

# China: Dental & Dental Lab Industry

## Overview of Emerging Tier II Markets



## INTRODUCTION

The objective of this report is to provide an overview of the Chinese market for the dental & dental lab sector with focus on four key emerging markets beyond already established cities such as Shanghai, Beijing, and Guangzhou.

## EXECUTIVE SUMMARY



**Market demand.** The Chinese dental and dental lab market is a relatively new and small market, worth only about \$150 million, but it is growing at more than 13% annually. Dental services still lag behind other medical services, and public awareness about the importance of dental care is still relatively low. However, with increasing affluence and greater attention paid towards personal care, demand for dental services has increased considerably in the last few years, especially in wealthier cities.

**Key customers.** The key buyers are Grade IIIA hospitals, specialized dental hospitals, military hospitals and a handful of top-end private clinics. With most of these institutions having strong financial strength, price is often not the key factor of consideration. In general, technology, brand and after-sales service are the most important factors for imported products, with some regional variations. Although there are thousands of private dental clinics, these are very small clinics which use second hand equipment and level of care is unpredictable. Fake products are also not uncommon in this low-end market.

**Key emerging markets.** Because the market is still new, most of the demand for imported products comes from the top two cities of Shanghai and Beijing. However, several Tier II cities show good future potential - Tianjin, Shenzhen, Nanjing and Xi'an were selected as key emerging markets. Since dental care is not covered by social medical insurance, the demand for such services is highly correlated with disposable incomes. Tianjin and Nanjing are relatively affluent cities and dental services are just starting to take off; Shenzhen is already a renowned provider of dental services and a market leader while Xi'an is a military area and research base for dental studies. Other Tier II cities with good prospects include Zhuhai, Hangzhou, Qingdao and Chongqing.

**Market access.** Market access for foreign exporters has improved considerably in recent years with just one agency, the State Food and Drug Administration (SFDA) responsible for the medical industry's import, manufacturing and distribution activities. Foreign exporters are usually better off getting representation with regional distributors<sup>1</sup> in Beijing, Shanghai or Guangzhou, rather than using local distributors at the city level (which is however still a viable option). Although the market size is still small, especially at city level, there is good mid-long term potential. Thus, foreign companies should enter the market early and build brand awareness.



<sup>1</sup> The term "distributor" in the China context is generally used to include any middle-man acting as distributor, agent, importer, independent sales-man, etc.