

# Feature Article

## HORIBA Medical's Challenges in the Complex Dynamics of the Asian Hematology Market

### 複雑かつダイナミックなアジア血球計数市場における HORIBA Medicalのチャレンジ

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The development of Asia makes its IVD market one of the most dynamic in the World but unlike other regions of the world, it comes with great disparities between the countries in terms of population, health expenditure per capita, culture, maturity, education and finally competition. To cope with these challenges, and in addition to the set up of direct affiliates in major markets, Horiba Medical has chosen to focus on the quality of service to distributors and customers thanks to the teamwork of a regional team covering Sales, Application and technical issues but also strengthening transversal communication with HMQ.

アジア各国の経済成長により、そのIVD(検体検査)市場は世界で最もダイナミックな市場のひとつとなっているが、欧米地域とは異なり人口一人当たりの医療費、文化、市場成熟度、教育、そして競争力の観点から、各国間で大きな格差が存在する。HORIBA Medicalは、これらに対処するため、アジア主要国に直接グループ会社を設立することに加え、販売、アプリケーション、および技術的な問題に対応する各地域のチームワークで、販売会社や顧客へのサービスの質向上に努めている。

### Introduction

The Asian IVD market is today most dynamic in the world. This area is characterized by great disparities in development potential between countries and fierce local competition. This leads to a variety of challenges that Horiba Medical has to address to become a key player in Hematology.

### Asian IVD Market

Headed by two of the BRICS<sup>1</sup> countries in Asia, China and India, the Asian region is considered as the most growing market for In Vitro Diagnostic (IVD) in the world. Whereas the worldwide estimated growth rate in IVD, in particular the Hematology market, is basically flat, the growth in Asia is expected to be 10 to 15% per annum on average over the next 10 years. As far as China

and India are concerned, same is actually expected to be 20 to 25% (Figure 1).

There are, however, great disparities between the countries in terms of market size according to population and level of development, as well as maturity and specificity. The maturity of a market is very important because it defines the growth potential, as the measuring ranges of the instruments and the level of quality expected by laboratories are important. China and India are clearly demanding low prices rather than quality, whereas highly matured markets such as Korea and Singapore are much demanding with respect to international quality standards and instrument reliability.

Each country in Asia has particular requirements and a different competition level. Chinese people, for example, consider blood as vital fluid from their spiritual values

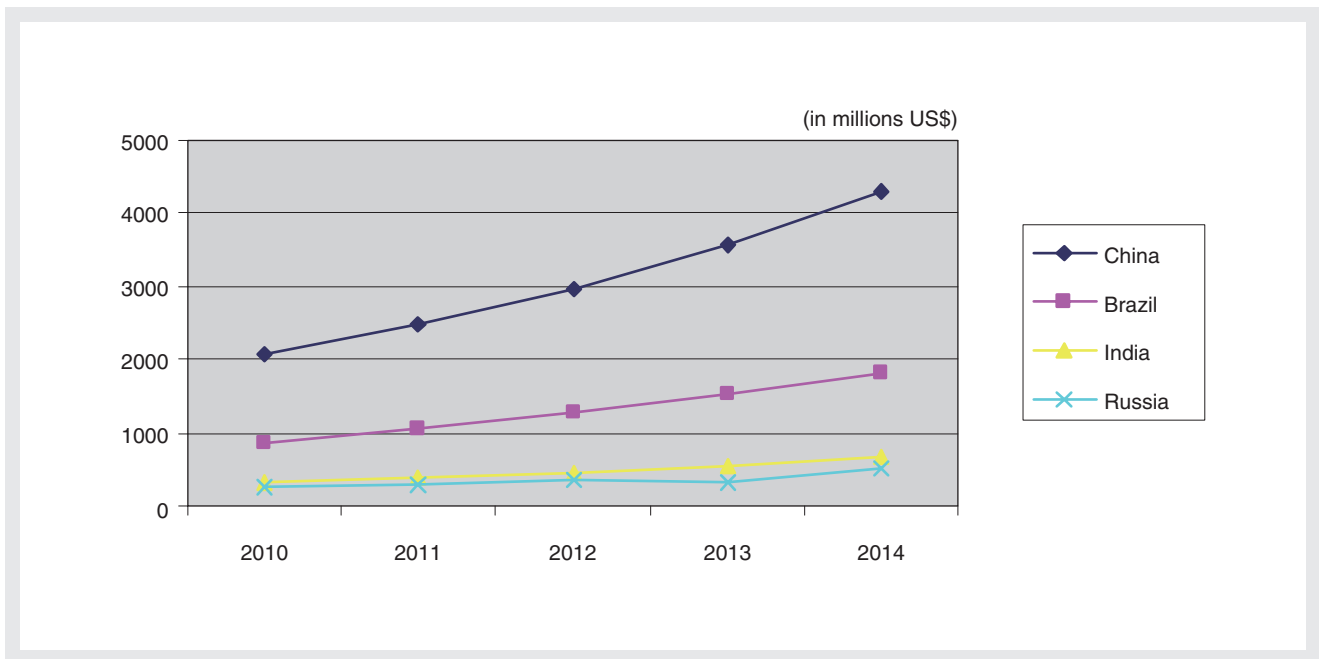


Figure 1 Expected IVD Market evolution in BRICs  
 Source : <http://www.marketandmarkets.com>

and therefore the less it is drawn from the body, the better. In such context, micro sampling analysis which has become possible thanks to modern technologies is now a competitive factor enabling venous blood being drawn from finger-tip blood capillarity instead of drawing it by “Vacutainer”. China also counts numerous local manufacturers which are coming into the 3-part diff market, but they start to focus on the 5-part diff<sup>\*2</sup> which is becoming increasingly popular.

\*1: BRICs: Acronym from the 4 countries, Brazil, Russia, India And China

\*2: The needs of the 5-part diff measurement of white blood cells are increasing in hospitals etc. because it helps precise diagnosis for e.g. hematologic disease and allergic/inflammatory reaction.

The markets other than China and India, like Indonesia, have huge population as well, but the level of education of the customers hampers the 5-part diff instruments development as they only trust the 3-part diff instruments. The 5-part diff market is therefore growing but at a much slower pace than in China for example. In Korea the market is specifically concentrating towards high-volume hospitals and Point of Care Testing sites while that of mid size hospitals is disappearing.

Competition in the IVD market varies a lot between countries too: in China the Chinese manufacturers are extremely active whereas in the rest of Asia, the 5 big international manufacturers are prevailing.

The first challenge for Horiba Medical is the price pressure in the small instrument market as Asia counts many Chinese manufacturers as well as plenty of local generic reagents manufacturers. The tendency of the customers to favor low cost instruments rather than quality has opened the door to many small manufacturers which are now ruling the 3 part diff market. In general, most of the market growth in Asian countries is brought about by the 3-part diff and the medium size 5-part diff instruments. The market share of the high-end instruments is limited and concentrated in certain countries if not in certain big cities. The market which has been attracting customers with the 3-part diff instruments so far is moving towards that for the medium size 5-part diffs, while Chinese manufacturers is creating a new market where they sell 3-part diffs to customers who have the very small number of tests and were not so positive to introduce testing instruments. Hence even the Chinese manufacturers start to enter into the medium size 5-part diff market in order to gain confidence from customers.

The move to the upper class segment of the market puts two requirements on the manufacturers: a highly skilled technique in this field and financial strength. The customers in some Asian countries are reluctant to step into the 5-part diff due to a total lack of knowledge of its advantage in diagnosis and therefore keep using mainly 3-part diff instruments. It sometimes happens even in large hospitals that a lack of training to the laboratory staff hampers the penetration of the high end technology and creates a false image. In fact it is the situation that staff prefer ordinary instruments as ever before and are

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reluctant to use the instruments with new technology.

Because of this general lack of training, the less demand in quality, and the price pressure, Asian laboratories are seldom using control bloods which are essential to ensure the good functioning of a system. As a result, the quality of the service to patients is not ensured and could possibly lead to medical mistakes in some cases. The lack of training of the staff in laboratories hinders also improvement of the quality of the service that should be assured by local distributors.

The trend towards the 5-part diff means that the market is steadily moving toward the “reagent rental” business model, in which customers do not pay for the instrument right away but over a longer period of time (usually 3 to 5 years) by paying higher prices for reagents than the market prices. Horiba Medical thus has to properly adapt to this growing “reagent rental” market together with the local distributors/partners and/or the group affiliates (Figure 2).

A new challenge to use micro sampling in the 5-part diff instruments comes up in China. Now the system using micro sampling is increasing its market share and it is essential for us to continuously adapt to this specific requirement.

Lastly, some global IVD players have been introducing the Total Laboratory Automation (TLA) concept in large

laboratories for several years, and adapting to this trend is an additional challenge of Horiba Medical.

To address this variety of challenges in such a disparate group of countries, the Asia Team of Horiba Medical has been optimizing its organization and distributor network to ensure adequate promotional, technical and application support.

In 2004, Horiba Medical Thailand was founded as a regional base but also to serve for the local market which had the potential to grow rapidly. To enhance sales in the Chinese and Indian markets, where the “reagent rental” was becoming the rule, Horiba Medical founded sales subsidiaries by direct investment in China in 2005 and in India in 2010.

In the other Asian markets, three distributors have been changed over the past few years to align with the corporate strategy, and in Korea, two new sales companies are adopted to deal with different market segments.

In 2005 and 2007, a regional technical manager and a regional application specialist joined the Asia Team allowing management of all aspects of the business, and thus the quality of service to our affiliates and distributors as well as to our customers have been improved thanks to closer follow-ups.

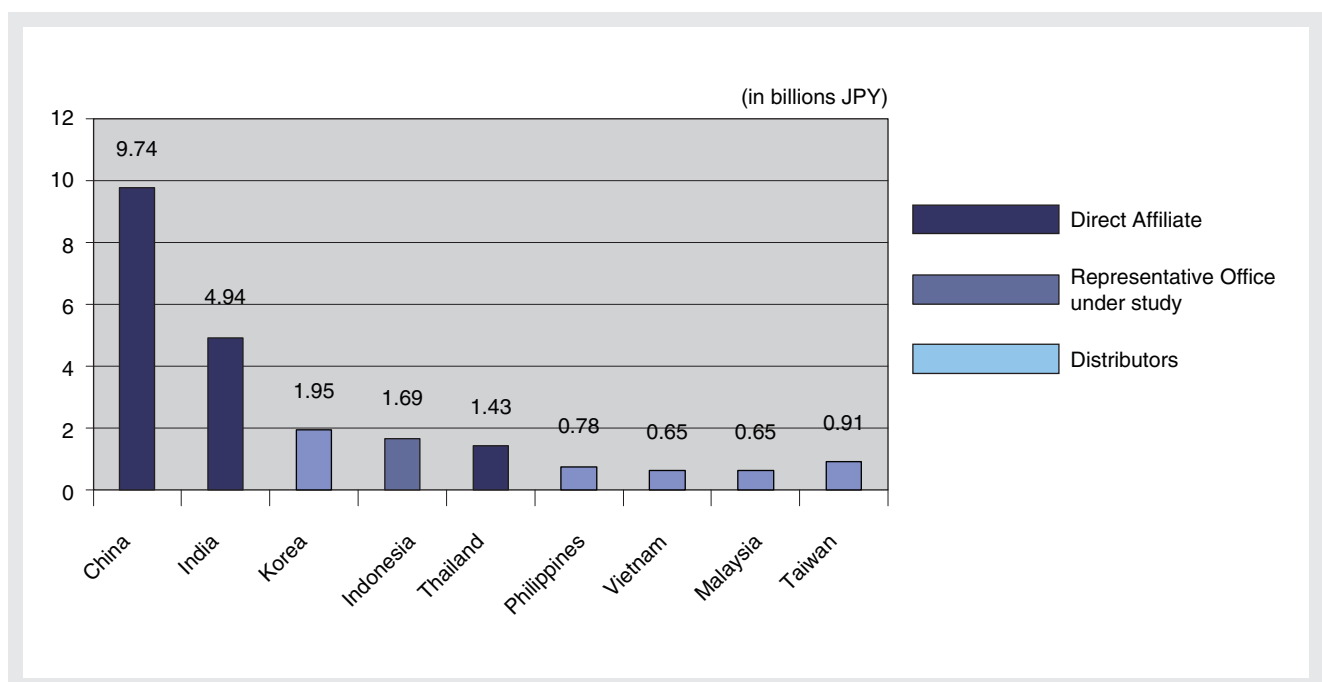


Figure 2 2009 Estimated Asian Hematology Market

This new structure helped to increase the closeness between the technical teams and sales staff within the distributors, solving a lack of the training to the sales staff of the distributors and resulting in the increase of the turnover in several countries. We then stopped providing generic trainings and started the “tailor made” support that fits to individual conditions. Specifically, to help control operating equipment, spare parts stock, and reagent stock in the laboratories, the technicians appropriate for individual cases are sent to provide fast service. We have also developed a special IT tool enabling better control of the operating equipment.

In Korea, the teamwork between the local distributors and the sales and the technical managers of HORIBA Medical enabled us to demonstrate in the Korean University Teaching Hospital that our “LEAN Workcell” was able to reduce the number of glass slides used for tests by 30% compared to the conventional tracking system.

## Conclusion

Close transversal collaboration between HORIBA Medical and the Asian regional teams has strengthened the level of the support to the distributors and the affiliates to be able to compete with other manufacturers. Flexible teamwork and individuals’ ownership of the business have provided HORIBA Medical Asia the means to address its many challenges and enabled it to envisage the future challenges with confidence.



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