

Healthcare industry in malaysia



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Healthcare industry in Malaysia is divided into private and public sectors. Malaysian society places importance on the expansion and development of healthcare industry. With a rising and aging population in Malaysia, the Government wishes to improve many areas in healthcare industry including the refurbishment of existing hospitals, building and equipping new hospitals, expansion in polyclinics, and improvements in training and expansion of telehealth.

Telehealth is the delivery and communicate of health-related services and information via telecommunications. It could be as simple as two healthcare professionals discussing patient's condition over the telephone. It also may as sophisticated as doing robotic surgery between facilities at different country. Over last few years, we have increased our efforts to improve the telehealth systems. Besides that, telehealth also will help in access to specialty services for rural patients and allows the patient to stay in their own community rather than traveling. This is parallel with our mission and objective of deliver quality healthcare services to our customers efficiently.

Political factors include government regulations and legal issues. It defines both formal and informal rules which a hospital must operate. Some examples of political issue are tax policy, employment laws and medical tourism. Medical tourism in Malaysia ranks among the best in the world and most private hospitals in the country have internationally recognized quality and standards in medical tourism. In our country, the growth rate of medical tourism is growing rapidly because of low-cost advantage and the improvement of new high-quality healthcare service providers compare to some foreign hospital.

The healthcare sector in Malaysia is highly regulated by the Private Healthcare Facilities and Services Act and regulatory approval is required to set up a private hospital. It regulates all private healthcare facilities and services in our country. Under this act, we must get the approval before a new private healthcare facility can be established. Government set the strict rules on the quality of care and safety on patient to ensure that fairness and honesty in providing health care to patients. The objectives of the rules are same with our objective of to provide quality healthcare service with fairness, honesty and sincerity for patients.

Political and government rules may affect any business either positively or negatively. So, the changing of government rule or regulation in healthcare industry may cause some threats on KPJ as we are part of it. Actually, it is considered as a threat for KPJ as it may require us to change our business strategy due to changing of regulations. It may affect negatively on the entire industry as well as KPJ healthcare.

In budget 2012, government has assigned around RM15 billion for operating expenditure. Simultaneously, they allocated RM1.8 billion for development expenditure. With the allocation financial support by government, the health industry in our country will be enjoying the benefits. Therefore, our healthcare industry will become energetic by improving the facility or equipment within hospitals. Eventually it will increase the level of customer satisfaction as we can provide better quality healthcare services and our profitability will be improved.

Economic

Economic conditions for a country are mainly influenced by political and government policies. This mean that any decision made by government will indirectly affect the economic conditions of the whole country. The economic growth in Malaysia has dropped significantly and KPJ should be aware of this factor. This is because economic condition will affect KPJ in terms of operation and profitability.

Customer disposable income and purchasing power will decrease as economic is not performing well. During economic crisis, inevitably most of the customer may try to cut down some expenses on healthcare such as medical checkup. Instead of choosing a best healthcare provider, customer now which is price sensitive will more prefer on public hospital that able to provide services to customer with lower price. Therefore, it is important for KPJ in setting an appropriate and lower price to gain market share.

During the economy crisis, it is usual for the KPJ's shareholder to divest their entire share because they may refuse to take any risk of losing their money. When there is having substantial shareholder divesting their share, KPJ may lack of capital available to expand the business and it will difficult for KPJ to invest in new technologies which can help to treat patients. Due to insufficient of capital, KPJ may losses competitive advantages compared to competitors. In order to gain a competitive advantage that could gain a confidence to all the investors, KPJ need to evaluate the cost and benefit for all the expenses and to cut down the unnecessary overhead and expenses such as personnel cost at the same time, which could result in layoffs.

However, layoff employee will lead healthcare professionals who are already

lack of time to do their work to be overworked since they will be expected to do more work compared to before. Therefore, healthcare professionals will spend less of time and care for more patients than ever. Due to this, healthcare professionals may become negligent in some important part and medical error, which can result in an increase in malpractice lawsuits.

Inflation in Malaysia is affecting the overall cost for KPJ. This is because inflation will push up the material price and also price of buying the medical equipment. Other than that, employees for KPJ will try to negotiate for higher salary. All these factors will increase the cost of KPJ in running their business activities. Therefore, KPJ profit margin will be lower as KPJ needs to generate more income in paying additional expense.

Competitive Rivalry

Previously, private practice was just in general practice and there are only have limited number of specialists. But over the years, there have some changes in healthcare industry structure. Not like previously which hospitality business is mainly from governmental hospital. Today, there is increasingly growing of profit oriented private hospitals. There are a few private hospital which opens in major town and cities in our country.

Growth in the industry and increasing number of competitors will inevitably increase the competition for KPJ. However, due to the limitation of 20km distance requirement between private hospitals recommended by Ministry of Health, direct competition among private healthcare groups is becoming not so significant. Thus, even though there are numbers of private healthcare

groups competing each other in Malaysia, the rivalry among existing firms is considered medium.

Although 20 km zoning is restricting the competition, rivalry is still remains important factors to be considered by KPJ. This is because aggressive expansion and competition from existing players such as Parkway and Columbia Asia may hurt KPJ by affecting profitability and also the market share for KPJ. Therefore, it is important for KPJ to develop a better strategy to gain more competitive advantages against rivals.

It is lack of differentiation of KPJ because KPJ and others hospital is providing similar treatment or services to patient. This will be a threat for KPJ as low differentiation cause patient to have low switching cost. Patient may easily switch to others hospital which they want or they feel confidence with it. Nevertheless, low differentiation also means patient will be more priorities on the price of the treatment or services. There will be creating the price competition among existing rivals to attract customers. Therefore, setting lower price on the services provided might earn better competitive advantages against rivals. Moreover, customer service is also an important area which KPJ competing with rivals. Customers will be more prefer to a hospital which able to provide better quality and customer services. Hospital which able to provide speedy and innovative methods in fulfilling customer needs will be the sources of competitive advantages.

Besides that, technology for healthcare industry is also the factor which KPJ need to consider. This is because of medical advances and specialty services have been driving a strong trend towards private hospitals specializations

with more of the industry players are developing a significant competition for niche areas of expertise such as coronary care, eye surgery, mental health care and maternity admissions. It is will be good if KPJ developing a niche areas which distinguish itself with other existing competitors. As KPJ can build up a good reputation in particular area, customer loyalty can be retained and hence KPJ might not need to lower down the cost to attract customer.

Last but not least, intensity of competition between KPJ and others hospital will affecting the profitability and market share of KPJ. Therefore, KPJ should develop and identify a good strategy in order to create sustainable competitive advantage in order to compete with existing rivals.

Social

Nowadays, awareness of social on healthcare is raised compared to past as a result of the rising in income and education level of citizens. This will lead to the increases in the demand of good quality healthcare services provided. This will enhanced the development of healthcare industry and therefore increase our industry profitability as well as our KPJ profitability. Hence, our KPJ mission of provide quality healthcare services to customer may be achieved with the development of healthcare industry.

As there are more and more people having the high level of education, they will more concern on the issues of their body health as they have more knowledge. They also will try to accept the treatment for their healthcare problem as fast as possible due to the awareness on health issue. For

example, they will constantly go to hospital either by themselves or bring their family for body check to ensure that they are under a health condition.

Besides that, the increases in the income level of society will make them move toward good quality of healthcare services provided. The stable of economic growth in the country will enhanced the income level of society. That will enable them feel more affordable to spend in private healthcare services which are able to provide more quality healthcare services compare to public healthcare services and this directly drive the society move to private healthcare services.

Increases in the percentage of getting some disease in the society also have impact on the development of healthcare services. Drug abuse and drug addiction issues are posing a big problem in Malaysia, there are increases in abuse of a drug called " Ecstasy" by Chinese teenagers and youths and this will lead to the increases of HIV/AIDS in the country. The increases of the number of foreign workers that come from rural areas or poor countries will bring diseases like tuberculosis, bride flu or dengue fever to Malaysia. Then, stressful lifestyle like the pressures arise in the work place will cause high-blood pressure and the risk of getting hearth attack will increases. Besides, the bad habit in the consumption of foods such as alcohol and tobacco will increase the risk of chronic conditions like diabetes, hypertension and cardiovascular diseases. The recent reports of National Health and Morbidity survey show that 15% of Malaysians are obese which increases 1% from year 2006 to 2010. Almost half of adult Malaysians are overweight. Besides that, breast cancer is one of the main reasons of death in Malaysia as it is common type of diseases among women according to the National Cancer <https://assignbuster.com/healthcare-industry-in-malaysia/>

Registry Malaysia, 2002. These factors will give positive impact to the healthcare sector in Malaysia.

Furthermore, growing in ageing population in Malaysia also will help in drive the healthcare sector in Malaysia. Malaysia's population grow at 2% p. a. and the percentage of the population over 65 years old is expected to rise from 5% to 8% from 2010-2020 regarding to Global Demographics. The growing of older proportion in the population means that there will be increase in age-related disorders like Alzheimer's, high blood pressure and heart-related ailment which require long term treatment and rehabilitation

Reasonably, all these factors can be considered as big opportunities of expansion for healthcare industries such as KPJ which has the mission of provide quality healthcare services to customer. In order to achieve the mission, KPJ with its goal of providing healthcare services with fairness, honesty and sincerity should be done so that they can expand their services more widely as demand of quality healthcare services seen to be increases in future.

Technology

Technological factor is very important for all type of business, including our healthcare industries. Greater awareness about the technology will help KPJ improve their efficiency of business operation and quick response to the changing environment. Healthcare industry needs technology to help them carry out their operation activities more efficiently and effectively.

Advancement in IT is enabling KPJ to improve the quality of medical activities provided by them. Healthcare industry need to make a lot of medical records

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about their patients' information. If it is done by paper record, there are not much storage place to store all the information and will increase the rate of missing important information. To resolve this problem KPJ has adopted the Electronic Medical Record (EMR) to reduce the administrative work and error. This is a digital record which can help KPJ to hold all the detail information about their patients and patients' medical history in the system. When a patient enters this system, information can be easily searched by the officer compared to paper work. KPJ will then be more efficient in making the diagnostic and therapeutic decision to reduce the unnecessary work and wasted time. Properly managing the patient's medical history is very important. If a mistake occurs, it will lead KPJ to make wrong decision in medical treatment for the patient. It may also threaten the life of their patient.

Other than that, KPJ needs the IT system to help them to enhance in the internal process by establishing an internal network system. IT can act as a mechanism of communication between nurse, doctor and other people who are qualified to access the information system to get the necessary information and information is always updated by using internet. These also help to improve activities of exchanged information between stakeholders. For example, announcement made by internal hierarchy can be quickly received by worker within KPJ by using the internal network system. In addition, doctors can easily place their orders to the nurse, the nurse can then respond quickly to the order and without error due to written order being clearer than oral order.

KPJ required a lot of medical facilities to help them in the process of providing the medical services, the required facilities include MRI scanner, CT Scanning. Without the high technology medical facilities, KPJ may not be able to provide a good care service to patient, because recently medical service has become more reliant on the technology. A good medical facility may help to reduce the time of medical treatment.

Technology factor plays an important role in the healthcare industry. So, KPJ should invest more in the R&D to enhance their medical skill and also help them easily change the administrative work to reduce the mistake and error occur that will affect the reputation of their company.

Porter five forces

Threat of new entrants

The threat of new entrants is the possibility that a new firm will enter the industry. It is a threat for existing business as new entrants will affect the business and inevitably cause existing business to lose profit or market share. Nowadays, there are many potential investors trying to invest in healthcare service, thus, causing existing business in the industry to face the threat of the new entry. In order to exclude new competitors, it needs to create a barrier to the entry. However, KPJ may not have to face the new competitor come in because it is hard for a new healthcare business to enter the industry due to the high initial cost. Before starting the healthcare business, it requires to do necessary research, intensive planning and require a huge amount of initial capital to purchase the facilities, research and development, specialist equipment in order to operate the business.

Besides that, to be a medical tourism hub Malaysia has to set a goal requiring all the institutions to use medical devices and procedures.

Comparing the other industry and healthcare industry, normally the barriers to enter in healthcare industry are quite high. It is because of restrictions by government policy. From the past to the present, all the private medical facilities in Malaysia need to get approval to be granted under the Private Health Facilities and Services Act 1998 before they can be established and must be compliant to a regulatory body working closely with the Ministry of Health who monitors, regulates and coordinates these hospitals. Moreover, it is heavily government regulated, which is zoning for healthcare industry. The act requires having a minimum distance of 20km between the existing healthcare industries. This means that when one decides to open a new healthcare business, it must make sure there are no other healthcare businesses within the 20 km area. Some more, to prevent the new competitor to enter the market, government restrict the hospital to acquire the healthcare technology, without the specialist equipment that is hard for the private healthcare to survive in the future.

Shortage of doctors is also a factor which is creating the high barriers of entry. When potential competitors come in, they must make sure they have enough medical practitioner and doctor to carry the routine task. This is because if they don't have all those qualified staff, they might face difficulties in providing services to patients. Moreover, potential customer will only choose to go for a hospital which has specialist in particular areas. Therefore, shortage of specialist doctors will also cause that hospital to lose marketshare.

Difficulty in securing private specialists will be the barrier for entry to all the new competitors. As the supply of private specialist is limited, hospital groups with a strong reputation will have better advantage in attracting potential specialist against the new hospital.

Record of patient is a valuable asset for the healthcare industry it can create a barrier to entry. KPJ have records of patients who have come before and maintained the medical records in one system. This system enables the doctors to have knowledge of their patient's medical history. Because all the patients records are already exists in the hospital, therefore, it will cause inconvenient for patients to regurgitate their medical history to a new doctor. Therefore, it will be hard for the new entrant to compete with the existing healthcare industry.

Threat of substitute

Threat of substitute means that consumer are available to buy another product or service that can provide similar benefit to replace our industry's product. Product demand will be affected by price change of substitute product and service. Therefore, threat of substitute for healthcare industry is considered to be low.

The threat of substitute for private healthcare provider will be the non-profit healthcare provider. Private health care is normally charge higher medical fees compared to public hospital. Because of this, some people might not be able to pay for the expensive fees. KPJ is a private healthcare provider that provides a lot of medical service and use medical facilities to enhance their medical skill. Purchases of the medical facilities are considered very

expensive because it is high technology equipment designed by professional person and to develop it will use many resources to carry out the necessary research and development activities. For non-profit healthcare provider, most of the funds is come from sponsor, therefore it may be lack of capital to acquire the facilities and equipment. Private healthcare as a profit-oriented company will be easier in raising capital, so private healthcare service will have better competitive advantages against non-profit organization as they is owning the higher technology equipment and medical facilities.

Second threat for KPJ is the Public healthcare provider which is supported by government. People often choose the private healthcare provider even when the service provided will be more expensive is because the services provided is more efficient than public where patient needs to wait for a long time. Private industry is more focused on efficiency and effectiveness to deliver the service to customer, so private healthcare provider will employ more doctors and nurses to carry out the service that are of quality.

Another substitute for private healthcare could be the acupuncture, massage and spa, many old people are more reliant on and believed in this traditional service, but it is lacking of proves by science and not so safe. Many traditional services are promoted as an entertainment service rather than serious medical service that is provided in legal healthcare company. Sometimes the services provided can be illegal and may be a threat to the patient's health. For nowadays many people are knowledgeable, they will refuse the traditional medical and chose the more scientific service and that relates to high technology, so the threat for this traditional services is considered low.

In healthcare industry, technology acts as a strong substitute to their service, such as e-health. E-health brings a lot of convenient to the patient that are busy and people that lack easy access to hospital; they will be helped by telemedicine. For example, the success story of e-farmasi in Malaysia, computerizing Medical Claims in Korea, and others. Due to insufficient development, this threat to hospital will be low.

Therefore, threat of substitute on the private healthcare will be very low. But KPJ still need to plan out the strategies to face the threat of substitute due to economic and environment change that will affect the profit of KPJ.

Bargaining Power of Buyers

Customer is one of the sources of profit for a business. It is important for a business to understand what customer needs, and their position in bargaining with our business. Bargaining power of customers is considered to be high for healthcare industry. This is because there is having many medical centers in Malaysia. Customer will have the freedom to choose whatever healthcare company and doctors which they feel confidence with. High power of customer will be a threat for the business as it will be increase competitive intensity in the industry.

Most of the hospital in Malaysia is providing similar treatment or services to the patient. This means that it will have a low differentiation between hospitals. Therefore, switching cost for customer will be low and hence customer can easily switch between alternatives healthcare company to get a better deal.

Buyer's income is also the factors which affecting the bargaining power of buyers. If their income is low, probably they will be more preferred on public hospital as public hospital will able to provide services to patient with lower prices. However, if some of the customer who is having higher income, they tend to be low price sensitive. They will more prefer on the best healthcare providers which can deliver better services to them instead of looking at the price. This group of customer will switch to other healthcare providers when they not satisfy with the services provided.

Since KPJ is providing healthcare services to people who are struggling with life-threatening diseases, reputation for KPJ will be an important factor to be considered. In addition, buyers is now aware of alternative supplier and information of healthcare is freely available for the public, therefore KPJ need take care their performance and also quality which deliver to patients. Once patients recognize that KPJ performance is not good or poor quality of services, it will cause patient to switch to other healthcare providers which is more reputable in terms of quality and performance.

Availability of substitute for healthcare industry will affect customer power in bargaining with KPJ. As there are having substitutes which is public healthcare, acupuncture, massage and spa. Customer may try to switch for substitute as this will be their alternative methods if they don't want to go for private hospital. Therefore, in order to protect against substitute, it is important for KPJ creating and highlight the value and let customers to know the differences between their services and the others.

Bargaining power of supplier

Suppliers is playing an important roles in a business. They is the person who supplying all the materials, services and things which required by an industry. KPJ is relying on many different types of supplier which support biotechnology development, drugs development, supplying medical equipment, and also specialist doctor.

Suppliers who supply medical equipment are considered as important suppliers for KPJ. Medical equipment is indispensable as KPJ is using all the medical equipment in their daily job activities. However, technology advancement has made a lot of changes for medical equipment. There are a lot of new and updated medical equipment which come with better features. All these latest equipment will helps KPJ to improve their efficiency and effectiveness in carry out their routine job. However, there are having limited sources of supplier in supplying all these medical equipment, which creating limited opportunities for KPJ to buy the equipment. There are many buyers for all those medical equipments but only a few dominant suppliers. Due to this, suppliers may have substantial amount of power in negotiating with KPJ in terms of pricing and supply conditions. Supplier may set higher price but there is no room for KPJ to negotiate with suppliers.

Medical practitioner is also one of the suppliers for KPJ. KPJ needs qualified nurses and specialist doctors to treat their patients. Therefore, bargaining power of medical practitioner is considered high. Having a group of qualified employees will be the sources of competitive advantage for KPJ against competitor. However, there is shortage of specialist doctors in Malaysia. This will cause the competition among hospital in employing qualified specialist.

Most of hospital will try their best to award the specialist by offering higher salary, bonuses. If KPJ choose not to be competitive against the competitors, medical practitioner will search other healthcare industry to work. Hence, specialists doctors will be in the best position in negotiate the working conditions and also the pay structures.

In terms of drugs development, KPJ is rely on a few supplier which provide them with specialized tools, materials, and equipment that they need to develop their products. Special tools to develop the drugs will be quite technical and lack of substitute products. This mean it will be high switching cost for KPJ to use another suppliers. If suppliers stop supplying, KPJ will face difficulties in their development progress. Therefore, supplier for all those special tools, materials will carry a higher power in negotiate a better price or delivery conditions.

Overall, the supplier power is considered to be high as KPJ is relying on a few major suppliers to supply the things which KPJ needed in their daily job. Therefore, it is important for KPJ to maintain a good relationship with all suppliers to ensure the business process goes smoothly.

Factor conditions

Basic factor for KPJ is capital availability, KPJ has enough profit to contribute for their capital for internationalize or globalize their business. KPJ earned its → first annual billion-ringgit turnover in year 2007, with revenue totalling RM1. 11 billion in that year. KPJ continued in achieve their new revenue records in subsequent years. Which are rising to RM1. 27 billion, RM1. 46 billion and RM1. 65 billion in year 2008, 2009 and 2010 respectively.

KPJ achieved a new record in 2011 with total revenue of RM1.91 billion and pre-tax profit of RM204.60 million.

In basic factors for medical tourism of KPJ, medical tourism products are better to be located in warm, pleasant environments like Malaysia. Therefore, the basic factors which include ideal climatic conditions, natural resources and geographic location, are an advantage for medical tourism in KPJ especially for those visitors from colder climates.

In addition to these basic factors, there are advanced factors about skill labour in our country. KPJ healthcare had 750 medical consultants, which equals to a 7% share of private doctors in Malaysia and 47% of the country's medical personnel and professional. This is because of the better paid of salary.

Another advanced factor is KPJ are driven by innovation and technological advancement. There is a strong regulatory and hospital and healthcare infrastructure in KPJ. KPJ continues to invest in the latest equipment with state-of-the-art medical technology. This type of technology will help in provide positive patient experience as well as to enhance medical and surgical outcomes.

Last advanced factor is we are assisted in the development of medical tourism. These include the world-wide web resources for the communication and marketing of the medical tourism product internationally. In terms of quality, it can be said that there is just little difference in the medical tourism services offered in the advanced western countries and those in the eastern or developing countries like KPJ in Malaysia. But the attractive work

conditions and higher salary has helped to staff our KPJ hospitals with well-qualified people. Therefore, the quality of such healthcare services are equivalent and the services may better compare to the hospitals in developed countries.

Demand conditions

Demand conditions are one of the important factors for KPJ in order to gain competitive advantage within the industry. Demands in home country enable KPJ has a better understanding in the needs and desires of the customers thus can response faster to take advantage before the foreign competitors. Therefore, KPJ need to continue to improve competitiveness through innovation and high quality services.

Malaysia is one of the fastest-growing nations in Asia although our country has a small population of only 29m. Malaysia's population has grew from 23.5m to 29m from 2000-2010 with a CAGR of 2.2%. KPJ need to increases the quality of services provide like shorten the waiting time for patients, provide comfortable place for patients to stay like hygiene condition to meet the increases in demand. Besides that, KPJ need to continue to invest in the latest equipment with state of-the-art medical technology in its effort to provide positive patient experience as well as to enhance medical and surgical outcomes in order to retain as well as attract more customers and strong the position of KPJ in private healthcare industry.

Then, the development of health tourism is contributing to curative services by private healthcare services providers. For instance, 450,000 foreign

patients obtained treatment from private hospitals for various illnesses as well as utilized diagnostic and therapeut