

## Valtero Canepa - General Manager, Bracco China

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*Valtero Canepa, general manager for China of Italian family-owned diagnostic imaging specialist Bracco, outlines the importance of China for the firm, the complexities of operating an international joint venture, and his strategic priorities for the future.*

### **Could you introduce Bracco's presence in China?**

In China, we have a self-sustaining affiliate, which provides a significant contribution to the Bracco Group strategy by pursuing excellence in the key diagnostic imaging modalities. Bracco has been present in China for the last four decades, during which we established a JV in Shanghai, in 2001, with a mid-sized Chinese pharma company, Sine Pharmaceutical, part of the Shanghai Pharma Group.

Since then, this company has grown rapidly and now count over 380 employees. After an important growth process that saw the volume of business triple in the period 2007-2013, China has become our 2<sup>nd</sup> market. The JV has been renewed in 2016 for another 20 years, which is a testament to its success.

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Over the next years, we expect new launches building more access for our products to the local healthcare professionals (HCPs) and patients. We are also applying to extend products indications and to register new devices that have all already been approved in other countries.

Moreover, in 2018 we strengthened our partnerships with Shanghai Pharmaceuticals in the UltraSound field, where we are focusing on the exploitation of the potentialities of our micro-bubbles technology platform, to support the development of innovative therapeutic drugs in the oncologic field.

**Having led the Chinese affiliate for the past six years, what have been your strategic priorities?**

My mission in the past years was focused on strengthening our corporate culture and developing talents in the local organization. When I joined Bracco China in 2013, it was already evident that China would become a very important market.

By improving the overall organization, in six years, we have simultaneously doubled our growth and improved our business model. We have a strong team and great talents here in China and we want to continue to foster them. This is really fundamental.

BraccoSine pays careful attention to the development of human resources and boasts one of the highest quality of its staff training among the pharmaceutical companies in China, with over 80 percent of its staff having university training and a careful gender balance (50 percent men and 50 percent women) that leads to having 6 female managers in the management team, consisting of 14 people.

This is something that most pharma companies in China are only now starting to discuss. But we were convinced that we needed to have qualified teams to communicate the differentiation and quality of our products. Today, the large majority of our employees have university degrees. This was also important in the production side. Our manufacturing is highly specialized and we require skilled workers.

**You mentioned that even six years ago, China was very important for Bracco. How would you characterize the strategic significance of the China market to Bracco now?**

Bracco today has two big pillars: one in the US and one in Europe. As a company, we believe that we need to have a strong presence in Asia – and China is certainly the obvious barycenter. We want to enlarge the presence of Bracco in China to make Asia the third pillar of the global business.

While we are aware of the complexities of the market here, we are confident that we have a strong foundation in the country and are well-positioned to accomplish this. Today, we are already the number one company in diagnostic imaging in the US, beating out much larger competitors.

The Chinese healthcare sector is changing quickly and the government is experimenting with many pilot programs to find a new healthcare model or models with ‘Chinese characteristics’. Certainly, we need to understand how to cope with the new and emerging healthcare ecosystem in China.

But the fact remains that in the future, China will be the second-largest – or even the largest – market for any company, not just within healthcare. We cannot be absent in the second-largest country in the world. We need to be here and we need to be successful also here.

Another advance is that Bracco never came to China with the intention to produce cheaper, simpler and lower-quality products to sell overseas. When we arrived in China, we came to China for the Chinese market. This was pioneering in a way. We have always produced for the Chinese market in accordance with our international standards. We have a solid footprint here and we are already planning to increase it. For instance, we started the activities to establish a second manufacturing plant in Shanghai. This is a bold move and a significant investment. It is to expand our production capacity and to support medical devices logistics.

**It is not always easy to have a successful JV between a foreign and a local company.**

**What has been key to the success of the Bracco Sine JV?**

Ultimately, it boils down to having the same mission and vision. Alignment in terms of the big picture is critical. On the operations side, the details can be discussed and negotiated. But both sides must agree on the fundamentals.

The success of the JV can really be measured by the fact that we have never had to call a vote during our board meetings. Bracco has 70 percent of the JV and Sine has 30 percent, and both parties are represented on the board. There has never been the need to call a vote because our discussions always end with a unanimous decision! Of course, we have differences in opinions but we always find a common solution agreed upon by both sides.

In general, our relationship with Sine has been extremely successful, which is why we decided to extend it for another 20 years when it expired in 2016.

**Many aspects of diagnostic imaging, and in particular, contrast media, can be rather commoditized. How does Bracco position itself within the local competitive landscape?**

Our business model is differentiation, quality and closeness to the customers. This is the same globally but we have to adapt it to the local market. In that sense, 'what to do' is clear but 'how to do' it depends on the country.

Our key competitors in China are local. Many of the products in this area are off-patent or will be so, and China has a very strong generics industry that has jumped in to lead this space. In addition to a strong footprint, they have also built a very broad portfolio, which gives them an advantage when it comes to hospital sales.

Since Bracco cannot be bigger than these companies, we must be able to deliver better quality, both in terms of products and quality. This is how we differentiate ourselves. We work through what we call the medical marketing differentiation model, where we focus on customer segmentation; better organization; a collaboration between medical reps, marketing, application specialists, medical liaisons; distributor management, and so on.

In the future, we do expect to see a consolidation within the local industry, especially as China's policy reforms continue. There will be a smaller number of larger companies competing. This can bring about more challenges but on the bright side, I believe that if the government is now providing a level playing field for both local and foreign companies, I think our portfolio and our people stand a fantastic chance of competing – and winning. We have great innovations and we invest 10 percent of our overall revenues in innovative R&D globally. This is giving us the opportunity of add new products to our portfolio in China.

**How strong is the Bracco brand in China?**

In our business, the Bracco brand is quite strong, especially amongst the top tier hospitals. Certainly, Chinese doctors and KOLs recognize us as the global leader in diagnostic imaging. In the past six years especially, we have also invested a lot in supporting Chinese users' (by which I mean physicians') medical education by exposing them to a more international environment. This is

another benefit that local competitors might not be able to offer. We are recognized globally as the leader in the US and Europe, along with many other key markets, so we can provide access to an international network of well-regarded physicians and clinicians.

We are also proactively sponsoring educational activities and initiatives for physicians. We also have a special focus on providing management training to physicians. Many doctors eventually rise to the ranks of hospital directors but they may lack management capabilities and training. These are only some of the areas where we can contribute our international expertise and knowledge.

As the Chinese market continues to open up and become more international, inevitably the local market will hear even more about Bracco and the Bracco brand.

### **Looking forward, what are the new strategic priorities you have set yourself?**

The first and foremost point, we need to continue advancing the journey of improvement in our systems, processes and people that we have initiated. There is always room for improvement, especially as the market is constantly changing. Having a robust system will help us manage these changes and evolve with local healthcare professionals and patients.

The second point is portfolio expansion. We need to bring more products to China. We still have products within our global portfolio that are not present in China yet. In addition, the Bracco Group has made a few acquisitions in the last few years so we need to evaluate the potential of these new acquisitions in China.

Finally, we want to transform the Chinese affiliate into one that not only drives local growth but also supports the growth of the overall Bracco Group. We hope to develop China as a key hub with strong capabilities to support the growth of the region as well. Relatedly, this also means improving the knowledge of China outside of China. We are currently discussing how to develop Chinese talents throughout the global organization. All these aspects go back to building China as the third pillar of the Group.

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