SELLING IN THE CHINESE ELDERLY CARE & REHABILITATION SECTOR

Launch Factory 88
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WHAT YOU WILL LEARN

Key developments in the Chinese elderly care and rehabilitation equipment sector

How to register your medical devices in China

How to find, manage and train your distributors

Relevant associations and trade fairs

Purchasing behaviour of public and private institutions

How to protect and manage your intellectual property rights

Insights from industry experts

CONTENT

KEY TAKEAWAYS

Due to China's one child policy and its effect on the country's demographics, there is now a large elderly population and a scarcity of resources to provide for them.

The number of senior citizens in China aged 65 and above increased from approximately 7.5% in 2000 to 11% in 2013 and is expected to reach over 25% - or 350 million people - by 2050. China's increasingly higher living standards are helping people live longer, so the demand for elderly care and assistive devices is surging. However, the country is inadequately prepared for its greying population and is now playing catch-up to develop a suitable infrastructure to support its elderly demographic.

The Chinese elderly care sector is still in its infancy. It is also lagging behind the West in terms of specialized facilities, knowledge and expertise. The same applies to China's rehabilitation and disabled care sector. In lockstep with an increasing demand for elderly care and rehabilitation facilities the demand for assistive/rehabilitation devices is growing at a rapid pace.
The increase in demand, coupled with a preference in China for foreign-made medical devices, makes the country a lucrative market for foreign assistive device manufacturers. However, while the Chinese medical device market offers great opportunities; it also poses challenges that foreign companies must overcome to gain a strong foothold in it.

Foreign manufacturers of assistive devices/rehabilitation equipment (for simplicity, hereinafter both terms are referred to interchangeably) will find the most potential in premium private hospitals and large public hospitals and facilities that have the budget and willingness to invest in high-end foreign products. Public hospitals tend to work with a small selection of distributors and it is important to work with distributors and agents that are well established in their respective markets.

The growing number of mid-range and premium private institutions also provides ample opportunities to foreign companies targeting the Chinese market. However, the market is highly fragmented and private institutions generally have little experience working with (semi-) advanced rehabilitation equipment. It is therefore important to provide on-going support and training on the ground.

Merely working with agents and distributors will be insufficient, especially when targeting the private sector. In order to compete in this growing market, foreign companies will need to localize their sales support and after-sales service.

Note: All figures and data used in this report were derived from established sources and experts and have been crosschecked where possible. Nonetheless, we advise you to be cautious in relation to statistics on China due to the scarcity of reliable data available.

01. ELDERLY CARE AND REHABILITATION EQUIPMENT

China's elderly population is growing at a staggering pace and driving growth in both the private and public sectors. The demand for better rehabilitation and elderly care facilities, along with a preference for foreign medical devices, is attracting increasing numbers of foreign investors and assistive device manufacturers.

The Chinese medical device market, with an annual growth of over 20% in the past decade, was valued at $35 billion USD in annual revenues in 2013. Today it is in the top 3 biggest medical device markets in the world. Increased government funding into the healthcare sector has also spurred an on-going expansion of insurance coverage to help the elderly and people with physical disabilities. In addition, pension benefits are projected to grow from $140 billion USD in 2010 to $1.2 trillion USD in 2030. This makes the elderly more financially prepared to pay for care and assistive devices in the future.

A new trend described as 4-2-1 is also shaking up the traditional elderly care model. 4-2-1 is a term that describes the situation when Chinese families consist of four grandparents, two parents and one child. In this scenario, one employed grandchild could be responsible for the care of both parents and four grandparents. However, this is becoming increasingly challenging. More and more young people are leaving their families behind to work in the cities and this renders the traditional cross-generational housing model (in which extended families share one house) unworkable.

As a result the demand for elderly care facilities (and thus assistive devices) is growing at a rapid pace in both the public and private sectors. In this report we will focus on the opportunities in the private and public rehabilitation and elderly care sector and not in the home-care sector.

A Larger and Wealthier Elderly Population

China's ageing population and increased consumer purchasing power has been a key growth driver for the rehabilitation market. In the past years, the country's average gross income has increased significantly and almost doubled in just six years. Because of China's ageing society; the demand for assistive devices – largely consisting of rehabilitation and mobility aid products – will continue to rise.

China's population of people aged 65 years and older is currently 140 million. It is expected to reach approximately 200 million by 2025, and 350 million by 2050 (equal to 25% of the population). It is evident that the elderly care market will also provide long-term value for companies in this sector.

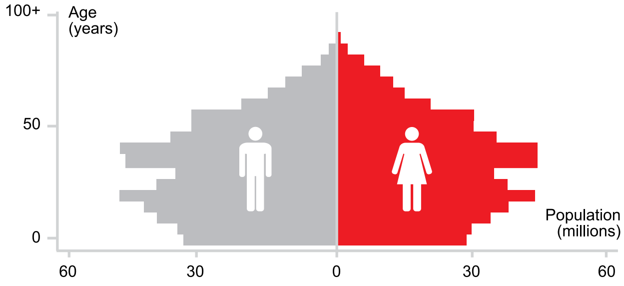


Figure 1: Age structure of China's Population 2010
Source: United Nations, 2010

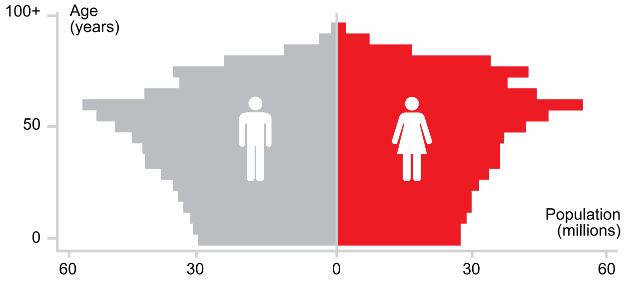


Figure 2: Age structure of China's Population 2050
Source: United Nations, 2010

More Hospitals and Rehabilitation Facilities

China not only possesses the largest elderly population in the world but due to China's size; the country is also home to a significant number of people with disabilities. According to the U.S. government website export.gov: China is home to 83 million disabled persons and 80% of these people require assistive devices. Approximately 65 million of these men and women cannot live without assistive devices.

Because of the large number of people with disabilities and the growing elderly population, more and more rehabilitation and elderly facilities are being developed or expanded within hospitals across the country. In 2012 there were 21.5 beds, per 1000 elderly people, available. The country currently aims to provide 30 beds per 1000 elderly (equal to 3% availability) by 2015. China's objective is to double the number of hospitals with rehabilitation facilities to roughly 7800 in 2015.

Demand for Foreign Technologies and Know-how

China lacks the knowledge and capabilities to manufacture products that meet Western standards. This makes it heavily reliant on imports of more advanced products. In 2011, the total import value of rehabilitation devices and orthopaedics was $1.4 billion USD. Two years later it had increased to $2.2 billion USD. The main exporting countries were the U.S. (38.4%), Germany (21.8%) and Japan (13.6%).

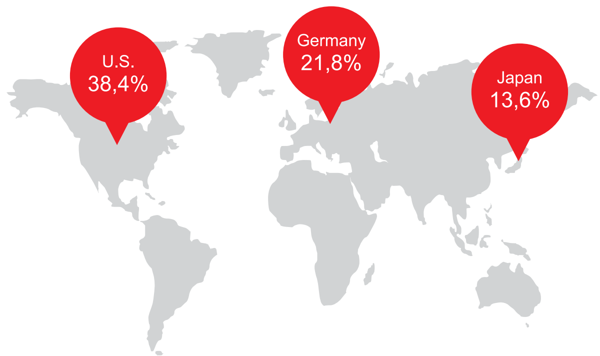


Figure 3: Import value of rehabilitation devices in China
Source: UN-Comtrade, 2014

The proportion of the market's domestic and foreign players is largely determined by the technological and manufacturing barriers for the devices being produced. In China foreign companies have the biggest market share in high-technology and advanced devices (generally premium and midmarket products).
Local companies have the biggest share in less technologically demanding categories such as medical supplies, disposables and other low-end products.
In this segment the Chinese can compete on price. Their lack of experience with technically advanced products gives foreign companies an advantage in the high-end segment. Chinese consumers also tend to favour foreign brands over domestic brands because of their higher perceived quality and reputation.

As a result foreign manufacturers in the elderly and rehabilitation equipment sector will continue to have a competitive edge over Chinese manufacturers. That said; Chinese manufacturers are slowly catching up.

02. CARE FACILITIES & HOSPITALS

At the time of writing this paper, there are thousands of elderly on waiting lists for public elderly care institutions in China. This is not because there are too few beds available but because of an imbalance in regional demand and supply. The middle-segment of the market, in particular, is suffering and the government is relying on the private sector to provide a solution.

The Chinese tradition where children take care of the elderly is slowly disappearing due to a change in demographics. Because of the one-child policy, many families now have only one child to take of the parents and grandparents and this is becoming increasingly challenging for them to manage. As a result more and more elderly can no longer rely on their children for their care. Instead they will have to consider solutions such as homecare and elderly care facilities.

The major demands for long-term elderly care facilities stem from more developed regions of China, although currently most facilities are located in rural areas. In addition most of the rural facilities are low-end whilst there is a growing demand for medium to high-end facilities. This in turn has caused a significant demand and supply gap.

"74% of the total elderly care facilities are in rural areas, and are mostly low-end public nursing homes."

Jules Falzado
Engagement Manager at SmithStreet China

There are several ways to combat this problem; for instance through the development of mid-market and high-end elderly care facilities in larger cities and the development of a strong home-care system. The government is therefore intensifying the development of the elderly care sector so that in the future 90% of the elderly can be serviced through home care, 7% through community care and 3% through care facilities. While the percentage of care facilities might seem low compared to the developed world (5-7% in the USA, Netherlands and Japan), it is estimated they will house roughly 6 million people in 2015 and 17 million by 2050.

In parallel with the growing elderly care sector; increasing numbers of rehabilitation clinics are being developed throughout the country. At the moment there are only around 22,000 Chinese rehabilitation clinics that can serve a maximum of 13 million patients. But the number of clinics is not the only concern; according to a national survey in 2009 there was only one physical therapist per 100,000 people, compared to nearly 50 times as many in most Western countries.

Because of the rise in demand for both elderly care and rehabilitation facilities, the government is now incentivizing the private sector to play a more significant role in this sector. The growing market and favourable investment conditions have also attracted the attention of foreign companies who are now, progressively, entering the market.

Elderly care facilities in China

In 2012 there were approximately 42,000 independent (non-hospital) elderly care institutions, with 3.81 million aged care beds in China, of which 20% were privately owned. Elderly care facilities in China can be divided into 3 major segments according to the quality of care they provide; low-end, mid-end and high-end. However there is a significant difference between the quality of public and private institutions e.g. a private mid-end facility often equals a high-end public facility in terms of the quality of facilities.

Jules Falzado, from the consulting firm SmithStreet and an expert on the Chinese elderly care industry, noted that private senior care providers in China generally provide better quality care than the majority of public institutions. Mid-market private facilities offer adequate care services and are acceptable alternatives for upscale government nursing homes with longer waiting lines. Premium and mid-market private facilities emphasize the quality of care to their clients and are more likely to purchase foreign equipment brands than their public counterparts.

Independent public Chinese nursing homes and rehabilitation clinics generally provide basic care and facilities to their clients. Their budgets are limited and consequently they are confined to purchasing more basic, low-cost equipment from domestic manufacturers.

The majority of elderly care and rehabilitation care facilities are Chinese-owned, however, due to the loosening of FDI regulations more and more foreign-owned institutions are now being developed throughout the country. Most of these foreign establishments are joint ventures with local Chinese companies as it is still difficult to acquire land for foreign companies. At this moment there are several European and American elderly care facilities being developed in China's coastal regions – of which the majority use foreign equipment. An example is Cypress Garden Senior Living in Hangzhou, a nursery home that is being developed by U.S. owned China Senior Care Inc.

"Our facility and most of the foreign operated facilities are using foreign brands for all their rehabilitation equipment. My understanding is that most Chinese-owned facilities purchase domestic brands."

Mark Spitalnik President & CEO of China Senior Care Inc.

The common approach of foreign elderly care facilities in China has been to establish luxurious elderly care facilities, mainly focusing on the top segment of the market. According to Michael Qu, Partner at LawView Partners and a specialist in the Chinese elderly housing sector, these facilities bear a resemblance to luxury hotels and provide a high quality of care to their tenants. In terms of location, most foreign facilities are being developed in the richer coastal areas and first-tier and second-tier cities, where people enjoy higher standards of living.

"The development in the sector is currently being driven from the major cities: Beijing, Tianjin, Shanghai and Shenzhen although there is quite a lot of activity starting in second tier cities such as Guiyang, Chengdu, Chongqing, Hangzhou, Nanjing, Qingdao etc. Also, Hainan Island is proving a popular location for lifestyle retirement developments."

Roger Battersby Managing Partner of PRP Architects

It is still too early to say whether providing luxury turnkey facilities will prove to be the most successful strategy. The services provided in these facilities are of high quality and therefore perceived as worth the investment; however, the market for such luxurious care is significantly smaller than the medium-segment of the market. A high-end facility can charge a monthly fee of 10,000-50,000RMB a month for one bed, whereas a mid-range facility charges in the range of 4,000-9,000 RMB a month. Many experts foresee a change in the future, meaning the development of more mid-range facilities to support the growing middle-class.

The Chinese Hospital System

There are approximately 21,000 hospitals in China. Around two-thirds of them are public facilities and one-third are private. Even though private hospitals account for one-third of the total amount of hospitals; they only account for 12% of the total bed capacity. Both private and public hospitals provide rehabilitation care mainly for patients with acute conditions.

The Chinese hospital system is divided into 3 tiers according to size and function. Besides the three different hospitals seen in the table below; there are also several hospitals that have not been graded by the Ministry of Health and are therefore unclassified.

Smaller first-tier hospitals are usually located in small towns and cities. They provide a basic level of care and generally do not enjoy a good reputation. Their budgets are small, making them more price-sensitive and less likely to purchase foreign-made equipment.

Larger second and third-tier hospitals are usually located in large or medium-sized cities. These hospitals provide a high level of care and have access to large budgets, making them more likely to purchase foreign-made equipment.

Although the size and budgets of larger public hospitals makes them an attractive target group; getting your foot in the door can prove to be difficult. In order to sell to public hospitals you are required to participate in a tendering process, which is a time-consuming and costly process. Private hospitals on the other hand have a larger say in the equipment they buy and are thus easier to target.

	TIER-1 HOSPITALS	TIER-2 HOSPITALS	TIER-3 HOSPITALS
	Tier-1 hospitals are small, often town hospitals/clinics with limited capabilities.	Tier-2 hospitals are medium-sized city or district level hospitals.	Tier-3 hospitals are large sophisticated hospitals that offer specialized care and are generally located in the largest cities.
Location	Rural areas, towns	Medium-sized cities, counties or districts	Large cities
Number	Approx. 12.500	Approx. 5.000	Approx. 1.000
Target Group	Rural residents with minor health issues	Urban residents	All groups
Bed Capacity	<100	>100	>500

Figure 4: An overview of the Chinese hospital system

Should You Target Public or Private Institutions?

As we outlined above there are opportunities in both segments. The public sector is large but difficult to tap into. The private sector is expanding quickly and provides opportunities for *foreign manufacturers* that are able to compete on price and which offer on the ground service and training.

Here are few key points to help point you in the right direction when determining your target group:

Larger public hospitals are mainly geared towards investing in advanced foreign technologies. In order to take advantage of the public sector you are often required to participate in a public tendering process and compete against domestic competitors. Jens Moth, former counselor of the Danish trade council in Beijing, noted that it is particularly difficult for hospitals to justify using a foreign brand over a domestic brand if the foreign brand is not significantly better.

"If your product is not a breakthrough product I would suggest avoiding the costly tendering process and instead focus on private hospitals and senior care facilities."

Jens Moth Former counselor of the Danish Trade Council in Beijing

When you want to sell to new facilities that are in development, your chances of winning the bid are also subject to how well you are connected to local decision-makers. For instance, engineering bureaus that draft the tender offers rely on outside experts to provide them with knowledge and input. Often these experts are employed by the final winners of the tender. Finding the right partner is therefore particularly important when targeting to the public sector.

The private sector shows strong potential now and even more so in the near future.
The government's push to increase the number of private facilities and meet the gap between supply and demand is spurring the growth of the private sector. Because of the growing number of mid-range and premium private facilities and the absence of a tendering process, we believe this sector will provide most potential for foreign rehabilitation and assistive equipment manufacturers in the future.

Many of the experts we interviewed noted that when targeting the private sector it becomes even more important to localize your operations and manufacturing to become more competitive in the market. One of the major concerns of privately owned Chinese facilities when purchasing foreign equipment is the purchase of spare-parts. This is because, on average, they are considerably more expensive than those from domestic brands. They are also more concerned about after-sales service and support as they have limited in-house experience and know-how. Localizing your sales and after-sales service is particularly important when targeting the private sector.

03. MARKET ENTRY, PROTECTION & COMPLIANCE

Knowledge about market entry barriers, government incentives and how to properly protect your intellectual property rights is essential when navigating the lucrative but complex Chinese rehabilitation device market.

Selecting Your Mode of Entry

There are multiple entry modes for foreign equipment manufacturers available depending on your budget and requirements in terms of Intellectual Property Rights (IPR) protection. A Joint Venture (JV) enables you to leverage your partner's network and knowledge of the local market. It also makes you more vulnerable to IPR infringements and management problems.

One of the reasons why MNCs often chose to enter into a JV with an established Chinese firm in the past was to shorten the medical device registration process. By leveraging their JV partner's local government relations they were able to speed up the medical device registration process – which was especially useful for large MNCs whom introduced many new products into the market each year.

Setting up your own Wholly Foreign Owned Enterprise (WFOE) allows you to have full control over operations. It is difficult to disband if you decide to exit your Chinese operations. A WFOE also does not offer you the benefit of being able to shorten your medical device registration process through leveraging your local partner's network. Then again, working with a local agent (e.g. a medical device registration agency) can significantly shorten the time needed to register your medical devices too.

The most popular entry method is setting up a WFOE. However, incorporating a business in China can require a long incubation period together with a relatively high upfront investment – depending on your industry. This is the reason why smaller and medium sized foreign-owned companies often prefer to work with a distributor or an intermediary such as an incubator platform that can provide a legal structure to operate under.

An incubator platform may also provide shared offices, employee supervision and back-office services. However it is important to choose an incubator platform that specializes in your sector and that can provide you with industry-specific advice, a reliable partner-network and the resources you require. For more information about entry modes please refer to our article about the "Most effective ways to enter the Chinese market".

Protecting Your Interests and Intellectual Property Rights

IPR are sometimes referred to as the oil of the 21st century and are often a cause for concern to foreign companies that want to develop their operations in China. Despite this it is surprising that many foreign companies enter the Chinese market and overlook this critical aspect of rights protection. Our advice is simple: adequately protect your IPR before taking any actions in the Chinese market. Michael Qu noted that many companies underestimate the importance of handling their IPR locally.

"It is essential to register your patents locally in China - not from abroad - and to work with an office that possesses experience in the sector you are operating in. To safeguard your IPR in China you require strategic protection and an office that understands the local legal environment."

Michael Qu Managing Partner at Law View Partners

In manufacturing there are alternative methods to prevent IP infringement. For example; working with a network of trusted suppliers for manufacturing allows you to divide up production. You can then ensure that no single-party has access to the final product. This is done by assembling the final product in a separate secure location.

"We usually assemble our clients' final products within our own secured assembly facilities and consequently decrease the risk of suppliers attempting to copy the product. If your product possesses highly advanced technologies, you can also consider outsourcing basic component manufacturing to China and importing your advanced components."

Gijsbert de Bruin CEO of CHC Product Development and the CHC Group

Although Chinese firms are infamous for their copycat activities; the major sources of infringement issues in China are the negligence and gullibility of foreign companies. Lacking expertise and knowledge, many companies fail to register on time. Then when their rights are infringed; they do not have the right to enforce their rights under law. Working together with a local law firm that understands your products and sector will help mitigate your risks and strongly decrease the chances of IPR infringement.

Having Your Rehabilitation Devices Registered and Classified in China

In order to sell in the Chinese market your rehabilitation device(s) must be registered, approved and classified according to the 3 classes mentioned in figure 3. The device registration must be done by a legal Chinese entity and in accordance with the China Food and Drug Administration (CFDA) procedures.

If you do not have a legal entity in China you are required to appoint a registered legal agent to handle your medical device registration. In addition you are required to appoint a local after-sales agent to manage maintenance and device issues. One option would be to request that your distributor become your legal and after-sales agent. We strongly advise you not to do this because it requires you to give your distributor the rights of registration. This is risky because it gives the distributor too much influence over your business in China. Distributors also have limited experience in registering medical devices and mistakes made in the initial registration can lead to major problems when renewing the registration in the future.

We suggest working with an independent medical registration agency that possesses the right experience and relations to successfully register your medical devices. This solution poses fewer risks and can speed up the registration process significantly.

It's important that foreign MNCs, prior to entering the Chinese market, consider the approval time of the different classes of rehabilitation devices. Compared to Japan, the EU and the US, China has the longest approval time for each class of medical device.
The approval time depends on the class, where class I takes the least time and class III the most. The majority of rehabilitation and assistive devices fall into class II and will take roughly between 3-6 months to fully register. The Chinese government has recently (June 2014) put new regulations into effect with the goal of accelerating the registration process. Working with an agency which specializes in the registration of medical devices may also help speed up the registration process.

The 3 Classifications of Rehabilitation/Assistive Devices

Medical devices are divided in to 3 classes in China according to risk: I, II and III with class I being the lowest risk and class III being the highest level of risk. Please note: the examples provided in the table below should not be regarded as a definitive guide and you should consult a medical registration agency before relying on these figures.

Regulatory standards are also handled differently in China. Once a new regulatory standard for a medical device is implemented/changed that standard must be adhered to immediately. In the EU and US, manufacturers are normally provided with a transition time. This change in approach might make this challenging for foreign companies.

One of the latest government incentives/plans comes from China's National Health and Planning Commission which is pushing for greater use of domestically-made products. If this policy is implemented it means that domestic-produced medical devices will be favoured over imported devices. Then again, foreign companies will likely be able to counter this by localizing part of their operations.

CLASS I	CLASS II	CLASS III
Basic/low-risk rehabilitation devices (non-electrical) **Examples:** Canes, non-electrical beds and wheelchairs	Medium-risk devices. Most rehabilitation devices fall into this class **Examples:** Electrical wheelchairs, advanced beds and mobility aids	High-risk rehabilitation/assistive de-vices, mostly in-vitro. **Examples:** Orthopaedic implants and hearing aids

Figure 5: Medical device classification in China

04. DISTRIBUTOR & STAKEHOLDER BEST PRACTICES

When your products are approved and ready to be sold on the Chinese market, it is time to develop your sales strategy. Working with distributors is often part of this strategy. However, it requires time and dedication to find the right distributors and manage them effectively.

It is important to find a distributor that fits your company's criteria and that understands your sector and products. Experience tells us that it is better to work with multiple distributors instead of one exclusive countrywide distributor. There is an obvious reason for this; China is not one unified market, but a collection of individual sub-markets. Consequently, partnering with one Chinese distributor will not allow you to access China's full market potential. It also gives all control over your sales and brand(s) to one third-party. We recommend working with a web of distributors. Each should be well-grounded in their respective markets, be privately-owned and have at least 5 years' experience in your sector. Many public facilities will work with a limited list of distributors and it's important to select distributors based on how well they are connected to your target customer groups.

Finding the Right Distributors for Your Business

There are various ways to find distributors and we will briefly discuss a few options here. See our resources page for more detailed information. Before you pick your distributor, ensure that you have performed strong due diligence. As Michael Qu noted: "Distributors are a double-edged sword and due diligence is key in selecting your future partners".

Research agencies. One way is to employ a research institute to assist you to find distributors that adhere to your criteria and needs. Such firms will normally provide you with a shortlist of the most suitable distributors and setup the introductory meetings.

Chambers of commerce and associations.
Local chambers of commerce such as the American Chambers of Commerce (AmCham), German Chambers of Commerce (DeCham) or other countries government-affiliated organisations such as the Netherlands Business Support Offices (NBSOs) in China often have lists of verified distributors or can point you in the right direction. Keep in mind that many chambers of commerce work together with research agencies to find distributors.

Trade fairs. Exhibiting at trade fairs is an effective way to understand your competitive environment and to get in contact with potential distributors. However, before you exhibit your products at a Chinese trade fair we highly recommend managing your IPR protection in advance. Take a look at our resources page for Chinese trade fairs focused on the elderly care market.

Sector-related associations. Joining sector-related associations in China is a good way to gain valuable connections and more in-depth sector information. For instance, the Amcham and European Chamber of Commerce (EUCham) regularly host events geared towards the medical device sector in China. There are also several Chinese elderly care associations such as the CRDA that are worth joining. Take a look at our resources page for more associations.

Managing and Training Your Distributors

Distributors in China generally lack sophisticated inventory and CRM systems. This results in inefficient operations and high overhead costs. They are accustomed to selling on price and are less equipped to sell your product's unique advantages. This, coupled with a high employee turnover rate, makes training and managing your distributors a time intensive task. However, if you provide the necessary support and training then you can make a significant difference in their output.

Use performance-based contracts. Keep in mind that many distributors will lean towards whichever company provides the highest commission and that promising first-year results do not necessarily translate into good results in following years. We have seen many cases where sales stagnated because the distributor found a different partner with a similar product that offered a higher margin. You can combat this problem by developing better relations with your distributors, keeping a good eye on new market developments and tying your distributors to performance-based contracts.

"Be 100% sure that your distributor does not accept your product only to add it to his portfolio in order to show how local alternatives are a more cost-efficient option. You must manage your distributors with an iron fist and not be afraid of ending relationships with underperforming partners."

Jens Moth Former counselor of the Danish Trade Council in Beijing

Visit key-clients together with your distributors. Developing relationships with your key clients enables you to exercise more control over your business in China and become less dependent on your distributors. It also aids in your understanding of the local market, the problems your clients encounter and enables you to offer better service and customer support.

Display your products in elderly care communities and facilities. Many of the so-called new Chinese Continuing Retirement Communities (CCRC) have product exhibition areas. Companies can use these exhibition areas to introduce and market their products in the market.

"An interesting ,and in my experience, unique, feature of Chinese Continuing Retirement Communities is that they tend to include an exhibition area within their developments for the display and marketing of medical equipment and mobility aids."

Roger Battersby Managing Partner of PRP Architects

Train your distributors. As we mentioned earlier it is important to offer constant support and training to your distributors. The best way to do this is by having a dedicated business development manager on the ground who can provide your stakeholders with the training and support that they require. Training your distributors gives them a chance to gain a deep understanding of your products and benefit their (and thus your) sales process.

Control your brand. One of the most important assets foreign device manufacturers have in China is their foreign brand name. Foreign brands are favoured over domestic brands and can generally charge a higher premium because they are perceived to be of higher quality. In addition, Chinese brands are on average not very strong at marketing. Investing in marketing and stressing the popularity of your brand abroad therefore helps build your brand in China.

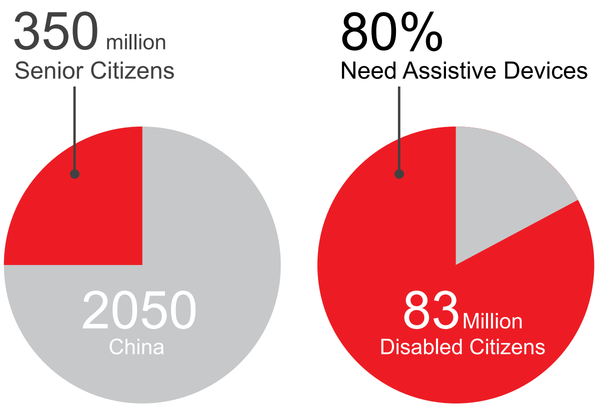
To further increase brand awareness you can partner with relevant rehabilitation organizations as detailed in our resources section.

05. KEY POINTS & RECOMMENDATIONS

This chapter sums up the key points outlined in this white paper and provides you with final recommendations on how to get the most from the potential of the Chinese elderly care and assistive devices market.

- **China has the fastest growing elderly population in the world.**

By 2050 the number of senior citizens will be approximately 350 million, which is nearly 25% of China's population.



- **China is home to 83 million disabled people.**

80% of which cannot live without assistive devices.

- **A rise in purchasing power.**

Higher living standards is enabling more and more Chinese consumers to purchase high-quality care and equipment.

- **There is an increasing demand for rehabilitation and elderly care facilities.**

Both the public and private health care sectors are experiencing high growth through government support.

- **China lacks know-how and experience in the elderly care and rehabilitation sector.**

As a result there is a high demand for foreign equipment and expertise.

- **An underdeveloped market posing challenges and uncertainties.**

The Chinese elderly care and assistive devices market is still in its infancy and it's unclear which business model will prove to be successful in the future.

Recommendations

In collaboration with our experts we have composed a list of useful recommendations for foreign manufacturers in the rehabilitation and assistive device sector:

- **Gain a strong understanding of the local market.**

  Have a strong understanding of the local market and regulations and employ an adaptable approach to your business in China.

- **Offer training and support on the ground**

  Develop your own sales (support) office to find, manage and support distributors and clients.

- **Work together with experienced service providers and experts**

  Shorten your learning curve and decrease your risks by working with experienced experts in your field in China. Be wary of asking someone from your home office who has no prior China experience to manage your operations in the Chinese market.

- **Commit sufficient resources to your operations and be patient**

  A whole-hearted commitment to China is essential if you want to succeed. You can usually double your initial time estimate as to how long it will take to reach your goals in China.

- **Invest time in finding the right distributors**

  Spend time on finding the right mix of distributors and perform strong due diligence on your partners. Have performance-based contracts with your agents and distributors and do not be afraid to end relations with underperformers.

- **Manage your IPR protection in China**

  Ensure to manage your IPR before taking any steps in the Chinese market.

- **Invest in marketing**

  Leverage your foreign brand name and invest in marketing to highlight your product's features and to distinguish yourself from domestic competitors.

- **Localize your manufacturing to become more competitive**

  Localize as much as possible in terms of product development, manufacturing and assembly.

TRADE FAIRS AND ASSOCIATIONS

Trade fairs

Take a look at the list below to gain an overview of the larger elderly and rehabilitation care related exhibitions in China. Kindly note that this list is not exhaustive and should be used merely as a guide. We strongly recommend researching these exhibitions before visiting them in order to gain a better impression of the opportunities they can offer your company.

TRADE FAIR	DESCRIPTION
China Rehabilitation Show	www.rehabshow.com.cn
Rehacare & Orthopedic China	en.cantonrehacare.com
China Senior Citizen Exposition (CSCE)	www.ccsce.cn/en_index.html
Beijing International Ageing Industry Expo	www.bjlaobohui.com/eindex.html
Care & Rehabilitation Expo China (CREA)	www.crexpo.com.cn/english/Exhibition.aspx?id=435
AgedCare	www.agedcare.com.cn/web/English/index.html

Associations

The table below lists the associations and organizations that are active in the rehabilitation and elderly care sector in China. Kindly note that this list is not exhaustive and should be used merely as a guide.

TRADE FAIR	WEBSITE	DESCRIPTION
China Rehabilitation Association of Devices Association (CRDA)	www.crda.com.cn	Seeks to bridge and link associations, in order to strengthen the horizontal government linkages between international organizations and the domestic industry.
China Association for Medical Devices Industry (CAMDI)	www.camdi.org/en/	Authorized as an official medical device trade association in China and is made up of companies engaged in the manufacture and testing of medical devices. In addition they are also engaged with related businesses and organizations involved in scientific research, development, education and training.
EU Chamber of Commerce	www.eucham.eu	EUCham is mainly involved in lobbying the government to help solve collective sector-related issues. Every 6 weeks they organize events about a topic related to the healthcare sector.
American Chamber of Commerce	www.amcham-shanghai.org	AmCham assists mainly U.S. companies with their activities in China and also organizes monthly seminars about the healthcare sector in China.

OUR EXPERTS

The Chinese elderly care and rehabilitation sector is still in its early stages and the market is constantly evolving. That is why we are grateful to have received valuable insights from some of the foremost experts in the Chinese elderly care industry. The following experts have contributed to this paper:

Roger Battersby, Managing Partner of PRP Architects
Roger Battersby is managing partner of PRP Architects, where he is also in charge of the specialist housing portfolio. One of the UK's foremost authorities on housing for older people, his expertise extends across both the private and public sectors and from independent retirement living to community based health facilities. Roger is a regular speaker at conferences and seminars on housing for older people in both the UK and China. In 2009 he was appointed by the government in the UK as an expert panelist to review the future strategy for housing older people. He is currently an advisor to the UK government on housing for older people where he is a member of VOPAG (vulnerable and older people's advisory group). He is also a specialist consultant to the China Planning Institute on Ageing.

Mark Spitalnik, President & Director of the China Branch of the International Association of Homes and Services for the Ageing and President & CEO of China Senior Care Inc
Mark Spitalnik is an experienced medical malpractice attorney and an expert on China's healthcare laws and its healthcare system and its senior living industry. He is an Aging Services Professional as certified by the Coalition for Leadership in Aging Services. Mark Spitalnik speaks frequently on issues related to the senior living market in China.

Michael Qu, Managing Partner at Law View Partners
Michael Qu is the managing partner of Law View Partners based in Shanghai, China, where his legal practices cover the areas of real estate, foreign investment and mergers and acquisitions. He has extensive experience as a lawyer for over 12 years. In his practice, Michael has successfully represented investors in the real estate, retail and hospitality sectors, senior housing, asset management, in dealing with commercial transactions and disputes. He serves private investors in the field, providing counsel regarding product structuring, company and capital formation, project development and acquisitions, regulatory issues on operation, corporate finance, etc.

Jens Moth, Managing Director at COWI China
In 2011-2013 Jens Moth was a Commercial Counselor in Health & Life Science at The Trade Council in the Danish Ministry of Foreign Affairs. He facilitated the contact between Danish and Chinese parties in the fields of pharma, biotech, device, IVD, hospital solutions and Governmental and Public Relations. He provided market research,
assistance with authority approvals, conferences as well as many other tasks for Danish companies, and strengthened the mutual relations between the Danish and Chinese Health and Life Science sectors.

Jules Falzado, Engagement Manager at SmithStreet
Jules Falzado drives China healthcare strategies through business analytics and quantitative modeling. He has worked with various pharmaceutical, medical device, healthcare technology and biopharma clients in developing market opportunity sizing, financial cost-benefit analyses and statistical models for different China business plans. His previous engagements include: patient flow and drug prescription optimization; quantitative studies on physician practices and adherence to standards of care; and nationwide pricing and market access analyses. His insights into the China market have been featured in mainstream media such as The Wall Street Journal.

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LF88 is part of the CHC Group, which was established in China in 1998 by two Dutch entrepreneurs and currently employs over 500 people locally. Launch Factory 88 builds on the experience and knowledge our group has gained in the past 17 years of doing business in China.

Our company's own success in a diverse range of industries is what sets us apart from the rest; we are the biggest flower-producing company in China, we organize the largest annual aqua-technology trade fair in the world and we have helped over 100+ companies successfully develop their products in China.

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