

The Chinese pharmaceutical market: driving forces and emerging trends

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Paragraph 2: main trends in the Chinese pharmaceutical market: consumptions, production, import and export flows

Paragraph 3: features of the industry, main competitors, policy orientation

Paragraph 4: TMC market (policy orientation and market trends)

Paragraph 5: motivation of the increasing presence of global pharmaceutical players in China.

Paragraph 6: IP trends; the role of national firms vs foreign competitors

Conclusions: implications for scholars, policy makers, industry in Europe (pros and cons when tackling the Chinese market).

Next steps in Chetch research programme

General trends

Driving force:
political shift

Economic and social reforms

New Demand

B2C

Western pharma products
HC infrastructures
HC insurance

B2B

Technology for HC
Pharma products
People

Industry changes

Foreign players

Market seeking FDI
Complexity/failure

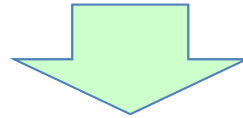
Domestic players

Concentration
R&D orientation

TCM

Main trends

Driving force:
political shift
Economic and social reforms



- booming pharmaceutical sales (generics mostly)
- increase in healthcare expenditure
- increase in percapita expenditure
- increase in import and export flows

Guidelines on Deepening the Reform of Health-care System (2009)

12th Five-Year Plan (2011-2016)

The Pharmaceutical Industry '12th Five-Year' Development Plan (2012)

The Twelfth Five-Year Plan for Health Sector Development (2012)

New Demand

“safe, effective, convenient and affordable” health services to urban and rural residents

Industry changes

cut drug prices,
strengthen local companies
actively develop TCM

**New
Demand**

- demographic trends
- higher living standards
- urbanization
- evolution of the typical needs of the Chinese healthcare consumer
 - ✓ lifestyle disease
 - ✓ self medication
 - ✓ internet sales

Industry
changes

Manufacture firms above designated size, 2000 -2010

Year	n. of enterprises	Gross industrial output value (\$100 millions)	Total assets (\$100 millions)	Revenue from principal business (\$100 millions)	Total profits (\$100 millions)	Value Added Tax Payable (\$100 millions)	Annual average n. of employees (10,000 persons)
2000	3301	215.18	338.10	196.59	16.50	13.94	83.00
2001	3488	246.57	396.41	232.50	20.30	16.03	82.00
2002	3681	287.36	446.25	275.46	24.33	18.14	82.00
2003	4063	349.16	521.50	332.33	31.37	20.35	115.40
2004	4397		579.70	388.19	33.78	22.41	118.51
2005	4971	518.87	677.49	490.72	41.29	26.77	123.44
2006	5368	629.59	769.77	591.94	46.73	30.68	130.28
2007	5748	836.65	909.59	784.74	76.44	40.47	137.34
2008	6524	1133.89	1134.90	1065.83	114.17	57.34	150.75
2009	6807	1382.42	1367.49	1330.26	145.51	66.39	160.48
2010	7039	1734.44	1642.13	1686.58	196.63	80.82	173.17

Source: China Statistical Yearbook, several years

The number and average size of pharmaceutical firms

year	Foreign Pharmaceutical Enterprises			State-owned Pharmaceutical Enterprises			Private Pharmaceutical Enterprises			Other Kind of Enterprises ¹		
	n. units	Gross industrial output value (\$100 million)	Average Size (\$100 million)	n. units	Gross industrial output value (\$100 million)	Average Size (\$100 million)	n. units	Gross Industrial output value (\$100 million)	Average Size (\$100 million)	n. units	Gross Industrial output value (\$100 million)	Average Size (\$100 million)
2000	542	48.8	0.09	1496	106.78	0.07	-	-	-	-	-	-
2001	568	54.73	0.1	1341	110.43	0.08	-	-	-	-	-	-
2002	604	63.43	0.11	1180	116.71	0.1	-	-	-	-	-	-
2003	701	76.84	0.11	1001	128.43	0.13	-	-	-	-	-	-
2004	743	100.4	0.14	939	241.28	0.26	-	-	-	-	-	-
2005	890	127.93	0.14	676	124.27	0.18	1573	81.79	0.05	1832	184.98	0.10
2006	955	159.44	0.17	590	124.94	0.21	1940	121.93	0.06	1883	223.26	0.12
2007	1035	214.1	0.21	559	150.32	0.27	2198	171.75	0.08	1956	300.43	0.15
2008	1144	307.12	0.27	527	175.09	0.33	2669	261.05	0.1	2184	390.57	0.18
2009	1144	386.18	0.34	508	175.38	0.35	2911	334.8	0.12	2244	486.01	0.22
2010	1140	468.42	0.41	507	223.06	0.44	3118	449.81	0.14	2274	592.99	0.26

Source: China Statistical Yearbook, several years

TCM market

Minister of Health key
priority actions

- increasing policy support for TCM;
- strengthening research on key TCM issues;
- building capacity for TCM research;
- establishing well-known TCM hospitals and departments;
- promoting a culture of TCM;
- strengthening international cooperation and communication on TCM

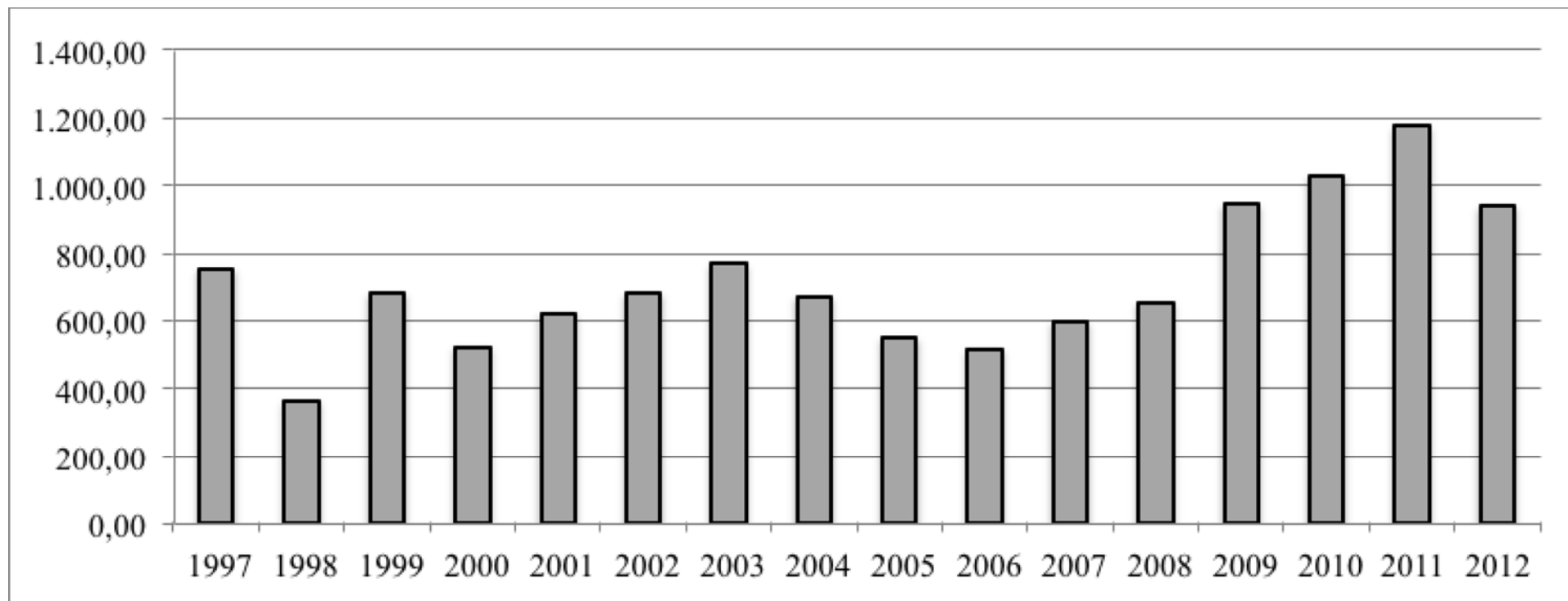
The 12^oFYP for Health
Sector Development

National firms:

- gain a competitive position at global level
- expand export propensity

Top exporters of TCM companies, 2013	Branded TCM companies
<ol style="list-style-type: none"> 1. Ningming Import & Export Foreign Trade General Company of Guangxi 2. Beijing Green Jinke Biological Technology Stock Co., Ltd. 3. Shanghai Tsumura Pharmaceutical Co., Ltd. 4. Jilin Lincun Chinese Medicine Development Co., Ltd. 5. China Meheco Co., Ltd. 6. Anhui Guangyintang Chinese Medicine Co.,Ltd. 7. Ningbo Green-Health Pharma-ceutical Co., Ltd. 8. Aodemei Biotechnology Co.,Ltd (Zhongshan) 9. Zhangjiagang Maifu Biopharmaceuticals 10. Teck Soon Hong (Zhuhai) Flavours & Fragrances Ltd. 11. Ganzhou Julong High-tech Industrial Co., Ltd. 12. Hunan Xinhua Food Company 13. Shenzhen Tsumura Pharmaceutical Co., Ltd. 14. Chenguang Biotech Group Co., Ltd. 15. Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. 16. Shaanxi Jiahe Phytochem Co., Ltd. 17. Chongqing Kanghuai Trade Co.,Ltd 18. Guilin Layn Natural Ingredients Corp 19. Sichuan Xieli Pharmaceutical Co., Ltd 20. Qujing Bohao Biotech Co., Ltd 	<ol style="list-style-type: none"> 1. Tianjin Zhongxin pharmaceutical group Co. Ltd. 2. Lanzhou Foci pharmaceutical Co. Ltd. 3. Heifei Golden deer Int'l Trading Co. Ltd. 4. Handan Moluodan pharmaceutical Co. 5. Guangxi Golden throat Co. Ltd. 6. Gansu Meheco import and export Co. Ltd. 7. Tasly Group 8. Yilling Pharmaceutical 9. Guandong Taiantang pharmaceutical Co. Ltd. 10. Fujian Xianzhilou Biological Science & Technology Co. Ltd. 11. Guangxi Yulin pharmaceutical group Co. Ltd. 12. Shineway pharmaceutical group Ltd. 13. Beijing Tongrentang group Co. Ltd. 14. Guilin Tianhe pharmaceutical Co. Ltd. 15. Guilin Sanjin pharmaceutical Co. Ltd. 16. Guangzhou Baiyunshan Qixing pharmaceutical Co. Ltd.

Inward FDI in China in the Medical & Pharmaceutical Product sector (data in million US dollars)



Source: own calculation on data provided by CeSif, Fondazione Italia Cina - Ceic



Global pharma players in China

1. Market seeking motivations

Chinese booming demand

Strategic logistic platform to reach other nearby Asian markets

2. Efficiency seeking motivations

China is a market for delocalizing the production of high quality and price competitive raw materials

3. Strategic asset seeking motivations: R&D providers

China is the frontier to develop applied research programs (CROs)

4. Strategic asset seeking motivations: exploiting TCM products and practices



Global pharma players in China

Persistent problems in China's healthcare system:

- under-compensated doctors
- insufficient reimbursement to hospital administrators
- unclear regulation for drug discovery and clinical trials
- high level of bribery

Challenges and pitfalls

- market is still growing but at weaker rate
- corruption cases and inspection campaigns
- public pressure on multinational firms to lower prices
- more intense competition from Chinese firms (upgraded role in the value chain, spillover effects)