

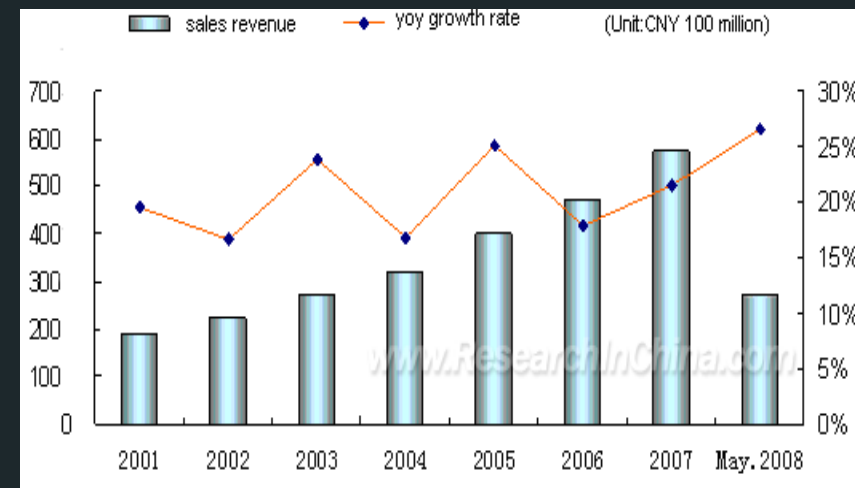
# China Pharmaceutical Chain Industry Report, 2007-2008



Pharmaceutical industry is called as "eternal sunrise industry", mainly because of its sustained growth in market demand. The main factors driving the growth in market demand of China's pharmaceutical industry include economic growth, improved people's awareness of self-health care, the process of aging population and urbanization and full start-up of health system reform, which has greatly promoted the ability and willingness of medical consumption. China's demand for medical industry in the future will maintain a rapid growth. According to the forecasts of IMS, China will become the seventh largest pharmaceutical market in the world in 2009 and will jump to the second largest one with a market capacity of US\$220 billion after the U.S.A. in 2020.

According to the latest statistics of the National Bureau of Statistics, the sales revenue of China's pharmaceutical industry in the first five months of this year revenue reached CNY271.78 billion, up 26.63% year on year. In 2007, the sales revenue reached CNY575.4 billion, rising 21.5% year on year. The average growth rate of sales revenue of China's pharmaceutical industry in the recent ten years exceeded 20%, far higher than GDP growth rate in the same period. Moreover, the profit growth rate of China's pharmaceutical industry in the past two year was much higher than the growth rate of sales revenue. The total profit of China's pharmaceutical industry in the first eleven months of 2007 reached CNY49.9 billion, jumping 51% year on year. In 2008, the industry continued maintaining the momentum of fast growth, and the total profit of the industry in the first five months of this year stood at CNY26 billion, 41.4% year on year, which is mainly attributed to government support and industry restructuring.

**Sales Revenue of China Pharmaceutical Industry, 2001-2008**



Source: ResearchInChina

Due to impact of many factors including mainly price competition and market disorder, China's pharmaceutical chain industry was in the doldrums in the past four years in general. However, the industry had a turn for the better in 2007 after experiencing industry restructuring and gradually improved corporate operation in 2006. In 2007, net profit rate of China Top 100 pharmaceutical chain companies reached about 3%, higher than that in the previous year, and the growth rate of profit reached 56.2%, far higher than the growth rate of sales revenue.

Although we are optimistic about our forecast of potential of market development, too fast expansion of pharmaceutical chain industry in large cities like Beijing, Shanghai, Guangzhou and Shenzhen has made market in these large cities tending to be saturated. Rising cost, price competition, new medical reform and other factors have made medium- and small-sized drugstores more and more difficult to survive. It is increasingly clear that China should further restructure its pharmaceutical chain industry to raise industrial concentration degree, which is a very good opportunity for those powerful companies to further strengthen their presence in the industry.

The report is based on the authoritative statistics from the National Bureau of Statistics, the Ministry of Health, the State Food and Drug Administration, the China Association of Pharmaceutical Commerce and China Drugstore website as well as information from annual financial reports and websites of some key companies.



# Table of Contents

- **1. Overview of China Pharmaceutical Chain Industry**
  - 1.1 Industrial Chain
  - 1.2 China Medical System Reform
    - 1.2.1 Reform Course Review
    - 1.2.2 Basic Framework, Goals and Measures of the New Reform
  - 1.3 Main Factors Driving China Pharmaceutical Industry Development
    - 1.3.1 Economic Growth
    - 1.3.2 Aging Population
    - 1.3.3 Urbanization Process
    - 1.3.4 Push from New Medical System Reform
    - 1.3.5 Improvement in People's Healthcare Awareness
    - 1.3.6 Technology Improvement
  - 1.4 Forecast of Development Trend
- **2. Operating Status of China Pharmaceutical Industry**
  - 2.1 Market Demand
    - 2.1.1 General Size
    - 2.1.2 Main Sub-industries
  - 2.2 Economic Efficiency
    - 2.2.1 Overall Economic Efficiencies
    - 2.2.2 Economic Efficiencies of Main Sub-industries
- **3. Operating Status of China Pharmaceutical Chain Industry**
  - 3.1 Main Industry Indices
    - 3.1.1 Market Size
    - 3.1.2 Profitability
    - 3.1.3 Other Indices
  - 3.2 Consumption Structure
  - 3.3 Price Trend
  - 3.4 Industry Expansion
  - 3.5 Business Mode
- **4. Competition Status of China Pharmaceutical Chain Industry**
  - 4.1 Market Concentration Degree
  - 4.2 Competition Pattern
  - 4.3 Key Enterprises
    - 4.3.1 Comparison of Overall Sizes
    - 4.3.2 Comparison of Economic Efficiencies
- **5. Key Regions of China Pharmaceutical Chain Industry**
  - 5.1 Beijing
  - 5.2 Shanghai
  - 5.3 Guangdong Province
  - 5.4 Jiangsu Province
  - 5.5 Hunan province
  - 5.6 Liaoning Province
  - 5.7 Other Regions
- **6. Development Trend of China Pharmaceutical Chain Industry**
  - 6.1 Market Trend
  - 6.2 Development Trend of Consumption Structure
  - 6.3 Price Trend
  - 6.4 Competition Trend
  - 6.5 Operation Trend
    - 6.5.1 Marketing Era of Drugstore Management
    - 6.5.2 Transformation of Traditional Drugstores
    - 6.5.3 Alliances of Medium- and Small-Sized Drugstores

6.5.4 Return of Directly-Managed Drugstores

6.5.5 Capital Operation:

A Major Means of Industry Integration

6.6 Key Concerns

6.6.1 OTC Drugs Market

6.6.2 Medical Care Insurance Medicine

6.6.3 Drug Store Cosmetics

- **7. Key Companies of China Pharmaceutical Chain Industry**

7.1 Laobaixing Drugstore

7.1.1 Company Profile

7.1.2 Revenue Status

7.1.3 Distribution of Chain Stores

7.2 Nepstar Drugstore

7.2.1 Company Profile

7.2.2 Revenue Status

7.2.3 Distribution of Chain Stores

7.3 Hubei Tongjitang Drugstore

7.3.1 Company Profile

7.3.2 Revenue Status

7.3.3 Distribution of Chain Stores

7.4 Chongqing Tongjunge Drugstore

7.4.1 Company Profile

7.4.2 Revenue Status

7.4.3 Distribution of Chain Stores

7.5 Guoda Drugstore of Sinopharm Medicine Holding Co.

7.5.1 Company Profile

7.5.2 Revenue Status

7.5.3 Distribution of Chain Stores

7.6 Liaoning Chengda Fangyuan Chain Drugstore

7.6.1 Company Profile

7.6.2 Revenue Status

7.6.3 Distribution of Chain Stores

7.7 Chongqing Heping Drugstore

7.7.1 Company Profile

7.7.2 Revenue Status

7.7.3 Distribution of Chain Stores

7.8 Jiangxi Kaixinren Drugstore

7.8.1 Company Profile

7.8.2 Revenue Status

7.8.3 Distribution of Chain Stores

7.9 Guangdong Dashenlin Drugstore

7.9.1 Company Profile

7.9.2 Revenue Status

7.9.3 Distribution of Chain Stores

7.10 Yunnan Hongxiang Pharmaceutical Co.(Yixintang Drugstore)

7.10.1 Company Profile

7.10.2 Revenue Status

7.10.3 Distribution of Chain Stores

7.11 Shanghai Huashi Drugstore

7.11.1 Company Profile

7.11.2 Revenue Status

7.11.3 Distribution of Chain Stores

7.12 Hunan Zhilin Drugstore

7.12.1 Company Profile

7.12.2 Revenue Status

7.12.3 Distribution of Chain Stores

7.13 Shenzhen Zhonglian Drugstore

7.13.1 Company Profile

7.13.2 Revenue Status

7.13.3 Distribution of Chain Stores

7.14 Shenyang Northeast Drugstore

7.14.1 Company Profile

7.14.2 Revenue Status

7.14.3 Distribution of Chain Stores

7.15 Beijing Jinxiang Drugstore

7.15.1 Company Profile

7.15.2 Revenue Status

7.15.3 Distribution of Chain Stores

7.16 Tongrentang Drugstore

7.17 Guizhou Yishu Drugstore

7.18 Medicine Shoppe



# Selected Charts

Industrial Chain of China Pharmaceutical Industry

China Medical System Reform Course

General Framework of Medical System Reform

Sales Revenue of China Pharmaceutical Industry and GDP

China Aging Population Proportion and Changes in Medical Insurance Expenses, 2006-2016

Healthcare Expenditure Per Capita of China Urban & Rural Residents, 2002-2006

China Healthcare Expenditure, 2005-2016

China CPI, Medical Care and Personal Necessity Index Trend

Future Development Trend of China Pharmaceutical Industry

Sales Revenue of China Pharmaceutical Industry, 2001-2008

Growth Rate of China Pharmaceutical Industry and GDP, 2000-2007

Sales Revenue of China Pharmaceutical Industry by Segmented Industry, 2007

Growth Rate of China Pharmaceutical Sub-industries, 2003-May 2008

Sales Revenue of Chemical Medicine Sector, 2002-May 2008

Sales Revenue of Chemical Medicine Preparation Sector, 2002-May 2008

Sales Revenue of Biochemical Medicine Sector, 2002-May 2008

Sales Revenue of Chinese Traditional Patent Medicine Sector, 2003-May 2008

Sales Revenue of Prepared Herbal Sector, 2003-May2008  
Sales Revenue of Health Materials and Medical Supplies Sector, 2002-May2008  
Sales Revenue of Animal Medicine Sector, 2002-May2008  
Total Profit of China Pharmaceutical Industry, 2002-May2008  
Growth Rates of Revenue and Profit of the Industry, 2003-May2008  
Changes in Profit Margin of China Pharmaceutical Industry, 2002-May2008  
Profit Structure of China Pharmaceutical Industry by Segmented Industry  
Profit Growth Rates of China Pharmaceutical Sub-industries,2003-May2008  
Profit of Chemical Medicine Sector, 2002-May2008  
Profit of Chemical Medicine Preparation Sector, 2002-May2008  
Profit of Biochemical Medicine Sector, 2002-May2008  
Profit of Chinese Traditional Patent Medicine Sector, 2003-May2008  
Profit of Prepared Herbal Sector, 2003-May2008  
Profit of Health Materials and Medical Supplies Sector, 2002-May2008  
Profit of Animal Medicine Sector, 2002-May2008  
Total Sales Revenue of China Top 100 Chain Drugstores, 2003-2007  
Profit Margin Distribution of China Top 100 Chain Drugstores, 2007  
Daily Average Output Per Square Meter of China Top 100 Chain Drugstores, 2007  
Average Index of China Top 100 Chain Drugstores, 2007  
Medicine Structure of Medicine Retail Market by Sales in Feb. 2008  
China Medicine Retail Price Index, 2003-2007  
Total Store Number of China Top 100 Chain Drugstores, 2004-2007  
Store Number of China Top 10 Chain Drugstores, 2005-2007  
Operating Mode of China Pharmaceutical Chain Industry  
Stores Concentration of China Pharmaceutical Chain Industry, 2005-2007  
Market Concentration Rate of China Pharmaceutical Chain Industry, 2006-2007  
Market Concentration Rate of China Top 100 Chain Drugstores, 2006-2007  
Changes in Ranking of China Top 10 Chain Drugstores, 2005-2007  
Top 20 Chain Drugstores for Four Years Successively in Terms of Sales  
Top 10 Drugstores with the Highest Growth Rate in 2007  
Sales List of China Pharmaceutical Chain Industry, 2007(above CNY500 million)

Ranking List of Directly-managed Drugstores Quantity, 2007  
Ranking List of Single Store Sales Revenue in the Industry, 2007  
Top 10 Companies in Terms of Average Single Store Sales Revenue, 2007  
Sales of Main Chain Medicine Companies in Beijing, 2007  
Sales of Main Chain Medicine Companies in Shanghai, 2007  
Sales of Main Chain Medicine Companies in Guangdong Province, 2007  
Sales of Main Chain Medicine Companies in Jiangsu Province, 2007  
Local Sales of Main Chain Medicine Companies in Hunan Province, 2007  
Sales of Main Chain Medicine Companies in Liaoning Province, 2007  
Sales of Main Chain Medicine Companies in Hubei Province, 2007  
Sales of Main Chain Medicine Companies in Yunnan Province, 2007  
Sales of Main Chain Medicine Companies in Chongqing, 2007  
Pharmaceutical Terminal Market Reform  
Sales Forecast of China Medicine Retail Market, 2008-2010  
Medicine Structure Changes in Retail Market by Sales  
Market Share of Homemade Medicine in Retail Market, 2004-2006  
Sales List of Cold Medicine in Shanghai Retail Market in Feb. 2008  
Changes in Revenue of Laobaixing Drugstore, 2003-2007  
Regional Distribution of Laobaixing Drugstores, 2007  
Changes in Revenue of Nepstar Drugstore, 2003-2007  
Regional Distribution of Nepstar Drugstores, 2005-2007  
Changes in Revenue of Hubei Tongjitang Drugstore, 2003-2007  
Expansion of Hubei Tongjitang Drugstore, 2003-2007  
Changes in Revenue of Chongqing Tongjunge Drugstore, 2003-2007  
Expansion of Chongqing Tongjunge Drugstore, 2003-2007  
Changes in Revenue of Guoda Drugstore, 2003-2007  
Expansion of Guoda Drugstore, 2003-2007  
Changes in Revenue of Liaoning Chengda Fangyuan Chain Drugstore, 2003-2007





Expansion of Liaoning Chengda Fangyuan Chain Drugstore, 2003-2007

Changes in Revenue of Chongqing Heping Drugstore, 2003-2007

Expansion of Chongqing Heping Drugstore, 2003-2007

Changes in Revenue of Jiangxi Kaixinren Drugstore, 2003-2007

Expansion of Jiangxi Kaixinren Drugstore, 2003-2007

Changes in Revenue of Guangdong Dashenlin Drugstore, 2003-2007

Expansion of Guangdong Dashenlin Drugstore, 2003-2007

Changes in Revenue of Yixintang Drugstore, 2003-2007

Expansion of Yixintang Drugstore, 2003-2007

Changes in Revenue of Shanghai Huashi Drugstore, 2003-2007

Expansion of Shanghai Huashi Drugstore, 2003-2007

Changes in Revenue of Hunan Zhilin Drugstore, 2003-2007

Expansion of Hunan Zhilin Drugstore, 2003-2007

Changes in Revenue of Shenzhen Zhonglian Drugstore, 2003-2007

Expansion of Shenzhen Zhonglian Drugstore, 2003-2007

Changes in Revenue of Shenyang Northeast Drugstore, 2004-2007

Expansion of Shenyang Northeast Drugstore, 2003-2007

Changes in Revenue of Beijing Jinxiang Drugstore, 2003-2007

Expansion of Beijing Jinxiang Drugstore, 2004-2007

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