Taking advantage of the Medtech market potential in India: Success will hinge on operating model innovation
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Medical technology (Medtech) companies are accelerating their investments in emerging markets, and India is a prime target because of its large population, growing middle class, and improving healthcare infrastructure. To date, most Medtech multinationals have pursued a conservative business strategy and operating model in India, focused on delivering their existing offerings to the premium segments of the market. But the playing field is becoming far more competitive, and companies in search of growth need to move beyond the traditional model. Specifically, Medtech companies will need to:

• Define a more holistic and aggressive India market attack strategy. Continue to focus on the premium India customer segments but with new, tailored and comprehensive solutions. Significantly increase focus on the underserved middle-income population living in cities and in rural and exurban areas (Tier 2 segments). Move beyond importing current mature market products to customized offerings, shift from technology product innovation to value-based innovation, and establish new business models.

• Define an operational strategy and ensure alignment with the new business strategy. Success will depend on establishing local and regional operational capabilities to deliver the new innovations, including a low-cost manufacturing network, local research and development (R&D), and market-specific commercial operations and capabilities.
Growth opportunities abound, but market dynamics are changing

With annual growth exceeding 15% and estimated Medtech industry revenue of about $3 billion in 2011, India ranks in the top three emerging nations for direct investment by large, multinational Medtech companies.\(^1\) Twenty-three of the largest by revenue global Medtech firms have established sales and marketing offices there.\(^2\) Domestic competition is intensifying as Indian companies improve the quality and capabilities of their products and services. At the same time, the market is experiencing healthcare infrastructure improvements, regulatory reform, and greater awareness and access across a broader set of customers.

What should multinationals do to position themselves for sustained revenue and market share growth as the Indian market evolves? What are the most acute risks and challenges, and what should be executives’ first priorities?

To address these issues, PwC* recently surveyed executives from leading global and domestic Medtech companies with India operations representing $1.3 billion in revenues in India, or roughly 40% of the $3 billion Indian market. Their responses, combined with in-depth interviews and PwC’s research and experience in the industry, provide insight on how to succeed in India.

Survey participants were bullish about the prospects for the Indian Medtech market, with more than 80% of respondents expecting cumulative annual revenue growth of 20% or more over the next five years. Three trends are likely to spur revenue growth, as shown in Figure 1:

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**Figure 1: Key trends driving Indian Medtech growth**

<table>
<thead>
<tr>
<th>Category</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapidly growing middle class</td>
<td>4.4</td>
</tr>
<tr>
<td>More people getting insurance coverage</td>
<td>4.1</td>
</tr>
<tr>
<td>Improvement in healthcare infrastructure</td>
<td>3.9</td>
</tr>
<tr>
<td>Stable regulatory environments</td>
<td>3.7</td>
</tr>
<tr>
<td>Increased government healthcare spending</td>
<td>3.5</td>
</tr>
<tr>
<td>Penetration into rural markets</td>
<td>3.5</td>
</tr>
<tr>
<td>Increased awareness about products</td>
<td>3.5</td>
</tr>
<tr>
<td>Introduction of new low-cost products</td>
<td>3.4</td>
</tr>
<tr>
<td>Better IP protection</td>
<td>2.8</td>
</tr>
<tr>
<td>Government subsidies/tax breaks</td>
<td>2.7</td>
</tr>
</tbody>
</table>

Source: PwC India Medtech survey 2011

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1 Epsicom India Medical Device Report, 2010
2 “Top 100 Medical Device Companies,” PharmaLive.com; company websites
* “PwC” refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network.
Taking advantage of the Medtech market potential in India

With annual growth exceeding 15% and estimated Medtech industry revenue of about $3 billion in 2011, India ranks in the top three emerging nations for direct investment by large, multinational Medtech companies.

- Rapid growth of the middle class:
The Indian middle class — defined as an annual household income (in 2007 dollars) of $4,376 to $21,882 — is forecast to grow from roughly 50 million people in 2007 to 580 million by 2025.³

- Expanded insurance coverage:
Private insurance is projected to grow at a 30% compound annual growth rate (CAGR) through 2015, when it will cover 6% of the population. In 2009, private insurance constituted 2.2% of total healthcare expenditure, covering just 1% of the population.⁴

- Improvements in healthcare infrastructure:
While India has just 0.6 physicians per 1,000 people, far lower than the global average of 1.6, the country’s largely private healthcare infrastructure will continue to grow. Private hospitals account for 80% of total healthcare delivery spending, and recent estimates show that 95% of new hospital bed capacity is coming from the private sector.⁵

Revenue growth for Medtech players will also derive from a disproportionate rise in non-communicable diseases like diabetes and cancer, as life expectancy increases and the incidence of communicable disease declines. In the area of cardiovascular disease, for instance, by 2020 India could have an estimated 60% of heart patients worldwide, two-thirds of them under age 70.⁶ Medtech companies are helping to accelerate growth of the Tier 1 market — defined as affluent customers largely in major urban centers. Companies are aggressively promoting their products to private and public hospitals, engaging in physician training, and developing innovative offerings that address specific needs of Tier 1 customers. Some companies are also penetrating rural areas with new, low-cost products and innovative business models.

To be sure, there are some risks that come with growth. Survey respondents consider competition from low-priced local products as the top risk, indicating how far local and regional players have come in developing capabilities to produce viable low-cost alternatives that address the price sensitivity of certain market segments. Other key risk factors cited were change in trade policies, regulatory policies, and the possible introduction of mandated price controls.

Yet risks need to be put into perspective. As one respondent, Annavswamy Vaidheesh, managing director of Johnson & Johnson Medical India, noted about the India Medtech market: “We can expect 12%–16% annual growth over the next 10 to 15 years. All the risk factors put together are just irritants, which at most can bring growth to 8%–9%. This is still significantly higher than the 2%–3% growth that developed, Western markets are currently experiencing.”

And many survey respondents say that the greatest potential growth lies in catering to the Tier 2 and Tier 3 segments — the middle- and lower-income populations living in cities as well as in rural and exurban areas.

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³ “The Next Big Spenders - India’s Middle Class,” McKinsey Global Institute, 2007
⁴ PwC research
⁵ “Medical Device World Factbook,” Epsicom Business Intelligence, 2010
A shift from importing to innovating

The way Medtech companies attack and utilize India is bound to change. Currently, survey respondents view India primarily as a market for importing and selling their current mature market products, which are mostly developed and manufactured outside of India. Almost 75% of the medical devices used in India were imported into the country. Most have not seen India as a primary low-cost labor destination or center of excellence for certain business operations (see Figure 2). Most multinationals have established or expanded sales and service operations there during the past five years. However, as companies focus more on innovating specifically for this market, they will increasingly use India as a manufacturing and R&D base as well as a source for materials.

Figure 2: Viewed as a market purely for products, India will increasingly become a clinical trial, manufacturing, and R&D base

| Market for firm’s products | 15 |
| Clinical trial destination | 7 |
| Manufacturing base | 3 |
| Center for in-house R&D | 6 |
| Source for outsourced services | 2 |
| Source for materials and components | 4 |

# of companies 0 2 4 6 8 10 12 14 16 18


Medtech companies can grow briskly in the near term through their current strategy of importing a range of products for the Tier 1 segment, and many survey respondents are investing in larger local sales forces to support this strategy. But that stream of revenue growth will eventually run its course as the field gets crowded with more multinational and local companies, and as they hone their ability to offer both low- and high-complexity products at lower price points. In this scenario, market share could shift significantly and prices could erode.

Companies can drive growth and position themselves for success by venturing into new markets beyond Tier 1, and by pursuing breakthrough product and business model innovation. Such innovation among Medtech companies in India has been scant to date, although a few, such as GE Healthcare and B. Braun, have done so. For example, GE Healthcare has developed a portfolio of innovative diagnostic imaging products such as ECG machines and ultrasound systems developed in India. In another example, B. Braun
“Most global companies have a perception that India is a ready-made market, however taking advantage of the market presents unique challenges that are very different from the developed world.”

—Anand Balasubramanian
Director, International Department, Globus Medical

Across different industries, we have found that it’s useful to think of innovation strategies along two dimensions: product/services and business model. Companies address the market with varying combinations of products/services and business model: opportunistic, customizing, or innovating (see Figure 3). Companies may operate at different points on the continuum for different product lines, so the level of innovation required should match the priorities of the chosen market segment and the degree of differentiation required.

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Let’s look at each stage of the continuum in greater detail.

**Opportunistic.** Most multinational Medtech companies have followed an opportunistic business model, importing their existing global products with focus mainly on affluent consumers and private hospitals in large cities such as Delhi, Mumbai, and Bangalore. Only 40% of our survey respondents do any manufacturing in India, and 70% use third-party local companies as their primary distribution channel. Intellectual property, product design, and capital tend to come from corporate headquarters located in developed countries. Operations in India usually focus on sales and distribution in larger cities that provide ready access to customers who can afford global products. These cities can also offer skilled healthcare personnel, key opinion leaders, and a large, well-educated labor pool for field sales and general management.

Opportunistic strategies have proven successful for many multinationals, particularly where customer needs and product features vary little from those in developed markets. For example, implantable devices such as stents, which are designed and fabricated abroad, have enjoyed brisk sales. These products can be imported and sold as is because of similarities in clinical practices from one premium clinic to another. Moreover, despite the availability of local brands, customers prefer foreign products because of perceived higher quality.

**Customizing.** As companies expand their market presence, it’s often necessary to customize or tailor existing products to address new customer segments or unmet needs and to differentiate offerings from those of international and domestic competitors. This may include simplifying products by removing features that are less valuable, substituting materials with comparable but lower-cost options (see Figure 4), or sourcing the same components from a low-cost country vendor.

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**Figure 4: Drivers for customization**

<table>
<thead>
<tr>
<th>Need for lower-priced products</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market requires simpler products (less features)</td>
<td>8</td>
</tr>
<tr>
<td>Differences in clinical practice</td>
<td>6</td>
</tr>
<tr>
<td>Differences in product use</td>
<td>5</td>
</tr>
<tr>
<td>Differences in healthcare infrastructure</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: PwC India Medtech survey 2011
**Innovating.** Expanding market access and building a sustained and differentiated competitive position will require new innovation in products, services, and business models. These innovations start with a deep understanding of the customer’s overall needs and priorities, and how the solutions will fit into the broader healthcare system. Such innovations may not only address India’s needs but may be appropriate for other emerging markets and, potentially, even for mature markets as they are also evolving.

Each company must decide which innovation levers it should pull, depending on the degree and type of innovation needed to accomplish its business objectives. For example, business model levers include identifying new places in the value chain to participate, developing more complete solutions that meet multiple stakeholder needs, delivering and monetizing service offerings in new ways, and finding new or underserved customers. Product innovation levers include new technologies and product designs and improved processes for manufacturing or delivery that provide enhanced customer value.

Because the India Medtech market is changing so rapidly, success over the long run will hinge on a company’s ability to tailor and adapt business models to the priorities of chosen markets. In addition to product features, key considerations include the role of the product in overall patient care, life cycle costs, ancillary services, financing, product maintenance and serviceability, and all the other ways that a company can enhance the customer experience, improve overall outcomes with reduced costs, differentiate its offerings, and increase profitability.

Among our survey respondents, only two of the 18 companies are currently innovating on both the business model and product axis (see Figure 5). Six companies plan on moving to or are innovating along the two axes. Another six respondents are opportunistic on both dimensions, of which four companies plan to move to a customizing approach in the next three to five years.

**Figure 5: In 3-5 years 30% of Medtech companies plan to innovate their products and business models specifically for the India market**

![Innovating, Expanding market access and building a sustained and differentiated competitive position will require new innovation in products, services, and business models. These innovations start with a deep understanding of the customer’s overall needs and priorities, and how the solutions will fit into the broader healthcare system. Such innovations may not only address India’s needs but may be appropriate for other emerging markets and, potentially, even for mature markets as they are also evolving. Each company must decide which innovation levers it should pull, depending on the degree and type of innovation needed to accomplish its business objectives. For example, business model levers include identifying new places in the value chain to participate, developing more complete solutions that meet multiple stakeholder needs, delivering and monetizing service offerings in new ways, and finding new or underserved customers. Product innovation levers include new technologies and product designs and improved processes for manufacturing or delivery that provide enhanced customer value. Because the India Medtech market is changing so rapidly, success over the long run will hinge on a company’s ability to tailor and adapt business models to the priorities of chosen markets. In addition to product features, key considerations include the role of the product in overall patient care, life cycle costs, ancillary services, financing, product maintenance and serviceability, and all the other ways that a company can enhance the customer experience, improve overall outcomes with reduced costs, differentiate its offerings, and increase profitability. Among our survey respondents, only two of the 18 companies are currently innovating on both the business model and product axis (see Figure 5). Six companies plan on moving to or are innovating along the two axes. Another six respondents are opportunistic on both dimensions, of which four companies plan to move to a customizing approach in the next three to five years.](image-url)
Multinational Medtech companies have long had a commercial presence in emerging markets, but only recently started taking a concerted approach to the largest, fastest-growing of these markets: the BRIC countries (Brazil, Russia, India, China). PwC’s Medical Device Emerging Markets Supply Chain Trends Survey, conducted in April 2011, confirms that China and India are high priorities for senior executives at Medtech companies.

The table below, which compares the BRIC economies, shows several characteristics that make India particularly attractive:

- India has the highest population growth rate of the BRIC set.
- Although India has a smaller medical device market size, at $3 billion, compared to Brazil ($3.5 billion), Russia ($5.1 billion), and China ($7.8 billion), it has the highest projected five-year CAGR, at 16%.
- India has the highest contribution from local Medtech suppliers, which indicates a robust supply base and technical capabilities.

### India by the numbers

<table>
<thead>
<tr>
<th>Economic environment</th>
<th>Brazil</th>
<th>Russia</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population*</td>
<td>203 million</td>
<td>138 million</td>
<td>1.189 billion</td>
<td>1.336 billion</td>
</tr>
<tr>
<td>Population growth rate</td>
<td>1.13%</td>
<td>-0.47%</td>
<td>1.34%</td>
<td>0.49%</td>
</tr>
<tr>
<td>Urbanization (% of population)</td>
<td>87%</td>
<td>73%</td>
<td>30%</td>
<td>47%</td>
</tr>
<tr>
<td>GDP per capita ($)</td>
<td>$10,500</td>
<td>$10,340</td>
<td>$1,390</td>
<td>$4,480</td>
</tr>
<tr>
<td>Healthcare expenditure per capita</td>
<td>$964</td>
<td>$549</td>
<td>$56</td>
<td>$208</td>
</tr>
<tr>
<td>Hospital beds per 1,000 capita</td>
<td>2.3</td>
<td>9.5</td>
<td>0.7</td>
<td>2.2</td>
</tr>
<tr>
<td>Physicians per 1,000 capita</td>
<td>1.5</td>
<td>5.0</td>
<td>0.7</td>
<td>1.5</td>
</tr>
</tbody>
</table>

### Medical device market

| 2010 market size                          | $3.5 billion| $5.1 billion| $3 billion| $7.8 billion|
| Projected 5-year CAGR                    | 6%          | 4%          | 16%       | 14%        |
| Import growth rate (%)                   | 34%         | 17%         | 4%        | 29%        |

### Payer Model

| Public                                    | 45%        | 66%        | 25%       | 37%        |
| Private                                   | 20%        | 6%         | 3%        | 10%        |
| Out of pocket                             | 35%        | 28%        | 72%       | 53%        |

All Data is for 2010; * indicates 2011 data point

Sources:

- Espicom World Medical Factbook 2011
- PwC’s Supply Chain Trends in Emerging Markets study
- PwC Medical Device Emerging Market Insights
- White Paper on Considerations of Implantable Medical Device Reimbursement Systems for India, AdvaMed 2008
Taking advantage of the Medtech market potential in India

Strong India growth aspirations and innovative ideas will go nowhere without a solid operational strategy to develop and deliver innovations to the target customer segments. Most Medtech multinationals, given their primarily mature market focus, do not have the operational model in place to most effectively enter and develop rapidly evolving emerging markets such as India. There is no one-size-fits-all approach — companies must carefully architect the appropriate operating model based on their strategy, risk tolerance, product portfolio, and current operational footprint. Figure 6 illustrates a structured framework to move from aspiration to execution, which can be a complex multi-year transformation.

The structure of local operations in India will depend on the company’s internal capabilities, investment and risk appetite, the availability of specialized services, and intellectual property risks.

As companies build their operating models for India, there are three key areas to consider:

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**Figure 6: India market expansion and operating models framework**

1. **Market opportunities and objectives**
   - Global opportunities and constraints
     - Unmet needs
     - Products and solutions
     - Market and economics
     - Regulatory, political characteristics
     - Competitor analysis
   - Cost, Capability, Scale, Access Opportunities
   - Business Objectives

2. **Business and operational strategies**
   - What?
     - R&D
     - Supply Chain
     - Sales Service
     - Support functions
   - Where?
   - How?
     - Own/Build
     - Partner/JV/Buy
     - Source/Contract

3. **Operating models and establishment**
   - Operating model
     - Organizational effectiveness
     - Decision making and governance
     - Partner networks and collaborations
     - Global assets and footprints
     - Technologies and tools
     - Process, standards and metrics
1. Establish a low-cost manufacturing network that meets global quality and regulatory standards

Manufacturing in India makes sense for very price-sensitive segments or for products with substantial local demand potential. For example, GE Healthcare — in alignment with its “in country/for country” policy — has designed, developed, and manufactured products like the MACi and MAC 400 with local components in India. The MAC 400 is priced two-thirds lower than an imported equivalent.  

When it comes to manufacturing, over 55% of companies surveyed plan to have a manufacturing presence in India in the next three to five years (see Figure 7). This trend will be led by companies producing lower-complexity products. Even companies manufacturing higher-complexity products, such as orthopedic devices, are beginning to consider manufacturing operations in India as a key component of their long-term growth plans. Local manufacturing of high-complexity products becomes more important as companies expand into more price-sensitive customer segments. Companies that plan to set up manufacturing capacity in India also plan to supply products for the regional Asia market as well. Close to three-quarters (70%) of survey respondents indicated that in the next three to five years they plan to supply to the regional and global market from their India manufacturing base.

Companies also plan on leveraging the supply base in India to source sub-assemblies and components for their local manufacturing needs.

While India may not have global names for components or contract manufacturing like Thailand or Taiwan, enterprising Indian companies can be developed to reliably supply the needs of global device companies. One medical device company PwC interviewed indicated they have sourced with great success over $100 million of high-quality printed circuit boards each year from an Indian company without a global reputation or brand.

2. Establish an innovation model that addresses the needs of India and other emerging markets.

Most current Medtech companies’ innovation operating models do not efficiently address the needs of emerging markets. Often, market needs are not completely understood, product design costs are high, innovation is focused on more complex technology as opposed to value, and innovation is focused on product technology without regard to the need for business model innovation. The global innovation model needs to shift from a mature-market-centric model to a more balanced model that can efficiently support emerging market growth opportunities. In doing this, a company needs to define its overall innovation strategy, re-architect its R&D footprint, and build new skills and capabilities.

Understanding the Indian market dynamics and customer needs is the first step. As companies expand to new segments and offerings, they’ll need to undertake, for instance, in-depth “voice-of-the-customer” research to understand the unmet needs; use characteristics; and spending patterns of the physicians, clinicians, hospital buyers, and patients in Tier 2 and 3 markets. The insights gained will likely show significantly different needs and opportunities to create value than companies may have historically addressed in mature markets.

A leading manufacturer of orthopedic trauma devices customized its pedicle screws after gathering feedback from Indian surgeons. The redesigned device required fewer instruments during surgery, thereby reducing the cost of the loan-sets provided to surgeons. Currently, this product contributes

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Figure 7: Manufacturing trends in India

<table>
<thead>
<tr>
<th></th>
<th>No manufacturing in India</th>
<th>Supply domestic India market</th>
<th>Supply regional Asia market</th>
<th>Supply global market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>8</td>
<td>6</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>In 3-5 years</td>
<td>11</td>
<td>8</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: PwC India Medtech survey 2011

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9 “FEATURE-In India, for India: medical device makers plug in,” Reuters (http://www.reuters.com/article/2010/07/05/india-healthcare-idUSSGE64U08P20100705)
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one-quarter of revenues for this company in India, and the company is now thinking about introducing the product in Southeast Asia.

To support local customer understanding and to develop products that address these needs, 20% of survey respondents have established local R&D capabilities in India, and an additional 40% expect to establish R&D facilities over the next three to five years. As companies establish these centers, it is important that the charter of these facilities is clearly defined in connection with the company’s overall global R&D network. Establishing these capabilities is not trivial. There are often significant considerations with respect to local technical skills and availability, attrition, wage inflation, IP protection, tax incentives, platform management, and global planning and coordination. Often, new business processes and systems need to be established to ensure quality and to improve control and communications. According to PwC research, Medtech companies plan to establish a broad array of R&D capabilities in India (see Figure 8).

Partnering, which can take various shapes, may be advantageous here. Trivitron, in collaboration with the Indian Institute of Technology Madras, has set up an R&D center to focus on new designs and IP generation for medical technology. About 30% of the survey respondents outsource R&D in India, particularly design, testing, and prototyping.

Services surrounding the product itself are often good candidates for innovation. Consider after-sales service. The Indian healthcare delivery environment, especially in the Tier 2 and 3 market segments, rarely has redundancy built into operations, and equipment breakdown can spell complete non-availability of services. A responsive service network that can rapidly remedy the situation will make a big difference to continuity of patient care.

Transasia Biomedical, for instance, provides technical support within four hours of equipment failure as part of its after-sales service program. Transasia maintains one engineer per 50 customers, compared to the industry average of one to 200, and considers its service engineers as a key differentiator for growth.

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10 http://trivitron.com/innovation-centre.htm

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**Figure 8: Medtech R&D capabilities in India**

<table>
<thead>
<tr>
<th>Capability</th>
<th>Current</th>
<th>In 3-5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Customer research</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Test V&amp;V</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Process development</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Tech division</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Product strategy</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Software development</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Basic research</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Prototyping</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Material science</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: PwC India Medtech survey 2011
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3. Enhance commercial operations to address new market segments. To enhance product awareness, increase patient access, and expand the Tier 2 and 3 segments of the India market, Medtech companies may need to strengthen commercial operations in ways not practiced in developed economies. Consider the benefits, for instance, of extensive training and medical education campaigns. India’s medical curriculum falls short of the latest preventative, diagnostic, and treatment options. The country lacks a standard protocol for therapy, and many doctors have little hands-on experience using medical devices. Companies thus must invest in training physicians everywhere in the country, not just for commercial reasons but also to mitigate the risk of improper use of devices. Stryker and Zimmer are two companies that have created mobile training centers to bring resources to physicians in remote locations.

Distribution operations are another area ripe for innovation. Most Medtech companies currently rely on external distributors rather than direct sales, because these distributors provide greater market coverage, more flexibility, and lower fixed costs. The tradeoffs are that companies have less control over their messages to the marketplace, less direct contact with customers, and less control over order fulfillment. Third-party distributors will still be valuable for higher-end products in certain situations, such as when Medtech suppliers need to reach hospitals in remote areas that lack overnight delivery services or large warehouse facilities. But as Medtech companies expand their operations in India, they will likely need to take over more of the customer-facing interactions, because those have the greatest strategic value (see Figure 9).

“There are too many small county hospitals and logistics is not robust enough to support single-source distribution. We need the help of distributors to serve the Indian market.”

— Mike Wijas
VP of Global Sales Operations, Boston Scientific
Insights from the Advamed panel

At the 2011 AdvaMed MedTech Conference in September 2011, during the “Taking Advantage of the India Healthcare Market Opportunity” panel, executives discussed PwC’s survey findings. The panelists included Christopher Cerone, vice president of global government affairs at Zimmer; Biten Kathrani, director of science and technology in India at Johnson & Johnson (J&J); and Suresh Vazirani, founder of Transasia Biomedicals, India’s largest clinical diagnostics company. The panel was moderated by Tim Durst, partner with PwC’s Healthcare Industries practice.

Here are select excerpts from the panel discussion.

**Market and regulatory conditions**

- Several agencies have jurisdiction over medical devices, and because the governing body is set up for drugs, medical device standards tend to be drug-centric, inconsistently applied, and inconsistent with state regulations. But efforts are underway to create a central arm of government to focus on medical devices.

- Where other countries can define tiers largely geographically, tiers in India tend to be defined by disposable income, with all tiers existing in each region. Surgeons can work across tiers, but with different equipment and infrastructure.

- Tiers 2 and 3 remain untapped, and the government is supporting growth in this area through an objective to have hospitals within 10 kilometers of every Indian; tax benefits now are extended to new hospitals. A decade ago, most Indians needed to travel 100 kilometers to reach a hospital, whereas today they need to travel only 20 kilometers.

- Corruption is quite common, and multinationals often find themselves at a disadvantage because they have more anti-corruption laws to comply with than local companies.

**Market development**

- To increase capacity and raise awareness of the diseases our products treat, we must train surgeons on the safe and effective use of equipment. Through its mobile “training on wheels” program, Zimmer provides this type of training at the surgeons’ location.

- Unlike mature markets, India requires several training centers because people are less willing to travel. Leading companies have created several training centers and teams that travel to reach surgeons around the country.

**Innovation**

- Dive into the market in order to understand trends and customers’ needs. Hospital structures, for example, can determine their needs. And keep in mind that Indians think in terms of affordability and value, not cost. They are willing to dig into their savings for the best possible life-saving treatments, but only spend what is necessary for non-life-threatening products.

- Remember that IP and patents must be administered around the world; if you don’t file in India, you lose protection here. India’s legal system to protect IP is slow but will work.

**Local manufacturing**

- India is known for outsourced software development and design, so it makes sense to expand into medical device development. Moreover, in order to understand local needs, your R&D should be grounded in the local environment.

- Tiers 2 and 3 require major innovation. For example, India is a large country with poor infrastructure, where it takes two to three days to transport product to customers. Many states have import permits, making the process even longer. Transasia addressed this challenge by setting up warehouses in 22 states.

- For all but the highest-technology products, local manufacturing can meet a supplier’s needs, and may be essential to deliver the value proposition Indian customers expect. Local manufacturing has helped Transasia to offer lower prices than multinationals, an EBITDA (earnings before interest, taxes, depreciation, and amortization) of more than 30%, and an average 30% growth.
Taking advantage of the Medtech market potential in India

The opportunities in India are real, and Medtech companies need to move quickly but with a well-thought-out strategy for market success. Given the dynamic nature of the Indian healthcare market, companies will need to reassess their business and operational strategies on a regular basis.

Multinationals should not assume that the opportunistic approach to this market will work in the future. Indian competitors are improving their technologies, manufacturing capabilities, and quality standards — all while keeping costs low. In addition, more multinationals are entering India to capitalize on its market growth.

Competitors are arriving from other low-cost countries, like China, with products that have fewer features for significantly lower cost.

Multinationals that do not develop a comprehensive strategy and operating model tailored for India risk losing market share and watching their competitive position erode. Early movers — either leaders or fast followers — that can quickly develop the right capabilities to support an operating model tailored to the local market stand to generate double-digit, sustainable, profitable growth as India’s healthcare system reaches millions of new consumers.

“In the West, innovation in medical device technology means things get more expensive. For India, innovation has to mean greater access and affordability.”

— Dr. G.S.K. Velu
Founder and Managing Director, Trivitron
Cutting through the regulatory fog

The Indian government sends mixed messages in its regulatory policies, leading to an attitude among most of PwC’s survey respondents that growth will happen despite the government rather than with its support. For instance, the government has reduced import duties for medical imports, and has also proposed price controls in the device sector.

Equally problematic is the government’s inability to implement device regulation, which is currently far less developed than regulation for pharmaceuticals or health insurance. While many in the Medtech industry welcome proposed draft guidelines for device regulation, most executives doubt that state and central agencies have sufficient resources and expertise to implement the regulations consistently. Several survey participants, for instance, noted that approval times for a new device have recently risen from three months to almost 12 months. Delays will likely worsen as the scope of device regulation expands.

Indian authorities could improve the situation by demonstrating adequate plans to staff and fund the upcoming medical device regulations, and by creating a clear communication plan to reduce uncertainties in the industry. Moves to demonstrate a commitment to smart, consistent regulation would strengthen India’s position as an investment location relative to other emerging markets such as China and Brazil.
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