Global health’s new entrants: Meeting the world’s consumer
What is a new entrant?

A disruptive, recent arrival to a market or industry. These may include companies whose core businesses reside entirely outside of the new industry, or businesses expanding into new roles.
Key findings

• **New entrants are poised to disrupt the world’s healthcare market**, which is estimated to be around **US$9.59 trillion**

• Where urgent needs prevail in a less regulated environment, **health solutions offered by disruptive new entrants can take root more quickly**

• As the world pivots towards the “virtualisation of care”, **new entrants** from sectors including telecom, technology and retail **will be well positioned to offer amazing breakthroughs**

• **Filling gaps between consumer expectations and the current medical infrastructure** provides opportunities for new entrants

• **The growing wellness and fitness market**, estimated to be about **US$1.49 trillion**, offers a more flexible entry for businesses considering ways to shake up the healthcare industry
The Landscape
New entrants poised to disrupt the US$9.59 trillion global healthcare economy

US$1.49 trillion
Global fitness & wellness market

US$8.1 trillion
Government & private providers

Source: PwC analysis
The world faces many healthcare challenges

In the emerging markets, lack of healthcare access continues to be a growing problem.

Challenges in developing markets
- Lack of healthcare access
- Increasing incidence of chronic diseases
- Lack of infrastructure

In the developed world, rising healthcare costs is an ongoing challenge.

Challenges in developed markets
- Rising healthcare costs
- Ageing populations
- Increasing incidence of chronic diseases
The vast global arena is ripe for collaborations between incumbents and new entrants

With consumers now at the centre of healthcare, new business models that depend on collaboration are required. No single organisation has the requisite competencies needed to support the continuum of care.

Sanofi Canada, the Canadian affiliate of pharmaceutical firm Sanofi S.A., partnered with Telus Health, a division of telecommunications company Telus, to launch a private web-based platform that offers patients self-management and monitoring tools.

SK Telecom, a South Korean wireless telecommunications operator, established a joint venture medical centre in 2013 with VISTA, the business partner experienced with management of specialised clinics in Chinese metropolitan areas.

Spanish operator group Telefonica recently acquired a controlling share in the Brazilian chronic care management provider Axismed.

Source: “Telus Health partners with Sanofi Canada to launch Starsystem platform” news release, (28 May 2012); “SK Telecom Enters into the Chinese Healthcare Market” news release, (04 July 2014); Dawinderpal Sahota, “Telefonica eyes e-health opportunity with Brazilian acquisition”, telecoms.com, (4 February 2013)
The Leapfrog Effect: Why Developing Countries Innovate Faster
The leapfrog effect: developing countries can innovate faster

Innovations can spring more rapidly from emerging economies than from developed countries, where healthcare systems are more entrenched and regulated.

- **Where urgent needs prevail** in a less regulated environment, **health solutions** offered by new disruptive forces can **root more quickly**.

- **Technology is becoming less of a barrier**.

- **New entrants can test their products** and services in more receptive markets **before launching** proven business ventures **in more regulated nations**.

Countries undergoing healthcare reform may be more receptive to new entrants’ products/services

Governments in emerging markets undergoing healthcare reform may be more amenable to innovation and can act as a catalyst for new market opportunities.

In **Saudi Arabia**, the Ministry of Health is working to develop a “value-based” health system achieved in part by empowering patients with health knowledge and skills, investing in population health, and helping to develop an efficient market that seeks maximum patient-oriented value.

**Indonesia** is shifting to become a single-payer health insurance system, and information technology will be part of the solution to keep costs down and expand care. The reform also eases foreign investment in many sectors, including pharmaceuticals, providing opportunities for outside companies to own and start their own operations.

Virtual Democratisation of Care
As the world pivots towards the “virtualisation of care” amazing breakthroughs can occur that erases boundaries

- Global focus on driving wellness and preventive care as compared to episodic care
- New business models in resource-poor settings
- Integration of medical technology
- Increased telecom penetration
- Greater mobility in terms of health access
- Increased patient and physician acceptance
Consumers today demand a convenient and transparent healthcare experience

- Virtual care is replacing traditional notions of care delivery
- Public and private partnerships can streamline delivery systems, but consumers today want their medical services to mirror the ease of banking, retail, transportation and more

<table>
<thead>
<tr>
<th>Industry</th>
<th>Past</th>
<th>Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>Limited bank teller hours and locations</td>
<td>Mobile banking &amp; payments available 24/7</td>
</tr>
<tr>
<td>Travel</td>
<td>Limited travel agency hours and locations</td>
<td>Online booking with real time pricing and on-demand booking</td>
</tr>
<tr>
<td>Retail</td>
<td>Standardised marketing and inventory</td>
<td>Customised website with targeted, data-driven promotions</td>
</tr>
</tbody>
</table>

Filling gaps between consumer expectations and the current medical infrastructure provides an opportunity for new players to move forward into healthcare with fresh ideas and skills
Filling Gaps in a Global Consumer Health System
The trend toward lower cost care settings is consistent in developed and emerging markets

- **Building much-needed health infrastructure is a major challenge in many rapidly growing nations**, in addition to chronic disease prevention.

- **Fewer opportunities to build health facilities exist in developed markets** where governments and private providers are closing hospitals or converting them to chronic care facilities.

- The trend over the past 15 years has been to move services out of the hospital to outpatient care; *now, the shift of services is to wherever the patient is*.

*This trend is consistent around the world reflecting the need for new entrants that can connect hardware, software, networks, diagnostics and biopharmaceuticals into integrated solutions of care.*
Case study: FEMSA Comercio runs newly acquired independent pharmacy chains efficiently

“We have needed to change our mindset; we have a different consumer with different needs to be resolved.”

FEMSA Comercio

- Since May 2013, **FEMSA, owner of Mexico’s leading convenience store chain OXXO, has acquired 550 pharmacies** with banners such as Farmacias YZA and Farmacias FM Moderna

- **FEMSA has encountered strong differences between running pharmacies and convenience stores**, especially in level of service and attention required for each customer and government regulations

- In Mexico, the retail-based medical clinic concept was born out of necessity due to the changing regulatory environment; in line with this trend, **a few of the larger FEMSA-acquired pharmacies have attached clinics**
Case study: Virgin Care is working with the NHS to provide the most efficient care at the lowest cost

“Because of shifting policies and the nature of healthcare, we have to stay nimble.”

Jim Kane
Head of Business Development
Virgin Care

- Virgin Care was one of the early private corporations to win work under the broad marketisation of the UK’s National Health Service (NHS), now running 230 services throughout the country spanning primary care, intermediate care, and community services.

- Virgin Care is working hard to provide better value healthcare than the NHS, saving money to build capital reserves and eliminating misaligned payment incentives.

- The company successfully competes for NHS contracts, partly because of the well-respected Virgin brand, but primarily because other competitors work in tight geographic areas.
Path of Least Resistance: Wellness and Fitness
The growing wellness and fitness market offers a path of least resistance

- **New entrants are already successfully offering services and products** such as fitness, reducing weight, etc.

- Growth in chronic diseases as nations become more affluent is **compelling governments to invest in preventative medicine**

- The **growing awareness of healthy workers as a corporate responsibility** is a strong trend in the developed world

- **Successful entrants are diversifying** into different products to improve profit margins
What this Means for Your Business
What this means for your business: New entrants

**Build digital trust.** New entrants need to understand how to engage with the traditional healthcare network and the emerging digital care environment, adapting operating models and data standards to store, transmit and share healthcare data in accordance to legal, regulatory and societal obligations.

**Find the right partners.** By working closely with knowledgeable healthcare providers who believe access to care is key to societal progress, new entrants can use technology to triage care where physicians, hospitals and clinics may be in short supply.

**Understand local dynamics and try to have a local footprint.** International vendors must understand the historical challenges, local customs and specific problems of each country they target.

**Test markets carefully.** When possible, follow a fast, frugal innovation model. Use simulation tools to define an offering before a pilot.
What this means for your business: Traditional and government providers

Choose partners wisely. Doing business with reputable new entrants provides an opportunity to build sustainable solutions that meet policy and business goals.

Be open to innovation. New entrants can challenge the status quo and may run counter to long-time practices. Examine their business plans and make sound decisions based on evidence rather than fear of breaking with tradition.

Develop consumer analytics. Closely track work with new entrants to gauge consumer response. Bringing in a new player or product should be considered the start of a process that can be fine-tuned, discontinued or renewed.
What this means for your business: Life sciences/biopharma and medtech industry

**Move beyond the treatment.** In most markets, payers are migrating to outcomes-based reimbursement models, which will force biopharma and medtech players to move beyond the episode of care and understand where and how they play in the continuum of care.

**Develop partnerships.** Biopharma and medtech will need to partner with new entrants to create new business models that support care anywhere.

**Understand the value of data.** Consumers expect solutions that integrate with their preferred mobile devices, apps, peripherals and wearables. Solutions and data should ensure that all parties are apportioned economic value relative to their contribution to the consumer’s health.
For more information

Patrick Figgis  
*Global leader, Health*  
+44 (0) 207 804 7718  
*patrick.figgis@uk.pwc.com*

Vaughn Kauffman  
*Global New Entrants leader, Health*  
+1 216 363 5817  
*vaughn.a.kauffman@us.pwc.com*

William Falk  
*North & South America leader, Healthcare*  
+1 416 687 8486  
*william.f.falk@ca.pwc.com*

Dagfinn Hallseth  
*Europe, Middle East and Africa leader, Healthcare*  
+47 (0) 95 26 12 48  
*dagfinn.hallseth@no.pwc.com*

David McKeering  
*Australia & Asia leader, Healthcare*  
+61 6236 4828  
*david.mckeering@sg.pwc.com*
Thank you

www.pwc.com/us/healthcarenewentrants

www.pwc.com/global-health

© 2015 PwC. All rights reserved.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

PwC helps organisations and individuals create the value they’re looking for. We’re a network of firms in 157 countries with more than 195,000 people who are committed to delivering quality in assurance, tax and advisory services. Find out more and tell us what matters to you by visiting us at www.pwc.com