

China Pharmaceutical Chain Industry Report, 2010



Recent years have seen rapid growth of China's pharmaceutical retail market, with expanding scale of chain enterprises and increasing number of drugstores, thanks to a fast-growing pharmaceutical industry and an aging population in China. In 2009, China's pharmaceutical retail market scale reached RMB 153.1 billion, up 18.2% year-on-year. In particular, China's top 100 pharmaceutical chain enterprises reaped RMB 58.1 billion in total, accounting for 37.9% of the total sales of the pharmaceutical retail industry. By the end of 2009, China had 2,099 pharmaceutical chain enterprises and 160,000 chain drugstores, up 5.7% and 24.0% year-on-year respectively.

Sales and YoY Growth Rate of China's Top 100 Pharmaceutical Chain Enterprises, 2003-2009 (RMB bn, %)



Source: ResearchInChina

This report not only highlights both the overall development and regional development of China's pharmaceutical chain industry, but also elaborates on the operation of 14 pharmaceutical chain enterprises including Nepstar Drugstore, LBX Pharmacy, Guangdong Da Shen Lin and Hubei Ready Medicine Industry.

A case in point is Nepstar Drugstore, whose single-store profit decreased by 14.6% year on year to RMB 45,000 in 2009. Compared with the single-store profit of RMB 52,000 and year-on-year decline of 42.2% in 2008, the single-store profit in 2009 showed a downward trend, but at a slower rate, which can be attributable to three aspects: firstly, the proportion of self-owned brand drugs with higher gross profit margin has been increasing; secondly, the cost has been lowered through centralized procurement; thirdly, the profitability has been improved through increasing the sales revenue from non-drug products like nourishments.

Operating Profit and Single-store Profitability of Nepstar Drugstore, 2006-2009

	Operating Profit (RMB 1,000)	Number of Outlets	Annual Single-store Profit (RMB 1,000)	YoY Growth of Single-store Profit
2006	28,609	1,446	19.8	—
2007	180,818	2,002	90.3	356.5%
2008	141,376	2,709	52.2	-42.2%
2009	110,491	2,479	44.6	-14.6%

Source: Annual Report of Nepstar Drugstore; ResearchInChina

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