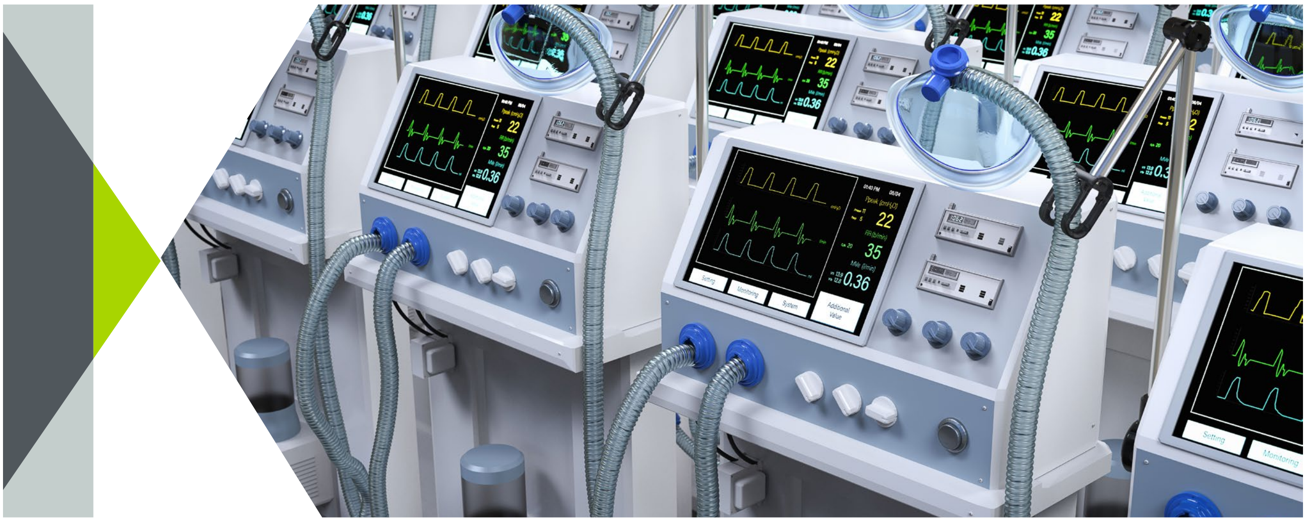


EXECUTIVE INSIGHTS

Distributor Partnerships in SEA: Unlocking Market Potential for MNC Companies in Healthcare

Introduction:

The Southeast Asia (SEA) medtech market is growing rapidly, driven by an expanding middle class, aging populations, and increasing healthcare investments. Despite these promising macro trends, MNCs face persistent challenges including fragmented regulations, complex procurement mechanisms, and heterogenous market opportunity across the region.

In this context, distributor partnerships have emerged as critical enablers of market access and sustainable growth, offering an effective alternative to direct market entry by companies. Distributors offer MNCs local regulatory knowledge, access to fragmented markets, and the flexibility to tailor commercial models to specific market conditions. These partnerships extend across the value chain, spanning importation, logistics, registration and commercialization support, allowing medtechs to scale effectively while managing risk.

In this paper, LEK Consulting aims to provide a structured view of distributor partnerships in SEA, examining the drivers, trade-offs of different partnership models, and key questions/considerations to inform a resilient and scalable commercialization strategy mediated by distributor partnerships.

Section 1: Drivers of distributor partnerships in SEA

The diverse nature of SEA markets requires a flexible and customized approach to market entry and expansion. Local distributors, with their in-depth market knowledge and networks, play a crucial role in this strategy. Key factors driving the increasing reliance on distributor partnerships include:

Figure 1
Parameters for "Why" or "Why not" choosing distributors partners (focused markets)

Parameters	Malaysia	Thailand	Vietnam	Philippines
1 Regulatory environment	• Entities must obtain an **Establishment License from the MDA to import**, distribute, or manufacture medical devices	• Companies that hold Establishment License and Product License (Listing Certificate/ Notification Certificate/ License) from the **Thai FDA** may distribute medical devices	• As domestic MedTech usually cannot address needs, the government **promotes imports after registering the products with the DMEHW**	• Holding a **License To Operate** (LTO) as a **Medical Device Manufacturer or Distributor (Importer/ Exporter/Wholesaler) (MDDC)** permits distribution of MedTech
2 Procurement process	• Public sector typically **centralises tenders**, large private sector providers e.g., KPJ, IHH, Sunway **purchase direct**	• Public hospitals often through **centralised procurement** organized by GPO and MOPH; Private hospitals procurement **decentralized**	• Public hospitals typically **centralise tenders** managed by the MOH (~70%) of the market), while private hospitals engage in **direct procurement**	• Public sector typically through **centralised tenders** managed by the DOH and PhilHealth, while private hospitals purchase **directly from suppliers/ distributors**
3 Market structure	• Complexity arises from Peninsular and East Malaysia split; **Key accounts likely around mainland**	• Less complex, with most accounts **aggregated on the mainland**	• Less complex, with most accounts **aggregated on the mainland**	• Challenging due to **archipelagic nature** and reliance on sea transport
4 Account fragmentation	• 148 government hospitals and 207 private licensed hospitals* comprised of large provider groups	• 294 government owned secondary and tertiary medical facilities and 370 private hospitals**	• Three levels of Public hospital: central (47), provincial (419) and district (684); 318 private hospitals	• 423 public hospitals and 772 private hospitals*, spread across the archipelago
5 Cultural landscape	• **Multilingual country**, language capabilities and understanding of cultural differences are important	• **Thai language** proficiency and an understanding of **religious, cultural practices, and business etiquette** are helpful	• Predominantly Vietnamese-speaking; **cultural understanding and relationship-building** are key in business dealings	• Predominantly Filipino and English-speaking; Filipinos have **a strong sense of community** so in-person meetings can help to connect

Note: *As of 2022, **As of 2023
Source: MDA Malaysia; DITP Thailand; MOH Thailand; Pacific bridge medical; Asia Actual, WHO Vietnam; statista; Alibudbud et al. 2024; LEK research and analysis

While understanding market dynamics is crucial, MedTech MNCs must also evaluate internal factors to make informed decisions about partnering with distributors. These company-specific considerations ensure that the chosen partnership model aligns with the organization's capabilities, resources, and strategic objectives. Below are the additional key factors to consider:

1. **Strategic Alignment:** Evaluate whether distributor partnerships support long-term strategic objectives such as market penetration, brand positioning, and growth targets.

2. **Internal capabilities and resources:** Assess whether your company has the resources and expertise to manage distribution independently. If lacking distribution capabilities but possessing a robust in-house sales team, consider leveraging third-party logistics (3PL) for logistical support rather than pursuing complex partnerships.

3. **Cashflow considerations:** Consider the potential impact of delayed payments from hospital accounts on cash flow. Distributor partnerships can provide financial stability by mitigating the risks associated with delayed payments, especially in markets with insufficient public financing.

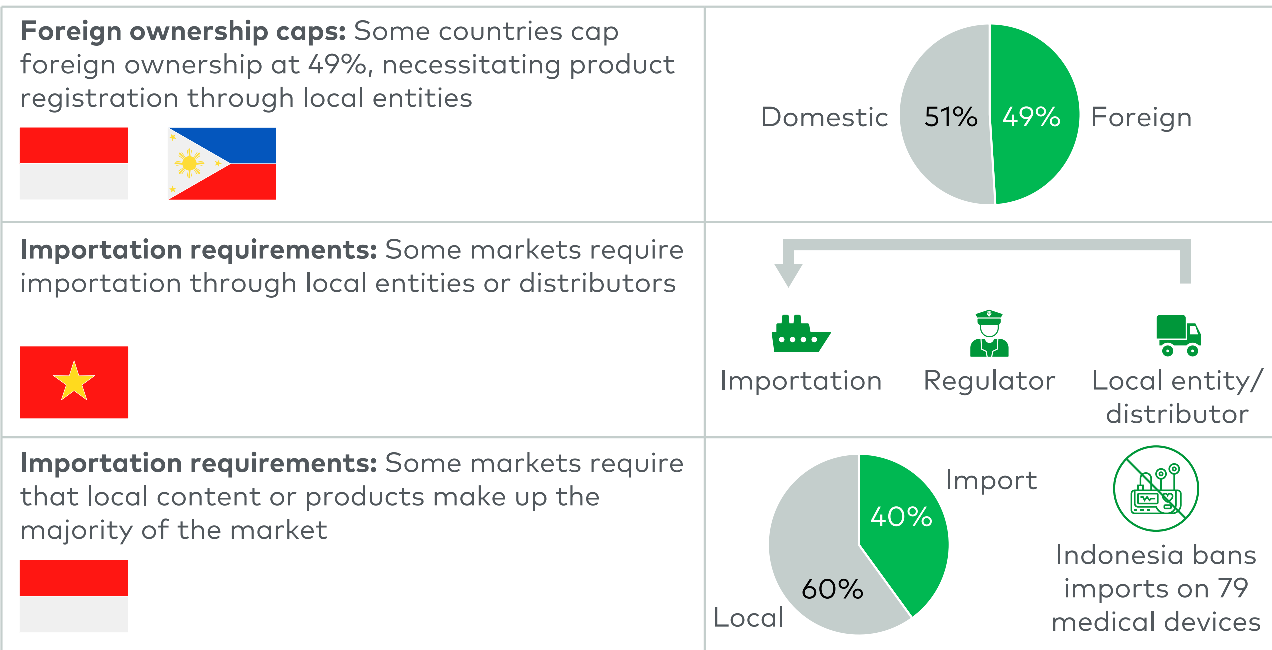
4. **Portfolio priorities:** Limited in-market experience and a focus on specific product segments drive the need for distributor partnerships. High-volume, repetitive-use products that do not require strong clinical engagement are particularly well-suited for local distribution.

With varying regulations, healthcare spending, economic conditions, and customer preferences, SEA demands flexible, market-specific strategies. Local distributors support this need with deep market insights and established networks.

Key factors driving increasing need for distributor partnerships include:

1. **Protectionist regulatory environment:** Many SEA countries maintain protectionist policies, requiring MNCs to work with local agents or legal entities for market entry, particularly in government procurement processes.

Figure 2



2. **Decentralized procurement processes:** Most SEA countries, except Singapore, Procurement is often fragmented, requiring local agents to access tenders. In countries, like Thailand and Philippines, local agents adeptly handle the administrative requirements of government tenders

3. **Complex logistics:** Geographical challenges (e.g., Indonesia, Philippines, Vietnam) and inadequate transport infrastructure make it costly for companies to build in-house distribution capabilities beyond major cities particularly ensuring reliable last mile deliveries in remote areas

4. **Account fragmentation:** The market landscape in SEA involves navigating both public and private healthcare systems, each with distinct procurement procedures and regulatory requirements. Tailored strategies are necessary to effectively serve each segment.

5. **Cultural sensitivity and language requirements:** Local agents/distributors are increasingly playing a role to ensure cultural nuances are considered to enable better communication with healthcare providers and regulators, improving marketing efforts in the local context. For example, in Vietnam, regulatory documents must be submitted in Vietnamese, and face-to-face interactions with hospital administrators and Ministry of Health officials are often expected as part of relationship-building

Section 2: Types of partnership models and decision framework

The choice of partnership model hinges on several factors, including the degree of ownership of commercial rights, internal capabilities, product portfolio complexity, and local market intricacies. Common models include:

Figure 3

Common types of MedTech partnership models with distributors

3PL logistics support

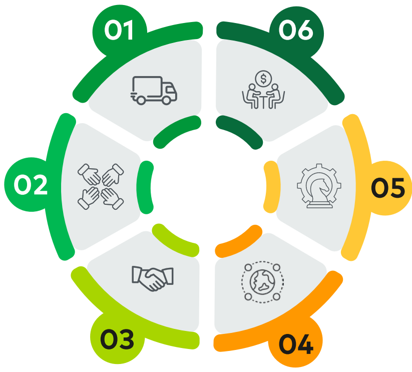
Use distributors or 3PLs only for transport and logistics

Non-exclusive distributor partnerships

Engage multiple distributors in the same market to ensure supply security, risk mitigation, and maintain competitive advantages

Exclusive distributor partnerships

Have exclusive agreement granting commercial rights to the local distributor for marketing and distribution in designated markets



Joint venture

Form joint ventures with vertically integrated market access partners for comprehensive services across the value chain

Hybrid strategic partnerships

Have shared responsibilities between principals (MedTech) and distributors, such as sales coverage differentiated by product segments or geography

Regionalized distribution agreements

Expand presence across geographies for established brand portfolio that may require less marketing effort

1. **Logistics only partnerships:** Medtechs with an established brand and local presence (e.g., HQ or marketing office) often retain commercial control while outsourcing only logistics to 3PL providers. Companies like Medtronic, GE Healthcare, Shimadzu, and Siemens Healthineers manage sales and marketing directly from regional hubs in Singapore, while appointing 3PLs for warehousing and transport

2. **Non-exclusive distributor partnerships:** Multiple distributors are appointed in the same market to ensure supply continuity, coverage breadth, and risk mitigation—especially in markets with fragmented healthcare systems or procurement channels. Principals tend to engage 1-3 local distributors for the same portfolio, as each has their strengths in different regions and local relationship is often required to secure tenders

3. **Exclusive distributor partnerships:** These are single partner models where commercial rights are granted to the local distributor for marketing and distribute on of agreed upon MNC product portfolio. Local distributors may further engage sub-distributors (with services limited to sales and invoicing) to achieve deeper penetration in provincial tenders and better local navigation. For example, in the Philippines, RBGM Medical acts as an exclusive partner for brands like Medtronic and Zeiss enabling deep market coverage across both public and private sectors via its 4PL capabilities

4. **Regionalized distribution agreements:** Medtechs often engage regional distributors to handle commoditized or well-established product lines across multiple countries, optimizing scale and consistency in execution. With strong financials to hold inventory and nationwide logistic infrastructure, regional distributors are often engaged by principals for mature and established brand portfolio that require less marketing (e.g., J&J sutures, Roche diagnostics) for 4PL services For example, IDS Med partners with Bioptimal to distribute critical care consumables across Singapore, Malaysia, Thailand, Vietnam, and the Philippines—leveraging Bioptimal's regional infrastructure and hospital network

5. **Hybrid strategic partnerships:** In SEA, medtechs often use hybrid distribution models—managing tier 1 cities in-house while outsourcing to local partners elsewhere. This allows them to retain control over key accounts and clinical engagement in major urban centers. In countries like Vietnam, local distributors are essential for navigating provincial tenders and extending reach beyond Hanoi and Ho Chi Minh City

6. **Joint venture:** medtechs may establish JVs with local market access players to accelerate penetration, often combining regulatory, manufacturing, and commercial capabilities. For example, Shockwave Medical entered a JV with Genesis medtech in China to localize registration, manufacturing, and commercialization of its Intravascular Lithotripsy platform—gaining faster market entry and supply-chain integration

Each model brings trade-offs between control, cost-efficiency, and speed-to-market. medtechs must evaluate local market size, regulatory hurdles, competition intensity, distributor capabilities, and their own strategic priorities to deter mine the most suitable structure.

Figure 4

Distributor partnership model	Pros	Cons
1 Logistics-Only Partnerships	• Medtech retains full commercial control, maintaining brand visibility and direct customer engagement. • 3PLs are leveraged purely for warehousing and transport, enabling logistical efficiency.	• Requires strong internal infrastructure and local teams to manage sales operations • Limited reach into remote or tender-driven markets.
2 Exclusive Distributor Partnerships	• Streamlined coordination with a single partner fosters aligned incentives and stronger commitment. • Local distributor capabilities enable deep tender access and provincial reach.	• High dependency on one partner poses business continuity risk. • Reduced flexibility to adjust commercial levers if performance is suboptimal.
3 Non-Exclusive Distributor Partnerships	• Broadens market reach through multiple channels, improving coverage and supply resilience. • Encourages competitive service levels across partners.	• Complex to manage and monitor multiple distributors concurrently. • Risk of intra-channel conflict and dilution of brand control.
4 Hybrid Strategic Partnerships	• Allows medtechs to retain control over key accounts while leveraging local partners for rural or tender segments. • Offers strategic flexibility in tailoring go-to-market by region.	• Operational complexity increases with dual-channel oversight. • Brand experience may vary across markets due to differing execution standards.
5 Joint Venture (JV)	• Accelerates market entry through localized regulatory, manufacturing, and commercial capabilities. • Aligns long-term interests and investments with a strategic local partner.	• Requires high upfront investment and ongoing governance oversight. • Potential for misalignment if partner capabilities or priorities shift.
6 Regionalized Distribution Agreements	• Enables consistent execution and cost efficiency across multiple markets for commoditized portfolios. • Reduces overhead by outsourcing logistics and inventory holding to capable regional players.	• Less tailored to market-specific dynamics, limiting flexibility. • May not be suitable for high-touch or newer products needing clinical engagement.

The choice of partnership model is closely tied to the capabilities and characteristics of the distributors. In SEA, the diversity of markets—ranging from developed economies with established healthcare infrastructure to emerging markets with unique logistical challenges—necessitates careful consideration of the types of distributors engaged.

Distributors in SEA can be classified by two key dimensions: geographic coverage (global, regional, national, or sub-national) and service breadth (ranging from core distribution to full-service offerings including regulatory, logistics, marketing, and after-sales support).

- **Regional full-service distributors** operate across multiple SEA markets, integrating regulatory, commercial, and operational support. They are essential partners for scaling across the region. For instance, IDS Med offers end-to-end services in SEA, supporting OEMs with compliance, technical services, and customer engagement
- **Regional core distribution distributors** focus on logistics and supply across multiple markets but offer limited support in regulatory or marketing functions. MedAid exemplifies this model, ensuring product availability in SEA and Hong Kong while relying on OEMs for customer-facing activities
- **National full-service distributors** serve as strategic local partners, especially for high-touch products needing deep market access. Medi-Life in Malaysia, for example, builds strong relationships with key accounts, enhancing competitiveness in public tenders
- **National core distribution distributors** provide efficient, cost-effective logistics within a single market, typically for low-touch products. Enseval Medika Prima (EMP) in Indonesia distributes medical consumables nationwide, ensuring broad access even in remote areas through a strong logistics network

Leveraging this multi-perspective decision-making framework ensures a comprehensive and informed approach to determining the type of partnership and selecting the right distributor for MedTech companies in SEA.

Figure 5
Assessment framework on type of partnership to pursue

Market nature and dynamics

- Regulatory environment
- Procurement process
- Market structure
- Account fragmentation
- Culture landscape
- Market size and growth potential
- Competitor landscape

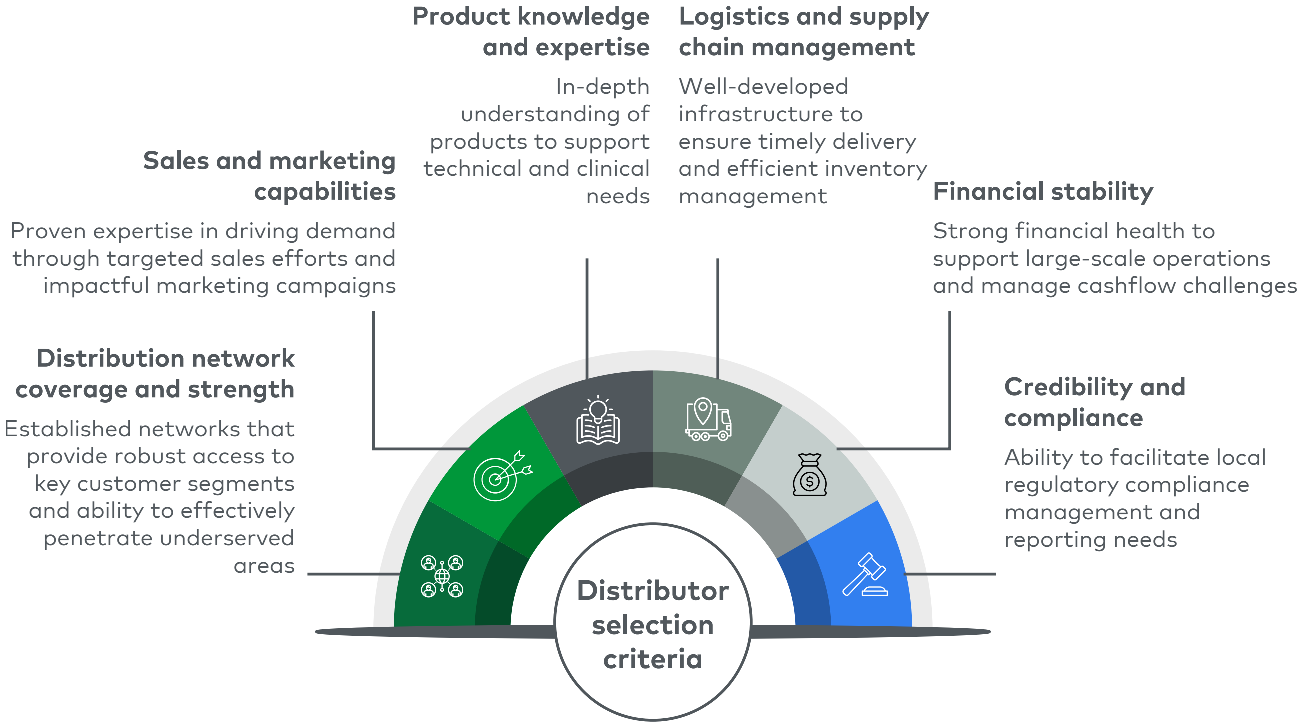
Alignment of strategy and goals

- Strategic goals and long-term vision
- Internal capabilities and resources
- Cashflow considerations
- Portfolio priorities

Financial considerations and extent of ownership

- Control and influence
- Ownership of equity
- Legal and contractual consideration
- Payment terms and conditions
- Revenue sharing

Figure 6
Distributor selection criteria



Section 3: Key Lessons for Successful Execution

The challenges faced by the MNC in its partnership with the distributor highlight key vulnerabilities that can arise when critical operational aspects like inventory management, market coordination, and accountability are not closely monitored. This example illustrates the importance of ongoing oversight and adaptability in maintaining successful distributor relationships, especially in a competitive market like MedTech. Drawing from these lessons, we can see how strategic management of partnerships is essential for MedTech companies operating in SEA.

Case Study: A MedTech Partnership Gone Wrong

In the competitive MedTech industry, partnerships with distributors are critical to market success. This case study examines how a global medical device company (MNC) encountered major issues in its partnership with a large distributor, which also operated as an original equipment manufacturer (OEM) in the endoscopy space.

The Partnership Setup

The MNC entered a 50/50 partnership with a distributor that offered complementary products. The MNC kept relationships with key hospitals, while the distributor was tasked with developing new accounts. A budget was allocated for co-marketing activities, with the expectation of annual purchase targets and a 5% growth rate.

The Problem Emerges

After several years of smooth operations, the distributor suddenly announced it could no longer make new purchases. Upon investigation, it was revealed that the distributor had over 12 months' worth of inventory and needed to liquidate at least half before placing more orders. At this point, the MNC had two options:

1. **Review and Address the Issues:** Investigate the cause of the inventory surplus and reassess the partnership's structure.
2. **Concede to the Distributor's Proposal:** The distributor offered to take over 100% of the accounts and revenue streams thus reducing the inventory/revenue by half, but taking control of distribution and customer relationships.

The Downward Spiral

Initially, local MNC leadership, under pressure from quarterly performance demands and internal changes, considered the distributor's proposal. However, regional leadership stepped in to conduct a deeper review, uncovering several critical issues:

1. **Lack of Data Transparency:** The MNC had little insight into the distributor's stock levels or market activities.
2. **Poor Account Coordination:** Misalignment between the MNC and distributor regarding account management.
3. **No Accountability:** The distributor had no strong incentives to sell the MNC's products, prioritizing its own product line instead.

As a result, the MNC realized it had effectively relinquished control of its products without securing the distributor's full commitment, leading to significant market setbacks and a damaged reputation.

Lessons Learned

1. **Due Diligence:** Thoroughly assess the distributor's capabilities and potential conflicts before entering a partnership.
2. **Ongoing Monitoring:** Ensure data transparency and regular performance reviews.
3. **Incentive Alignment:** Make sure the distributor's goals are aligned with the success of your products.
4. **Flexibility:** Be prepared to renegotiate terms as market conditions evolve.

Case Study: Distribution model revision for a global medical device company in the disposable syringes space in Indonesia

In a highly competitive and logistically complex market such as Indonesia, the strategic distribution planning, deliberate partner selection, and the design of an effective distribution model is critical for effective market penetration.

The Partnership Setup

A leading global MedTech (MNC) was underperforming in its disposable syringes market, losing shares mainly in the provincial areas of Indonesia. The MNC has been relying on numerous sub-distributors and wholesalers operating under non-exclusive partnerships, focusing solely on product distribution and logistics.

The Problems Uncovered

L.E.K. identified root causes in the MNC's distribution model hindering further growth, including limited margins passed on to distributors to cover larger geographies, inadequate end-user promotion, and limited direct customer coverage and engagement.

The Solutions

L.E.K. recommended adopting a full-service, multi-distributor model to address the MNC's challenges. This approach resolved issues associated with market coverage, profit margins, and product advocacy by:

- Reducing high logistics costs through the elimination of unnecessary intermediaries
- Partnering with full-service distributors that provided comprehensive support beyond logistics, improving market share in underperforming regions
- Enhancing direct customer coverage and optimizing channel and geographic reach by leveraging the strengths of each distributor

Lessons Learned

1. **Tailor distribution model to market needs:** A tailored distribution approach aligned with local market needs is critical to drive market growth and maximize efficiency
2. **Partner selection matters:** Collaborating with the right distribution partners capable of providing necessary services and market coverage is critical. MNCs could achieve efficiency through multiple distributors, with sufficient planning on clear responsibilities for each distributor.
3. **Eliminating inefficiencies enhances competitiveness:** Streamlining the distribution chain by eliminating unnecessary intermediaries reduces logistical costs without significant drawback on market performance given through planning and right partner selection
4. **Collaborative partnerships yield long-term benefits:** Non-exclusive and fragmented partnerships dilute focus and commitment.

Closing thoughts

SEA offers vast potential for medtech growth, but its fragmented markets and complex regulations demand flexible, locally attuned strategies. Distributor partnerships are central to this effort, providing the reach, expertise, and agility that multinational companies need to succeed.

Building resilient distribution models require careful due diligence, strategic alignment, and ongoing performance oversight. The rise of hybrid approaches, regionalized agreements, and full-service partnerships underscores the importance of flexibility and local adaptation. By carefully selecting and managing these partnerships, MNCs can navigate the complexities of SEA markets and achieve sustainable growth.

Additional reference:

1. Unlocking Future Growth: APAC Medtech Outlook 2025
2. Southeast Asia Hospital Insights Survey (2025)
3. Fueling the APAC Medtech Innovation Engine: An Ecosystem Investment

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