Panoramic review of mobile healthcare industry in 2014 (I): earthshaking moves

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The 2014 was destined to be a landmark year for the mobile healthcare industry because too many earthshaking and epoch-making things happened in the year. Now please follow Dr.2 to make a panoramic review of what happened from the perspective of both an industry player and an industry observer.

Benchmark projects led investors to swarm into mobile healthcare market

A huge amount of capital was poured into the mobile healthcare industry in 2014, signaling profound market changes. After a blistering year in 2013, the industry witnessed a broad-based boom in 2014, when more than 80 projects secured a total investment of close to $700 million, double from the amount raised in the prior 4 years combined.

Significant investment decisions related to mobile healthcare services were announced almost every month in the year, just as if we had already been in the middle of the future. In addition to two mega deals fetching a combined $170 million investment from Tencent, there are four categories of investment targets, including 16 deals about wearable devices, 10 related to healthcare service, 13 concerning medical applications and 6 with relation to health applications. Some special investment projects do not fit into any of the four categories above.

Heavyweight players began to make inroad into the market

When we predict whether an industry is about to thrive, we should take into account not only the market trend and policy support, but also another important factor—whether domestic Internet heavyweights like Baidu, Tencent, Alibaba, 360 and Xiaomi are joining the race. These giants are trying to get an upper hand in various business areas like Internet finance, e-commerce, taxi apps, online education, banking service, O2O, film production and etc., and now the battlefield has spread to mobile healthcare.

Alipay's "Future Hospital" initiative, Alibaba Health, drug supervision code and Tmall drugstore

Future Hospital

It is a mobile medical platform that helps streamline and simplify the tedious procedures to see a doctor. In the future, patients can make appointments, pay medical bills, review test reports, and contact doctors through the online platform. For instance, at present, patients are waiting outside the clinics until it is their turn to see the doctor, but in the future, they can check appointments at their mobile phones and come to the clinics a few moments before their appointment is due.

When the patient's test report or diagnosis report becomes available, they can check the report on their mobile phone. After the doctor writes a prescription, the patient can pay the bill through Alipay's payment tool without having to wait before the cash counter, because their healthcare card has been bundled with their Alipay account. The issue of medical insurance settlement will also be resolved as the ecosystem continues to improve. After visiting the doctor, the patients can also rate the hospital.

Alibaba Health

Alibaba Group announced a deal early this year to buy a

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54.3% stake in Citic 21 CN. The acquisition, a crucial step for Alibaba Health to build a nationwide presence, not only grants it a license to sell drugs online, but also allows it to exclusively manage China's drug supervision codes. At present Alibaba Health has been focusing on two major businesses—taking control of data sources, which are fundamental resources for large pharmaceutical enterprises, cornerstone for its e-marketing push and valuable asset for its partnership with insurance companies, and running online platforms in Shijiazhuang and Hangzhou to allow patients to buy cheaper drugs. The move is an attempt to weaken the vested interest groups—hospitals and doctors—before the government separates medical services and drug sales. Alibaba hopes to take advantage of its dominance in the online retail market and gain a monopolistic position in the drug e-commerce industry, but little progress has been achieved. I believe this is probably a pilot programme launched by the government, and market expectations may start to develop toward that direction.

The drug supervision code system and Tmall drugstore might be integrated with the Future Hospital and Alibaba Health to build an extensive healthcare ecosystem. I have written several articles on this topic and would not elaborate here.

WeChat's "whole-process medical platform" and cross-platform bolt-on acquisitions

With a WeChat account, patients can scan the QR code of a hospital or follow its official WeChat account and bundle personal information with their medical cards. After these simple steps, they can use smartphone to make doctor appointments, pay medical bills, check the waiting time and examine test reports. The WeChat team has also joined hands with local health bureaus to launch a WeChat public account, enabling citizens to enjoy the whole-process medical services from making doctor appointment, checking health records to paying medical bills online. Tencent's big bets in healthcare information website www.dxy.cn and doctor appointment website www.guahao.com may foreshadow further integration of related resources.

Alipay has apparently been more aggressive in the fight to gain a bigger presence in the market. It has expanded footprints to hospitals in more than 20 provinces, versus some 70 hospitals in five provinces and cities by WeChat. However, it's still too early to conclude who will be the final winner because WeChat has a much larger user base than Alipay in the mobile terminal.

Ping An Health Manager

Ping An Insurance (Group) launched a healthcare app "Ping An Health Manager" on October 28, 2014, which features five modules—medical consultation, doctor appointment, health community, health information and health condition assessment. The app offers characteristic services like private health counseling, real-time doctor consultation and etc. It can also craft customized health management plans based on different users' health conditions and remind users to keep a healthy lifestyle. The app rolls out a series of health consulting activities every week, when famous doctors will stay online to answer users' health-related questions.

Based on its partnership with medical institutions and its ample resources of insurance customers, Ping An is making strategic deployment by integrating medical consultations, treatments and insurance claim settlement. It's hard to predict whether this strategy will be successful, since the app's active user base remains small and some business partners might walk away after the launch of this app.

Baidu's moves

Baidu is on the defensive in the battle. In addition to its investment in www.haodf.com, Baidu has put much of the attention to two areas in 2014. Firstly, it was building a data platform to encourage third-party hardware and software makers to stream their data and set up an open ecosystem; it also teamed up with Beijing government departments to develop a mobile health & hardware information sharing plan and made modest progress. Secondly, when other Internet giants were making heavy bets in the industry, Baidu was instead pouring much of the resources into "data mining" and "in-depth learning" in the hope of developing state-of-the-art technologies to trump innovative business models.

Qihoo 360, JD and Xiaomi

Qihoo 360 did nothing on this front in the year but launched a drug database along with national drug regulators. The software company made financial investment in some companies and withdrew investment from some others in 2014, but it basically pulled back, possibly preparing secret moves or taking a wait-and-see

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attitude.

JD developed hardware devices, built mobile healthcare platform and opened its data platform to other independent platforms as part of its effort to build a broad healthcare ecosystem. Its hardware devices appear to be well received, but its push in other areas has so far failed to gain traction. Moreover, JD also tapped e-commerce drug sales, hoping to gain a foothold in this market when policy restrictions are lifted.

Xiaomi continued to rely on its best-known advantages, which are Internet-based direct marketing and cost performance. It bought into several developers of mobile healthcare apps like iHealth, and used its strong bargaining powers to acquire, destroy or replicate business rivals. Looking into the future, it hopes to tap into the mobile healthcare sector by building a hardware industry chain. Xiaomi's relationship with Tencent appears mysterious, although the two joined hands to market products and made joint investments in some other companies.

Pharmaceutical industry chain players quickly forayed into the market

The pharmaceutical industry's traditional players are geared up to enter the race. I just picked several drug producers and distributors to analyze their push in different business aspects like mobile app development, drug e-commerce, e-marketing, wearable device, cloud service etc. A lot of pharmaceutical enterprises were met with obstacles as they could not properly balance their own interest and e-commerce platforms' interest, and the imbalance gave JD and Tmall a good opportunity to accelerate the construction and expansion of their own drug sale platforms.

Jointown Pharmaceutical Group

Apart from an app that used to help users find nearby drugstores and order drugs and has already stopped offering such services, and an online drugstore www.ehaoyao.com, Jointown Pharmaceutical Group launched a new app in September 2014, which can locate drugstores and provide professional consultations on how to choose and use medicines. The company and some analysts were also very optimistic about its future, saying the online drugstore will capture the largest market share under the control of Jointown. www.ehaoyao.com has signed partnership agreements with roughly 3,000 physical pharmacies. It plans to increase the number to 10,000 by the end of this year and 50,000 in 3 years. But this overambitious plan had already been announced 2 years ago, and it is definitely impossible to hit the target as it hoped to.

As a regional leader in drug distribution, Jointown Pharmaceutical Group appears to be in a favored position when it decides to set foot in the drug e-commerce market. But Dr.2 believes that its status as a pharmaceutical company would be a formidable obstacle in the way. It can quickly expand business in the initial stage thanks to strong support by its own stores, but its growth momentum will wane without outside support. Based on the business practices in other countries, we can conclude that the largest players in the drug e-commerce market are always those without any pharmaceutical business.

www.j1.com

www.j1.com, an online drugstore controlled by China Resources (Holdings), announced that it has completed a ¥300 million fundraising in the first quarter of 2014 from Shanghai International Group Venture Capital (SIGVC), and it has developed a new app that it hopes can offer one-stop services from health consulting to drug purchase. However, just like Jointown, its strong pharmaceutical background has turned out to be an obstacle for its ambition to move into the top ranks of e-commerce drug retailers. Its idea of offering one-stop health services is unlikely to materialize, because it has no strong business partner that can navigate enough data flow into the website and the cost of doing so is too high.

iHealth

iHealth is pushing business transformation from the traditional home-use electronic medical devices to mobile health products. It launched a series of products since 2010 and has since beefed up R&D investment in hardware, applications and cloud services. So far it has released about 10 products that separately measure blood pressure, blood sugar, weight, blood oxygen etc., and some products have passed FDA and CE certifications. The company has annual sales revenue of about $20 million, mostly from sales of medical devices, while revenue collected from apps and cloud services is too little to make a meaningful difference.

In the future, iHealth is expected to chase potential takeover targets that specialize in apps development and big data analysis and management. Bringing Xiaomi as an investor means it will have one more channel for

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direct marketing. iHealth aims to collect users' health data and realize its commercial value by sharing the data with insurance companies and pharmaceutical companies developing new drugs.

Lepu Medical Technology (Beijing) Co., Ltd

Lepu Medical technology (Beijing) Co., Ltd said in a statement in August 2014 that it has established Beijing E-Care Century Technology Co., Ltd with a 70% ownership. E-Care is mainly engaged in the R&D, sale and service of wearable devices monitoring cardiovascular diseases and diabetes. It also helps patients manage their health after medical instruments are embedded into their heart and builds a platform to facilitate whole-life-cycle communications between patients and doctors. Lepu also acquired two drugs and one hospital with a view to further popularizing its medical equipment. Dr.2 believes building the platform is a wise decision, because it can improve health management and enhance doctors' efficiency, but its acquisition of drugs and hospital could risk alienating existing partners and bring hurdles to its ongoing business expansion.

In the next chapter we would take a look at moves taken by HIS enterprises in this area and introduce several typical third-party companies with active presence in the mobile healthcare market.

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Footnote

Conflicts of Interest: The author has no conflicts of interest to declare.

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