

Mercato sanitario cinese: quali opportunità per le aziende Italiane ?

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Vice Presidente Camera di Commercio Italiana in Cina

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Drastic measures helped China to control the epidemic

Asia Today: Shanghai outbreak prompts 2 hospital lockdowns



Police officers and workers in protective suits close off a neighborhood as it is placed under lockdown in Shanghai, China, Thursday, Jan. 21, 2021. Shanghai has imposed lockdowns on two of China's best-known hospitals and some surrounding residential communities after they were linked to new coronavirus cases. (Chinatopix via AP)

In **China**, from **3 January 2020** to **2:03pm CET, 7 March 2021**, there have been **102,064 confirmed cases** of COVID-19 with **4,848 deaths**, reported to WHO. As of **27 February 2021**, a total of **52,520,000 vaccine doses** have been administered.

China Situation

102,064
confirmed cases

4,848
deaths

February 21, 2020

75,571 Confirmed Cases

892 Daily Increase

1.19% Daily Change

Jun 30

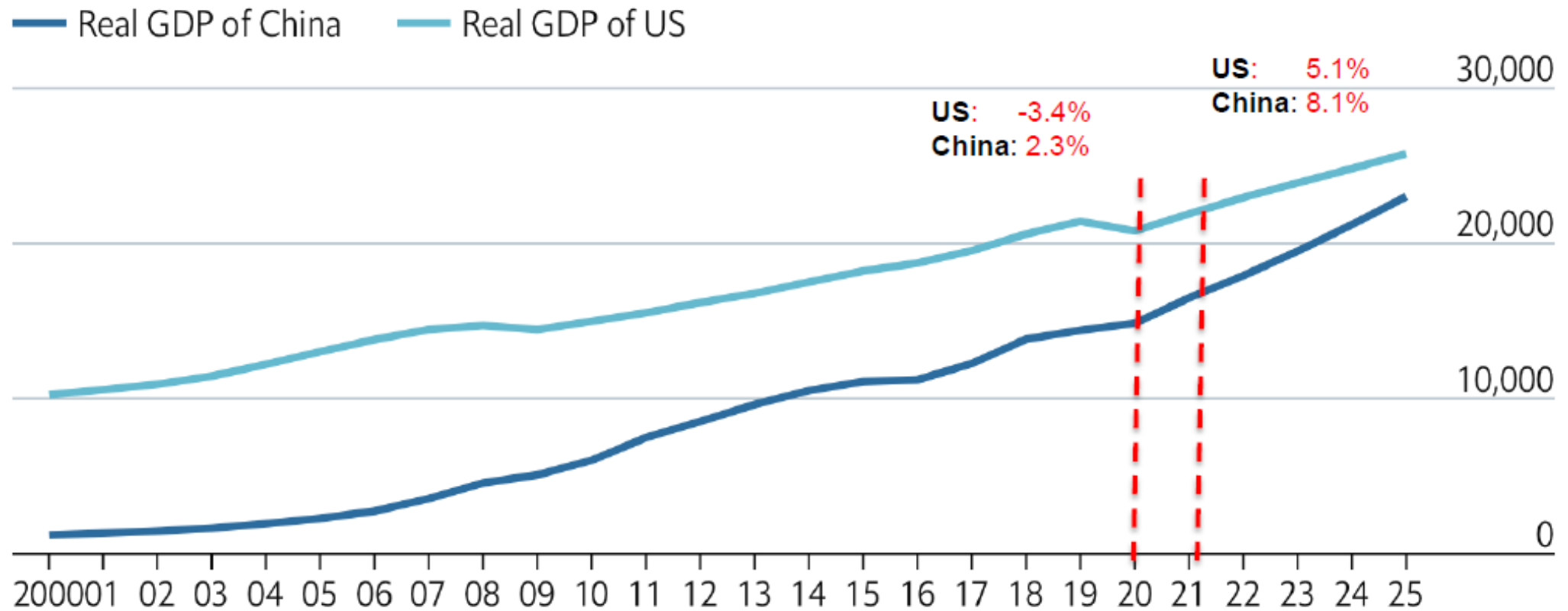
Sep 30

Dec 31

Daily

Week

Economy trend: the gap between China and USA will continue narrowing

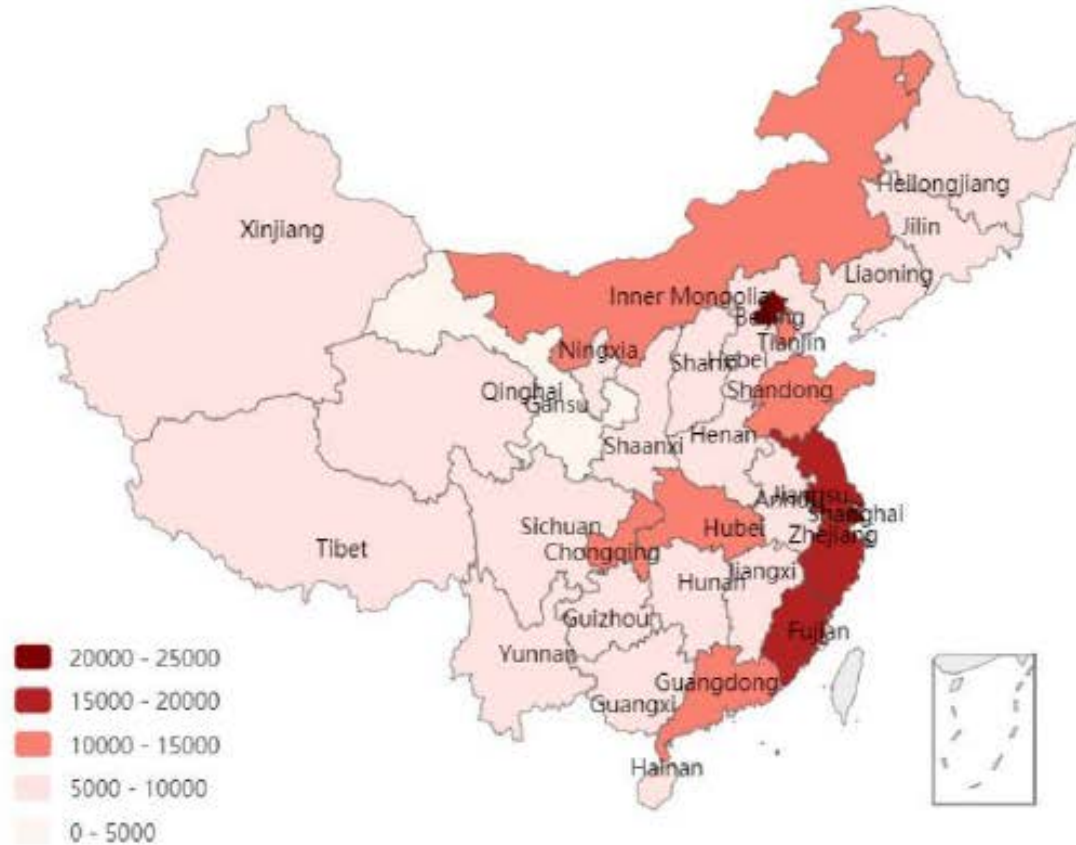


Source: International Monetary Fund.

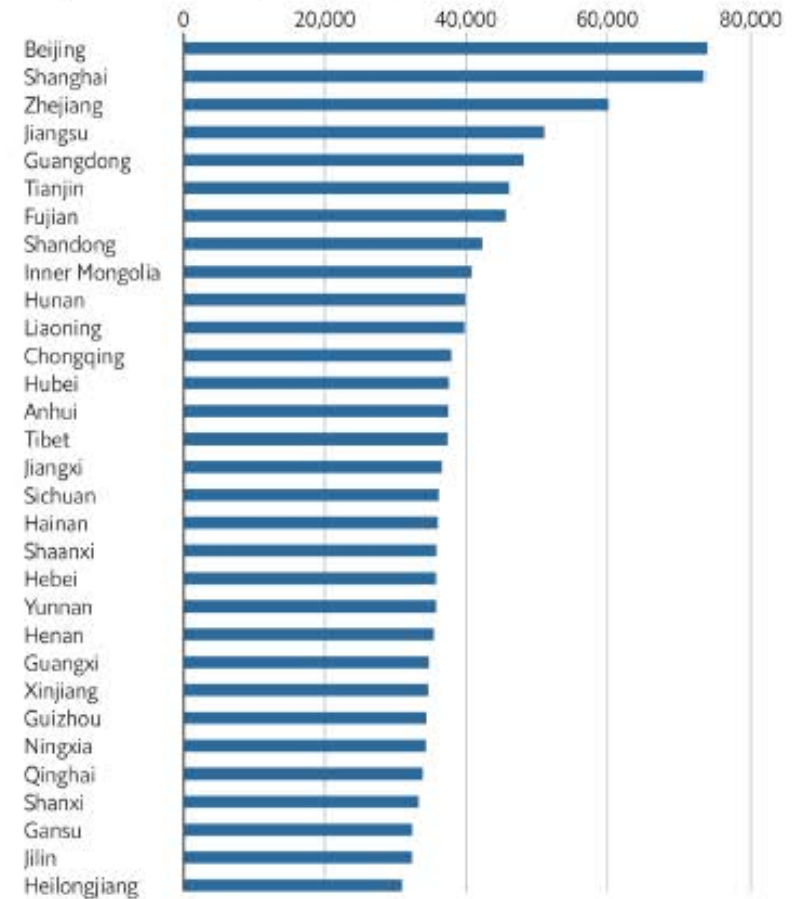
*Measured as billions of current US dollars. Forecast starts in 2020.

China is huge and diverse

Chinese Province: GDP Per Capita (USD)



Disposal income per capita (urban), 2019



Source: Economist Intelligence Unit.

*Measured as current price.

The pharma and medical devices market

Revenue Breakdown of the Pharmaceutical Industry in China 2018, by segment (in billion yuan)

Active pharmaceutical ingredient (API) manufacturing

384.33

Pharmaceutical preparations manufacturing

871.54

Chinese herbal decoction piece processing

171.49

Chinese patent drug manufacturing

465.52

Biological medicine manufacturing

244.3

Sanitary and medical product manufacturing

178.47

Pharmaceutical machinery manufacturing

16.13

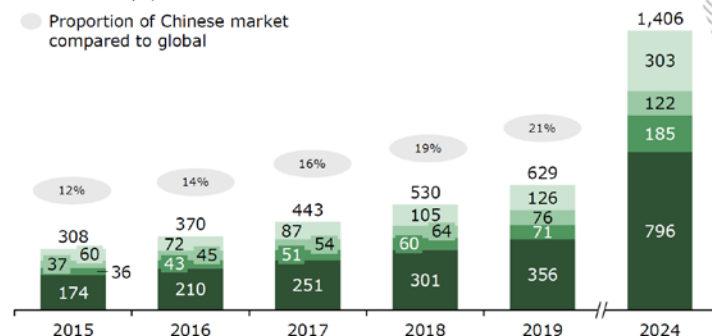
Committed to Science,
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Market size of medical device in China (15-24F)

Unit: billion RMB; %

	15'-19' CAGR	19'-24' CAGR
High-value consumable	20%	19%
Low-value consumable	19%	10%
IVD	18%	21%
Medical equipment	19%	17%

Proportion of Chinese market compared to global



Source: E-share; Blue book of medical device industry in China, EIU; Deloitte research, analysis & interview

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Growth drivers

Demand

Aging population and increasing prevalence of chronic disease

Increasing wealth and healthcare spending

Proliferation of health-care clinic and hospitals

Supply

Increasing number and scale of local manufacturers

Regulation

Hierarchical medical system reform (more clinics are needed)

Zero premium on drugs (alternative revenue sources are needed)

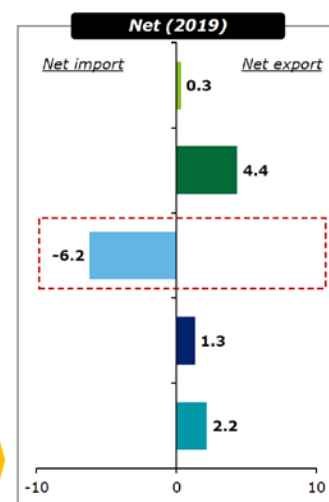
Import & export value by category¹

Unit: bn USD

Medical dressing, Diagnostic and therapeutic equipment, Dental equipment and materials, Medical consumables, Health and rehabilitation products



Note: (1) Classification method according to the medical device categorization of customs import and export database. (2) Medical dressing refers to medical materials used to cover a sore, wound, or other injury, including natural gauze, synthetic fiber dressing, etc.
Source: Customs import and export database; Deloitte research and analysis



Project ITA Final Report

14th five year plan

14th Five-Year Plan Highlights

北京周报
BEIJING
REVIEW



Improving the quality and effectiveness of development and maintaining sustained and healthy economic growth



Pursuing innovation-driven development and accelerating modernization of the industrial system



Creating a robust domestic market and fostering a new development pattern



Advancing rural revitalization across the board and improving the new urbanization strategy



Improving regional economic structures and promoting coordinated regional development



Advancing reform and opening up across the board and bolstering the momentum and vitality of development



Promoting green development and ensuring harmony between humanity and nature



Improving people's wellbeing and striving for common prosperity



Ensuring both development and security and ushering in a new stage in building a Peaceful China



(Source: Report on the Work of Government and Reform; designed by Pamela Tobey)

2021 NDRC Plan

1. Implementing the policy of preventing inbound cases and domestic resurgences while ensuring effective routine **Covid-19 control**
2. Accelerating the development of science and technology toward greater self-reliance and working to upgrade industrial foundations and modernize industrial chains
3. Executing the strategy of **expanding domestic demand** and accelerating the creation of a strong domestic market
4. Advancing reform in key sectors and links and promoting better **interplay between an efficient market and a capable government** (negative list, IP, data security...)
5. Promoting high-standard **opening up** and developing new institutions for a higher-level open economy (FDI, BRI, global economy governance, ...)
6. Stepping up **rural revitalization** in all areas and steadily promoting the modernization of agriculture and rural areas
7. Promoting **coordinated regional development** and optimizing China's use of territorial space and relevant supporting systems
8. Accelerating **green** and low-carbon development and strengthening **ecological conservation**
9. Further improving **public wellbeing** and ensuring that our people lead happier, more satisfying, and more secure lives (income, housing, education, **elderly care, healthcare, sport**)
10. Coordinating development and **security** and guarding against and defusing risks in key sectors (food supply, energy, financial security, HK/Taiwan)

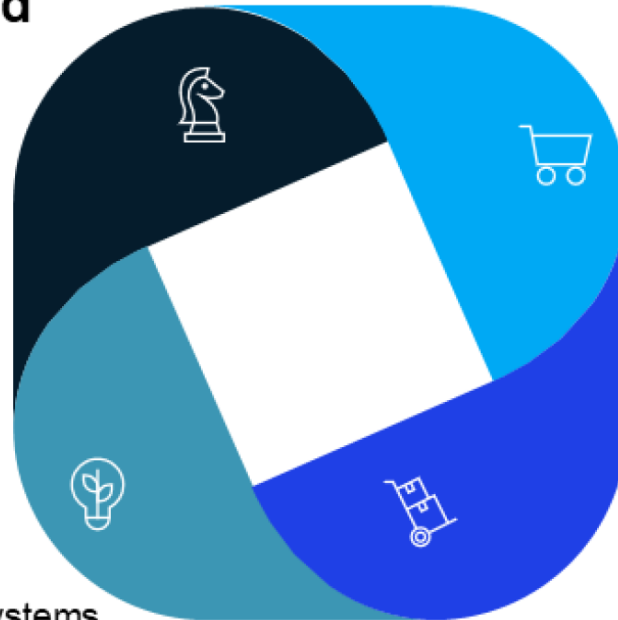
The Chinese Healthcare market has a strategic value

China as an emerging source of **talent** and **capital** for the world

Senior management positions in MNCs are shifting to Asia/China as their center of gravity moves and HQs accept the trend
Chinese investors deploy increasing capital outside of China

China as a rising source of global **innovation**

Product innovation is on the rise, with greater integration in global innovation ecosystems
Critically, business model innovation is also gaining momentum in particular around Digital/customer engagement and experience



China as a top 2 global **consumption** market

China is #1 or #2 in an increasing number of categories with the rise of Chinese consumer predicted to re-enforce that trend

MNCs derive substantial share of their revenues from China – up to being their #1 end market

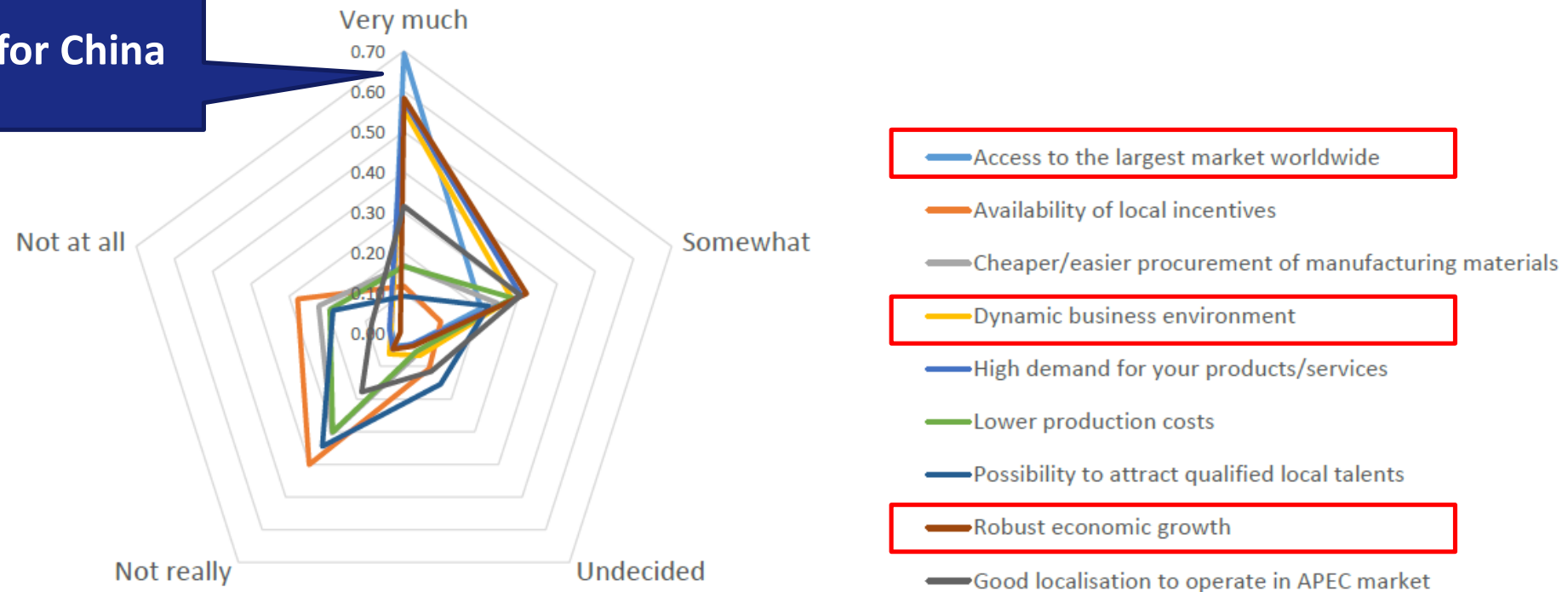
China as a key enabler of the Global **supply chain**

China is at the center of the Global supply chain with logistics platforms such as the Greater Bay area

What about the Italian companies?







Italian Chamber of Commerce in China
Business Survey December 2020

In China for China



Main issue: local competition

Local players are strengthening their presence mainly through multiple levers

	Portfolio Expansion	<ul style="list-style-type: none">Increased R&D as well as inorganic portfolio expansion through mergers and acquisitions both in China and globally
	Local Policies Leverage	<ul style="list-style-type: none">Use local high and new technology status to accelerate product registration as well as gain success in local tendering and listing under the sunshine policies
	Robust Channel Management	<ul style="list-style-type: none">Many players start as distributor and then move into upstream manufacturing. Channel management is their core strength
	Prompt Decision Making And Execution	<ul style="list-style-type: none">Efficient local decision making process and strong execution culture across integrated R&D, manufacturing platform
	Aggressive Scale Play	<ul style="list-style-type: none">Most local players are still at hyper growth mode, willing to trade off profitability for scale
	Expand Global Footprint	<ul style="list-style-type: none">Leading players already made solid step into global arena, taking market share from traditional MNC players

New opportunities: healthcare services and training

Physical healthcare services

- Premium healthcare (including medical tourism after 2022)
- Specialty chains

Digital healthcare services

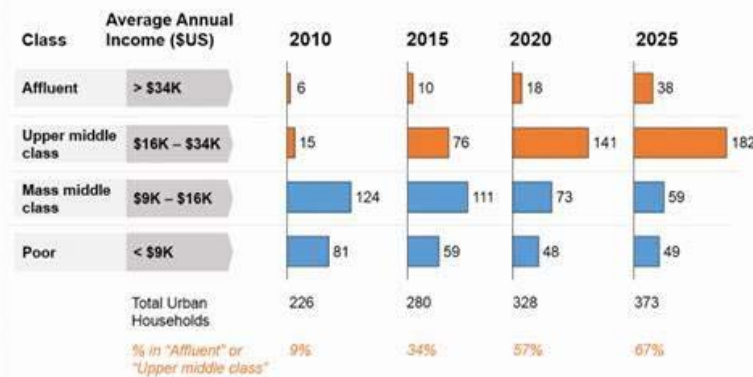
- Wearable devices/ Home care
- Mobile health/ Online hospitals/pharmacies
- Telemedicine
- Clinical decision support

Training

- Healthcare management
- Preventive medicine

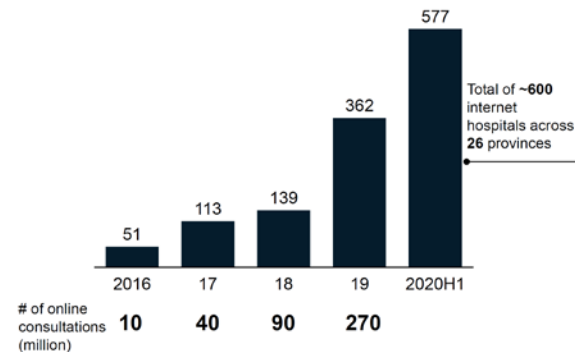
China's Middle Class: >230M Affluent or Upper Middle Class Households by 2025

Urban households in China (million)



Source: Based on McKinsey analyses for 2000, '02, '10, '13, '20, '22, and Mobile Forward estimates.

Registered internet hospitals and online consultations by year



Two main types of internet hospitals



Online Basic Medical insurance (BMI) settlement currently implemented in 71 internet hospitals, majority being hospital-led



How the Italian companies should be equipped

Preparation

+

Resource allocation

+

Localization

Preparation

- Knowledge
 - Regulation
 - Market
 - IP
 - Digital environment
- Competencies
 - Cultural/ “Political”
 - Soft skills
 - Diversity management



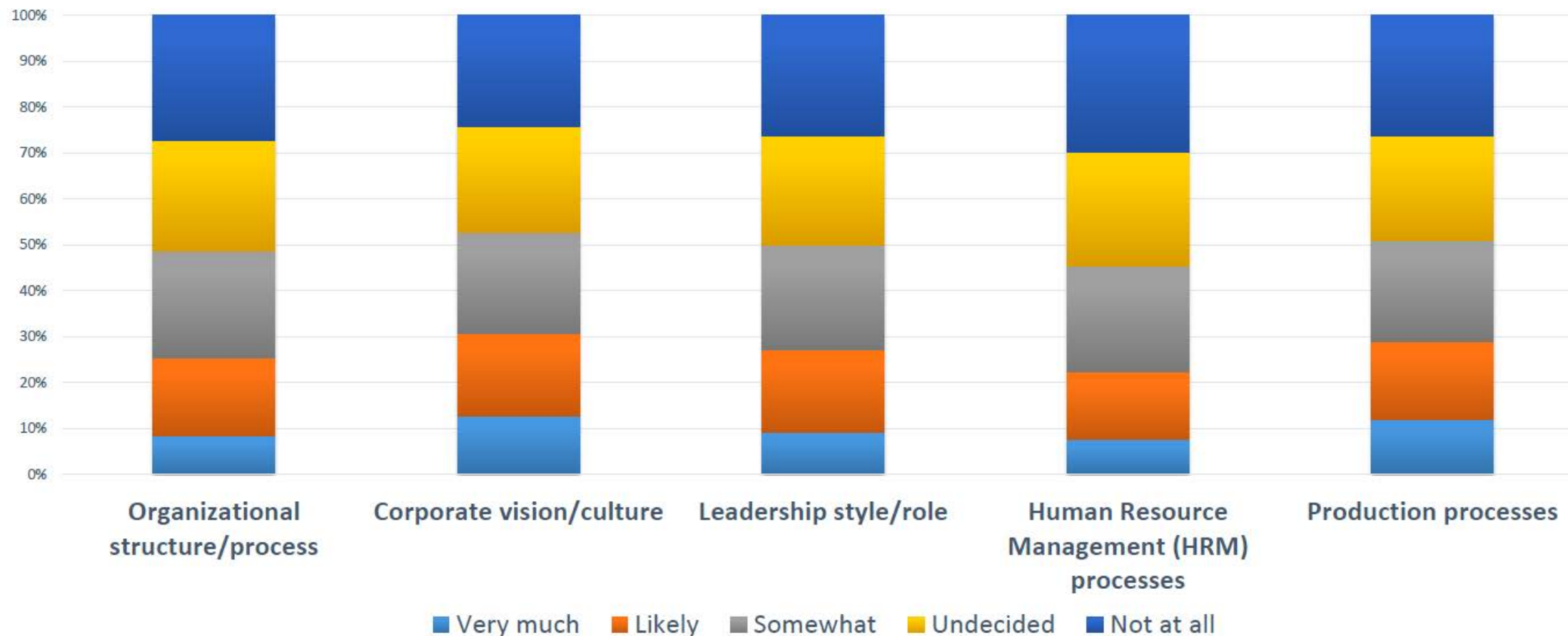
Many information can be found only in China and often only in Chinese

Language is not enough but it is important

Resource allocation

- In China size matters
- Credibility comes from commitment
- Financial resources are easier to find than managerial resources
- Quality of people is essential: NO to “the only one available to go”

Localization: a key to success



Resources: whom to ask for help

- Italian Embassy in China and Consulates
- Italian Trade Agency
- Sace/Simest
- ITALY-CHINA FOUNDATION (<https://www.fondazioneitaliacina.it/>)
- CAMERA DI COMMERCIO ITALIANA IN CINA (www.cameraitacina.com)

Thank you for your attention

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