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## Sterilab Company: They Cannot Do It Alone

It was an ordinary day at the office for Orlie Pajarillo, chief operating officer of Sterilab Company, an importer and distributor of laboratory consumables based in Sikatuna Village, Diliman, Quezon City, Philippines. He was reviewing financial reports and found himself very satisfied with the company's revenue. After stepping up the company's efforts in the Philippine market, it was evident the sales team was doing well. However, he had discovered something that made him realize the industry was getting more competitive.

Orlie was doing fieldwork to see how the company's products were performing. On one of his trips, he learned that one of the products Sterilab distributed was also being distributed by another company. The manufacturer of the product was supposed to be an exclusive partner of Sterilab, but was sending its products to other Philippine distributors. Furthermore, the other distributors offered lower prices for the products. As a result, Sterilab had no choice but to implement a price strategy to sustain its relationships with its clients.

Orlie now understood that the distributing industry playing field in the Philippines was changing. Even though his sales team was exerting much effort in the market, it was not enough. It was crucial for Orlie to think critically about strategies that would allow the company to compete.



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## The Sterilab Company

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### History

Orlando Pajarillo owned two companies that imported medical supplies: Impexcos Company, which focused on hospital disposables and devices, and Hospitec Company, which focused on hospital equipment. These two businesses had shown great potential in the industry, so the businessman began thinking about entering other segments within the industry.<sup>1</sup>

On August 8, 2007, Orlando decided to start Sterilab Co. as an extension of his business portfolio. He gave the responsibility of managing the business to his son, Orli.<sup>2</sup> Orli's strategy of managing the business was based on its mission which was:

"Sterilab Co. aims to help improve the quality of laboratory services in the Philippines. It caters to all consumer groups in the Philippine market at affordable prices while maintaining reasonable margins for the company. We are committed to providing value to our customers through continuous improvements in quality, cost, delivery, customer services and social accountability."<sup>3</sup>

The mission of the company was supported by the values of the business — operating in accordance with the highest standards in all relationships with customers, suppliers, the environment, and the community.<sup>4</sup>

### Industry

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According to the 2009 Philippine Standard Industrial Classification, Sterilab belonged to the G47722 group, which included retail sales of medical, surgical and orthopedic goods/instruments, and dental supplies. Businesses that belonged to this group were generally competitors of Sterilab.<sup>5</sup>

According to the Philippine Food and Drug Administration, the regulator of the importation of all health products in the country, there were a total of 1,222 registered and accredited medical device distributors in the country.<sup>6</sup> Based on Memorandum Order No. 15-2009, entitled the Revised Regulations and Accreditations of Importers, the Philippine government made it easier for those who planned to be an accredited importer of the Department of Industry and Trade (DTI). This was due to a minimization of the requirements for applications for new importers.

The revisions in the regulations and accreditations of importers had a positive effect in the Philippine market, making industries more competitive. It was also beneficial to international manufacturers that provided the medical supplies to local distributors.

According to the DTI,<sup>7</sup> the following countries were the Top 10 suppliers to the Philippines for medical supplies/devices (see **Appendix A** for the data):

1. China
2. USA
3. Japan
4. Taiwan
5. Singapore
6. South Korea
7. Thailand
8. Malaysia
9. Indonesia

## 10. Germany

These international suppliers could now choose from the different accredited local importers and distributors without limiting themselves to just one. This was due to the increasing competition in the industry. This is what Sterilab Co. had experienced with the supplier that did not offer exclusive distribution. Aside from the lack of exclusivity, the international suppliers had the capacity to limit price discounts due to the wide number of potential distributors in the country. As a result, the local distributors were competing in terms of price to capture the larger share of local clients.

### Target Market and Suppliers<sup>i</sup>

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Sterilab aimed to cater to all relevant consumer groups in the Philippine market. Thus, the target market of the business included private hospitals, public/government hospitals, and local retailers and distributors. During the first months of operations, the company decided to put a limit on the geographical coverage of its operations due to the lack of manpower and limited inventory. The center of its operations was in Metro Manila. Given the opportunities outside Metro Manila, the company tried penetrating nearby provinces until it decided to open a satellite office in Cebu City. This allowed the company to penetrate the Visayas-Mindanao Region of the country. To properly address the needs of this very broad target market, Sterilab Co. ensured that it had a complete set of products. According to its product list for 2016, Sterilab's product line extended from laboratory consumables to reagents<sup>ii</sup> (see **Appendix B** for the complete product list of Sterilab Co.).<sup>8</sup>

To further develop its product line and continuously offer high quality products, Sterilab actively participated in international and local trade conventions. Through its participation it also aimed to look for suppliers who offered the most affordable products.<sup>9</sup>

Eighty-five percent of the company's products came from China, the country offering the most affordable manufacturing. The rest came from the USA, South Korea, Germany, Austria, India, and Turkey.<sup>10</sup>

### Keys to Success

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In addition to providing affordable products with the highest quality possible, Orlie acknowledged the importance of the company's sales team to the success of the business. They were the ones who looked for potential clients. However, due to the limited capacity of the company to pay for the salaries of its employees, it had a total of 20 full-time employees only (see **Appendix C** for Sterilab's organizational chart). From this group, only six were on the sales team<sup>11,iii</sup>

The sales team was led by a sales manager who was responsible for tracking the performance of her subordinates in terms of their sales quota, which was Php 500,000 (USD 10,825)<sup>iv</sup> per month. She reported to Orlie. Five product specialists were assigned to customer relations. One was assigned to customers who belonged to the public/government sector, one was assigned to the Cebu Branch, and three were assigned to customers in the private sector.<sup>12</sup>

i For the protection of Sterilab Co., the lists of actual customers and suppliers are kept confidential.

ii Mixtures used in chemical analysis or other reactions.

iii For the protection of the identity of employees, names are not cited on this case.

iv 1 USD = Php 46.189 as of 15 June 2016.

Product specialists were tasked with developing the customer base of the company. They did fieldwork in order to identify potential clients. They also participated in trade shows to introduce the company's products to a larger market and identify potential clients.<sup>13</sup>

After identifying potential customers, the product specialists presented products via telemarketing, e-mail, or promotional materials (see **Appendix D** for samples of Sterilab's promotional materials). If a deal was closed, the product specialists coordinated with the logistics and accounts departments to process the order. If the product bought by the customer was medical equipment, the order would also go to the engineering department to determine to proper installation.<sup>14</sup>

As a reward, Sterilab gave a 1% commission to the sales team on top of their monthly base salaries which ranged from Php16,000 (USD 346) to Php18,000 (USD 389).<sup>15</sup>

The hard work of the sales team was evident with the increasing sales revenue of Sterilab Co. each year (see **Table 1**).

**Table 1**

Estimated Monthly Sales Revenue of Sterilab Co.

| Year | Estimated Monthly Sales Revenue |
|------|---------------------------------|
| 2010 | Php 1,500,000                   |
| 2011 | Php 2,000,000                   |
| 2012 | Php 2,500,000                   |
| 2013 | Php 3,000,000                   |
| 2014 | Php 4,000,000                   |
| 2015 | Php 5,000,000                   |

Source: Orlie Pajarillo. Chief Operations Officer of Sterilab Company.

## The Challenge

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Orlie was highly satisfied with how the company was performing due to the efforts of the sales team. However, the Philippine market was gradually changing because the Philippine government was accrediting more industry players. The increasing number of local distributors allowed international suppliers to reach more markets by ridding the market of exclusivity.<sup>16</sup>

Despite the hard work exerted by the sales team, Orlie was also aware that the company's budget for the team was much less than the larger distributors, which limited the company's market reach. In addition, the company had a limited budget to promote its products. Sterilab Co. was still implementing a traditional direct marketing approach through telemarketing and product presentations.<sup>17</sup>

With these weaknesses, Orlie wondered how he could sustain the increasing sales revenue of the business. What marketing strategy should he deploy to address these challenges? Aside from direct marketing/telemarketing, what other channels could Sterilab use to promote it products considering its limited manpower and budget?

## **Acknowledgements**

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The author thank Orle Pajarillo, COO of Sterilab Co., for his assistance and insights in the creation of this case.

## Appendix A

### Philippine Merchandise Imports Value in USD

| COVERAGE     | JAN TO NOV 2014    | JAN TO NOV 2015    |
|--------------|--------------------|--------------------|
| <b>WORLD</b> | <b>142,502,918</b> | <b>181,459,677</b> |
| China        | 22,387,926         | 26,868,976         |
| USA          | 15,462,065         | 23,821,759         |
| Japan        | 11,236,310         | 10,652,626         |
| Taiwan       | 3,373,903          | 3,497,635          |
| Singapore    | 24,668,024         | 34,320,017         |
| South Korea  | 2,683,841          | 3,159,419          |
| Thailand     | 2,614,543          | 3,423,190          |
| Malaysia     | 7,857,709          | 12,671,239         |
| Indonesia    | 284,618            | 473,472            |
| Germany      | 21,016,670         | 23,842,546         |

*Source: Based on International Trade Data from the Philippine Statistics Authority as processed by the Department of Trade and Industry-Export Marketing Bureau on 23 Feb. 2016.*

## Appendix B

### Sterilab Co.'s Product List 2016

| PRODUCT  | ORIGIN        |
|--|---------------|
| Microscope Slides                                    | China         |
| Cover Glass  | China/Germany |
| Transfer Pipettes                                    | China         |
| Test Tubes   | China         |
| Culture Tubes  | China         |
| Centrifuge Tubes                                     | China         |
| Micro Centrifuge Tubes                               | China         |
| Cryogenic Tubes                                      | China         |
| Tube Stoppers  | China         |
| Test Tube Brush                                      | China         |
| Embedding Rings                                      | China         |
| Tissue Cassettes                                     | China         |
| Histology Tissue Base Molds                          | China         |
| Specimen Container                                   | China         |
| Wash Bottle  | China         |
| Petri Dishes   | China         |
| Inoculation Loops and Needle                         | China/Germany |
| Cervical Brush                                       | China         |
| Counting Chamber                                     | China/Germany |
| Blood Diluting Pipettes                              | China/Germany |
| EST Pipettes   | China         |
| Sealer   | Denmark       |
| Bacterial Cell Spreader                              | China         |
| Jars   | China         |
| Racks and Dispenser                                  | China         |
| Pipette Tip Racks                                    | China         |
| PCR Tube and Micro Centrifuge Rack                   | China         |
| Microplates  | China         |
| Staining Plate                                       | China         |
| PCR Tubes  | China         |
| Microscope Slide Wallets, Dispenser, and Storage Box | China         |
| Mechanical Pipette                                   | China         |
| Pipette Tips   | China         |
| Pipette Stand  | China         |
| Labware Drying Rack                                  | China         |
| Magnifying Glass                                     | China         |
| Glass Writing Diamond                                | Germany       |
| Parafilm   | USA           |
| Paraffin Wax   | Netherlands   |
| Filter and PH Indicator Paper                        | China         |
| Needle Adaptor                                       | China         |
| Tourniquet   | China         |
| Safety Container and Biohazard Bags                  | China         |
| Laboratory Thermometer                               | China         |
| Laboratory Timer                                     | China         |
| Dragon Lab Equipment                                 | China         |
| Urine Analyzer                                       | South Korea   |
| Transport Swabs                                      | China         |
| Blood Collection Tubes                               | China         |
| Capillary Blood Collection Tubes                     | China         |
| Urinalysis Reagent Strips                            | South Korea   |
| Glucose Drink  | USA           |

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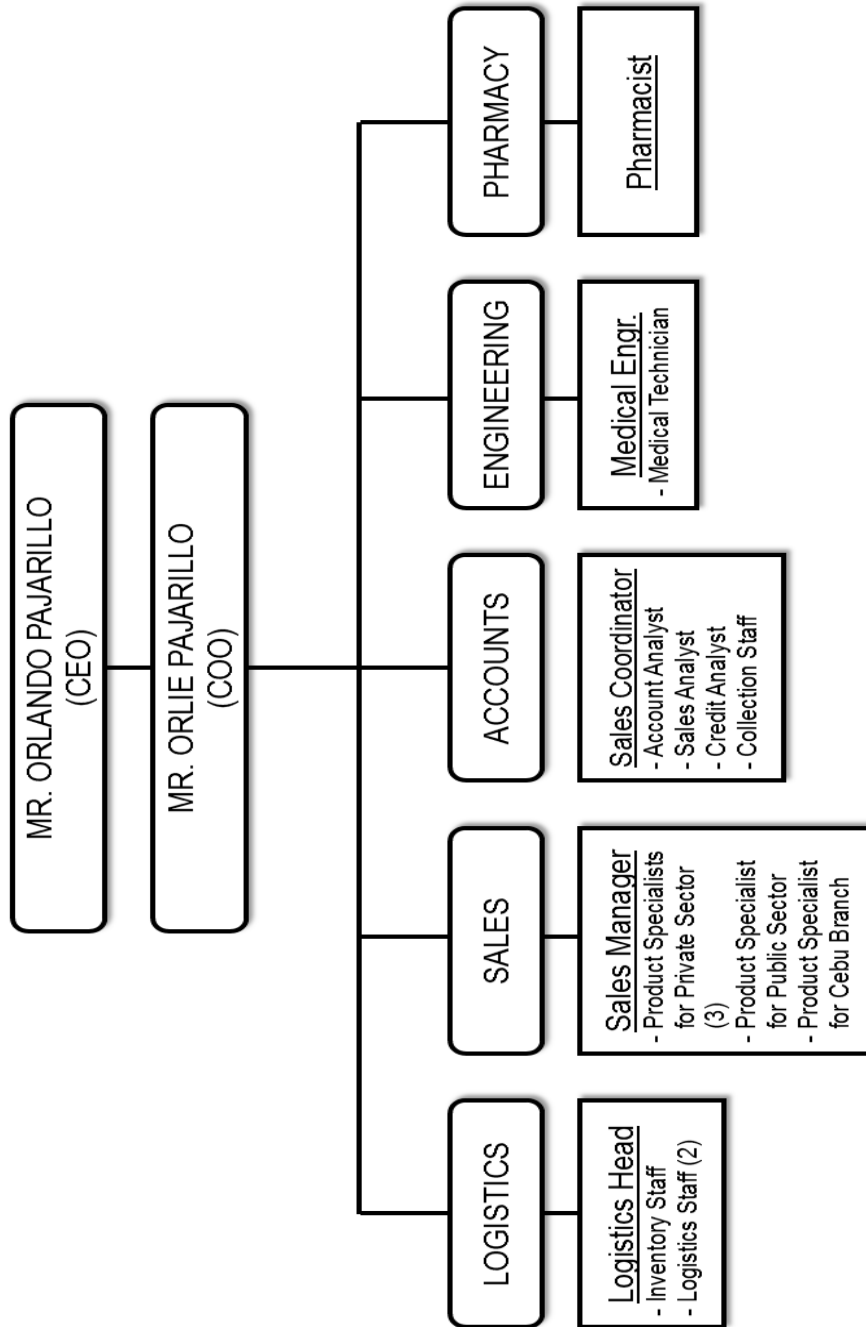
|                       |               |
|-----------------------|---------------|
| Needles               | China         |
| Stat Fax Machine      | USA           |
| Laboratory Glassware  | China         |
| Chemistry Reagent     | India         |
| Clindiaq Reagents     | Austria/China |
| Diagnostics Equipment | Turkey/India  |

Source: *Sterilab*



Appendix C

Sterilab Organizational Chart



Source: Sterilab

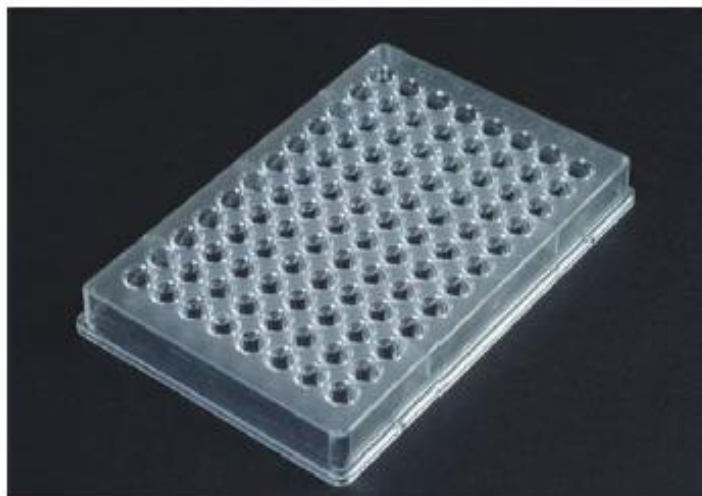
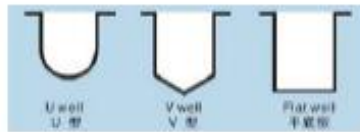
## Appendix D

### Sterilab Promotional Materials

**sterilab co**

Room 203 ORMED Building 121-A V. Luna Extension Road  
Sikatuna Village, Diliman, Quezon City  
Tel. # 02-355-3728

- Microplates 96 wells with "U" shape bottom  
Polystyrene, 200pcs/carton
- Microplates 96 wells with "V" shape bottom  
Polystyrene, 200pcs/carton
- Microplates 96 wells with "FLAT" shape bottom  
Polystyrene, 200pcs/carton

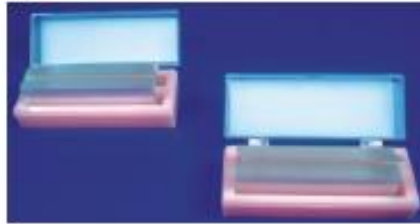


|   |   |  |   |
|---|---|--|---|
|    |    |    |    |
| Assistant Cover Glass   | Disposable Blood Lancet   | Urine Specimen Container   | Sterilab Petri dish, Polystyrene  |
|    |    |    |    |
| Assistant Specimen Container  | Vitrex Micro Hemocrit Tubes, Soda Lime  | Staining Glass Jar with Lid Staining Rack  | Sterilab Microcentrifuge Tube, Molded Graduation                                      |
|    |    |    |    |
| Feather Microtome Blade   | Tips for Pipette  | Disposable Transfer Pipettes, Graduated  | Cover Glass   |
|   |   |   |   |
| Sterilab Centrifuge Tube, Printed Graduation  | Sterilab Embedding Ring and Tissue Cassette   | Sterilab Test Tube, Borosilicate Glass   | Multi-purpose Test Tube Rack  |
|  |    |  |  |
| Coplin Jar, Glass   | Sterilab Microscope Slides  | Dragon Med Mechanical Pipette  | Differential Blood Counter  |
|  |    |  |  |
| Branden Vacuum Collection Tubes   | <p>Rm 203 Ormed Building 121 A V Luna Extension Rd.<br/>                     Sikatuna Village, Diliman, Quezon City 1100 Philippines<br/>                     Phone: +632 434 7383, Fax: +632 929 6630<br/>                     Email: info@sterilab.com.ph Web: http://sterilab.com.ph</p> |  | Sterilab Culture Tube, Borosilicate Glass   |



Rm. 203 Ormed Bldg., 121-A V. Luna Extension Rd.

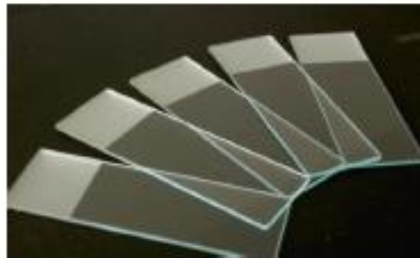
Sikatuna Village, Diliman, Quezon City



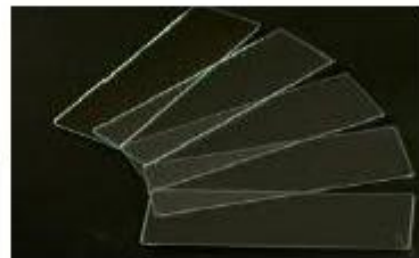
**COVER GLASS**



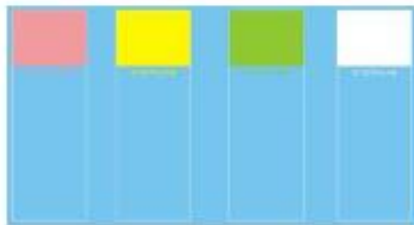
**Hemacytometer Cover Glass 24x24**



**MICROSLIDES FROSTED**



**MICROSLIDES PLAIN**



**COLORED MICROSLIDES**



**COVER GLASS**



**MICROSCOPE SLIDES**



**COVER GLASSES**

**sterilab co.**



**MEDICINE CUP**

**DEFINITION :** It has very good transparence, has many type scale units, For example ml, oz and so on. This cup without lid.

**SIZE :** 30mL

**BRAND :** STERILAB

**COUTRY OF ORIGIN :** CHINA

Room 203 ORMED Building 121-A V. Luna Extension Road Sikatuna Village Diliman Quezon City  
Tel# +63 2 355 3728 / 322 6655 Telefax# +63 2 434 7383

Source: Sterilab

## Endnotes

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- 1 Pajarillo, Orlic. Chief Operations Officer of Sterilab Company. 16 April 2016.
- 2 Pajarillo.
- 3 Pajarillo.
- 4 Pajarillo.
- 5 National Statistical Coordination Board. "2009 Philippine Standard Industrial Classification." 30 Apr. 2010.
- 6 Philippine Food and Drug Authority. Medical Device Manufacturers, Distributors, and Trades. Accessed 19 May 2016.  
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