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Vincent Chan, VP and GM of bioMérieux Greater China, shares insights into how the microbiology diagnostics company's presence has evolved in China over the course of 30 years to today serve some 4,000 hospitals across the country. He walks us through the government measures that have prioritized microbiology testing to reduce antibiotic overuse and the cost containment efforts that have resulted in pricing pressures, and comments on the company's efforts to reduce its time-to-market in China.

Can you introduce bioMérieux's track record and current footprint in the Chinese market?

bioMérieux has a rich history in China, marked by over three decades of growth and development. Two years ago, we celebrated our 30th anniversary in the country. However, when we first entered the Chinese market in the early 1990s, microbiology and microbiology diagnostics were still in their infancy here. It was not until the late 2000s that we began to see significant growth and expansion in this field.

During this period, we started building reference sites and collaborating with academic institutions to strengthen our presence. A key milestone came in 1997, when we relocated our headquarters from

Hong Kong to Shanghai, signalling a stronger commitment to the mainland market. In 2005, I personally moved to China to take on a role in regional business management, which marked the beginning of a more hands-on approach to developing our operations here.

Another turning point was our acquisition of Organon Teknika in the early 2000s, which significantly expanded our market coverage. Organon Teknika, a Dutch company with a subsidiary in China, brought valuable capabilities that helped us merge and grow our local operations. Originally, bioMérieux focused on identification and susceptibility testing. Over time, we broadened our portfolio to include blood culture systems, which are now three key pillars of infectious disease diagnostics. This evolution has transformed not only our presence in Greater China but also reshaped the company's global footprint.

Starting from that period, bioMérieux also began investing heavily in China, including setting up manufacturing activities. For example, we initiated production on this campus, particularly for prepared culture media and rapid tests. While there have been some interruptions in manufacturing, we are eager to resume these operations as soon as possible. These investments, acquisitions, and innovations reflect our ongoing commitment to the Chinese market and its vital role in our global strategy.

How significant are the different customer segments for bioMérieux in China, and what is the competitive landscape for your product offerings?

In the early 2000s, our primary customers were limited to top-tier hospitals, classified as Grade 3, which are considered the highest level in China's hospital grading system. These institutions were concentrated in developed regions, particularly along the coastal areas. However, starting in the 2000s, the government began implementing policies that emphasized the importance of microbiology and infectious disease diagnostics, leading to rapid market growth in this field.

Within our product portfolio, immunoassays initially represented a significant portion of our business, once accounting for over 30 percent of our sales. Although this share has since decreased to less than 15 percent, the segment continues to grow, albeit at a slower pace in recent years. Before the pandemic, we enjoyed consistent double-digit growth annually, largely driven by the expansion of microbiology diagnostics.

This growth has been closely tied to government initiatives aimed at improving antimicrobial stewardship (AMS). These policies focus on optimizing the use of antibiotics to treat patients effectively while combating antimicrobial resistance (AMR). Over the years, our customer base has expanded from primarily Grade 3 hospitals to include Grade 2 facilities, reflecting a broader reach.

Today, we serve over 4,000 hospitals across China, and the potential for further development in microbiology remains substantial. This continued growth highlights the importance of microbiology diagnostics and our commitment to addressing unmet needs in the healthcare sector.

You have mentioned the impact of government stimulus in bolstering the fight against antimicrobial resistance. Could you elaborate on what these initiatives entail?

The government has implemented several measures to prioritize microbiology testing and reduce antibiotic overuse as part of its strategy to combat AMR. One key initiative is the inclusion of microbiology diagnostics in the KPIs for physicians and hospitals. Physicians are evaluated on their

ability to reduce antibiotic prescriptions, and hospitals are assessed on the percentage of antibiotic prescriptions that are based on microbiology testing results. This emphasis creates strong incentives to adopt better diagnostic practices.

To encourage this shift, the government is promoting an increased use of microbiology-related diagnostic tests, such as cultures and rapid antimicrobial susceptibility testing (AST). These measures enable more accurate prescribing, ensuring that antibiotics are used only when necessary and in the most effective manner.

Beyond addressing AMR, these initiatives are also cost-effective. Some antibiotics, especially advanced ones, can be prohibitively expensive. By leveraging microbiology diagnostics, physicians can select the most appropriate antibiotics for treatment, reducing costs associated with both the medication itself and prolonged hospital stays. Improved diagnostics lead to more effective treatment plans, shorter recovery times, and ultimately, significant cost savings for healthcare systems and patients alike.

bioMérieux has experienced global growth of nearly 10 percent in organic sales growth in H1 2024. How does this translate to your performance in China?

The situation in China has been quite complex, especially in the post-COVID period. While we performed well last year, the landscape in 2024, particularly in the second half, has presented significant challenges. As reflected in the annual report, starting from Q3, we have encountered a lot of operational uncertainties.

One of the main challenges stems from the government's dual priorities. On one hand, the National Health Commission (NHC) continues to emphasize initiatives like AMR and AMS. On the other hand, the national medical insurance organization is heavily focused on cost containment and making medical expenditure more efficient. This has resulted in pricing pressures that are impacting the healthcare sector as a whole, including our operations in microbiology, even though this field does not represent a major portion of lab testing expenses.

Additionally, volume-based procurement (VBP), which began significantly impacting the healthcare industry before COVID, has now become the norm and is extending its influence to the in vitro diagnostics (IVD) sector. Over the past three years, the severity of this impact has escalated. As a result, the entire IVD industry, particularly in the second half of 2024, has struggled with intense pricing pressures driven by cost-reduction measures.

How interchangeable or indispensable are bioMérieux's products in the Chinese market?

At bioMérieux, we are fortunate that microbiology diagnostics remain a critical part of healthcare, and we are actively working to convey their importance to decision-makers. Microbiology diagnostics are currently underutilized in China compared to other diagnostic modalities like immunoassays. This underutilization is partly due to microbiology diagnostics being undervalued and underpaid in the current healthcare system.

One of our key efforts is to advocate against including microbiology diagnostics in the VBP process. Unlike routine tests in areas such as haematology, biochemistry, or immunoassays, the volumes for microbiology diagnostics are significantly lower. Additionally, microbiology testing directly contributes

to public health by enabling more precise and effective treatments, such as reducing unnecessary antibiotic use and combatting antimicrobial resistance.

Microbiology diagnostics bring unique value, especially in promoting community health and precision medicine. By providing actionable insights for appropriate antibiotic selection, these tests help achieve better patient outcomes while potentially reducing overall healthcare costs. While microbiology diagnostics have not yet been included in the VBP, we continue to emphasize their indispensable role and lobby for their recognition within healthcare policy.

How receptive is the Chinese government to industry-recommended changes? Do you find there is space for negotiation and dialogue?

The NHC has shown strong alignment with our initiatives, particularly on issues related to AMR and AMS. This alignment is evident in the numerous policies issued by the NHC to address these challenges.

For the basic medical insurance system, the approach is somewhat different. While they are open to dialogue, their decisions are strongly evidence-based. To support this, we have invested significant effort in conducting health economics and outcomes research studies using real-world data generated in China. These studies demonstrate the value of microbiology diagnostics by showing how increased use can lead to shorter hospital stays, reduced overall costs for basic medical insurance, and more effective antibiotic usage.

Our strategy involves engaging with key stakeholders, including local governments that manage hospitals, hospital administrators, and the basic medical insurance authorities. By presenting clear, evidence-backed results, we aim to influence policies that support the adoption of more microbiology diagnostics in the healthcare system. The dialogue is ongoing, and there is certainly room for collaboration and progress in this area.

Are you introducing the latest innovations from bioMérieux's global portfolio into the Chinese market? Could you share details about any notable product launches or pipelines?

We are very committed to bringing our global portfolio into the Chinese market, and our goal is to achieve synchronized product launches globally. However, this requires significant effort.

To stay competitive, we are working to integrate China's regulatory requirements much earlier in the product lifecycle, even during the design and R&D phases. This allows us to streamline the registration process and reduce time-to-market. China's regulatory landscape is also evolving, which will support our efforts. A new law under consultation emphasizes that China may soon accept multinational data from global multi-centre clinical trials, provided one of the trial centres is based in China. This development mirrors what has already occurred in the pharmaceutical sector and will be a significant step forward for the IVD field.

While this regulatory progress is promising, the integration of new products into China's basic medical insurance system remains a challenge. The balance between private and public healthcare funding is still unclear, and further work will be needed to ensure that innovative products can be made accessible to the broader market. Nonetheless, we are optimistic about the future and remain focused on aligning our product launches with global timelines to deliver value to patients and healthcare providers in China.

What are the key priorities for bioMérieux in China over the coming years, and how do they align with the company's global objectives?

Our first priority is to bring the most innovative products from our global portfolio into the Chinese market as quickly as possible. Ensuring timely access to these advancements is essential for aligning with our global mission of addressing public health challenges through cutting-edge diagnostic solutions.

Second, we aim to continue promoting and demonstrating the value of our solutions beyond the laboratory. It is crucial to engage physicians, hospital decision-makers, and even broader communities to establish a deeper understanding of the role our products play in improving healthcare outcomes. In a competitive market like China, building brand awareness and ensuring our solutions remain top of mind are essential challenges we must address.

Third, innovation will remain at the core of our strategy. This includes fostering partnerships with local stakeholders, not just within hospitals but also with other companies and sectors. For example, we see significant potential in collaborating with local IT solution providers. Instead of implementing one-size-fits-all global solutions, we are focusing on tailoring our offerings to meet the specific needs of the Chinese market. By adapting to local requirements and leveraging partnerships, we can enhance the applicability and effectiveness of our diagnostic solutions in this unique environment.

Do you see opportunities for bioMérieux to collaborate with IT or software companies, particularly given the distinct commercial models required for success in China?

Establishing partnerships with local IT players is essential to having a suitable digitalization strategy. To adapt to these needs, we aim to integrate our corporate IT solutions with the local systems already utilized in hospitals. This approach makes our offerings more compatible with local requirements, enhancing their value and competitiveness.

In the long term, these collaborations could create new revenue streams and growth opportunities. However, initially, the focus is on providing complementary solutions that enhance the functionality of our existing products. By fostering synergy with local players, we can ensure our solutions are better tailored to market demands, making them more competitive.

Microbiology diagnostics in particular is a complex, multi-stage process that involves numerous steps—from sample collection to results delivery. Each stage requires distinct tools and solutions that meet the needs of lab technicians, physicians, and hospital administrators. Companies capable of offering fully integrated solutions that cover this entire process will hold a strong competitive advantage. At bioMérieux, we already have one of the most comprehensive product portfolios in microbiology diagnostics, positioning us well to develop these end-to-end solutions.

While concerns about IP protection do exist—not just in China but globally—our focus is on balancing these risks with the speed of market penetration. Leading the market and establishing dominance can serve as an additional layer of protection for our business. We place significant emphasis on IP protection within the company, but ultimately, delivering efficient and effective integrated solutions swiftly is crucial.

This is why partnerships with local players are so critical. Even if they collaborate with other companies, finding synergies that make our solutions stronger is key. Such alliances could

significantly enhance our ability to meet local market needs while staying at the forefront of innovation.

How are you adapting your leadership approach at bioMérieux to navigate this increasingly complex professional environment in China?

We are facing many challenges in China today, especially with the slowing GDP and government efforts to reduce healthcare spending. The local competition is also continually increasing. In such a situation, I believe the key is to continue focusing on bioMérieux's long-term vision. It is crucial that the entire team believes in this mission so that we can get through these challenges and come out stronger. If everyone believes in the long-term benefits for the country, the company, and for patients, that is what is central to our operations.

Furthermore, in addition to following bioMérieux's global strategy, we also need to be flexible within the local context. China is such a large country with huge regional differences. There are variations in economic development, healthcare standards, and reimbursement processes across provinces. While it is important to follow corporate strategies, we also need to listen closely to what is happening on the ground and encourage ideas that come from the field. These local insights are critical to success in such a unique market.

Another focus is on ensuring that our portfolio value reaches the end customer. To do that, we need to understand the real pain points of our customers. Sometimes, these issues are so routine that they are not even recognized by physicians. Our sales team can help by providing a framework to identify these pain points. If we can train our sales force to identify and address these unseen issues, it not only adds value for our customers, but also gives us a competitive advantage.

You have dedicated a significant portion of your career to bioMérieux. In a fast-moving market like China, where leaders often shift roles rapidly, what has inspired your long-standing commitment to the organization?

Interestingly, bioMérieux has a lower turnover rate compared to the market as a whole—not just in my case. I believe this is part of our success formula. The company values long-term employees who accumulate experience and deep knowledge of the market, products, and solutions. bioMérieux understairs the value of this kind of expertise, especially in a market like China.

Personally, having spent many years with bioMérieux, I have seen that my ideas are listened to and that the company values my insights. In the field of microbiology, expertise is key, and the company recognizes this. At the same time, bioMérieux offers more opportunities to long-term employees, creating a win-win situation where the business benefits from accumulated experience and employees are rewarded with more chances for growth and advancement.

What key factors do you believe are essential for ensuring sustained success in the Chinese market over the long term?

In China, long-term vision is crucial—especially in sectors like healthcare which is constantly evolving. The decision-making process here differs significantly from the rest of the world as decisions are often made top-down and policies can change quickly. This can often create

uncertainty for the market outlook. However, by understanding the long-term vision of the government and the broader policy environment, it is easier to navigate those uncertainties and make informed decisions.

Global leaders should have trust in these long-term policy directionsâ??even if the decision-making process may feel different from what they are used to. Adapting to this unique way of doing operating, while maintaining a clear long-term strategy, is key to ensuring sustained success in the Chinese market.

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