)	20	50	70	90	100
General Admin expenses	50	70	70	75	80
Total SG&A	80	150	177	207	227
EBIT	15	27	43	53	93
Interest expenses	5	5	5	6	7
EBT	10	22	38	47	86
Taxes	0	4	8	9	17
Net Profit	10	18	30	38	69

Source: DVK

Note: Numbers are illustrative and for purposes of case discussion only. Actual numbers might deviate from what is presented above.

BALANCE SHEET		2018
		In '000 THB
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents		8,000
Accounts receivables		35,000
Inventory		15,000
Other current assets		5,000
Total Current Assets		63,000
Fixed Assets		
Property Plant and Equipment		100,000
Total Fixed Assets		100,000
Total Assets		163,000
<u>LIABILITIES AND EQUITIES</u>		
Current Liabilities		
Overdraft		10,000
Accounts Payable		40,000
Other Current Liabilities		8,000
Total Current Liabilities		58,000
Long Term Liabilities		
Long Term Loan		60,000
Other L-T Liabilities		5,000
Total Long Term Liabilities		65,000
Total Liabilities		123,000
Equity		35,000
Retained Earnings		5,000
Total Equity		40,000
Total Liabilities and Owners Equity		163,000

Source: DVK

Note: Numbers are illustrative and for purposes of case discussion only. Actual numbers might deviate from what is presented above.

Appendix 2. Introduction to Lakeshore Capital

LAKESHORE CAPITAL

Founded in 2009, Lakeshore Capital is a leading international private equity firm that focuses on growth businesses in Thailand and the Greater Mekong Sub-region. The firm provides expansion capital to industry-leading companies and works with management teams to grow their businesses. We create value by providing capital as well as business advice on strategy, finance, M&A, operational improvement, recruiting and international expansions.

Lakeshore Capital has a broad range of sectors of interest including, but not limited to, food, retail, consumer products, light manufacturing, healthcare, education, logistics and business outsourcing.

Our management team consists of experienced professionals with backgrounds in management consulting, investment banking, private equity and the corporate sector. We have a thorough understanding of local business practices, capital markets, culture and politics, combined with deep-rooted relationships with business leaders and investors.

Lakeshore Capital is a member of EMPEA (<https://www.empea.org/>), the global industry association for private capital in emerging markets.

Lakeshore Capital focuses on investing in the most attractive businesses, partnering with leading companies with strong competitive positions in their respective markets. Lakeshore is exploring investment opportunities across a broad range of industries. Priority, however, will be given to companies in food, retail, consumer products, light manufacturing, healthcare, education, logistics and business outsourcing. Thailand is the geographical focus area for investments but we also consider investment opportunities in the Greater Mekong Sub-region.

Lakeshore looks for companies with the following characteristics:

- Sustainable market leadership position with further growth potential;
- Strong operating cash flow and margin expansion potential;
- Strong, entrepreneurial management team with growth aspirations.

For every investment, the maximization of value is driven by the ability to improve the fundamental business performance.

Lakeshore can assist companies at strategic, financial and operational levels by putting in place, where necessary, new sets of competencies and by driving growth at “just-below-board” level using our dedicated in-house consulting team. Lakeshore can also assist companies on M&A transactions to help accelerate growth as well as add human resource capacity to key functions by sourcing professionals through our extensive network of relationship across multiple industries and functions.

Source: Lakeshore Capital

Appendix 3. Comparisons between existing international sales models

Items	Current Model	New Model Under Consideration
<i>Payment term</i>	<ul style="list-style-type: none"> 100% advance payment 	<ul style="list-style-type: none"> Sell outright with credit term
<i>Retail price setting</i>	<ul style="list-style-type: none"> Distributor set price and mark up to cover expense (import tax, VAT, operation cost, etc.) 	<ul style="list-style-type: none"> Retail price setting done by agreement between distributor and DVK
<i>Price to distributor</i>	<ul style="list-style-type: none"> Price to distributor is same price as Thailand LTP 	<ul style="list-style-type: none"> Price to distributor will be calculate from Retail price, Trade GP, Distributor GP Distributor will get %GP to cover operation cost, tax, below the line activities
<i>Advertising and Promotion budget</i>	<ul style="list-style-type: none"> Distributor responsible for A&P spending 	<ul style="list-style-type: none"> DVK will hold A&P budget for above the line activities. Distributor will plan for activities and request for A&P budget approval from DVK Below the line activities will be responsible by distributor

Appendix 4. Overview of Global Topical Analgesic Market⁵

Market Overview:

The global topical analgesic market is expected to witness a CAGR of 7.43% between 2019-2024. Factors that are driving the market growth include increasing prevalence of arthritis, rising cases of sports-related injuries, and growing geriatric population.

A sports injury is creating a huge demand for topical analgesics among athletes. As per the Centers for Disease Control and Prevention (CDC), more than 2.6 million pediatric patients are treated in emergency departments for sports-related injuries each year. In accordance with the National Safety Council (NSC), in 2017, exercise and the use of exercise equipment led to the most of the sports-related injuries in the United States, with more than 526,000 injuries reported. The same source indicated that basketball, followed with about 500,000 injuries, while bicycling, with 457,000 injuries and football, with 341,000 injuries, ranked third and fourth. Topical options for sports-related injuries act as convenient alternative or adjunct to oral medications, since they provide pain relief with minimal systemic adverse events.

Other factors, such as rising geriatric population and increasing prevalence of arthritis are also expected to drive the market studied over the forecast period. Although the adverse effects arising from topical pain relief products are rare, skin irritation and other complication might restrict its usage and consequently affects the market growth. Some common side effects are stinging of skin and dry skin problem. Apart from these, burning sensation, hypersensitivity drug reaction, hives might occur.

Topical analgesics are recommended to use when patients experience acute and chronic muscle and joint pain, in order to get relief from their symptoms. The products are applied directly to the skin, instead of being injected or swallowed. The topical analgesics are available in the forms of creams, lotions, spray, gel, or patch. The topical analgesics are obtained as prescription analgesics and OTC analgesics as well. The OTC topical analgesics are intended to treat mild to moderate pain for not more than 7 days unless otherwise directed by a physician. (Namman Muay™ can be obtained OTC).

Topical NSAIDs are found to be more effective in treating acute pain from strains, sprains, contusions, or overuse injuries in superficial locations. As per the recommendation of National Institute for Health and Care Excellence (NICE), topical NSAIDs in the first instance for joint pain associated with

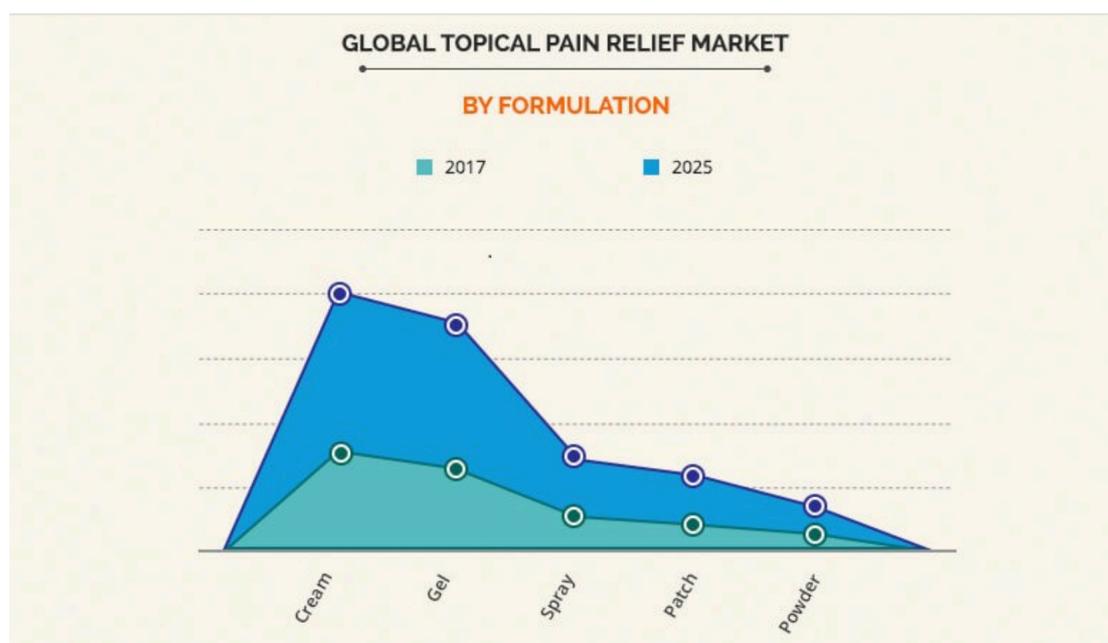
⁵ Mondor Intelligence: TOPICAL ANALGESIC MARKET - GROWTH, TRENDS, AND FORECAST (2019 - 2024)

osteoarthritis, in preference to oral NSAIDs are prescribed by the healthcare professionals, owing to concerns over systemic side effects caused by the long term use of oral NSAIDs.

This makes topically applied NSAIDs to be the first choice for physicians in the initial treatment of pain and which further creates immense commercial opportunity in the present market.

North America is estimated to dominate the industry in terms of market size, owing to well-established healthcare facilities, rising geriatric population, and growing prevalence of chronic pain. In recent years, it has been found that pain affects more Americans than diabetes, heart disease, and cancer combined, which further influence adults to seek medical care. Pain is one of the key reasons behind the leading cause of disability and a major contributor to health care costs in the United States. As per the data provided by the Centers for Disease Control and Prevention (CDC), chronic pain ranges from 11% to 40% among the adults of the United States. The high prevalence of chronic pain thus indicates the importance of topical pain relief products and consequently helps to drive its market. Apart from this, the growing prevalence osteoarthritis acts as one of the key driving factors of the topical analgesic market in the United States, which affects around 30 million US adults.

Asia Pacific is catching up with expected growth rate of over 30 percent year on year from 2019 – 2024. This is due raising affluence of population in the region, changing demographics and life style changes. The demographic shift towards aging population of many countries in Asia Pacific region will follow similar patterns to North America and Europe. The life style changes towards more health awareness and exercise will also help drive the growth in the use to topical analgesics.



Source: Allied Market Research



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